


OUR APPROACH TO CLIMATE CHANGE

The automotive sector is a significant contributor to global greenhouse gas emissions. Man-made climate change, and the actions that societies and policy makers are taking to seek to minimise its effects, will have material impacts upon our business. We incorporate consideration of those impacts into the development of our strategy and into our risk analysis. We set relevant and appropriate metrics and targets and operate within a robust governance framework.

The climate-related financial disclosures made by Inchcape plc comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

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 52. We have also not quantified the potential financial impact for Risk 4 and Opportunities 1 and 2 in this disclosure because the data is not yet sufficiently robust. 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.

TCFD Index

TCFD Disclosure	Description of progress	Page reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 41 to 42 
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Page 43 to 44 
Risk Management	a) Describe the organisation's process for identifying and assessing climate risk. b) Describe the organisations processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 44 to 49 
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose scope 1, 2, and, if appropriate, scope 3 greenhouse gas emissions and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 50 to 52 

Aligned

 aligned
  partially aligned
  unaligned

GOVERNANCE

a) Board's oversight of climate-related risks and opportunities

Inchcape considers climate change to be a critical strategic issue and it is considered by the Board during its discussions on strategy, risk management, remuneration, financial performance, and ESG matters. The Board is also responsible for approving and monitoring strategic programmes and expenditure. Further information on the Board's consideration of climate change in relation to strategy is given on page 43.

At the beginning of the year the Board considered the work undertaken to quantify the Group's principal climate-related risks and opportunities (CROs) and the Group's scope 3 emissions including the degree of control that the Company has over those emissions. The Board followed a three-step approach to assess the potential to set scope 3 emissions targets. The Board considered the level of control the Company has in relation to different scope 3 categories and the assessment of emissions trajectories to 2030 under different scenarios. The Board determined that the Company would not be able to set emissions targets in line with the requirements of the Science Based Targets Initiative that it would have a realistic prospect of being able to achieve. Recognising, however, the need to address its scope 3 emissions, the Board undertook to:

- do everything in our control to reduce scope 3 emissions, at the fastest pace possible;
- take into account scope 3 emissions in the context of its choices about mobility company partners and portfolio considerations; and
- support customers, teams, and mobility company partners in the transition.

Whilst the Board has responsibility for overseeing strategic climate-related matters, other climate-related matters, such as reviewing progress against climate-related reduction targets, are delegated to other Board and management committees.

The CSR Committee is responsible for ensuring the 'Driving What Matters' plan (Plan) is fit for purpose and appropriate metrics and targets are in place and reported upon. The Plan consists of four pillars: People, Places, Practices and Planet. It is the Planet pillar that has responsibility for considering the impact the industry has on the environment, and the likely impact of climate change upon the business. The Planet pillar remit includes:

- understanding, reporting, and acting upon climate change risks and opportunities;
- reducing the Group's controllable emissions; and
- defining our approach towards value chain emissions.

The CSR Committee meets three times a year and reviews progress of the Planet pillar against its action plans and emissions reduction targets. Further information on the activities of the CSR Committee are given on pages 90 and 91, and the Planet pillar is given on page 39.

The Audit Committee is responsible for reviewing the Group's principal and emerging risks, including those impacted by climate change and provides advice to the Board to enable it to carry out its annual review of the Group's risk profile. The Audit Committee also considers the impact of climate change when assessing significant

accounting judgements and the ongoing viability of the Group. The Audit Committee meets four times a year, with risks being considered at every meeting and significant accounting judgements considered twice a year. Further information on the activities of the Audit Committee is given on pages 82 to 89.

The Remuneration Committee has responsibility for considering the inclusion of climate-related metrics in the Group's incentive plans. Scope 1 and 2 emissions reduction targets were included in the 2023 bonus plan for the Group Chief Executive (CEO), and the Committee reviewed progress against targets when approving outcomes for the year. Further information is given in the Directors' Report on Remuneration on pages 107.

b) Management's role in assessing and managing climate-related risks and opportunities

The Group Executive Team (GET) has primary responsibility for assessing and monitoring climate related risks and opportunities as part of the:

- development, and implementation of the Accelerate Strategy; and
- implementation of the Group's enterprise risk management (ERM) framework.

In developing the Accelerate strategy, the OEM Pipeline Committee considers entering into relationships with new mobility company partners taking into account the risk of misalignment between our product portfolio in a given market and the pace of EV adoption in that market.

Detailed ERM plans to mitigate short-term climate-related risks are developed by each region with approval and oversight on progress by the GET. In addition, the members of the GET are responsible for identifying and managing risks in their own business areas and the GET as a whole determines the Group's principal risks at both the half year and year end following a comprehensive risk management review process.

Regional scope 1 and 2 emissions reduction plans are regularly assessed by the CEO, Group Chief Financial Officer (CFO), and Chief Sustainability Officer, while the Investment Committee approves any material capital expenditure required to help to achieve the targets.

The Sustainability Reporting and Disclosure Committee (formerly the TCFD Working Group) consists of the CFO, Group General Counsel & Chief Sustainability Officer, Chief Strategy Officer, Head of Internal Audit, and Group Company Secretary. The Group meets quarterly to monitor the main climate-related risks and opportunities, in the context of strategy, governance and financial performance. Functional leaders from Finance, Legal, Strategy, Risk, and the Planet pillar, monitor:

- GHG emissions – progress against scope 1 and 2 reduction targets, and assessment of scope 3 footprint;
- impact on impairment;
- existing and emerging climate-related regulatory requirements;
- integration of climate-related risks into ERM framework; and
- implementation of policies, tools, and best practices throughout the Group.

+ Please see the **Governance Framework** on page 42 for further information

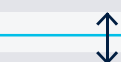
GOVERNANCE FRAMEWORK

THE BOARD

The Board has ultimate responsibility for overseeing strategic climate-related matters and oversight of the Group's strategy, which includes consideration of climate-related risks and opportunities and the impact on the long-term sustainable success of the Group.

The Board's responsibilities include:

- Overseeing the Group's strategy.
- Ensuring maintenance of effective risk management and internal control system, including approval of the Group's Principal Risks.
- Approving risk appetite and risk policy.
- Approving the Group's emissions reduction targets for scopes 1 and 2, considering scope 3 emissions, and the implications on strategy.
- Approving TCFD disclosure and other sustainability related disclosures.



- Oversight of the Planet pillar of the Responsible Business framework.
- Agrees emission reduction targets and monitors progress against plans for each region.
- Reviews TCFD disclosure.



- Oversight of risks management and internal control frameworks, including CROs.
- Ensures CROs are effectively managed, and emerging climate risks are identified and monitored.
- Reviews impact of CROs on significant accounting judgements such as impairment.



- Ensures alignment of the Group's remuneration policies and procedures to achieve sustainability related goals.
- Reviews and approves level of emissions reduction targets in CEO and CFO bonuses.
- Consideration of climate-related target for long-term incentives schemes.



GROUP EXECUTIVE COMMITTEE

Responsibilities include:

- Design of strategy – considering 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 performance – impact of climate on future cash flows and impairment.
- Business development – assessment of current and future mobility partners, and market infrastructure.
- Customers – consideration of changing consumer preferences in relation to new energy vehicles (NEVs).



SUSTAINABILITY REPORTING AND DISCLOSURE COMMITTEE (previously TCFD working group)

- Engage with functional teams in developing KPIs, risk assessment and management, data collection, and climate-related disclosures.
- Led the quantification of the CROs and oversees an annual review to ensure the assessments remain appropriate.



OEM PIPELINE COMMITTEE

- The committee consists of all members of the GET.
- Considers new mobility partners and business development, taking into account misalignment risk analysis and mitigations against this.



INVESTMENT COMMITTEE

- The committee consists of the Group Chief Executive, Group Chief Financial Officer, and the Group General Counsel and Chief Sustainability Officer.
- Approves capital expenditure in relation to climate-related projects, such as the purchase of solar panels.
- Reviews energy efficiency designs of new sites and refurbishments.



FINANCE

- The Group-wide emissions reporting framework.
- Consideration of the financial impact of climate change on impairment assessment.

STRATEGY

- Monitor changing EV environment in terms of mobility partners, customers, and infrastructure in the markets in which the Group operates.

RISK

- Integration of CROs into the Group's ERM framework.
- Monitor and escalate principal and emerging climate risks.

LEGAL

- Review existing & emerging regulatory requirements.
- Consideration of mobility company partners approach to climate-change risks and opportunities.

SUSTAINABILITY

- Review progress against scope 1 and 2 targets for each region.
- Monitoring the implementation of policies, tools, and best practice.

STRATEGY

a) Climate-related risks and opportunities over the short, medium, and long term

The impacts of man-made climate change are material and are being felt today by the customers and communities that we serve. Those impacts will only grow over time. The automotive sector recognises this and is on a journey to decarbonise. This journey will bring risks and opportunities for our business; consideration of those risks and opportunities is therefore an integral part of the process to define and execute our strategy.

Transition and physical risks can manifest over different time horizons. We have evaluated the implications of climate risks and opportunities over the following time periods:

- Short term (up to 2026): 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): this time period aligns with our interim climate-related targets; and
- Long-term (2030 to 2050): this time period aligns with our long-term climate-related targets.

To identify our climate-related risks, we have looked at transition and physical risks. Transition risks are 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 bring the most material climate-related impacts 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 screen our sites for insured value, stock value and exposure to physical hazards using climate models.

b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

The most material climate-related risks to the Group's business, strategy, and financial planning are given in the table on page 48. Impacts include loss of market share in the markets in which we operate, reduction in aftersales revenue, pressure on distributor margins and financial loss due to damage caused by extreme weather events.

To reduce the potential impacts of climate risks and take advantage of opportunities, the Board considers:

- the misalignment risk analysis is used to inform mobility partner participation and consolidation strategy;
- new aftersales revenue streams to develop aftersales strategy;
- identification and development of alternative value pools to offset margin risk; and
- incorporation of transition and physical risk considerations in acquisitions and future growth plans.

During the Strategy Day in May, the Board carried out a deep dive into the following areas in addition to its broader discussion on strategy:

Powertrain	Impact of BEV adoption on global emissions Alternative EV powertrains Regional EV adoption EV batteries
Market	Regulation Impact of subsidies EV adoption forecasts
Mobility company partners	Mobility company partner landscape Mobility company partner commitments
Key risk	Misalignment

The Board also considered portfolio choices in the context of climate change which considers the Group's participation strategy through the lens of sustainability and guiding principles on businesses we own today and businesses that we may acquire in the future.

This has led to a considered approach to M&A as evidenced by the recent acquisition of Great Lake Motor Distributors (GLM) in New Zealand. The New Zealand automotive market is going through a dramatic shift away from internal combustion engine (ICE) vehicles towards electric vehicles (EVs), driven by Government legislation and supported by a strong charging network and consumer appetite. The Group's mobility company partner in the market prior to the acquisition of GLM consisted of an ICE product line-up only with EV models not likely to be available for some time.

The acquisition of GLM gives the business access to commercial battery electric vehicle (BEV) product in a market where EV penetration is increasing at pace. The addition of LDV (MAXUS, the commercial arm of SAIC) and SsangYong strengthens Inchcape's product portfolio across several key segments, including electric vehicles, light commercial vehicles, and SUVs, ensuring Inchcape is poised to offer mobility solutions to meet the full range of customer requirements in New Zealand.

The Board and the Group Executive Team review climate change factors that could impact the business plan in the short, medium, and long term, and the scenario analysis around the potential impacts of climate change, such as expectation of the pace of change, and how transition to BEVs will impact the operations carrying out servicing or repairs. Key steps undertaken in financial planning is to ensure that the base case forward cashflow assumptions remain appropriate in light of the scenario analysis and to ensure that the sensitivity analysis performed covers all the reasonably probable outcomes identified through the scenario analysis. Further information is given in the Financial Statements on pages 165 to 166.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

c) Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario

In order to limit global warming to less than 2°C above pre-industrialised levels, there would need to be an acceleration in the energy transition, including faster adoption of battery electric vehicles (BEVs). Our mobility company partners are developing their BEV offerings at pace and we play an important role in helping them to understand the speed and characteristics of the transition in the markets in which we operate. This ensures we have a resilient strategy by ensuring that we have the right product available for our customers at the right time and in the right place.

Chinese mobility partners are likely to play an increasingly important role in the global automotive market, not least as a result of their leading position in BEV technology. We are continuing to develop our relationships with Chinese mobility company partners, in particular those that have a strong BEV offering. This includes BYD, SAIC, Changan, and Great Wall Motors.

As a result of our approach, breadth of mobility partner relationships and flexible business model, we believe that we have a high degree of resilience to a range of different climate-related scenarios and are well placed to respond to the risks and take advantage of the opportunities.

RISK MANAGEMENT

+ Further information on identifying and managing risks can be found in Risk management section on pages 56 to 63.

a) Describe the process for identifying and assessing climate 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 risk appetites as risk-averse, risk tolerant and risk seeking. The appetite for each specific risk is decided by the Group.

b) Describe the process for managing climate-related risks

Our organisation manages and monitors climate related risks and opportunities (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 monitor and manage risks, each risk is assigned to a risk owner and action owners. This risk owner is accountable for the risk and holds action owners to account for progressing action that move the risk to its target level.

c) Describe how processes for identifying and managing climate-related risks are integrated into overall risk management

During the year, all markets and regions provided more detail on the specific climate-related risks and opportunities in their market (the CRO assessments), which were then added to the risk register to be monitored. Consideration was given to the factors which may influence the level of EV transition risk in each market. These factors include government legislation, market EV infrastructure, mobility company partner ambitions, and the level of competition. Additional information was provided in 'timing' to indicate the earliest year when the risk might materialise.

The CRO assessments identified the key risks as EV transition; freight costs; tax and regulatory change and extreme weather as main (downside) risks. The key opportunities are favourable tax incentives and regulation; new mobility partnerships; new revenue streams and energy efficiency.

The Market and Regional Risk Committees used the outputs from the CRO assessments to develop mitigation action plans, which included more explicit incorporation of an assessment of carbon tax risk. The CRO assessments will be updated in 2024, ensuring close alignment of business risk analysis with strategy-setting, GET action-planning, and external scenario analysis. Outputs from CRO assessments will also provide inputs to strategic planning activity.

The key CROs are linked to several of our principal risks:

- EV transition – remains a moderate risk to the Group as we continue to seek alignment between supply of EVs and changing market conditions (Principal Risk B – page 58);
- HSE – physical risks – extreme weather events, wildfires, typhoons, flood (Principal Risk E – page 59); and
- Business interruption – our ability to recover (page 60).

In addition, several emerging climate-related risks have been identified and are monitored on the watchlist.

Risk title	Definition
Climate activism	Impact of climate activism such as potential litigation, protests, or digital disruption.
Climate reporting	Increasing demands of external regulation relating to CO ₂ reduction targets and other aspects of climate change.
EV: battery supply shortage	Shortage of rare earth materials disrupts the supply of EV batteries, leading to a shortage of available EV vehicles.
Government action to reduce car ownership	Government legislation discouraging car ownership/use.
Extreme weather – property damage	Increased frequency and intensity of property damage and business interruption arising from flooding, wildfires, and hailstorms.

RISK IDENTIFICATION AND ASSESSMENT PROCESS

192 POTENTIAL CROS IDENTIFIED

10 CROS CONTINUED

5 CROS SHORTLISTED

In 2021 we undertook a full value chain analysis at a business unit level and from 2022 all markets complete a risk questionnaire every six months, which considers new legislation, mobility company partner ambitions, competitor capabilities, and the market EV status.

Key exposures were reviewed and assessed by conducting workshops and interviews with a range of stakeholders across strategy, finance and risk management.

Using the outputs of our assessment we reviewed the long list of CROs to develop a short list of key CROs for the business. Each risk and opportunity is qualitatively rated for likelihood, velocity, and potential impact (see below).

In 2022, we carried out a quantified scenario analysis on the key CROs identified. This process concluded that some CROs have a low financial impact and others can be combined with adjacent risks.

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 an intermediate scenario in which temperatures are more likely than not to exceed 2°C. 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.

RISK ASSESSMENT APPROACH

SCENARIOS	CLIMATE CHANGE SCENARIOS		
CROs: CLIMATE RISK & OPPORTUNITIES	TRANSITION RISKS Tax, legal, regulatory, EV market transition, supply chain, reputational risks.	PHYSICAL RISKS Flooding, heat, cyclones, wildfire, rising sea levels, drought.	OPPORTUNITIES New markets, products, services, income streams, lower operating costs, access to finance.
ASSESSMENT METHOD	Integrated into existing enterprise risk management assessments . Supplementary analysis for EV transition risks (supply & demand). 	Centralised, natural catastrophe modelling using property values and insurance data at Group. 	Evaluate opportunities: use risk register criteria or existing investment appraisal procedures. 

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

SCENARIO ANALYSIS

Climate scenario analysis was carried out in 2022 to help us 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 <ul style="list-style-type: none"> Higher transition risk Lower physical risks Strong government intervention 	1.5°C aligned <ul style="list-style-type: none"> Additionally to RCP 2.6, includes a granular accelerated EV transition 	1.5°C aligned <ul style="list-style-type: none"> Additionally to RCP 2.6, includes disorderly and orderly carbon price assumptions 	4°C aligned <ul style="list-style-type: none"> 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
RCP: Representative Concentration Pathway

Representative Concentration Pathways (RCP) were chosen because they are defined emissions pathways which can be input into global climate models to derive the physical climate futures. 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	Analysis of potential impacts performed on a qualitative basis	

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 on 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.





TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

RISKS

Risk Description	Summary	Scenario	Financial impact			Strategic response and resiliency	Measurement
			Short	Med	Long		
1 Misalignment between mobility company partners and markets on BEVs leads to market share decline 	Misalignment between the speed at which our mobility company 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	<ul style="list-style-type: none"> As part of our broader strategy, our ambition is to form new partnerships with pure EV entrants to expand our mobility company partner portfolio. We have taken proactive steps to achieve this by joining with mobility company partners 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: <ul style="list-style-type: none"> 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; and 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 (please see pages 50 and 51). 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 and 2 absolute Sensitivity: % Revenue CAGR % Gross margin
		NGFS 1.5°C disorderly	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 mobility company 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 mobility company 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			Strategic response and resiliency	Measurements
			Short	Med	Long		
1 Alignment between mobility company partners 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 mobility company 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 mobility company partners 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 mobility company partner 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 mobility company partners 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 pages 165 and 166 (note 10) of the financial statements.

Key:



Distribution Excellence

Financial impact key:

Low impact: impact to revenue <£100m



Vehicle Lifecycle Services

Medium impact: impact to revenue £100m – £200m

High impact: impact to revenue >£200m

Time Horizon key:

Short term (up to 2026): three-year period aligns with viability assessment

Medium term (up to 2030): aligns with interim climate-related targets

Long term (2030 to 2050): aligns with long-term climate-related targets

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.

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 forward, 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.

There have been no material changes to the structure of our markets which would indicate a change to the profile of the key climate-related risks, therefore further analysis was not carried out in 2023. The misalignment risk analysis is used to inform the judgement on impairment, further details can be found in the financial statements on pages 165 to 166.

HOW WE ARE DRIVING ACTION TO REDUCE EMISSIONS

During the year we developed a plan to reduce emissions supported by short, medium, and long-term actions. The plan is commensurate with the Accelerate strategy and demonstrates how we will continue to grow a sustainable and climate resilient business.

EFFICIENCY MANAGEMENT



77% of our scope 1 and 2 emissions come from our buildings (location-based): our dealerships, our warehouses, our offices, and our call centres. Reducing the amount of energy that we use in our premises is therefore a key element of our decarbonisation programme. As well as reducing our carbon footprint, this also reduces cost and mitigates the impact of future energy price rises.

Achievements to date:

- LED upgrades in 20 markets across the four regions
- HVAC systems upgrades
- Metering & sub-metering in the UK, saving an average of 10% per site
- Energy audits undertaken in Australia, Ethiopia, Guam, Kenya, and Singapore
- Colleague awareness programmes in every region

ELECTRIFICATION



National grids are steadily decarbonising as they become increasingly reliant upon renewable sources of electricity. Using electricity rather than fossil fuels therefore helps us to reduce our emissions footprint.

Achievements to date:

- Switch to air source heat pumps in Oxford, UK
- Electric paint booth retrofit in Chile and Latvia
- Doubled EV vehicles in proportion of UK demo stock
- 42% of pool cars in Singapore are either EV or hybrid

ONSITE GENERATION



Onsite generation enables an immediate reduction of site CO₂ emissions. The benefits include the production of CO₂ free electricity, reduction in electricity costs and moderates impact of future electricity price rises. Onsite generation also provides security of supply.

Generating renewable electricity at our premises means that we do not need to draw electricity from the grid. It reduces our carbon footprint, saves us money, and provides energy security for the future.

Achievements to date:

- Solar panels installed across markets in all four regions
- Across a full year of operating, the solar panels are forecasted to avoid 3,000 tonnes of CO₂ emissions per year, reducing emissions and utility costs
- Future installations being investigated

GREEN TARIFFS



Buying electricity on green tariffs contributes to a reduction in carbon emissions.

Achievements to date:

- 32% of all sites are on green tariffs

MINIMUM REQUIREMENTS FOR ALL INCHCAPE BUSINESSES

ENERGY EFFICIENCY

- Identifying opportunities to reduce energy consumption through efficient running of our buildings and investing in energy efficiency

GREEN TARIFFS

- To maintain and extend our green tariff procurement programme
- Identify other opportunities for renewable electricity procurements, such as Power Purchase Agreements

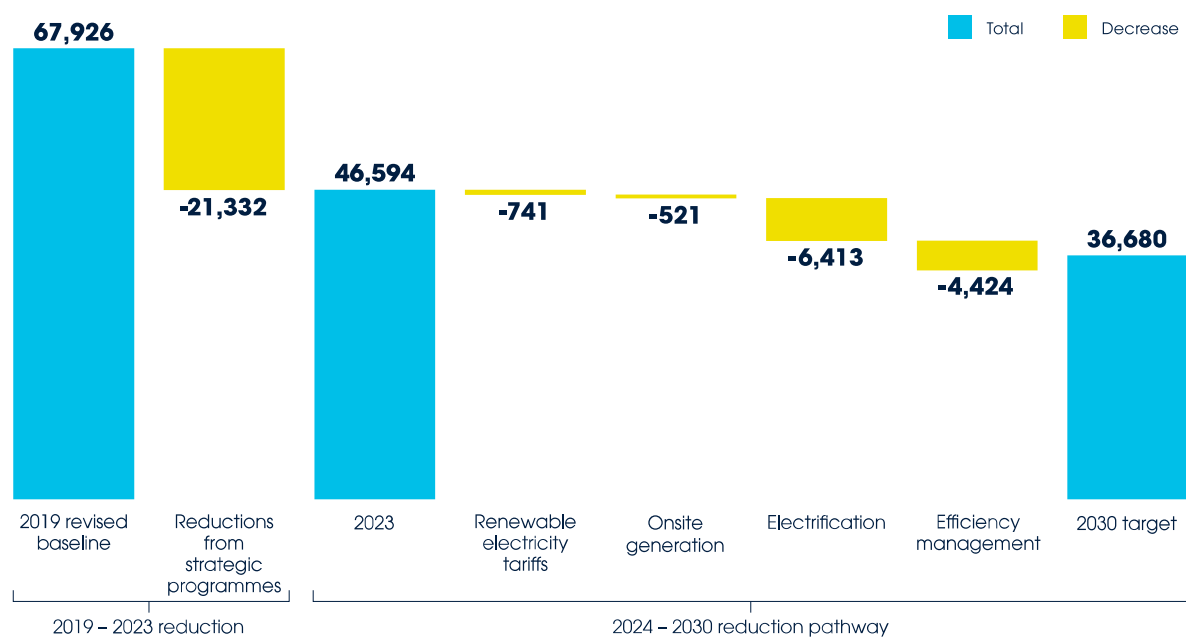
ELECTRIFICATION

- To plan for our locations to be all electric with the removal of fossil fuels, in normal operations
- To move our company car fleet to new energy vehicles

ONSITE GENERATION

- To identify more opportunities to install solar panels as well as identify other onsite renewable technologies, such as ground source systems where possible

PATHWAY TO 2030 SCOPE 1 AND 2 TARGET (MARKET-BASED)



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTINUED

METRICS AND TARGETS

The Group uses a variety of metrics to measure the current and potential impact of our climate-related risks and opportunities, including greenhouse gas (GHG) emissions and business specific metrics. Our metrics are laid out across the seven cross-industry metric categories defined by the TCFD.

In 2021, we established our GHG reduction target to reduce our scope 1 and scope 2 emissions by 46% by 2030 and in the longer term we are committed to reaching net zero by 2040. The GHG emissions, capital deployment and remuneration metrics are used to measure our progress to net zero. Pages 50 to 51 sets out the actions being taken across the Group to reduce emissions. We measure the number of new energy vehicles (NEVs) sold to monitor the impact of misalignment risk and misalignment opportunity.

During the year the GET assessed the appropriateness of using an internal carbon price within the business. This analysis is still being reviewed and a further update will be given next year.

Key metrics used to measure progress

Metric category	Status	Metric	2023 actual	Objective
GHG emissions		Scope 1 and 2 emissions (tCO ₂ e)	46,594	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	32%	
		Energy intensity by revenue (tCO ₂ e/\$m)	3.7	
Physical risk		We do not have physical risk metric in place		
Capital deployment		% of capex towards climate initiatives	6.6%	To demonstrate the level of investment we are committing towards climate to achieve our strategy
Remuneration		Scope 1 and 2 emissions (tCO ₂ e)	46,594	Incentivising leadership to deliver emissions reductions. Included in the short-term incentives
Transition risk		% of NEV sold	22.26%	-% of NEV sold
Opportunities		% of NEV sold	22.26%	-% 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.

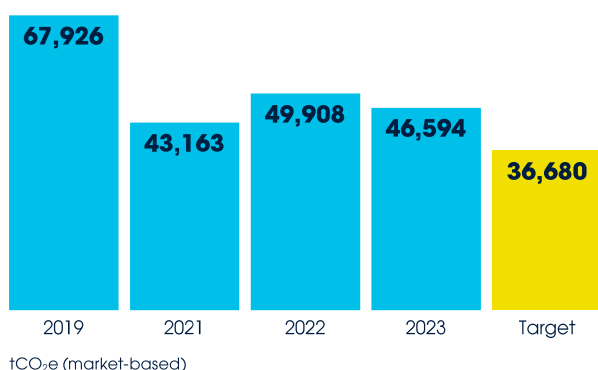
Greenhouse gas (GHG) emissions

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. We report our greenhouse gas emissions according to the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development, and the World Resources Institute. Please see page 53 for our Streamline Energy and Carbon Emission reporting (SECR).

SCOPE 1 AND 2 EMISSIONS (tCO₂e)

The target is to reduce scope 1 and scope 2 emissions by 46% by 2030. The 2019 baseline has been adjusted in line with Inchcape policy derived from GHG Protocol Corporate Standard 'Tracking Emission Over time' for a) structural changes in the business including M&A and divestitures, and b) amendments for data gaps above the significance threshold.

Emissions reductions have been driven by the switch to renewable energy tariffs, reduced electricity consumption and lower emission factors driving decreases in the Americas and APAC, and reductions in refrigerant emissions due to management schemes put in place in Australia and Belgium.



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 mobility company partners activities and account for 99.97% of our total emissions footprint at a total of 18.7m tCO₂e. The Group's 2023 scope 3 emissions is 15.2m tCO₂e, which includes all scope 3 categories except for: upstream leased assets, downstream transportation and distribution, processing of sold products, and franchises.

STREAMLINED ENERGY AND CARBON REPORTING REGULATIONS (SECR)

We collect data for all material emissions for which we deem ourselves to be responsible and look for ways in which to minimise our footprint. Data is collected for two key performance indicators: scope 1 – our use of gas and fuel in vehicles we own and scope 2 – our global energy usage. The below does not include scope 3 intensity ratios or emissions data.

Data collection and reporting period

Data has been collected for all markets from 1 January 2023 to 31 December 2023. The level at which we report is by business unit for each market. This covers our retail operations, distribution operations and business service operations, which fall within our operational control boundary.

Intensity ratio

The Group's intensity ratio compares emissions data by dividing total tonnes of CO₂e by revenue, an appropriate financial indicator. This allows for a fair comparison over time of CO₂e emissions given the growth trajectory envisaged for the Group and cyclical variations in business activity. As required under the SECR regulations the following information relates to the energy consumed in our operations. The list of United Kingdom entities is given on page 219.

	2023		2022	
	UK & Offshore	Global	UK & Offshore	Global
Total Energy Consumption (kWh)	32,392,786	199,320,469	31,174,666	139,657,792
Scope 1 (tCO ₂ e)	3,598	27,066	3,617	27,298
Stationary Combustion (tCO ₂ e)	2,117	9,663	1,702	9,403
Vehicle Fuel Combustion (tCO ₂ e)	1,278	15,733	1,698	15,895
Fugitive Emissions (tCO ₂ e)	203	1,671	216	2,000
Scope 2 (Location-based, tCO ₂ e)	3,088	32,581	2,886	33,205
Scope 2 (Market-based, tCO ₂ e)	5	19,528	8	22,610
Total scope 1 & 2 (Location-based, tCO ₂ e)	6,686	59,647	6,503	60,503
Scope 1 & 2 emissions intensity ratio (Location-based, tCO ₂ e/£m)	6.3	4.8	3.2	7.5
Total scope 1 & 2 (Market-based, tCO ₂ e)	3,603	46,594	3,624	49,908
Scope 1 & 2 emissions intensity ratio (Market-based, tCO ₂ e/£m)	3.4	3.7	1.8	6.2
Revenue (£m)	1,065	12,498	2,029	8,112
Methodologies used in calculation of disclosures	GHG Protocol Corporate Accounting and Reporting Standard GHG Protocol Corporate Value Chain Accounting and Reporting Standard GHG Protocol Scope 2 Guidance			

Emissions data previously published in the 2022 Annual Report and Accounts has been restated. This is because the prior year has been adjusted for structural changes in the business and amendments for data gaps.

Carbon efficiency measures

The Group's Controllable Emissions management team developed its strategic programmes to reduce carbon emissions, focusing on four key areas: energy efficiency, onsite renewable energy generation, electrification, and renewable electricity purchasing. Our markets are implementing the programmes to identify opportunities to reduce our carbon emissions. Carbon efficiency measures introduced in 2023 included:

- Energy audits undertaken in Australia, Ethiopia, Guam, and Singapore, identifying opportunities to reduce energy consumption and carbon emissions;
- Automatic metering and monitoring installed in the United Kingdom, saving an average 10% energy consumption across sites;
- Installing solar panels in 11 countries across all regions. When operating for the full year, the panels installed in 2023 are forecasted to avoid over 2,000 tCO₂e per year;
- Increasing our share of hybrid and electric vehicles in Bulgaria, Estonia, Hong Kong, Philippines, and Singapore; and
- Expanding the number of green electricity contracts in Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Romania, and Uruguay.

In 2024, focus will be on implementing opportunities that the four strategic programmes identify, such as further rolling out of automatic metering solutions, LED lighting, building controls, increasing the number of hybrids and electric vehicles in our company car fleets, and considering a green roof for new United Kingdom sites to increase biodiversity net gain.