

DRIVING WHAT MATTERS

Being a responsible business is a fundamental part of our strategy, mapping the way Inchcape will create sustainable value for all our stakeholders.

Developing our approach to responsible business is central to our future plans at Inchcape. We know it will provide measurable benefits to Inchcape, bringing us closer to our customers and partners: it will make Inchcape a more rewarding and safer place to work; it will help us recruit, engage and retain the best talent; and it will ensure we remain a trusted partner to the OEMs with whom we work. These elements are fundamental to the successful delivery of our **Accelerate** strategy and to ensuring Inchcape's sustainability for the long-term.

We are united with the interests of all our stakeholders in the need to play our role in making a positive contribution to the communities in which we operate, for our people, for society and for the planet. For Inchcape though, being a responsible business extends into other key areas of our operations where we can make a positive difference to our stakeholders: by improving inclusion and diversity in

our organisation, as well as full accessibility for our customers; by ensuring the safety and supporting the health and wellbeing of our employees; and in supporting mobility and economic development in the communities in which we operate.

To deliver this requires us to have a plan that is supported with a robust framework. Our '**Driving What Matters**' plan has been designed collaboratively with our markets, for ownership and delivery by our teams, locally. The plan concentrates on our 4Ps (or pillars) of Responsible Business – **Planet, People, Places, and Practices**.

Mindful of the need to reflect the different laws, regulations, and cultures where we operate, we have designed a global framework with workstream charters that local markets will use to respond to what is important to meet the needs of their local stakeholders.

PEOPLE



- Prioritising **safety and wellbeing**
- Creating an **inclusive and diverse** colleague base

PLACES



- Having a positive impact on **local communities**
- Supporting **safer roads**
- Facilitating **mobility solutions** for those with disabilities

PRACTICES



- Strengthening our **governance policies** reflecting our position as an international plc

PLANET



- Mapping the **risks and opportunities of climate change**
- **Setting GHG targets**
- **Reducing waste**

KEY MILESTONES ACHIEVED IN FY21

- **Global workstreams** established for each pillar
- **Science based targets set:** reducing scope 1 and 2 emissions by 46% by 2030 in line with a 1.5°C target
- **Climate-related risks and opportunities identified**
- Workstreams started on **Inclusion & Diversity** and **wellbeing**
- **TCFD aligned reporting in 2021 ARA**

NEXT STEPS

- **2022 priorities towards our science-based targets**
 - Switch to renewable tariffs;
 - Invest in solar PV; and
 - Reduce base energy usage.
- **Scope 3 emissions to be considered in 2022**



PEOPLE

INCLUSION & DIVERSITY

- Create an inclusive environment and diverse colleague base

SAFETY & WELLBEING

- Ensure the safety and wellbeing of our people

TALENTS & SKILLS

- Equip the organisation with the skills and capability to establish and sustain Inchcape in being a commercially successful Responsible Business



CREATE AN INCLUSIVE ENVIRONMENT AND DIVERSE COLLEAGUE BASE

We believe differences drive ideas and innovation. We will create an organisation that actively attracts, recruits and develops people across all aspects of diversity, that reflects our customer base and the communities in which we operate. An organisation that actively enables every person to feel valued and fully contribute, generating the broadest breadth in contribution, ideas and thinking to business performance and decision making.

CURRENT PRIORITIES AND INITIATIVES

• Inclusive Leadership Programme

Current focus for the People pillar is on establishing our Inclusion and Diversity frameworks, narrative and internal communication. This comprises our **Inclusive Leadership Programme** for which we are targeting rollout to 100% of our senior leadership population (c.75 employees) by end of June 2022. Stage two will be to the next level of management (c.400 employees total) by end Q1 2023.

• Lifeworks Employee Assistance Programme

Under Safety and Wellbeing, we launched the **Lifeworks Employee Assistance Programme** which was completed in December 2021, use of which is being tracked monthly and success will be measured in wellbeing questions in future employee experience surveys.

• Women in Leadership Programme

We launched our **Women in Leadership Programme** in 2021 with three pilot cohorts and will run three further cohorts in 2022 with satisfaction measurement as well as retention and progression as measures of success.

ENSURE THE SAFETY AND WELLBEING OF OUR PEOPLE

We believe the physical and mental wellbeing of our people is paramount to the success of Inchcape. We will make sure every person both feels safe and is safe at work. We'll make sure they are able to raise concerns, doubts and fears – and that we listen, take action and help them when needed, so we can support their mental health and wellbeing.

EQUIP THE ORGANISATION WITH THE SKILLS AND CAPABILITY TO ESTABLISH AND SUSTAIN INCHCAPE IN BEING A COMMERCIALY SUCCESSFUL RESPONSIBLE BUSINESS

We believe that providing continuous opportunities for professional and personal growth will guarantee our collective success as a responsible business. We will develop and source skills, capabilities, behaviours and mindsets that enable every person, team and Inchcape as a whole to succeed, delivering in a sustainable way as a truly responsible business; for our people, for our customers, for the communities in which we operate and for our planet.

INCLUSION AND DIVERSITY

Our employees are at the heart of the People pillar of our 'Driving What Matters' plan, which aims to ensure we have a safe operating environment with an inclusive and diverse culture as well as the best talent and skills to power our future success.

Our vision for Inclusion & Diversity (I&D) is to reflect the world's communities across Inchcape. We believe the more voices, experiences and backgrounds we include at Inchcape, the more we will all thrive. To achieve this vision we created our first I&D Framework in 2021.

Our I&D Framework sets out the guiding principles and foundational actions we will take:

- **Colleague Voice:** a series of structured forums have been set up so that the conversation and action on Inclusion & Diversity is influenced by our colleagues.
- **Knowledge and Understanding:** we are building a suite of tools, development, learning and practical guidance to help to reduce bias and drive more inclusive decisions across the business.

- **Visibility and Progress:** we are creating global I&D standards through policy development and have committed to tracking and measuring the performance of our programmes on I&D.

- **Campaigns and Events:** our programme of global I&D campaigns and events empower us to raise awareness and celebrate I&D progress together.

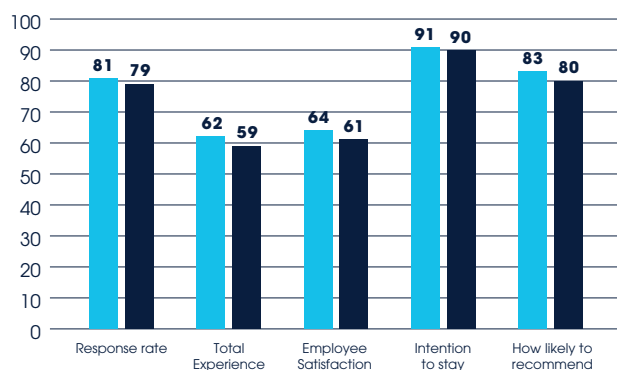
Our I&D Framework will evolve as we continue to embed the actions and it will enable us to develop global priorities alongside providing the opportunity for local markets to tailor initiatives to the needs of their communities.

EMPLOYEE EXPERIENCE SURVEY



Understanding what our employees think about the business and their experience as 'Inchcapers' is critical to driving performance, maintaining the highest standards of safety and wellbeing, and attracting and retaining the best available talent. In 2021 we ran a full survey and some of the high level results are shown below.

Improved scores on all key engagement metrics



● 2021 ● 2019

We focus on **four key engagement metrics:** Total Experience, Employee Satisfaction, Intention to Stay, and How Likely to Recommend (Inchcape as a place to work). All global key engagement measures were up with Intention to Stay and How Likely to Recommend both very strong. **73% of employees** provided over 13,000 verbatim comments for analysis

SURVEY CATEGORIES IN ORDER OF PERCEIVED IMPORTANCE TO EMPLOYEES

Category	vs 2019	Category	vs 2019
My Reward	+8	Leadership Team	+8
Work Environment, Working Practices & Tools	+1	Working from home*	N/A
My Team & Colleagues	+3	Way we do things	+8
My Role	-	Wellbeing	-3
My Manager	+4	Organisation	+2
My Learning	+2	My Career Development	+1
		Employee Communication*	N/A

OUTCOMES

Sentiment analysis of verbatim comments was combined with quantitative results to produce consolidated insights. While this gave some strong indication of potential action points, it was critical to properly digest, discuss and share, expanding on the insights with further focus groups and linking to the strategy.

Culture focus groups including one-to-one discussions with the Executives took place with findings incorporated as an organisational health check overlay; this was then shared to help shape regional and functional action plans.

Improvement action plans were completed and "you said, we heard, we will improve" communications took place after final results were shared with the Group Executive and Board in November.



PLACES

SAFE MOBILITY

- An advocate for safer roads

INCLUSIVE MOBILITY

- Support people with disabilities to access mobility solutions

SOCIAL MOBILITY

- Supporting equal opportunities through education, training access and social levelling up



SAFE MOBILITY

Inchcape promotes the safe use of roads with the objective of becoming a strong and visible advocate for reduced road accidents and deaths across all markets in which we operate. We will support and promote safe driving through sponsorship of educational programmes, awareness creation and campaigns on safe use of roads. We will also partner with relevant bodies, stakeholders and advocates to develop and implement accident prevention initiatives and support emergency responses to save lives on the roads. We will aim to develop and roll-out a proprietary digital engagement platform dedicated to promoting Safe Mobility globally.

CURRENT PRIORITIES AND INITIATIVES

- Community activities**

There is currently a wide range of community-based activity taking place across all markets, including support for S.O.S. Children’s Village and the Red Cross as well as Safe Drive mobility training to employees and their relatives in our Africa and Central America markets.
- Road safety campaigning**

Our first internal road safety campaign rolled out in December and a key initiative in 2022 will be to develop externally facing campaigns and potentially partnerships with relevant bodies and organisations.

INCLUSIVE MOBILITY

We will support people with disabilities to access the right mobility solutions through sponsorship and promotion of specific initiatives in our markets. We will also support key programmes that promote activities and topics such as sports, education, skills acquisition and health of those with disabilities. We will also ensure all Inchcape facilities and operations provide full and inclusive access to mobility for all.

SOCIAL MOBILITY

We will develop specific global and local projects and initiatives that support and enable equal opportunities for young people; for example through internship, apprenticeship, technical education and female education. Focus of such programmes will be on the less privileged and/or disadvantaged young people in communities in which we operate to give those selected a better chance to live, grow and realise their potential. Inchcape will be a key proponent of upward mobility for all by helping and being seen to help young people out of poverty and deprivation.



PRACTICES

CODES OF CONDUCT (EMPLOYEES AND SUPPLIERS)

- Everyone knows what is expected of them

FRAMEWORK FOR REPORTING (EXTERNAL STATEMENTS)

- Ensure transparency and ethical behaviour

WHISTLEBLOWING

- Drive integrity and responsibility

POLICIES

- Clear and consistent communication and access



CURRENT PRIORITIES AND INITIATIVES

• Employee Code of Conduct

In line with the launch of our Accelerate strategy and Driving What Matters plan, we updated the Employee Code of Conduct, launched, distributed and trained the workforce to a target of 95% of all employees. The Code has been made available in 19 official languages spoken in Inchcape markets to ensure understanding across all employee groups.

• Supplier Code of Conduct

We also developed and rolled out our first Supplier Code of Conduct to ensure consistency of approach within our third-party supplier community.

• Speak Up!

Additionally, our **Speak Up!** whistleblowing hotline and other contact channels were refreshed and rolled out to all employees and suppliers, with communications extended to our corporate website to ensure accessibility to any stakeholders that may need to raise concerns.

STRENGTHEN CODES OF CONDUCT

We believe in a culture where everyone knows what is expected of them. We will make sure we are an organisation that has a strong, clear code of conduct ensuring compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability. An organisation where everyone knows what is expected of them and helps us to make ethical decisions, with clear processes for identifying misconduct.

PROVIDE A FRAMEWORK FOR REPORTING

We believe transparency drives ethical responsible behaviour. We will ensure we make appropriate external statements of our approach to compliance in a given policy area through the Group’s website and Annual Report.

ENSURE A ROBUST LEGAL AND REGULATORY SYSTEM

We believe trust reinforces our bond with our stakeholders. We will maintain the high legal and regulatory standards vital to building confidence and trust with all our stakeholders. We will publish a set of guidelines and rules to comply with Inchcape goals in relation to good practices and laws.

WHISTLEBLOWING

We believe all colleagues should be able to report their concerns in confidence and drive responsible behaviour. We will create a culture of integrity by empowering colleagues to make the right choices. We will give colleagues clarity and transparency over all policies and enable a confidential method of reporting.

COMMUNICATION

We will ensure that we communicate our policies and controls effectively and consistently and that colleagues are given access to training where required. Our InControl Standards risk management framework will enable long-term growth protecting the fundamentals that underpin the Group’s success.



PLANET

CLIMATE CHANGE IMPACT

- Understand risks to and opportunities for Inchcape

GREENHOUSE GAS EMISSIONS

- Set science based targets for Inchcape (scopes 1 and 2)
- Support OEM partners in their reduction efforts
- Influence non-OEM suppliers to reduce their carbon footprint

WASTE AND RECYCLING

- Reduce impact of waste

HELPING OUR OWN PEOPLE ACHIEVE THEIR OWN CARBON REDUCTION GOALS

- Educate our own people



CURRENT PRIORITIES AND INITIATIVES

Planet Pillar

Scopes 1 and 2 remain the key focus of the Planet workstream, where we can make the biggest contribution to our stated target of 46% reduction in emissions by 2030 (in line with 1.5°C). Scope 1 focus is to increase the proportion of new energy vehicles in the share of our owned fleet and to reduce the amount of fossil fuel used in our operations.

Reduce electricity consumption

In scope 2, we are increasing the proportion of our electricity sourced from renewable tariffs as well as installing and measuring peak power output from on-site renewables such as solar pv, ground- and air-sourced heat pumps and implementing energy efficiency measures to reduce our overall electricity consumption where possible.

Reduce emissions

During 2022, we aim to develop an understanding of our scope 3 emissions, both up- and downstream, and are focusing on measuring and improving the proportion of waste recycled.

Climate change projects

In order to understand the risks and opportunities associated with climate change, a project was carried out in 2021, to enable us to report in line with recommendations under the TCFD. Further information is given on pages 40 to 44.

WE WILL UNDERSTAND THE RISKS AND OPPORTUNITIES FOR OUR BUSINESS THAT WILL ARISE AS A RESULT OF CLIMATE CHANGE

We will report on those risks and opportunities regularly and transparently so that all our stakeholders can have confidence that we are safeguarding their interests over the long-term.

WE WILL MEASURE AND REPORT ON OUR DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

We will set science-based targets for our scope 1 and scope 2 emissions and take the measures necessary to meet those targets.

WE WILL SUPPORT OUR OEM PARTNERS IN THEIR EFFORTS TO REDUCE GREENHOUSE GAS EMISSIONS

Where appropriate, we will make sure we comply with their building and energy management policies. We will actively promote the sales of vehicles with lower emissions.

WE WILL INFLUENCE OUR NON-OEM SUPPLIERS TO REDUCE THEIR CARBON FOOTPRINT

We will incorporate environmental considerations into our decision-making processes and favour suppliers that set ambitious science-based targets for their greenhouse gas emissions.

WE WILL DEAL RESPONSIBLY WITH THE WASTE THAT WE PRODUCE AS A BUSINESS

As a minimum, we will comply with all applicable laws and regulations. We will progressively increase the amount of waste products that we recycle in order to reduce our impact upon the planet over time.

WE WILL EDUCATE OUR PEOPLE

We will show our people the ways in which they can contribute to reducing their impact upon the planet in both their working lives and their personal lives. Our leadership teams will model those behaviours.



LOCATIONS

DISTRIBUTION

Barbados+, Colombia, Ecuador, El Salvador, Guam+, Guatemala, Uruguay,

RETAIL

UK

+ Indicates the base of care distribution operations which also serves neighbouring islands.

MERCEDES-BENZ

In 2019 we signed our first distribution contracts with Mercedes-Benz for both passenger and commercial vehicles in Uruguay and Ecuador, followed by a further agreement in January 2020 to become the distributor for Mercedes-Benz passenger vehicles in Colombia. During 2020 and 2021 we continued our consolidation and are now Mercedes' number one distribution partner in Latin America.



CLIMATE CHANGE

Climate change is the biggest environmental threat faced by the world today and every business is affected in numerous ways.

The Paris Agreement sets out an international ambition to hold the increase in global average temperature well below 2°C above pre-industrial levels, and to pursue efforts to limit this to 1.5°C. Governments are looking to businesses for help to keep global temperatures within a safe range. UK listed companies are now required to report in line with the recommendations set out in the Task Force on Climate-Related Financial Disclosures (TCFD).

This section of the Annual Report sets out our disclosures in compliance with the 10 of the 11 TCFD recommendations and recommended disclosures as required by LR9.8.6R. The recommendation on the assessment of the resilience of the Group’s strategy will be carried out during 2022, and will

be reported in the next year’s Annual Report and Accounts. Please see page 44 for further information.

TCFD PROJECT

The Company engaged the Carbon Trust, an independent sustainability consultant, to assist the Group in analysing climate-related risks and opportunities over the short, medium and long-term. The project began in January 2021, with the purpose of identifying climate-related risks and opportunities and assessing how these may impact strategic and financial planning.

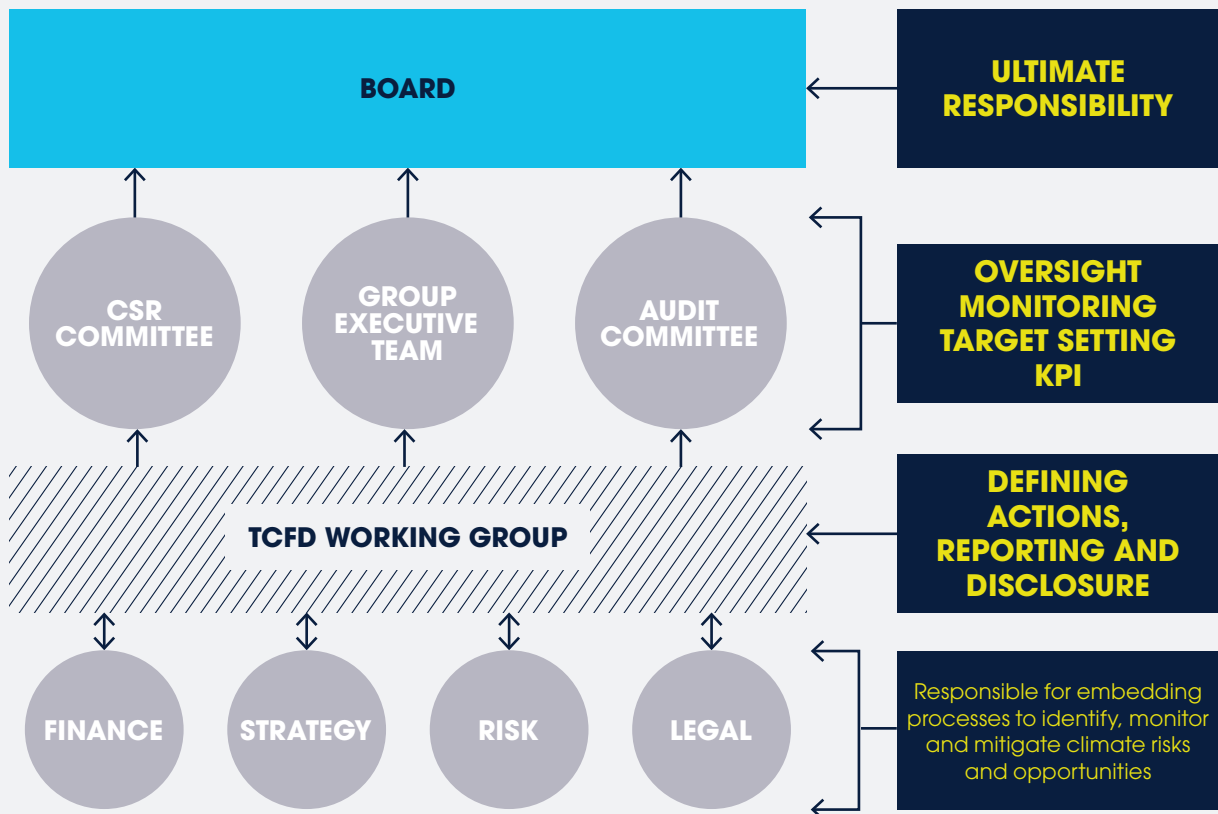
A range of stakeholders within the business were invited to participate in the project. Initial workshops were facilitated by the Carbon Trust to educate colleagues on climate-risk

and initiate discussion regarding the areas of exposure for the Group. The Carbon Trust also interviewed regional market heads, and other senior leaders, investor relations, strategy, finance, and risk management teams. The findings from these interviews informed our initial list of climate-related risks and opportunities (“CCR&Os”), and shaped our approach.

GOVERNANCE

Duncan Tait, Group Chief Executive, is the Board Director with ultimate responsibility for climate-related issues, with the support from the Group Executive Team (GET).

The Group’s response to climate change has been scheduled as a regular agenda item for either the



Board or one of its Committees (as appropriate) to cover impacts upon the business of climate change; and the impact of the business upon the environment.

The Audit Committee, who meet four times a year, considers emerging and significant risks throughout the year which include climate-related risks. The Audit Committee also reviews the impact of climate change when considering significant judgements such as impairment of goodwill, plant, property and equipment etc. as part of the reporting of financial information. See page 77 for further details.

The CSR Committee, which met four times during 2021, has oversight of the Driving What Matters plan, which comprises four pillars: People, Places, Planet, Practices. The Planet workstream has three principal areas of focus which include understanding, reporting and acting upon CCR&Os.

Where climate-related issues have been considered at Committee level, updates are given to the full Board following each meeting.

The Board and the CSR Committee delegate responsibility for assessing and monitoring climate-related risks to the GET, who considered climate-related issues as part of the following discussions:

- Design of strategy – considering our strategic choices through a climate change lens;
- Implementation of Risk Management framework – related oversight of how climate-related risks are being continually assessed at regional level;
- Financial planning – impact of climate on future cash flows and impairment; and
- Business development – assessment of current and future OEM partners’ new energy vehicle line up and market infrastructure.

The TCFD Working Group (TCFD Group) meets on a quarterly basis and comprises the Group General Counsel, Group Company Secretary, Head of Internal Audit, Risk Manager, the Group Financial Controller, Head of Investor Relations, Group Head of Strategy and the Group Strategy Manager.

The remit of the TCFD Group is to monitor the governance around CCR&Os, continuing identification and verification of CCR&Os, and ensuring the CCR&Os are considered in context of strategy and financial performance. The TCFD Group agrees action plans to improve disclosure under each of the recommended areas with progress tracked at each meeting.

STRATEGY

The most material climate change risk that we face is where there is a misalignment between the speed at which our OEM partners are able to transition their model line up to New Energy Vehicles (NEVs) and the pace of adoption of NEVs in the markets in which we operate.

It is plausible that in some of our markets NEV adoption will outpace the speed at which our OEM partners are able to produce NEVs at scale or vice versa. In those instances we may experience periods of market share loss. However, we remain confident that these impacts will be short-lived as the resilience of our strategy is built on:

- having decades of experience of delivering successful market entries for OEMs, and introducing their latest vehicle innovations.
- expertise in our markets, with domain expertise in regulation, government policy, understanding consumer preferences and infrastructure readiness.
- fostering long-term relationships with the world’s leading OEMs, who are investing and innovating to ensure they have a vehicle line-up which will meet consumer preferences
- working in close collaboration with our OEM partners across our regions and markets, ensuring the most appropriate vehicle line-ups. This requires careful planning regarding the suitability of particular vehicle powertrains, when to introduce new vehicle technologies, and ensuring vehicles will meet local-market homologation requirements..

In setting our strategic direction we concluded that we have relationships with OEMs that will successfully navigate the energy transition. We are also actively engaged in discussions with newer OEM entrants (e.g. those manufacturing only battery EVs), which, if successful, will support a further broadening of our brand footprint.

Please see the table on page 42 for further information on our climate-related risks and opportunities.

RISK MANAGEMENT

Regional and Group risk management committees monitor and manage risks as part of the continuous risk management process. Climate-related risks are identified and assessed within the Group’s Risk Management Framework. Climate change is not drawn out as a stand alone risk due to its broad nature; however, the impact of climate change is a key element in several principal risks including EV supply and demand, and supply chain disruption. Principal risks are those which are considered to have a material financial or strategic impact on the business.

We have developed actions plans to embed climate-related assessment and management throughout the Group and to improve climate-related processes and decision making.

Further information on how risks are identified, assessed and managed can be found in the Risk Management Report on pages 48 to 56.

In addition to the risk management process, climate-related risks are considered as part of the strategic and financial planning process which is monitored by the TCFD Working Group.

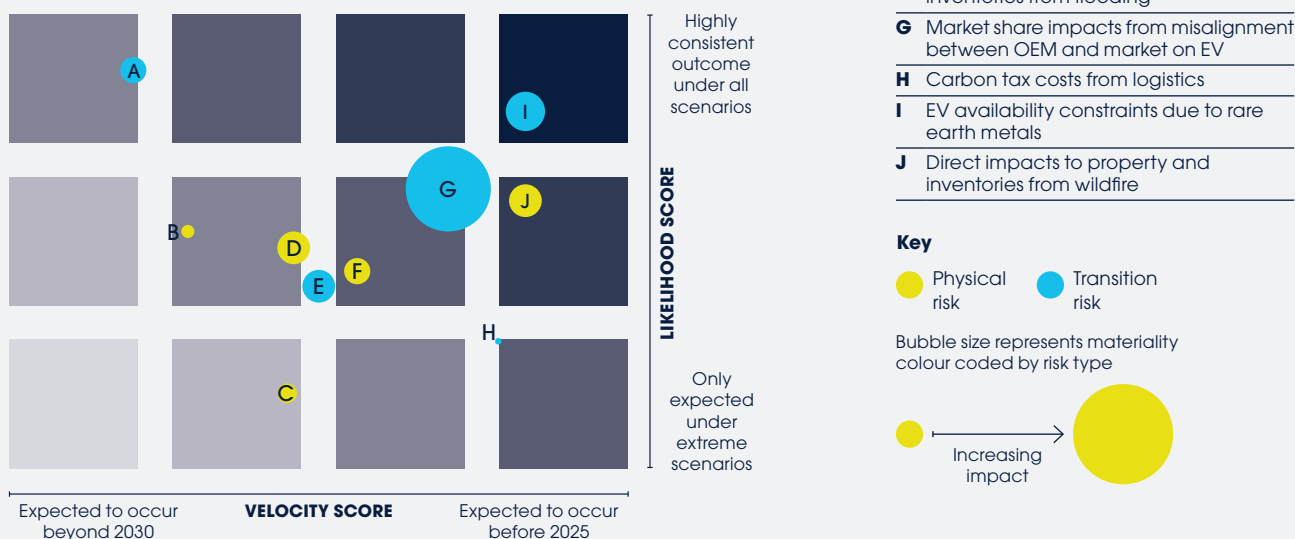
Establishing climate-related risks and opportunities

To determine the risks identified, a value chain/business model approach was taken, combining desk-based research findings and learnings from the interviews to develop the longlist of 192 risks. Scenario data was then brought into the prioritisation assessment. Structuring the longlist development in this way ensured the potential risk of being biased/led by scenario data availability was minimised. Of the 192 risks identified, 119 were taken through the likelihood, velocity and materiality analysis. A threshold was applied to determine which risks would be shortlisted.

The GET spent time reviewing the findings to establish which risks and opportunities are the most relevant taking into account both likelihood and impact. The team also considered how the risks are currently being built into strategic thinking and how they will be considered on an on-going basis. Additionally, they established a process for identifying and assessing CCR&Os in the future.

SUMMARY OF KEY FINDINGS AND COMPARATIVE IMPORTANCE OF RISKS

Our most significant risk is a potential misalignment between model line-up in a given geography and the pace of EV adoption in that market. Conversely, close alignment presents opportunities. Physical risks are less pronounced than transition risks and manifest over longer-term.



CLIMATE RELATED RISKS AND OPPORTUNITIES

The CCR&Os detailed below are considered to have the most significant impact on the Group over the short, medium and long-term.

Type	Description	Length	Impact on strategy and financial planning
Transition risk - Market	Market share impact from misalignment between OEM and market on EV	Short and Medium-term	When evaluating investment opportunities, we consider the speed at which the geography is moving to EV adoption and the pace at which our OEM partners are transitioning their product pipeline from ICE to EV. This is likely to be the most material risk to strategy.
Transition risk - Technology	Aftersales impact from EV lifecycle and maintenance	Medium and long-term	We have considered the Infrastructure required on company premises for EV aftersales. A reduced number of moving parts in EV could lead to reduced sales of secondary and replacement components. As the percentage of EV sales is still relatively low, this will not impact aftersales in the near term.
Transition Risk - Policy and legal	Tax levied on the carbon emissions required to produce goods and on logistics	Medium and long-term	Carbon taxes could increase cost of operations (including transport and logistics) and of parts and vehicles with potential impact on size of market. We continue to monitor the likelihood of carbon taxes impacting costs.
Transition risk - Technology	EV availability constraints due to rare earth metals	Medium to long-term	We have not seen any supply chain disruption attributable to this issue and, in the event of battery shortage, would apply the usual measures we would take to deal with any supply chain issues. This is an emerging risk which is kept under review.
Physical Risk - Extreme weather event	Disruption to operations and supply due to flooding, wildfires and drought, and impact from water stress	Medium and long-term	Extreme weather events and water stress could result in an increase in the costs of mitigation measures i.e. relocating sites and insurance costs. We have concluded that this will not be a direct impact in the near-term. However, we continue to monitor this closely.
Transition Opportunity - Market	EV-enablement partner to position Group to partner with OEMs as they transition to EV	Medium-term	We can leverage our scale, and our growing experience, to help our OEM partners manage the transition in the markets in which we operate.
Energy source opportunity	Energy savings from global greenhouse gas emission reduction targets/resource efficiency	Short, medium and long-term	Setting science-based targets for our scope 1 and scope 2 emissions drives us to reduce our base energy usage. In doing so, we can also generate significant cost savings.

CCR&O DEVELOPMENT METHODOLOGY

To help us quantify our CCROs, we used data from the following sources:

- Representative Concentration Pathways (RCP): Defined emission pathways, which can be input into global climate models to derive the physical climate futures;
- Shared Socioeconomic Pathways (SSP): Contain a narrative about what the world looks like from a socioeconomic perspective, including qualitative assumptions on important elements, such as technology transfer, global cooperation, societal preferences, and the paradigm underpinning global development; and
- International Energy Agency (IEA): model focused on production and demand for fossil fuel.

There are benefits and limitations to each set of scenario data which we have considered, along with availability of modelled data, when selecting the appropriate scenario for the parameter data. The public scenarios use different underlying assumptions. RCP and SSP scenarios have been developed to be interoperable together in climate models; however, this is not possible with IEA models. The scenarios are broadly grouped for analysis under the follow categories: below 2°C, current policy (3°C) and 4°C.

Below 2 degrees scenarios

RCP	SSP	IEA	IEA
IPCC Climate Scenario: RCP 2.6	Complementary socioeconomic pathway: SSP 1	Sustainable Development Scenario: SDS	Net Zero Emissions: NZE
Average global temperature increase by 2050*: 1.6 ± 0.3°C	Average global temperature increase by 2100*: 1.6 ± 0.4°C	Average global temperature increase by 2100*: 1.5 ± 0.15°C	Average global temperature increase by 2100*: 1.5

The pathways grouped in the below 2°C scenario are those considered to be consistent with this outcome and a low carbon transition towards a net-zero global economy in the second half of the 21st century. As with most low carbon transition scenarios this pathway requires significant development of negative emissions options by 2100 to keep temperatures to this 2°C limit. The 2°C scenario shown below sets out a rapid decarbonisation pathway in line with the Paris Agreement that limits peak warming compared to pre-industrial times.

Current policies scenarios

RCP	SSP	IEA
IPCC Climate Scenario: RCP 4.5	Complementary socioeconomic pathway: SSP 2	Stated Policy Scenario: SPS
Average global temperature increase by 2050*: 2.0 ± 0.3°C	Average global temperature increase by 2100*: 2.4 ± 0.5°C	Average global temperature increase by 2100*: 2.4 ± 0.5°C

The current policies scenarios represents an intermediate scenario in which temperatures are more likely than not to exceed 2°C, with significant resultant impacts to global climate systems. As part of the wider scenario development, this IEA scenario considers existing climate and energy policies. This pathway involves significant decarbonisation in the second half of the 21st Century.

Worst case scenarios

RCP	SSP
IPCC Climate Scenario: RCP 8.5	Complementary socioeconomic pathway: SSP 5
Average global temperature increase by 2050*: 2.6 ± 0.4°C	Average global temperature increase by 2100*: 4.3 ± 0.7°C

Under the worst-case scenarios, existing climate and energy policies are unsuccessful. These pathways will result in significant increases in global GHG emissions without constraint. Under these warming scenarios physical risks are expected to intensify substantially, whilst transition risks associated with policy changes are less likely to be present. Data for the parameters was collected externally from the latest climate models for the above scenarios including:

- Physical Climate Models;
- EA World Energy Model;
- Integrated Assessment Models
- Specific reports for regional/sectoral projections, including the World Bank report on the Growing Role of Minerals and Metals, the IEA’s report Global EV Outlook 2021 and McKinsey’s Shared Mobility report; and
- Review of relevant academic research papers including the IPCC’s 5th Assessment Report, the Physical Science Basis and those referenced in the footnotes of this section.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES CONTINUED

The nature of assessing CCR&Os means that the assessment undertaken is not without its limitations. Some of the key challenges through the process were associated with the estimation of financial materiality and use of climate projections in the prioritisation of risk. Furthermore, availability of physical risk projections through established climate models is limited (in some cases) thus limiting the conclusion that can be drawn related to these risk factors. Additionally, there were challenges in acquiring the relevant financial data at suitable granularity for use in materiality calculations.

Risks were assessed on the basis of:

Likelihood – the probability of a climate-related risk or opportunity taking place, considering outcomes across all scenarios assessed. The direction of travel of each relevant scenario parameter was assessed (i.e. whether under each scenario, a parameter is projected to increase, decrease, or not change).

- For transition risks and opportunities, projections based on current commitments and trends were compared to the accelerated transition aligned to a 2°C, Paris Agreement aligned scenario.
- For physical risks and opportunities this projection based on current commitments and trends was compared to a scenario with failure of climate mitigation actions and correspondingly high emissions.

We assessed likelihood using the following categorisations:

- Very high – Strong alignment between current policies and 2°C scenario (transition risks) or worst-case scenario pathways (physical risks);
- High – Good alignment between current policies and 2°C or worst-case scenario pathways, but 2°C more ambitious and worst-case more accelerated;
- Medium – Much greater change expected under 2°C or worst-case scenario, but trends are directionally the same; and
- Low – Only expected under a 2°C or worst-case scenario pathway and not part of current trends/trajectories.

Velocity – assessing the time period in which the exposure to each CCR&O is expected to become significantly different to today. The purpose of this measure is to assess how fast external pressures are changing. Velocity was assessed using the following time horizons:

- Short-term – before 2025;
- Medium-term – between 2025 and 2030; and
- Long-term – beyond 2030.

Materiality – The annual financial impact of each identified CCR&O was estimated. The process for assessing financial materiality started with a collection and extrapolation of relevant financial data. Subsequently, the analysis focused on determining the relationship between the scenario parameter assigned to each CCR&O and the impacted value driver from the CCR&O. To understand and compare the relevant materiality of these financial impacts, thresholds were developed based on the risk management financial materiality thresholds.

We carried out a high level quantification exercise to assess the potential materiality of each risk in the longlist compared to one another. This enabled us to rank risks to inform shortlisted risks for further detailed quantification in the future.

METRICS AND TARGETS

During the year, the GET and the Board agreed to set science based targets to reduce absolute scope 1 and scope 2 emissions by 46% by 2030 from a 2019 base year.

REDUCTION TARGETS FOR SCOPE 1 & 2

Baseline	50,801
2020*	53,119
2021	45,674
Target	27,331

* the figures for 2020 have been restated to include a correction on vehicle fuel which was incorrectly classified as scope 3 during that reporting period.

To deliver the reduction in emissions, regional plans have been agreed which focus on the following measures:

- Switching to renewable tariffs;
- Install solar PVs where possible;
- Implementing energy efficiency measures;
- Increase the number of NEVs in our owned fleet; and
- Reduce the amount of fossil fuel in our operations

We will target net zero for scope 1 and scope 2 emissions by no later than 2040 and are developing short-term objectives to drive near-term actions.

During 2022, we will measure our scope 3 emissions and assess appropriate reduction targets. Further details will be disclosed in next year's Annual Report and Accounts.

ASSESSING THE RESILIENCE OF OUR STRATEGY

Over the next 12 months we will assess the financial impacts and identify responses to manage outcomes by:

- Performing a deep dive analysis on priority CCR&Os to incorporate into financial planning;
- Develop metrics to monitor existing CCR&Os;
- Apply agreed scenarios to assess how impacts play out and affect KPIs and financial metrics;
- Carry out an assessment of the resilience of the organisation strategy, taking into consideration different climate-related scenarios; and
- Identify additional high-level responses to protect and enhance value creation.



LOCATIONS

DISTRIBUTION

Chile, Estonia, Guam, Kenya, Latvia, Lithuania, Peru

RETAIL

Poland, Russia, UK

BMW GROUP

Our partnership with BMW Group is over 30 years strong and has been a key focus for consolidated growth, especially in the Baltic region where we now represent the brand in all three countries: Estonia, Latvia and Lithuania. In 2020 we were awarded the Distribution contracts for MINI in Chile and for MINI and BMW Motorrad (the brand's motorcycle division) in Peru, consolidating our position in those markets. As well as holding Distribution contracts in South America, we also have significant operations of BMW Group's brands in our Retail-only markets: UK, Poland and Russia.

