Inchcape

POWERING BETTER MOBILITY

ANNUAL REPORT AND ACCOUNTS 2021

POWERING BETTER MOBILITY

INCHCAPE IS ON AN AMBITIOUS GROWTH JOURNEY

As the leading automotive distributor in a highly fragmented global market, we have developed a 'plug-and-play' distribution platform and built our digital and data capability to create a significant competitive advantage. We are also uniquely positioned to capture more of a vehicle's lifetime value.

Our commitment to return shareholder value through organic growth, consolidation and cash returns will be delivered by our Accelerate strategy and is underpinned by our Responsible Business framework, 'Driving What Matters'.

HIGHLIGHTS

Revenue

£7.6bn

2020: £6.8bn

Free cash flow[1]

£289m

2020: £177m

Return on capital employed[1]

30%

2020: 12%

Dividend per share

22.5p

2020: 6.9p

Our financial metrics

The following table shows the key profit measures that we use throughout this report to most accurately describe operating performance and how they relate to statutory measures.

Metric	£m	Use of metric
Gross Profit	**1,140.9**	Direct profit contribution from Value Drivers (e.g. Vehicles and Aftersales)
Less: Segment operating expenses	(812.8)	
Operating Profit (before exceptional items)[1]	**328.1**	Profit generated by the Group
Less: exceptional items	(101.2)	
Operating Profit	**226.9**	Statutory measure of Operating Profit
Less: Net Finance Costs	(32.1)	
Profit before tax	**194.8**	Statutory measure of profit after the costs of financing the Group
Add back: exceptional items	101.2	
Profit before tax and exceptional items[1]	**296.0**	

1. APM (alternative performance measure), see page 186

"BRINGING MOBILITY TO THE WORLD'S COMMUNITIES – FOR TODAY, FOR TOMORROW AND FOR THE THE BETTER"

Inchcape is the world's leading independent automotive distributor, operating in over 40 markets and geographies across Asia, Australasia and the Pacific; the Americas; Africa; Europe and the UK

AT A GLANCE

£7.6bn
Revenue

40+
Brand partners

175+
Years of successful international trade

14,500+
Employees

OUR VALUE CHAIN

Inchcape's value chain comprises six key elements which provide full spectrum 'Differentiated Distribution' services for our original equipment manufacturer (OEM) partners:

Product planning Using our local market expertise to inform certification and vehicle ordering decisions (model types and specifications).

Logistics Operating comprehensive post-factory connections to deliver vehicles and parts in our markets.

Brand and marketing Proposition development, brand positioning (including price setting) and national marketing, aimed to maximise market share for our partners.

Channel management Defining and building the optimal channels to reach consumers and businesses covering network management, digital, and omni-channel. This also includes selection and training of independent dealers, and ongoing performance management.

Retail services Bringing our omni-channel platform to customers to deliver world-class, digital-first experiences across our OEM and market portfolio.

Aftermarket services Distribution of parts, and customer and vehicle lifecycle management including aftersales services via the omni-channel retail network.

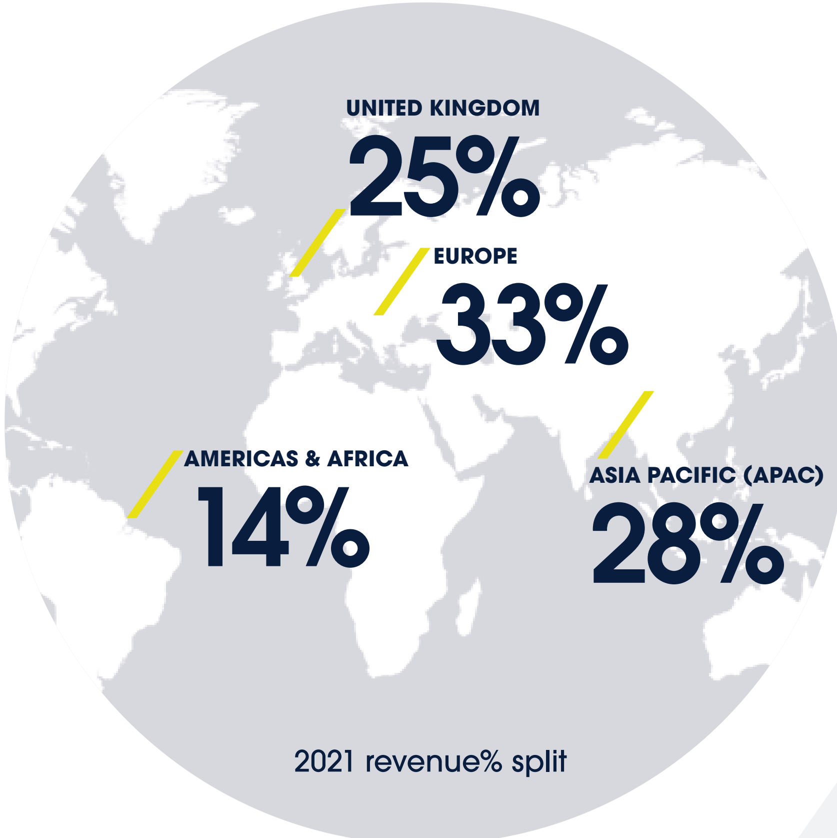
Our value chain is differentiated from others by our investments in **digital customer experience**, in **data analytics**, our **global connected platform** – which enables us to deploy our processes consistently worldwide – and deep **local market expertise**.

OUR GLOBAL REACH

6
Continents

1,000+
Distribution & retail network locations

40+
Countries and geographies worldwide



2021 revenue% split

OUR LONG-STANDING PARTNER RELATIONSHIPS

One of Inchcape's core strengths is the length of our main OEM relationships. Stretching back to the 1960s when we first began working in partnership with Toyota, we have fostered and maintained close relationships with some of the world's leading automotive manufacturers, as well as adding new partnerships with many others over the decades.

100+
years of automotive experience

54
Toyota

51
Jaguar Land Rover

44
Suzuki

34
Mercedes-Benz

33
Volkswagen Group

32
BMW Group

29
Subaru Corporation

Continuous years of operating with our seven core OEM partners

SUPERCHARGING OUR BUSINESS

Transforming Inchcape to accelerate our growth through Distribution Excellence and Vehicle Lifecycle Services

Inchcape
Accelerate

OUR GROWTH DRIVERS:

DISTRIBUTION EXCELLENCE

VEHICLE LIFECYCLE SERVICES

OUR ENABLERS:

Culture and Capabilities

Digital, Data & Analytics

Efficient Scale Operations

Responsible Business

Our world, our industry and our business are experiencing unprecedented change. This change represents a significant opportunity for Inchcape to grow in three ways.

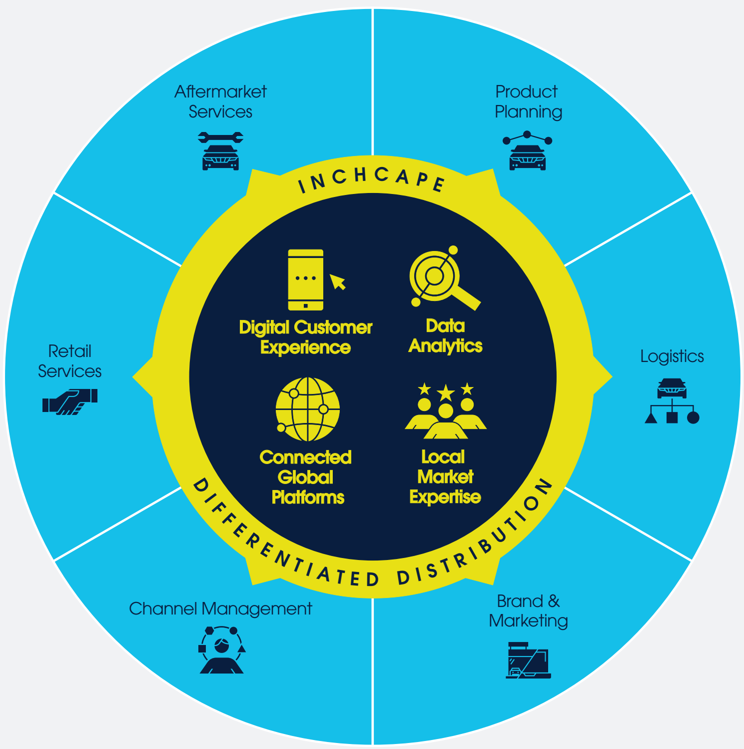
1. Generating more value from existing markets and customers through route to market transformation. Success in providing OEMs with an omni-channel route to market will mean we sell more goods and services to consumers while reducing the cost of taking a vehicle to market for our partners.
2. Expanding into new and adjacent areas, capturing more value from our vehicles as well as others. This provides opportunities for Inchcape to create new solutions or take proven solutions from other markets to capture a greater part of the vehicle value chain.
3. Using our core capabilities and market presence to expand and grow in new markets and with new partners. Manufacturers are now looking for partners in the markets they choose not to serve themselves, who have the scale to be able to exploit technology and data to deliver the omni-channel solution consumers are demanding.

To realise these opportunities, we have identified two strategic growth drivers, **Distribution Excellence** and **Vehicle Lifecycle Services** (see next page) supported by three critical enablers:

1. Develop the **Culture and Capabilities** we need to build on our core strengths of executional excellence and automotive knowledge, blending these with the digital, technological and process capabilities needed to succeed in the future.
2. Use **Digital, Data and Analytics** to: create the consumer experience relevant to each market based on data driven insights; make the business critical decisions that support efficient and effective execution using data; and ensure all of this data is totally secure.
3. Develop **Efficient Scale Operations** to standardise our back office and core processes, and apply 'one best way' to make us more efficient and more successful.

This is underpinned by our **Responsible Business** plan, 'Driving What Matters' which you can read about in detail on pages 33-38.

DISTRIBUTION EXCELLENCE:

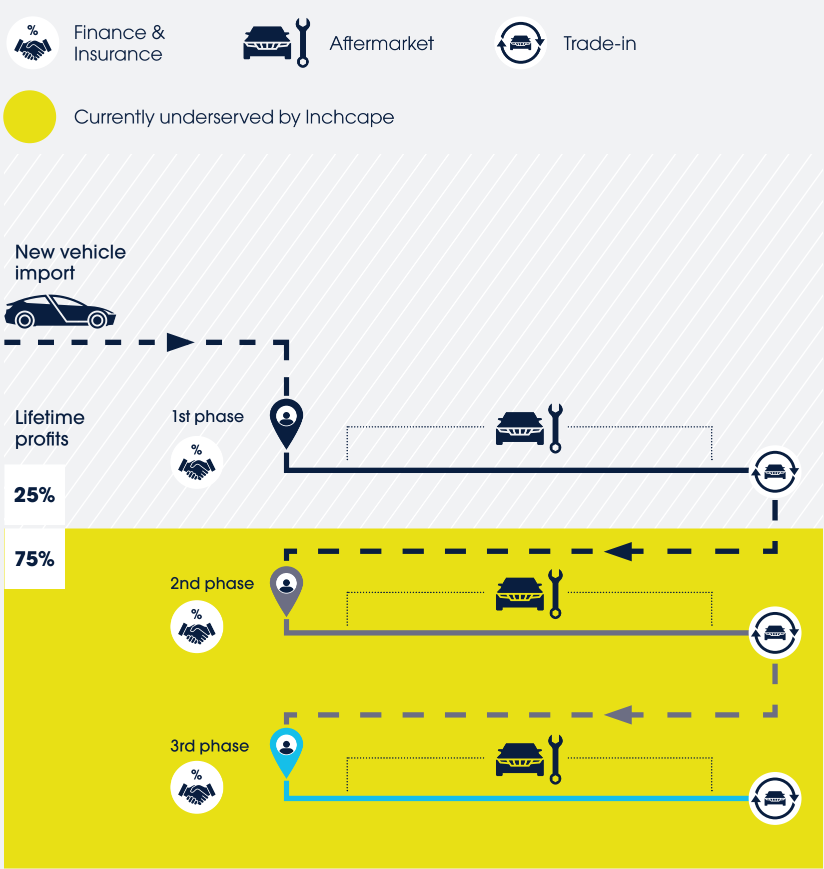


Inchcape has long been a leading automotive distribution partner to many of the world's best known and most trusted automotive manufacturers. The traditional routes to market, however, have seen significant disruption in recent years with far more of the customer journey and experience moving online. Additionally, the sector's supporting functions and capabilities are becoming digitalised at pace. However, far from seeing this evolution as a threat, we see it as being in line with our ambition.

To realise the scale of our ambition we need to accelerate the speed of our transformation, developing a global platform of connected systems and capabilities combined with the exceptional talent of our people worldwide that together comprise our proposition of **Distribution Excellence**.

The key to this lies in the development of our globally connected platform of digitalised processes and capability, combining the strength and resilience of a global business with tailored local market offering and expertise. Having developed, tested and rolled out our proprietary omni-channel platform (DXP), we have now extended from one market and OEM to 27 markets and 11 OEMs with more in the pipeline. You can read more about this and our Data Analytics Platform (DAP) on page 13.

VEHICLE LIFECYCLE SERVICES:



Our second growth driver is **Vehicle Lifecycle Services** (VLS) which focuses on how we expand the role we play in the value chain through new and complementary products and services. We see significantly more value to be unlocked from the second and third phase of a vehicle's lifecycle as from the first, and our existing assets, relationships and expertise provide us the platform to capture more of this value.

The most significant near-term opportunity comes from the creation of a new global model for stand-alone omni-channel used car retail. Branded **bravoauto** and proven in the UK, this platform is ready to be scaled and rolled out to our markets globally.

Bravoauto will use best practices and standardised technology in all our markets and it will plug into our advanced data analytics platform to deliver an industry-leading customer experience.

There is further value to be created and captured from the total Car Parc aftermarket by leveraging our distribution and technological expertise in the parts segment. The opportunity we have identified is to modernise the distribution of parts by creating a platform to connect parts distributors with workshops, which we now have under development.

NIGEL STEIN
CHAIRMAN

A LONG-TERM TRUSTED PARTNER

DEAR SHAREHOLDERS AND STAKEHOLDERS

I am pleased to report a year of good progress for Inchcape despite the continuing impact of the pandemic across our markets. This achievement reflected the hard work and ingenuity shown by Inchcape colleagues worldwide, who moved quickly to adapt to changing local circumstances while maintaining the Group-wide priorities of safety and customer service. I thank them most sincerely for their efforts.

One of the challenges faced in the year was the disruption to automotive supply chains caused by a shortage of components, particularly electronic chips, which progressively impacted OEM vehicle production. The inability of output to match recovering demand held back our sales but, combined with proactive management of appropriate discounts and product mix, led to better margins on both new and used vehicles.

Supply chain disruption seems likely to continue and we expect to have to live with a shortage of new vehicles well into 2022.

As well as achieving a pleasing financial out-turn, the Inchcape team took important strides during the year to improve the business for the future. This included significantly enhancing our digital capabilities to improve our omni-channel customer experience, to step-up our data analytics capability and to streamline our back-office processes. The latter is important to our ability to successfully integrate acquisitions, a key opportunity for future growth.

STRATEGIC PROGRESS

The new "Accelerate" strategy was launched with two key growth pillars: Distribution Excellence – building on the progress made through Ignite – and VLS, in addition to continuing our long-standing strategy of inorganic growth through new contracts and acquisitions. We believe this strategy, which is set out in more detail on pages 4 and 5, will put Inchcape ahead of the competition – offering OEM partners the most professional, international and digital distribution partner who they can trust to represent them in fast growing, developing markets.

In last year's report, I referred to the increasing pace of electrification of automotive drivetrains. That pace has accelerated and we are seeing that in several key markets OEMs with better electric vehicle (EV) offerings are gaining share. We continue to monitor the market closely and remain confident that Inchcape's OEM partners, whilst not always being "first to market", have the technology, capability and partnerships to bring long-term success.

We have been keen to partner more with winning Chinese brands who are expanding into international markets and were pleased to sign our first distribution agreement with Geely Auto in Chile, adding to our presence in that market. This, and other acquisitions announced during the year, will broaden the Group's profit base across different geographies reducing the historical reliance on Asia, Singapore and Hong Kong in particular.

Businesses in emerging markets often come with additional political risk which, as set out in the Group's Risk Management report, is part of the Inchcape business model of representing OEM partners in lower volume global markets. The Board carefully review the risk environment, and its risk appetite, when considering potential acquisitions.

Not withstanding the sale of the St. Petersburg business during 2021, the Board continues to closely monitor developments in Russia to assess any impact on our business in that market.

BOARD

We were delighted that Nayantara Bali joined the Board in May, bringing to Inchcape her experience and insights of consumer markets in Asia. We believe the Board greatly benefits from having a Director based in that important region.

Till Vestring who has served on the Board for 10 years, will step down at the 2022 Annual General Meeting (AGM) having prolonged his tenure to help induct Nayantara during this time of Covid-19 restricted travel. We are indebted to Till for the farsighted and independent thinking he has brought to the Board and the excellent contribution he made in his time at Inchcape.

As announced in January 2022, I am also delighted that Sarah Kuijlaars has joined the Board as a Non-Executive Director. Sarah is currently Chief Financial Officer at De Beers plc. Further information is given in the Nomination Committee Report on page 75.

DIVIDENDS

Based on the strong financial performance for the year, and the unusual circumstances of last year, the Board paid an interim 2021 dividend at a higher level than its normal practice of one third of the prior year dividend. We intend to revert to the usual one third of prior year dividend calculation in future years.

The Group remains committed to a dividend policy which pays out 40% of net income per annum. We are now pleased to recommend a final dividend of 16.1p, bringing the total dividend for the year to 22.5p.

SHARE BUYBACK

The extremely strong cash generation of the Group also allowed us to restart a share buyback programme in August 2021 with a £100m buyback completed in February 2022.

Our cash allocation strategy of prioritising organic growth, dividends and bolt-on acquisitions, before returning surplus cash to shareholders, remains in place.

FUTURE PROSPECTS

In the next few months, performance seems likely to be restricted to some degree by continuing supply chain disruption and the potential impact of the continuing pandemic. The Board, however, remains very confident in the Group's medium and long-term prospects, based on the strength of its market positions and successful implementation of the Accelerate strategy.

Directors' approval of the Strategic Report

The 2021 Strategic Report, from pages 2 to 58, were reviewed and approved by the Board of Directors on 25 February 2022

NIGEL STEIN
CHAIRMAN

DUNCAN TAIT
GROUP CEO

AN OUTSTANDING BUSINESS WITH AN EXCITING FUTURE

I am pleased to report on a year of significant momentum for the Group. We've seen sharp recovery, made great strategic progress and, to a large extent, a return to some of the growth trajectory more familiar to a pre-Covid Inchcape.

Like businesses the world over, we faced some uncertainty at the start of the year because of the continued challenges brought by the pandemic. I am delighted to report, however, that we recovered well, adapted to new ways of working, and achieved a performance during 2021 that has exceeded expectations. It's testament to the resilience of our business, and the determination and ingenuity of our people, that we performed ahead of the market and we emerged with great optimism for the future.

PERFORMANCE

The momentum we built coming out of the most severe restrictions of 2020 propelled the business to an excellent performance overall, thanks to the hard work of our thousands of colleagues around the world. Having joined the Group during the first year of the pandemic, seeing the resolve and resilience of our people left me in no doubt that we would quickly thrive again, and I am delighted to say this confidence was borne out in our results.

Revenues were £7.6bn, an increase of 12% on 2020 as we began our recovery to pre-pandemic levels. We delivered profit (before tax and exceptional items) of £296m, a 131% rise on the prior year and driven by both strong execution and higher vehicle gross margins. We were also highly cash generative in the year, booking free cash flow of £289m which has resulted in the further strengthening of our financial position.

We talked in our updates during the year about the global shortage of semiconductors which has affected manufacturers' post-pandemic recovery. Although demand is high, there's a significant impact on the supply of new vehicles and we are expecting constraints to continue well into 2022.

Despite the external challenges we have seen in 2021, our teams continued to deliver against expectations every day. They also continued to innovate at speed, to build our capabilities in digital, and to grow the business through acquisition and contract wins.

Additionally in 2021, we launched our new strategy and our Responsible Business plan, which you can read more about below. In all, we can look back on 2021 as a year of significant recovery and progress that I am confident will prove to be a springboard to accelerated performance and growth in the years to come.

STRATEGIC DEVELOPMENT

In last year's Report, I described how we were embarking on a new phase of the Group's journey. With strong foundations in place following a period of growth and forward momentum, our new strategy is all about preparing the Group for the future and has Distribution Excellence and Vehicle Lifecycle Services (VLS) at its heart.

We have called our new strategy 'Accelerate', and it will build on our strong foundations through cutting-edge digital technology and smart use of data as described on page 13.

Over the past year, we've made progress in rolling out Accelerate across the Group. In particular, we've advanced our digital capabilities in a number of important areas.

Our omni-channel platform, (known internally as DXP for Digital eXperience Platform) offers customers a seamless, continuous customer experience, however they choose to interact with us. At the start of the year, the platform was available in just one country. During 2021 we've extended its availability to 27 markets, with 11 OEMs now live on the platform. The initial signs are very exciting with the platform driving significantly better sales conversion rates.

DXP is part of a wider platform that we've been further developing during the past year. It spans a host of digital capabilities that I believe can position Inchcape as the undisputed number one distribution partner of choice for OEMs. DAP (our Digital Analytics Platform) is another component of this wider platform. It provides advanced analytics and machine learning, leveraging our data and driving smarter, faster and better business decisions which results in improved performance across lead management, customer retention and pricing.

During 2021, we established two digital delivery centres (DDCs) as we embarked on our technological transformation. There are already over 500 'Inchcapers' working in the DDCs, providing 24/7 services and solutions which has significantly increased our internal digital delivery capability. In the year we also established our Global Business Services in partnership with Cognizant to manage the majority of our transactional finance operations and enable smarter business partnering within the finance function.

Collectively, these services are helping the Group to be more responsive and efficient, providing an ecosystem of connected technology – a 'plug and play' platform for our OEM partners that facilitates their preferred route to market. I firmly believe this platform can help us build a highly effective automotive distribution capability and service for automotive partners.

While Distribution Excellence is one cornerstone of our Accelerate strategy, the other is centred around VLS which has untapped potential for us across all our markets. This will be all about placing more emphasis on capturing the lifetime value of both customers and vehicles.

Specifically, we have developed an approach to maximising the opportunity presented by the second and third stages of a vehicle's lifecycle – in other words, its life beyond the original sale as a new vehicle. We'll do this by providing an aggregator service in markets where the service doesn't already exist; something that fits with our well-established approach of building distribution businesses in small to medium-sized markets. Our omni-channel used vehicle platform, **bravoauto** is now ready to scale and is rolling out globally. This represents an exciting new opportunity for us, as does our digital parts platform which is at an earlier stage of development but will also accelerate during 2022.

BUSINESS DEVELOPMENT

In line with our focus on markets with high growth potential, we continued to further expand our distribution footprint, agreeing deals that will add annualised revenue of £200m. In addition to leveraging our existing geographic and brand footprint, these deals will give us access to new markets and brand partners.

In December 2021 we announced an acquisition of a distribution business in the Caribbean, a new territory for the Group, where we will distribute vehicles for Suzuki, Mercedes-Benz, Subaru and Chrysler – a new OEM brand partner in our portfolio.

During 2021 we also signed a global strategic partnership with Geely (initially launching in Chile). We bolstered our presence in Guam with the acquisition of a distributor of commercial vehicles, and entered a number of new markets: Indonesia with Jaguar Land Rover; and Guatemala with Mercedes-Benz. Inchcape has now become Mercedes' largest distribution partner in Central and South America.

Inchcape is already the leading independent global automotive distributor, and we are extending this leadership with our investment in technological capability. Our 'plug and play' distribution platform will help drive both organic and inorganic growth within our current geographic footprint and even faster expansion in new markets, with both existing and new partners.

RESPONDING TO AN EVOLVING SECTOR

Our industry is changing rapidly, and it is clear that electrification will play an important role in the transformation of the mobility industry. In the second half of 2021, electric vehicle (EV) sales and penetration accelerated in major markets despite the economic crisis caused by the Covid-19 pandemic.

While the consensus is that EVs will spearhead the transformation from use of the internal combustion engine, we believe hybrid will continue to form a major part of the transitional mix and that hydrogen will also have a role to play. The 'e-volution' is an exciting development within our industry and we are fully embracing the changes that it's bringing. Consequently, we're looking at a wide range of related topics and opportunities, such as the evolving nature of aftersales, re-skilling our employees and developing software that meets the needs of EV-led mobility.

Climate change presents a number of potential risks, as well as opportunities, which are monitored alongside changes in the developing powertrain mix. Some of the factors we consider include the varying pace of EV adoption and infrastructure development across the markets in which we operate; the impact on aftersales of EVs becoming dominant in the market; and the evolution of energy sourcing as we transition to a significantly greater reliance on renewables. You can read more about this in our Task Force on Climate-related Financial Disclosures ("TCFD") statement on pages 40-44.

RESPONSIBLE BUSINESS

We have made responsibility a fundamental part of our Accelerate strategy, underpinning our purpose of **bringing mobility to the world's communities – for today, for tomorrow and for the better**.

During 2021, we developed our Responsible Business plan, called 'Driving What Matters', which focuses on our '4Ps' of responsible business – Planet, People, Places and Practices. Collectively, these topics reach into those areas of our operations where we can make a positive difference for our stakeholders.

I believe what we are doing through 'Driving What Matters' will help create a stronger Inchcape, supporting sustainable growth and performance in the future. You can read more about our Responsible Business plan on pages 33-38.

We have also developed a new set of values for the Group as we seek to deliver great experiences through fresh thinking and working better together. You can read more about this on page 74.

OUR PEOPLE

I would like to pay tribute to and thank all our colleagues for their contributions individually and as teams in a year of great progress and delivery.

Our people will play an essential role in helping us achieve the goals we've set out in our Accelerate strategy. Given the extent of the challenges and opportunities presented by our evolving sector, we have been evaluating the capabilities our people will need both now and in the future. We have identified data leadership as a crucial capability, alongside our intent to develop our workforce so it can support our globally connected distribution platform.

I would also like to thank my colleagues on the Executive team for their leadership and teamwork during the last year. As we moved forwards with the launch of Accelerate we made some changes to the team, bringing George Ashford into the centre as Chief Transformation Officer. With the departure of James Brearley at the end of the year, George has also taken temporary leadership of the UK business. Ruslan Kinebas succeeded George as CEO of APAC, our most profitable region, and we were delighted to welcome Romeo Lacerda to lead Americas & Africa.

LOOKING AHEAD

The Group's strong performance in 2021 was supported by robust consumer demand and high vehicle gross margins (particularly in Retail), largely due to vehicle supply shortages. Looking ahead, our 2022 performance to date has seen a continuation of the trends experienced last year, although there is ongoing uncertainty relating to vehicle supply and the impact of the pandemic. We expect the Group to continue to make good progress with its strategic priorities in 2022. The strength of our business model and financial position means Inchcape is well placed to continue to grow profits and generate cash, and we are confident in the medium-term outlook set out at the Capital Markets Day in November:

- Distribution Excellence: mid-to-high single digit profit CAGR *plus* M&A
- Vehicle Lifecycle Services: >£50m of incremental profit

DUNCAN TAIT
GROUP CEO

OUR GROUP EXECUTIVE TEAM

The Executive leadership is a global team of business leaders that combines a strong focus on operational excellence with a wealth of experience in automotive and a wide range of other industries, including FMCG, management services, utilities and finance. The Group Executive Team (GET) drives the strategic vision and operational direction of the Company on behalf of the Board.

DUNCAN TAIT
GROUP CHIEF EXECUTIVE

GIJSBERT DE ZOETEN
CHIEF FINANCIAL OFFICER

GEORGE ASHFORD
CHIEF TRANSFORMATION OFFICER
CEO UK (INTERIM)

MIKE BOWERS
GROUP GENERAL COUNSEL

HELEN CUNNINGHAM
CHIEF HUMAN RESOURCES OFFICER

RUSLAN KINEBAS
CEO APAC

MARK DEARNLEY
CHIEF DIGITAL OFFICER

GLAFKOS PERSIANIS
CEO EUROPE

ROMEO LACERDA
CEO AMERICAS & AFRICA

EMBRACING CHANGES TO OUR INDUSTRY

CHANGING AUTOMOTIVE INDUSTRY

OEM AMBITIONS
Partners are expected to align with long-term vision, including ESG goals.

CASE TRENDS
Growing BEV/PHEV market supported by regulation: rise of mobility as a service

ROUTE TO MARKET
Helping OEMs get even closer to customers.

CHANGING CONSUMER DYNAMICS

RETAIL TRENDS
Expectations for a personalised digitally integrated experience.

CONSUMER INSIGHT
Being smart with data and analytics to create advantage

CONSUMER HABITS
Catering to different vehicle ownership models.

FOCUS ON ENVIRONMENT & SOCIETY

EMISSIONS
Low emission vehicles and corporate greenhouse gas reductions expected

CIRCULAR ECONOMY
Resource scarcity and waste prevention front of mind

EMPLOYEE EXPECTATIONS
Young workforce looking for purpose-driven employers.

We provide OEMs with a solution in lower volume and high growth potential emerging markets	Our digital and data capabilities are focused on the consumer experience	We are a forward-thinking purpose-driven employer
We collaborate with OEMs to help them reach their goals	Our expertise supports customers throughout the buying journey and their ownership lifecycle	We take our environmental responsibilities seriously across our markets

DXP

DIGITAL EXPERIENCE PLATFORM

OMNI-CHANNEL

Providing consumers with a fully functioning digital showroom

Built on a platform with the ability to scale, quickly, to new markets

Across almost every sector, automotive retail trends and customer dynamics are changing with more of the experience people demand being driven online – now between 85-95% of all automotive customer journeys have a digital starting point.

The Digital Experience Platform, or DXP, is Inchcape's proprietary omni-channel customer and dealer platform, providing access to our full range of configurable products and services, from first search and comparison through to aftersales care. It enables any combination of digital, in-person or blended interactions from fully online purchase with contactless delivery to combining online reservation with test drives and pickup in-store. This delivers a truly omni-channel experience for both our customers and our dealer staff.

The power of the platform lies in connecting our people's expertise, the retail networks and our customers with our Data Analytics Platform (see below) and partnership with software providers such as Salesforce, Google and SAP. The platform collects data from every type of customer interaction both on- and offline, with which we then use predictive modelling to analyse customer behaviours. This supports both our dealer networks and, crucially, our OEM partners by delivering a customer experience that anticipates their needs and exceeds their expectations.

DXP is globally scalable – a factor that is critical to its success. It can be tailored to any market and OEM partner, and can be deployed in multiple languages and currencies. The approach to roll-out has been to ensure we develop the optimum solution for each OEM, working closely with them to make sure we have the right brand experience for each partner prior to implementing in market. Since the start of 2021 we have rapidly deployed DXP, building from one market and OEM at the start of the year (with Subaru in Australia, where we developed the platform) to our position by December: live in 27 markets with 11 OEM partners.

The roll-out will continue in 2022 as we bring more markets and OEMs onto the platform.

DAP

DATA ANALYTICS PLATFORM

DATA ANALYTICS

Central capability to drive better decisions across the Group

Capturing significant data for better customer and vehicle lifecycle management

The automotive industry is transforming rapidly and data analytics has the opportunity to deliver significant competitive advantage. The enabler **Data & Digital** is at the heart of Inchcape's Accelerate strategy, and we will use analytics to improve every part of our value chain from Vehicle Sales, to Aftersales, to marketing and operations.

Since we began work on the strategy, we have developed a range of predictive machine-learning algorithms including:

- Lead scoring
- Demand forecasting
- Parts pricing
- Churn prediction and
- Sales promotion assessment

All these align with our growth drivers of Distribution Excellence and VLS. These use-cases have enabled us to unlock the value of our data helping us to drive up customer experience and commercial performance.

Analytics allows us to gain greater insight into all areas of our business. It translates data into intelligence that fuels our decision-making, providing us not only with operational improvements but also putting Inchcape at a competitive advantage.

We have now developed a globally integrated data repository that feeds DAP/DXP and other enterprise-level initiatives, such as customer experience dashboards and regulatory compliance reporting.

This future-proofed data management strategy has helped us move away from legacy systems with fragmented, local databases that come with deployment and scalability challenges. Thanks to Inchcape's DAP/DXP platforms both distribution and customer experiences are being reimagined to boost experience and performance.

Inchcape has also developed new ways of reaching customers and for them to access services through online/offline/hybrid channels. Fusing digital, data and analytics, the Company has improved its decision-making abilities to offer more digitalised and personalised customer journeys. In fact, each customer interaction is contextual to each market because they are all based on data-driven insights.

Inchcape's digital empowerment has also driven more customer traffic to websites. With every visit we are able to track and analyse the data so that leads can be converted. It also helps us increase aftersales value, improve customer retention, and improve their potential to purchase again.

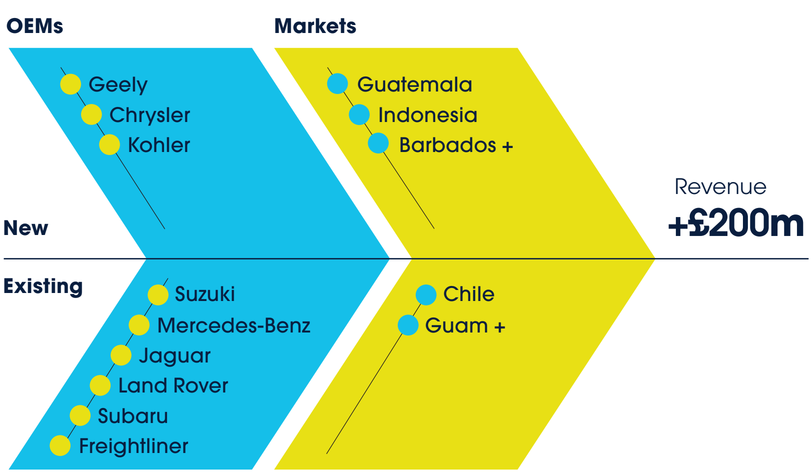
ACQUISITION PROGRESS

ACCELERATED GROWTH THROUGH ACQUISITION

Inchcape's focus on building and maintaining close and long-standing OEM partnerships provides the foundation for our ability to execute strategic and accretive inorganic growth through acquisition.

The Group is a proven consolidator in a fragmented marketplace, which we have accelerated since embarking on a new strategy of expansion in 2016. In that time we have focused on the development of a 'plug and play' distribution platform which has resulted both in scale acquisitions and important bolt-on deals, adding new OEM partnerships, markets and significant revenue to the business. Our ambition is for Inchcape to become the undisputed number one distribution partner of choice for automotive manufacturers, many of which are looking for consolidation in their partnerships. Key factors in achieving this objective include: our track record of successful integration; investment in technology and digital capabilities that can be deployed at scale; our people's capabilities and approach to retaining key management; and the firepower we have available to execute deals through a strong balance sheet and disciplined approach to capital allocation.

A NUMBER OF EXCITING DISTRIBUTION WINS IN 2021



(+) Centres of distribution operation serving broad local geography

OUR M&A FRAMEWORK:

Strategic
- Additive to existing brand footprint
- Broadens geographic reach
- Enhanced by Inchcape's distribution platform

Financial
- Focus on markets with higher growth prospects
- Take a considered approach to valuing targets
- ROIC > project WACC targeted in years 2-4

Organisational
- Focus on retaining and nurturing talent
- New 'Responsible Business' programme
- Opportunity to professionalise processes

DISTRIBUTION DEALS HAVE ACCELERATED OVER THE PAST 5 YEARS

2010 — 2016 — 2017 — 2018 — 2019 — 2020 — 2021 — Today

Number of deals	0	2	2	3	3	5	5
Revenue added	-	c.£400m	c.£100m	c.£250m	c.£150m	c.£200m	c.£200m

TOYOTA MOTOR CORPORATION (TMC)

LOCATIONS

DISTRIBUTION

Belgium, Brunei, Bulgaria, Djibouti, Ethiopia, Greece, Guam, Hong Kong, Luxembourg, Macau, North Macedonia, Saipan, Romania, Singapore, Chile & Colombia (Hino only)

RETAIL

Russia, UK

Our partnership with Toyota is the longest in our portfolio, with 54 years of representation as a distributor in geographies that reach from South East Asia to East Africa and from Europe to the Americas. Our partnership with TMC includes all variations of our business model – distribution with exclusive retail, such as in Hong Kong and Singapore; distribution with a managed retail network, such as Greece; and retail only, such as our operations in the UK. The partnership extends to both passenger and commercial vehicles, a segment that we have expanded more recently in South America.

FORGING STRONG RELATIONSHIPS

STAKEHOLDER	ORIGINAL EQUIPMENT MANUFACTURERS (OEMS)	CUSTOMERS
HOW WE CREATE VALUE	We provide our OEM brand partners with professional and efficient routes to market for the post-factory automotive chain	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
INTERESTS	• Strategy • Long-term commercial sustainability and business viability • Trusted partnerships • Health and safety • Environment, Social, Governance (ESG)	• Access to vehicle products and services • World renowned automotive brands • Specialist product and service knowledge • Customer service • Aftersales • Safe facilities • Tailored experiences, both on- and offline • Business viability (for long-term contracts, e.g. fleet management)
HOW WE ENGAGE	**Management** • Regular top to top executive management meetings • Market level operational meetings • Pan-market brand development **Board** • Brand partner deep dive review annually • Presentations from OEM management at Strategy Day	**Management** • Daily reporting of customer feedback on reputation.com • Analysis of Salesforce customer journey management platform • Ongoing surveys at market level **Board** • Update on the customer satisfaction analytics from reputation.com at each meeting
OUTCOMES AND PROGRESS	• Entered into a new global strategic partnership with Geely Auto, one of China's leading vehicle manufacturers • Contracts agreed with new OEM partners • New distribution contracts including the Caribbean focused on Barbados, and Pacific island groups focused on Guam.	• Customer omni-channel platform rolled out to 27 markets with 11 OEMs • Reputation.com: Total reviews in 2021: 81,362 up 89% on 2020. Average rating was 4.7/5 up from 4.6/5 in 2020.

Inchcape's success is dependent on the continued trust and support of all its stakeholders; strong relationships that allow us to work with our key stakeholders are therefore fundamental to the long-term success of the Group.

READ MORE by visiting www.inchcape.com

EMPLOYEES

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

- Reward, training and development, diversity and inclusion
- Strong approach to health and safety – duty of care
- Strategy
- Company purpose and values
- Long-term commercial sustainability
- Security of employment stemming from business viability
- Responsible employer

Management

- Launch of new Codes of Conduct
- Employee Engagement Survey
- One Inchcape Performance Management Framework
- Employee intranet
- Culture and Reward Forums

Board

- Employee engagement surveys and action plans
- Designated non-executive director
- Annual Board visit

- Colleague communications frequency and content enhanced to drive better engagement during period of extreme challenge for individuals
- Reviewed Colleague Experience Survey outputs for themes and insights
- Launched Employee Assistance Programme to promote health
- Leadership communications framework established to improve top-down visibility, including management townhalls and regular videos from Group CEO

SHAREHOLDERS

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 buyback

- Strategy
- Long-term commercial sustainability and business viability
- Company purpose and values
- Capital allocation
- Financial returns and strength of balance sheet
- Investment in responsible business

Management

- Regular dialogue with institutional investors
- Webcasts
- Annual Report and plc website
- Capital Markets Day

Board

- AGM
- Capital Markets Day
- Chairman's periodic one-to-one meetings

- During the year a mixture of virtual and physical meetings were held with both potential shareholders and existing shareholders, representing 63% of issued share capital
- Votes received from shareholders representing 92% of share capital at the 2021 AGM
- In November the Group hosted a Capital Markets Day with over 150 attendees (with both physical and virtual attendance). A full replay of the event is available on the plc website

COMMUNITIES

We have a balanced approach to engagement with the communities in which we operate, empowering ownership at local level with structural support from Group

- Local employment
- Health and safety, including local environmental concerns e.g. waste disposal
- Support of local communities
- Responsible approach to local law and regulations

Management

- Market-specific activity co-ordinated at local level
- Group-level support for extraordinary events affecting our market communities

Board

- Updates on community activities included in regional market updates from CEOs

- Around 14,500 people employed in over 40 countries and geographies
- Strong levels of local community involvement reinforced during pandemic with support initiatives

S172 STATEMENT

The Directors have exercised their duties under the Companies Act 2006 throughout the year, including under Section 172, the duty to promote the success of the Company while having regard for the factors under Sections 172(1)(a) to (f). These and other factors are taken into consideration by the Directors when making decisions in their role as the Board of Inchcape plc.

CONSEQUENCES OF LONG-TERM DECISIONS

Many of the decisions the Board make today will affect the success of the Group in the longer term, the most significant of which is the Group's strategy. Agreeing and implementing the strategic direction means considering how the Group will need to evolve in order to achieve its purpose of **bringing mobility to the world's communities – for today, for tomorrow and for the better**. By setting purpose and strategy, the Board can ensure all outcomes are aligned with the Group's culture. Decisions made during the year with a long-term impact include the transition to digital, expansion into new and adjacent Vehicle Lifecycle Services and acquisitions of new businesses. Please see pages 4 and 5 and pages 12 to 15 for further information.

When making these decisions the Board considers what value will be created for shareholders, if the appropriate resources are available, how current and future employees will be impacted and what impacts these decisions will have on communities and the environment in which Inchcape operates. Consideration is also given to the 'what ifs' as long-term decisions, by their nature, contain a degree of uncertainty about what may happen in the future. The management team provides detailed analysis to the Board to aid in the decision-making process via performance reporting, industry and economic trends data, OEM ambitions, forecasting and scenario planning. The Board also takes into account global mega-trends and CASE (connected, autonomous, shared, electric) trends when making decisions.

INTERESTS OF EMPLOYEES AND FOSTERING BUSINESS RELATIONSHIPS

Due to the changing nature of the industry and the evolution of strategy over the longer term the Board has regard to the interests of employees to make sure they have the training, skills and support to enable them to deliver the Accelerate Strategy. The People pillar of the plan is focusing on diversity and inclusion, safety and wellbeing, and skills and talent, to future-proof our people skills. Further information on engagements with employees, and the outcomes, are given throughout this report.

Our OEM relationships are of paramount importance and the length of these relationships is testament to their strength. The OEMs with which we partner are some of the most foremost drivers of technological innovation in the automotive industry, from advances in hybrid and battery electric drivetrains to future mobility. All these elements are taken into consideration by the Board when considering acquisitions and new partnerships as they will be fundamental to achieve the Group's purpose.

The Digital Analytics Platform has enabled new ways of reaching out to customers and the feedback obtained from them allows us to continually improve the customer journey.

IMPACT OF COMMUNITIES AND THE ENVIRONMENT

We developed the Driving What Matters plan (the Plan) during 2021, as detailed on page 33. Two of its pillars, Places and Planet, will assess the impact of the Group's operations on the community and the environment. The Responsible Business framework was designed collaboratively, and is owned and delivered by our colleagues around the Group. Their input has shaped the way we approach responsibility and set out what responsible business means for Inchcape.

The CSR Committee, and the Board, will regularly review progress against targets as the Plan matures alongside monitoring the Group's corporate responsibility, sustainability and stakeholder engagement activities. Please see page 85 for details of how responsible business will be built into the remuneration structure. The Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to the business and wider stakeholders. Please see pages 48 to 56 for further details.

HIGH STANDARDS OF BUSINESS CONDUCT

It is important to the Board to maintain a reputation for high standards of business conduct. During 2021, the Board approved the employee Code of Conduct which sets out the ethical behaviours expected of all who work for Inchcape. We also rolled out a new Supplier Code of Conduct in 2021. This sets out the behaviours we expect from our suppliers which, combined with our Policy Statements on anti-bribery and corruption and modern slavery, provide a strong governance framework in which to do business. Both Codes of Conduct are available at www.inchcape.com.

SHAREHOLDERS

We held a Capital Markets Day in November 2021, giving investors the opportunity to learn about the Accelerate strategy in detail and to give their views on financial and operational performance and future prospects. All shareholders are invited to attend the Annual General Meeting and have the opportunity to speak or ask questions to the Board members.

Please see pages 16 and 17 for further information on stakeholder engagement.

JAGUAR LAND ROVER

LOCATIONS

DISTRIBUTION

Colombia, Estonia, Finland, Hong Kong, Indonesia, Latvia, Lithuania, Kenya, Macau, Poland, Thailand

RETAIL

Russia, UK

Inchcape and Jaguar Land Rover's partnership is one of long standing, reaching back over 50 years in total. We have continued our JLR growth story right up to the present day, with distribution contracts awarded for Thailand, Colombia, Kenya and Poland in recent years, with the addition of Indonesia in 2021. We now represent Jaguar and Land Rover as either a distributor or retailer in 13 markets on four continents.

MEASURING PROGRESS

KPI

REVENUE

£7.6bn

2020: £6.8bn

2017	£9.0bn
2018	£9.3bn
2019	£9.4bn
2020	£6.8bn
2021	£7.6bn

DEFINITION

Consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes.

WHY WE MEASURE

Top-line growth is a key financial measure of success.

2021 PERFORMANCE

The Group has delivered £7.6bn, up 21% organically (excluding currency effects and net M&A) and up 12% reported versus prior year. This has been driven by volume recovery and strong pricing. On a comparable basis (adjusted for currency and net M&A), Group revenue was 3% below 2019.

OPERATING MARGIN[2]

4.3%

2020: 2.4%

2017	4.5%[1]
2018	4.3%
2019	4.0%
2020	2.4%
2021	4.3%

DEFINITION

Operating profit (before exceptional items) divided by sales.

WHY WE MEASURE

A key metric of operational efficiency, ensuring we are leveraging our scale to translate sales growth into profit.

2021 PERFORMANCE

Operating margin is 4.3%, up 190bps versus 2020. This is owing to a combination of higher vehicle gross margins, driven largely by the combination of robust consumer demand and supply shortages, and the benefits of our cost-restructuring programme.

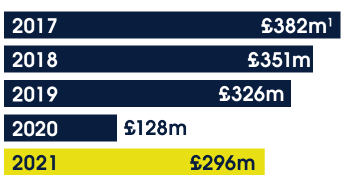
1. 2017 is not comparable due to adoption of IFRS 16 with effect from 1 January 2018.
2. Alternative performance measure, see page 186.

Key performance indicators (KPIs) provide insight into how the Board and Group Executive Team monitor the Group's strategic and financial performance, as well as directly linking to the key measures for Executive remuneration. KPIs are stated in actual rates of exchange and page 186 provides definitions of KPIs and other alternative performance measures.

PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS[2]

£296m

2020: £128m



Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged.

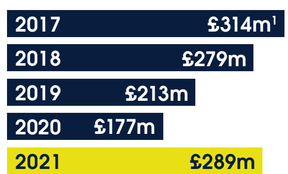
A key driver of delivering sustainable growth and growing earnings to shareholders.

In 2021 this increased 131% to £296m, reflecting the strong improvement in revenue and operating profit.

FREE CASH FLOW[2]

£289m

2020: £177m



Net cash flows from operating activities, before exceptional cash flows, less net capital expenditure and dividends paid to non-controlling interests.

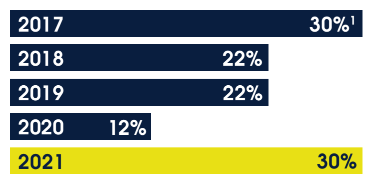
A key driver of the Group's ability to fund inorganic growth and to make distributions to shareholders.

The Group delivered free cash flow (FCF) of £289m, an increase of 63% on 2020 and representing a conversion of operating profit of 88%, exceeding the long-term average of 60-70%.

RETURN ON CAPITAL EMPLOYED[2]

30%

2020: 12%



Operating profit (before exceptional items) divided by the average of opening and closing capital employed where capital employed is defined as net assets add net debt/less net funds.

ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.

ROCE for the period was 30%, compared to 12% for the equivalent period last year. This increase was primarily driven by the recovery in Group profits.

SUSTAINABLE GROWTH AND RETURNS

We have set ambitious targets to grow our business, responsibly, seeking to create significant value for all of our stakeholders.

INVESTMENT PROPOSITION: DELIVERING SUSTAINABLE GROWTH AND CASH RETURNS

STRONG ORGANIC GROWTH

Exposure to high-growth markets

History of market outperformance

MARGIN EXPANSION

Leverage our global scale to improve profitability

Actively pursuing higher margin activities

CONSOLIDATION OPPORTUNITIES

We are a leader with a c.1% share of global distribution

Market consolidation expected to accelerate

ATTRACTIVE SHAREHOLDER RETURNS

Dividend payout: 40%

Track record of share buybacks

MEDIUM TERM FINANCIAL OUTLOOK[1]	Distribution Excellence: Mid-to-high single digit profit CAGR *plus* M&A	Vehicle Lifecycle Services: >£50m incremental profit contribution[2]

1. based on constant exchange rates as at Nov-21 (>90% profits derived outside of the UK).
2. per annum, within five years.

INCHCAPE IS THE GLOBAL LEADER, WITH AN AMBITION TO BE BOTH BETTER AND BIGGER

THE LEADING AUTOMOTIVE DISTRIBUTOR IN A HIGHLY FRAGMENTED GLOBAL MARKET

- Presence across >40 markets; covering six continents
- We are the leader with c.1% share of the global distribution market
- Market consolidation is expected to accelerate

EXPANDING THE REACH OF OUR PLUG-AND-PLAY GLOBAL DISTRIBUTION PLATFORM

- Well invested operating model a catalyst for further expansion
- Existing portfolio of >40 OEM brands; continuing to add new partners
- Constantly sharing expertise across the Group

OUR DIGITAL AND DATA CAPABILITY IS A SIGNIFICANT COMPETITIVE ADVANTAGE

- Created a leading digital and analytical platform
- Global scale, and internal capability a key differentiator
- Our technological progress is impressing OEM brands

In addition to our growth ambitions, the business is asset-light with a long history of disciplined capital allocation and delivering highly attractive returns to shareholders.

CAPITAL ALLOCATION POLICY: HIGHLY ATTRACTIVE AND DISCIPLINED

01
INVEST IN THE BUSINESS
Capex for organic growth and technological investment

£400m capex spend (<1% of sales)

02
DIVIDENDS
Policy: 40% annual payout of basic adjusted EPS (pre exceptionals)

£470m of dividends

03
VALUE ACCRETIVE M&A
Disciplined approach to valuation

£620m of distribution acquisitions

04
SHARE BUYBACKS
Consider appropriateness of share buybacks

£370m of share buybacks

Cumulative 2016 to 2021

STRONG BALANCE SHEET NET DEBT TO EBITDA OF MAX 1x (PRE IFRS16)

UNIQUELY POSITIONED TO CAPTURE MORE OF A VEHICLE'S LIFETIME VALUE

- Higher margin activities; accounts for 75% of the profit-pool of a vehicle's life
- Currently significantly underserved by Inchcape
- Clear opportunity to leverage our existing footprint

GROWTH AMBITION UNDERPINNED BY OUR ESG STRATEGY: RESPONSIBLE BUSINESS

- Responsible Business integral to our Accelerate strategy
- Established priority areas: Planet, People, Places, Practices
- Due consideration for all stakeholders

DELIVER VALUE THROUGH ORGANIC GROWTH, CONSOLIDATION AND CASH RETURNS

- Distribution markets have higher growth prospects than average
- Leveraging our global scale to improve profitability
- Highly attractive returns (c.25% ROCE) and capital allocation

GIJSBERT DE ZOETEN
CHIEF FINANCIAL OFFICER

WELL PLACED FOR OPPORTUNITIES AHEAD

I am pleased to present our Operating and Financial Review for 2021, a year in which the Group has made substantial strategic and operational progress.

Our teams' relentless focus on strong execution in all our markets drove a rebound of all our key financial metrics. Of particular note was the delivery of another year of excellent cash flow generation.

// It is a testament to the resilience of our diverse business, and all our people, that we successfully navigated another year of uncertainty.

The Group's performance in 2021 was excellent, amid continuing challenges caused by the pandemic and supply constraints across the globe. All our regions saw an improvement in both top line and profitability, with strong demand for vehicles and aftersales services, following the significant disruption caused by Covid-19 in 2020.

It is a testament to the resilience of our diverse business, and all our people, that we successfully navigated another year of uncertainty. Our teams worked collaboratively, across borders, to ensure we were making the best possible business decisions.

Group revenue was supported by strong consumer demand for both new and used vehicles, and reduced discounting as supply was tight, particularly in the second half. This favourable pricing dynamic contributed to the strong profitability out-turn, with the Group's gross margin at unprecedented levels. At the start of the year we successfully concluded our cost-restructuring programme, which targeted a £90m reduction of overheads. We are still confident of retaining at least half of these savings as volumes return to pre-pandemic levels.

Our continued focus on cash management drove another excellent year of cash flow generation, highlighting the cash generative nature of the business model. Over the course of the past 12 months we have added a number of new distribution businesses to our portfolio, and have a healthy pipeline of opportunities. In line with our capital allocation policy, this enabled us to launch a £100m share buyback programme in the middle of the year, which is now complete.

With the Group's net cash position further improved, in addition to a full-year dividend of 22.5p (final: 16.1p), we have launched another £100m share buyback programme to be completed over the next 12 months.

During 2021, the Group launched its new growth strategy, Accelerate, which continues to put distribution at the core of our business, and extends our ambition to capture more of a vehicle's lifetime value. We are embarking on this exciting growth journey, while maintaining our disciplined approach to capital allocation, and as such remain focused on delivering long-term benefits to all of our stakeholders.

GIJSBERT DE ZOETEN
CHIEF FINANCIAL OFFICER

KEY PERFORMANCE INDICATORS

Our results are stated at actual rates of exchange. However, to enhance comparability we also present year-on-year changes in sales and operating profit in constant currency, thereby isolating the impact of translational exchange rate effects. Unless otherwise stated, changes are expressed in constant currency and figures are stated before exceptional items.

	2021	2020[3]	% change reported	**% change constant FX[1]**	**% change organic[2]**
Key financials					
Revenue	**£7,640m**	£6,838m	+12%	**+15%**	**+21%**
Operating profit (pre-exceptionals)[1]	**£328m**	£164m	+100%	**+120%**	
Operating margin[1]	**4.3%**	2.4%	+190bps	**+200bps**	
Profit before tax (pre-exceptionals)[1]	**£296m**	£128m	+131%		
Basic EPS (pre-exceptionals)[1]	**56.2p**	23.1p	+143%		
Dividend per share	**22.5p**	6.9p	+226%		
Free cash flow[1]	**£289m**	£177m	+63%		
Statutory financials					
Operating profit / (loss)	**£227m**	£(93)m			
Profit / (loss) before tax	**£195m**	£(130)m			
Basic EPS	**30.0p**	(36.0)p			

1. These measures are alternative performance measures, see page 186.
2. Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rates.
3. Restated, see note on page 185.

PERFORMANCE REVIEW

Our performance in the year was strong, with our Group revenue almost back to pre-pandemic levels on a comparable basis. While the pandemic continued to cause disruption across the globe, the impact on the Group was less pronounced than in 2020, as we had adapted our business operations to better manage in this environment. The widely reported global supply-chain issues had a more pronounced impact in the second half. The demand for vehicles and aftersales remained strong throughout the period, which created a supply-demand imbalance, and led to higher gross margins and profitability.

Over the course of the year, the Group generated revenue of £7.6bn, operating profit pre-exceptionals of £328m and free cash flow of £289m.

Group revenue of £7.6bn rose 12% year-on-year reported and 15% in constant currency. The growth rate was dampened by the disposal of several retail businesses (including sites in St. Petersburg, Russia), which further reduced our standalone retail revenue exposure by c.£0.3bn. In terms of M&A, over the past 12 months we secured five new distribution agreements across both the Americas and Asia, gaining entry into three new markets. As well as broadening our geographic footprint, we secured our first distribution relationships with Geely (Chile), and Chrysler (Barbados and Caribbean).

On an organic basis, excluding currency effects and net M&A, revenue increased by 21%. The growth was broad-based across all regions, driven by a combination of volume recovery and strong pricing. In 2020, pandemic-related restrictions were most pronounced during the second quarter, and weighed significantly on our performance. On a comparable basis (adjusting for currency and portfolio changes), the Group's revenue in 2021 was 3% below 2019.

The Group delivered an operating profit pre-exceptional items of £328m, up 100% year-on-year reported and 120% in constant currency. The strong rebound reflects the topline increase and the year-on-year margin improvement. The 2021 out-turn includes c.£10m of profit from our St. Petersburg, Russia operations sold towards the end of the first-half.

Profit before tax and exceptional items (PBT) of £296m (2020: £128m) reflects the strong improvement in revenue and operating profit. The net interest expense of £32m is £5m lower than prior year primarily as a result of lower inventory levels, which reduced the related interest expense. Adjusting for the impact of currency and changes to our portfolio, profit before tax and exceptional items is back to 2019 pre-pandemic levels (£296m).

During the reporting period, we incurred exceptional charges of £101m. The majority of the charge relates to the £72m loss on the disposal of a part of our Retail operations in Russia, where we realised £108m of accumulated foreign exchange losses upon disposal. In addition, we booked £13m of restructuring costs, largely related to the conclusion of our Covid-19 cost restructuring programme, and £20m of accelerated amortisation of software assets (following a change in accounting policy).

The highly cash-generative nature of our business model was evident with free cash flow generation of £289m (2020: £177m) – this represents a conversion of operating profit pre-exceptionals of 88% (2020: 108%), exceeding the long-term average of 60-70%. During the period we benefitted from a net working capital inflow of £44m, and lower net capital expenditure (£40m), owing to proceeds from the disposal of surplus capital assets and the reallocation of expenditure on intangible assets to operating costs (due to a change in accounting policy).

Other notable elements of the cash flow bridge include: net acquisitions and disposals, which amounted to an inflow of £56m (proceeds from Retail disposals offset by the acquisition of Daimler Guatemala and a commercial vehicle business in Guam) and dividend payments of £52m. We launched a £100m share buyback programme in July, of which c.£80m was complete by the end of the year.

The Group closed the reporting period in a net cash position of £379m (excluding lease liabilities), which compares to £266m at the end of December 2020, and £435m as at 30 June 2021.

On an IFRS 16 basis (including lease liabilities), we ended the period with net funds of £55m (December 2020: net debt of £67m).

Return on capital employed over the period was 30%, compared to 12% for the equivalent period last year. The increase was primarily driven by the recovery in Group profits, and supported by our portfolio shift towards distribution and asset impairments in 2020 triggered by the pandemic.

FOURTH QUARTER 2021

Group revenue for the fourth quarter was £1.8bn, down 4% reported. On an organic basis revenue increased 5%, compared to a 10% increase in Q3 – with the lower growth rate primarily owing to the shortage of vehicles globally, amid low vehicle production levels.

In Distribution, revenue increased 8% organically, following a 20% increase in Q3. In addition to lapping a tough comparator, during Q4 most regions were impacted by vehicle supply constraints, although aftersales performance proved resilient.

In Retail, while revenue was flat year-on-year on an organic basis (Q3: fell 2%), the comparable period was impacted by pandemic related restrictions. The shortage of vehicle availability (both new and used) had a meaningful impact on topline performance.

DISTRIBUTION

The Distribution segment saw revenue rise 27% year-on-year, with all regions growing versus the prior year.

The combination of an encouraging topline and margin improvement resulted in an operating profit[1] of £246m (2020: £140m). The operating margin rose 160bps to 5.3%.

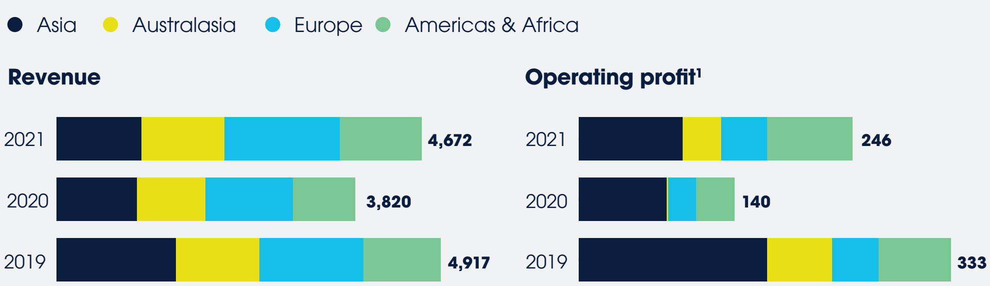
Asia revenue grew 11% year-on-year, and operating profit[1] rose 25%. While countries continued to be impacted by pandemic-related uncertainty, all our markets delivered both topline and profit growth in 2021. However, the region remains significantly below 2019 levels owing to the vehicle licence cycle in Singapore and general softness in Hong Kong. During the first half, Singapore benefitted from greater availability of vehicle licences (the government's phasing of missed licences over 12 months concluded in June 2021), which did not repeat in the second half. In 2022 we expect vehicle volumes in Singapore to be broadly in line with the run-rate observed in the second half of 2021. In Hong Kong, the business grew in 2021, although volumes remain relatively subdued. Performance across the rest of Asia was solid, with an encouraging revenue and profit outturn. Having won the distribution rights for JLR in Indonesia during Q2, towards the end of the year we acquired a business which distributes commercial vehicles in Guam, further bolstering our presence in the region.

Australasia revenue grew 19% year-on-year, and operating profit[1] recovered considerably. The revenue performance was supported by the launch of the new Subaru Outback and Forester models. This helped the brand gain market share in the first six months of the year, although this momentum was disrupted by supply shortages in the second half. The combination of supply-chain bottlenecks and various pandemic related restrictions held back margin recovery. Nevertheless, following a number of actions, including an adapted pricing strategy, the introduction of innovative financing products and a material reduction of overheads, the business is structurally stronger. We expect these improvements will support margins in the period ahead.

Europe revenue was up 36% year-on-year, with operating profit[1] rising 72%. While the pandemic continued to cause uncertainty across markets, demand remained robust. The encouraging demand backdrop supported performance, with revenue and profits recovering towards 2019 levels, in spite of vehicle supply constraints. The topline recovery was in part driven by market share gains in a number of markets, with a solid contribution from new models e.g. Toyota Yaris. Our newly acquired JLR Poland business, was adversely impacted by supply constraints, although the launch of the new Range Rover is expected to support performance in 2022.

Americas & Africa revenue grew 44% year-on-year, and operating profit[1] recovered to pre-pandemic levels as margins rebounded. In the Americas, robust consumer demand enabled us to deliver positive growth across all key markets, despite some pandemic related disruptions. A combination of the strong demand and pricing environment, and our cost-restructuring efforts have supported the region's performance such that both 2021 revenue and profits are above 2019 levels. Over the past 12 months the region has secured a number of new distribution businesses, which in aggregate will add c.£200m of annualised revenue. In Africa, our performance continues to be solid, not least given the backdrop of a challenging environment. Looking further ahead, given the low penetration of vehicles per capita in the Americas & Africa region, we are optimistic about the growth prospects over the medium and long term.

REGIONAL BREAKDOWN



Operating margin	
2021	5.3%
2020	3.7%
2019	6.8%

1. Operating profit and operating margin stated pre-exceptionals.

RETAIL

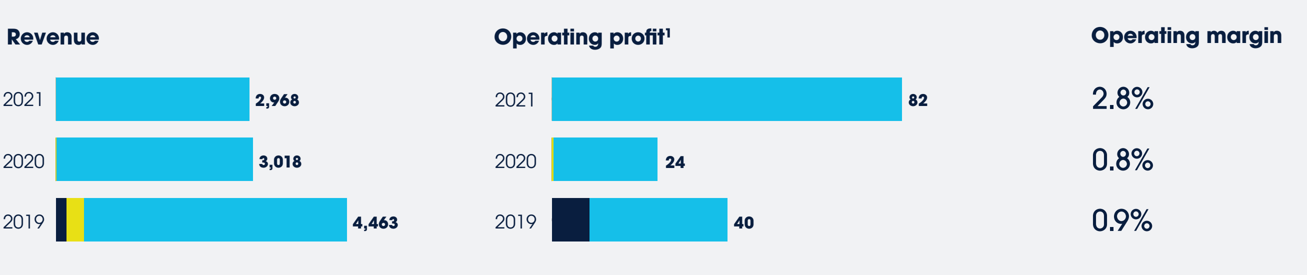
The Retail segment saw revenue rise 1% year-on-year, or 19% on an organic basis when adjusting for the Retail disposals over the period.

Supported by strong gross margins and our cost mitigation measures, we delivered operating profit[1] of £82m (2020: £24m). The operating margin was particularly strong at 2.8%.

UK & Europe delivered organic revenue growth of 19% and operating profit[1] rose significantly, resulting in an operating margin of 2.8%. We experienced solid demand for New and Used Vehicles against a backdrop of supply constraints. This drove gross margins to unprecedented levels across all three of our retail-only markets in the UK, Russia and Poland. The profit out-turn also benefitted from a lower overhead base, following the implementation of our cost-restructuring programme. In the first half of 2021, we disposed of our operations in St. Petersburg which contributed c.£110m of revenue and c.£10m of profit to the year's result. As indicated at our Capital Markets Day, as and when supply situation normalises we expect margins will trend towards c.1.5%.

Australasia: following a significant disposal programme, which concluded in 2020, we no longer have a Retail segment in Australasia.

REGIONAL BREAKDOWN



1. Operating profit and operating margin stated pre-exceptionals.

OTHER FINANCIAL ITEMS

Exceptional items

During the year, we have incurred exceptional charges of £101m (2020: £257m). The charge arose largely from the recycling of £108m of foreign exchange losses previously recognised in other comprehensive income in relation to the disposal of the Russia Retail business, partially offset by gains on the disposal of other retail businesses in the UK and Europe. Additionally, there was £13m of restructuring costs and £20m of accelerated amortisation on software assets. Further details can be found in note three on page 194.

Net finance costs

Net finance costs were £32m (2020: £37m). The decrease is largely due to a reduction in the cost of financing inventory following our retail disposals, and the overall reduction in inventory and associated inventory financing following our S&OP improvements and restrictions in supply globally. The interest charge is stated on an IFRS 16 basis and, excluding interest relating to leases, our net finance charge was £21m compared to £23m in 2020.

Tax

The effective tax rate for the year is 24% before exceptional items (2020: 26%). Compared to the prior year, the effective tax rate before exceptional items benefits from improved operational performance reducing the adverse impact of unrecognised losses. The effective tax rate for the year, after exceptional items, is 37% (2020: negative 7%), and is not comparable to the prior year due to the impact of the pandemic on the Group's performance in the prior period.

Non-controlling interests

Profits attributable to our non-controlling interests were £5m (2020: £3m). The Group's non-controlling interests comprise a 40% holding in PT JLM Auto Indonesia, a 33% share in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 30% share in Inchcape JLR Europe, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend

The Board has declared a final dividend of 16.1p per ordinary share which will be paid on 21 June 2022 to shareholders on the register at close of business on 13 May 2022. This follows an interim dividend of 6.4p, and takes the total dividend in respect of FY21 to 22.5p (2020: 6.9p). The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 27 May 2022.

Cash flow and net debt

The Group generated free cash flow of £289m (2020: £177m) driven primarily by an improvement in profitability, the level of working capital and continued careful capital allocation. After the proceeds received from our Retail disposals, as well as the acquisition of the Distribution business in Guatemala and Morrico in Guam, the Group had net cash excluding lease liabilities of £379m (2020: £266m). Including lease liabilities (IFRS 16), the Group had net funds of £55m (2020: net debt of £67m).

Capital expenditure

During 2021, the Group incurred net capital expenditure of £40m (2020: £35m), consisting of £65m of capital expenditure and £25m of proceeds from the sale of property. In 2022, we continue to expect net capital expenditure of less than 1% of Group sales.

Financing

As at 31 December 2021, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2020: £700m) and sterling Private Placement loan notes totalling £210m (2020: £210m). As at 31 December 2021, none of the £700m syndicated revolving credit facility was drawn (£nil as at 31 December 2020).

Acquisitions

In 2021 the Group continued to further expand its distribution footprint, completing four deals during the year. Towards the end of the fourth quarter the Group agreed terms to acquire an additional distribution business: Simpson Motors in the Caribbean. The deal remains subject to customary conditions, and upon completion (anticipated in the first half of 2022) we expect an aggregate cash outflow of c.£60m.

Pensions

At 31 December 2021, the IAS 19 net post-retirement surplus was £82m (2020: £20m), with the increase driven largely by a rise in the discount rate used to determine the value of scheme liabilities. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £4m (2020: £4m). Discussions with the Trustees of the Inchcape Motors Pension Scheme in respect of the actuarial valuation as at 5 April 2019 were finalised during the first half of the year and the Group has agreed to contribute an additional £3m per annum to the scheme over the next seven years.

VALUE DRIVERS

We provide disclosure on the value drivers behind our gross profit (pre-exceptional). This includes:

- Gross profit attributable to Vehicles: New Vehicles, Used Vehicles and the associated F&I (Finance & Insurance) income; and
- Gross profit attributable to Aftersales: Service and Parts.

	2021 £m	2020 £m	% change reported	% change constant FX
Group				
Vehicles	**749.5**	516.9	45%	50%
Aftersales	**391.4**	372.5	5%	10%
Total	**1,140.9**	889.4	**28%**	**33%**

We operate across the automotive value chain, and during the year we generated 34% of gross profit through Aftersales, compared to 42% in 2020. This reflects the rebound in vehicle sales from the prior year, when sales were significantly disrupted as a result of the pandemic.

RECONCILIATION OF FREE CASH FLOW[1]

	2021 £m	2021 £m	2020[2] £m	2020[2] £m
Net cash generated from operating activities		**377.0**		249.2
Add back: Payments in respect of exceptional items		**12.0**		24.3
Net cash generated from operating activities, before exceptional items		**389.0**		273.5
Purchase of property, plant and equipment	**(48.5)**		(27.4)	
Purchase of intangible assets	**(16.1)**		(14.5)	
Proceeds from disposal of property, plant and equipment	**24.6**		6.7	
Net capital expenditure		**(40.0)**		(35.2)
Net payment in relation to leases		**(57.0)**		(56.7)
Dividends paid to non-controlling interests		**(3.0)**		(4.3)
Free cash flow		**289.0**		177.3

Included within free cash flow are movements where prior approval is required to transfer funds aborad, as described in note 19 on page 165.
1. APM (alternative performance measure), see page 186
2. Restated, see note on page 185

RETURN ON CAPITAL EMPLOYED[1]

	2021 £m	2020[2] £m
Operating profit (before exceptional items)	**328.1**	164.1
Net assets	**1,130.5**	1,061.2
Less (net cash) / add net debt	**(54.7)**	66.5
Capital employed	**1,075.8**	1,127.7
Effect of averaging	**26.0**	200.0
Average capital employed	**1,101.8**	1,327.7
Return on capital employed	**29.8%**	12.4%

1. APM (alternative performance measure), see page 186.
2. Restated, see note on page 185.

REGIONAL BUSINESS MODELS

DISTRIBUTION

AMERICAS & AFRICA

Country	Brands
Argentina	Subaru, Suzuki
Barbados[1]	Chrysler, Freightliner, FUSO, Isuzu, JCB, Jeep, John Deere, Mercedes-Benz, Subaru, Suzuki, Western Star
Chile	BMW, BMW Motorrad, DFSK, Geely, Hino, MINI, Rolls Royce, Subaru
Colombia	DFSK, Dieci, Doosan, Hino, Jaguar, Land Rover, Mack, Mercedes-Benz, Subaru
Costa Rica	Changan, JAC, Suzuki
Ecuador	Freightliner, Mercedes-Benz, Western Star
El Salvador	Freightliner, Mercedes-Benz, Western Star
Guatemala	Freightliner, Mercedes-Benz, Western Star
Panama	Suzuki
Peru	BMW, BMW Motorrad, BYD, DFSK, MINI, Subaru
Uruguay	Freightliner, Fuso, Mercedes-Benz
Djibouti	BMW, Komatsu, Toyota
Ethiopia	BMW, Hino, Komatsu, New Holland, Suzuki, Toyota
Kenya	BMW, BMW Motorrad, Jaguar, Land Rover

1. Distribution agreements for these brands across a range of Caribbean islands, centred on Barbados

APAC

Country	Brands
Brunei	Lexus, Toyota
Guam[2]	BMW, Chevrolet, Freightliner, Hyundai, Kohler, Lexus, Mercedes-Benz, New Holland, Toyota
Hong Kong	Daihatsu, Ford, Hino, Jaguar, Land Rover, Lexus, Maxus, Toyota
Indonesia	Jaguar, Land Rover
Macau	Daihatsu, Ford, Hino, Jaguar, Land Rover, Lexus, Maxus, Toyota
Saipan	Toyota
Singapore	Hino, Lexus, Suzuki, Toyota
Thailand	Jaguar, Land Rover
Australia	Citroen, Peugeot, Subaru
New Zealand	Subaru

2. Distribution agreements for these brands across a range of Pacific islands, centred on Guam

EUROPE

Country	Brands
Belgium	Lexus, Toyota
Bulgaria	Lexus, Toyota
Estonia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Finland	Jaguar, Land Rover, Mazda
Greece	Lexus, Toyota
Latvia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Lithuania	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI, Rolls Royce
Luxembourg	Lexus, Toyota
North Macedonia	Lexus, Toyota
Poland	Jaguar, Land Rover
Romania	Lexus, Toyota

RETAIL

Country	Brands
Australia[3]	Isuzu Ute, Jeep, Kia, Mitsubishi, Volkswagen
Poland	BMW, BMW Motorrad, MINI
Russia	Audi, BMW, Jaguar, Land Rover, Lexus, MINI, Rolls Royce, Toyota, Volvo
UK	Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes-Benz, MINI, Porsche, Smart, Toyota, Volkswagen

3. Following scale disposal of retail businesses in Australia, Retail is no longer reported as a separate segment in APAC.

LOCATIONS

DISTRIBUTION

Argentina, Barbados+, Costa Rica, Panama, Singapore

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

SUZUKI

We have a partnership with Suzuki stretching over 40 years, significantly expanding this relationship in 2018 through acquisition and the awarding of distribution contracts in Costa Rica and Panama. This expansion added to our established South America platform with our first move into Central America and in 2021 we added Barbados and several Caribbean islands to our portfolio.

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

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.

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.

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 COMMERCIALLY 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:

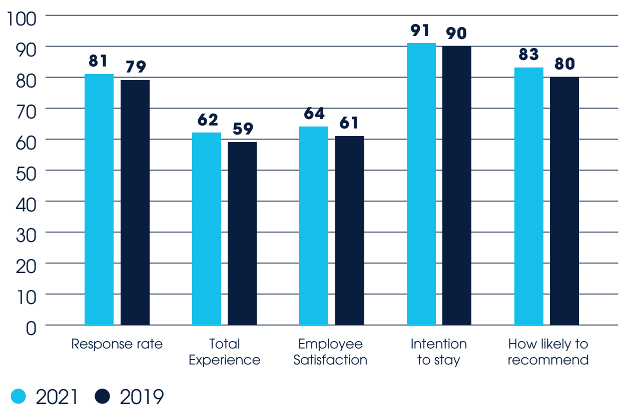
- **Colleague Voice:** a series of structured forums have been set up so that the conversation and action on Inclusion & Diversity is influenced by our colleagues.
- **Knowledge and Understanding:** we are building a suite of tools, development, learning and practical guidance to help to reduce bias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



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
My Reward	+8
Work Environment, Working Practices & Tools	+1
My Team & Colleagues	+3
My Role	–
My Manager	+4
My Learning	+2

Category	vs 2019
Leadership Team	+8
Working from home*	N/A
Way we do things	+8
Wellbeing	-3
Organisation	+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

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.

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.

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 polices 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 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

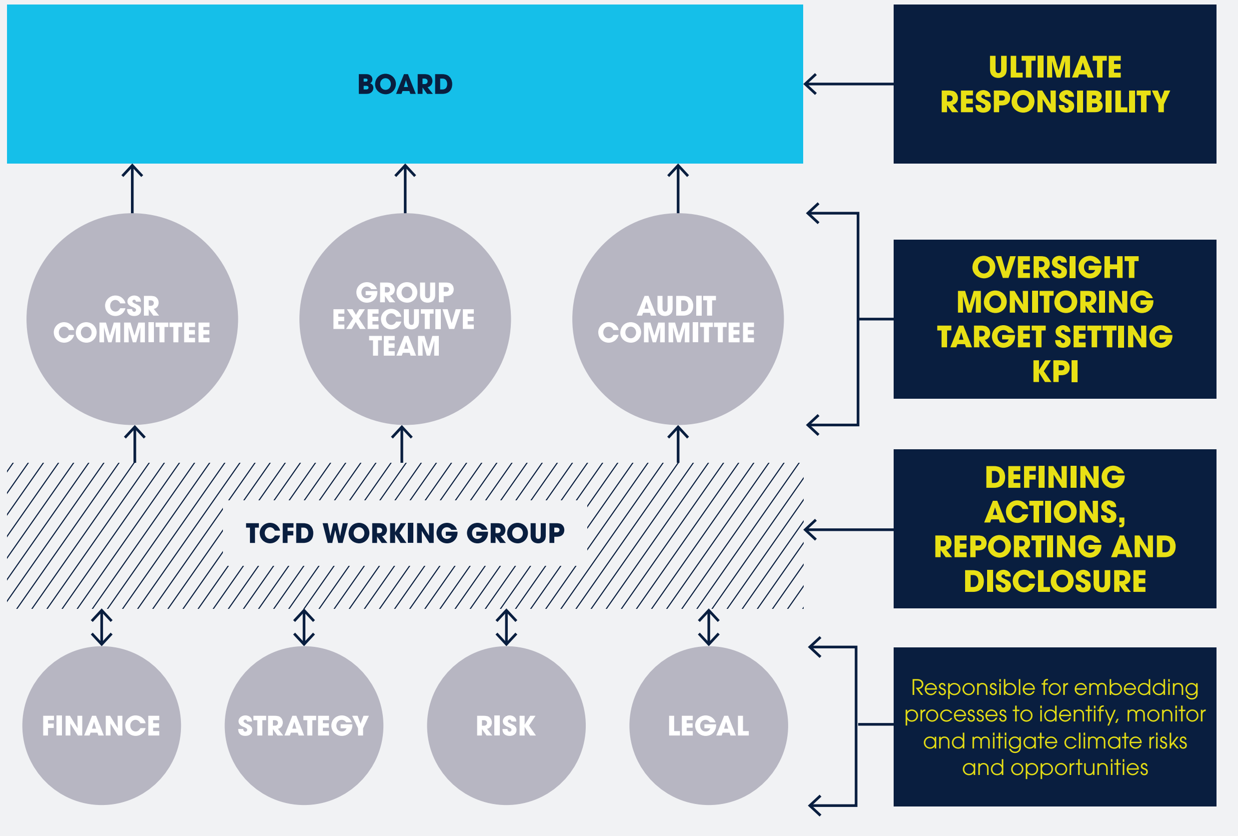
The Company engaged the Carbon Trust, an independent sustainability consultant, to assist the Group in analysing climate-related risks and opportunities over the short, medium and long-term. The project began in January 2021, with the purpose of identifying climate-related risks and opportunities and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

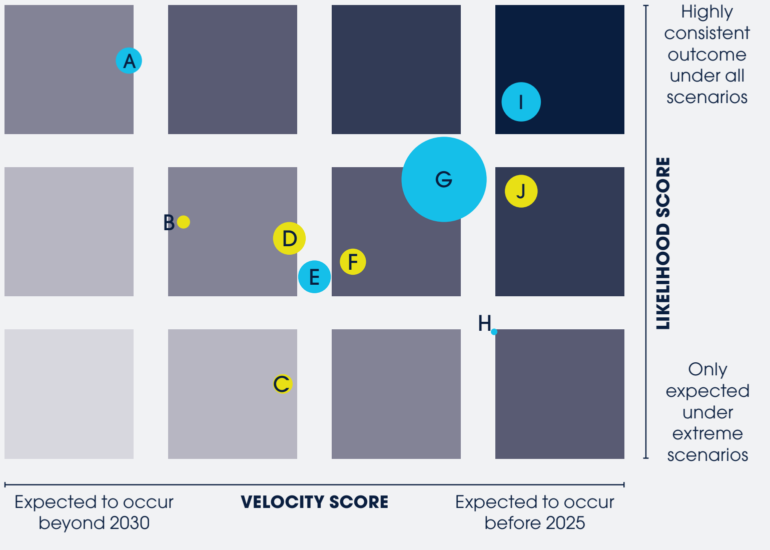
Establishing climate-related risks and opportunities

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.



A Reduced market share as NEV vehicles commercialised
B Water stress related interruption to servicing
C Drought related interruption to servicing
D H&S impacts from increased heat stress
E Aftersales impact from reduced EV lifecycle and maintenance
F Direct impacts to property and inventories from flooding
G Market share impacts from misalignment between OEM and market on EV
H Carbon tax costs from logistics
I EV availability constraints due to rare earth metals
J Direct impacts to property and inventories from wildfire

Key

Physical risk
Transition risk

Bubble size represents materiality colour coded by risk type

Increasing impact

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.

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 were 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.

NON-FINANCIAL INFORMATION STATEMENT

ENVIRONMENTAL MATTERS

Environmental matters are considered as part of the Planet pillar of the Driving What Matters plan.

- The Health and Safety (H&S) framework is designed to ensure employees comply with relevant environmental legislation.
- The Group has set science based targets for scope 1 and 2 emissions. Each region has developed their own policies in order to achieve these targets.
- Energy efficiency policies are also implemented at local level .

The Planet Charter, which was developed in 2021 is given on page 38.

EMPLOYEES

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

- The Inclusion and Diversity framework was developed on 2021.
- The H&S framework is designed to protect the health and safety of employees.
- The Code of Conduct provides guidance on the ethical behaviour we expect from all employees.
- The whistleblowing policy provides guidance to employees to raise concerns without fear of reprisal.

The People Charter, which was developed in 2021 is given on page 34.

HUMAN RIGHTS

We embrace, support and respect the human rights of everyone we work with and we comply with appropriate human rights legislation in the countries in which we operate.

- Employment policies are implemented at local level and are designed to protect employees' human rights.
- The Modern Slavery statement describes the actions taken in respect of our supply chain.

Modern slavery training is rolled out to those employees whose roles and remit require additional focus in this area.

The Modern Slavery statement is available at www.inchcape.com.

POLICY IMPLEMENTATION

To ensure effective implementation of our policies we communicate clearly through employee induction, the Group-wide intranet, updates and briefings and via the Practices pillar of the Driving What Matters plan.

The GET and the Board review certain policies on an annual basis, such as the Tax Strategy Policy, Risk Policy and Delegated Authorities Policy. Other polices are overseen at regional and local level by the subsidiary management teams.

Non-financial information

People	Places	Planet	Practices
Where to find more information			
Responsible Business Report – pages 34 and 35 **CSR Committee Report** – pages 82 and 83 **Directors' Report** – pages 106 and 107	**Responsible Business Report** – page 36	**Responsible Business Report** – page 38 **TCFD** – pages 40 to 44 **Risk Management Report** – pages 48 to 55 **Directors' Report** – page 106	**Responsible Business Report** – page 37 **Risk Management Report** – pages 48 to 55

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed in this section and by means of cross reference. The Group's business model is given on pages 2 and 3. The Group's KPIs are stated on pages 20 and 21. Principal risks are given on page 50.

SOCIAL MATTERS

Social matters cover a vast range of potential issues including responsible business policies. We have in place the following Group-wide policies:

- Tax strategy.
- Data protection/data privacy.
- Competition/anti trust.

The Group's tax strategy is available at www.inchcape.com

Social matters can also include the impact on the communities in which we operate. We do not have a global policy covering community matters as any initiatives are championed at local level. Social matters form part of the Places pillar of the Driving What Matters plan.

The Places Charter, which was developed in 2021, is given on page 36.

ANTI-BRIBERY AND CORRUPTION

It is important that the Group operates to high ethical standards and complies with all applicable laws. To support this the Group has in place the following policy statements:

- Anti-bribery and corruption.
- Anti-money laundering.

The policy statements are available at www.inchcape.com.

Code of Conduct training is rolled out to all employees, and bespoke training, such as anti-bribery and corruption, anti-tax evasion facilitation and modern slavery are rolled out to those employees whose roles and remit require additional focus and expertise in these areas.

The Internal Audit function monitors policy implementation. Our whistleblowing helpline, Speak Up!, enables employees to raise concerns confidentially and without fear of reprisal, including non-compliance with policies and procedures.

CODE OF CONDUCT

The Group's Code of Conduct was refreshed in 2021 to reflect the Accelerate strategy and the Driving What Matters plan and was reviewed and approved by the GET and the Board. The Code sets out the behaviours and conduct expected from all employees and contains ethical decision-making guidance highlighted through 'Live It' examples.

It is available in 19 languages and is accompanied by an online training module. Employees are expected to complete the training every two years, with senior managers confirming on an annual basis that they, and their teams, are aware of and fully understand the Code. New joiners are expected to complete the Code of Conduct training within four weeks of joining the business. Where employees do not have access to a computer, they are made aware of the Code through various non-digital means.

It is important to the Board to maintain a reputation for high standards of business conduct. During 2021, the Board also approved a new Supplier Code of Conduct which sets out the behaviours we expect from our suppliers. The Supplier Code of Conduct aligns with the Group's Policy Statements on anti-bribery and corruption and modern slavery, providing a strong governance framework in which to do business.

READ MORE Both Codes of Conduct are available at www.inchcape.com.

ACCELERATING RISK MANAGEMENT

Our industry is transforming on an unprecedented scale. Structural changes are underway, with new routes to market opening up. Digitalisation is removing barriers to entry and enabling us, and our competitors, to rapidly scale up business models and enter new sectors of our value chain. Climate change is driving the transformation of vehicle drivetrains and presents us with a wider set of opportunities and new risks.

A CHANGING BUSINESS ENVIRONMENT

Consumers expect the same levels of convenience, service and online interaction in automotive that they have experienced elsewhere. The post-pandemic economic rebound is testing supply chains in all sectors around the globe, including automotive. The potential for the rapid growth of shared ownership models, fully autonomous vehicles and fully connected cars remains, even if they still lie some way ahead.

Within Inchcape, we are responding to these changes by deploying our refreshed strategy – Accelerate – at pace. This is transforming our value protection, core processes and back-office activities. Our stakeholders expect Accelerate to be executed responsibly, and ethically, with due care for our people, our planet, and the places in which we operate.

More than ever, our approach to risk management and internal control needs to reflect these trends while actively supporting the rapid deployment of Accelerate and our Responsible Business agenda. In 2021, we launched a refreshed enterprise risk management programme to do just that – to focus on the risks that matter.

Using the updated approach, our operating companies, Group functions and major change programmes conducted risk assessments and action planning for the most significant risks to the delivery of the Accelerate strategy and to their related objectives and plans. The Group Executive Team and the Board reviewed the Group's Principal and Emerging Risks and Risk Appetite in July and November 2021.

Table 1: How the changing external and internal business environment is reflected in our risk profile

Changes in the business environment	Related principal risk(s) (see page 50)	Related emerging risks (see page 55)
Accelerating digitalisation and disruptive automotive trends (Connected vehicles; autonomous driving; shared mobility; electrification)	Electric vehicle supply and demand; People: future skills	Shared mobility; technology vendor landscape; maintaining new OEM relationships
Climate change	Electric vehicle supply and demand; margin pressure; health, safety, environment	Availability of rare earth materials; government restrictions on car usage; extreme weather patterns; developing and growing new OEM relationships
Consumer expectations of service and digital capability	Change delivery	
Covid-19	Covid trading restrictions; health, safety environment; political risk foreign exchange volatility	Future pandemic (increased frequency or severity)
Deployment of Accelerate – our refreshed strategy	Change delivery; acquisition ROI	
Growing economic recovery	Supply chain disruption; People: retention; skills; foreign exchange volatility	Inflation and interest rate growth, incl. salary; inflation; economic slowdown
Increased pressure on OEM margins and structural changes in the route to market	Loss of a distribution agreement; margin pressure; new market entrants; change delivery	Developing and growing new OEM relationships
People: – New ways of working; – War for talent (as economies recover)	People: engagement, retention; People: future skills; health, safety, environment	People: inclusion and diversity
Stakeholder expectations of a responsible business	Electric vehicle supply and demand; People: engagement, retention; health, safety, environment; political risks; legal and regulatory compliance; fraud	People: inclusion and diversity

OUR APPROACH TO RISK MANAGEMENT AND INTERNAL CONTROL

Inchcape deploys three lines of defence to manage risk, overseen by the Board and its Committees. During 2021, we refreshed our approach to Enterprise Risk Management and embedded the new framework for internal control. Our Risk Management framework brings this and other data points together to provide a summary view of risk and control. The Executive and Board review the Group's Principal and Emerging Risks and Risk Appetite twice per year. The Audit Committee reviews the effectiveness of the systems of risk management and internal control at least annually.

BOARD, AUDIT COMMITTEE AND GROUP EXECUTIVE TEAM

Sets strategy; sets risk appetite; reviews principal and emerging risks twice per year; reviews system of risk management and internal control.

RISK, CONTROL AND ASSURANCE DATA

1ST LINE

- Front line business operations.
- Implement strategy, policies, procedures and controls.
- Primary responsibility for risk identification and assessment.
- Manage risks on a day-to-day basis.

2ND LINE

- Corporate functions.
- Set policies and procedures.
- Monitor risks and controls.
- Oversee risk improvement programmes.

3RD LINE

- Independent assurance.
- Tests the design and effectiveness of policies, procedures and controls implemented by the 1st and 2nd lines.

RISK APPETITE

A cornerstone of the Group's approach to risk management is the Board's determination of its risk appetite. This definition provides direction to all areas of the Company on acceptable levels of risk and when further action should be taken to reduce risk. In July and November, the Board considered its risk appetite in relation to each of the Group's principal risks. Risks were allocated to one of three acceptable levels of exposure (aligned to the risk heatmap), indicating tolerable levels of risk:

HIGHER APPETITE FOR RISK

We are prepared to (or may have to) accept elevated levels of risk exposure (even after mitigation is applied). We will tolerate these risks being in the upper dark blue area of the heatmap.

B – Supply chain disruption
C – Covid-19
I – Change Delivery
M – Acquisition ROI

MEDIUM APPETITE FOR RISK

We are prepared to accept moderate levels of risk in this area (after mitigation is applied). We aim to keep these risks in the mid-blue area of the heatmap. We will take action to reduce risk levels if they are above the mid-grey area of the heatmap.

D – People: engagement, retention
E – Political risk/social unrest
G – Margin pressure
H – OEM: Loss of distribution contract
J – People: future skills
K – New market entrants: new business models or technology
L – EV: Supply and demand
N – Loss of technology systems (non-cyber)
P – Foreign exchange volatility

LOW APPETITE FOR RISK

We have little appetite for risk exposure in these areas. We aim to keep these risks no higher that the lower light-grey area of the heatmap. We will take action to reduce risk levels if they are above the light-grey area.

F – HSE: Health, safety or environmental incident
O – Financial reporting, fraud
Q – Legal and regulatory compliance

PRINCIPAL RISKS

The Group's principal risks are summarised in the heatmap on page 50.

An updated heatmap (5x5) and set of rating scales were introduced in 2021. Increases or decreases are based on business assessments of risk trends, rather than direct comparisons to previous risk scores.

Risks are shown on a 'net' basis, taking into account existing mitigation measures.

The following risks were removed from the list of principal risks during 2021:

2020 Principal Risk – Removed	Commentary
Brexit	Risk materialised without significant impact.
Credit retrenchment impacts demand	Risk was linked with the economic impacts of Covid-19, which have not materially impacted the supply of credit. Risk reduced. Monitored as a potential emerging risk.
Portfolio optimisation	Risk reduced in light of the improved performance of Retail businesses and redefined strategic priorities in the Group's Accelerate strategy.
Growth in mobility solutions	The growth of these solutions was slowed by Covid-19. Risk reduced. Monitored as a potential emerging risk.

The following risks have been redefined during 2021:

2020 Principal Risk	2021 Principal Risk
Digitisation	Change Delivery
Disruption: go to market model	New market entrants with new business models
Electrification	EV Supply and Demand
Legal and regulatory change	Legal/regulatory compliance*

*This change is incorporated as an underlying cause of compliance risks.

HEATMAP OF PRINCIPAL RISKS
('Net' risk position with existing mitigation)

A	Cyber security incident
B	Supply chain disruption
C	Covid-19
D	People: engagement, retention
E	Political risk/social unrest
F	HSE: Health, safety or environmental incident
G	Margin pressure
H	OEM: loss of Distribution contract
I	Change Delivery
J	People: future skills
K	New market entrants: new business models or technology
L	EV supply and demand
M	Acquisition ROI
N	Loss of technology systems (non-cyber)
O	Financial reporting, fraud
P	Foreign exchange volatility
Q	Legal/ regulatory compliance

Key: Risk to operational delivery; Risk to strategic growth; New/redifined; Increasing; Decreasing; Climate

CLIMATE CHANGE RISKS AND OPPORTUNITIES

Managing our climate-related risks and opportunities (CCR&Os) supports delivery of our Accelerate strategy and forms part of our Responsible Business agenda (see page 33). In 2021, working with a specialist external advisor, we completed an initial assessment of CCR&Os, indentifying approximately 200 physical and transition risks and opportunities. In addition, we benchmarked our current practices for identifying, assessment and managing CCR&Os against good practices in a range of industries, including specialist distribution and automotive.

In the near-term, the Company may face commercial risks as it seeks to accurately align the supply of electric vehicles with changing market demand (see Principal risk L, 'EV supply and demand'). In addition, the transition to electric vehicles may temporarily put pressure on margins achieved per EV, as our OEM partners invest to make the switch to an electrified drivetrain. This margin pressure (see risk 'G') could be passed onto our businesses, or it could lead to the development of new routes to market or (lower margin) business models. The Accelerate strategy is designed to address these issues. Over the medium to longer-term, there are potentially emerging supply chain risks relating to the availability of rare earth materials for EV batteries; and increased physical risks in the forms of more frequent or intense flooding, wildfire and heat stress. These medium to longer-term risks cannot yet be quantified with certainty and form part of our list of emerging risks. The Company is reviewing its business continuity arrangements to address these and other events, should they materialise. The output from this initial work is being integrated into our Enterprise Risk Management framework, such that CCR&Os can be re-assessed repeatedly each year.

Cyber security risks remain a priority for the Group. In 2021, the Group launched a multi-year security improvement programme, recognising the constantly-changing nature of the threat and the importance of technology to the Group in the future.

Risks of **supply chain disruption** have increased and are expected to continue well into 2022. The Group has well-established planning procedures and the strength of our OEM relationships has enabled the Company to offset volume impacts through margin improvements, to date. Despite these measures, we expect headwinds from product shortages and further volatility through 2022.

The risk of further **Covid-19** business interruption and trading restrictions remains material, although we recognise some reduction in this risk as vaccination programmes take effect and we continue to improve our ability to trade in the current environment.

Climate change underlies two of our principal risks, both related to the electrification of the drivetrain. As markets ultimately transition to electric vehicles (EVs), all distributors and retailers will be challenged to align **EV supply with changing market demand**. The increased costs of EV transition will need to be recovered, potentially through a reordering of routes to markets and different business models, which may lead to temporary pressures on our margins. The changing climate presents a larger set of emerging risks (see page 55).

We continue to expand our focus on mental health within our **Health, Safety and Environmental** (HSE) programme, as our colleagues around the globe manage disrupted ways of working in light of the pandemic. This risk will remain a priority as the Group works through a multi-year programme of improvement and cultural change (in all areas of HSE).

The potential for disruption from a range of **political risks** is increasing in Africa, Europe and Russia, and Asia. Contingency measures are in place.

As we go through a period of accelerated business change, we may experience a heightened **people risks**. This may be in the form of challenges to secure the skill sets needed for our future business; or reduced engagement and increased attrition as change is delivered and workload increases. This is exacerbated by increased competition for the best talent as economies recover. The Group regularly monitors employee engagement levels and develops action plans. Updated mental health programmes have been introduced and are subject to continual review and improvement to address emerging issues.

The materialisation of any of the risks shown on the heatmap could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined effect may be compounded. Various strategies are employed to reduce these inherent risks to an acceptable level. These are summarised in the tables on the following pages. The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of management. The Risk Management programme, including risk assessments, can therefore only provide reasonable but not absolute assurance that risks are managed to an acceptable level.

In addition to regular reviews of strategy and operational performance (and associated risks), our governance committees have reviewed the following topics relating to the Group's Principal Risks:

	Board	**Audit Committee**	**Group Executive Team**
January	Legal and regulatory risks; Cyber; Covid-19; Strategy: Disruptive industry trends; Acquisition ROI	n/a	Change delivery; Covid-19
February/ March/April	Viability: Loss of distribution agreement and cyber (financial impacts)	Internal controls (fraud, financial reporting, technology systems risks)	People update; Climate (carbon emissions; risk assessment); Change delivery; Acquisition ROI (M&A)
May	Health, safety, environment; Strategy: disruptive trends, EV supply and demand	Cyber security; Internal controls (fraud, financial reporting, technology systems risks)	Health, safety, environment; Supply chain; People: future skills
July	Principal and Emerging Group Risks; Risk Appetite; Financial forecasts: supply chain disruption	Internal controls (fraud, financial reporting, technology systems risks)	Climate-related risks and opportunities; Principal and Emerging Group Risks; Risk Appetite; Cyber; Change Delivery
September/ October	Health, safety, environment	n/a	Health, safety, environment; People risks (employee survey); Supply chain disruption (semiconductors); Cyber security; Legal and regulatory compliance; Change delivery; People: future skills; Climate (carbon emissions)
November/ December	Strategy: Disruptive industry trends, change volume and major programme delivery; Principal and Emerging Group Risks; Risk Appetite; Climate-related risks and opportunities	Effectiveness of risk management; Internal controls (fraud, financial reporting, technology systems risks); Cyber security	Principal and Emerging Group Risks; Risk Appetite; Change delivery; People

PRINCIPAL RISKS

Of the principal risks assessed, the following have the highest relative impact or likelihood scores and are assessed as the most significant 'net' risks, after mitigation has been applied.

A) CYBER SECURITY INCIDENT

As we invest in our digital capability, gather and hold more data and rely ever more heavily on technology platforms, we open up new opportunities for cyber attacks, many of which are well-funded and well-organised. Attacks can be aimed at accessing confidential data, extracting money, or causing business interruption. The Group is developing new technology platforms and digital capabilities, which underpin our Accelerate strategy.

MITIGATING ACTIONS

- Benchmarking exercise.
- Multi-year security improvement programme launched as an integral component of Accelerate, our refreshed strategic plan.
- Chief Information Security Officer appointed.

The initial phase of work has established the Group's cyber security strategy and resourcing and has introduced tactical measures to reduce malware, DDoS and phishing exposures. Training has been delivered to the Board and Group Executive Team, and to managers throughout the organisation. Immediate next steps include the development of enhanced asset inventories; more detailed risk assessments and improvements to the business continuity plan and disaster recovery capability in 2022.

RISK LEVEL WITH CURRENT MITIGATION

Impact:	Likelihood:	Trend:
Major	**Likely**	↔

B) SUPPLY CHAIN DISRUPTION

Disruptions to product availability have increased in all businesses, driven by a worsening shortage of a range of components, including semiconductors. This has led to reduced distribution volumes, a shortage of vehicles available for sale and delays or cancellations of customer orders. Some of these shortages have been exacerbated by Covid-19 and the growing global economic recovery, however, others are structural in nature. Disruption and component shortages are expected to continue throughout 2022.

MITIGATING ACTIONS

- Close liaison with our OEM partners.
- Inventory planning processes.
- Close monitoring and management of margins.

These measures have to date enabled us to largely manage these disruptions, although the risk will remain material throughout 2022.

RISK LEVEL WITH CURRENT MITIGATION

Impact:	Likelihood:	Trend:
Moderate	**Almost certain**	↑

F) HEALTH, SAFETY, ENVIRONMENT

The Group's activities include manual activities and the operation of machinery and vehicles, sometimes in confined spaces. These activities expose our colleagues to the risk of serious or fatal injury. The use of and disposal of chemicals and other substances risks harm to the environment. Our colleagues' mental and physical wellbeing could be harmed as a result of continued remote working, workload, organisational restructuring or as a result of external factors.

The Group places significant emphasis on the wellbeing of our employees and this is reflected in the relatively high priority given to this risk in our assessment method. In the longer-term, this risk may be exacerbated by the physical risks presented by a changing climate e.g. extreme weather events.

MITIGATING ACTIONS

- Ongoing implementation of a series of 10 Group-wide risk mitigation. programmes.
- Common set of HSE KPIs.
- Standardised technology platform to provide a consistent view of HSE performance.
- Regular review of performance by Group Executive Team and Board.

These programmes are designed to cover our highest risk areas, including the management of hoists, traffic, chemicals and electricals, along with working at height. This year, additional focus has been placed on mental health and management of contractors.

All of these HSE programmes are applied to newly acquired operations, where performance is monitored as soon as practical post-completion.

RISK LEVEL WITH CURRENT MITIGATION

Impact:	Likelihood:	Trend:
Major	**Possible**	↔

G) MARGIN PRESSURE

In response to a changing climate, our OEM partners are developing new ranges of electric vehicles (EVs). For most manufacturers, EVs are more costly to produce and offer lower margins compared to vehicles powered by internal-combustion engines (ICE). Our OEM partners are having to invest heavily in retooling to develop new models and platforms. In some cases, EVs may not be profitable at all. It may take several years for this situation to improve.

As EV market share grows, supported by government incentives, there is a risk that lower margins will be available to all participants in the value chain, including distributors and retailers, such as Inchcape.

MITIGATING ACTIONS

The Group's refreshed strategy, Accelerate, is designed to address this risk in three ways:

- Through a compelling offering to our OEM partners known as Distribution Excellence by transforming the route to market via the development of a consistent, technologically-advanced, low-cost, low-carbon distribution and retail offering;
- Through Vehicle Lifecycle Services – enabling the Group to capture new sources of value throughout the vehicle and customer lifetime; and
- Through expanded M&A, enabling our growth into new, margin-accretive markets and with potentially new OEM partners.

RISK LEVEL WITH CURRENT MITIGATION

Impact:	Likelihood:	Trend:
Major	**Possible**	⟷

H) LOSS OF A DISTRIBUTION CONTRACT

The Group has individual distribution contracts, several of which have been in place for many years. The loss of such contracts would have a significant impact on revenue and profit, as well as future growth opportunities. The cancellation of a number of smaller contracts at the same time could have a similar impact. The underlying factors which could contribute to this risk may include:

- Unattractive value proposition for OEM partners;
- Failure to meet OEM standards;
- Non-compliance with the terms of distribution agreements;
- Failure to deliver growth strategy;
- New competitors;
- Major operational incident, e.g. cyber incident, fraud.

MITIGATING ACTIONS

The Group's refreshed strategy, Accelerate, is designed to address this risk in three ways:

- Through a compelling offering to our OEM partners known as Distribution Excellence – transforming the route to market via the development of a consistent, technologically-advanced, low-cost, low-carbon distribution and retail offering;
- Through Vehicle Lifecycle Services – enabling the Group to capture new sources of value throughout the vehicle and customer lifetime (and potentially offsetting the impact of a loss of any one contract); and
- Through expanded M&A, diversifying our contract base across more markets and potentially more OEM partners.

RISK LEVEL WITH CURRENT MITIGATION

Impact:	Likelihood:	Trend:
Major	**Rare**	⟷

OTHER PRINCIPAL RISKS

The following principal risks were also identified:

Ref #	Risk title		Description and impact	Trend	Key mitigating actions
C	**Covid-19 pandemic**	DRE, VLS, M&A	The possibility of continued or more severe incidences of Covid-19, along with continued restrictions on movement and commercial trading. The re-emergence of the new variants in markets is unpredictable, and may lead to a subsequent delayed economic recovery. A worsening of the current situation may again impact the Group's global trading performance and cash flows. It may lead to increased pressure on margins; reduced capital availability for both the Company and for our customers; and supply chain interruptions. This risk remains material, but has been reduced to reflect the deployment of vaccination programmes and our increased experience in operating through periods of restricted movement or trading.	↓	A range of local market measures were introduced in 2020, enabling us to respond to changing levels of infection and trading restrictions. This included: • The formation of dedicated pandemic response teams; • Measures at all sites to reduce infection risk; • Working from home rules; • A wellbeing programme to support colleagues through the pandemic and increased frequency of employee surveys and customer communications; • Enhanced monitoring of working capital; • Delayed discretionary spend where needed to reflect market conditions; and • Accelerated roll-out of digital trading capabilities.
D	**People: engagement and retention**	DRE, VLS, M&A	Following the global pandemic and the business transformation underway, there is a risk of increased wellbeing issues (driven by workload and working arrangements) and of 'change fatigue'. As economies return to growth, there will be increased competition for key skills.	↑	• Employee experience surveys followed by analysis and action planning at senior management level. • Wellbeing programmes and support. • Enhanced career development programmes. • Pay and reward reviews and benchmarking.
E	**Political risk/ social unrest**	DRE, VLS, M&A	The Group operates in markets, where there may be greater volatility in the political, economic and social environment, for example in, and adjacent to: Latin America, Russia, Ethiopia and Hong Kong. This may threaten the safety of our employees and disrupt business operations.	↑	• Close monitoring of political situation in higher-risk markets. • Business continuity planning. • Collaboration with OEM partners on stock allocation flexibility. • Expansion of digital trading capabilities.
I	**Change delivery**	DRE, VLS, M&A	Delivery of our strategic priorities is rapidly transforming many aspects of our business. There is a risk that we lack the capacity to deliver the total portfolio of business change at pace while maintaining expected performance levels. Success depends on delivery of a number of enabling programmes, including improving our omni-channel; data and analytics capabilities; and back office and customer-facing systems capabilities. If these programmes are affected it could result in delays or increased costs.	↔	• Oversight by the Group's Transformation Committee, supported by Portfolio Management tool to track status. • Ongoing reviews and reprioritisation of initiatives to ensure focus on strategic imperatives. • Programme and project management, supported by consistent software tool. • Risk and issue management. • Oversight by Steering Committees and reporting to senior management.
J	**People: future skills**	DRE, VLS, M&A	As we transform our business, we need new skills and capabilities, relating to digital marketing and data analytics; M&A; used car retailing; change management and leadership skills. These skills are in demand across many industries and may be harder to recruit and retain.	↔	• Development of in-house capability (Digital Delivery Centres). • Strategic resource planning & recruitment. • Training & development programmes, e.g. digital academies. • Salary benchmarking.
K	**New market entrants**	DRE	New competitors may enter our markets with new business models and/or new technology, leading to a fall in revenue or a gradual degradation of margins. Examples include the growth of direct online retail, subscription/rental models, mobility solutions or combined EV and charging packages.	↔	• Existing value proposition: digitisation and enhanced omnichannel offering. • Cost efficiencies and economies of scale passed to end consumers. • Monitoring of competitor activity. • Brand profile and service levels. • Diversification of brand relationships, geographies and revenue streams.
L	**EV Supply and Demand**	DRE	Risk of misalignment between market uptake of EVs and OEM EV supply leading to lost market share if we are unable to meet demand, or conversely, to increased costs if we stock EVs for which there is not yet demand.	Redefined	• Monitoring of emerging EV-related legislation in each market. • Close liaison with OEMs to understand their ambitions and feedback on the EV readiness of individual markets.

Ref #	Risk title		Description and impact	Trend	Key mitigating actions
M	**Acquisition ROI**	M&A	Inorganic growth will form an increasingly important role in growing the Group's PBT. As M&A activity accelerates, future transactions may become larger and more complex. M&A activity will be undertaken in regions which may have had relatively little exposure to this.	↔	• Pipeline of opportunities. • Experienced M&A teams at Group and in Regions. • M&A playbook. • Post-merger reviews and audits. • Board review of larger transactions.
N	**Loss of technology systems (non-cyber)**	DRE, VLS, M&A	The Group relies on a diverse and complex range of technology systems, some of which have been operating for a number of years. These systems may be prone to interruption or failure, e.g. due to issues such as hardware failure, software glitches, systems complexity or capacity or the management of changes.	↔	• Consolidation of existing systems. • Physical and logical security in place with active monitoring for core systems. • Cloud-hosting, incident management, disaster recovery and continuity plans. • IT General Controls in place and audited. • Availability criteria in service level agreements.
O	**Financial reporting and fraud**	DRE, VLS, M&A	The Group may be subject to fraud or its financial reports may be misstated either in error or deliberately. The Group is currently reorganising aspects of its financial reporting and control arrangements. Once established, these new ways of working will provide a more robust environment, with reduced risk. There is, however, an inherent and temporarily increased risk of delayed or inaccurate reporting, or fraud during the transition.	↔	• Established financial control framework. • Defined programme of work to document controls and owners through the transition. • Monthly monitoring of control performance. • Change management and staff retention arrangements to enable a smooth transition. • Established Group and Regional Shared Service Governance including Stage Gate sign off; Internal Audit Assurance Reviews; Group and Regional Controls oversight.
P	**Foreign exchange**	DRE, VLS, M&A	With a geographically diverse structure and transactions in multiple currencies, Inchcape is exposed to movements in exchange rates differences which affect results. Exposures exist particularly in Australia (AUD vs JPY) , Ethiopia (ETB vs USD) and in South America (JPY and USD vs CLP). Additionally, our results and asset values are translated back from local currencies to GBP for consolidated reporting, which can lead to year-on-year fluctuations in asset values.	↔	• Treasury policy and hedging strategies. • Central treasury function and regional treasury centres (in relevant regions). • Monthly monitoring of foreign exchange impacts and hedging positions.
Q	**Legal, regulatory compliance**	DRE, VLS, M&A	This risk relates to our ability to meet the standards required in our diverse markets. Key legal and regulatory obligations relate to anti-bribery and corruption, privacy, competition, anti-money laundering and the distribution and sale of finance and insurance products. Other areas of risk relate to the terms of our distribution and retail contracts; and contractual risks assumed during acquisitions.	↔	• Group-wide Code of Conduct, with associated training. • Market-level policies and procedures, supported by Group-wide policies for higher risk areas. • Nominated legal representative and/or retained counsel in major markets to monitor existing and emerging legislation. • Online training for specific regulations.

EMERGING RISKS

Emerging risks have been identified in a number of ways: through our strategic re-planning process; through analysis of external publications (including peer and OEM risk disclosures); through dedicated risk studies (e.g. climate risk and opportunity assessments); and through the regular discussions and analysis which take place as part of our updated risk management framework, including with the Board. By considering and monitoring we can appropriately respond to such risks, preparing contingency plans or adjusting our operations and Group strategy as required.

Climate-change related	Macro-economic	Technological	Other
Reporting regulation compliance	Interest rate rises	CASE: growth of connected and autonomous vehicles	Developing and growing new OEM relationships
Vehicle-related legislation	Cost inflation, incl. salary costs	CASE: growth of shared mobility	New pandemic
Rare-earth materials and battery supply shortages	Economic slowdown	Changing technology vendor landscape	Regional conflicts disrupt semiconductor supply
Government car restrictions	Retrenchment of consumer credit	Increased automation of cyber attacks	
Extreme weather patterns	International tax reforms	Growth of Bitcoin usage in markets	

VIABILITY STATEMENT

The Directors have assessed the viability of the Group by reference to the Group's current financial position, its recent and historical performance, current forecasts of future performance, its business model (page 2), strategy (page 4) and the principal risks and mitigating factors (page 48). The Board regularly reviews the Group's performance, cash flow projections and funding requirements to ensure that the Group has sufficient liquidity to fulfil its financial obligations. The diagram below illustrates the variety of relevant time horizons.

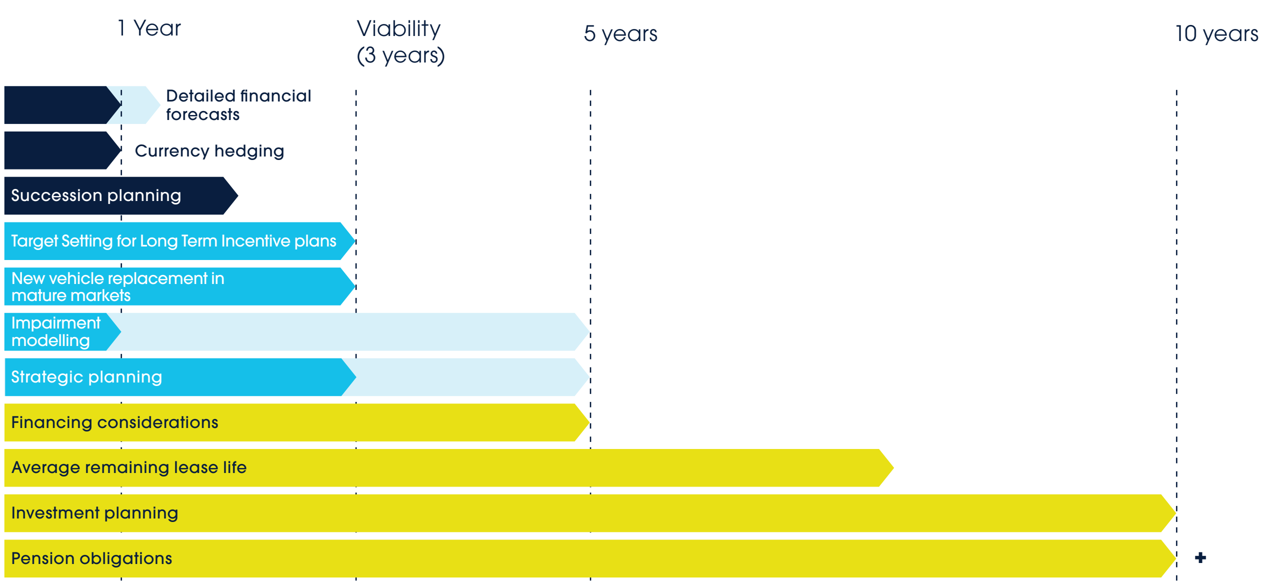
The Directors consider three years to be the most appropriate period for the viability assessment as it strikes a balance between the different time horizons used to manage the business and for which detailed financial forecasts exist, and is a reasonable period for a shareholder to expect a distribution business to be assessed.

Our financial planning process incorporates an Annual Operating Plan (AOP) for the next financial year, together with financial forecasts/models for the remaining years covered by the Viability Assessment. These financial forecasts/models consider the Group's profitability, gearing, cash flows and other key financial metrics over the period to December 2024. These metrics are subjected to sensitivity analysis, in which a number of the main underlying assumptions are adjusted and tested to consider alternative risk-based scenarios. Using the Group's most significant risks, unlikely but realistic worse-case scenarios are created and their impact projected onto the three-year projections. The scenarios modelled were as follows: (i) a major cyber incident in a core market resulting in business interruption (loss of revenue and gross profit) and remedial costs (additional operating expenses) in 2022; (ii) further periods of Covid-19 restrictions similar in nature and impact to those seen both in late 2020 and early 2021, impacting half of the Group's markets simultaneously for a period of time in 2022; (iii) a reduction in new vehicle sales due supply chain disruption, impacting gross profit in the second half of 2022 and the first half of 2023; (iv) the loss of material distribution arrangements from the beginning of 2023 impacting both profits and working capital; and (v) digital disruption to our markets and pricing impacting margins in our Aftersales business in 2023 and 2024.

These risks have been modelled individually and concurrently, i.e. assuming all five materialise during the three-year period. Modelling these risks tests the Group's ability to withstand a material reduction in revenue (distribution contract loss, supply chain risks, and Covid-19 restrictions); a material degradation in margins (digital disruption) and the impact of an unexpected operational expense (cyber attack). The viability scenario also assumes that a portion of uncommitted inventory financing facilities is withdrawn. The testing recognises that some mitigating actions would remain available to management to partially mitigate the impact of these risks, including reductions in operational and capital expenditure and shareholder returns.

In the most severe scenario modelled, the test indicates that the Company would not breach the single financial (interest) covenant on its committed facilities. Details of the Company's financing arrangements can be found in note 23 to the financial statements on pages 168 to 169.

Based on the outcomes of the scenarios and considering the Group's financial position, and principal risks, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Directors' statement regarding the adoption of the going concern basis for the preparation of the financial statements can be found on page 125.



LOCATIONS
DISTRIBUTION
Argentina, Australia, Chile, Colombia, New Zealand, Peru

SUBARU

Inchcape's Distribution partnership with Subaru is one of the most important in our portfolio and an example of the close collaboration between the Group and our brand partners. We distribute and operate the brand in Australia, maintaining Subaru's highest share globally in that market. Subaru was the OEM brand central to our first significant expansion in South America in 2016 which has helped to create a platform for further growth in the region.

LOCATIONS
RETAIL
UK, Russia

VOLKSWAGEN GROUP

Inchcape has a retail-only partnership with VW Group and represents the core VW brands as well as the performance marque Porsche. Our VW Group relationship extends to over 30 years and we are present today as a Retail operator in the UK and Russia.