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

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

AT A GLANCE

£8.1bn
Revenue

175+
Years of successful international trade

50+
Brand partners

19,000[1]
Employees

OUR DISTRIBUTION VALUE CHAIN

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

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

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

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

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

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

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

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

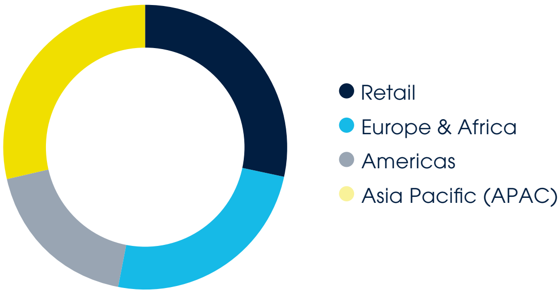
1. Total as at 31 December 2022, including ~4,500 Derco employees

OUR GLOBAL REACH

6
Continents

40+
Countries and geographies worldwide

REVENUE SPLIT BY REGION



RETAIL £2.3bn

Australia
Poland
UK

3
markets

EUROPE & AFRICA £2.0bn

Belgium
Bulgaria
Estonia
Finland
Greece
Latvia
Lithuania
Luxembourg
North Macedonia
Poland
Romania
Djibouti
Ethiopia
Kenya

14
markets

AMERICAS £1.5bn

Argentina
Barbados
Bolivia
Chile
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Panama
Peru
Uruguay

12
markets

ASIA PACIFIC (APAC) £2.3bn

Brunei
Guam
Hong Kong
Indonesia
Macau
Saipan
Singapore
Thailand
Australia
New Zealand

10
markets

OUR LONG-STANDING PARTNER RELATIONSHIPS

Among Inchcape's competitive advantages are the duration and strength of our relationships with mobility companies.

We can trace our involvement with the automotive industry almost as far back as its inception, but our direct OEM partnerships began in the 1960s when we started working with Toyota. Since then we have fostered and maintained close relationships with some of the world's leading automotive manufacturers, adding new brands as we have expanded, and bringing further long-standing relationships into our portfolio through acquisitions. A recent example of this is the acquisition of Ditec in Chile in 2022 which brought with it a partnership with Volvo extending to over 60 years.

Brand partnerships page online: www.inchcape.com/our-approach/brand-partners/

OUR BRAND RELATIONSHIPS:

Seven automotive groups and brands comprise our longest-standing partnerships*, in years of relationship:

- **55** Toyota
- **52** Jaguar Land Rover
- **46** Suzuki
- **35** Mercedes-Benz
- **34** Volkswagen Group
- **33** BMW Group
- **30** Subaru Corporation

*You can read more about these brand relationships in highlight pages throughout this report

ACCELERATING OUR AMBITION

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

Inchcape **Accelerate**

OUR GROWTH DRIVERS:

- **DISTRIBUTION EXCELLENCE**
- **VEHICLE LIFECYCLE SERVICES**

OUR ENABLERS:

- **Culture and Capabilities**
- **Digital, Data & Analytics**
- **Efficient Scale Operations**

Responsible Business

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

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

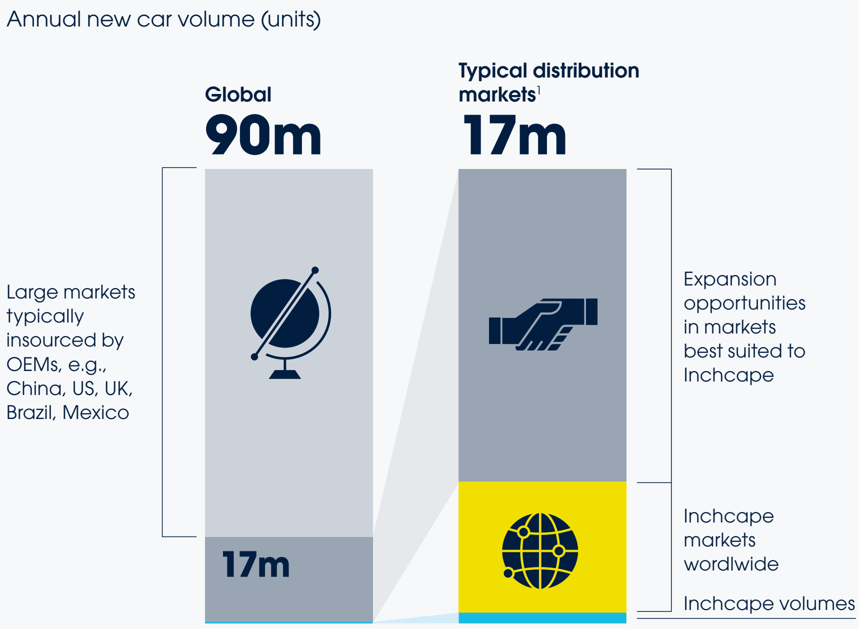
To realise these opportunities, we have identified two strategic growth drivers, **Distribution Excellence** and **Vehicle Lifecycle Services** (see next page) supported by three critical enablers:

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

This is underpinned by our **Responsible Business** plan, 'Driving What Matters' which you can read about in detail on pages 37 to 42.

OUR STRATEGIC GROWTH OPPORTUNITIES

DISTRIBUTION EXCELLENCE:



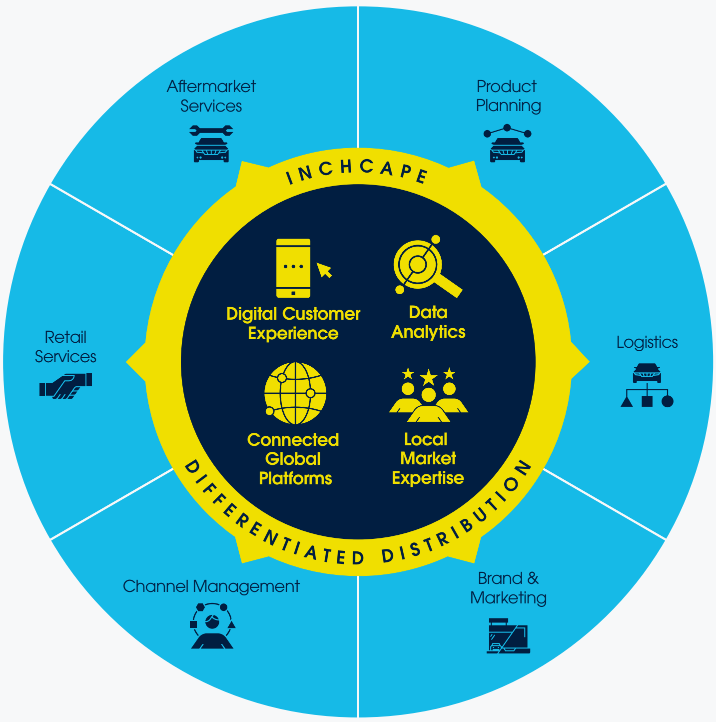
1. Defined as those markets with annual new car volumes of less than 1m units

Global Distribution Opportunity: 17 million vehicles are sold in markets best suited to Inchcape – often smaller, more complex and harder to reach. Whilst Inchcape is the global leader, it only has a 2% share of the global distribution market[1]. Inchcape has significantly expanded its footprint in recent years, but there is still a huge opportunity to capture a greater share of the industry.

Organic growth: Inchcape is exposed to higher growth markets with low motorisation rates[2]. Inchcape has a strong record of driving market share gains for automotive brands, and is expected to continue following its investment in digital and data capabilities.

Inorganic growth: The combination of Inchcape's strong financial position, extensive OEM relationships and broad geographic footprint makes it the obvious distribution partner for ambitious automotive brands, with significant opportunities to drive further industry consolidation.

2. Number of vehicles per capita



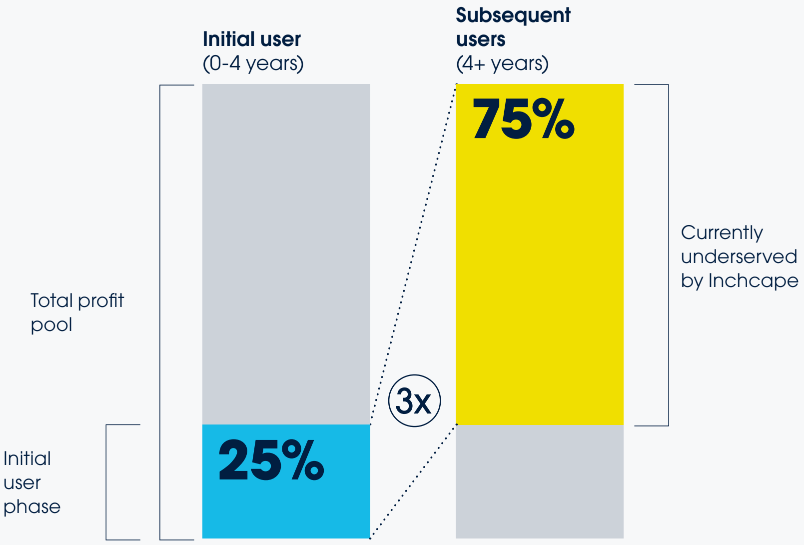
Inchcape has long been a leading automotive distribution partner to many of the world's best known and most trusted automotive manufacturers. The traditional routes to market, however, have seen significant disruption in recent years with far more of the customer journey and experience moving online.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

To realise the scale of our ambition we have accelerated the speed of our transformation. We have developed a global platform of connected systems and capabilities combined with the exceptional talent of our people worldwide that together comprise our proposition of **Distribution Excellence.**

The key to this lies in our globally connected platform of digitalised processes and capability, combining the strength and resilience of a global business with tailored local market offering and expertise. DXP (Digital eXperience Platform) is now active in 36 OEM markets (including multiple OEM partners in single markets), with more in the pipeline. DAP (Digital Analytics Platform) provides advanced analytics and machine learning, leveraging our data and driving smarter, faster and better business decisions. You can read more on page 17.

VEHICLE LIFECYCLE SERVICES:

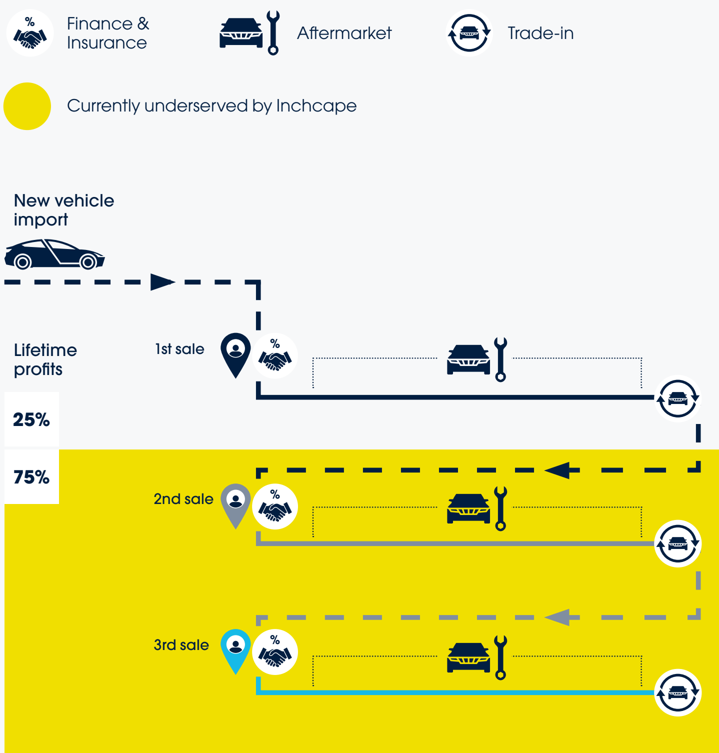
Vehicle lifecycle value profit split[3]



New Opportunities

The initial user phase, where Inchcape has strong presence, accounts for 25% of the total profit pool for each vehicle's life. 75% of the profit turns up from year 4 onwards, and this segment is currently underserved by Inchcape. This is the focus of the Vehicle Lifecycle Services growth driver.

3: Analysis shows the split of profit attainable over an average vehicle's life, and assumes four different owners during that period. The analysis captures the vehicle sales, finance & insurance commission and the aftersales services (including independent aftermarket)



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

The most significant near-term opportunity comes from the creation of a new global model for stand-alone omni-channel used car retail. Including our branded used concept, **bravoauto**, the global used car excellence platform (UCX) is now live and rolled out in 30 locations in eight markets worldwide.

bravoauto uses proprietary best practices and standardised technology, which plugs into our advanced data analytics platform to deliver an industry-leading customer experience.

There is further value to be created and captured from the total Car Parc aftermarket by leveraging our distribution and technological expertise in the parts segment. The opportunity we have identified is to modernise the distribution of parts by creating a Digital Parts Platform to connect parts distributors with workshops, which is planned for launch in 2023.

SUSTAINABLE GROWTH AND RETURNS

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

INVESTMENT PROPOSITION:
DELIVERING SUSTAINABLE GROWTH AND CASH RETURNS

STRONG ORGANIC GROWTH

- Exposure to high-growth markets
- History of market outperformance

MARGIN EXPANSION

- Leverage our global scale to improve profitability
- Actively pursuing higher margin activities

CONSOLIDATION OPPORTUNITIES

- We are a leader with a c.2% share of global distribution
- Market consolidation expected to accelerate

ATTRACTIVE SHAREHOLDER RETURNS

- Dividend payout: 40%
- Track record of share buybacks

MEDIUM TERM FINANCIAL OUTLOOK[1]

Distribution Excellence:
Mid-to-high single digit profit CAGR *plus* M&A

Vehicle Lifecycle Services:
>£50m incremental profit contribution[2]

1. Based on constant exchange rates as at November 2021 (>90% profits derived outside of the UK).
2. Per annum, within five years.

WHY INVEST?
INCHCAPE IS THE GLOBAL LEADER, WITH AN AMBITION TO CONTINUOUSLY GROW

GLOBAL MARKET LEADER

>40

markets covering six continents

The leading automotive distributor in a highly fragmented global market

- Presence across >40 markets; covering six continents
- We are the leader with c.2% share of the global distribution market
- Market consolidation is expected to accelerate

A RESPONSIBLE BUSINESS

50.3%

sites switched to renewable energy supply

Growth ambition underpinned by our ESG strategy: Responsible Business

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

DIGITAL & DATA LEADER

36

markets now live with DXP (Digital eXperience Platform)

Our digital and data capability is a significant competitive advantage

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

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

CAPITAL ALLOCATION POLICY:
HIGHLY ATTRACTIVE AND DISCIPLINED

1	2	3	4
INVEST IN THE BUSINESS Capex for organic growth and technological investment	**DIVIDENDS** Policy: 40% annual payout of basic adjusted EPS (pre adjusted)	**VALUE ACCRETIVE M&A** Disciplined approach to valuation	**SHARE BUYBACKS** Consider appropriateness of share buybacks
£450m capex spend (<1% of sales)	£560m of dividends	£1.9bn of distribution acquisitions	£440m of share buybacks

Cumulative 2016 to 2022

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

ATTRACTIVE FINANCIALS

c.25%

ROCE

Deliver value through organic growth, consolidation and cash returns

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

GROWING BRAND PRESENCE

>50

OEM brands in our portfolio

Expanding the reach of our plug-and-play global distribution platform

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

NEW OPPORTUNITIES

75%

of a vehicle's lifetime value in higher margin activities

Uniquely positioned to capture more of a vehicle's lifetime value

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

NIGEL STEIN
CHAIRMAN

A YEAR OF IMPRESSIVE STRATEGIC PROGRESS

DEAR SHAREHOLDERS AND STAKEHOLDERS

This has been another good year for Inchcape. Not only reporting a strong financial performance, but making impressive progress against the Company's Accelerate strategy. On Shareholders' behalf I would like to thank all Inchcape colleagues around the world for their hard work in achieving this. We are building an even stronger Inchcape for the future.

Performance
The impressive financial performance, which exceeded the level expected at the start of the year, was achieved without the contribution of our business in Russia, previously a sizeable part of the Group. Following the invasion of Ukraine in February 2022, management took decisive action to exit the Russian market, selling our business to the local Inchcape management team in April.

Performance across most of the Groups' markets was strong, with the business in the Americas particularly so. Due to good margin management significantly increased profits were achieved in spite of strong inflationary headwinds, particularly in Europe.

Acquisitions
As the year ended, we completed the acquisition of Derco, the largest independent automotive distributor in Latin America which will significantly enhance our presence in the region. It also brings additional fast growing Chinese brands into the Inchcape portfolio. This has long been a key strategic goal as we expect to see Chinese OEMs increasing their market share globally.

Our expansion in Latin America, which as a region is expected to show above average future growth in vehicle sales, also achieves a long-term goal of rebalancing our historic profit reliance on Asia, in particular Singapore and Hong Kong. That said, Asia remains a very important market and we were pleased to announce the acquisition of CATS in the Philippines in early January 2023.

Distribution Excellence
Distribution Excellence is another key pillar of the Accelerate strategy. The progress on improving our digital offering to give customers the best possible experience has been truly remarkable, with our two digital delivery centres in Colombia and the Philippines contributing strongly. We are rapidly deploying these systems across our major markets and expect to see the benefits flowing in the near future.

Vehicle Lifecycle Services
We are also increasing our business in Vehicle Lifecycle Services, retaining vehicles and owners in our network after the typical historic period of three years from sale. During the year, the Group has seen significant expansion in used vehicle sales under the new bravoauto brand, with a number of branches opened in selected Inchcape markets using Group best-in-class systems, processes and skills.

Automotive trends
The automotive market globally is recovering, with 2023 expected to show increased supply from most OEMs. In many markets, electric vehicles, both battery electric and hybrid, are in strong demand and we expect to see growth accelerate. In choosing our partners and acquisition targets, Inchcape looks to represent winning OEMs in the new "electrified" world as well as aligning our customer and service offerings around digital and connected vehicles.

ESG and Responsible Business
Electrification is particularly important in enabling the automotive industry to achieve its carbon neutral goals. Under the Planet pillar of our Responsible Business agenda, Inchcape has been working hard to define our plans for achieving this to offer our OEM partners the lowest carbon route to market.

Our own Scope 1 and 2 goals have been set, which include substantial short- and long-term reductions. Scope 3, which relates almost entirely to the vehicles we sell, is taking time to pin down as several OEMs have yet to publish substantive information on their own plans. We continue to keep this under close review.

Board changes
The Board had increased engagement throughout 2022, with eight additional meetings held to consider the Derco acquisition and the disposal of the Group's operations in Russia. I am grateful to my colleagues for their contribution of additional time and for their expertise generally.

We are delighted that Byron Grote joined the Board from 3 January 2023 bringing a wealth of experience gained at several major international businesses. We are also very pleased that, as part of the Derco transaction, Juan Pablo Del Río joined the Board bringing his substantial experience of both the Latin American automotive market and business generally in the region. These are two areas of expertise we had previously identified as desirable when planning our future Board membership.

Gijsbert de Zoeten resigned from the Board in November 2022. We thank him for the contribution he has made over the last three years. Adrian Lewis, Group Financial Controller, was appointed as Acting Chief Financial Officer following Gijsbert's departure.

John Langston, who has served on the Board for nine years will step down at the 2023 Annual General Meeting (AGM). We are most grateful to John for his enormous contribution to the Board over those years, including acting as a very effective Audit Chair and providing wise counsel generally to both Executives and Non-Executive Directors. Sarah Kuijlaars will assume the role of Audit Chair from the end of the May AGM.

Dividend
Based on the strong performance in the year, the Board is recommending that the Company maintains its policy of paying a dividend of 40% of annual basic adjusted EPS. This would result in a overall dividend payment for the year of 21.3p.

In light of the Derco acquisition, the Board has no short term plans to restart its share buyback programme, instead concentrating on paying down debt and freeing capacity for further expansion.

Looking forward
Inchcape looks very well positioned to continue its success. We are confident that whilst the economic environment in some markets remains uncertain, the strength of our business model, the geographic spread of global operations, combined with the hard work of Inchcape colleagues across the Group, and some added momentum from acquisitions will support the Group's future progress.

NIGEL STEIN
CHAIRMAN

DUNCAN TAIT
GROUP CEO

STRONG FINANCIAL PERFORMANCE IN A TRANSFORMATIONAL YEAR

I'm pleased to report the Group delivered a strong performance during 2022 and made substantial progress with our two strategic growth priorities: Distribution Excellence and Vehicle Lifecycle Services. In 2022 we completed the transformational acquisition of Derco, extending our leadership in automotive distribution in the highly attractive and fast-growing Americas region, and providing a platform for us to capture more of a vehicle's lifetime value.

We also saw developments during the year that contributed to a challenging environment – the war in Ukraine, a return to inflation, rising interest rates, and continuing supply constraints across the globe.

Set against this backdrop, I'm delighted at how the Group maintained the momentum we gained in 2021, with our teams delivering both our commercial objectives and our purpose of bringing mobility to the world's communities – for today, for tomorrow and for the better.

Performance

Inchcape delivered another strong set of results in 2022, with double-digit growth across all regions. Continued strong consumer demand, following a prolonged period of supply shortages, and fantastic operational execution from our teams has driven growth in revenue, profit and cash.

Group revenue for the year was £8.1bn, an increase of 18% on 2021. We delivered adjusted profit before tax of £373m, an increase of 50% on 2021 driven by top line growth and improved operating margins. We also reported free cash flow of £380m, up 39% on last year, further strengthening our cash position.

I believe our success over the past year demonstrates the strength of our strategy and platform which is powered by the unique expertise of our people, our suite of cutting-edge technology products, and our advanced data analytics approach.

Strategic development

In last year's report, I described how we had been rolling out our Accelerate strategy across the Group.

At the time of our last capital markets day in November 2021 we had just over a one per cent share of our target market of 17 million vehicles. As we set out to be the undisputed number one distribution company in our industry, we have, through organic growth, the addition of new OEM partners, and market consolidation, positioned ourselves to achieve market share of two per cent.

We've continued to develop and roll out our omni-channel platform (known as DXP for Digital eXperience Platform). This provides customers with a seamless customer experience however they choose to interact with us, and is rolling out to more markets, with more mobility company partners all the time.

Our Digital Analytics Platform (DAP) provides advanced analytics and machine learning, leveraging our data and driving smarter, faster and better business decisions. DAP is now capable of optimising 70% of our revenue streams around the world, contributing to a better experience for our customers and improved financial performance for the Group and our OEM partners.

Another important part of our technological transformation is our digital delivery centres (DDCs). Over the year, we've doubled the number of 'Inchcapers' working in our DDCs in Colombia and the Philippines. Now, some 1,000 people are providing 24/7 services and solutions, further enhancing our digital delivery capability.

Vehicle Lifecycle Services is about maximising the profitability of a vehicle in the stages of its life after its first sale, through used resale, servicing, parts and finance and insurance products. During 2022, we've taken some big strides towards our VLS ambitions, especially in used vehicles through our global Used Car Excellence (UCX) programme and in building our bravoauto brand. I'm pleased with the progress we're making with bravoauto, which is now live in nine markets across Europe, APAC and the Americas. It's a digital-first proposition in which we are building momentum in volumes adding great value for our customers and revenues for the Group.

We've also made good progress with our digital parts platform, which is planned for launch in 2023.

The Group's digital transformation is fundamental to our future success, given the changing nature of our industry – not only in the rise of electric vehicles (EVs), but in the changing expectations of customers.

People want more of a digital experience, both in terms of buying and ownership of vehicles. We see this wherever we deploy DXP, for example, resulting in a rise in customer satisfaction scores. Similarly, OEMs know digital is vital for the future of our industry and want to partner with businesses that are making the right investments.

Equally, I believe there's nobody better placed than Inchcape to help OEMs introduce new technology to our markets. We're helping brands to operate in new markets where there's very little public charging infrastructure, such as in Chile with Porsche and Volvo. With others we are helping accelerate their EV ambitions through investing in servicing capacity and supporting customers to install home-charging facilities.

Business development

We continue to focus on markets that have high growth potential; and during 2022 we further expanded our distribution footprint. We agreed deals that increase our existing geographic and brand footprint, while giving us access to new markets and brand partners.

At the end of 2022, we completed our transformational acquisition of Derco. The combination of our two businesses has created the number one independent distributor in the Americas, bringing together two companies with complementary portfolios of OEM partners and aligned cultures.

It's an important step in our ambitious growth journey. The enlarged business will provide exciting opportunities for our colleagues, OEM partners, dealers and customers. You can read about the acquisition in detail on pages 24 to 25.

We also acquired a 70% stake in Ditec, the distributor of Porsche, Volvo and Jaguar Land Rover in Chile. This has broadened our growing footprint in the Americas and added Porsche and Volvo – two leading premium brands – to our list of OEM partners.

During the year we acquired the ITC Group, owner of Interamericana Trading Corporation (ITC) and Simpson Motors from the Simpson Group. The acquisition gives us entry into the Caribbean, further building on our presence in the Americas. It also strengthens our geographic reach with Suzuki, Mercedes-Benz and Subaru, while broadening our OEM relationships, with the addition of Chrysler and other Stellantis brands.

We have further pursued growth with EV-first brands, enhancing our offering in established markets. In Hong Kong and Macau, we have partnered with Great Wall Motor's ORA brand of EV-only cars and in Belgium and Luxembourg we were awarded the exclusive sales contract for BYD.

In February 2022 we announced the disposal of our remaining retail-only business in Russia, selling to our management team in the market.

Responsible business

In last year's report, I described how we had developed our Responsible Business plan. It focuses on our '4Ps' of responsible business – Planet, People, Places and Practices – and reaches into those areas of our operations where we can make a positive difference for our stakeholders.

Over the past year, we've focused on bedding in our plan. Much to my delight, it's been embraced positively by our people and our partners, which has been evident wherever I've travelled to meet our teams.

Our work to make a difference for the planet includes reducing our Scope 1 and 2 CO_2 emissions. I'm pleased to report that we're ahead of our targets, and you can read more about this in our TCFD report on pages 44 to 54.

If we're going to fully realise our Accelerate ambitions, we need brilliant people inside our company – and we know that brilliant people want to work for leading responsible businesses. This is why the People aspect of our Responsible Business plan is an important factor in how successful we are in attracting and retaining talent at Inchcape. We have continued our Women into Leadership programme with further cohorts in 2022 and ran Inclusive Leadership for all our senior leadership population (the Group Executive Team and its direct reports). We will have completed this for the next level of management by the end of Q1 this year.

Our Places agenda is all about being a good company where we operate. It's been hugely rewarding to see what we're doing – for example, in some of the markets we operate in we're working with local communities to provide disabled people with prosthetic limbs. Our safe driving programme is another example of how we're contributing to communities around the world.

The Practices aspect of our Responsible Business Plan is critical for us in topics such as our Codes of Conduct, bribery and corruption, and money laundering, all of which enables us to protect our people, our business and our partners' brand equity. Equally, I believe OEMs want to know they're working with partners who are committed to their own responsibility agenda, such as having health and safety programmes that look after both employees and customers. We continue to perform well in this regard; for example, by achieving ISO 45001 at the end of 2022 for our own global health and safety systems.

Overall, I'm pleased at the progress we're making as a responsible business. As ever though, it's work in progress – there's much more for us to do, so we can make even more of a positive difference within the markets in which we operate. You can read more about our progress in these areas in our Responsible Business report on pages 37 to 42.

Our people

As I described earlier, having brilliant people inside our company is fundamental to making Accelerate a success. There's absolutely no doubt the Inchcape team has delivered for our OEM partners, shareholders and other stakeholders during 2022.

I would like to thank all our colleagues for the contributions they've made during the year, both as individuals and within the teams that have collectively helped us achieve another strong performance.

I would also like to thank my colleagues on the Executive team for their leadership and teamwork during the last year. I am delighted to welcome Liz Brown to the Group Executive Team in the new position of Chief Strategy Officer. Liz joined us in February 2023 with a remit to lead the future development of our strategy, as well as leading our strategic OEM relationships. You can read more about Liz on page 81.

Looking ahead

Inchcape has a diverse portfolio and revenue streams, strong balance sheet and disciplined approach to investment; in the face of a global cost-of-living crisis and rising interest rates, these provide the foundation of our resilience and long-term sustainability.

In this context, and that of a transitioning mobility industry, I'm more certain than ever that Accelerate is the right strategy for the Group. It's evident in how our OEM partners are supportive of our consolidation activities. It's evident in how consumers are responding to what we're doing with DXP and bravoauto.

The year ahead will see us working hard on integrating Derco into Inchcape in the Americas. We've made a strong start, but we must make sure we deliver on our commitments to Derco, our partners, our people and our shareholders.

Another important task for 2023 will be to further bring our VLS initiatives to life. This will include operational improvements and growth in bravoauto, for example, and focusing on the continued development and launch of our digital parts platform. We continue to focus on the medium-term outlook outlined at our capital markets day:

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

Inchcape is a business with great momentum and an exciting future. With a clear strategy, we are well-positioned to capitalise on further opportunities for organic growth and market consolidation, and I am confident we will continue to deliver sustainable long-term value for all our stakeholders.

Directors' approval of the Strategic Report
The 2022 Strategic Report, from pages 2 to 67, were reviewed and approved by the Board of Directors on 22 March 2023

DUNCAN TAIT
GROUP CEO

KEY READING

EMBRACING CHANGES TO OUR INDUSTRY

CHANGING MACRO TRENDS

Geopolitical uncertainties
Supporting regulatory changes; managing through varying economic conditions

Supply chain disruption
Shortages of products due to geopolitical tensions, different restrictions, or other reasons

Risk of inflation and/ or recession
Consumer spending erosion, interest rates changes, increasing cost of goods

CHANGING AUTOMOTIVE INDUSTRY

CASE trends
Growing EV penetration; rise of mobility as a service

Supply shortages
Semi-conductors, battery raw materials, and other shortages differentiating between OEMs

Route to market
Helping OEMs get even closer to customers and new markets

CHANGING CONSUMER DYNAMICS

Consumer habits
Catering to different vehicle ownership models and buying decision criteria

Retail trends
Expectations for a personalised digitally integrated experience through omni-channel platforms

Consumer confidence
Higher interest rates and lower disposal income impacts discretionary spend

FOCUS ON ENVIRONMENT & SOCIETY

Emissions
Low emission vehicles and corporate greenhouse gas reductions expected

Circular economy
Resource scarcity and waste prevention key considerations

Employee expectations
Workforce looking for purpose-driven employers

How is Inchcape responding?

Strong business model and a diversified OEM portfolio has proven resilient in turbulent times

Geographically diverse footprint means we are well placed to navigate the current macroeconomic climate

We **provide OEMs with a solution** in lower volume and high growth potential emerging markets

We continue to **manage our inventory** through planning processes, leveraging data analytics

Our **digital and data capabilities** allow us to better understand consumers and cater to their needs, optimising their experience

Our **expertise supports customers** throughout the buying journey and their ownership lifecycle

Solid **Responsible Business** agenda implemented across our markets

We are a **forward-thinking purpose-driven employer**, leveraging our global scale develop talent

Our purpose is to bring mobility to the world's communities…

for today…

for tomorrow…

and for the better.

DIGITAL AND DATA: INTEGRAL TO INCHCAPE'S GROWTH AMBITIONS

Inchcape's proposition, both for mobility company partners and customers, is underpinned by our suite of cutting-edge technology solutions and our advanced data analytics approach. These are the building blocks from which we design customer experiences for the markets in which we and our partners want to succeed. The bespoke solutions on our platform seamlessly connect the products of mobility companies to digital and physical sales channels, service specialists and very importantly, customers.

DXP DIGITAL EXPERIENCE PLATFORM

OMNI-CHANNEL

- Providing consumers with a fully functioning digital showroom
- Built on a platform with the ability to scale, quickly, to new markets
- Enables the capture of significant customer and vehicle data

Digital Experience Platform (DXP) is our digital touchpoint with customers. It provides a fully functional digital showroom and links with dealerships to deliver a seamless omni-channel experience, which customers tell us is a priority for them. It has been built on a platform that has the ability to scale quickly into new markets and add new OEM brands.

MORE CUSTOMERS

+24% marketable customers

Marketable customers: Digital customers opting into marketing comms

+

IMPROVED EFFICIENCIES

+15% sales conversion

Sales conversion: Proportion of marketable customers translating into a vehicle order

+

HIGHER GROWTH

>1% outperformance

Outperformance: New vehicle volume growth versus the market

DAP DATA ANALYTICS PLATFORM

DATA ANALYTICS

- Central capability to drive better local and global decisions
- Using predictive analytics to facilitate business intelligence
- Globally integrated data repository, addressing the entire value chain

Data Analytics Platform (DAP) is all about predictive analytics and business intelligence – combining this with DXP gives us significant advantages over our distribution competitors. The team has now built algorithms and analytics tools to support both vehicle and parts sales and operational planning (S&OP), aftersales churn prediction and lead scoring to focus sales teams on genuine 'hot' leads.

MORE CUSTOMERS

+26% service bookings

Aftersales churn-prediction algorithm

+

IMPROVED EFFICIENCIES

+30% time spent on genuine hot leads

Lead scoring algorithm

+

HIGHER GROWTH

+10% parts revenue

Parts S&OP predictive analytics

Data and digital are integral to Inchcape's growth ambitions and a key enabler of the Accelerate strategy.

FIND OUT MORE
Scan to view the Spotlight on Digital & Data webinar

MORE CUSTOMERS
+
IMPROVED EFFICIENCIES
+
HIGHER GROWTH

→

DISTRIBUTION EXCELLENCE
- 1%+ outperformance of new car volumes
- Mid to high single digit profit CAGR
- Further consolidation and expansion

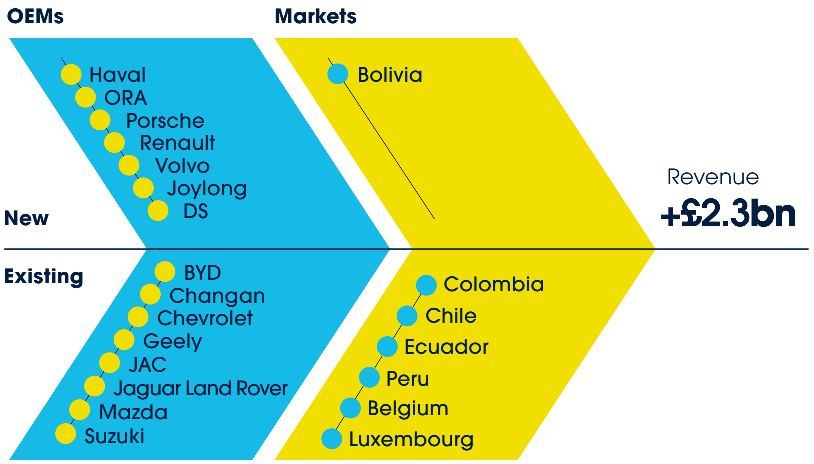
VEHICLE LIFECYCLE SERVICES
- At least double used car volumes
- Digital Parts Platform: operational and profitable
- >£50m incremental profit contribution

OPTIMISING OUR PORTFOLIO

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

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

A NUMBER OF EXCITING CONTRACT ADDITIONS IN 2022



OUR M&A FRAMEWORK:

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

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

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

REBALANCING OUR PORTFOLIO IN FAVOUR OF DISTRIBUTION SINCE 2016

	2016	2017	2018	2019	2020	2021	2022	Today	Total
Number of distribution deals	2	2	3	3	5	5	5		25
Distribution revenue added[1]	£400m	£100m	£250m	£150m	£200m	£200m	£2.3bn		£3.6bn
Retail revenue disposed	(£70m)	(£80m)	(£90m)	(£600m)	(£570m)	(£300m)	(£730m)		(£2.4bn)

1. Shows revenue reported in the last full financial year prior to Inchcape's ownership (e.g. Derco acquired on 31 December 2022, and 'revenue added' is the £2.2bn generated in the year ending December 2022)

TOYOTA MOTOR CORPORATION (TMC)

Our partnership with Toyota is the longest in our portfolio, with 55 years of representation as a distributor in geographies that reach from South East Asia to East Africa and from Europe to the Americas. This long-standing partnership extends to both passenger and commercial vehicles, a segment that we have expanded more recently in South America.

Locations

Distribution:
Belgium, Brunei, Bulgaria, Djibouti, Ethiopia, Greece, Guam, Hong Kong, Luxembourg, Macau, North Macedonia, Saipan, Romania, Singapore, Chile and Colombia

Retail:
UK

TOYOTA LEXUS HINO DAIHATSU

FORGING STRONG RELATIONSHIPS

STAKEHOLDER	ORIGINAL EQUIPMENT MANUFACTURERS (OEMS)	CUSTOMERS
		
HOW WE CREATE VALUE	We provide our OEM brand partners with professional and efficient routes to market for the post-factory automotive chain.	We provide access to automotive ownership and support services throughout the customer journey and aim to deliver the best experiences for customers in our industry globally.
INTERESTS	• Strategy • Long-term commercial sustainability and business viability • Trusted partnerships • Brand protection • Health and safety • Environment, social, and governance (ESG).	• Access to vehicle products and services • World renowned automotive brands • Specialist product and service knowledge • Customer service • Aftersales • Safe facilities • Tailored experiences, both on- and offline • Business viability (for long-term contracts, e.g. fleet management).
HOW WE ENGAGE	**Management** • Regular top-to-top executive management meetings • Market level operational meetings • Pan-market brand development. **Board** • Major brand partner deep dive review annually • Regular feedback from Group CEO.	**Management** • Daily reporting of customer feedback on reputation.com • Analysis of sales force customer journey management platform • Ongoing surveys at market level • Provide advice and knowledge on a day to day basis. **Board** • Update on the customer satisfaction analytics from reputation.com at each meeting.
OUTCOMES AND PROGRESS	• New strategic partnership with Great Wall Motor Company Limited, and BYD, a leading EV manufacturer • Expansion of distribution network in the Americas, adding Porsche, Volvo and Jaguar Land Rover.	• Customer omni-channel platform rolled out to 36 markets with 13 OEMs • Reputation.com: Total reviews in 2022: 85,200 up 22% on 2021. Average rating was 4.8/5 up from 4.7/5 in 2021.

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

READ MORE by visiting www.inchcape.com

EMPLOYEES

We aim to enable every colleague to achieve their personal goals at each stage of the employee journey; to recognise and develop talent; and to foster a socially conscious culture based on inclusion, empowerment and optimised potential through learning.

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

Management

- Launch of new Codes of Conduct
- Employee engagement survey
- One Inchcape performance management framework
- Employee intranet
- Employee engagement forums

Board

- Employee engagement surveys and action plans
- Designated Non-Executive Director
- Annual Board visit

- Consultation with employees on the 2022 Remuneration Policy
- Held four employee forums in 2022
- Employee engagement event in Santiago facilitated by the designated Non-Executive Director
- Three day leadership strategy event held in November in Austin, Texas

SHAREHOLDERS

Our objective is to deliver outstanding returns on long-term investment based on a sustainable platform for growth, disciplined approach to capital allocation and cash returns through dividends and share buyback.

- Strategy
- Company purpose and values
- Financial performance and strength of balance sheet
- Capital allocation
- Responsible Business/ESG
- Long-term commercial sustainability and business viability
- Key developments in the business and issues we are facing

Management

- Regular dialogue with institutional investors (roadshows and conferences)
- Capital Markets Day, investor webinars, and financial results
- Annual Report and plc website

Board

- AGM and Derco acquisition EGM
- Chairman's periodic one-to-one meetings
- Committee member interaction

- Held over 200 investor meetings during 2022
- Consultation with shareholders on the 2022 Remuneration Policy
- 99.9% votes in favour for Derco acquisition at EGM
- Launched the 'In the Driving Seat' investor webinar series

COMMUNITIES

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

- Local employment
- Health and safety, including local environmental concerns, e.g. waste disposal
- Community activities, e.g. support of local charities
- Road safety campaigns in some markets
- Responsible approach to local law and regulations

Management

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

Board

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

- Around 19,000 people employed in over 40 countries and geographies
- Strong levels of local community involvement including road safety campaigns and inclusive mobility

SHAREHOLDER ENGAGEMENT CYCLE

	Area	Shareholder engagement cycle 2022	Matters raised	Subsequent feedback/engagement
Q1	**Trading**	• FY21 results presentation with Q&A and Annual Report & Accounts • FY21 investor roadshow • Investor conferences	• 2021 performance and 2021 final dividend • Further insight into key areas of our business that form part of our "Accelerate" strategy	• Key areas of focus: Russia exposure, strategic progress including Digital and Data, OEM relationships, inflation and M&A
	Russia	• Intention to exit from Russia announced on 15 March 2022	• Impact of the disposal of Russian operations	• Pleased to see the Board act decisively with consideration for various stakeholders
Q2	**Trading**	• Q1 trading update with Q&A • Investor conferences	• Performance during the first quarter of 2022 and completion of exit from Russia	• Appreciation for swift and clean exit from Russia
	AGM	• 2022 AGM held on 19 May 2022	• No issues were raised by shareholders	• All resolutions passed with over 90% of votes in favour
	Webinar	• Launched first webinar for our "In the Driving Seat" series with a "Spotlight on the Americas"	• Focus on the Group's fastest growing region, and the growth prospects going forward within Distribution Excellence and Vehicle Lifecycle Services.	• Positive engagement from investors and analysts; appreciated the deep-dive on the region showing its evolution/growth
Q3	**Trading**	• Interim results and presentation with Q&A • Investor roadshow and conferences	• 2022 interim performance and dividend	• Key area of focus was the Derco acquisition which was well received
	Remuneration	• Consultation with shareholders on proposed 2023 Remuneration Policy	• ESG metrics, pension alignment and continued use of two long term incentive plans	• Positive feedback that policy is working well. Caution advised on the use of ESG metrics. Further information on page 99
	Derco	• Derco acquisition announced on 28 July 2022	• Proposal of the Derco acquisition	• Further information on page 21
Q4	**Trading**	• Q3 trading update with Q&A • Investor roadshow	• Performance during the third quarter of 2022 • Update to our FY22 outlook	• Key areas of focus were inflationary headwinds, vehicle supply, interest rates, and demand trends across our markets
	Webinar	• Hosted our second webinar for our "In the Driving Seat" series with a "Spotlight on Digital & Data"	• Progress the Group has made on its digital and data journey and how it is integral to the Group's growth ambitions	• Positive engagement from investors and analysts; appreciated insights on how integral digital and data is to the business
	Derco	• Derco acquisition circular sent to shareholders. EGM held on 16 December 2022	• No matters were raised by shareholders	• The resolution passed with 99.99% of votes in favour. Transaction completed on 31 December 2023

• In response to investor feedback on understanding further key areas of our business, we launched our "In the Driving Seat" series. We hosted our first webinar in Q2 on "Spotlight on Americas", and in Q4 our second one in the series "Spotlight on Digital & Data".

INCHCAPE AMERICAS HAS GROWN SIGNIFICANTLY SINCE 2016

Revenue 2021[1] (pre-Derco)

£1.2bn

2016: £160m

OEM brands

BMW*, BMW Motorrad*, BYD, Changan, Chrysler, Diechi, DFSK, Doosan, Freightliner, Fuso, Geely, Hino, Jac Motors, Jaguar, Jeep, Land Rover, Mack, Mercedes-Benz, Mini, Porsche, Rolls Royce, Subaru, Suzuki, Volvo, Western Star

Markets

Argentina, Barbados (+)*, Chile*, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Panama, Peru*, Uruguay

FIND OUT MORE
Scan to view the Inchcape Americas webinar

A GLOBAL DIGITAL INFRASTRUCTURE, DRIVING SMARTER DECISIONS

DXP

Digital experience platform

Omni-channel

- Providing consumers with a fully functioning digital showroom
- Built on a platform with the ability to scale, quickly, to new markets
- Enables the capture of significant customer and vehicle data

DAP

Data analytics platform

Predictive analytics and business intelligence

- Central capability to drive better local and global decision
- Using predictive analytics to facilitate business intelligence
- Globally integrated data repository, addressing the entire value chain

Our global tech capability

Inchcape Digital Architecture: a single common global technology stack

Digital Delivery Centres: our internal digital delivery capability

FIND OUT MORE
Scan to view the Spotlight on Digital & Data webinar

1. 2021 revenue pro forma for acquisitions announced up until 30 June 2022 pre-Derco
+ Indicates the base of the core distribution operations which also serves as other neighbouring islands
* part of the Inchcape business in 2016

S172 STATEMENT

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

Consequences of long-term decisions

Many of the decisions the Board makes today will affect the success of the Group in the longer term. When making such decisions, the Board considers what value will be created for shareholders, if the appropriate resources are available, how current and future employees will be affected and what impacts these decisions will have on communities and the environment in which Inchcape operates. Consideration is also given to the 'what ifs' as long-term decisions, by their nature, contain a degree of uncertainty about what may happen in the future.

The Board's risk management procedures identify the potential consequences of decisions in the short, medium and long term so that mitigation plans can be put in place to prevent, reduce or eliminate risks to the business and wider stakeholders. Please see pages 59 to 66 for further details.

Further information on the significant decisions taken by the Board during the year are given in the Corporate Governance Report on page 82.

The Responsible Business framework: Driving What Matters, which is owned and delivered by our colleagues around the Group, sets out what responsible business means for Inchcape under four pillars, **People, Places, Practices** and **Planet**. Please see pages 37 to 42 for further information.

The pillars focus on the issues that are important to our employees, our communities, ensuring ethical business conduct, and the environment. The data points give the Board context for what the potential consequences of long-term decisions will be.

Interests of employees

A major transaction such as the Derco acquisition will bring uncertainty for employees in both businesses, as there is a likelihood that some roles are duplicated and/or become redundant. The Board took these impacts into consideration during the decision making process and, while it is always a difficult decision to remove roles, the Board agreed becoming part of a larger global organisation will also offer career development opportunities for Derco employees. A comprehensive change management and communications plan was put in place including a series of townhalls to explain the acquisition process, start the on-boarding programme, and to provide an opportunity for employees to express their views.

Further information on engagement with employees, any outcomes where applicable, and decisions which have affected employees, are given throughout this report.

Fostering business relationships

Our OEM relationships are of paramount importance to the achievement of the Accelerate strategy and the length of these relationships is testament to their strength. When considering acquisitions and new partnerships which are fundamental to achieve the Group's purpose of **bringing mobility to the world's communities – for today, for tomorrow and for the better** the Board considers whether the combination of Inchcape and the OEM will be a good strategic and cultural fit.

The Derco acquisition brought five new OEM brands to the Inchcape Group. When reaching its decision on the acquisition, the Board considered the OEM brand portfolio as a whole, agreeing a programme of engagement with both current and new OEM brand partners to ensure strategies and expectations are aligned.

Impact of communities and the environment

The Planet pillar assesses the impact the automotive industry has on the environment and the impact of climate change upon our business by focusing on understanding the Group's climate related risks and opportunities and Scope 1,2 and 3 emissions. During the year, the Board considered whether it was appropriate to set emissions reduction targets for Scope 3, which account for 99.97% of the Groups' total footprint. Ultimately the Board decided not to set science-based Scope 3 targets due to the complexities of achieving targets where we have limited control. However, this will be reviewed on a regular basis by the Board who are committed to tackling the impacts of climate change. Please see pages 44 to 54 for further information.

High standards of business conduct

It is important to the Board to maintain a reputation for high standards of business conduct. This is taken into account by the Board when making material decisions, i.e. acquisitions, joint ventures and remuneration outcomes.

During the decision-making process for the Derco acquisition the Board reviewed the due diligence findings, management and external advisor reports, and its reputation locally. The Derco business is well respected, with a strong culture that is similar to Inchcape's. However, there are always integration and business plan risks associated with acquisitions. Therefore, the Board approved a set of 11 key controls which can be implemented from day one to mitigate those risks.

Shareholders

Engagement is a key tool for taking into account the views of shareholders. During 2022, the Remuneration Committee Chair and the Chairman carried out a shareholder consultation on the proposed remuneration policy which will be put to shareholder vote at the Annual General Meeting in May 2023. The feedback received from investors provided valuable input for the Committee, especially around introducing a carbon reduction related ESG target into the long-term incentive plans. Further details are given on page 99.

The Board approved a range of activities designed to enhance shareholder value, including dividend policy, share buyback programme and the acquisition of Derco, which was overwhelmingly approved by shareholders at the EGM in December 2022 with 99.99% of votes in favour. Further information on how the Derco acquisition will create shareholder value is given on pages 24 to 25.

All shareholders are invited to attend the Annual General Meeting and have the opportunity to speak or ask questions to the Board members.

DERCO ACQUISITION

DERCO

Extending Inchcape's global leadership in automotive distribution

As outlined in our Accelerate strategy (see pages 5 to 7), the global automotive market presents significant opportunities for Inchcape to consolidate in the distribution market. Despite being the biggest independent automotive distributor, we had been tracking at around 1% of the 17 million vehicle volume addressable market. Accelerating acquisitions in this fragmented market is a key part of our growth strategy.

The Group announced its proposed acquisition of Derco in July 2022. Prior to Inchcape`s acquisition, Derco, a family-founded and privately owned company, was the largest independent automotive distributor in Latin America with revenue in 2022 of £2.2bn. Following shareholder and market regulatory approval, the deal completed on 31 December 2022, and the core focus for 2023 is on integrating our operations in the Americas.

EXISTING PORTFOLIO: KEY FACTS

£2.2bn
revenue (2022)

~4,500
colleagues

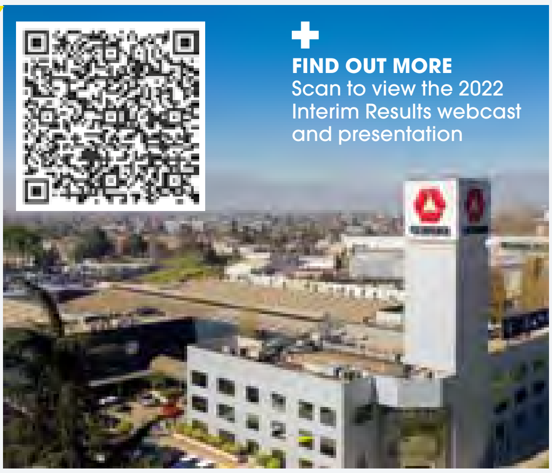
4
markets[1]

11
OEM brands

150k
new vehicles distributed

329
locations
~30% operated by Derco

1. Bolivia, Chile, Colombia and Peru



A STRATEGIC AND ACCRETIVE ACQUISITION

Strong topline growth prospects
- Increases exposure to higher growth markets
- Leverage combined scale to capture more vehicle lifetime value

Margin upside
- Derco is margin accretive for the Group
- Significant opportunity for synergies

Distribution consolidation
- Significantly increases Inchcape's distribution scale
- Global automotive distribution remains highly fragmented

SIGNIFICANT SHAREHOLDER VALUE CREATION

Financial profile
- The transaction is expected to accelerate growth and be margin accretive

Earnings impact
- 15%+ EPS accretion in 2023; 20%+ accretive in 2024
- Up to £60m of one-off cash cost of delivering synergies (over two years)

Value creation
- ROIC expected to exceed project cost of capital in third full year following completion

New opportunities
- Leverage broader network
- Leverage partnerships with financers and GFV[1] product knowledge
- Leverage Inchcape's Digital and Data capabilities

1. GFV = guaranteed future value (also commonly referred to as "PCP")

"We are delighted to welcome the Derco team to Inchcape. The combination with Derco is a transformative and unique opportunity to accelerate our global distribution business. In addition to delivering substantial shareholder value, the acquisition will provide exciting opportunities for our colleagues, OEM partners, dealers and consumers, and is another great example of Inchcape's Accelerate strategy in action."

DUNCAN TAIT
Group CEO

OUR LOCATIONS

Inchcape
Argentina
Barbados
Chile (headquarters)
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Panama
Peru
Uruguay

Derco
Bolivia
Chile (headquarters)
Colombia
Peru

The acquisition of Derco extends our global leadership in auto distribution and makes Inchcape the largest independent distributor in Latin America. It also almost doubles Inchcape's share of the 17 million addressable market to around 2%.

Derco brands
- Changan
- Chevrolet
- Citroen
- DS Automobiles
- Great Wall
- Haval
- Jac Motors
- Joylong
- Mazda
- Renault
- Suzuki

Link to Strategy
Remuneration – see pages 69 to 116 for performance measures

MEASURING PROGRESS

Key performance indicators (KPIs) provide insight into how the Board and Group Executive Team monitor the Group's strategic and financial performance, as well as directly linking to the key measures for Executive remuneration. KPIs are stated in actual rates of exchange and pages 206 to 207 provides definitions of KPIs and other alternative performance measures.

FINANCIAL KPIs

Revenue

£8.1bn

2021: £6.9bn[2]

2022	£8.1bn
2021	£6.9bn
2020	£6.8bn
2019	£9.4bn
2018	£9.3bn

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

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

2022 performance
The Group has delivered £8.1bn, up 15% organically (excluding currency effects and net M&A) and up 18% reported versus prior year. This has been driven by robust consumer demand following a prolonged period of supply shortages.

Adjusted operating margin[1]

5.1%

2021: 4.1%[2]

2022	5.1%
2021	4.1%
2020	2.4%
2019	4.0%
2018	4.3%

Definition
Operating profit from continuing operations (before adjusting items) divided by sales.

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

2022 performance
Operating margin is 5.1%, up 100bps versus 2021. This is owing to a combination of higher vehicle gross margins, driven largely by the combination of robust consumer demand and supply shortages.

Profit before tax and adjusting items[1]

£373m

2021: £249m[2]

2022	£373m
2021	£249m
2020	£128m
2019	£326m
2018	£351m

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

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

2022 performance
In 2022 this increased 50% to £373m, reflecting the strong improvement in revenue and operating profit.

Free cash flow[1]

£380m

2021: £274m[2]

2022	£380m
2021	£274m
2020	£177m
2019	£213m
2018	£279m

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

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

2022 performance
The Group delivered free cash flow (FCF) of £380m, an increase of 39% on 2021 and representing a conversion of operating profit of 92%, exceeding the long-term average of 60-70%.

Return on capital employed[1]

41%

2021: 28%[2]

2022	41%
2021	28%
2020	12%
2019	22%
2018	22%

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

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

2022 performance
ROCE for the period was 41%, compared to 28%[2] for the equivalent period last year. This increase was primarily driven by the recovery in Group profits.

1. Alternative performance measure, see page 206.
2. Restated, page 142.

Link to Strategy

Distribution

People

Planet

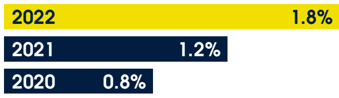
Over the year we have introduced a number of new Non-financial KPIs which align to our business model as part of our **Accelerate** strategy and "**Driving What Matters**" plan. Our focus on the customer whilst operating responsibly is at the heart of our business model. This is a fundamental to our strategy, and maps the way Inchcape creates sustainable value for all our stakeholders.

NON-FINANCIAL KPIs

BEV's sold

1.8%

2021: 1.2%



Definition

% of battery electric vehicles (BEV) sold. BEV's are fully battery powered and run on electric power.

Why we measure

This is a new KPI in 2022. A core element of our strategy is the deployment of Battery Electric Vehicles (BEV's), which underpins our core business model and is fundamental to the long-term sustainability of the business.

2022 performance

We continue to make progress on increasing the number of BEV's sold. As part of our Responsible Business Plan we will continue to see growth in this trend, particularly in our developed markets.

Reduction in Scope 1 and Scope 2 GHG emissions

24%

Definition

Aggregate Scope 1 and Scope 2 GHG emissions in 2022 vs 2019 base.*

For further information on TCFD see pages 44 to 54

* 2019 figures have been restated to reflect relevant disposals, acquisitions and data rectification

Why we measure

This is a new KPI in 2022. Reducing the emissions over which we have the greatest degree of control is a key sustainability priority for the Group. We have set targets for Scopes 1 and 2 using Science Based Targets Methodology with the aim of reducing our emissions by 46% by 2030 and achieving net zero by 2040.

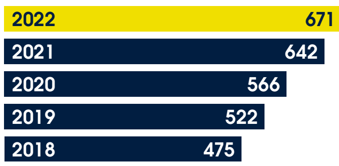
2022 Performance

Scope 1 and 2 emissions were reduced by 9,800 tonnes measured on a market basis and by 8,700 tonnes on a location basis against the 2019 revised baseline. This is included in the strategic element of the CEO bonus – please see pages 96 to 116 for further details.

Reputation.com Score

671

2021: 642



Definition

A measure of the end customer experience in our dealerships (both distribution and retail), using Google Business Profiles star ratings among other metrics. Score up to 1000.

Why we measure

Customer reputation score is a measure we introduced in 2018 which provides a commercially relevant customer experience measure using Google Business Profiles and monitors customer sentiment.

2022 Performance

Adoption of Reputation.com is at an all-time high and we see this through our strong increase in 2022. We have been focusing on improving the things within our control, ensuring data accuracy, and helpful, timely responses to customer input, whilst offering a high level of service in our dealerships around the world.

Women in Senior Leadership positions

22%

2021: 18%

Definition

Percentage of women in top three bands, which includes the Group Executive Team and its direct reports.

Please see page 121 for more information, including a complete breakdown of the gender diversity within the Group.

Why we measure

This is a new KPI in 2022. The Women into Leadership programme aims to target no less than 90% progression to a new role (at the same level or promoted) within 24 months of programme completion and to increase the proportion of women in senior positions from 18% to 30% by the end of 2025.

2022 Performance

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. Mentoring was also added to the 2022 programme.

ADRIAN LEWIS
ACTING CHIEF FINANCIAL OFFICER

GREAT STRATEGIC, FINANCIAL AND OPERATIONAL PROGRESS

I am pleased to present the Operating and Financial Review for 2022, a year in which the Group has continued to make substantial strategic, operational and financial progress.

2022 was a transformational year for the Group as we made great strides with our strategy, further shifting our portfolio towards distribution and developing our vehicle lifecycle services offering.

Fantastic operational execution from all our teams drove growth in revenue and profit, and another year of excellent cash flow.

The Group delivered a great set of results in 2022, with all regions contributing positively and driving growth across our key financial and non-financial metrics.

During the year, consumer demand remained robust against the backdrop of vehicle supply constraints, which supported our performance during the year. We saw a gradual improvement in supply through the year, which helped an acceleration of our revenue growth. During the period of supply-demand imbalance, we experienced elevated levels of vehicle profitability (new and used), although this normalised during the second half of the year.

Underpinning this is the quality of our people and the strength of our business model. This enabled the Group to accelerate performance together with increased geographic diversification, which will continue to drive resilience amid economic uncertainties.

The combination of the Group's distribution expertise, digital and data capabilities, and strong financial position makes us the consolidator of choice in the highly fragmented automotive distribution industry. In 2022 we continued to expand our distribution business through bolt-on acquisitions in the Americas, further contract wins and the exciting acquisition of Derco, an important milestone in the execution of our Accelerate strategy. The pipeline for future M&A remains healthy.

In addition to a strong revenue and profit outturn, the Group's resolute focus on cash resulted in a record level of free cash flow of £380m, versus the previous record of £314m in 2017. As we look ahead, the acquisition of Derco will provide opportunities for us to deploy our own practices and processes to drive working capital efficiencies and additional cash-flow generation.

Following the completion of the acquisition of Derco in December 2022, the Group's net debt position was £378m. Given the pipeline of M&A opportunities and our current leverage position, we have paused share buybacks, but will continue to review the appropriateness in line with our capital allocation policy. The Group's proposed dividend in relation to 2022 is 28.8p, up from 22.5p in 2021.

The Group launched Accelerate in 2021, and we have made fantastic progress against our ambitions to extend our leadership in automotive distribution, and to capture more of a vehicle's lifetime value. While we are excited about our progress so far, we will maintain our capital allocation discipline, and remain focused on delivering benefits to all stakeholders.

ADRIAN LEWIS
ACTING CHIEF FINANCIAL OFFICER

HIGHLIGHTS

Revenue

£8.1bn

2021: £6.9bn[1]

Adjusted operating margin[2]

£5.1%

2021: 4.1%[1]

Profit before tax and adjusting items[1]

£373m

2021: £249m[1]

Free cash flow[2]

£380m

2021: £274m[1]

Return on capital employed[1]

41%

2021: 28%[1]

Dividend per share

28.8p

2021: 22.5p

KEY PERFORMANCE INDICATORS

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

	2022	2021[1]	% change reported	**% change constant FX[2]**	**% change organic[3]**
Key financials (continuing operations)					
Revenue	**£8,133m**	£6,901m	+18%	**+16%**	**+15%**
Adjusted Operating Profit[1]	**£411m**	£281m	+46%	**+41%**	
Adjusted Operating Margin[1]	**5.1%**	4.1%	+100bps	**+90bps**	
Adjusted Profit Before Tax[1]	**£373m**	£249m	+50%		
Adjusted Basic EPS[1]	**72.0p**	46.3p	+56%		
Dividend Per Share	**28.8p**	22.5p	+28%		
Free Cash Flow[1]	**£380m**	£274m	+39%		
Statutory financials					
Operating Profit (continuing operations)	**£400m**	£181m			
Profit Before Tax (continuing operations)	**£333m**	£149m			
Total (loss)/profit for the year	**£(6)m**	£122m			
Basic EPS (continuing operations)	**61.1p**	20.3p			

1. Restated to adjust for the disposal of the remaining business in Russia which has been reported as a discontinued operation, see page 142
2. These measures are Alternative Performance Measures, see pages 206 to 207
3. Organic growth is defined as revenue growth in operations that have been open for at least a year at constant foreign exchange rates

PERFORMANCE REVIEW

Performance review: full year 2022

The Group delivered another great set of results in 2022, driven by growth across both Distribution and Retail segments. Our performance was driven by growth of new vehicles, underpinned by robust consumer demand and price-mix tailwinds against a backdrop of supply shortages, and a solid contribution from used vehicles, which benefited from unprecedented pricing-levels and our roll-out of *bravoauto*. While revenue growth was skewed towards the second-half, as we lapped the trough for supply, profit was split more evenly due to a combination of margin normalisation, with improving vehicle supply, set-up costs related to new OEM relationships and an increase in investment in VLS in the second-half.

Over the course of the year, the Group generated revenue of £8.1bn, adjusted operating profit of £411m and free cash flow of £380m.

Group revenue of £8.1bn rose 18% year-on-year reported and 16% in constant currency. The growth rate is supported by the addition of new distribution businesses in the Americas and in APAC. There was no contribution from Derco to our FY22 financial performance. It is worth noting that the comparative period includes the results of our St. Petersburg operation which was disposed towards the end of 1H21.

On an **organic basis**, excluding currency effects and net M&A, revenue increased by 15%, driven by a combination of continued volume recovery and price-mix tailwinds.

The Group delivered an **adjusted operating profit** of £411m, up 46% year-on-year reported and 41% in constant currency. The profit growth reflects the topline increase and the year-on-year operating margin improvement.

Adjusted profit before tax (PBT) of £373m (2021: £249m) reflects the improvement in revenue and operating profit. The net interest expense of £37m (2021: £33m) rose versus the prior year due to higher cost of financing.

During the reporting period **adjusting items** amounted to an expense of £40m (2021: £100m). This was primarily driven by one-off costs related to acquisitions and the disposal of Russia (£28m) and non-cash, non-operational losses arising from the adoption of hyperinflation accounting (Ethiopia; £30m), partially offset by other operating items (£18m).

The highly cash-generative nature of our business model was evident with record **free cash flow** generation of £380m (2021: £274m) – this represents a conversion of adjusted operating profit of 92% (2021: 97%), exceeding the long-term average of 60-70%. In 2022 we saw a net working capital inflow of £75m primarily as a result of a rebound in the level of inventory financing, which more than offset the rise in inventory levels (following last year's trough reached in Q4) and an expected increase in receivables. As we look ahead the Group's free cash flow conversion is expected to normalise towards its historic range of 60-70%.

Other notable elements of the cash flow bridge include: net acquisitions and disposals, which amounted to an outflow of £412m (primarily relating to the acquisition of **Derco**, as well as other acquisitions in the Americas: **Ditec** and **Simpson Motors**, and includes the first tranche of cash received in relation to our Russia disposal), dividend payments of £89m and an outflow of £70m related to our share buyback programmes.

The Group closed the reporting period in an adjusted net debt position of £378m (excluding lease liabilities), which compares to adjusted net cash of £379m at the end of December 2021, and £439m as at 30 June 2022.

The movement primarily relates to the acquisition of Derco (cash-out and net debt acquired). On an IFRS 16 basis (including lease liabilities), we ended the period with net debt of £877m (December 2021: net funds of £55m). Adjusted **Return on capital employed** over the period was 41%, compared to 28% for the equivalent period last year. The increase was driven by the growth in Group profits on stable capital employed. Following the dilutionary effect of acquisitions we expect this will normalise to c.25%.

Fourth quarter 2022

Group revenue for the fourth quarter was £2.1bn, up 32% reported. On an **organic basis** revenue increased 22%, compared to +16% in Q3 – the step-up in growth was primarily owing to lapping the trough for supply which impacted the fourth quarter of 2021.
In **Distribution**, the fourth quarter was the strongest quarter of the year, underpinned by organic growth and some contribution from M&A (Americas and Asia). On an organic basis revenue increased 25%, following an 18% increase in Q3. The sequential step-up in organic growth was driven by the improvement in vehicle supply that was most prominent in Australasia.
In **Retail**, revenue increased 14% organically, following a 11% increase in Q3. The improvement in revenue growth was owing to a higher volume of new (due to better vehicle supply) and used vehicles (*bravoauto*), while Aftersales performance continued to be solid.

Derco acquisition

The Group completed the £1.3bn acquisition of Derco on 31 December 2022, funded by £400m cash and £600m of new debt. The transaction increased Group leverage 0.6x Net Debt/EBITDA[1] (pre IFRS 16), with deleveraging supported by the highly cash generative nature of the business. Derco did not contribute to the Groups financial performance in 2022. Revenue was £2.2bn (2021: £1.9bn) with an adjusted operating profit of £192m (2021: £237m). We expect Derco will generate an operating margin towards the top-end of the range of a typical automotive distribution business (5-7%), before recurring synergies. The transaction is expected to deliver annualised recurring synergies of at least £40m, with the significant majority delivered by the end of 2024. There are opportunities to drive significant revenue synergies, which are as yet unquantified. These will require one-off cash costs of up to £60m over two years.

DISTRIBUTION

The Distribution segment reported revenue of £5.9bn increasing 26% year-on-year, with **all regions growing versus the prior year.**

The combination of an excellent topline performance and higher margins drove adjusted **operating profit**[1] of £363m (2021: £246m). Adjusted operating margin[1] rose 90bps to 6.2%.

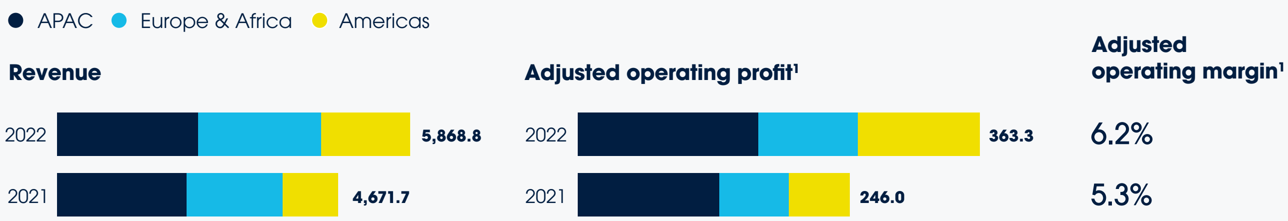
Our regional disclosure has been aligned with the Group's Management responsibilities and reporting structure. In the second half of 2022, in preparation for our acquisition of Derco, the Americas moved to be managed as a single region (under Romeo Lacerda), and Africa was combined with the Europe region (under Glafkos Persianis). APAC, which includes both Asia and Australasia, continues to be managed by Ruslan Kinebas.

APAC revenue was up 9% year-on-year with adjusted operating profit[1] rising 28%. In Asia, the improvement versus the prior year was due to the positive contribution from our smaller, newer and more developing markets (e.g. Guam, Saipan, Brunei, Indonesia). In the case of **Hong Kong**, pandemic related restrictions weighed on our first-half results, but performance in the second-half improved markedly and at the beginning of 2023 the border with China was reopened, which may signal the trough of the market. In **Singapore** our performance continues to be impacted by lower availability of vehicle licences (with volumes 70% below the peak in 2017). Our current expectation is that licence availability will begin to improve in late-2023. The trends across the **rest of Asia** continued be solid, with revenue and profit above both the prior year and the first-half of 2022. In terms of our newest distribution businesses (JLR in Indonesia, and commercial vehicles and machinery in Micronesia), the performance of both has exceeded our expectations. In **Australasia**, our performance was helped by a gradually improving supply situation (vehicle supply was at its highest in Q4) and favourable price-mix. Volumes, revenue and profit reached a three year high in the fourth quarter, supported by broad-based performance (across New, Used and Aftermarket) and the benefits of our cost-restructuring.

Europe & Africa revenue was up 28% year-on-year with adjusted operating profit[1] rising 44%. In **Europe**, growth was driven by the improvement in vehicle supply (>20% increase in new vehicle volume) coupled with robust demand. This resulted in us gaining share in each of our largest markets (i.e. Belgium, Greece, Romania). While vehicle supply continued to improve towards the end of the year, order banks remain at record levels and will provide an underpin in 2023 as we navigate a changeable economic backdrop. Performance across the halves was broadly consistent in terms of revenue, although some strategic investments (e.g. *bravoauto*) in the second-half resulted in slightly lower margins. In **Africa**, revenue and profit improved in the second-half, supported by higher vehicle volumes and Aftermarket resilience.

Americas revenue grew 60% year-on-year (with new businesses contributing more than 20% to growth), driving adjusted operating profit[1] up 98%. The Americas delivered excellent performance across all major markets, notably in Chile, Columbia and Peru. This was driven by a combination of robust consumer demand and a shortage of vehicle supply which supported pricing and margins, particularly in the first-half. In the second-half, we saw a step-up in revenue owing to higher new and used vehicle volumes. While margins returned to a more normal level (6-6.5%), in line with the improvement in vehicle volumes, overall profitability was broadly evenly split. During the first-half we acquired two distribution businesses (Simpson Motors and Ditec), which we indicated would add an aggregate c.£250m of annualised revenue, and both businesses have contributed meaningfully in 2022. At the end of the fourth quarter we purchased Derco, the largest distributor in Latam, which will provide a step-change to our presence in the region. For more information on the region please visit our website where you can watch a replay of our webinar: *'In the driving seat: Spotlight on Americas'*, outlining our growth to date, strategic priorities and our confidence in the region's growth prospects over the medium and long term.

REGIONAL BREAKDOWN



1. Operating profit and operating margin stated pre adjusting items.

RETAIL

Following a proactive disposal programme, the Retail segment only includes the results of the UK and Poland franchise dealerships and our *bravoauto* business in these markets.

Retail delivered organic revenue growth of 10% and adjusted operating profit[1] rose 34%, resulting in an operating margin of 2.1%. While vehicle supply improved gradually throughout the year (we saw sequentially higher new vehicle volumes every quarter) this lagged demand, which remained solid. We continued to invest in and expand our *bravoauto* business, which is performing as per our plan. As anticipated, our Used car business has started to see profitability normalise, consistent with the reduction in used car prices. We reported an operating margin of 1.5% in the second-half, with the reduction owing to normalising vehicle profitability and our investment in *bravoauto*.

From the start of 2023, in the UK certain manufacturers will change the way they sell new vehicles (choosing to sell directly to consumers via dealer groups), and as such Inchcape will only recognise a handling-fee (not the selling price of the vehicle). The estimated impact of this change on Inchcape's reported Retail revenue is a c.£200m reduction. The impact on operating profit is expected to be negligible.

1. Operating profit and operating margin stated pre adjusting items

REGIONAL BREAKDOWN

● Total Retail (UK & Poland)

Revenue

Adjusted operating profit[1]

Adjusted operating margin[1]

	Adjusted operating margin
2022	2.1%
2021	1.6%

1. Operating profit and operating margin stated pre adjusting items.

Other financial items

Adjusting items: In 2022, we have reported a pre-tax charge of £40m (2021: charge of £100m) in respect of adjusting items. This includes benefits of £20m, following the change from RPI to CPI for pension increases, and £13m in respect of disposal proceeds from Russia. This was offset by £42m relating to acquisition related costs, primarily in relation to the acquisition of the Derco group and a net monetary loss of £30m upon application of hyperinflationary accounting in Ethiopia. Further details can be found in note 2 of the financial statements.

Net financing costs: Reported net finance costs were £67m (2021: £33m). This includes the net monetary loss on adoption of hyperinflationary accounting in Ethiopia of £30m, noted above as an adjusting item. Adjusted net finance costs were £37m (2021: £33m) with the increase versus the prior year due to higher cost of financing. The interest charge is stated on an IFRS 16 basis and excluding interest relating to leases our Reported net finance costs were £57m (2021: £23m). In 2023 the Group anticipates net finance costs of c.£110m, based on prevailing interest rates, with the step-up versus 2022 reflecting higher rates and financing of Derco.

Tax: The effective tax rate for the year is 29.5% (2021: 43.4%), and the underlying effective tax rate on adjusted profit before tax is 26.1% (2021: 25.4%). The increase in the underlying effective tax rate includes the impact of a change in the Group's profit mix resulting in more profit arising in markets with higher corporate tax rates. Following the acquisition of Derco, and reflecting the greater profit contribution from markets with higher corporate tax rates, the Group's underlying effective tax rate is expected to be between 27% and 28%.

Non-controlling interests: Profits attributable to our non-controlling interests were £5m (2021: £5m). The Group's non-controlling interests comprise a 40% holding in PT JLM Auto Indonesia, a 33% share in UAB Vitvela in Lithuania, a 30% share in NBT Brunei, a 30% share in Inchcape JLR Europe, a 30% share in Ditec in Chile, a 10% share of Subaru Australia and 6% of the Motor Engineering Company of Ethiopia.

Dividend: The Board has declared a final ordinary dividend of 21.3p per ordinary share which is subject to the approval of shareholders at the 2023 Annual General Meeting, and if approved will be paid in June 2023. This follows an interim dividend of 7.5p, and takes the total dividend in respect of FY22 to 28.8p. The Dividend Reinvestment Plan is available to ordinary shareholders and the final date for receipt of elections to participate is 26 May 2023.

Capital expenditure: During 2022, the Group incurred net capital expenditure of £59m (2021: £40m), consisting of £69m of capital expenditure (2021: £65m) and £10m of proceeds from the sale of property (2021: £25m). 2022 net capital expenditure includes £2m related to Russia, incurred prior to its disposal. In 2023, we continue to expect net capital expenditure of less than 1% of Group sales.

Financing: As at 31 December 2022, the committed funding facilities of the Group comprised a syndicated revolving credit facility of £700m (2021: £700m), sterling Private Placement loan notes totalling £210m (2021: £210m), a bridge facility of £350m (2021: £nil) and a term facility of £250m (2021: £nil). As at 31 December 2022, the bridge and term facilities were fully drawn and the syndicated revolving credit facility was undrawn (2021: undrawn).

Pensions: As at 31 December 2022, the IAS 19 net post-retirement surplus was £93m (2021: £82m), with the increase driven largely by movements in corporate bond yields over the period affecting the discount rate assumption used to determine the value of scheme liabilities and the pension indexation gain treated as an adjusting item, partially offset by lower than expected returns on scheme assets. In line with the funding programme agreed with the Trustees, the Group made additional cash contributions to the UK pension schemes amounting to £2m (2021: £6m).

Acquisitions: In 2022 the Group continued to further expand its distribution footprint, completing six deals during the year. This includes the acquisitions of Ditec and Simpson Motors in the Americas region during the second quarter, and several new contract wins over the course of the year (Geely in Ecuador, ORA in Hong Kong and Macau, BYD in BeLux). The Group completed its acquisition of Derco on 31 December 2022, resulting in a cash-outflow of £407m and the assumption of Derco's closing net debt (£522m) – which reflects the closing position of the balance sheet upon completion. The purchase price included the issuance of 39 million new Inchcape shares (valued at c.£280m in July 2022 when the transaction terms were agreed). In light of the deal-timing, it was agreed that the pre-completion dividend owed to the Del Río family and the acquisition of minority shareholdings (£270m in total) would occur during 2023.

Discontinued operations: During the year, the Group agreed the sale of its remaining retail-only operations in Russia. In 2022, the operations generated revenue of £237m and operating profit of £21m. This has been classified within discontinued operations. The total loss reported was £241m, where we realised £99m of accumulated foreign exchange losses upon disposal.

VALUE DRIVERS

We provide disclosure on the value drivers behind the Groups gross profit. This includes:

- Gross profit attributable to Vehicles: New Vehicles, Used Vehicles and the associated income from finance and insurance products; and
- Gross profit attributable to Aftersales: Service and Parts

Vehicles

Aftersales

We operate across the automotive value chain, and during the year we generated 33% of gross profit through Aftersales (2021: 35%). In 2019 Aftersales accounted for 39% of Group gross profit. The reduction since 2019 reflects the greater gross profit contribution from vehicles as volumes improved and the benefit from higher vehicle gross margins.

REGIONAL BUSINESS MODELS

DISTRIBUTION

Americas

Country	Brands
Argentina	Subaru, Suzuki
Barbados[1]	Chrysler, Daimler Trucks, Dodge, Freightliner, Fuso, Isuzu, JCB, Jeep, John Deere, Mercedes-Benz, Mitsubishi, Subaru, Suzuki, Western Star
Bolivia	Changan, Chevrolet, JAC Motors, Joylong, Renault, Mazda, Suzuki
Chile	BMW, BMW Motorrad, DFSK, Changan, Geely, Great Wall, Haval, Hino, JAC Motors, Jaguar, Land Rover, Mazda, MINI, Porsche, Renault, Rolls Royce, Subaru, Suzuki, Volvo
Colombia	Citroen, DFSK, Dieci, Doosan, DS Automobiles, Hino, Jaguar, Land Rover, Mack, Mercedes-Benz, Subaru, Suzuki
Costa Rica	Changan, JAC Motors, Suzuki
Ecuador	Freightliner, Geely, Mercedes-Benz, Western Star
El Salvador	Freightliner, Mercedes-Benz, Western Star
Guatemala	Freightliner, Geely, Mercedes-Benz, Western Star
Panama	Suzuki
Peru	BMW, BMW Motorrad, BYD, Changan, Citroen, DFSK, Great Wall, Haval, Hino, Mazda, MINI, Renault, Subaru, Suzuki
Uruguay	Freightliner, Fuso, Mercedes-Benz

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

APAC

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

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

Europe & Africa

Country	Brands
Belgium	BYD, Lexus, Toyota
Bulgaria	Lexus, Toyota
Estonia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Finland	Jaguar, Land Rover, Mazda
Greece	Lexus, Toyota
Latvia	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI
Lithuania	BMW, BMW Motorrad, Ford, Jaguar, Land Rover, Mazda, MINI, Rolls Royce
Luxembourg	BYD, Lexus, Toyota
North Macedonia	Lexus, Toyota
Poland	Jaguar, Land Rover
Romania	Lexus, Toyota
Djibouti	BMW, Komatsu, Toyota
Ethiopia	BMW, Hino, Komatsu, New Holland, Suzuki, Toyota
Kenya	BMW, BMW Motorrad, Jaguar, Land Rover

RETAIL

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

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

JAGUAR LAND ROVER

Inchcape and Jaguar Land Rover's partnership is one of long standing, reaching back over 50 years in total. We have continued our JLR growth story right up to the present day, with distribution contracts awarded for Thailand, Colombia, Kenya and Poland in recent years, with the addition of Indonesia in 2021. We now represent Jaguar and Land Rover in 12 markets on four continents.

Locations

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

Retail:
UK

SUZUKI

Locations
Distribution:
Argentina, Barbados+, Bolivia, Chile, Colombia, Costa Rica, Panama, Peru, Singapore

We have a partnership with Suzuki now extending to 46 years, significantly expanding this relationship in 2018, and adding to our established South America platform with our first move into Central America and then the Caribbean. In 2022 we completed the acquisition of Derco, adding Suzuki to our operations in Chile, Colombia and Peru, and adding Boliva to the portfolio.

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

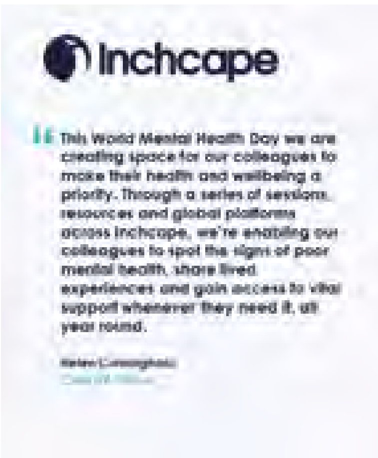
At the start of 2022 we began our global Inclusive Leadership Programme for all our leadership populations.

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.

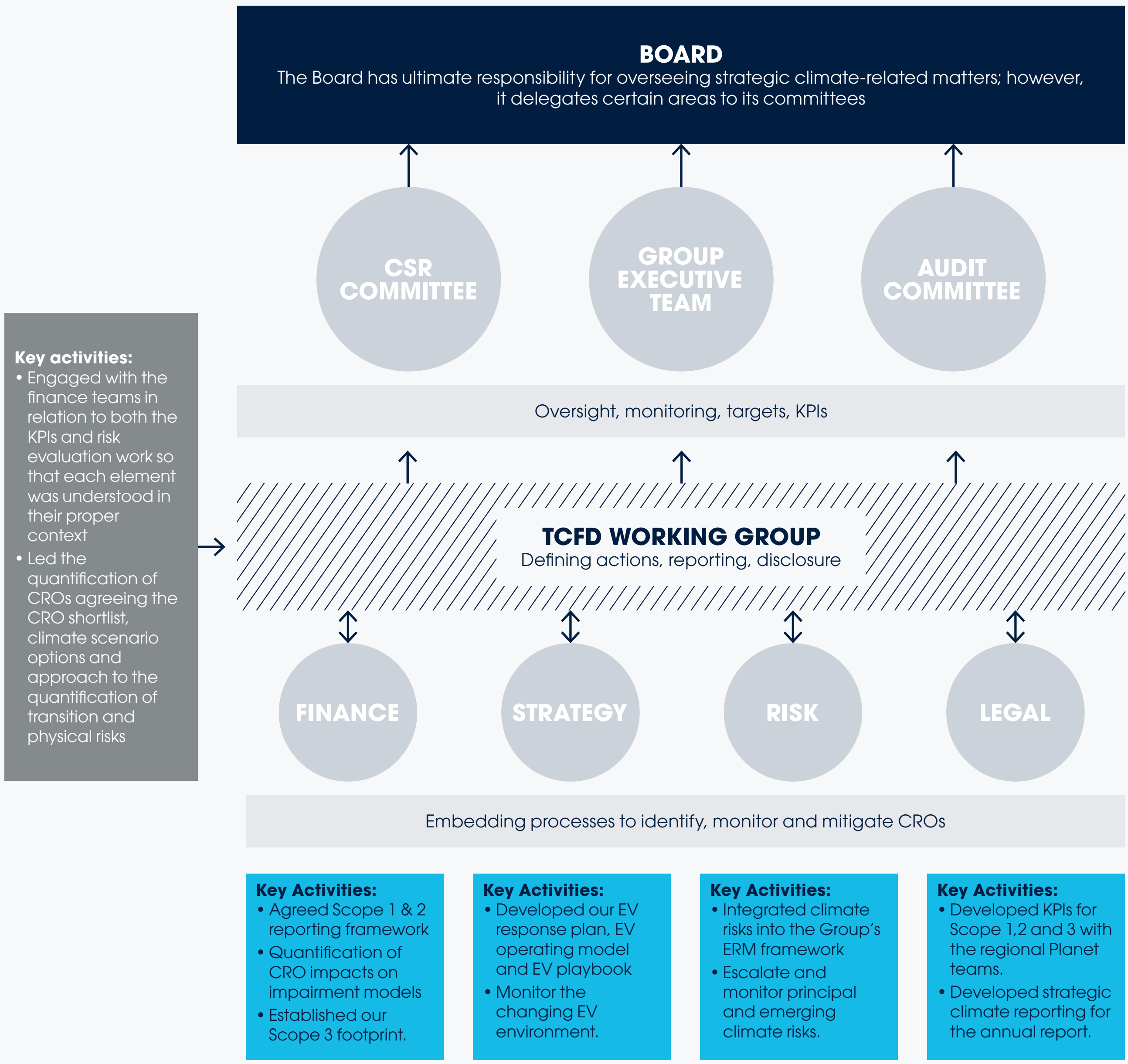
Other climate-related issues considered by the Board during the year include the:

- 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

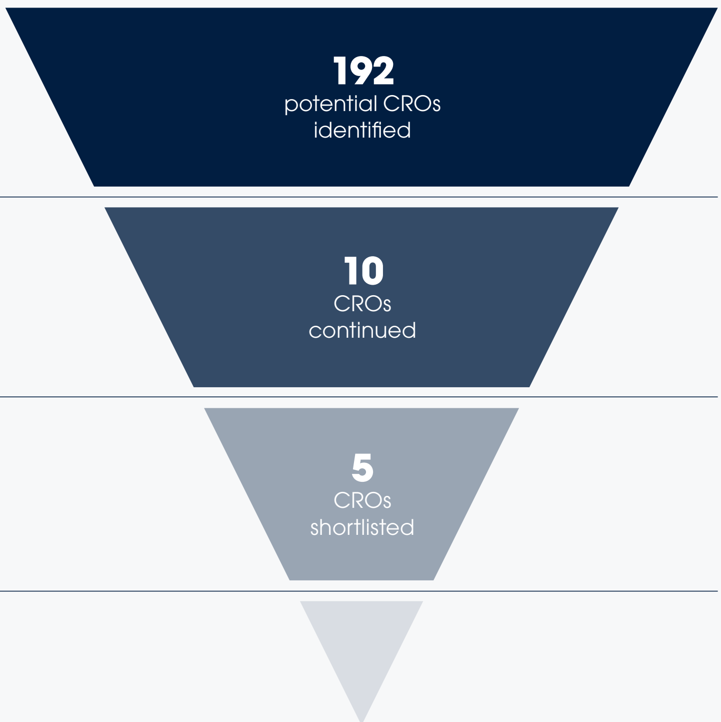
1 Identification
In 2021 we undertook a CRO exercise consisting of a top-down by group,and bottom-up by each business unit, exercise to identify potential climate risks in our business and value chain.

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.

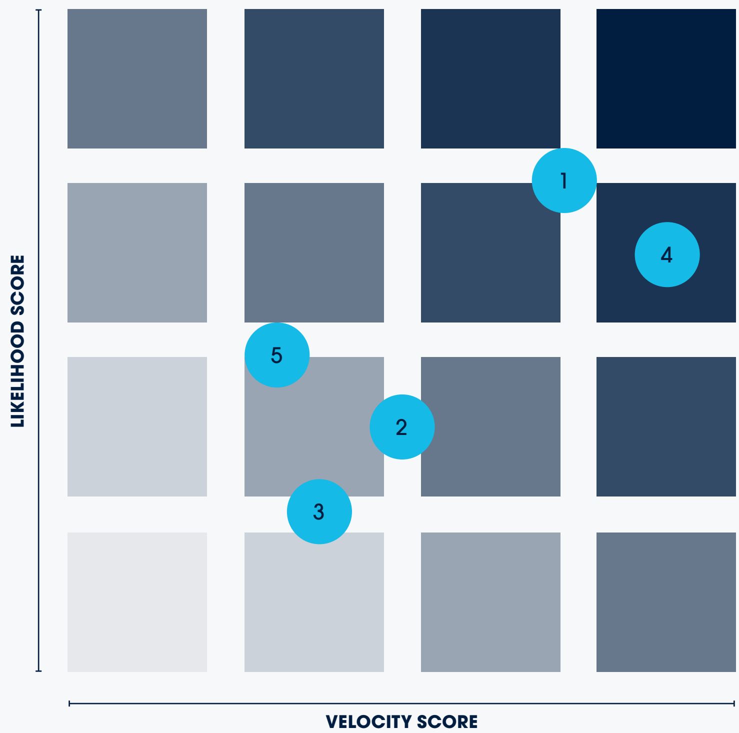
COMPARATIVE IMPORTANCE OF RISKS

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.

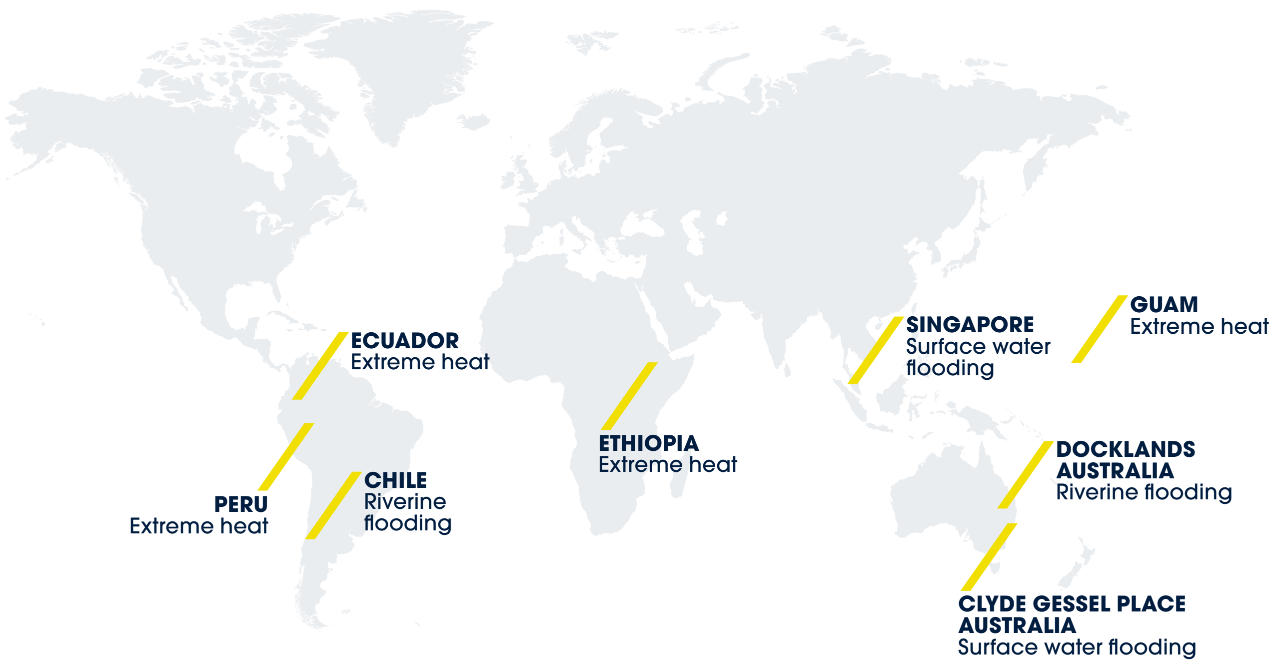
We are taking steps to enable detailed quantification in future reporting.

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 Short	Financial impact Med	Financial impact Long	Strategic response and resiliency	Measurement
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.

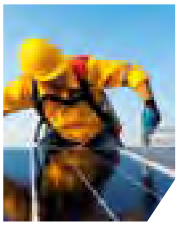
A SWITCH TO RENEWABLE ENERGY SOURCES

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		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
		% of sites at 100% renewable electricity	50.3%	
		Energy intensity by revenue (tCO_2e/£m)	26.9	
Physical risk		We do not have physical risk metric in place		
Capital deployment		% of capex towards climate initiatives	10.8%	To demonstrate the level of investment we are committing towards climate to achieve our strategy
Remuneration		Scope 1 and 2 emissions (tCO_2e)	30,805	Incentivising leadership to deliver emissions reductions
Transition risk		% of NEV sold	1.8%	-% of NEV sold
Opportunities		% of NEV sold	1.8%	-% of NEV sold
Internal carbon pricing		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.

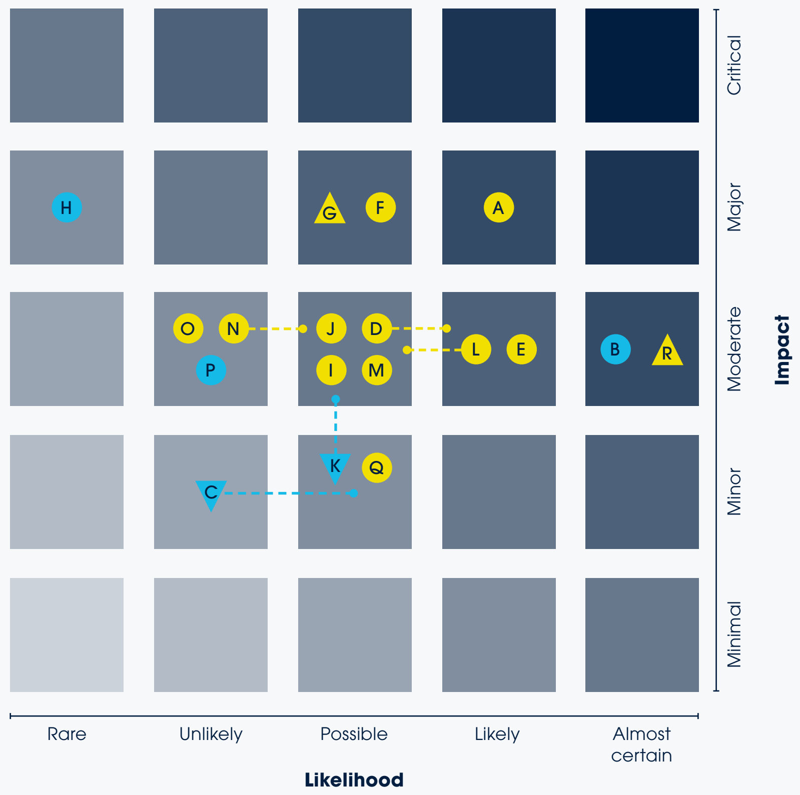
D – People: engagement, retention
E – Political risk/social unrest
G – Margin pressure
H – OEM: loss of distribution contract
I – Change delivery
J – People: future skills
K – New market entrants: new business models or technology
L – EV transition risks
N – Loss of technology systems
P – Foreign exchange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