EXPERIENCED AND EFFECTIVE LEADERSHIP

Nigel Stein

Non-Executive Director

Appointed to the Board:

October 2015

Appointed as Chairman:

May 2018

Skills and experience:

Nigel was Chief Executive of GKN plc until his retirement in December 2017. He has a wide range of international, general management and finance experience gained in various roles at GKN plc and also has experience in the automotive and manufacturing sectors.

Nigel is a chartered accountant.

Committee membership:

Chair of the Nomination Committee and member of the CSR Committee.

Stefan Bomhard

Group Chief Executive

Appointed:

April 2015

Skills and experience:

Stefan has senior level experience gained in a wide range of retail and FMCG businesses. Prior to joining the Group, he was President of Bacardi Limited's European region and has held a number of senior positions at Cadbury Plc, Unilever PLC, Diageo plc, Burger King and Procter & Gamble.

Other appointments:

Non-Executive Director of Compass Group PLC.

Richard Howes

Chief Financial Officer

Appointed:

April 2016

Skills and experience:

Richard has a wealth of experience across the financial and commercial sectors, working for multi-site businesses with substantial global footprints. He joined the Group from Coats plc where he was Chief Financial Officer.

Richard is a chartered accountant.

Jerry Buhlmann

Non-Executive Director

Appointed:

March 2017

Skills and experience:

Jerry has over 30 years' experience in the media and advertising industries. He was CEO of Dentsu Aegis from 2013 until earlier this year and prior to its acquisition by Dentsu Inc, Jerry was the CEO of Aegis Group PLC.

Jerry is also a director of Madison Sports Group and the Media Trust.

Committee membership:

Remuneration, CSR and Nomination Committees.

Rachel Empey

Non-Executive Director

Appointed:

May 2016

Skills and experience:

Rachel was appointed Chief Financial Officer of Fresenius SE & Co. KGaA, a top healthcare company listed on the DAX index, in August 2017.

Previously Rachel was Chief Financial and Strategy Officer of Telefónica Deutschland Holding AG ("Telefónica Deutschland").

Rachel is a chartered accountant.

Committee membership:

Audit and Nomination Committees.

Full biographies, including past employment history, can be found on www.inchcape.com

Jane Kingston

Non-Executive Director

Appointed:

July 2018

Skills and experience:

Jane served as Group Human Resources Director for Compass Group PLC from 2006 until her retirement in 2016. Jane also held senior positions at Enodis PLC, Blue Circle PLC (now Lafarge SA) and Coats Viyella PLC. Jane has significant remuneration experience and is Remuneration Committee Chair of National Express plc and Spirax-Sarco Engineering plc.

Other appointments:

Non-Executive Director of Spirax-Sarco Engineering plc and National Express plc.

Committee membership:

Remuneration and Nomination Committees.

John Langston

Non-Executive Director

Appointed:

August 2013

Skills and experience:

John has corporate finance, accounting and international experience acquired in senior financial roles in the engineering sector. He is an experienced Non-Executive Director who has a strong governance background and was the Audit Committee Chair of Rexam PLC until its sale to Ball Group in 2016.

John is a chartered accountant.

Committee membership:

Chair of Audit Committee and member of Nomination Committee.

Coline McConville

Non-Executive Director

Appointed:

June 2014

Skills and experience:

Coline has extensive remuneration experience as the Remuneration Committee Chair of Travis Perkins plc, Fevertree plc and of TUI Travel plc until its merger with TUI AG. Coline is an experienced Non-Executive Director and has served as a director on several UK boards.

Other appointments:

Non-Executive Director of Fevertree Drinks plc, Travis Perkins plc, 3i Group plc and a member of the supervisory board of TUI AG.

Committee membership:

Chair of Remuneration Committee and member of Nomination and CSR Committees.

Nigel Northridge

Senior Independent Director

Appointed:

July 2009

Skills and experience:

Nigel brings international and commercial experience acquired across a number of sectors. He is an experienced Non-Executive Director and has served as a director on the boards of several large UK and global plc's.

Other appointments:

Chairman of Hogg Robinson plc, Chairman of Scandinavian Tobacco Group A/S and non-executive Chairman of Belfast City Airport.

Committee membership:

Remuneration, Audit and Nomination Committees.

Till Vestring

Non-Executive Director

Appointed:

September 2011

Skills and experience:

Till is an Advisory Partner with Bain & Co, based in Singapore. He has extensive experience advising multinationals on growth strategy across Asia and leading Asian companies on strategy, M&A and organisation.

Other appointments:

Non-Executive Director of Keppel Corporation.

Committee membership:

Chair of CSR Committee and member of Remuneration and Nomination Committees.

CHAIRMAN'S STATEMENT

A GOVERNANCE CULTURE

NIGEL STEIN
Chairman

Watch online inchcape.com/AR18

DEAR SHAREHOLDER

I am pleased to present the Corporate Governance Report for the year ended 31 December 2018. The next few sections explain how the Board and its Committees have discharged their duties throughout the year and I hope you find it informative.

OUR BUSINESSES

As part of my induction, I have been able to travel to several markets to meet colleagues and learn more about the business. The Board also travelled to Singapore for its annual overseas meeting in October 2018. The visit provided an opportunity for our Non-Executive Directors to meet personally with colleagues and observe how Ignite is being implemented within our markets. The Board visited the Inchcape Lexus Boutique and Toyota World and also spent time at the Suzuki dealership. The local teams updated the Board on the latest customer initiatives being introduced across the region, including the automated Leads Distribution System and other digitalisation projects which are enhancing our sales capabilities.

The Board also received presentations on industry trends including on future mobility from Mr Yutaka Okayma from Toyota Asia Pacific and Professor Lee Der Horng, a leading transport academic in Singapore. Industry insights such as these increased the Board's knowledge on specialist areas and are vital for Non-Executive Directors who are not involved in the day-to-day running of the business.

A clear understanding of future industry trends is imperative for the Board to aid its decision making process and an overview of the trends is given on page 11.

GOVERNANCE AND CULTURE

As previously mentioned the Board approved a new Code of Conduct which is being rolled out globally. The Code sets out the minimum standards of behaviour expected from our employees to act with honesty and integrity. The Code gives clear guidance on ethical decision making, the identification of misconduct and whistleblowing procedures. The Code also sets out our commitment to all our stakeholders. These concepts are at the heart of our vision to be the world's most trusted automotive Distributor and Retailer and create the cornerstone of the culture within Inchcape.

2018 saw a considerable number of governance and regulatory changes which were duly discussed by the Board. The new UK Corporate Governance Code was published in July 2018 and the Board agreed the actions it needed to take to comply during 2019. The Board is considering how and what information it receives from key stakeholders and whether these engagement mechanisms are appropriate. The Board has also considered engagement with the workforce and the three options given in the new Code. The Board feels that a designated Non-Executive Director is the most appropriate method at this time and has appointed Till Vestring, Chair of the CSR Committee, to take up the role. Till will set out how the CSR Committee intends to engage with our employees during the year. The Board will review periodically to ensure that both the Board and our employees are getting value from the engagement process.

BOARD COMPOSITION

As mentioned in my statement on page 1, Nigel Northridge will retire following the AGM, and I am delighted to confirm Jerry Buhlmann will succeed him as Senior Independent Director. Further details are given on page 66. As a result of the planned Board changes, I have been considering our succession process to ensure that we are planning ahead to have the right balance of skills and experience. I am focused on ensuring that we have 33% female representation by 2020. To help us achieve this we are looking at our candidate selection processes to ensure a truly diverse range of candidates are being considered. Further details of succession planning are given in the Nomination Committee Report on pages 65 to 66.

I thank you for your support during 2018 and look forward to the coming year.

Nigel Stein
Chairman

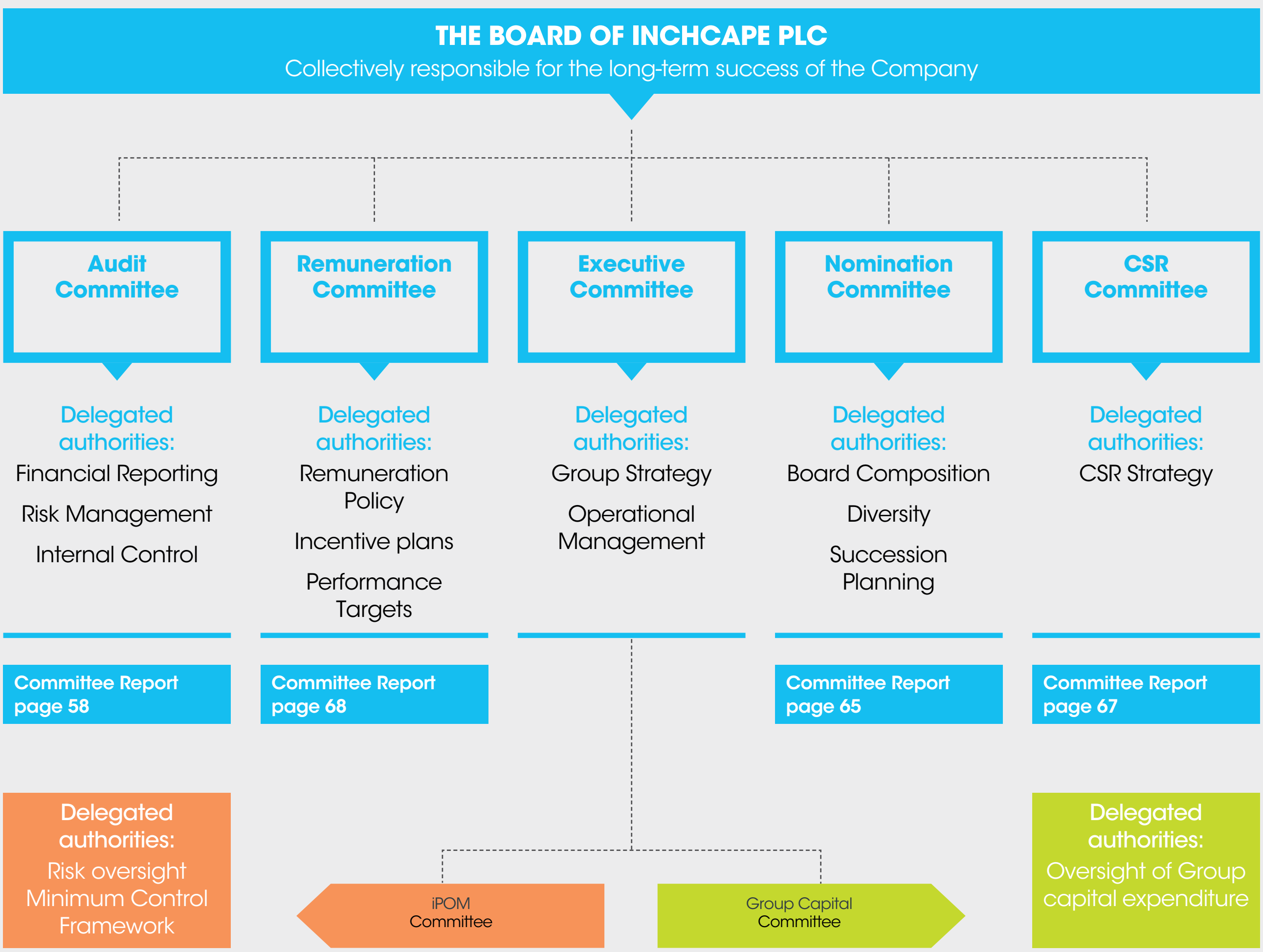
Leadership

STATEMENT OF CODE COMPLIANCE

The Company was compliant with the provisions of the 2016 UK Corporate Governance Code throughout the year. The Code can be found on the FRC's website www.frc.org.uk

The information required under DTR 7 is given on pages 51 to 87 and forms part of this report.

GOVERNANCE STRUCTURE



The Board

The Board is collectively responsible for the long-term success of the Company which it achieves by setting the strategic direction of the Group and ensuring that there are the necessary financial and human resources available to deliver the objectives. The Board also ensures that there are controls, processes and procedures in place to ensure that the right culture exists for the achievement of the strategic goals.

Chairman

Nigel Stein, as Chairman, is responsible for leading an effective Board, ensuring timely, accurate and relevant information is received by Board members, planning the composition of the Board and is Chair of the Nomination Committee.

The Chairman sets the Board's agenda and ensures that appropriate time is allocated to discuss each agenda item. He is also responsible for ensuring there is a culture of openness and debate and that constructive relationships exist between the Non-Executive Directors and Executive Directors.

Senior Independent Director

Nigel Northridge is the Senior Independent Director and is available to shareholders if they do not want to speak to the Chairman or the Group Chief Executive Officer.

His role is to act as a sounding board for the Chairman and to serve as an intermediary to other members of the Board.

Chief Executive Officer

Stefan Bomhard, as Group Chief Executive Officer, is responsible for developing the Group's strategy, running the day-to-day operations, reporting to the Board on performance, implementation of strategy and any significant developments, leading the Group Executive Committee including managing risk and internal control and engaging with shareholders.

The Non-Executive Directors are appointed to offer a wide range of skills and experience which enable them to advise, support and constructively challenge management, to provide independent judgement on the Board's discussions and to help with the development of the Company's strategy.

The Non-Executive Directors met in 2018 without the presence of Stefan Bomhard and Nigel Stein to discuss their performance. If a Director has a concern about the running of the Company which cannot be resolved, it would be recorded in the Board minutes. No such concerns arose in 2018.

Activities of the Board

The table below shows the Board and Committee meetings held during the year. There were additional Board calls and Committee meetings throughout the year to discuss specific issues as they arose.

	Board	Audit Committee	Remuneration Committee	Nomination Committee	CSR Committee
Name	Scheduled/attended	Scheduled/attended	Scheduled/attended	Scheduled/attended	Scheduled/attended
Stefan Bomhard	6/6	–	–	–	2/2
Jerry Buhlmann	6/6	–	2/2	2/2	2/2
Rachel Empey	6/6	4/4	–	1/1	–
Ken Hanna*	2/2	–	1/1	1/1	1/1
Richard Howes	6/6	–	–	–	–
Jane Kingston*	3/3	–	1/1	1/1	–
John Langston	6/6	4/4	–	2/2	–
Coline McConville	6/6	–	2/2	2/2	2/2
Nigel Northridge	6/6	4/4	2/2	2/2	–
Nigel Stein	6/6	–	2/2	2/2	1/1
Till Vestring	6/6	–	2/2	2/2	2/2

* Ken Hanna retired from the Company following the 2018 AGM. Jane Kingston joined the Company in July 2018.

The Board is collectively responsible for the long-term success of the Company and achieves this by setting its strategic aims whilst ensuring that the necessary financial and human resources are available. The Board also ensures that the correct controls are in place to drive the right culture throughout the organisation to achieve its strategic objectives in a sustainable manner. The Chairman ensures that there is a culture of openness and transparency on the Board to facilitate constructive debate on all matters considered during the year.

There is a schedule of formal matters reserved for the Board which can be found at www.inchcape.com/governance.

Focus in 2018	What we achieved	Focus for 2019
Investor engagement	A Capital Markets Day was held in June 2018 which was designed to give investors a clear explanation of the Distribution business model, the drivers of growth for Inchcape and our view of future trends and our positioning against them.	– Engagement with stakeholders other than shareholders – Workforce engagement – Consideration of s172 reporting
Ignite strategy	The Ignite M&A programme had several successes in 2018 with Distribution contract wins in Kenya, Colombia, Lithuania and Guam and the acquisition of Grupo Rudelman in Central America. An important part of the Board's discussions is the capital allocation framework to ensure that cash is being utilised effectively. During the year the Board discussed dividend policy, capital expenditure and share buybacks. Further details can be found on page 16.	– Global industry trends – Disruptive and future industry trends – Strategy development
Risk	The Board undertook a comprehensive risk appetite assessment during the year which included a focus on the impact of Brexit on the business. Further information can be found in the Risk Management Report on pages 35 to 46.	– Annual review of principal risks and mitigating actions – Annual review of risk appetite – Brexit outcomes
Financial reporting	The Board reviews the performance of the business on a regular basis and challenges management on the assumptions made and judgements used, with assurances provided by both internal and external sources to ensure that the information communicated to stakeholders is fair, balanced and understandable.	– Approval of annual operating plan – Review of delegated authorities and capital expenditure processes – Value driver performance – New accounting standards
Leadership	The Board discussed succession, talent development and diversity for the senior management population.	– Group Executive Committee succession planning – Talent pipeline planning – Diversity and inclusion review
Governance and culture	The Board approved the following: – General Data Protection Regulations – Inchcape Code of Conduct	– Implementation of 2018 UK Corporate Governance Code – Review adoption of Code of Conduct across the Group – Anti-bribery and corruption training
Partners	The Board regularly discusses the Group's OEM partners to ensure that the Group is offering the best possible service at every part of the value chain. See pages 8 to 9.	– Management meetings with OEM counterparts – Deep dive of Ignite OEM Partner of Choice objective

Effectiveness

COMPOSITION OF AND APPOINTMENTS TO THE BOARD

The Board is comprised of eight independent Non-Executive Directors and two Executive Directors, whose biographies are given on pages 48 to 49. Nigel Northridge completed nine years' service in July 2018. The Board agreed that Nigel would remain on the Board until May 2019 to assist with the Chairman transition. He will retire from the Board following the AGM.

Nigel Stein was considered independent on his appointment as Chairman. All other Non-Executive Directors are considered independent in accordance with the UK Corporate Governance Code.

Non-Executive Directors are appointed for a period of three years. After each three-year period the performance of the Director is reviewed by the Chairman, and the Nomination Committee approves any further terms. All appointments are subject to annual re-election at the AGM. Details of the Board succession planning process can be found in the Nomination Committee Report on pages 65 to 66.

COMMITMENT

The Directors are required to allocate sufficient time to the Company to discharge their responsibilities and Board dates are agreed two years in advance to ensure that Directors are able to plan accordingly and for other commitments to be taken into account.

Non-Executive Directors are informed of the time commitment expected from them upon appointment and this is reviewed annually to ensure that the time expected is still relevant in light of the Company's strategic agenda.

The Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office and at the AGM.

The Board understands that the Executive Directors can gain valuable business experience as a Non-Executive Director of another company. The Group's policy is to limit Non-Executive Directorships within a FTSE 100 company to one appointment only. Stefan Bomhard is also a Non-Executive Director of Compass Group PLC. Details of the fees paid to him are given on page 87 of the Directors' Report on Remuneration.

Induction process

	The Inchcape framework	Meet key management / advisors	Visit the businesses
	The first step in the Directors', induction is making sure that they have all the information and support to enable them to carry out their duties. This includes Board processes, Group structures, strategy, Code of Conduct, other policies and procedures, risk footprint.	Meeting key management and advisors allows the Directors to gain a broader understanding of the day-to-day operations and head office functions such as legal, compliance, treasury, finance	Visiting the businesses gives the Directors a unique opportunity to see the Ignite strategy in action, meet colleagues and seek their views on the business and to understand the culture of the Group
 Jane Kingston	As Jane is new to the industry, her induction was tailored to ensure that she received in-depth sessions with key employees	In addition to management, Jane also met with Mercer | Kepler, to gain an understanding of the Company's remuneration framework and culture	In addition to the Board's Singapore visit, Jane also met with the UK CEO at VW Chiswick, to learn about the UK automotive industry
 Nigel Stein	Nigel's induction involved several overseas visits to enable him to gain a deeper understanding of the Group's operations, culture, risks and opportunities	Nigel undertook a schedule of shareholder meetings upon appointment as Chairman to listen to their views on the business and its longer-term opportunities	Nigel visited our operations in Russia, Australia and Asia to learn more about the differences, challenges and opportunities for the Distribution and Retail businesses

DEVELOPMENT

All Directors receive a tailored induction programme upon appointment designed to ensure that they have sufficient knowledge of the business and the context in which it operates. The induction consists of one-to-one meetings with the Group Executive Committee members and other key members of the management team and site visits designed to give the Director an in-depth understanding of the Retail and Distribution businesses.

To ensure that the Directors have the appropriate knowledge to support their decision making, regular presentations from management are included in each Board meeting, along with industry updates and insights into trends affecting the industry.

Regional updates, designed to give a deeper view of the markets, are given throughout the year by the relevant market Chief Executive Officers. Details of the Board's activities are given on page 53. The Non-Executive Directors are expected to update their knowledge and skills regularly and training is provided for the Board and individual Directors as required.

INFORMATION AND SUPPORT

The Group Company Secretary is responsible for ensuring the Board has access to relevant and accurate information. The Board agendas are agreed in advance by the Chairman and the Group Chief Executive Officer and include regular items such as reports from the Group Chief Executive Officer, the Chief Financial Officer and Investor Relations.

The information supplied to the Board and its Committees allows the Board to scrutinise the performance of management and to monitor performance against objectives. In addition to regular reports from key management, the Board also receives information on operational matters, financial performance and strategic developments.

The Group Company Secretary also supports the Board by providing advice and services, including access to independent advice, and ensures that an accurate record of the meeting is taken.

BOARD EVALUATION

The 2017 Board evaluation was externally facilitated, and the table below sets out the progress against the actions raised from that process. The 2018 Board evaluation was an internally facilitated evaluation led by the Company Secretary. The results were similar to those of 2017 as many of the action points will be continuous improvement. Areas of focus during 2019 will be the Non-Executive Director appointment process and the remit of the CSR Committee in light of the new Code provision on workforce engagement.

Action from 2017	Progress in 2018
Ensuring that future Board composition always maximises challenge to management as they crystallise the longer-term strategy beyond Ignite, by keeping Board skills and terms under regular review and in line with strategy.	The Nomination Committee considered the future skills requirement for the Board. Please see the Nomination Committee Report on page 66 for further details.
Expanding the work of the Nomination Committee to enable broader discussions amongst Board members about NED and executive succession, development and learning, and maintain the balance between experienced Directors, future Chairs and newer 'PLC' NEDs.	In addition to the annual senior management talent planning session carried out by the Board, it was agreed that an informal session take place each year to allow the Board to discuss with the CEO the performance of the Group Executive Committee.
Expanding the work of the Nomination Committee to cover items of governance to ensure appropriate focus for the Group.	The Nomination Committee is considering how to add value to the Board's deliberations and will review its terms of reference to ensure they are appropriate.
Reviewing the Board pack to broaden the spectrum of information provided to the Board, for example on competitors, or international territories, especially as future strategy discussions develop.	An effective Board report is a strategic extension of day-to-day information-gathering and provides the platform on which boards can work with management to add real value and to gain a critical understanding of the business. The information provided to the Board has been reviewed to ensure that it remains appropriate.

Accountability

FINANCIAL AND BUSINESS REPORTING

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects in the Annual Report and Accounts, the interim financial statements and the trading updates. The Board is satisfied that appropriate processes are in place to provide the necessary information on position and performance, business model and strategy to allow users to make a fair assessment of the business and to enable the Board to make this statement.

The Board considers the information received and discussions and decisions made throughout the year when asking the following questions:

Has equal weight been given to all messages and is any information omitted?

Is the narrative reporting consistent with the financial statements?

Are the principal risks, business model and strategy in line with the Board's understanding of the business?

Are the key performance indicators appropriate?

Are the Strategic Report, governance report and financial statements balanced?

Will stakeholders be able to understand the business, its position and prospects from reading the Annual Report?

Do the significant issues referred to in the Audit Committee Report reflect those considered by the auditor?

The Board also satisfies itself that the statements made are supported by verification documents, monthly performance reports and the annual operating plan.

A statement of the Directors' responsibilities is set out on pages 91 to 92. The going concern statement is set out on page 92 and the strategy and business model are set out on pages 2 to 18.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board carried out a robust assessment of the Group's principal risks including those that would threaten its business model, future performance, solvency or liquidity during the year. Following this review, the Board agreed changes to the articulation of certain risks which had previously been reviewed and approved by the Group Executive Committee.

The Board also considered the impact of Brexit on the business and a statement of its findings in relation to Brexit and the Group's principal risks is given on pages 35 to 46.

The Board also discussed, and agreed, its risk appetite in relation to each of the principal risks. Consideration was given to:

- The description of the risk;
- The current risk footprint showing gross risk, net risk and the target position;
- Background information that underpins the risk;
- Key mitigation actions; and
- The risk appetite statement for each of the risks.

A description of risks, an explanation of how they are being managed and mitigated and the Board's viability statement can be found in the Risk Management Report on pages 35 to 46. The Board also reviewed and approved the viability statement including its assessment of the methodology used by management to reach its conclusion.

The Board has delegated responsibility for reviewing the effectiveness of the system of internal controls to the Audit Committee. Further information can be found in the Audit Committee Report on pages 58 to 64.

The risk management and internal controls processes are designed to manage rather than eliminate the risk of failure to achieve business objectives. In establishing and reviewing the system of internal control, the Directors have regard to the nature and extent of the relevant risks, the likelihood of loss being incurred and the costs of control. The system can only provide a reasonable but not absolute assurance against any material misstatement or loss and cannot eliminate business risk.

The Board has determined that there were no significant failings or weaknesses identified during the review of the risk management and internal control processes during the year and further confirms that these systems were in place during 2018 and up to the date of this report.

The Directors are satisfied that the Group's risk management and internal control systems accord with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Relations with Shareholders

The Head of Investor Relations, Group Chief Executive Officer and Chief Financial Officer met with approx. 270 investors and potential investors during the year at roadshows, investor events and one-to-one meetings. Nigel Stein also met with several major shareholders to discuss various strategic and governance topics as part of the Chairman induction programme.

A dialogue with shareholders ensures that the Company is fully aware of shareholders' views and their expectations of the Group's strategy and performance both in the short and long-term. The views of shareholders are communicated to the Board after each meeting and through regular Investor Relations reports, and analysts and brokers briefings.

Capital Markets Day

A Capital Markets Day was held on 6 June 2018. The aim of the investor day was to give an in-depth view of the business, the drivers of growth and future trends. There were presentations on the Distribution business model, operational excellence, consolidation, future trends and opportunities and multi-layered earnings growth. In addition, Mr Yoshi Inaba, Special Advisor to Toyota Motor Corporation, spoke to investors about the long-standing relationship with Inchcape, Toyota's view on distribution and the strength of Inchcape's business model.

The Capital Markets Day presentations can be found on the Company's website www.inchcape.com/investors/CapitalMarketsDay

CONSTRUCTIVE USE OF GENERAL MEETINGS

The AGM gives shareholders an opportunity to meet the Board and ask any questions they have regarding the Group, its performance and its strategy.

The Board encourages participation of private shareholders at the AGM, however, the Board understands that it is not always possible for shareholders to attend in person. Shareholders are encouraged to contact the Company with any questions they wish to raise with the Board of Directors via the Company Secretary.

The Company complies with the Code as it relates to voting, the proposal of separate resolutions on each substantially separate issue and the attendance of the Committee Chairs at the AGM. Details of the votes received for the resolutions put to shareholders at the AGM are available on the Company's website.

The Company's registrars, Computershare, act as scrutineers at the AGM and ensure that the votes are correctly counted and recorded.

All Directors are required to attend the AGM.

The Group is committed to reducing its impact on the environment and encourages shareholders to receive communications electronically to reduce paper usage. Shareholders can also register for news alerts via email. Please visit the website www.inchcape.com/investors for more information. It is important for shareholders to receive communications in the form most appropriate to their needs and they can change the way they receive information at any time.

AUDIT COMMITTEE REPORT

ENSURING INTEGRITY AND CONTROLS

JOHN LANGSTON
Chair of the Audit Committee

DEAR SHAREHOLDER
I am pleased to present the report of the Audit Committee for the year ended 31 December 2018. The aim of the report is to provide an overview of the significant issues considered by the Committee during the year, how the Committee has discharged its responsibilities, and to highlight some of the matters presented by management on various aspects of the business. These presentations from management ensure that the Committee can assess the risks and the effectiveness of any mitigating actions and challenge management on the control environment and any failures.

External auditor
Following the successful external audit tender in 2017, I am pleased that shareholders supported the appointment of Deloitte LLP as the Group's auditor.

Deloitte took over the role from PwC in May 2018 however the team had shadowed PwC during the 2017 year-end audit and spent time with management getting to know the business. As part of the transition programme the team visited a number of businesses across various markets to enhance their understanding of the business and assessment of audit risks and focus.

Anna Marks is the lead audit partner.

Non-audit services
There were certain non-permitted non-audit services fees accrued by Deloitte during the year, which relate to tax compliance and computations for 2017 in relation to Guam, Saipan and Macau where Deloitte had already been engaged to perform the work prior to their appointment as Group auditor. The Committee reviewed the provision of these services and concluded that it would not be likely to affect their objectivity and independence. The Committee kept the non-audit services under review during the year and further details are given on page 63.

Accounting standards
Several new accounting standards have been introduced with IFRS 9, Financial Instruments and IFRS 15, Revenue Recognition effective from 1 January 2018, both of which were disclosed in last year's Annual Report and IFRS 16, Leases, effective from 1 January 2019. The Committee spent considerable time with management and the external auditor assessing the accounting impacts, transition options, and relevant disclosures.

The management team are also working with the Group Reward team to assess the impact of IFRS 16 on the key remuneration performance metrics. Further details on IFRS 9, 15 and 16 are given in the notes to the financial statements on pages 107 to 110. The Committee's consideration of IFRS 16 is also given on the significant issues disclosure on page 64.

The key activities of the Committee are given in the table on page 60 and the following pages set out the work carried out by the Committee during the year, the significant issues considered, and the key decisions made by the Committee.

John Langston
Chair of the Audit Committee

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

		Feb	May	Jul	Nov
John Langston	Committee Chair	✓	✓	✓	✓
Rachel Empey	Independent Non-Executive Director	✓	✓	✓	✓
Nigel Northridge	Independent Non-Executive Director	✓	✓	✓	✓

The Audit Committee consists of three independent Non-Executive Directors. John Langston and Rachel Empey are qualified chartered accountants and are considered to have recent and relevant financial experience. In addition, the Committee as a whole has competence in Retail which is the sector in which the Company operates.

The Committee met four times during the year to coincide with the financial calendar. Only members of the Committee are entitled to attend Committee meetings. However, the Chairman, Group Chief Executive Officer, Chief Financial Officer, Group Financial Controller and Group Head of Internal Audit attend the Committee meetings along with the external auditor. Other senior executives, such as the Group Tax Director and Group General Counsel, attend during the year to present to the Committee.

The Committee regularly meets with the auditor without the presence of management to discuss any areas of concern they might have. John Langston also meets with the Chief Financial Officer and Head of Internal Audit at one-to-one meetings which enable him to fully understand the key issues ahead of Committee meetings.

It is the role of the Audit Committee to ensure the integrity of the financial reporting and audit processes, to ensure the internal control and risk management systems are effective, to review the Group's whistleblowing procedures and to establish and maintain an appropriate relationship with the external auditor.

The Committee's terms of reference can be found on www.inchcape.com/governance

The Committee is supported by a number of sources of internal assurance from within the Group in order to review the control environment. The Committee also assesses the effectiveness of the system of internal control on an annual basis by considering any material control weaknesses identified by the external auditor as a result of their audit. There have been no significant changes to the control environment and the Audit Committee has concluded that the Group's internal system of controls was effective during the year.

The significant issues considered by the Committee are given on page 64.

Financial reporting

The role of the Committee in relation to financial reporting is to review with both management and the external auditor the appropriateness of the half year and annual financial statements taking into account:

- The quality and acceptability of accounting policies and practices
- Material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including the Code
- Any correspondence from regulators in relation to the Group's financial reporting
- Reviewing assumptions and providing assurance to support the long-term viability statement

Fair, balanced and understandable

The Board assesses the Annual Report and Accounts to ensure that it is a fair, balanced and understandable assessment of the Group. The Audit Committee, however, also carries out its own assessment of the financial statements, and the Annual Report as a whole, and is satisfied that it provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

Our 2018 objectives	What we achieved	Focus for 2019
Annual Report and Accounts including financial statements, accounting judgements, impairment review, going concern, viability statement	The Committee considered all key audit issues, accounting treatment and judgements in relation to the financial statements. This includes challenging management on the assumptions used and the judgements that have been applied, with assurances given from both external and internal sources. The information supplied also allows the Committee to assess key disclosures to ensure adequacy, clarity and completeness. Key disclosures include the viability statement on page 46, going concern, which can be found on page 92, and goodwill, which can be found on pages 139 to 140. Particular attention was given to the application and impact of the new accounting standards which have been or will be adopted by the Group.	– Impacts of new accounting standards – Review of key assumptions used by management on key accounting standards
PwC audit report, PwC independence review	The Committee considered the report from the auditor in relation to the financial statements and the 2017 Annual Report and Accounts.	– Deloitte audit report – Deloitte independence report – Deloitte report on internal controls
Deloitte 2018 Audit Plan	The Committee discussed the audit plan and agreed materiality, scope and fees.	– Review of the effectiveness of the external audit
Internal Audit Report	The Committee reviewed and monitored: – progress against the 2018 plan throughout the year; – the status of open audit issues; – any internal control failings; and – the appropriateness of mitigation actions put in place by management. The Committee also reconfirmed the Internal Audit Strategy and the Internal Audit Charter and approved the 2019 Internal Audit Plan. Further details can be found on pages 61 to 62.	– Monitor progress against 2019 plan – Progress made in resolving open audit issues – Monitor improvement plans in relation to identified internal control gaps
Risk Management Report	The Committee consider the risk management environment, major whistleblowing reports and any mitigating plans implemented by management throughout the year. Progress against plans is monitored closely and management are challenged appropriately on areas where a satisfactory outcome is not evident. Further details can be found on pages 35 to 46.	– Monitoring of whistleblowing cases and actions implemented to resolve issues
Non-Audit Services Policy and review of non-audit services	Due to the change of auditor, the Committee undertook a comprehensive review of the non-audit services supplied by the external auditor. Further details can be found on page 63.	– Review of non-audit services supplied – Application of the Non-Audit Services Policy
Tax update and litigation update	The Committee reviewed the Group's tax costs, tax risks, efficiency and effectiveness of tax policies along with updates on tax audits. It also reviewed any significant litigation issues.	– Monitor the tax strategies within markets and at Group level – Monitor the level, frequency and type of litigation within the Group

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for reviewing and agreeing the Group's principal risks and for considering its risk appetite in relation to those risks. However, the Audit Committee has delegated responsibility for ensuring that:

- There is an appropriate mechanism in place to identify the risks the Group faces;
- Management teams have the correct focus on those risks and the action plans in place to mitigate or respond to those risks;
- A compliance programme is in place in all markets that meets or exceeds external benchmarks and is appropriate in terms of legal requirements, content, sector, cost and resources;
- Internal controls are appropriate, well designed and operating consistently across the Group; and
- The Group's whistleblowing programme is appropriately managed to reduce the risk of fraud or respond quickly and decisively in the event the Group falls victim to fraud.

The Audit Committee considers the risk management framework, any internal control issues which have arisen and all whistleblowing reports, and the mitigating actions, at each meeting. The reports provided to the Committee give an insight into the culture within the organisation and allow the Committee to assess progress against and effectiveness of any mitigation plans implemented by management.

The Group has adopted the three lines of defence model. The first line of defence is the Group's organisational activities, policies and procedures implemented by local management teams. The second line of defence comprises oversight functions and Group or regional management who set direction and define policy. The third line of defence is Internal Audit, supported, if necessary, by external experts. Each function provides independent challenge to the levels of assurance provided by the first two lines of defence.

Further information on risk management and the Group's principal risks can be found in the Risk Management Report on pages 35 to 46 and the Corporate Governance Report on page 56.

WHISTLEBLOWING

SpeakUp, the Group's externally hosted whistleblowing line, is a compliance and ethics reporting solution which allows both hotline and web reporting capabilities in multiple languages, integrated with case management software to support efficient and effective investigation, remediation and reporting.

The Head of Corporate Assurance reports to the Committee at each meeting on fraud and whistleblowing claims that have been received since the last Audit Committee meeting, and significant currently open issues. The new and open cases which are reported to the Committee are those of sufficient significance to warrant attention, however a list of all reports is also provided to the Committee along with a breakdown by market, report type and source.

INTERNAL AUDIT

The aim of the Internal Audit function is to provide independent objective assurance and advisory services designed to add value and improve the Company's operations, by bringing a systematic and disciplined approach to evaluate the effectiveness of the risk management, governance, control and compliance processes and support management in their continuous improvement.

The Committee assesses the effectiveness of the Internal Audit function by reviewing progress against plans and also reviews the experience and expertise of the Internal Audit team to ensure the right people are recruited to carry out the function.

As part of its remit, the Internal Audit team regularly assesses the effectiveness of internal controls over financial reporting as well as the preparation of financial statements based on the framework contained in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the UK Corporate Governance Code and reports its findings to the Audit Committee on a regular basis. The Group's Minimum Control Framework (MCF) ensures facilitation of this process across its broad range of operations globally.

The Audit Committee agreed that a review of the effectiveness of the Internal Audit function should take place in 2019.

A new Internal Audit strategy was rolled out at the beginning of the year with a focus on internal control governance, implementation of regional internal audit functions and audit process improvements, which are aligned to the Ignite strategy and key risks. The key components of the improved Internal Audit model, and progress made during the year, are detailed on page 62.

Key components of Internal Audit model	Progress during 2018
Regional delivery – Introduction of the regional operating model – Small but focused base for independent assurance located closer to the business – Shifting of the execution from the centre – Building partnership with the business	– New regional Internal Audit employees recruited – One fully resourced regional team in South America integrated and extended to Central America – Shifting ownership of audit and related matters to new regional functions – Good progress facilitated through participation in Group-led projects by business and finance teams
Internal controls custodianship – Focused internal controls team – Alignment with second line of defence – Centrally led team of experts – Alignment, support and collaboration – Transparency of risk mitigations	– A central point of focus for internal controls – Building partnerships with IT and Finance functions – Designing the mandate of internal controls functions in the markets – Creating a reliable self assessment toolset for the Minimum Control Framework
Global Audit Centre of Excellence – Central team re-positioned to provide guidance and expertise – Assurance over Group risks and centrally led project – Focus on disruptive risks and strategy support – Training and upskilling hub	– One central team, under one leadership – Refreshing of the methodology and implementation of the new toolset – Implementation of regional ways of working – Training and upskilling commenced

2019 Internal Audit Plan

The Committee reviewed the 2019 Internal Audit Plan which will continue to deliver assurance for the control environment, based on MCF testing as well as key regulatory risks pertinent to the Group.

The 2019 plan will also incorporate an operational risk universe development with a pilot in Latin America, to prepare the foundations for the risk-based planning process. The Committee approved the planning approach, resourcing, the risk-based reviews (anti-money laundering, risk management and data protection) and IT audit.

The key elements of the 2019 plan are:

Assurance theme	Overview	Proportion of audit time
Compliance	Testing compliance against the Minimum Control Framework and expected controls	40%
Risk-based reviews	Performing global and local reviews to evaluate how the business manages key risks outside MCF	35%
IT audit	Reviewing how the business manages key risks around IT	11%
Management assistance	Internal Audit's input on fraud investigations and direct requests from management for assistance	14%
Advisory activities	Assurance activities in new areas not previously covered by Internal Audit but which represent either key strategic priorities or emerging risks	

EXTERNAL AUDIT

Auditor effectiveness and independence

The Committee assesses the robustness of the external audit process by:

- Monitoring the implementation and fulfilment of the audit plan.
- Reviewing and assessing the auditor reports on the significant accounting judgements and its challenge to management.
- Reviewing the level of support and service provided by the auditor.
- Reviewing the results of the external audit effectiveness survey.

The Committee satisfies itself that the auditor remains independent and objective by:

- Reviewing the safeguards operating within the audit firm.
- Considering the Independence Report presented to the Committee.
- Assessing the level and type of non-audit services provided by the auditor.

Due to the change in auditor, the effectiveness review will take place in 2019 once Deloitte have completed their first audit.

The review is designed to provide the Committee with information on the overall efficiency, integrity and effectiveness of the external audit, with the views of senior finance personnel in each of the Group's principal territories together with Group Finance, Tax and Company Secretariat taken into account.

When assessing the effectiveness of the external audit the Committee considers:

Audit planning and design

- Audit team structure and leadership
- The approach to the audit
- Sources of assurance
- Key risks to the audit quality

Audit policies and procedures

- Independence and quality control procedures
- Review of non-audit services provided

Audit execution

- Professional judgement, mindset and culture of audit firm
- Technical excellence, skills and judgement

Role of management

NON-AUDIT SERVICES

The policy for non-audit services sets out the permitted and non-permitted non-audit services as well as the approval levels required by the Audit Committee. The policy is designed to ensure that the external auditor's objectivity is not compromised by earning a disproportionate level of fees for non-audit services or by performing work that, by its nature, may compromise the auditor's independence. However, using advisors who have an understanding of the Group's business can be a benefit and the Committee will consider non-audit services supplied on an ongoing basis. The provision of permitted non-audit services will only be approved by the Audit Committee if:

- Engagement of the auditor to provide the services does not impair the independence or objectivity of the external auditor;
- The skills and experience of the external auditor make it the most suitable supplier of the non-audit service;
- The auditor does not have a conflict of interest due to a relationship with another entity; and
- The aggregate fees incurred for permitted non-audit services relative to the audit fee do not exceed 70% of the average audit fee over the previous three years.

Permitted non-audit services above a certain level are approved on a case-by-case basis by the Audit Committee. The fee paid to the auditor for audit-related services was £0.1m, and for permitted non-audit services was £0.4m. The ratio for audit/non-audit work is 0.12:1.

Deloitte continually monitor their independence and ensure that appropriate safeguards are in place including but not limited to the rotation of senior partners and staff and the involvement of other partners and staff to carry out reviews of the work performed and to otherwise advise if necessary. The following services were supplied during the year:

Permitted non-audit services

- Assistance with GDPR compliance
- Australia Retail review

Non-permitted non-audit services

- Guam, Saipan and Macau – assistance with tax compliance and computations for 2017.

Deloitte had already been engaged to perform the tax work prior to their appointment as Group auditor and although these services are not permitted under our policy, they are permitted under the Audit regulation as they are non-EU countries. In addition, separate teams were engaged and used to provide all non-audit services and appropriate safeguards were implemented to ensure that there was no threat to Deloitte's independence.

SIGNIFICANT ISSUES

The following issues were identified by the Committee as being significant in the context of the financial statements or as matters of significance to the Group and were debated by the Committee during the year.

Acquisition accounting (see note 28 on page 161)	**The issue and management's view** Management presented details on the acquisition accounting for the Central American business acquired in March 2018, and the judgements applied in preparing the Group's results for the year ended 31 December 2018 and the period ended 30 June 2018. These judgements included the initial purchase price allocation, the alignment of accounting policies and the determination of any associated fair value adjustments.
	Conclusion reached by the Committee The Committee concluded that the business combination had been accounted for appropriately and in line with the principles set out in IFRS 3, Business Combinations.
	Rationale for the Committee's conclusion The Committee received reports from management which covered the acquisition accounting process and which demonstrated how the accounting principles had been applied. The Committee reviewed the judgements made and considered the application of the accounting principles to be appropriate.
Goodwill/Asset impairment (see notes 11 and 12 on pages 139 to 141)	**The issue and management's view** Management presented a detailed overview of impairment testing to the Committee covering goodwill; a number of properties; and the indefinite life intangibles arising as a result of business acquisitions. The Committee reviewed and challenged value-in-use calculations, sensitivity analysis and a review of the draft disclosure in the financial statements.
	Conclusion reached by the Committee The Committee concluded that an impairment of UK goodwill of £175m and of site based assets in the UK and Europe of £23.2m was required. Further details can be found on pages 139 to 141.
	Rationale for the Committee's conclusion The Committee reviewed the outlook for the UK business which had declined during 2018. Management kept the Committee updated throughout the year with regular reports on goodwill and site based asset assumptions being considered. The Committee concluded that the sensitivity analysis prepared by management on the UK goodwill value-in-use model incorporated reasonably possible changes to the key assumptions and that the outcome of the sensitivity analysis indicated that an impairment was required.
Minimum Control Framework ("MCF")	**The issue and management's view** The Committee reviews control issues identified by the MCF on a regular basis with management reporting on any significant issues and the actions taken to resolve the control gaps.
	Conclusion reached by the Committee The Committee satisfied itself that management had taken the appropriate action for any significant issues identified during the year and received regular updates on progress against plan. The Committee concluded that engagement with underlying adherence to the MCF standards was improving across the Group.
	Rationale for the Committee's conclusion The Committee received updates from the Group Head of Internal Audit at each meeting setting out the compliance across the Group, detailed findings from audits and recommended mitigation plans for identified control gaps. The regional Finance Directors report to the Committee on any specific issues throughout the year.
IFRS 16 (see pages 109 and 110)	**The issue and management's view** During the year, management presented to the Committee on the implications of IFRS 16 and the accepted approaches to transition. Management carried out a comprehensive awareness programme globally to ensure that the markets were informed of the new standard.
	Conclusion reached by the Committee The Committee was regularly informed of the Group's position and the transition approaches recommended by the IASB and management provided a detailed analysis of each. After due consideration, the Committee agreed to adopt a fully retrospective transition approach to IFRS 16.
	Rationale for the Committee's conclusion The Committee reviewed the accounting and reporting implications from the perspective of the balance sheet, income statement and cash flow. The Committee also considered other implications including net debt and gearing, net assets, EBITDA and ROCE which contributed to the Committee's decision on the accounting treatment for IFRS16.

NOMINATION COMMITTEE REPORT

CREATING AN EFFECTIVE BOARD

NIGEL STEIN

Chair of the Nomination Committee

DEAR SHAREHOLDER

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2018.

During the year the focus of the Committee was on Non-Executive Director succession planning and Jane Kingston was appointed in July 2018. Jane brings a wealth of remuneration experience and joined the Remuneration Committee upon appointment. Jane will succeed Coline McConville as Chair of the Remuneration Committee when Coline steps down from the Committee and the Board in July 2019 and I am sure that the Committee will be in good hands.

Nigel Northridge, the Senior Independent Director, will retire in 2019 after more than nine years' service. Nigel agreed to stay on the Board to assist me in settling into the chairmanship role and I appreciate his support during that time. Nigel has been a valuable asset to the Board and we wish him success in the future.

The Board approved the appointment of Jerry Buhlmann to succeed Nigel Northridge as Senior Independent Director. Further details are given on page 66.

As a Board we have agreed not to set targets within our Diversity Policy Statement however we aim to achieve the guidelines set out in both the Hampton-Alexander Report and the Parker Review. We will work with the recruitment consultants to ensure that the Board is informed of a wide range of potential candidates.

Nigel Stein
Chairman

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

		Feb	Nov
Nigel Stein	Chairman	✓	✓
Jerry Buhlmann	Independent Non-Executive Director	✓	✓
Rachel Empey	Independent Non-Executive Director	✓	✓
Jane Kingston*	Independent Non-Executive Director	–	✓
John Langston	Independent Non-Executive Director	✓	✓
Coline McConville	Independent Non-Executive Director	✓	✓
Nigel Northridge	Independent Non-Executive Director	✓	✓
Till Vestring	Independent Non-Executive Director	✓	✓

*Jane Kingston joined in July 2018

Focus for 2018	What we achieved in 2018	Focus for 2019
Board succession planning	Successful integration of Board Chairman Appointment of Jane Kingston in July 2018	– Review of selection process to ensure wide range of candidates is presented to the Board for consideration
Governance	The Committee discussed the new UK Corporate Governance Code and the provisions which impacted the Committee	– Review of policy on multiple board appointments to avoid 'overboarding'
External evaluation actions	There were several actions arising from the 2017 external evaluation	– Focus on Board composition and skills required to support long-term strategy

BOARD SKILLS AND EXPERIENCE

The review of skills and experience is carried out by the Committee annually by way of a skills assessment completed by the Board members.

The Board has a broad range of skills and experience covering automotive, retail, reward and human resources, finance, consultancy, strategy and media. The skills review identified digital / technology as an area which could be further strengthened on the Board as digital is a rapidly evolving area for the automotive industry and as such is a key consideration for succession planning. The future trends affecting the industry are given on page 11.

The experience of the Board members covers a wide range of sectors and industries and in addition we also have several Board members from outside the traditional UK plc background and this diversity of thought adds to our decision making. However, we recognise that this is a constantly evolving environment and ensuring that we have the right mix of individuals to support and challenge management, to avoid group think and to make the right decisions to facilitate the long-term success of the Group remains paramount.

APPOINTMENT PROCESS

The Inzito Partnership was appointed to assist with the search for Non-Executive Directors during the year. The team at Inzito has worked with the Group for several years and is familiar with the current Board's skills set and the potential requirements for the future.

During the recruitment process, I meet with the consultants to review our needs and to draw up a long-list of suitable candidates for consideration. When a short-list has been established, potential candidates will meet with other Board members, after which the Committee will decide on the most suitable candidate and recommend the appointment of the Non-Executive Director to the Board for its approval. The Inzito Partnership is a signatory to the Voluntary Code of Conduct for Executive Search Firms and does not have any other connection to the Company.

The Company continually updates its list of potential candidates, taking into account the Ignite strategy, the business needs of the Group and the Board's diversity policy, and should the situation arise when a Director departs unexpectedly, the recruitment process can begin immediately.

The Chairman led the recruitment process for the new Senior Independent Director and met with a broad range of candidates. The short-list was discussed in detail with the Committee members and ultimately it was agreed that Jerry Buhlmann was the most suitable candidate. The Committee believes that Jerry's recent CEO and international board experience is an asset and he has the skills and capability to perform the role effectively. As Senior Independent Director, he will serve as a sounding board for the Chairman and act as an intermediary for other Directors. He will also be responsible for holding annual meetings with Non-Executives, without the Chairman present, to appraise the Chairman's performance, and will be available as an alternative point of contact for investors.

DIVERSITY POLICY STATEMENT

The Committee recognises the benefits of having a diverse Board and sees this as an essential element in delivering the Group's strategic objectives. We value diversity of skills and industry experience as well as background, race, age, gender, educational and professional background as we believe this adds fresh perspectives which enrich our decision making and the aim of the policy is to reflect this ethos.

The Board's policy on diversity is a verbally agreed principles-based policy. It is clearly understood by our recruitment consultants and is taken into account when considering succession planning and external hires. The Board considers all aspects of diversity to be relevant and all Board appointments are made on merit and in the context of the skills and experience needed for the Board to be effective. The Board has not set specific targets, however aims to achieve the recommendations set out in the Hampton-Alexander and Parker Reviews.

During 2018, Jane Kingston was appointed to the Board, therefore as at the date of this report women represent 30% of the Board membership.

The Board philosophy on diversity is also reflected throughout Inchcape where we employ a diverse workforce across 32 countries. We value the unique contribution that each person brings to Inchcape and we aim to employ people who reflect the diverse nature of society, regardless of age, sex, disability, sexual orientation, race, colour, religion, ethnic origin and political belief.

The Committee's terms of reference can be found at www.inchcape.com/governance.

CR COMMITTEE REPORT

BUILDING SUSTAINABILITY

TILL VESTRING

Chair of the CSR Committee

DEAR SHAREHOLDER

I am pleased to present the report of the CSR Committee for the year ended 31 December 2018.

During the year, the Committee reviewed progress on our three core pillars, our people, health & safety and the environment. I am pleased that progress is being made on the people and health & safety agendas and we also continue to work on minimising our environmental footprint. Further information can be found in the CSR Report on pages 28 to 33.

The Committee also looked at each of our key stakeholders, how we create value for each of them, how we engage with them and the outcome of the engagement processes. Creating dialogue with stakeholders enables us to build on our vision to be the world's most trusted automotive Distributor and Retailer and we will continue to build on this during 2019. Further details are given on page 29.

Another area of consideration for the Committee has been the new UK Corporate Governance Code requirement for engagement with the workforce. I am pleased to report that the Board has agreed to delegate responsibility to the CSR Committee with myself as the designated Non-Executive Director. The Committee will spend the first few months of 2019 agreeing actions, processes and reporting procedures to ensure that we are in a good position to engage with the workforce in a meaningful way. Our employee experience surveys and focus groups will go some way to provide valuable information but we feel this would be enhanced by other mechanisms such as Board members' attendance at town hall meetings and further site visits to meet employees and listen to their views.

I am excited for the opportunities this presents for the Committee and I look forward to reporting on our activities in next year's Annual Report and Accounts.

Till Vestring
Chair of the CR Committee

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

		Feb	Nov
Till Vestring	Committee Chair	✓	✓
Jerry Buhlmann	Independent Non-Executive Director	✓	✓
Stefan Bomhard	Group Chief Executive Officer	✓	✓
Alison Clarke	Chief Human Resources Officer	✓	✓
Coline McConville	Independent Non-Executive Director	✓	✓
Nigel Stein	Chairman	✓	✓

Focus for 2018	Progress made	Focus for 2019
CSR strategy	A review of the CSR strategy was undertaken during the year by an employee working group to determine whether the strategy was still relevant to the changing business.	– Workforce engagement – Stakeholder engagement
Stakeholder engagement	After receiving feedback from investors and customers we participated in the 2018 CDP climate change project.	– 2019 CDP submission – Review of areas for improvement and subsequent action plans

ALIGNING PERFORMANCE AND REWARD

COLINE McCONVILLE
Chair of the Remuneration Committee

DEAR SHAREHOLDER

I am pleased to present the Directors' Report on Remuneration ("DRR") for the year ended 31 December 2018. The first part of this report gives details of the remuneration policy which was approved by shareholders at the 2017 Annual General Meeting ("AGM") and part two of the report gives details of how the policy was implemented during 2018.

Jane Kingston was appointed to the Board and to the Committee on 25 July 2018. Jane brings a wealth of remuneration experience and her biography is given on page 49. After almost five years on the Board and three years as Chair of the Committee, I have decided to retire from Inchcape and will be stepping down from the Board in July 2019. By that time, Jane will have served on the Committee for 12 months and we will have completed a comprehensive handover prior to the policy review in 2020.

2018 PERFORMANCE OUTCOMES AND AWARDS

The Group delivered sales of £9.3bn, operating profit before exceptional items of £385.1m, EPS of 65.0p (adjusted) and ROCE of 28%. The performance resulted in 62.3% of the 2016 performance share plan ("PSP") and the 2016 co-investment plan ("CIP") vesting and a 2018 annual bonus payment of 57.7% for salary for Stefan Bomhard and 66.7% of salary for Richard Howes.

The various elements of remuneration paid to Directors are set out on the following pages, with a summary on page 70. This includes a 4.0% and 2.5% salary increase for Stefan Bomhard and Richard Howes respectively, which took effect from 1 April 2018. The Committee took into account the average salary increase across the Group when determining the 2018 Executive Directors' salaries, along with performance, delivery of the Ignite strategy and external and internal market practices, and concluded these increases to be appropriate. In 2018, the average salary increase across the Group was 2.5%.

The Committee is satisfied that the total remuneration received by Executive Directors in 2018 appropriately reflects the Company's performance over the year and is consistent with the approach taken for other 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. The Committee did not exercise any discretion on reward outcomes for 2018.

2018 UK CORPORATE GOVERNANCE CODE

The new Corporate Governance Code was published in July 2018. The Committee has considered its obligations under the new Code which is effective from 1 January 2019. Some of the new provisions have already been adopted by the Company such as holding periods for long-term incentive plans and malus and clawback provisions, however there are certain actions the Committee will undertake during 2019 as part of the remuneration policy review:

- A review of the information provided to the Committee in respect of workforce remuneration and related policies;
- A review of the alignment of pay structures with desired Company culture (as well as performance);
- Consideration of a post-employment shareholding policy;
- Review of cash supplements offered to Executive Directors as part of the pension contributions;
- Consideration of the use of discretion to override formulaic outcomes beyond what is already permitted in the policy and relevant plan rules.

The Committee, in particular, notes the views of remuneration governance bodies and investor guidelines on pensions paid to executive directors. At the last policy review in 2017, the Committee reduced the maximum pension contributions from 40% to 30% of salary for the Executive Directors and will review the maximum contribution again as part of the upcoming policy review.

The Committee also updated its terms of reference to align with the new Code. Its terms of reference can be found at www.inchcape.com/governance and details of the remuneration consultants can be found on page 87.

REGULATORY REPORTING REQUIREMENTS

The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations) were published in June 2018. The Committee has reviewed the revised reporting requirements which are effective from 1 January 2019. The Committee has decided to implement the following reporting requirements early: the disclosure of any use of discretion by the Committee in the Annual Statement, the additional pay scenario of maximum vesting under the long-term incentives plus a 50% share price appreciation to the performance scenario charts and an additional note in the single figure table detailing how much of the Executive Director's vested long-term incentives for that year are attributable to share price appreciation. The Committee also reviewed the feasibility of disclosing the CEO pay ratio in this report however the Committee concluded that it would be appropriate to disclose in next year's report in line with regulations.

During 2019, the Committee will review relevant processes, procedures and policies to ensure that they are aligned with the new reporting and governance regulations and will report to shareholders on these aspects in next year's DRR.

2019 REMUNERATION

During 2018 and at the beginning of 2019, the Committee reviewed the impact of new accounting standard IFRS 16, which is effective from 1 January 2019, on the performance targets for the 2019 incentives as well as the targets for the outstanding 2017 and 2018 long-term incentive awards. For 2019, the bonus and long-term incentive awards will be set taking into account the new standard to ensure targets and actual performance are measured on a consistent basis. For the outstanding 2017 and 2018 long-term incentive awards, the Committee intends to make adjustments to targets as appropriate and will disclose in the relevant DRR.

The Committee considered salary increases for Stefan Bomhard and Richard Howes and approved an increase of 2.0% each. The salary increases will take effect from 1 April 2019.

2019 REMUNERATION POLICY REVIEW

Jane Kingston will lead the remuneration policy review during 2019 with a view to consulting with shareholders before the end of the year. Along with a comprehensive review of the policy the Committee will also consider how it can engage with the wider workforce on how decisions on executive pay reflect wider pay policies and alignment across the Group.

The Committee values the opportunity to engage with stakeholders as it allows the Company to be transparent around its remuneration decisions. Engagement also allows stakeholders to express their views on the clarity, appropriateness and simplicity of its remuneration policy. The remuneration policy will be put to shareholders for approval at the 2020 Annual General Meeting.

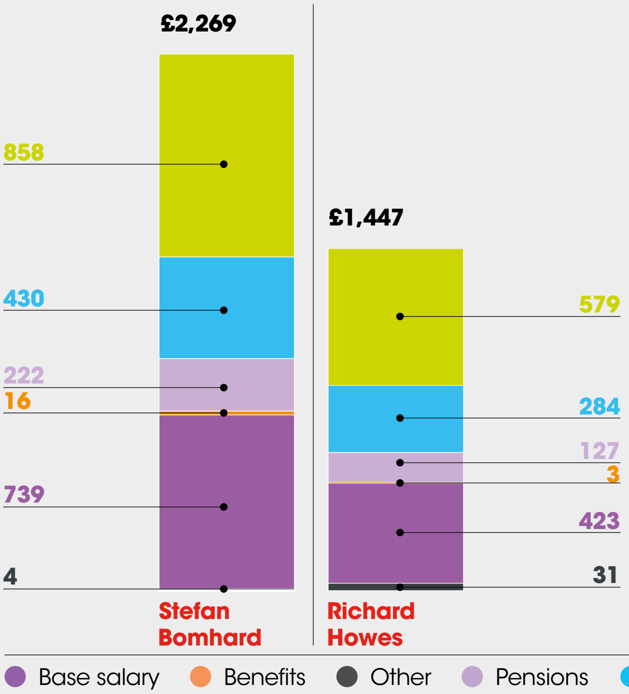
We look forward to engaging with shareholders throughout the year and at the Company's Annual General Meeting in May 2019.

Coline McConville

Chair of the Remuneration Committee

REMUNERATION AT A GLANCE

WHAT EXECUTIVE DIRECTORS EARNED DURING 2018 (£'000)



- 4.0% and 2.5% salary increase in 2018 for CEO and CFO respectively
- 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 2018 to 31 December 2018 of 563.5p
- 62.3% of the PSP and CIP awards vested

Details of actual performance achieved are given on pages 79 to 82.

ALIGNMENT OF PERFORMANCE AND REMUNERATION FOR 2018

Annual bonus

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

DRIVE GROWTH
KPI: Revenue
£9.3bn

DRIVE PERFORMANCE
KPI: Operating Profit
£385.1m

DELIVER STRATEGY
KPI: annual objectives
Progress of Ignite

REWARD
57.7% of salary – CEO
66.7% of salary – CFO

Long-term incentives

To motivate and reward performance linked to long-term success

INCREASE EARNINGS AND RETURNS
KPI: EPS
65p
KPI: ROCE
28%

LONG-TERM PERFORMANCE
Performance Period
2016 – 2018

REWARD
PSP
62.3%
CIP
1.25:1 match

Further information on annual bonus and long-term incentive plans can be found on pages 80 to 82.

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. There are three minor changes/clarifications: confirmation that it is current practice for any dividends accrued over the vesting of PSP and CIP awards to be paid in shares, a statement of the Committee's commitment to consult employees on executive remuneration in the future and additional detail on the term of appointment for the Non-Executive Directors. The performance scenario charts also include an additional scenario of maximum vesting under long-term incentives plus a 50% share price appreciation.

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: – 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 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 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. Dividends can be paid in cash or shares. Current practice is for dividends to be paid as shares. 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.
Co-Investment Plan (CIP)	To encourage executive share ownership and reinforce long-term success. A voluntary investment opportunity in return for a performance-based match. Any annual 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.	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. 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. Vesting of the CIP 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. Dividends can be paid in cash or shares. Current practice is for dividends to be paid as shares. CIP awards granted from 2017 are subject to malus and clawback provisions.	Executive Directors may invest up to an overall maximum of 50% of salary. Maximum match of 2:1, threshold of 0.5:1. Maximum matching award is therefore 100% of salary in any year, and threshold matching award is 25% of salary.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

Element	Objective and link to strategy	Operation and performance metrics	Opportunity
Save As You Earn (SAYE)	To encourage share ownership.	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.	Participation limits are those set by the UK tax authorities from time to time.
Pension	To provide market competitive pension benefits where it is cost-effective and tax-efficient to do so.	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. Members are required to contribute 7% of pensionable salary. Executive Directors may also receive a salary supplement in lieu of pension contributions.	Eligibility to join the Cash+ scheme at a minimum level to meet regulatory requirements. Cash supplement up to 30% of base salary for Executive Directors.
Other benefits	To provide market competitive benefits where it is cost-effective and tax-efficient to do so.	Benefits currently include (but are not limited to): – Company cars; – Medical care; and – Life assurance premiums.	It is not anticipated that the costs of benefits provided will materially exceed 5% of salary for existing Executive Directors. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation).

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 pages 80 to 83 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.

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:

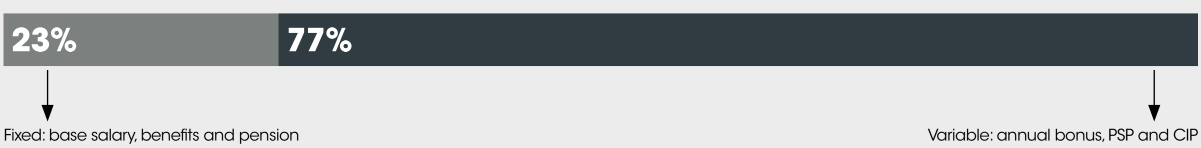
- reduce bonus, PSP and/or CIP;
- cancel entitlement of bonus;
- prevent vesting of the PSP and/or CIP; or
- allow the Company within two years of payment/vesting of award to claim back up to 100% of the award.

Composition of remuneration arrangements

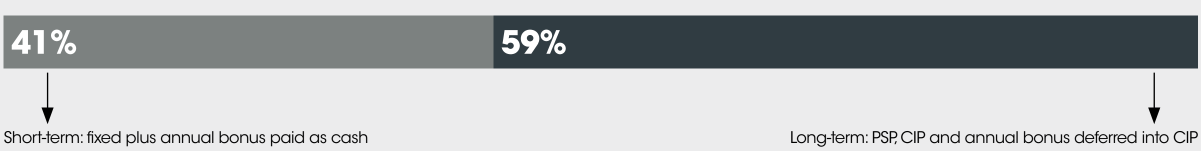
A significant proportion of Executive Directors' pay is variable, long term and remains 'at risk' (i.e. subject to malus and clawback provisions).

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.	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. Fee levels are reviewed regularly, with any adjustments effective immediately after the review is approved. Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (excluding the Nomination Committee). The Chairman's fee is determined by the Remuneration Committee and the fees for other Non-Executive Directors are determined by the Executive Directors. Non-Executive Directors may elect to receive up to 20% of their net fees p.a. as Company shares.	Appropriate adjustments may be made to fee levels, taking account of: – 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.

Non-Executive Directors' term of appointment

The Non-Executive Directors are appointed for an initial three-year term which can be terminated by either party on one months' notice (six months for the Chairman).

Name	Date of appointment	Notice period
Jerry Buhlmann	01 March 2017	One month
Rachel Empey	26 May 2016	One month
Jane Kingston	25 July 2018	One month
John Langston	01 August 2013	One month
Coline McConville	01 June 2014	One month
Nigel Northridge	01 July 2009	One month
Nigel Stein	08 October 2015	Six months
Till Vestring	01 September 2011	One month

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. The Board is reviewing how it consults with its employees on its employment policies including all employee and executive remuneration and will report on this in the relevant sections of next year's Annual Report.

CONSIDERATION OF SHAREHOLDER VIEWS

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

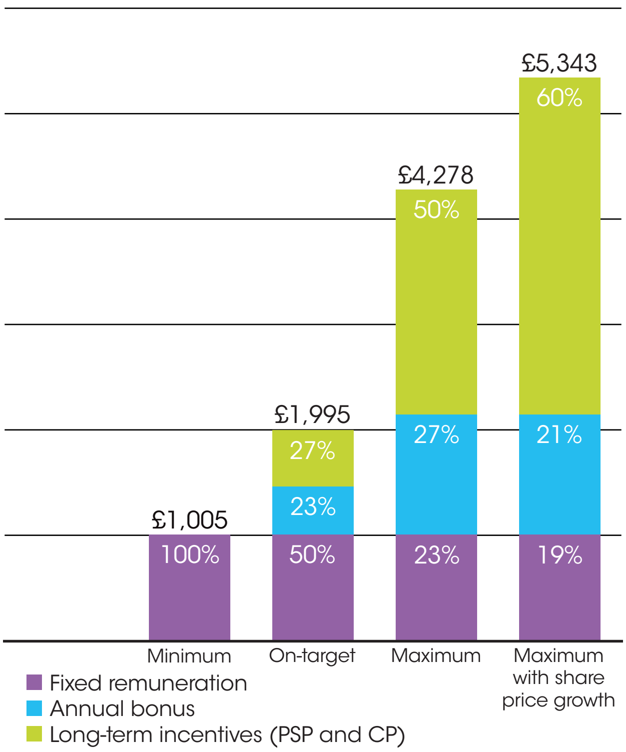
The Committee is always open to feedback from shareholders on remuneration policy and arrangements. We are committed to undertaking shareholder consultation in advance of any proposed changes to remuneration policy, as evidenced by the consultation in 2016/2017 with shareholders representing two-thirds of the Company's issued share capital. 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.

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 actual changes in share price and the vesting periods of awards. The charts have been updated for 2019 salaries and also include an additional scenario consistent with the new remuneration reporting regulations which came into effect for accounting periods starting 1 January 2019. The scenario 'Maximum with share price growth' is based on the same assumptions as used in the 'Maximum' scenario but also assuming the share price increases by 50%.

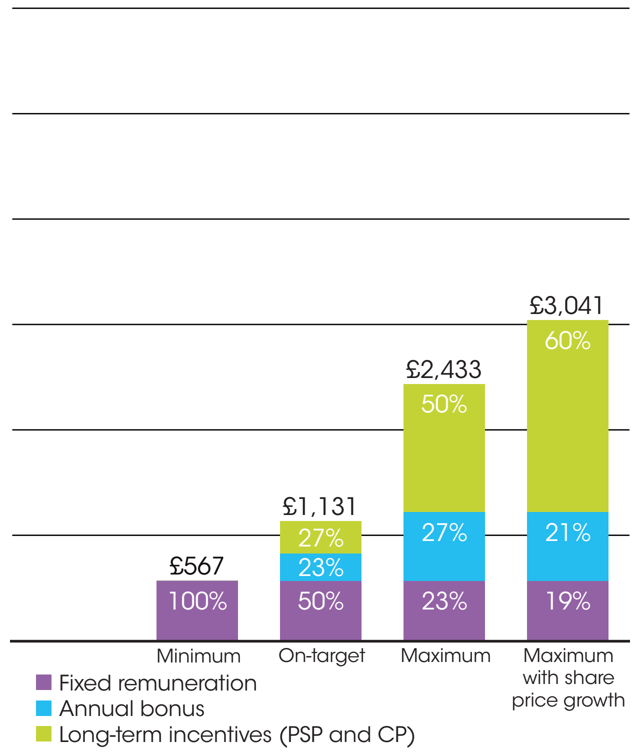
Stefan Bomhard – Group Chief Executive

Total remuneration (£'000s)



Richard Howes – Chief Financial Officer

Total remuneration (£'000s)



Notes on the performance scenarios:

Element	Assumptions
Fixed remuneration	Total remuneration comprises base salary, benefits and pensions
	Base salary – effective from 1 April 2019
	Benefits – as provided in the single figure table on page 79, excluding one-off relocation allowance
	Pension – cash in lieu of pension

		Minimum	On-target	Maximum	Maximum with share price growth
Variable pay	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	Maximum vesting + 50% share price growth
	PSP	No vesting	Threshold vesting (25% of maximum)	Maximum vesting	Maximum vesting + 50% share price growth

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 74. 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 CSR 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 and not serving notice period. 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 following section provides details of how the Company's remuneration policy was implemented during the financial year to 31 December 2018 and how it will be implemented in the financial year to 31 December 2019.

COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETINGS

		Feb	May	Nov
Coline McConville	Committee Chair	✓	✓	✓
Jerry Buhlmann	Independent Non-Executive Director	✓	✓	✓
Jane Kingston*	Independent Non-Executive Director	–	–	✓
Nigel Northridge	Senior Independent Director	✓	✓	✓
Nigel Stein	Chairman	✓	✓	✓
Till Vestring	Independent Non-Executive Director	✓	✓	✓

*Jane Kingston joined the Committee in July 2018.

The Remuneration Committee consists of five independent Non-Executive Directors and the Chairman, who was independent on appointment. The Committee invites other individuals such as the Group Chief Executive, Chief Human Resources Officer and external consultants to attend its meetings. No Director takes any part in any decision affecting his or her own remuneration. The table below details the decisions the Committee made in 2018 and its focus for 2019.

2018 objectives	Progress made	2019 focus
Bonus scheme	The Committee reviewed the outcome of the 2017 bonus scheme and set targets for the 2018 bonus scheme. Details are given on pages 80 to 81	The Committee will review the bonus structure as part of the remuneration policy review
Long-term incentives	The Committee reviewed the outcome of the 2015 PSP and CIP awards and agreed the grants for 2018. Details are on page 83	The Committee will review the appropriateness of the long-term incentive structure as part of the remuneration policy review, taking into account strategy, culture and stakeholder views
Executive Directors' remuneration	The Committee approved the overall 2018 remuneration for the Executive Directors. Further details are given on pages 79 to 83	The Committee will set targets for performance-related remuneration and consider appropriate salary levels and other benefits
Group Executive Committee remuneration	The Committee reviewed the remuneration for senior executives taking into account pay for employees across the Group	The Committee will set targets for performance-related remuneration and consider salary levels and other benefits
Chairman's fee	The Committee considered the Chairman's fee upon the appointment of Nigel Stein. It agreed that the fee remained appropriate and no changes were made	The Chairman's fee will be reviewed in November 2019
Share plan rule change	The Committee approved amendments to share plan rules on leaver provisions and to incorporate GDPR requirements. These changes did not benefit participants therefore did not require shareholder approval	The Committee will review the share plan rules to ensure they comply with best practice, regulation and governance practices
Committee evaluation	The Committee reviewed the results of the 2017 external evaluation and agreed actions for 2018	An internal evaluation of the Committee's performance in 2018 will take place in early 2019
Remuneration trends update	The external advisors updated the Committee on governance and remuneration trends	The Committee will review and approve the disclosures for the CEO pay ratio, pay scenarios and impact of share price appreciation
Gender pay gap report	The Committee reviewed the gender pay gap results and the initiatives being introduced to close the gap. The report can be found on www.inchcape.co.uk	The Committee will review the impact of the initiatives and the results of the 2019 gender pay analysis
Terms of reference	The terms of reference were updated to reflect the provisions of the new UK Corporate Governance Code	The terms of reference are effective from 1 January 2019

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below sets out the total remuneration received by the Directors for the year ended 31 December 2018:

	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	
Name	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Current Executive Directors														
Stefan Bomhard	**739**	713	**16**	19	**430**	728	**858**	1,332	**222**	214	**4**	0	**2,269**	3,006
Richard Howes	**423**	412	**3**	2	**284**	421	**579**	–	**127**	124	**31**	391	**1,447**	1,350
Current Non-Executive Directors (f)														
Nigel Stein	**217**	60	**1**	–	**-**	–	**-**	–	**-**	–	**-**	–	**218**	60
Jerry Buhlmann	**60**	50	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**60**	50
Rachel Empey	**60**	60	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**60**	60
Jane Kingston*	**26**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**26**	–
John Langston	**75**	75	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**75**	75
Coline McConville	**75**	75	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**75**	75
Nigel Northridge	**81**	81	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**81**	81
Till Vestring	**70**	70	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**70**	70
Previous Non-Executive Directors														
Ken Hanna*	**128**	320	**1**	3	**-**	–	**-**	–	**-**	–	**-**	–	**129**	323
Total	**1,954**	1,916	**21**	24	**714**	1,149	**1,437**	1,332	**349**	338	**35**	391	**4,510**	5,150

* Ken Hanna left during the year and Jane Kingston was appointed 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 2018 figures include the 2016 PSP and CIP which will vest in April 2019 based on performance over the three-year period ended 31 December 2018. These figures have been valued using the average share price from 1 October 2018 to 31 December 2018 of 563.5p. Actual performance against targets is given on page 82. For Stefan Bomhard the 2018 value includes a movement of -£213,156 which is due to a reduction in the share price over the vesting period. For Richard Howes, the 2018 value is -£145,782. The 2017 figure for Stefan Bomhard has been revised from last year's report to reflect the share price on the date of vesting (valued using the market price at the date of vesting of 705.0p) and includes dividend equivalent of £91,100. Full details of the awards exercised in 2018 are given on page 84.

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 has been revised from last year's report to reflect the share price on vesting of the RH award which was granted to him as a buyout on joining the Company. The share price used is 702.0p and includes dividend equivalent of £23,517. In 2018 he received a one off payment of £28,288 in lieu of a cancelled holiday. The 2018 figure for both Stefan Bomhard and Richard Howes includes the value of the 2018 SAYE and is based on the embedded value at date of grant.

f. The fees of the Chairman, Non-Executive Directors and the Senior Independent Director are given on page 79.

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 2019 were determined taking into account this benchmarking data, as well as the other factors detailed in the policy table.

The salaries for 2017, 2018 and 2019 are set out below, together with the average increases across the Group.

Name	1 April 2017	1 April 2018	1 April 2019
Stefan Bomhard	£717,500	£746,200	£761,124 – 2.0% increase
Richard Howes	£415,125	£425,503	£434,013 – 2.0% increase
Average increase across Group	2.18%	2.5%	2.43%

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 CSR Committee.

The Board agreed a £2,000 increase p.a. with effect from 1 January 2019 for all Non-Executive Directors. The CSR chair also received an increase of £2,000 p.a. for performing this role. The fee for the Chairman, Senior Independent Director and fees for the Audit and Remuneration chair remained the same.

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 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

2018 BONUS

For 2018, 80% of the bonus is based on financial performance via a matrix of revenue and operating profit with the remaining 20% of the bonus based on strategic objectives, therefore linking an individual's bonus outcome to their contribution to the Ignite strategy.

The maximum opportunity was 150% of salary which is payable for achieving stretch performance against all measures.

In line with the Committee's commitment to disclose bonus targets, the table on page 81 illustrates targets, performance and resulting bonus outcomes for the Executive Directors for the 2018 bonuses.

THE STRUCTURE OF THE 2018 BONUS

Up to 80% of total bonus or 120% of salary is earned according to the following matrix:

Revenue

Revenue			
STRETCH	24%	72%	120%
TARGET	16%	48%	96%
THRESHOLD	12%	36%	72%
	THRESHOLD	TARGET	STRETCH

Operating profit

+

Up to 20% of total bonus or 30% of salary is earned for the achievement of strategic measures linked to the Ignite strategy which are as follows:

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 BONUS TARGETS

Achievement of financial targets (80% of total bonus or 120% of salary)

In 2018, the level of performance for revenue was between target and stretch and for operating profit was between threshold and target on the matrix, which resulted in 36.7% of salary paying out for both the CEO and CFO under this element of the bonus. The table below provides further detail on the revenue and operating profit targets. 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.

	Targets				
Measure	Threshold	Target	Stretch	Actual performance	Outcome for element of bonus % of salary
Revenue	£8,810.7m	£9,274.4m	£9,738.1m	£9,476.7m	36.7%
Operating profit	£377.6m	£419.5m	£461.4m	£396.1m	

Achievement of strategic targets (20% of total bonus or 30% of salary)

Below we provide as much detail as commercially appropriate on the objectives linked to the strategic part of the 2018 bonus arrangements and the resulting outcomes. For 2018, Stefan Bomhard had three bonus objectives linked to the Ignite strategy and Richard Howes had two bonus objectives linked to the Ignite strategy.

Lead in customer experience

For Stefan Bomhard, this objective was focused on stretching targets linked to the improvement of the Inchcape customer experience, which included the development of a new customer-centric omni-channel (which we have started to successfully pilot in Australia) and improvement of the 360 degree view of the customer journey across the Group (for which the Group developed and rolled out Salesforce CRM, Brightedge SEO and review aggregator reputation.com). The Committee concluded that Stefan Bomhard fully achieved the targets set for the year and as a result received a bonus equating to 15% of base salary for this element.

Deliver full potential on all our revenue streams

For Stefan Bomhard, this objective was focused on maximising our performance against all of our value drivers, with particular focus on improving our Aftersales position. Over the period we reduced the span of performance across the Group, increased capacity in Singapore and leveraged processes in South America. As a result the Group delivered growth in Aftersales gross profit. The Committee concluded that this objective had been partly achieved therefore a bonus equating to 3% of base salary was awarded.

For Richard Howes, this objective was focused on improvement in our F&I activities in key markets. We have continued the rollout of proprietary products, improvements in selling processes and the re-tendering of contracts. The Committee concluded that this objective had been fully achieved, with £15m of incremental profit delivered from this value driver. Therefore 15% of base salary was awarded.

Leverage our global scale

For Richard Howes, this objective was focused on a savings goal in procurement to leverage our scale. During the year the Group set up a global team to drive savings in a number of key categories, which has delivered a cumulative £32m of savings to date. The Committee concluded that this objective had been fully achieved and therefore an award of 15% of base salary was awarded.

OEM Partner of Choice

For Stefan Bomhard, this objective was focused on strengthening our relationships with our OEMs, entering into new partnerships and integrating new businesses into our portfolio. Key achievements included the successful integration of Grupo Rudelman and the award of Distribution contracts for JLR in Kenya and Colombia and for BMW in Lithuania and Guam. The Committee concluded that Stefan had partially met this objective leading to a payout of 3% of base salary.

OVERALL 2018 BONUS OUTCOME

Therefore, as a result, the overall 2018 bonus outcomes are as follows:

			Total payment	
	Payment for financial targets (% of salary)	Payout for strategic targets (% of salary)	% of salary	£
Stefan Bomhard	36.7%	21.0%	57.7%	£430,492
Richard Howes	36.7%	30.0%	66.7%	£283,773

The Committee concluded that the overall bonus outcome was reflective of the Company's financial and operational performance and therefore did not make any discretionary adjustments.

ANNUAL BONUS FOR 2019

The maximum annual bonus opportunity in 2019 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 2018 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, the longer-term strategy, and the advantage this may give competitors, the 2019 targets are not disclosed in this report because of their commercial sensitivity. The Committee intends to publish the financial targets and provide more details of the strategic measures in next year's DRR.

PSP AND CIP AWARDS VESTING IN RESPECT OF THE YEAR

In 2016, Inchcape granted awards under the PSP and CIP schemes which vested dependent on certain performance targets over three years to 31 December 2018.

2016 Normal PSP/CIP

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

Three-year average ROCE (25% weighting)	Vesting %
Less than 21%	0%
21%	25%
25%	100%
Between 21% and 25%	Straight line basis

2016 Enhanced PSP

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

2016 vesting of PSP/CIP

Over the performance period an EPS growth of 7.6% and three-year average ROCE of 29.2% was achieved, which resulted in the following vesting outcomes:

Award	Performance measure	Wtg.	Vesting outcome (% of element)
Normal PSP	EPS	75%	49.7%
	ROCE	25%	100%
Enhanced PSP	EPS	100%	0%
Total (overall vesting outcome of normal PSP)			62.3%

	Performance measure	Wtg.	Vesting outcome (% of element)
CIP	EPS	75%	49.7%
	ROCE	25%	100%
Total (overall vesting outcome of CIP)			62.3% = 1.25:1 match

Stefan Bomhard and Richard Howes were granted PSP and CIP awards in 2016 and are 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	62.3%	89,546	13 April 2019	563.5p	£504,593
Enhanced PSP	15,971	0.0%	0	13 April 2019	563.5p	£0
CIP	100,603	62.3%	62,676	22 April 2019	563.5p	£353,177

	Interest held	Vesting %	Interest vesting	Vesting date	Assumed market price (p)[1]	Estimated value
Richard Howes						
Normal PSP	106,719	62.3%	66,486	13 April 2019	563.5p	£374,648
Enhanced PSP	11,858	0.0%	0	13 April 2019	563.5p	£0
CIP	58,206	62.3%	36,262	22 April 2019	563.5p	£204,338

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 share price of the last three months of 2018.

PREVIOUSLY GRANTED RECRUITMENT AWARDS VESTING IN RESPECT OF THE YEAR

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 2018, the final tranche (68,375 options) vested at a share price of 691.0p.

RH award

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 vested on each of the first and second anniversaries of the grant date (i.e. 11 April 2017 and 2018). 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 2018, the final tranche (25,880 options) vested at a share price of 702.0p. During the year he exercised the final tranche of the award. Further details are given on page 84.
- 73,150 nil-cost options: the option was structured as the PSP with 90% as 'normal' awards and 10% as 'enhanced' awards and 52,404 options vested on 11 April 2018 in accordance with the 2015 PSP performance outcomes which were disclosed last year. This award is in lieu of forfeited incentives from his previous employer which had performance conditions attached to the award.

PSP AND CIP 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 2018 are as follows:

2018 PSP/CIP

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

Three-year average ROCE (40% weighting)	Vesting %
Less than 22%	0%
22%	25%
26%	100%
Between 22% and 26%	Straight line basis

Threshold level performance will result in 25% of the 2018 PSP and CIP awards vesting. As referenced on page 69, the Committee is reviewing how these targets may need to be revised to take into account the new accounting standard IFRS16, and the outcome will be disclosed in the relevant DRR.

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	10 April 2018	708.0p	189,819	£1,343,919	Jan 2018 – Dec 2020	Apr 2021 – Apr 2022
CIP	10 April 2018	708.0p	102,499	£725,693	Jan 2018 – Dec 2020	Apr 2021 – Oct 2021
SAYE	24 Sept 2018	688.5p	3,249	£22,369	N/A	Nov 2021 – Apr 2022
Richard Howes						
PSP	10 April 2018	708.0p	108,239	£766,332	Jan 2018 – Dec 2020	Apr 2021 – Apr 2022
CIP	10 April 2018	708.0p	58,419	£413,607	Jan 2018 – Dec 2020	Apr 2021 – Oct 2021
SAYE	24 Sept 2018	688.5p	1,624	£11,181	N/A	Nov 2021 – Apr 2022

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 2019

In line with policy, Stefan Bomhard and Richard Howes will both be granted PSP to the value of 180% of salary and will be invited to participate in the CIP. As per the 2018 awards, 60% will be based on EPS growth and 40% will be based on three-year average ROCE. The targets will take into account the new IFRS 16 accounting standard and will be disclosed as appropriate at the time of award and in next year's DRR.

PENSION

During 2018 the Executive Directors received a cash supplement of 30% of base salary and were eligible to join the Cash+ pension scheme. Neither Stefan Bomhard nor Richard Howes participated in the pension scheme. For 2019, 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 2018.

		Share awards held		Options held			
	Shares held at 31 December 2018	Subject to performance conditions	Subject to deferral	Not subject to performance targets	Subject to deferral	Vested but not yet exercised	Guideline met
Stefan Bomhard	288,548	795,855	0	68,735	3,249	1,557	Yes
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
Richard Howes	103,131	484,166	0	0	3,222	0	No
Jane Kingston	-	n/a	n/a	n/a	n/a	n/a	n/a
John Langston	5,463	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville	4,267	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	36,834	n/a	n/a	n/a	n/a	n/a	n/a
Till Vestring	42,417	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 2018 and 27 February 2019.

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 214% and 134% of salary respectively as at 31 December 2018, using the share price as at 31 December 2018 of 551.5p.

AWARDS EXERCISED DURING THE YEAR

Richard Howes exercised his RH award on 4 May 2018. He sold enough shares to cover costs and tax and retained the remaining shares.

Plan	Shares exercised	Dividend shares	Share price	Shares sold	Shares retained
RH award	25,879	-	£7.413	12,373	13,506
RH award	25,880	1,654	£7.413	13,165	14,369
RH award	52,404	3,350	£7.413	26,657	29,097

Stefan Bomhard exercised the award granted to him under the 2015 Performance Share Plan and Share Matching Plan on 21 August 2018. He sold enough shares to cover costs and tax and retained the remaining shares.

Plan	Shares exercised	Dividend shares	Share price	Shares sold	Shares retained
PSP	114,412	8,400	£6.99	57,838	64,974
CIP	61,616	4,522	£6.99	31,148	34,990

PERCENTAGE CHANGE IN GROUP CHIEF EXECUTIVE REMUNERATION

The table shows the percentage change in Group Chief Executive remuneration from 2017 to 2018 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.

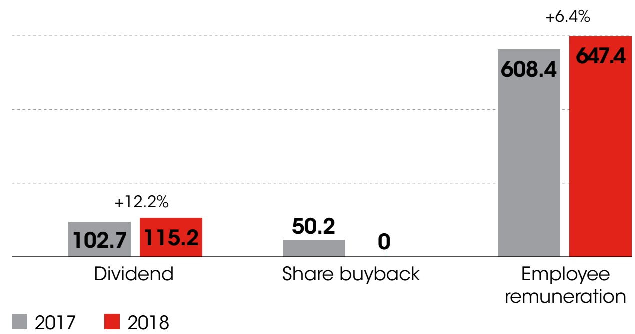
	Change in remuneration from 2017 to 2018	
	Group Chief Executive	Senior management
Salary	3.6%	3.6%
Taxable benefits	-15.8%	0.00%
Single-year variable	-40.9%	-17.1%
Total	**-18.8%**	**-4.1%**

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 2017 to 2018.

Relative importance of spend on pay (£M)



The Directors are proposing a final dividend for 2018 of 17.9p per share (2017: 18.9p).

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 2018	415m
All schemes – 10% over 10-year rolling period	41m
Remaining headroom for all schemes	28m
Executive schemes – 5% over a 10-year rolling period	20m
Remaining headroom for executive schemes	11m

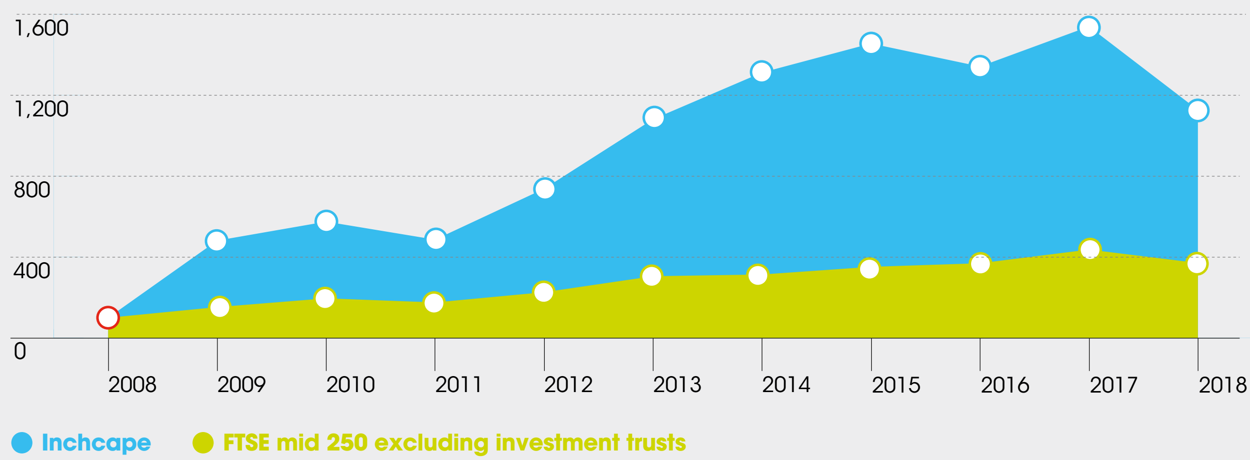
PAY FOR PERFORMANCE

The graph below shows the Total Shareholder Return (TSR) of the Company over the 10-year period to 31 December 2018. 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 10 years to 31 December 2018

Value of £100 invested at 1 January 2009



	Group Chief Executive	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	n/a
	Stefan Bomhard	n/a	n/a	n/a	n/a	n/a	n/a	2,906[2]	1,403	3,006	2,269
Annual bonus outcome (% of maximum)		100%	100%	52%	68%	48%	100%	56.8%	40.3%	67.6%	38.5%
LTI vesting[3] outcome (% of maximum)		0%	0%	100%	100%	66%	68%	n/a[4]	n/a[5]	79.6%	62.3%

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 2018 AGM.

	Total number of votes	% of votes cast
For (including discretionary)	286,366,463	93.63%
Against	19,466,498	6.37%
Total votes cast (excluding votes withheld)	305,832,961	100%
Votes withheld[1]	5,365,570	
Total votes cast (including votes withheld)	311,198,531	

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 2018.

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 and is approved in advance by the Nomination Committee.

Stefan Bomhard is a Non-Executive Director of Compass Group PLC, for which he received a fee of £84,500 during 2018.

ADVISORS TO THE COMMITTEE

Mercer|Kepler, a brand of Mercer (and part of the MMC group), acted as the independent remuneration advisor to the Committee during the year. Mercer|Kepler attends Committee meetings and provides advice on remuneration for executives, analysis of the remuneration policy and regular market and best practice updates. Mercer|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). Mercer|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 Mercer|Kepler is objective and independent and that Mercer|Kepler does not have any connection with the Company that may impair its independence. Mercer|Kepler's fees are charged at an hourly rate in accordance with the terms and conditions set out in the engagement letter. Mercer|Kepler was paid fees of £49,615 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
Chair of the Remuneration Committee

DIRECTORS' REPORT

The Directors' Report for the year ended 31 December 2018 comprises pages 88 to 92 of this report (together with sections incorporated by reference). Information required in the Management Report under DTR4.1.8R can be found in the following sections:

- A review of the business and future developments – pages 1 to 33
- Principal risks and uncertainties – pages 35 to 46.

CORPORATE GOVERNANCE STATEMENT

The statement of compliance with the 2016 UK Corporate Governance Code is given on page 51. The Code is published on the Financial Reporting Council's website www.frc.org.uk. Information required under DTR7 is given in the Corporate Governance Report on pages 50 to 87.

BOARD OF DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Nigel Stein	John Langston
Stefan Bomhard	Coline McConville
Jerry Buhlmann	Nigel Northridge
Rachel Empey	Till Vestring
Richard Howes	Jane Kingston – appointed 25 July 2018
	Ken Hanna – retired 25 May 2018

In accordance with the 2016 UK Corporate Governance Code, all the Directors will stand for election or re-election at the Annual General Meeting (AGM) on 23 May 2019, apart from Nigel Northridge who will retire from the Board following the AGM. Jane Kingston, who was appointed during 2018, will stand for election for the first time.

The Chairman has reviewed the performance of each Director and is satisfied that each continues to be effective and demonstrates commitment to the role.

The appointment and replacement of Directors is governed by the Company's Articles of Association (the Articles), the UK Corporate Governance Code, the Companies Act 2006 and related legislation.

Subject to the Articles, the UK Corporate Governance Code and relevant legislation, the business of the Company is managed by the Board which may exercise all the powers of the Company.

CONFLICTS OF INTEREST

The Articles of Association permit the Board to authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest. When authorising a conflict of interest, the Board must do so without the conflicted Director counting as part of the quorum. In the event that the Board considers it appropriate, the conflicted Director may be permitted to participate in the debate but will be permitted neither to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is their responsibility to inform the Board of any potential conflicts as soon as possible and procedures are in place to facilitate disclosure.

DIRECTORS' INDEMNITY

A qualifying third party indemnity (QTPI), as permitted by the Company's Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director. The indemnity has been in force for the financial year ended 31 December 2018 and until the date of approval of this report.

RESULTS AND DIVIDENDS

The Group's audited consolidated financial statements for the year ended 31 December 2018 are shown on pages 94 to 183. The level of distributable reserves is sufficient to pay a dividend. The Board recommends a final ordinary dividend of 17.9p per ordinary share. If approved at the 2019 AGM, the final ordinary dividend will be paid on 21 June 2019 to shareholders registered in the books of the Company at the close of business on 17 May 2019. Together with the interim dividend of 8.9p per ordinary share paid on 5 September 2018, this makes a total ordinary dividend for the year of 26.8p per ordinary share (2017: 26.8p).

The Company may, by ordinary resolution, declare a dividend not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends when the financial position of the Company, in the opinion of the Board, justifies its payment. See page 16 for more information on the dividend policy.

SHARE CAPITAL

As at 31 December 2018, the Company's issued share capital of £41,512,745.30 comprised 415,127,453 ordinary shares of 10.0p. Holders of ordinary shares are entitled to receive the Company's Report and Accounts, to attend and speak at General Meetings and to appoint proxies and exercise voting rights. The shares do not carry any special rights with regard to control of the Company. The rights are set out in the Articles of Association of the Company.

RESTRICTIONS ON TRANSFER OF SECURITIES

There are no restrictions or limitations on the holding of ordinary shares and no requirements for prior approval of any transfers. There are no known arrangements under which financial rights are held by a person other than the holder of the shares. Shares acquired through the Company share schemes rank pari passu with the shares in issue and have no special rights.

AUTHORITY TO PURCHASE SHARES

At the Company's AGM on 24 May 2018, the Company was authorised to make market purchases of up to 41,501,828 ordinary shares (representing approximately 10.0% of its issued share capital).

The Directors have authority to issue and allot ordinary shares pursuant to article 9 of the Articles of Association and shareholder authority is requested at each AGM. The Directors have authority to make market purchases for ordinary shares and this authority is also renewed annually at the AGM.

INTERESTS IN VOTING RIGHTS

During the year, the Company had been notified of the following interests pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have changed since notified to the Company. However, further notification of any change is not required until the next threshold is crossed.

Shareholder	Number of shares	Date notified	Percentage notified
BlackRock Inc	20,711,753	11/12/2018	4.98%
Norges Bank	12,682,169	27/11/2018	3.06%
Standard Life Aberdeen plc	48,736,361	22/11/2018	11.74%

Source TR-1 notifications. These are updated on the Company's website.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

EMPLOYEE BENEFIT TRUST

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the Inchcape Employee Trust (the "Trust") and, as such, are deemed to be interested in any ordinary shares held by the Trust. At 31 December 2018, the Trust's shareholding totalled 777,211 ordinary shares.

In respect of LR 9.8.4R(12) and (13), the trustee of the Trust agrees to waive dividends payable on the shares it holds for satisfying awards under the various share plans.

DIRECTORS' INTERESTS

The table showing the beneficial interests, other than share options, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2018 is shown in the Directors' Report on Remuneration on page 84.

There have been no changes to the number of shares held by Directors between 31 December 2018 and 27 February 2019.

CHANGE OF CONTROL

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, certain of the Group's third party funding arrangements would terminate upon a change of control of the Company.

The Group's relationships with its OEM brand partners are managed at Group level, but the relevant contracts are entered into at a local level with day-to-day management being led by each operating business. Certain of the contracts may terminate on a change of control of the local contracting company.

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees to vest on a takeover.

TRANSACTIONS WITH DIRECTORS

No transaction, arrangement or agreement, other than remuneration, required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties' was outstanding at 31 December 2018, or was entered into during the year for any Director and/or connected person (2017: none).

OTHER INFORMATION – LISTING RULES

For the purposes of LR 9.8.4 R, the information required to be disclosed by LR 9.8.4 R can be found on the pages set out below:

Section	Information	Page
1	Interest capitalised	Not material to the Group
2	Publication of unaudited financial information	86 (TSR Graph)
4	Details of long-term incentive schemes	82-83
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issue by a major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waiver of dividends	89
13	Shareholder waiver of future dividends	89
14	Agreements with controlling shareholders	Not applicable

GREENHOUSE GAS EMISSIONS

As a Distributor and Retailer Inchcape has no manufacturing footprint to minimise, however we collect data for all material emissions for which we deem ourselves to be responsible and look for ways in which to minimise our footprint. Data is collected for three key performance indicators:

- Energy – our global gas and electricity usage.
- Transport – the movement of cars and parts from the point of ownership (which means legal and contractual ownership) to the point we cease to have legal ownership.
- Travel – the movement of our people.

Methodology

The methodology used the calculate the Group's greenhouse gas emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard, and Mandatory Greenhouse Gas Reporting in line with HM Government guidance. The methodology uses conversion factors as published by the Department for Business, Energy and Industrial Strategy in 2018 and international electricity emission factors as published in the International Energy Agency's 'CO2 Emissions from Fuel Combustion (2018 edition)'.

Data collection and reporting period

Data has been collected for all markets from 1 January 2018 to 31 December 2018. The level at which we report is by business unit for each market. This covers our Retail operations, Distribution operations and business service operations, which fall within our operational control boundary.

Intensity ratio

The Group's intensity ratio is revenue per tonne of CO_2e. This allows for a fair comparison over time of CO_2e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity.

EMPLOYEES AND EMPLOYEE INVOLVEMENT

The Company is committed to a policy of treating all its colleagues and job applicants equally. We are committed to the employment of people with disabilities and will interview those candidates who meet the minimum selection criteria.

We provide training and career development for our employees, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued development in their role, including consulting them about their requirements, making appropriate adjustments and providing suitable alternative positions.

Our performance and talent framework, DRIVE5, sets performance expectations, behaviours and values for our people. It was developed using inputs from colleague and customer focus groups and incorporates our OEM brand partners' existing frameworks of skills and behaviours to ensure that we can deliver against our stakeholders' expectations in support of our ambition to be the world's most trusted Distributor and Retailer.

The Company has various employee policies in place covering a wide range of issues such as family friendly policies, employment rights and equal opportunities. Policies are implemented at a local level and comply with any relevant legislation in that market. All policies are available on the Group's intranet and compliance is monitored at local level.

Town Hall meetings are held in each market on a regular basis and also following the release of any financial updates by the Company. The Town Hall meetings provide employees with information on the Group's performance, and provide an opportunity for consulting employees on new initiatives or other matters that concern them.

Total greenhouse gas emissions in 2018

GHG emissions

	Total emissions (tonnes CO_2e)		
Scope 1 and 2 emissions	**Year ended 31 Dec 2018**	Year ended 31 Dec 2017	Change in emissions
Scope 1 (Direct emissions from combustion of fuels and operation of facilities)	**10,815**	12,083	-10.0%
Scope 2 (Electricity, heat, steam and cooling purchased for own use)	**46,073**	48,562	-5.0%
Total Scope 1 and 2 emission	**56,888**	60,645	-6.0%

Operational emissions intensity			
Intensity metric – total revenue (£m)	**9,277**	7,838	+18.0%
Total scope 1 and 2 emissions (tonnes CO_2e)	**56,888**	60,645	-6.0%
Scope 1 and 2 emissions per £m (tCO_2e/£m)	**6.1**	7.7	-21.0%

In 2018, an online 'employee experience' survey was rolled out and in smaller businesses, focus groups were established as an opportunity to learn more about how employees feel about working for Inchcape and to gain an understanding of how the employee experience can be enhanced so that employees feel challenged, excited, engaged and supported in their roles.

The Group's bonus and long-term incentive schemes are designed to encourage involvement in the Company's performance. UK employees are eligible to join the SAYE scheme, which is offered annually. Further details can be found in the Directors' Report on Remuneration on pages 68 to 87.

DIVERSITY

The breakdown of the number of female and male employees who were (i) Directors of the Company (ii) senior managers and (iii) employees of the Company as at 31 December 2018 is as follows:

		Male		Female	Total
Board	7	70.0%	3	30.0%	**10**
Senior management	77	82.8%	16	17.2%	**93**
All employees	13,687	73.1%	5,047	26.9%	**18,734**

The Nomination Committee is responsible for succession planning on the Board and as such considers the recommendations of the Hampton-Alexander Review and Parker Review as part of the recruitment process. The Board has decided not to set targets but aims to achieve the recommendation of 33% female representation by 2020.

To help achieve these goals, the Nomination Committee is reviewing its selection processes to ensure that a broad mix of suitable candidates is being put forward for consideration. Management are also focusing on diversity as part of the talent planning process to strengthen diversity within the talent pipeline.

The Diversity Policy Statement is given on page 66.

PRINCIPAL FINANCIAL RISK FACTORS

These risks are shown on pages 35 to 46.

FINANCIAL INSTRUMENTS

The information required under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of financial instruments is given in note 23 to the financial statements on pages 151 to 157.

BRANCHES OUTSIDE THE UK

The Company does not have any branches outside the UK.

EVENTS AFTER THE REPORTING PERIOD

None.

POLITICAL DONATIONS

The Company did not make any political donations in 2018 and does not intend to make any political donations in 2019.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Board of Directors, confirm that, to the best of their knowledge:

– the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
– the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
– the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

The Directors considered the key messages contained in the Strategic Report along with the disclosures made throughout to ensure that they are consistent, transparent and a true reflection of the business. The Directors also reviewed supporting documentation which addresses specific statements made in the report and the evidence to support those statements.

Following this review, the Directors consider, when taken as a whole, that the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 46, the Directors consider it appropriate to adopt the going concern basis of accounting in the financial statements for the next 12 months.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

The auditors, Deloitte LLP, have indicated their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the AGM.

So far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ANNUAL GENERAL MEETING

The AGM will be held at 11.00 a.m. on Thursday, 23 May 2019 at Deutsche Bank AG, Winchester House, 1 Great Winchester Street, London EC2N 2DB. The notice convening the meeting and the resolutions to be put to the meeting, together with the explanatory notes, are given in the Circular to all shareholders.

The Directors' Report was approved by the Board and has been signed by the secretary of the Company.

Tamsin Waterhouse

Group Company Secretary