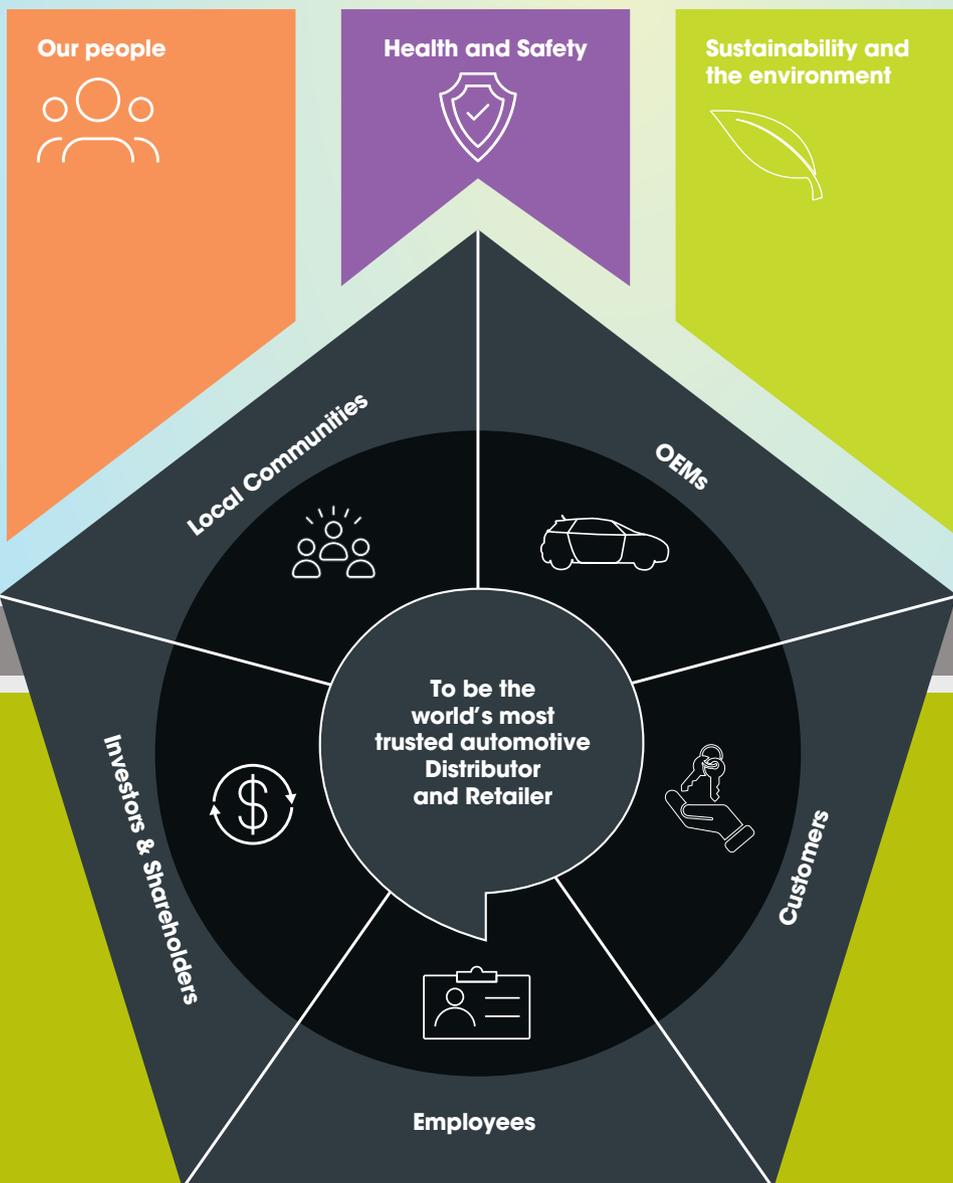


# SUPPORTING OUR LONG-TERM SUSTAINABILITY

CSR is one of the mechanisms that helps to ensure the long-term sustainability of the Company. It is an important contributor to building Trust, which is at the heart of our Ignite strategy's vision: to become the world's most trusted automotive Distributor and Retailer.

**OUR CSR STRATEGY IS COMPRISED OF THREE CORE PILLARS**



## STAKEHOLDER ENGAGEMENT

Complementing this approach, and creating a further level of support to deliver our vision of Trust, is how we identify and interact with key groups for whom Inchcape provides value: engagement with our stakeholders.

Our goal is to create value and build Trust through commercially and societally beneficial dialogues with all our key stakeholder groups.

Group	How we create value	How we engage	Outcomes in 2018
<b>OEMS</b> 	<p>We provide our OEM partners with professional and efficient routes to market for the post-factory automotive value chain.</p>	<ul style="list-style-type: none"> <li>- 'Top-to-top' executive management meetings</li> <li>- Regular market-level operational meetings focus on maximising performance</li> <li>- Pan-market brand development support for leading OEMs</li> </ul>	<ul style="list-style-type: none"> <li>- Establishment of Suzuki as a core partner with scale acquisition in Costa Rica and Panama</li> <li>- Relationship-driven expansions into new Distribution markets for BMW and JLR</li> </ul>
<b>CUSTOMERS</b> 	<p>We provide access to automotive ownership and support services throughout the customer journey, and aim to deliver the best experiences for customers in our industry globally.</p>	<ul style="list-style-type: none"> <li>- Analysis of reviews to feed in to continuous cycle of improvement</li> <li>- Single view of customer through Salesforce implementation</li> <li>- Ongoing surveys at market level</li> </ul>	<ul style="list-style-type: none"> <li>- Introduction of reputation.com review aggregation tool to produce clear overviews of and improvement in performance</li> <li>- Continued rollout of Salesforce CRM to build full journey service capability</li> </ul>
<b>EMPLOYEES</b> 	<p>We aim to enable every colleague to achieve their personal goals at each stage of the employee journey; to recognise and develop talent; and to foster a socially conscious culture based on inclusion, empowerment and optimised potential through learning.</p>	<ul style="list-style-type: none"> <li>- Bi-annual engagement &amp; pulse surveys</li> <li>- Employee intranet and collaborative platforms provide two-way communications capability Group-wide</li> <li>- Prospective employees – maintain active awareness of issues to stay relevant</li> </ul>	<ul style="list-style-type: none"> <li>- Survey completed in 16 markets and results shared with senior teams</li> <li>- Action planning in progress</li> <li>- Survey planned for completion in all markets by end Q2 2019</li> </ul>
<b>INVESTORS &amp; SHAREHOLDERS</b> 	<p>Our objective is to deliver outstanding returns on long-term investment based on a sustainable platform for growth, disciplined approach to capital allocation and cash returns through dividends and share buy-back.</p>	<ul style="list-style-type: none"> <li>- Regular dialogue with institutional investors</li> <li>- AGM</li> <li>- Annual Report &amp; plc website</li> <li>- Capital Markets Day held at regular intervals – last in May 2018</li> </ul>	<ul style="list-style-type: none"> <li>- Positive reaction to in-depth focus given at Capital Markets presentations</li> <li>- Positive change to analyst position; deeper understanding of our strategy and how we create value</li> </ul>
<b>LOCAL COMMUNITIES</b> 	<p>We have a balanced approach to engagement with the communities in which we operate, empowering ownership at local level with structural support from Group.</p>	<ul style="list-style-type: none"> <li>- Market-specific activity, coordinated at local level</li> <li>- Group-level support for extraordinary events affecting our market communities</li> </ul>	<ul style="list-style-type: none"> <li>- Local support given to provide emergency shelter to our employees and their families affected by typhoon in Saipan</li> <li>- Funds raised by colleagues and matched by Group for Saipan relief</li> </ul>



The knowledge, experience and dedication to excellence embodied by Inchcape people in all fields of activity is the Company's greatest asset. Our human resources function both at a Group and market level focuses on ensuring that our people's value is recognised and rewarded; that talent is developed through learning; and that all employees are empowered to achieve their personal goals at each stage of their career with Inchcape.

Our ambition is to create a socially conscious culture based on inclusivity and learning.

- We believe that the business is enriched by embracing diversity in the workplace and this is underpinned by market-relevant policies and practices.
- We foster a learning culture to enable people to optimise their performance in role and truly realise their potential.
- We aim to empower our people to collaborate in communities of practice; to share and work together socially knowing that their contribution is truly valued.

The approach we take to engaging and developing our workforce is designed to proactively mitigate Principal Risk 16, see pages 39 and 44.

### **2018 PROGRESS**

Over the past year we have developed and implemented several initiatives to support our people strategy over the long term, the rollout of which will continue in 2019.

#### **Leadership and talent**

Our global leadership development programme was created to identify and support a pipeline of talent to ensure succession and the long-term sustainability of the business. Currently this consists of around 100 leaders and managers in 19 countries, but this rolling programme continues to identify a pool of high-potential individuals at different stages of their careers.

In addition to internal development, we have also broadened our talent pool by hiring from outside the automotive industry as we seek to bring new skills and capabilities to support our digital transformation.

#### **Learning and development**

We have partnered with Hive Learning to build a new learning and development platform for Inchcape, as an enabler to sharing best practice on a wide range of subjects relevant to our business. The digital Hive tool allows teams to leverage expertise both from inside and outside of the business, to build a knowledge-bank of reference materials that improve skill-sets and ultimately develop more successful customer propositions.

In 2019, rollout of Hive will be extended to more individuals and teams with greater scope for collaboration and communication to leverage our global scale.

#### **Employee KPI dashboard**

In 2018 our objective was to aggregate and measure demographic information at different levels, from individual markets to total Group, in support of our overall people strategy. Ultimately our ambition is to employ a well-equipped and capable workforce that is relevant to the markets in which we operate and reflective of our local communities and wider society.



## HEALTH AND SAFETY

The health and safety of our people, customers and all who use our facilities is of the utmost importance to us. We are committed to providing environments that can be trusted as spaces in which to work, where risks are controlled and that are clean, safe and promote healthy work-life balance.

Our aim is to achieve zero safety incidents and to reduce our exposure to risk<sup>1</sup> by continually challenging ourselves, sharing best practices and investing in the systems, structure and training to support our objectives.

With operations in 32 international markets and no single worldwide Health and Safety standard to apply to the business, it is our ambition to build a consistent approach through shared best practice and leveraged scale. We have appointed a Group HSE Director to lead this work (plus Environment) through a global 'Community of Practice'. The primary function of the H&S CoP is to develop a single direction for Inchcape's Health and Safety culture across all our business, as described below.

1. See Principal Risk 10 on pages 39 and 43

### BUILDING HSE CAPABILITY

Main activities	Description
<b>ESTABLISHING PERFORMANCE TRANSPARENCY</b>	<ul style="list-style-type: none"> <li>- Develop set of common KPIs</li> <li>- Introduce a reporting system that shares results and highlights best practice</li> <li>- Develop and use one set of business policies and procedures with the objective of ensuring the level of compliance required in each market</li> <li>- Develop and introduce online reporting dashboard to facilitate transparent reporting</li> </ul>
<b>MANAGING COMMUNITIES OF PRACTICE (COP)</b>	<ul style="list-style-type: none"> <li>- Launch the CoPs by deploying HSE members across business regions to support locally on the codification of best practices and standards</li> <li>- Commence the CoP communication, promote the business focus toward HSE with support from HSE team</li> </ul>
<b>CODIFYING INCHCAPE - PRACTICES AND STANDARDS</b>	<ul style="list-style-type: none"> <li>- Prioritise capability areas for standard setting (incl. ways of working and ways of thinking)</li> <li>- Drive standard development and documentation of fit for purpose implementation road map, led by Group HSE experts</li> <li>- Define Inchcape practices, three tiered approach: 1. Inchcape Compliance Practice, 2. Inchcape Good Practices, 3. Inchcape Best Practices</li> </ul>
<b>COORDINATING OPPORTUNITY ASSESSMENTS</b>	<ul style="list-style-type: none"> <li>- Create approach and format for opportunity assessments, e.g. health checks combined with on-site audits</li> <li>- Oversee regions conducting the assessments, participate in assessments and share learnings for speedy implementation</li> <li>- Analyse results, share opportunities with business partners, CoP committee, give recommendations on how to proceed</li> </ul>
<b>PROVIDING EXPERT SUPPORT</b>	<ul style="list-style-type: none"> <li>- Develop robust prioritisation logic for start point and rollout sequence</li> <li>- Engage on-site with managers to support implementation of CoP and/or best practice</li> <li>- Help to solve specific problems by delivering hard output</li> </ul>
<b>SUPPORT TRAINING</b>	<ul style="list-style-type: none"> <li>- Prepare training material (how to implement, deploy, measure and improve best practices)</li> <li>- Train and disseminate capabilities (local CoP members to become coaches)</li> <li>- Train people selectively on market level to close capability gaps in markets (i.e. through training products)</li> </ul>



## SUSTAINABILITY AND THE ENVIRONMENT

### 2018 PROGRESS

During the year we have continued to improve our data collection processes for greenhouse gas emissions ("GHG emissions") and have also incorporated the data for our newly acquired businesses.

We have also been collecting information which will help us set science-based targets. We are working towards ensuring that the data is robust and that the targets are both achievable and meaningful before we roll out globally and will continue this work into 2019.

The GHG emissions for 2018 and for the prior year are given on page 90 of the Directors' Report.

### CDP CLIMATE CHANGE

During the year, we participated in the CDP Climate Change project (formerly The Carbon Disclosure Project). We, along with our shareholders and customers, recognise the tangible business benefits of disclosure and are taking steps to address our environmental impact and improve our score year-on-year. We will continue to participate annually and endeavour to manage our impact on the environment positively.

### FOCUS FOR 2019

Our new Group HSE Director, will also have responsibility for our environmental strategy and will begin to embed standardised practices in the markets during the year. We will monitor effectiveness of these policies and report the outcomes in future years.

### ENVIRONMENT CASE STUDY

The employees at VW Romford have been preparing energy consumption data to monitor their usage for several years in order to minimise energy waste. During 2018, the site consumed a total of 454,178kWh of electricity equal to approximately £43,412.

However, it was noted that the overnight electricity consumption was not being managed as efficiently as possible and data analysis calculated that £7,727 worth of electricity was overconsumed outside of operational hours which could be avoided. As a result of the energy audit the following observations and actions were made:

- Areas prone to having lights left on were identified
- PIR sensors were adjusted to shorten the timer and increase LUX sensitivity
- Boiler controls were located and programmed correctly
- Air Conditioning controls that require manual operation were identified
- Showroom lighting switches were turned off at night
- The showroom heating and ventilation timer clock was reprogrammed

The actions taken did not impact the general operations of the site and resulted in a large reduction in electricity usage, with savings of approx. £7,700 or 67,410.80kW of electricity on track for 2019.

## NON-FINANCIAL INFORMATION STATEMENT

The table sets out the non-financial information as required under the Non-Financial Reporting Directive.

Reporting Requirement	Relevant Policy	Where to read more	Page
Employees	Code of Conduct	CSR Report	30
	Health & Safety Policy	Directors' Report	90-91
		See below	-
Human Rights	Code of Conduct	See below	-
	Modern Slavery Statement	www.inchcape.com	-
Social matters	Code of Conduct	CSR Report	-
Environmental matters	Code of Conduct	See below	-
Anti-bribery and corruption	Anti-bribery and Corruption Policy	Code of Conduct	-
	Gifts and Hospitality Policy		-
Business Model	-	Our business model	8-9

The Inchcape Code of Conduct is available on [www.inchcape.com/Governance](http://www.inchcape.com/Governance)

### STAKEHOLDER VOICE

The CSR Report on pages 28 to 33 sets out the key stakeholders and how the Group has engaged with them during the year. The Board receives regular updates from stakeholders including shareholders, OEM brand partners and employees. The Board will consider the process for workforce engagement to ensure that it complies with the 2018 UK Corporate Governance Code and will report on progress in next year's Annual Report and Accounts.

### EMPLOYEES

Our employees are integral to our business model and the delivery of our strategy and failure to attract, retain and develop our people is recognised as a key risk, further details of which are given in the Risk Management Report on page 44. Regular reviews are undertaken to ensure that we have the right skills to deliver for our customers, including technician programmes and apprenticeships. A new employee experience survey and focus group sessions have been rolled out globally and the results of these, along with any action plans, will be communicated to our designated Non-Executive Director, as part of the workforce engagement required under the 2018 UK Corporate Governance Code. Employee policies are implemented at a local level and include policies on pay and rewards, flexible working, maternity and paternity policies,

### HUMAN RIGHTS

We embrace, support and respect the human rights of everyone we work with and we comply fully with appropriate human rights legislation in the countries in which we operate. We don't use or accept forced, bonded or involuntary prison or child labour. We only employ people who choose to work freely and respect their rights to equal opportunities and freedom of association.

### ENVIRONMENTAL MATTERS

The Group's business model is not reliant on natural resources however the Company acknowledges that our main suppliers, our OEM partners, do. Each of our brand partners have developed comprehensive sustainability programmes and the automotive industry in general has made significant progress in reducing vehicle emissions. Our OEM partners are at the forefront of technological advances to improve fuel efficiency. Further information on future trends can be found on page 11.

As an automotive Distributor and Retailer we do not have a manufacturing footprint to manage however we use energy in our dealerships, transport cars and parts globally and have an impact from business travel. Further details of our greenhouse gas emissions can be found on page 90.

### ANTI-BRIBERY AND CORRUPTION

The Company has in place an anti-bribery and corruption training programme which employees are required to complete. This programme is being refreshed in 2018 and employees will be required to undertake a new online training module which will also be included in the induction programme for new employees where applicable. Our anti-bribery and corruption policy sets out our zero tolerance stance to bribery and corruption. Compliance is monitored via reports to Speak Up!, the external whistleblowing channel, and adherence to other relevant policies such as the gifts and hospitality policy.