DRIVING WHAT MATTERS

Being a responsible business is reflective of our purpose and a fundamental part of our strategy, mapping the way Inchcape creates 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 use to respond to what is important to meet the needs of their local stakeholders.

PEOPLE

- Inclusion and Diversity
- Safety and Wellbeing
- Talent and Skills

PRACTICES

- Strengthening our governance policies
- Reflecting our position as an international plc

PLACES

- Safe mobility
- Inclusive mobility
- Social mobility

PLANET

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

People pillar: R U OK Day, September 2022
Inchcape Australia

Places pillar: Movilizando Corazones prosthetics donation programme, Inchcape Colombia

PEOPLE

Our colleagues 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 deliver our future success.

Progress highlights in our People pillar during 2022

1. Inclusion & Diversity

- Defined and executed our Global Inclusion & Diversity Framework
- Delivery of our bespoke Inclusive Leadership Programme to all senior leaders globally
- Implemented a global senior recruitment supplier reset on inclusion and diversity
- Provided opportunities for colleagues to share their experiences and learn through our global Inclusion & Diversity awareness days

READ MORE see page 121 for a breakdown of the Group's gender diversity.

2. Safety and Wellbeing

- Launched, promoted and embedded Lifeworks EAP Programme
- Progressed our approach to flexible working across our regions

3. Talent and Skills

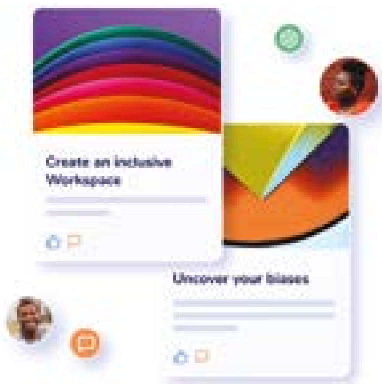
- Launched and embedded our Global Women into Leadership Programme
- All regions provided opportunities for early careers, including graduate, internship, apprenticeship and work experience programmes

"Over the past year we have built the foundations we need to create a culture where people of all backgrounds and experiences can be themselves in a safe environment and become equipped with the skills for today and tomorrow. To do this, we've rolled out programmes, built communities and created opportunities for our colleagues to come together to learn, progress and feel a sense of belonging at Inchcape. Every action that has been taken is linked to a key milestone for our business to ensure our pillar has a meaningful impact for our people.

Colin Christie
MD Australasia and People pillar leader

SPOTLIGHT FOR 2023

INCLUSIVE LEADERSHIP



At the start of 2022 we began our global Inclusive Leadership Programme for all our leadership populations.

The programme has been delivered to our Global Executive Team and top 600 leaders across the business. The programme is designed to enable our leaders to learn more about inclusion and diversity, build trust and psychological safety, involve and integrate diverse perspectives and make demonstrable commitments to grow an inclusive culture within their teams and beyond.

The programme consists of a series of workshops and coaching pods which are supplemented with pre and post session learning and actions. Learning was measured before and after the programme to evaluate its impact and found:

- 76% of leaders reported they now have the tools to check bias and ensure it does not play a role in the decisions they make (increase from 52% pre-programme)
- 92% of leaders reported they now have the skills to encourage team members to discuss inclusion and exclusion experiences (increase from 70% pre-programme)

LIFEWORKS

Over the past year we have embedded our employee assistance programme, LifeWorks, across all our markets to ensure our colleagues have access to support for mental, physical, social and financial wellbeing. Our global celebration of World Mental Health Day 2022 provided an opportunity to further promote LifeWorks and raise awareness, advocate against stigma and take steps to support better mental health for everyone.

All colleagues were invited to a series of LifeWorks webinars showcasing how colleagues and their families can use the platform to better support their lives.

The webinars were hosted by senior leaders who openly shared their experience of mental health and wellbeing and engaged over 1,150 colleagues across all regions.

Team leaders were provided with toolkits to share more about LifeWorks and an opportunity to check-in and talk with their teams about overall wellbeing. A total of 360 talks took place involving approximately 12,000 colleagues.

WOMEN INTO LEADERSHIP

The Women into Leadership Programme was developed in 2021 to provide continuous opportunity for professional and personal growth of Inchcape's female talent. This global programme is sponsored at an executive level by Ruslan Kinebas (CEO, APAC). Since the programme inception, six cohorts have launched covering all geographic regions, with 45 women completing the pilot programme in 2021 and a further 45 women completing the 2022 programme. **20% of our 2021 Women into Leadership cohorts have been promoted since their programme completion in March 2022.**

Guest speakers are a key feature of the programme and include women from our two most senior leadership levels. Also incorporated into the 2022 Programme is an introduction to Inchcape's female Plc Board Non-Executive Directors who share their life and career experiences and top tips.

Mentoring was also added to the 2022 programme, following feedback from the previous cohorts about the desire to 'pay it forward' and the value that mentoring can bring. The 2021 pilot cohorts have now become mentors to current programme participants.

PRACTICES

As a global business we have huge opportunities, but also a great sense of our responsibilities. Being an ethical organisation depends on everyone and at Inchcape we will continue to update and strengthen our practices to ensure our colleagues always do what is right.

Progress highlights in our Practices pillar during 2022

1. Codes of Conduct

- We have refreshed and translated the employee Code of Conduct, and retrained all our people
- A Supplier Code of Conduct was introduced, communicated internally and to our suppliers, and hosted on inchcape.com

2. Framework for Reporting

- We have updated external reporting statements on Anti-Money Laundering, Anti-Bribery & Corruption and Anti-Trust/ Competition policies on inchcape.com, in the Annual Report and on our employee intranet

3. Whistleblowing

- We refreshed the communication of our whistleblowing contact channel, Speak Up!
- We are committed to completing all investigations and communicate the results within three months, reporting the number of cases quarterly to our regional leadership

4. Policies

- Group policies have been translated into local languages and made available on the intranet
- Policy Principles established to support consistency in creation of both global and local policies

"We operate in over 40 markets worldwide, most of which have their own regulations, different tax regimes and varying levels of corporate governance. Our aim is to respect all the national jurisdictions in which we operate while, of course, applying our own controls and the rules that govern Inchcape globally as a UK-based multi-national plc. The Practices pillar seeks to strengthen our policies and codes of conduct so they reflect our position as an organisation with world-class standards. At the same time, we seek to guide and protect our people to ensure they know how to do business ethically and responsibly, whatever role they play in Inchcape's success.

Rodrigo Schmidt
Legal & Regulatory Compliance Director, Inchcape Americas and Practices pillar leader

PLACES

At Inchcape we want to make a positive contribution to the communities in which we operate, and the Places pillar focuses on improving mobility and quality of life in the communities in which we operate by working in three areas.

Progress highlights in our Places pillar during 2022

1. Safe Mobility

Group-wide safe driving awareness and training initiatives have been introduced for employees, alongside market-level road safety agency partnerships targeting employees, customers and public on safe use of roads. These include

- BMW Driving Academy in Europe and the Americas
- Primary student education on road safety in Greece
- Partnerships with government institutions to deliver driver training in Colombia
- Partnerships with Singapore Road Safety Council and Australian Road Safety Foundation

2. Inclusive Mobility

We are supporting and sponsoring initiatives in several markets to enable physical mobility and better access for people living with disabilities, including

- Partnerships with prosthetic limb solutions for amputees in Europe with Prosfit, and the Americas with the Fundafe Foundation
- In Australia, sponsors of the Lifeline Mobile Cafe for mental health services and crisis support
- Supply of retrofitted transport solution for the disabled with TOUCH Community Services

3. Social Mobility

We provide local NGOs with sponsorship of transport for families and communities in need, and build partnerships with educational institutions to support underprivileged and underrepresented groups

- Focus on women technician training programme in Colombia
- UK and Hong Kong programmes to support food banks and 'meals on wheels' for underprivileged families during cost of living crisis

"In 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. In inclusive mobility, we support people with disabilities to access appropriate mobility solutions to improve their quality of life. And, in social mobility, we develop local projects and initiatives that support and enable equality of opportunity for young people; for example through internship, apprenticeship, technical education and female education. Our responsible business plan would not be complete without considering our contribution to our communities.

Julian Martini
Head of Group HR and
Places pillar leader

INCHCAPE TALENT HOTBED

Colombia's Digital Delivery Center's Outreach Initiative

Inchcape's Digital Delivery Center Colombia established a programme to provide opportunities for women and people with disabilities, as under-represented groups in digital and tech roles, to access technological training. The six week programme is dedicated to providing free software development training, financial aid and the opportunity to join the business after completion. The aim of the programme is to contribute to the academic and professional development in Colombia, partner with foundations focused on women and people with disabilities and create a sustainable approach to attracting diverse communities into the business.

Throughout 2022, 27 people have graduated from the programme, 22 of which were women (with one cohort solely focused on female talent). 22 participants have been recruited back into the business full-time and 16 of these people are women.

PLANET

As a company, we are aware both of the impact our industry has upon the environment and also the likely impact of climate change upon our business. Within the planet pillar, we are working on both of those areas.

Progress highlights in our Planet pillar during 2022

1. Understanding, reporting and acting upon climate change risks and opportunities

- We have undertaken a Group-wide exercise to understand our climate change risks and opportunities
- We quantified the potential impacts of our most important risks to incorporate into our financial planning
- We are now reporting in line with requirements of the Task Force on Climate Related Financial Disclosure (TCFD) in our Annual Report (see pages 44 to 54)

2. Scope 1 and 2 greenhouse gas emissions

- We have set science-based targets for scopes one and two with the aim of halving emissions by 2030 and achieving net zero by 2040
- We have switched to renewable sources of electricity in UK, Australia and most of Europe
- We have reduced our scope one and two emissions by 19,996 tCO_2e against our 2019 baseline (unrevised)

3. Addressing our value chain GHG emissions

- We have completed mapping our value chain emissions which provides the baseline for us to address our scope three emissions and use our influence, where we can, to help to reduce them

"When we think about the Planet pillar, we are mostly thinking about climate change. This is by far the most urgent and important environmental challenge that we face both as a business and as a society. Understanding climate change risks and opportunities means that we can be well prepared for them and this gives confidence to our stakeholders that we can rise to the challenges presented by climate change. Our journey to become a Responsible Business is well underway, and the Planet pillar is key to our strategy.

Mike Bowers
Group General Counsel and Chief Sustainability Officer

MERCEDES-BENZ

Since signing our first distribution contracts with Mercedes-Benz in 2019 in Uruguay and Ecuador, in January 2020 we became the distributor for Mercedes-Benz passenger vehicles in Colombia. We have since continued our consolidation and are now Mercedes' number one distribution partner in Latin America.

Locations
Distribution:
Barbados+, Colombia, Ecuador, El Salvador, Guam+, Guatemala, Uruguay

Retail:
UK

MOBILISING OUR BUSINESS IN RESPONSE TO CLIMATE CHANGE

We recognise that climate change is seriously affecting our planet. As the planet continues to warm it will have consequences for how, and where, we do business. As we take actions to combat the most serious effects of climate change, we will encounter new risks and opportunities as a result. In this section, we set out how we are responding to the urgent and important issue of climate change.

Our response to climate change comprises three pillars:

- understanding, reporting and acting upon our climate change risks and opportunities (CROs);
- reducing our Scope 1 and Scope 2 greenhouse gas emissions; and
- addressing our value chain (Scope 3) greenhouse gas emissions.

Understanding, reporting and acting upon our CROs

Our stakeholders depend upon us to understand how man-made climate change, and the efforts of society to limit the effects of that climate change, will affect our business. In 2021, we undertook a comprehensive exercise to identify our most important CROs under a range of different scenarios. This year, we have built upon that work and sought to quantify the potential impacts of our five most significant CROs under a 1.5°C warming and 4°C warming scenario. The results of that analysis are set out on pages 50 to 51. We have embedded the outputs from that analysis into our strategic planning and financial forecasting and identified a series of mitigation and adaptation measures to address each CRO.

Reducing our Scope 1 and Scope 2 greenhouse gas emissions

We have set a target to reduce our Scope 1 and Scope 2 emissions by 46% by 2030 with 2019 as the baseline year. This is consistent with a 1.5°C warming world under the Science Based Targets initiative. Our aim, consistent with our Accelerate strategy, is to be the lowest carbon route to market for our OEM partners.

During the year, we have made good progress in reducing our Scope 1 and Scope 2 emissions by switching to renewable sources of electricity, investing in on-site renewables and reducing our energy usage. We provide more details on page 53.

Addressing our value chain (Scope 3) greenhouse gas emissions

In 2022, we established our Scope 3 GHG footprint. This has enabled us to understand the principal sources of our Scope 3 emissions and, therefore, what we can do to reduce those emissions. We believe that no-one is better placed than Inchcape to help our OEM partners make the transition to a low carbon future and we will take three sets of actions:

- reduce those emissions within our direct control as quickly as possible;
- seize opportunities to partner with OEMs that are able to offer our customers lower emissions vehicles; and
- support our customers, teams and OEM partners in making the transition.

In line with the UK Listing Rules, we confirm that the disclosures included in the 2022 Annual Report and Accounts are consistent with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). This section contains the relevant disclosures or otherwise provides cross-references where the disclosures are located elsewhere in the report.

This year, our disclosure is consistent with the TCFD recommendations except for the disclosure of an Internal Carbon Price (ICP), which we explain in the metrics and targets section on page 54. We have also not quantified the potential financial impact for Risk 4 and Opportunities 1 & 2 in this disclosure because the data is not yet sufficiently robust enough. We have therefore concluded that such analysis would not lead to better informed decision making at this stage, but we expect to build on these strong foundations in future disclosures

GOVERNANCE

Board's oversight of climate related risks and opportunities

This year, the Board has specifically considered two areas of focus. First, it has considered the work undertaken to quantify the Group's principal CROs. The Board will further consider this analysis in the context of its strategy discussions in 2023. Second, the Board has reviewed the assessment of the Group's Scope 3 footprint and the actions that we can take to reduce that footprint. In each case, the Board has been supported by external specialists with appropriate levels of experience and expertise. Further, as climate change becomes ever more relevant, it permeates an increasing number of Board conversations. For example, when considering a new OEM partnership, or an acquisition opportunity, the Board will consider how the OEM or business in question is equipped to manage the transition to a low carbon economy.

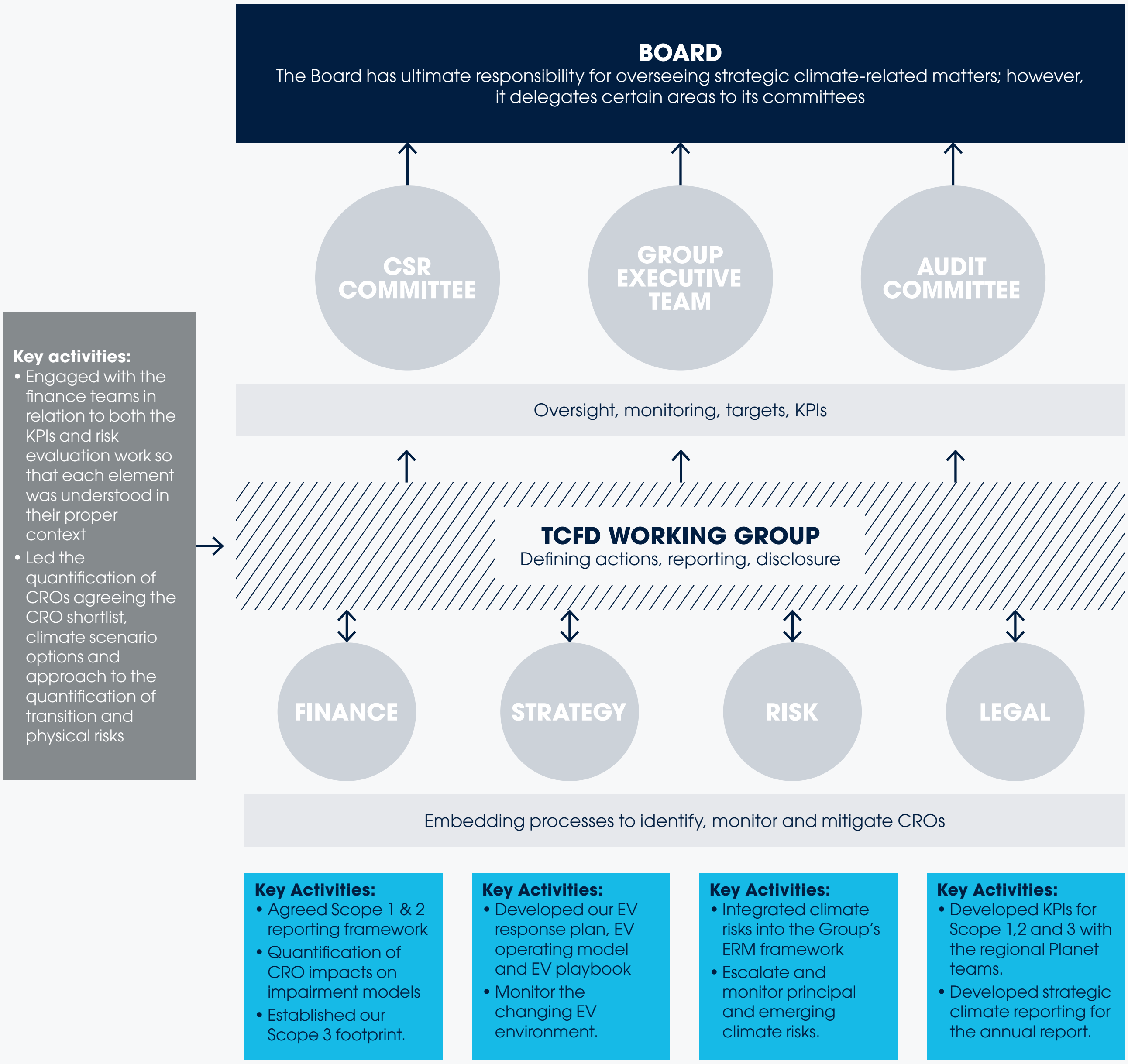
Other climate-related issues considered by the Board during the year include the:

- EV response strategy which has been developed for the APAC region. This will inform the development of a Group-wide EV response strategy;
- EV safety impact requirements which have been developed to build on industry and OEM advice; and
- material climate-related risks and opportunities which are incorporated into the list of principal risks and the emerging climate related risks.

Role of the Committees in assessing climate change impacts

The Board delegates the oversight of certain aspects of climate change to its Committees. Where climate-related issues have been considered at Committee level, updates are given to the full Board following each meeting.

GOVERNANCE FRAMEWORK



The CSR Committee considers climate change at each meeting, usually three each year, as part of its oversight of the Planet workstream. Please see pages 94 to 95 for further details.

The Audit Committee reviews the impact of climate change when considering significant accounting judgements, the viability of the Group, and during its assessment of the Group's significant and emerging risks. Please see pages 88 to 93 for further details. The Board and the Committees delegate responsibility for assessing and monitoring climate-related risks to the Group Executive Team (GET), which is chaired by the Group CEO.

Management's role in assessing and managing risks and opportunities

The GET analysed the CRO quantification and Scope 3 footprint prior to the findings being presented to the CSR Committee and Board, in addition, the GET also 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;
- business development – assessment of current and future OEM partners' new energy vehicle line up and market infrastructure;
- customers – considering the changing consumers preferences and needs both for product and purchasing process;

- legal/regulatory framework – assessment of governments making commitments to reduce carbon emissions in markets where we operate; and
- investor relations – consideration of climate change impacts on access to capital.

The GET monitors the Group's approach to climate through each of these areas and reviews progress against any targets set such as carbon emissions reduction. All updates are discussed and considered by the GET to enable them to develop understanding of the issues and provide input before papers are submitted to the Board and its committees for their review.

Duncan Tait, Group Chief Executive, is the Board Director with ultimate responsibility for climate change related issues, with support from the GET. Mike Bowers, Group General Counsel and Planet Workstream lead has been appointed Chief Sustainability Officer and is the GET member responsible for climate change related issues.

The TCFD Working Group (TCFD Group) meets on a quarterly basis and comprises the Group General Counsel, Group Company Secretary, Group Financial Controller, Head of Internal Audit and Risk Manager. Its remit is to monitor governance around CROs, continuing identification and verification of CROs, and ensuring the CROs 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 AND RISK MANAGEMENT

Strategy introduction

Climate-related risks and opportunities are an integral consideration when developing and setting our strategic direction. We recognise that there are risks and opportunities from a low carbon transition that feed into our strategic planning and understand that climate change has a very real impact on the communities and livelihoods of our customers. Therefore, we are using our position to enable and deliver on a low carbon transition, which will build resilience in our business and protect our planet. A core element of our strategy is the deployment of Electric Vehicles (EVs), which underpins our core business model and is fundamental to the long-term sustainability of the business.

Identification of CROs affecting the Accelerate strategy

In 2021 we undertook a full value chain analysis at a business unit level and in 2022 our markets completed a risk questionnaire every six months, which considers new legislation, OEM ambitions, competitor capabilities and the market EV status. Key exposures are reviewed by conducting workshops and interviews with a range of stakeholders across strategy, finance and risk management.

IDENTIFICATION AND ASSESSMENT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

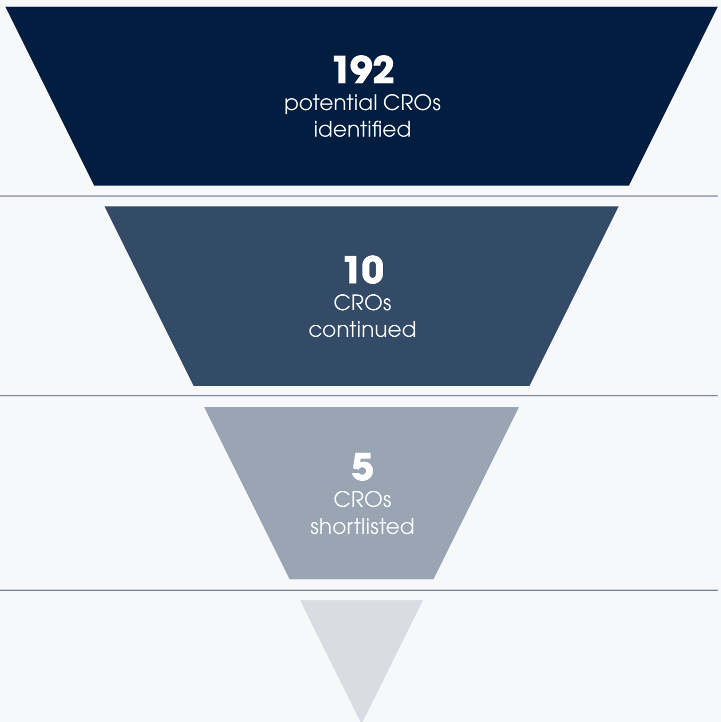
1 Identification
In 2021 we undertook a CRO exercise consisting of a top-down by group,and bottom-up by each business unit, exercise to identify potential climate risks in our business and value chain.

2 Assessment
We assessed our long list of CROs to develop a shortlist to focus on and explore through scenario analysis. Each risk and opportunity is qualitatively rated for likelihood, velocity and potential impact.

3 Prioritisation
Using the outputs of our assessment we shortlisted our CROs for quantified scenario analysis. This process concluded that some CROs have a low financial impact and other can be combined with adjacent risks.

4 Quantified financial impact
Explored through scenario analysis.

Find out more
on page 50



We have evaluated the implications of climate risks and opportunities across the following time periods:

- Short term (up to 2025): a three-year period aligns with our viability assessment and incorporates the actions needed to achieve our short-term targets.
- Medium-term (up to 2030): up to 2030 is chosen to align with our interim climate-related targets.
- Long term (2030-2050): aligns with our long-term climate-related targets.

Transition risks are viewed as risks associated with changes to the way markets operate that may result from regulation or consumer habits as we transition to a low carbon economy.

Physical risks are the exposure of our assets or value chain to physical hazards caused by the effects of climate change.

Transition risks are the most material climate-related issue to our business. We identify these risks and opportunities through:

- regulatory horizon scanning, senior leadership and their teams are accountable for identifying regulatory risk and incorporating these into the existing risk register; and
- assessment of key external forces such as market, technology, and political and social trends that could affect the business or our reputation. Our strategy team specifically recognises climate change as an external force linked to market and technology risks.

Our exposure to physical risk is identified and monitored through our scenario analysis. We assess the impact of six different acute hazards against our assets out to 2050. We screened our site for insured value, stock value and exposure to physical hazards using climate models.

Summary of Inchcape's CROs
The table on pages 50 to 51 sets out the five prioritised CROs affecting the Accelerate strategy.

We have disclosed the financial impact, up to 2030, of our CROs as low, medium and high impact, which is aligned to our risk rating criteria as defined by our risk management framework.

We have not specifically quantified the long-term impacts of EV transition due to the inherent uncertainty of the extent of the CRO.

In comparison, data sets and assumptions for carbon taxes and physical risks are more readily available so have been disclosed to 2050.

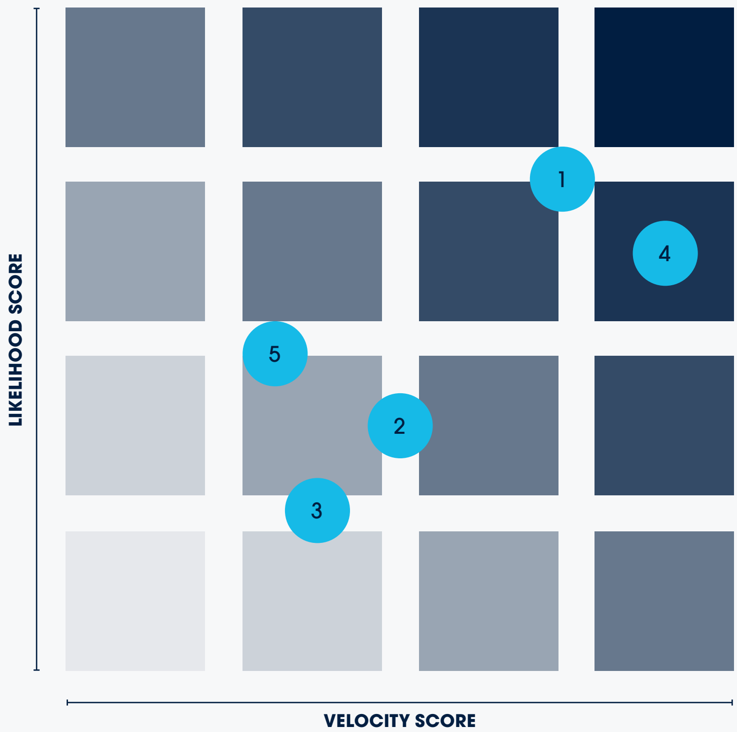
COMPARATIVE IMPORTANCE OF RISKS

Likelihood
To assess the likelihood of a CRO, we considered the alignment between the outcome under a 1.5°C scenario, 4°C scenario and current policies. Each risk is then categorised as very high, high, medium or low.

Velocity
Our assessment at the time in which the exposure to each CRO is expected. The purpose of this measure is to assess how fast external pressures are changing. Velocity was assessed across the defined short, medium and long-term horizons

Potential impact
The potential impact was determined which qualitatively categorised CROs and considered technology trends, supply/demand projections, impact to revenue and impact to our cost base.

Risks
1. Misalignment
2. Aftersales
3. Carbon tax
4. Margin pressure
5. Physical risks



Risk management process

Our organisation manages and monitors CROs through both a top-down and bottom-up process. For each risk our markets consider the impact and risk appetite to determine the target risk level. To achieve this, they provide their strategic response for mitigation and adaptation to each risk. On a quarterly basis our risk management team holds a risk review with each market to understand their risks, monitor movements and determine if risks are pervasive across markets, which may require aggregation of risk impacts. We then overlay how climate change will affect the risk. Our risk thresholds are defined by geography (market, region and Group) or strategic importance (project, programme and portfolio). Risks are categorised dependent on their impact, considering more than just financial risk and each criteria overlaps so risks are escalated/ demoted accordingly.

The Group defines our risk appetites as risk-averse, risk tolerant and risk seeking. The appetite for each specific risk is decided by the Group. For more detail see page 61.

To monitor and manage risks, each risk is assigned a risk owner and action owners. The risk owner is accountable for the risk and holds action owners to account for progressing actions that move the risk to its target level. For further information please see the Risk Management report on pages 59 to 66.

SCENARIO ANALYSIS

We employ climate scenario analysis to help understand the potential financial impacts to our business, in its current state, from our short-listed CROs under two scenarios. Our 1.5°C scenario is characterised by accelerated intervention and is used to assess our exposure to higher impacts from a transition to a low carbon economy. Our 4°C scenario assumes greater impacts from physical risks. Combining the outputs of both will inform the key areas where our response must focus. Please see the below table which outlines our scenario assumptions.

SCENARIOS

IPCC RCP 2.6	IEA NZE	NGFS Net Zero	IPCC RCP 8.5
1.5°C aligned • Higher transition risk • Lower physical risks • Strong government intervention.	**1.5°C aligned** • Additionally to RCP 2.6, includes a granular accelerated EV transition.	**1.5°C aligned** • Additionally to RCP 2.6, includes a disorderly and orderly carbon price assumptions.	**4°C aligned** • Low government intervention • BAU emission increases • Lower transition risks • Higher physical risks.

Key: IEA NZE: International Energy Agency Net Zero, NGFS Net Zero: Network for greening the financial system, IPCC: Intergovernmental Panel on Climate Change RPC: Representative Concentration Pathway

The IEA NZE scenario was selected due to the additional detail specific to the transport sector. This granularity is critical because the transition from ICE to EVs is significant to our business. The NGFS Net Zero scenario was used to assess our exposure to carbon taxes because it includes regional carbon prices which vary significantly across our markets. It enables comparison between orderly and disorderly scenarios using the same sources, and there is transparency over the key policy changes that drive modelling assumptions. Further details of the NGFS Net Zero scenarios are publicly available.

Scope of analysis

Transition risks

To scope markets for our analysis we set a financial threshold for coverage. We included the markets with a significant contribution to our operating profit until we had coverage which was >70% of overall operating profit. This helped us filter markets and compare the relativity of these financial impacts.

CROs were assessed at either:

- a market-level and aggregated up to determine the financial exposure; or
- due to data constraints, we assessed the risk exposure at a global level.

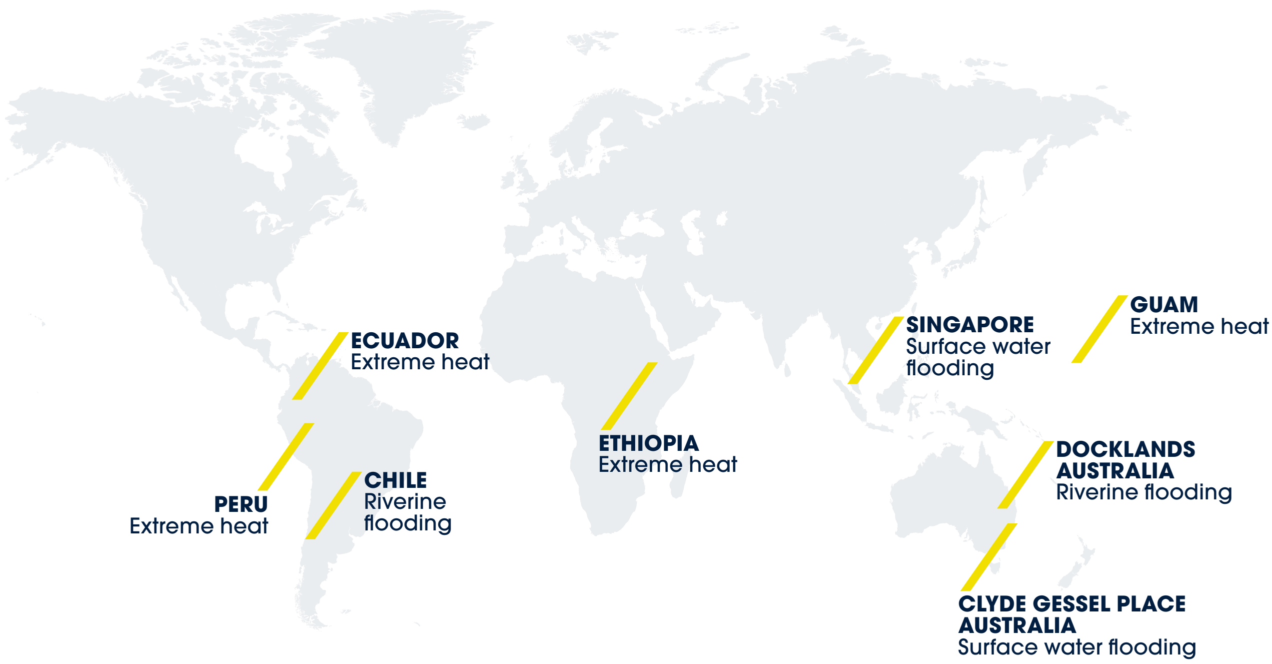
We are taking steps to enable detailed quantification in future reporting.

Climate risk	Level of granularity	Markets included
Misalignment	Market-level (>10% of operating profit by market coverage in scope)	Australia, Belgium, Chile, Hong Kong, Luxembourg, Singapore, and UK
Aftersales	Global-level	A shift from conventional ICE to BEV could potentially develop new aftersales services specifically targeted for BEV. Despite uncertainty over how new revenue streams could evolve over time, our analysis showed potential cashflows are expected to be more significant for BEV than for ICE vehicles due to additional weight and cost of electric components, albeit less regular in occurrence.
Carbon tax	Market-level	All markets
Margin pressure		

BEV (Battery Electric Vehicles)
ICE (Internal Combustion Engine)

Physical risks
Physical risk analysis considered the impact of six key acute hazards, including coastal inundation, surface water flooding, riverine flooding, extreme wind, forest fire and extreme heat. A screening of 590 sites by hazard type, insured value, stock value and gross profit was completed to determine those sites that are financially significant. The screening filtered the sites down to 23. For these sites we investigated the likelihood and severity of each hazard to provide an overview of the potential asset and stock value at risk, and the impact to operations.

The map below identifies the most material sites and the relative exposure under the RCP 8.5 pathway, which represents a high emissions scenario, exceeding 4°C.



RISKS

Risk Description	Summary	Scenario	Financial impact			Strategic response and resiliency	Measurement
			Short	Med	Long		
1 Misalignment between OEM and markets on BEVs leads to market share decline	Misalignment between the speed at which our OEM partners transition their model line-up to BEVs and the pace of adoption in the markets in which we operate. This misalignment may mean that we lose market share. Analysis showed the risk of misalignment is greatest in the short to medium term in the APAC region but is expected to disappear by 2050.	IEA NZE 1.5°C	Med	High	N/A	As part of our broader strategy, our ambition is to form new partnerships with pure EV entrants to expand our OEM portfolio. We have taken proactive steps in 2022 to achieve this by partnering with OEMs such as BYD and Ora. This will help offset any potential misalignment identified with our current portfolio. We are actively taking measures to facilitate the EV transition through: • providing consumers with the option of a BEV alternative for every ICE model; • facilitating EV charging through product packages to enable customers to switch to EVs; • providing consumers knowledge of quantified carbon footprint savings for choosing BEV.	Metric: NEV sales as a % of new vehicle sales Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	Low	Low			
2 Reduction in aftersales revenue for BEVs	Due to a reduced number of moving parts in a BEV compared to an ICE vehicle we may experience a reduction in revenue generated from the existing aftersales services we offer around repair, maintenance and replacement of parts. Our analysis indicated this may affect our retail businesses more than our distribution businesses.	IEA NZE 1.5°C	Low	Low	N/A	The low-impact outcome from this risk is largely driven by the relatively low global BEV volume in comparison to ICE in 2030 in a 1.5°C scenario. However, this exposure may affect us in the long term as global BEV volumes increase. Therefore, we are considering an expansion of our proposition for aftersales services to include new BEV-specific services. Potential services could include battery diagnostics and transportation for end-of-life (EoL) batteries. These additional services could help offset any potential impact to revenue reduction from aftersales services.	Metric: % of AFS revenue attributable to NEV Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	Low	Low			
3 Carbon tax costs	Governments are likely to use carbon taxation as a mechanism to decarbonise the economy. Despite expected variation in carbon tax policy across countries we anticipate carbon taxation will affect all markets. We analysed this risk across our Scope 1 and 2 emissions.	NGFS 1.5°C orderly	Low	Med	High	Our analysis considers our targets and presents reduced impact if we take action. Based on these findings we are actively implementing decarbonisation levers across Scope 1 and 2 to ensure we meet our interim target of 46% reduction by 2030 and net zero by 2040. This includes switching to renewable electricity supply and installation of solar panels at our larger sites. Our strategy acknowledges a faster decarbonisation can help avoid the risk of high carbon tax costs.	Metric: Scope 1 & 2 absolute Sensitivity: % Revenue CAGR % Gross margin
		NGFS 1.5°C dis-orderly	Med	High	High		
		4°C	Low	Low	Low		
4 Transition to BEVs leads to pressure on distributor margins	An accelerated EV transition could affect certain cost drivers for our OEM partners until cost parity is reached between BEVs and ICE vehicles, which in turn could lead to potential downwards pressure. on distributor margins. However, where there is the potential for current prices to be maintained for BEV vehicles, the impact on gross margins can be mitigated or maintained	IEA NZE 1.5°C	N/A	N/A	N/A	Our analysis indicates that the impacts of margin pressure may be offset due to the disparity of price between BEVs and ICE vehicles. We actively monitor margins at the market level and our Accelerate Strategy is designed to address this risk by providing a compelling offering to our OEM partners (Distribution Excellence), capturing additional vehicle profit pools (Vehicle Lifecycle Services) and enabling expansion into new, margin-accretive markets through M&A. We have not quantified the potential impact as the data is not sufficiently robust, and therefore we concluded that such analysis would not lead to better informed decision making.	Metric: Gross margin Sensitivity: % Average gross margin
		4°C	N/A	N/A	N/A		
5 Physical risk – direct impact to property and inventories from extreme weather events	Exposure to climate-related physical risks can expose our property and inventory to potential damage. It can also lead to business interruption at our sites causing lost revenue. Our 590 sites were screened against six acute physical hazards. We then calculated our exposure for our 23 most material sites.	RCP 2.6 1.5°C	Low	Low	Low	Our analysis showed low impacts across our physical assets with the highest risk exposure from surface water floods in Singapore. However, this resulted in low impact due to the low financial significance and existing insurance policies in place to mitigate the risk. To mitigate risk for future sites from new acquisitions. We will include physical risk assessments in our consideration of organic and inorganic growth opportunities	Metric: % sites at risk from physical hazards Sensitivity: % Revenue CAGR
		4°C	Low	Low	Low		

OPPORTUNITIES

Opportunity Description	Summary	Scenario	Financial impact Short	Med	Long	Strategic response and resiliency	Measurements
1 Alignment between OEM and markets on EVs leads to market share increase	In markets where there is a rapid shift towards EVs, there is potential to capture market share where supply of EVs from our OEM partners keeps pace with BEV adoption rates. In a 1.5°C scenario, the accelerated EV transition increases this potential opportunity, with our analysis showing this opportunity is most significant in the near-term where the disparity between different levels of EV supply from OEMs is greatest.	IEA NZE 1.5°C	N/A	N/A	N/A	As part of our broader strategy, our ambition is to consider forming new partnerships with pure EV entrants to add to our OEM portfolio. We have not quantified the overall opportunity from alignment due to a lack of robust data, however we assess the financial opportunity presented from new OEM partnerships within specific markets on a case by case basis.	Metric: NEV sales as a % of new vehicle sales Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	N/A	N/A			
2 Increase in aftersales revenue for BEV	A shift from conventional ICE to BEV could potentially develop new aftersales services specifically targeted for BEV. Despite uncertainty over how new revenue streams could evolve over time, our analysis showed potential cash flows are expected to be more significant for BEV than for ICE vehicles due to additional weight and cost of electric components, albeit less regular in occurrence.	IEA NZE 1.5°C	N/A	N/A	N/A	We are facilitating the choice of a BEV among consumers in our retail business by increasing consumer knowledge of the benefits of BEVs and expanding our aftersales services to facilitate BEV adoption for the customer. The potential size of opportunity has not been quantified due to a lack of robust data and significant uncertainties in how the aftersales market could evolve. However work is ongoing to consider how we can expand our aftersales proposition with new BEV-specific services and we will continue to monitor changes to aftersales market dynamics.	Metric: % of AFS revenue attributable to NEV Sensitivity: % Revenue CAGR % Gross margin % Long-term growth rate
		4°C	N/A	N/A			

The sensitivities applicable to each of the risks and opportunities can be found on page 169 (note 11) of this report

Key:

Distribution Excellence

Vehicle Lifecycle Services

Financial impact key:

Low impact:	impact to revenue <£100m
Medium impact:	impact to revenue £100m – £200m
High impact:	impact to revenue >£200m

Estimates for the potential financial impact of climate risks are indicative at this stage, with significant uncertainties in their underlying assumptions. We aim to build on this analysis going forwards, improving on the robustness of data and assumptions where available. The likelihood of all risks manifesting concurrently is very low, so the aggregation of potential impacts would represent an extremely unlikely scenario

ACCELERATING CHANGE: OUR PLAN TO TRANSITION

The TCFD recommends that companies design and disclose a transition plan that sets out the key steps to deliver on their targets. Throughout the year we have deepened our understanding of the climate risks and opportunities that affect our business and we recognise the need to act now. During 2022, we have built a plan to reduce GHG emissions supported by short, medium, and long-term actions.

Our transition plan is commensurate with our Accelerate Strategy and describes how we will transition and continue to grow a sustainable and climate resilient business. Our Accelerate strategy relies upon two strategic growth drivers; Distribution Excellence, and Vehicle Lifecycle Services. Within Distribution Excellence, our OEM partners recognise the need to transition and are looking for partners to support them on their journey. Our plan:

- targets decarbonisation of our operations to become our OEM partners' lowest carbon route to market; and
- looks for ways to help our OEM partners achieve a faster and more robust transition to lower emission vehicles.

Our approach to our different sources of emissions

Our emissions are split across Scopes 1, 2 and 3, which can be further divided into direct (within our control) or indirect (limited control). Initially, we are prioritising those areas over which we have direct control, and those areas in which we can partner with our industry to drive decarbonisation.

Direct control over Inchcape's emissions

We have direct control across our Scope 1, 2 and a small portion of our Scope 3 emission categories, e.g. waste and business travel. For these areas we are taking direct action to reduce our emissions so that we can facilitate a faster transition and be our OEMs' lowest carbon route to market. We have set targets across our Scope 1 and 2 GHG emissions using the SBTi methodology. We are committed to a 46% reduction in absolute scope one and two emissions from our 2019 footprint (adjusted for disposals) by 2030 and to achieve Net Zero by 2040. This is aligned with a 1.5° C temperature pathway scenario.

We are going to achieve these targets through meeting recently developed executive level objectives related to our climate strategy. For example, our regional CEOs have been assigned energy intensity reduction targets of 5% year on year. We have taken steps to reduce our Scope 1 and 2 emissions footprint which has decreased by 24% from the 2019 revised baseline. Our case studies and Planet section outline a selection of our emission reduction initiatives, such as **producing our own power** and **switching to renewable energy sources**. In 2023, in the Americas, we are rolling out 15 projects related to Scope 1 and 2 emissions including solar panel installations, replacement of vehicle fleets to PHEVs/BEVs, and controlling our fossil fuel consumption. For Scope 3, the Americas are also initiating three projects related to waste, recycling, and water reduction consumption.

Indirect control – transitioning with partners

A significant portion of our emissions come from the use of the products we sell and the goods and services we purchase – these emissions require collaboration with our OEM partners. This year we mapped our indicative emissions trajectory to 2030 using OEM partner targets (based on currently published OEM plans) to understand expected changes in our emissions profile over time. We have considered this trajectory in the context of science-based target requirements. The results suggested that OEM decarbonisation activities are not expected to yield the necessary emissions reductions required to meet our potential science-based targets on either an absolute or intensity basis. The key challenges identified in our emissions profile to 2030 can be summarised as follows:

- absolute emissions for passenger vehicles are expected to remain relatively stable post 2023, with organic vehicle volumes growth largely offsetting emissions intensity improvements from BEV uptake and grid decarbonisation;
- our HGV sales are a significant driver of emissions, and of growth in emissions; and
- the methodology used by the Science Based Targets initiative to set targets for our OEM partners, who are categorised as part of the transport category, differs from that applied to Inchcape which falls under the consumer-retail category.

We plan to further our work with various stakeholders to develop potential frameworks for target setting and will review our plans on an ongoing basis. However the Board has agreed on the following actions for 2023:

- **Develop and grow our BEV vehicle offerings within our portfolio**: ICE vehicles have been central to road transport for many years. However, new technology is needed to decarbonise the sector. BEVs provide an alternative means of power that is not contingent on burning fossil fuels, but dependent on the supply of electricity. The emissions intensity of BEV vehicles will also fall as economies and power grids decarbonise. So, while BEVs are not a perfect solution for low carbon transport today, they do offer an alternative form of transport that can be decarbonised in line with national energy supply. By embracing the BEV transition, and increasing our revenue from BEVs, we also reduce our portfolio average emissions intensity per unit sold – as compared with our portfolio today. We will also continue to monitor our OEM targets and achievements of those targets over time. We will measure progress of our BEV transition by tracking the percentage of NEVs sold (refer to the table on page 54).
- **Support our customers, teams and OEM partners on the transition**: As our sector undergoes unprecedented disruption from the EV transition, we are developing new solutions for our customers. One of our short-term objectives is to support customers and our sales teams to overcome obstacles in BEV adoption, such as charging solutions, range anxiety, affordability and lack of familiarity with the product. We are educating our sales teams and customers so that we can offer a BEV product when it is right for the customer. When our local sales teams engage with customers, we are seeing positive outcomes for the customer and our business – see educating customers about electric vehicle alternatives on page 53. To address short-term affordability concerns, we will seek to develop financing solutions for customers purchasing BEVs that are competitive with the purchase of ICE vehicles.
- **Understand what would be required for us to set an SBT:** Investigate the identified methodology disparities to setting Scope 3 science based targets.

HOW WE ARE DRIVING ACTION TO REDUCE EMISSIONS

EDUCATING CUSTOMERS ABOUT ELECTRIC VEHICLE ALTERNATIVES

At the beginning of 2021 our BMW Poland stores launched an initiative to offer an EV alternative to each customer who comes to the dealership to view new vehicles. The initiative was instigated to access new profit pools in line with OEM priorities and to reduce the impact on the planet. Upskilling and educating our teams has been advantageous in positioning our brand and helping employees understand the benefits of EVs. Customers to whom we show a new perspective appreciate one key thing: they see that we are looking for solutions and offer products that they have not thought about before.

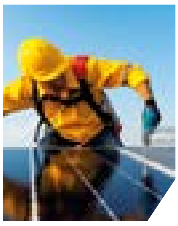
A SWITCH TO RENEWABLE ENERGY SOURCES

50.3%
sites switched to renewable suppliers

As of 2022, our electricity supply has been sourced through 100% renewable contracts for our sites across Australia and the UK, and most of Europe, saving as much as 9,000 tonnes of CO_2e emissions each year. We have switched 50.3% of our sites to renewable suppliers; our long-term goal is to switch to renewable energy in as many regions where options allow. In regions where switching to renewable energy is limited we are investing in increasing energy efficiency through installation of LED lighting and switching company fleets to low emission vehicles.

PRODUCING OUR OWN POWER

24
sites across the UK with rooftop solar PV systems



We are actively investing to reduce our Scope 2 emissions through on-site renewable generation and have begun to roll out solar photovoltaic (PV) systems across our sites. We trialled the installation of PV systems across three of our UK sites and experienced significant savings in grid energy usage. We now have 24 sites across the UK with rooftop solar PV systems that have the ability to generate 4.5 MWh of power and save around 35% off our energy bills. We anticipate higher cost savings because of higher energy prices. A small example to show how we are building a resilient business for the future while doing some good for the planet.

PARTNERSHIPS TO DRIVE E-MOBILITY

10%
of all parking spaces to have charging points

Borneo Motors Singapore (BMS) has announced a partnership with Singapore Power Group (SP) to develop an electric vehicle (EV) sharing programme in the upcoming Tengah New Town. The programme is expected to begin in July 2023. BMS will supply vehicles to the scheme while SP plans to install charging points in 10% of all parking spaces. Both BMS and SP will use the programme to collect and analyse data on a range of factors such as driving patterns, electrified vehicle consumption patterns and electrified vehicle preferences. This will enable us to better understand user behaviour and anticipate evolving demands to optimise future e-mobility programmes.

METRICS AND TARGETS

In 2021 we established our GHG reduction target, to reduce our Scope 1 and 2 emissions by 46% by 2030. This year we have made substantial progress to improve the maturity of our climate data and have undertaken detailed analysis to understand our exposure to CROs, which informed the development of our strategic response. When developing our response, we have identified the metrics to measure our progress; with these metrics we can determine the time frames that are achievable for our business and then identify appropriate targets. Improving the quality of our data and quantifying our CROs has enabled us to assess possible transition pathways that will support us to set targets and outline the time frame to deliver on our response. We aim to disclose this in our next reporting year.

Our direction of travel is clear in our strategy and the Group uses a variety of metrics to measure the current and potential impact of our climate related risks and opportunities, including GHG emissions and business specific metrics. Our metrics are laid out across the seven cross-industry metric categories defined by the TCFD and 2022 is the first year of reporting. During 2023 we will be exploring options for a physical risk metric and internal carbon pricing.

Table identifying key metrics, targets and dates used to measure progress against the transition plan

Metric category	Status	Metric	FY22 actual	Objective
GHG emissions	Metric in place	Total emissions (tCO_2e)	218,517	To track the reduction in our emissions, improvements in our energy efficiency and generation of our own renewable power
	Metric in place	% of sites at 100% renewable electricity	50.3%	
	Metric in place	Energy intensity by revenue (tCO_2e/£m)	26.9	
Physical risk	No metric in place	We do not have physical risk metric in place		
Capital deployment	Metric in place	% of capex towards climate initiatives	10.8%	To demonstrate the level of investment we are committing towards climate to achieve our strategy
Remuneration	Metric in place	Scope 1 and 2 emissions (tCO_2e)	30,805	Incentivising leadership to deliver emissions reductions
Transition risk	Metric in place	% of NEV sold	1.8%	-% of NEV sold
Opportunities	Metric in place	% of NEV sold	1.8%	-% of NEV sold
Internal carbon pricing	No metric in place	We do not have an internal carbon pricing in place		

Key ■ Metric in place ■ No metric in place

All data is market-based.

GHG emissions

Direct GHG emissions are from our operations through combustion of fuels (Scope 1). We also purchase energy from the grid (Scope 2) and have indirect GHG emissions throughout the value chain mainly because of our purchase of goods, consumer use of vehicles and transportation, which together make up more than 95% of our total Scope 3 emissions.

We are acting across all three Scopes and working closely with our partners to reduce GHG emissions for our business, our customers and our value chain. Please see pages 119 to 120 for our Streamline Energy and Carbon Emission reporting (SECR). We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI.

We also disclose our energy intensity per square foot. This metric measures our energy efficiency and will track the impact of our energy saving initiatives. We chose to do this as we recognise that until the grid consists of 100% low carbon energy supply, the renewable energy we purchase reduces the renewable energy remaining on the grid for other users and may not have the decarbonisation effect at an economy level.

REDUCTION TARGETS FOR SCOPE 1 AND 2

Year	Scope 1 and 2 emissions (tCO_2e)
2019 (baseline)	50,801
2019 (revised baseline*)	40,598
2021	32,949
2022	30,805
Target	27,331

* reflects relevant disposals and data rectification

All data is market-based.

SCOPE 3 FOOTPRINT

We have calculated the Group's Scope 3 emissions profile for the 2019 baseline, the vast majority of which are directly related to our OEM partners activities and account for 99.97% of our total emissions footprint at a total of 18.7m tCO_2e.

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 retail operations of BMW Group's brands in UK and Poland.

Locations
Distribution:
Chile, Estonia, Guam, Kenya, Latvia, Lithuania, Peru

Retail:
Poland, UK

NON-FINANCIAL INFORMATION STATEMENT

ENVIRONMENTAL MATTERS

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

- Our 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 its own policies in order to achieve these targets.
- Energy efficiency policies are also implemented at local level.

The Planet Charter is set out on page 42 and manages climate-related issues, carbon performance metrics and responsible resource use. Our policies are designed to help us pursue activities that influence us and our suppliers to reduce their carbon footprints.

EMPLOYEES

We aim to ensure we have a safe operating environment with an inclusive and diverse culture and the best talent and skills for our future success.

- Our I&D framework demonstrates our commitment to helping address the barriers preventing full participation for marginalised groups.
- Our H&S framework is designed to protect the health and safety of employees.
- Our Code of Conduct provides guidance on the ethical behaviour we expect from all employees.
- Our Whistleblowing Policy provides guidance to employees to raise concerns without fear of reprisal.

Our People Charter is stated on page 38 focusing on health and safety, training, culture, reward, and I&D. All employee related policies were reviewed and updated where necessary during 2022.

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.
- Our Modern Slavery statement describes the actions taken in respect of our supply chain.

Our policies set out our commitment to human rights and the steps taken to assess the risk of slavery.

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

Our Modern Slavery statement is available at www.inchcape.com reinforcing an ethical business culture.

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 our Driving What Matters plan.

The Board and Group Executive Team review certain policies on an annual basis, such as our 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	Practices	Places	Planet
Where to find more information			
Responsible Business framework – pages 38 to 39 **CSR Committee Report** – pages 94 to 95 **Directors' Report** – pages 118 to 121	**Responsible Business framework** – page 40 **Risk Management Report** – pages 59 to 67 **Audit Committee Report** – pages 88 to 93	**Responsible Business framework**– page 41	**Responsible Business framework**– page 42 **TCFD** – pages 44 to 54 **Risk Management Report** – pages 59 to 66 **Directors' Report** – pages 119 to 120

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 to 4. The Group's KPIs are stated on pages 26 and 27. Principal risks are given on pages 61 to 66.

SOCIAL MATTERS

Social matters cover a vast range of potential issues including responsible business policies. Our policies set out our commitment to high social standards and the requirements for our supply chain. We have in place the following Group-wide policies:

- Tax strategy.
- Data protection/data privacy.
- Competition/anti-trust.
- Privacy policy.
- Conflicts of interest policy.

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

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 our Driving What Matters plan.

Our Places Charter is set out on page 41 outlining sustainable procurement, responsible approach to tax, and supporting vulnerable customers.

ANTI-BRIBERY AND CORRUPTION

It is important that the Group operates to high ethical standards and complies with all applicable laws. Employees and supply chain partners are made aware of the Group's strategy and how their behaviours affect delivery and they are expected to work in line with the Group's values.

To support this the Group has in place the following policy statements which detail the expected conduct of our employees and supply chain:

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

The policy statements are available at www.inchcape.com and set out the risk assessment, procedures, due diligence, communications, and monitoring involved from any instances of bribery, corruption, or fraud being reported. The findings of any investigations are then reported to the Audit Committee.

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 is delivered 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 reflects our Accelerate strategy and Driving What Matters plan by setting out the behaviours and conduct expected from all employees and contains ethical decision-making guidance highlighted through 'Live It' examples.

It is available in 18 languages and is accompanied by an online training module. All employees are expected to complete the training every two years, in addition to an annual re-attestation confirming they 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 and a separate Supplier Code of Conduct 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.

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
Distribution:
Argentina, Australia, Chile, Colombia, New Zealand, Peru

SUBARU

ACCELERATING RISK MANAGEMENT

Well-managed risk-taking lies at the heart of our ambition to be the undisputed number one distribution partner for automotive manufacturers, the employer of choice for current and future employees and the stock of choice for our investors.

In the last year, the Group's risk landscape has continued to be challenged by a number of issues including declining macro-economic conditions, geo-political unrest, continued supply chain disruption and electric vehicle (EV) supply and demand issues. Throughout these challenges, we remained focused on the delivery of our business transformation agenda and managing the associated risks while continuing to successfully embed, enhance and mature the overall risk management framework into the wider business.

In delivering our Accelerate strategy we have made several significant investments in new businesses during 2022, our most recent and significant to date being the acquisition of Derco. The combination of our two businesses brings the opportunity to create better value and more efficient routes to market within the Americas for our OEM partners and drive revenue and customer satisfaction. The enlarged business will also expose the Group to new risk factors. 2023 will see harmonisation of risk management practices for the expanded Americas region to ensure we remain focused on the risks that matter in delivering our integration plans and synergies while ensuring a fit-for-future operational framework to deliver the priorities for the region.

APPROACH TO RISK MANAGEMENT AND INTERNAL CONTROL

Our approach to risk management is clearly integrated within our decision making. It has been designed to ensure we assess the risks we need to take in order to remain successful and to grow, and we use the available evidence to manage those risks as effectively as possible. Effective risk management is therefore essential to executing our Accelerate strategy and achieving sustainable shareholder value.

We believe that effective risk management starts with the right conversations to drive better business decisions. Our primary focus is to identify and embed mitigating actions for significant risks that could affect our current or future performance, and/or our reputation. Our risk management efforts aim to be holistic and integrated, bringing together risk management, internal controls, and responsible business, ensuring that our activities across this agenda focus on the risks that could have the greatest impact.

Inchcape deploys three lines of defence to manage risk which is overseen by the Board and its Committees. Accountability for managing risk is, however, fully embedded across our business. Each region and function undertakes quarterly risk assessments, establishes mitigation plans and monitors risk on a continual basis. These risks are consolidated into our Group's principal risks, emerging risks and risk appetite and are reviewed by the Group Executive Team and Board twice per year. The effectiveness of the risk management and internal control systems are reviewed at least annually by the Audit Committee.

CLIMATE CHANGE RISKS AND OPPORTUNITIES

Critical success factors for our business are becoming the lowest carbon route to market for our OEM partners and for our stakeholders to have confidence we are here for the long term. Understanding, reporting, and acting responsibly upon our climate related risks and opportunities is our goal to ensuring the environmental sustainability of our operations and to manage any potential climate change impacts on our business and performance.

The Group's responsible business agenda is fully aligned to the above and requires the effective identification and management of our climate related risks and opportunities (CROs). 2022 saw our CRO management strengthen, and we have integrated the identification of CROs into our risk management programme and will continue to embed and mature the methodology going forward. Through this process we have affirmed that our key CROs are appropriately linked to several of our principal risks.

'EV transition' (see Risk L) remains a moderate risk to the Group as we continue to seek alignment between the supply of electric vehicles and changing market conditions. The changing market conditions combined with our OEMs' transition to electrified drivetrains are putting pressure on margins. This 'margin pressure' (see Risk G) could lead to new routes to market or new business models with lower margins.

The Group's Accelerate strategy has been designed to address these issues. However, potential new and external emerging risk factors relating to the availability, sustainability and ethical sourcing of rare earth materials used in the production of EV batteries remain and, in some cases, have been exacerbated by the macro events of 2022. High energy costs, the ability for electrical grids to answer spikes in demand, and the high costs at charging points might make other powertrains more cost-effective. These emerging risks form part of our 'watch list'.

Climate change is also increasing potential physical risks, such as intense flooding, severe storms and heat stress. A Group-wide business continuity strategy has been designed to address these should they eventuate.

RISK MANAGEMENT FRAMEWORK

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.
- Implements strategy, policies, procedures and controls.
- Primary responsibility for risk identification and assessment.
- Manages risks on a day-to-day basis.

2ND LINE

- Corporate functions.
- Sets policies and procedures.
- Monitors risks and controls.
- Oversees risk improvement programmes.

3RD LINE

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

During 2022, the Board, Audit Committee and Group Executive Team reviewed the following topics relating to the Group's principal risks:

	Board	Audit Committee	Group Executive Team
Q1	Cyber; Legal and regulatory risks; and Viability: financial impacts of distribution agreements	Internal controls (financial reporting, fraud, technology systems risks)	M&A integration; People (talent review) and culture; Principal and emerging risks; and Strategy: M&A, Distribution Excellence, Vehicle Lifecycle Services
Q2	Strategy: disruptive trends and EV transition	Cyber security; and Internal controls (financial reporting, fraud, technology systems risks)	Digital and Global Business Services programme; Finance and insurance; People (talent review) and culture; Planet; Principal and emerging risks; and Regulatory compliance
Q3	Financial forecasts: supply chain disruption; and Health, safety and environment	Internal controls (financial reporting, fraud, technology systems risks)	Cyber security; Health, safety and environment; People (talent review) and culture; Principal and emerging risks; and Strategy: agency, EV, OEMs, and route to market
Q4	CROs quantification and Scope 3 footprint; Principal and emerging risks; Risk appetite; and Strategy: M&A programme delivery	Cyber security; Internal controls (financial reporting, fraud, technology systems risks); and Risk management effectiveness	CRO quantification and Scope 3 footprint; Principal and emerging risks; and Risk appetite

PRINCIPAL RISKS

The Group's principal risks are summarised in the heatmap below. 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. No risks were removed from the list of principal risks during 2022. One new risk was added during 2022 relating to macro-economic conditions (cost inflation and economic slowdown).

Risk appetite

Risk appetite is the level of risk Inchcape is willing to accept in pursuit of achieving its objectives. It is a cornerstone of the Group's approach to risk management and is determined by the Board. This definition provides direction to all areas of the Group on acceptable levels of risk and where further remediation is required to reduce the risk to acceptable levels. The Board has considered its risk appetite in relation to the Group's principal risks in July and November 2022. 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.

A – Cyber security incident
B – Supply chain disruption
C – Covid-19
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.

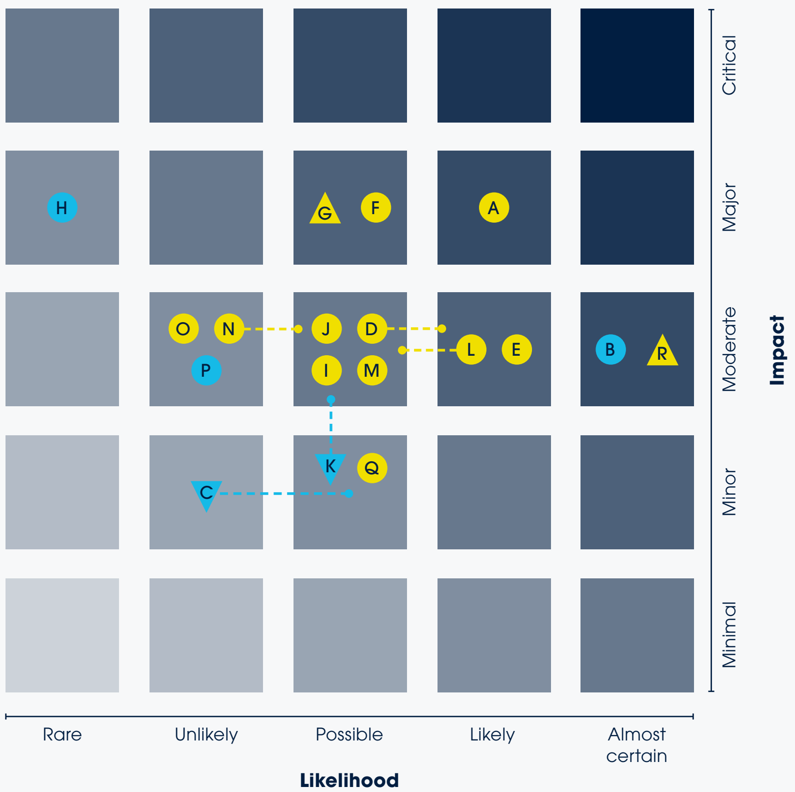
D – People: engagement, retention
E – Political risk/social unrest
G – Margin pressure
H – OEM: loss of distribution contract
I – Change delivery
J – People: future skills
K – New market entrants: new business models or technology
L – EV transition risks
N – Loss of technology systems
P – Foreign exchange volatility
R – Macro-economic conditions

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

HEATMAP OF PRINCIPAL RISKS



RISKS TO OPERATIONAL EXCELLENCE

A	Cyber security incident
B	Supply chain disruption
C	Covid-19
E	Political risk/social unrest
F	HSE: health, safety or environmental incident
O	Financial reporting, fraud
N	Loss of technology systems
Q	Legal and regulatory compliance
P	Foreign exchange volatility
R	Macro-economic conditions: (cost inflation, economic slowdown)

RISKS TO STRATEGIC GROWTH

D	People: engagement, retention
G	Margin pressure (changing route to market, incentives)
H	OEM: loss of distribution contract
I	Change delivery (benefits on time, to budget)
J	People: future skills
K	New market entrants: new business models or technology
L	EV transition risks
M	Acquisition ROI

Key: No new or additional action; risk accepted at current level — New or additional action required and started — Increasing — Decreasing — Movement to next category — Climate

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

Development of new technology platforms and digital capabilities form an integral part of our Accelerate strategy. These initiatives continue to be delivered at pace and benefits are already being realised by the business. However, the continued digitalisation of our business also increases the likelihood of cyber attacks, which, if successful, could result in confidential data being compromised, significant business disruption, reputational damage and/or financial loss.

Mitigating actions

- Multi-year security improvement programme underway as an integral component of Accelerate.
- Existing cyber security measures, including policy, asset management, risk assessment, access control, protective technologies, DR plans.

Risk level with current mitigation

Impact:	Likelihood:	Trend:
Major	**Likely**	⟷

B) SUPPLY CHAIN DISRUPTION

Disruption to product availability has continued across the business throughout 2022 and has primarily been driven by the lack of timely, cost effective, sustainable and successful procurement of essential components and rare earth minerals required in the vehicle manufacturing process. The impacts of these shortages include reduction in distribution volumes, a shortage of vehicles for sale as well as delays or cancellations of customer orders. This risk is expected to continue well into 2023 and beyond and is being mitigated by sales and operations planning, inventory optimisation and effective margin management.

Mitigating actions

- Close management and monitoring of margins.
- OEM portfolio management and close liaison with our OEM partners.
- Sales and operation planning procedures.
- Inventory management and planning processes.

Risk level with current mitigation

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

F) HSE: HEALTH, SAFETY OR ENVIRONMENTAL INCIDENT

The business includes the operation of vehicles, machinery and other manual activities, resulting in a risk of serious injury or fatality to our colleagues. Additionally, the use and disposal of harmful substances and chemicals poses a risk to the environment and colleagues. The Group is aware of the impacts that remote working, transformation project pressures and organisational restructuring could have on the mental and physical wellbeing of our colleagues. The Group has implemented a wide variety of mitigations to reduce harm to our colleagues and the environment through initiatives that provide appropriate support and training to colleagues.

Mitigating actions

- Ongoing implementation of HSE programmes.
- Monitoring of HSE function, including tracking of KPIs and action plans
- Roll-out of executive due diligence programme.
- Mandatory Annual HSE training.
- Regular review of performance by GET and Board.
- Evaluation and remediation of risks related to EVs underway.

Overall HSE business performance is on track with a variety of Group-wide and regional specific action plans in place to further enhance the procedures and culture throughout Inchcape.

Risk level with current mitigation

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

G) MARGIN PRESSURE

Our OEM partners continue to innovate and develop new ranges of EVs in response to climate change. Currently, EVs carry increased R&D and production costs and thus may offer decreased margins comparative to internal combustion engines (ICE). However, the Group's view is that over time, as the technology and production capability and capacity relating to EVs matures, margins in the medium-term will normalise.

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, as well as exploring new EV-related profit pools; 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**	↑

R) MACRO-ECONOMIC CONDITIONS

Geopolitical uncertainties, supply chain disruption, risk of high inflation, and risk of recession, are likely to lead to a global economic slowdown and reduced consumer confidence and demand. Additionally, increasing interest rates might make financing for new cars less affordable and slow down sales.

Mitigating actions

- Management and monitoring of cost base.
- Financial budgeting and forecasting.
- Cash flow and margin management.
- Review potential cost base efficiencies.
- Maintaining and increasing our geographic diversification as well as our diversified OEM portfolio (OEM origin, segments, positioning and more).

Risk level with current mitigation

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

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 materiality of this risk has reduced significantly as markets continue to lift restrictions. The risk remains on the profile due to China's recent rapid lifting of its restrictions which have resulted in a surge of infections that could affect global supply chains. The re-emergence of the new variants in markets is unpredictable, and may lead to a subsequent delayed economic recovery. Although restrictions are being lifted across the globe, a worsening situation may again affect 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.	↓	The range of local market measures that were introduced at the start of the pandemic remain ready and available for use in the event of changing levels of infection and trading restrictions. This includes but is not limited to: • 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. Key skills are increasingly in demand as economies return to growth.	↓	• Employee experience surveys followed by analysis and action planning at senior management level. • Employee wellbeing frameworks, programmes and support. • Enhanced career development programmes and talent reviews. • Reformed change management and retention initiatives. • 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: Ethiopia, Hong Kong, and Latin America. 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.
H	**Loss of 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 Group's current strategy, Accelerate, is designed to mitigate this risk in the following ways: • through a compelling offering to our OEM partners known as Distribution Excellence; • through Vehicle Lifecycle Services which enables us to capture more value from the vehicle lifecycle while reducing dependency on specific contracts; and • maintaining and increasing (through M&A) our geographic diversification as well as our diversified OEM portfolio (OEM origin, segments, positioning).
I	**Change delivery**	DRE, VLS, M&A	Success of the Group's strategic transformation priorities are dependent on the delivery of a number of key enabling programmes. There is a risk that we lack the capacity and risk mitigation to deliver on these key enabling programmes on time, with quality, within budget while realising the expected benefits.	↔	• 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. • Risk and issue management. • Oversight by Steering Committees and reporting to senior management.
J	**People: future skills**	DRE, VLS, M&A	As we continue our business transformation journey, we will require appropriate new skills and capabilities. These new skills and capabilities relate particularly to change management, leadership skills, used car retailing, digital marketing, M&A and data analytics. The demand for these skills is high across many industries thus impacting our ability recruit and retain talent.	↔	• Development of in-house capability (Digital Delivery Centres). • Strategic resource planning and recruitment. • Training and development programmes, e.g. digital academies. • Salary benchmarking. • Company profile and branding.

Ref #	Risk title		Description and impact	Trend	Key mitigating actions
K	**New market entrants**	DRE	There is a risk that new or existing competitors may enter our markets with new business models and/or new technology which could result in a decline in revenue or a gradual reduction of margins. Examples include the growth of direct online retail, subscription/rental models, mobility solutions or combined EV and charging packages.	↓	• Existing value proposition: digitilisation and enhanced omni-channel offering. • Monitoring of competitor activity. • Brand profile and service levels. • Diversification of brand relationships, geographies and revenue streams.
L	**EV transition**	DRE	There is a risk of lost market share due to misalignment between market uptake of EVs driven by new or changing legislation or tax incentives and OEM EV supply. Risk that we do not develop optimum operating models relating to EV demand and supply in various markets as not achieving optimum ROI on EV related investments.	↑	• 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. • Brand diversification – contracts with new OEM partners. • Market-level risk assessment of EV infrastructure, legislative plans; OEM partner and competitive capability. • Strong relationship and regular communication to ensure optimal EV allocation from our OEM partners. • Reposition the brand in the market to mitigate risk.
M	**Acquisition ROI**	M&A	Inorganic growth continues to underpin the significant role in growing the Group's profit before tax. As we continue to accelerate M&A activity, we recognise the risk of failure to optimise value creation and ROI targets through effective integration of new acquisitions into the Group.	↔	• Pipeline of opportunities. • Experienced M&A teams at Group and in Regions. • M&A playbook. • Integration playbook. • Post-merger reviews and audits. • Board review of larger transactions.
N	**Loss of technology systems (non-cyber)**	DRE, VLS, M&A	The Group is dependent on a range of complex and diverse technology systems. There is a risk that we do not have timely or reliable access to such business-critical information or information systems. This could be due to issues such as systems outages, software glitches, hardware failure, system complexity and capacity or ineffective change management.	↓	• Consolidation of existing systems into SaaS with availability service level agreements continues. • Cloud-hosting, physical and technical security in place with active system monitoring. • Incident management, disaster recovery and continuity plans. • Back-up and restoration procedures in place. • IT general controls in place and audited. • Crisis management training and simulations undertaken.
O	**Financial reporting and fraud**	DRE, VLS, M&A	The Group may be subjected to the risk of inaccurate or delayed financial reporting, or fraud. This risk may be exacerbated through new ways of working following the reorganisation of some aspects and functions as the transition completes and matures.	↔	• Group Code of Conduct and relevant training. • 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	The Group operates a geographically diverse structure with transactions occurring in multiple currencies, therefore the Group is exposed to the risk of adverse currency fluctuations which can impact financial results. The Group's results and asset values are translated back to GBP from local market currencies for reporting consolidation, which can result in 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.

OTHER PRINCIPAL RISKS CONTINUED

Ref #	Risk title		Description and impact	Trend	Key mitigating actions
Q	**Legal, regulatory compliance**	DRE, VLS, M&A	The Group operates in diverse markets across the globe. This risk relates to our ability to meet the requirements of local laws and regulations and contracts in those diverse markets. Anti-bribery and corruption, data protection, competition, anti-money laundering and the distribution and sale of finance and insurance remain key legal and regulatory obligations for the Group. Other areas of risk pertain 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

The identification of emerging risks is achieved through several ways which include: the strategic replanning process; external publication analysis (including peer reviews and OEM risk disclosures); review of risk studies and publications; the regular cadence of risk committees and Board meetings and risk-related discussions and analysis (which all form part of the revised risk management framework implemented last year). Through regular consideration and monitoring of these emerging risks early on, we can effectively respond to potential threats by preparing contingency plans, implementing mitigants or adjusting our operations and Group strategy as required.

Climate change-related	**Macro-economic**	**Technological**	**Other**
Reporting regulation compliance	Liquidity of smaller OEMs – post Covid-19	Growth of connected/autonomous vehicles and risk of cyber attacks	Developing and growing new OEM relationships
Vehicle-related legislation	European energy crisis	Growth of shared mobility	New pandemic
Rare-earth materials and battery supply shortages	Potential increases in labour costs may impact profitability	Changing technology vendor landscape	Regional conflicts disrupt semiconductor supply
Government car restrictions	Retrenchment of consumer credit	Growth and volatility of Bitcoin and market uptake	Ukraine conflict expands into Inchcape markets
Extreme weather patterns	International tax reforms		Hybrid and remote working impacting company culture
	Changing consumer trends relating to vehicle purchase		

VIABILITY STATEMENT

The Directors have assessed the viability of the Group by reference to the Group's current financial position, its recent performance and forecasts of future performance, its business model (pages 2 to 4), strategy (pages 5 to 7) and the principal risks and mitigating factors (pages 61 to 66). The Group's continued viability is dependent upon the continuation of its relationships with OEMs with many OEM contracts having terms of less than three years; three years is a key timeline for new car changeover in mature retail markets with good personal finance penetration; and the number of Units in Operation (UIO) up to three years old is a key driver of our aftersales business. However, as illustrated in the diagram below, a variety of other time horizons is also relevant to the management of the business.

The Directors have determined three years to be the most appropriate period for the viability assessment as they believe it strikes a balance between the different time horizons which are used to manage the business and is a reasonable period for a shareholder to expect a distribution business to be assessed over.

Process and scenarios considered

Our financial planning process incorporates an Annual Operating Plan (AOP) for the next financial year (2023), together with financial forecasts/models for the remaining years covered by the Viability Assessment. These financial forecasts consider the Group's profitability, gearing, cash flows and other key financial metrics over the period to December 2025. 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, including TCFD risk considerations, unlikely but realistic worse-case scenarios are created and their impact projected onto the three-year projections. These risks are (i) loss of a material Distribution contract, (ii) a major cyber incident, (ii) digital disruption to our markets and pricing, (iv) supply chain disruption and (v) further Covid-19 restrictions. 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, 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 models assume that a portion of uncommitted inventory financing facilities is also 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.

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 185 to 186.

Longer-term prospects

The following factors are considered both in the formulation of the Group's strategic plan, and in the longer-term assessment of the Group's prospects:

- the principal risks and uncertainties faced by the Group, as well as emerging risks as they are identified, including any supply chain shortages, and the Group's response to these;
- the prevailing economic climate and global economy, and changing customer behaviours;
- the inclusion of known acquisitions; and
- any opportunities through operational simplification and leveraging technology.

Viability statement

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 122.