Climate related scenario analysis

To further understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term, the TCFD recommends undertaking climate scenario analysis, which includes a '2°C or lower scenario' in line with the 2015 Paris Agreement.

We examined three climate scenarios against two timeframes for the purposes of our analysis. The three scenarios we considered were as follows:

Scenario	Description
Disorderly transition	Rapid change in policy and legislation to encourage businesses to rapidly achieve reductions and avoid climate change – UK takes immediate and substantial action – governments make dramatic policy interventions to make up for a late start.
Orderly transition	Additional policy and legislation introduced to limit climate change – UK does not take immediate and substantial action – gradual and deliberate shift towards a low carbon economy.
Hot house world	Business as usual – no change in climate policy and legislation – UK takes limited or no action – continuation of current projection of carbon emissions without any significant abatement or mitigation.

Impact	Mitigation/response	Financial impact	Inherent likelihood
Physical risk: Increased frequency/severity of extreme weather and climate related natural disasters			
• Offices closed. • Data centre disruption. • Customers cannot open their showrooms.	All technology infrastructure is cloud based. Disaster recovery/business continuity planning in place, including tools and guidance to support our people in emergency situations. COVID-19 proved the sales process can be completed without physical showrooms, plus development of digital retailing will enable all retailers to compete on our digital marketplace.		Low
• Weather has the potential to disrupt the supply chain and limit vehicles entering the UK car parc.	We have experienced the impact of disrupted supply chains as a result of recent external catastrophic and geo-political events. These significant supply side challenges have constrained new and used car transactions for much of the past three years. However, our business has remained healthy as market dynamics have adjusted and OEMs and retailers learnt to adapt their business models. We would anticipate weather related disruption to be more intermittent and comparatively less severe than the disruption caused by recent events.		Low
• Costs – increased operational costs such as heating/aircon, insurance, cloud costs.	In order to have a significant impact on our business, costs would need to increase significantly. We are continually reviewing our cost base such that any increases can be managed and profit margins retained.		Medium
Transition risk: Increased regulation relating to climate change			
• Regulation banning the sale of new internal combustion engine ('ICE') vehicles from 2030 is existing UK regulation that the industry is already working towards.	We already closely monitor the implementation of policies relating to our core business. We will continue to monitor policies with a view to identifying potential risks and opportunities and related financial impacts. We are already evolving our product offering and provision of information to support the effectiveness of EVs on our marketplace and will continue to meet changing preferences of car buyers.		High
• Increased regulatory scrutiny and introduction of new legislation could result in increased reputational risk but also increased compliance costs. Failure to deliver against our environmental commitments would undermine our reputation as a responsible business and may result in loss of revenue, legal exposure or regulatory sanctions.	We have formed a Corporate Responsibility Committee to oversee our environmental commitments. We will report in line with the TCFD recommendations and report progress towards our net zero ambitions against our science based targets.		Low