

Directors' Report

The Directors' Report for the year ended 31 December 2020 comprises pages 96 to 100 of this report (together with sections incorporated by reference). Information required in the Management Report under DTR 4.1.8R can be found in the following sections: a review of the business and future developments on pages 2 to 32; principal risks and uncertainties on pages 41 to 50; a description of the Group's internal control framework is given on pages 56 and 57; a description of the Board's activities and the structure of its Committees is given on pages 52 to 95.

Corporate governance statement

The statement of compliance with the 2018 UK Corporate Governance Code is given on page 56. The Code is published on the Financial Reporting Council's website www.frc.org.uk. Information required under DTR 7 is given in the Corporate Governance Report on pages 52 to 95.

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:

Stefan Bomhard – left 30 June 2020

Jerry Buhlmann

Gijsbert de Zoeten

Rachel Empey

Alexandra Jensen – joined 29 January 2020

Jane Kingston

John Langston

Nigel Stein

Duncan Tait – joined 1 June 2020

Till Vestring

In accordance with the 2018 UK Corporate Governance Code, all Directors will stand for election or re-election at the Annual General Meeting (AGM) on 27 May 2021. 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.

Shareholders

Engaging with our shareholders is important to the Company so that we are able to understand their views on the business and the key issues of importance to them. Any updates regarding the business, including presentations by the CEO, are available on the Group's website so that all shareholders have access to the same Company information at the same time.

As the top 20 shareholders own over 70% of the business, shareholder consultations, such as the remuneration policy approved in 2020, are carried out with this group. Extending the consultation to all shareholders would not be cost effective, and shareholders not involved in the consultation process are encouraged to use the AGM forum to express their views either by asking questions or voting on the relevant resolutions.

During 2020, shareholders were unable to attend the AGM in person due to the ongoing COVID-19 restrictions. A dedicated email was set up to allow shareholders to contact the Board

members with any questions. This resource will remain in place to allow all shareholders to engage with the Company on any matters of interest to them.

Webcasts are held with the CEO and CFO following the release of any financial results with analysts and investors invited to attend. Details of how to join will be available on the Company's website prior to the event.

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 2020 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 2020 are shown on pages 112 to 187. The level of distributable reserves is sufficient to pay a dividend.

The Board recommends a final ordinary dividend of 6.9p per ordinary share. If approved at the 2021 AGM, the final ordinary dividend will be paid on 21 June 2021 to shareholders registered in the books of the Company at the close of business on 14 May 2021.

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 23 for more information on the dividend policy.

Share capital

As at 31 December 2020, the Company's issued share capital of £39,327,439 comprised 393,274,393 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 21 May 2020, the Company was authorised to make market purchases of up to 39,860,597 ordinary shares (representing approximately 10.0% of its issued share capital).

In the year ended 31 December 2020, the Company purchased for cancellation, 5,858,343 ordinary shares of 10.0p each at a cost of £31.4m, representing 1.5% of the issued share capital as at that date as part of the share buyback programme announced in February 2020. The programme was cancelled in March 2020 due to COVID-19.

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 |
|----------------------------|------------------|---------------|---------------------|
| George Horesh | 25,842,484 | 11/01/2021 | 6.57% |
| Standard Life Aberdeen plc | 36,807,638 | 23/11/2020 | 9.36% |
| Norges Bank | 11,751,536 | 26/08/2020 | 2.99% |

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 2020, the Trust's shareholding totalled 167,312 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, including family interests, in the ordinary shares of the Company of the persons who were Directors at 31 December 2020 is shown in the Directors' Report on Remuneration on page 92.

There have been no changes to the number of shares held by Directors between 31 December 2020 and 24 February 2021.

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 apart from certain of the Group's third-party funding arrangements which would terminate upon a change of control of the Company, such as the Group's revolving credit facility agreement. Further details are given in note 23 of the financial statements on page 159.

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 2020, or was entered into during the year for any Director and/or connected person (2019: 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 | 94 (TSR graph) |
| 4 | Details of long-term incentive schemes | 90 – 91 |
| 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 | 97 |
| 13 | Shareholder waiver of future dividends | 97 |
| 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 to 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 2020 and international electricity emission factors as published in the International Energy Agency's 'CO₂ Emissions from Fuel Combustion (2020 edition)'.

Data collection and reporting period

Data has been collected for all markets from 1 January 2020 to 31 December 2020. 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 CO₂e. This allows for a fair comparison over time of CO₂e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity.

Total greenhouse gas emissions in 2020

| | Total emissions (tonnes CO ₂ e) | | |
|---|--|---------------------------|------------------------|
| | Year ended 31 Dec 2020 | Year ended 31 Dec 2019 | Change in emissions |
| Scope 1 and 2 emissions | | | |
| Scope 1 (Direct emissions from combustion of fuels and operation of facilities) | 8,780 | 10,744 | -18% |
| Scope 2 (Electricity, heat, steam and cooling purchased for own use) | 41,179 | 46,629 | -12% |
| Total Scope 1 and 2 emissions | 49,959 | 57,374 | -13% |
| Operational emissions intensity | | | |
| Intensity metric – total revenue (£m) | 7,033 | 9,391 | -25% |
| Total Scope 1 and 2 emissions (tonnes CO ₂ e) | 49,959 | 57,374 | -13% |
| Scope 1 and 2 emissions per £m (tCO ₂ e/£m) | 7.1 | 6.1 | 16% |

COVID-19

Due to the impact of COVID-19 during 2020, many of our businesses were required to close. This has resulted in a dramatic reduction in the energy used in the year and as markets return to more normalised operating activities the energy used is likely to increase.

Streamlined Energy and Carbon Reporting Regulations ("SECR")

As required under the SECR regulations the following information relates to the energy consumed in our UK operations.

| | Year ended 31 Dec 2020 |
|--|---------------------------|
| UK energy use (kWh) | 42,598,398.63 |
| Associated GHG emissions (tCO ₂ e) | 8,780 |
| Emissions from activities which the company own or control including combustion of fuel & operation of facilities (scope 1) (tCO ₂ e) | 41,179 |
| Emissions from the purchase of electricity, heat, steam, cooling purchased for own use (scope 2 – location-based) (tCO ₂ e) | 49,959 |
| Total energy used to calculated above emissions (kWh) | 142,111,220.52 |
| Intensity ratio: tCO ₂ e (gross scope 1+2)/ intensity metric | 7.1 |

Methodology

Our carbon footprint is calculated by gathering monthly and quarterly energy consumption data. Emission factors used are a combination of BEIS 2020 emission factors and IEA grid mix factors for specific markets.

Energy efficiency measures

During the reporting period, no new energy efficiency actions have been taken however our energy management programme is ongoing, including monitoring and targeted reporting of energy consumption on a daily basis at the majority of sites. Through the service provided by our energy consultants, the energy management programme we run enables us to identify and address any consumption issues as and when they arise, allowing us to eliminate unnecessary energy waste.

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.

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 78 to 79.

Employee communication

Townhall meetings are held in each market on a regular basis and also following the release of any financial updates by the Company. The townhall 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. The Group's global intranet, iConnect, also provides a means of communicating important issues to employees.

The Employee Experience Survey is the primary tool for obtaining the views of employees and the results of the survey are reported to the CSR Committee on an annual basis. The chair of the CSR Committee is the designated Director for communicating the views of employees to the Board and he reports the findings to the Board following each meeting.

The consultation enables the Board to gain an understanding of how the employee experience is perceived and what actions can be taken to enhance this experience so employees feel challenged, excited, engaged and supported in their roles.

Further details can be found in the CSR Report on page 72.

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 2020 is as follows:

| | Male | | Female | | Total |
|---------------|--------|-------|--------|-------|---------------|
| Board | 6 | 66.7% | 3 | 33.3% | 9 |
| Senior | 57 | 82.6% | 12 | 17.4% | 69 |
| All employees | 10,878 | 73% | 3,887 | 26.3% | 14,765 |

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 and has achieved the recommendation of 33% female representation by 2020 as recommended by the Hampton-Alexander Review.

The Nomination Committee ensures that a broad mix of suitable candidates is put forward for consideration for vacancies. 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 64.

Principal financial risk factors

These risks are shown on pages 41 to 50.

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 24 to the financial statements on pages 161 to 168.

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 2020 and does not intend to make any political donations in 2021.

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.

Business relationships

Having positive relationships with our OEM brand partners, our main suppliers, and our customers is imperative for the long-term success of the Company. Our OEM brand partner relationships are key to every part of our value chain and the length of these relationships, which are given on pages 10 and 11, is testament to this strength.

Culture

The Board monitors the culture of the Company by reviewing reports received from the whistleblowing line, Speak Up!, via reporting to the Audit Committee, reviewing the employee voice via the results of the Employee Experience Survey, which is monitored by the CSR Committee, and reviewing the number of employees who have undertaken the Code of Conduct training. The Board also carries out an annual global talent and leadership review as part of its succession planning activities which enable the monitoring of key metrics such as internal promotions and development programmes. The Remuneration Committee considers wider pay and practices when reviewing Executive remuneration and has an annual update on remuneration practices which allows it to assess whether they drive the right behaviours within the businesses in accordance with the DRIVE5 performance drivers, see page 99.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 50, 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 auditor, Deloitte LLP, has indicated its willingness to continue in office. A resolution to reappoint Deloitte as auditor 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, 27 May 2021 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS. 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