TCFD report

Statement of consistency

This report was prepared in line with the Taskforce for Climate-related Financial Disclosures (TCFD) All Sector Guidance and associated annexes; as Redde Northgate is not a financial or appropriate sector specific company, no additional guidance was incorporated. Reasonable assurance is obtained over Scope 1 and Scope 2 emissions.

Introduction

This is Redde Northgate's second TCFD report, having undertaken voluntary disclosure last year. This now mandatory report expands on our previous work and includes progress in quantifying the impact of climate-related opportunities for our business. Through our disclosures, we seek to improve transparency and facilitate discussions with stakeholders on this key issue. This report details an enhanced understanding of our emissions footprint and impacts; together with the measures necessary to respond to and manage climate-related risks and to harness opportunities in what is an uncertain global emissions future.

Governance

Our Board of Directors has ultimate responsibility for the Group's ESG strategy and activities, including ensuring best practices, emerging trends and key issues related to ESG strategy, governance and risk management are properly considered. Our sustainability strategy is taken into account in our financial planning, including through active Board oversight. Both the CEO and CFO report at Board meetings on a regular basis regarding progress on this strategy, including key activities, implementation and progress against emissions reduction targets. Key transition-related activities, risks and opportunities have been considered both at executive management and Board level (see Section 172 report on pages 72 to 76).

To advance our strategy and decarbonise across the business, climate-related incentives are contained within remuneration packages to support year on year progress and drive our performance towards our emissions targets and long term net zero ambitions. To determine the Executive Directors' annual bonus, 25% is based on non-financial strategic KPIs (see KPIs on pages 28 to 29), and these align with the responsibilities that drive the Group's focus and development in sustainability, such as progressing the low carbon transition within the business's vehicle fleets and support for fleet customer EV transition.

Redde Northgate's Sustainability Committee oversees our strategic development across sustainability issues, including the development of a systematic and collaborative approach to climate action with our stakeholders and will report to the Board quarterly.

The Committee is chaired by the CFO and supported by our Head of ESG, who sets the agenda in relation to low-carbon transition programmes and operational actions. The transition to non-ICE vehicles is principally managed as part of the Group's overarching corporate strategy, as it is central to our core business activities.

Possessing significant industry and commercial experience, the Board is well-placed to assess climate-related risks and ensure appropriate mitigating strategies are in place. We build on this expertise at both Board and executive level to enhance our climate-related capabilities and understanding across our governance functions through regular training, engagement on ESG topics with both internal and external stakeholders, together with our focus on ESG disclosures, including climate-related and TCFD exercises.

In FY2023, the Board received climate-related training by expert consultants, covering emissions accounting and disclosure considerations to support the setting of Redde Northgate's operational emission reduction targets. The Board will be reviewing and discussing the implications of incoming regulations, data quality challenges covering carbon accounting and approve our next-phase operational emission reduction targets. The Board also reviewed both fleet transition strategy and lobbying efforts as part of the UK industry BVRLA Van Plan. Within the business, there are a variety of education initiatives, including training presentations and town hall events to broaden understanding and engagement, and these sessions will continue to be developed and tailored to meet specific business units needs.

Strategy

Redde Northgate's long term climate commitment is to be net zero by 2050; and we view the transition to low carbon mobility solutions as fundamental to our business strategy. Our support for customers' transportation decarbonisation actions is set out on pages 10 to 11, and include both consulting and the provision of EV vehicles and related charging infrastructure and green energy. We are also active within our supply chain with collaborations and supporting policy initiatives to help accelerate the transition for what is a hard-to-abate sector.

For our second TCFD report, we built on our 2021 scenario analysis to incorporate site-level physical risk exposure analysis, to further explore potential risks to the business over short, medium and long term time horizons. Our physical risk analysis was complemented by an exploration of transition risks on a qualitative level. Our analysis covered key timeframes (as defined in the Time horizons table on page 65), which link to our fleet renewal cycles, key regulations and policies for our sector and our net zero commitment. We assigned timeframes to each risk and opportunity based on expected material impact, and quantified the impact where possible. A material climate impact is defined as a percentage of the risk materiality point (RMP) value of £4m, as defined by our Enterprise Risk Management (ERM) framework; medium to high financial impact is greater than 12.5% of RMP.

At present, we operate from 175 sites, including workshops, body shops and branches, along with offices and call centres across the UK, Ireland and Spain. This geographical spread presents a range of different climate and environmental conditions, as well as moderate variances in climate-related maturity across market, technology, policy and legal aspects. This diverse geographic spread means we have flexibility and resiliency within our operations, and we can share learnings between our business segments and across locations.

Physical risk exposure was assessed under two future states of the world using the latest Intergovernmental Panel on Climate Change (IPCC) scenarios specified in their sixth assessment report. The IPCC Shared Socio-economic Pathways (SSPs) are a natural choice as these scenarios are widely recognised, based on credible scientific databases and are used to inform our global climate policy.

SSP 5-8.5 (fossil fuel development); this is where current CO_2 emissions levels approximately double by 2050, and the global economy grows, fuelled by exploiting fossil fuels and energy-intensive lifestyles, with average temperatures 4.4°C higher in 2100.

SSP 2-4.5 (middle of the road), this is where progress toward sustainability is slow, with development and income growing unevenly. In this scenario, average temperatures rise 2.7°C.[1]

For physical risks[2], the following hazards were assessed: wildfires, inland flooding, heatwaves, sea level rise, water stress and cyclones. As expected, Redde Northgate has minimal exposure to most of these hazards due to the operational profile of our business. We expect physical risks to materialise around 2030/2040 when scenario pathways diverge. Further detail on material impacts and mitigation activities can be found in the Physical risks table on page 66.

Transition risks were explored by applying IEA Global Energy and Climate (GEC) model scenarios[3] and National Grid Future Energy Scenarios[4], which align with Redde Northgate's long-term net zero commitment.

The IEA scenarios applied assess three states of global change:
- Net zero emissions by 2050 sets out a pathway to achieve net zero emissions within the electricity sector.
- Announced pledges shows what would happen if current commitments stayed on track and were met on time;
- Stated policies looks at the current commitments and associated policies underpinning them.

1 https://www.ipcc.ch/assessment-report/ar6/
2 Acute risks are defined as extreme weather events such as water stress, flooding and storms, and chronic risks as those changes in average climate conditions, these include rising sea levels and coastal flooding.
3 https://www.iea.org/reports/global-energy-and-climate-model/understanding-gec-model-scenarios
4 https://www.nationalgrideso.com/future-energy/future-energy-scenarios/documents

The National Grid set out four different future states of the world and credible ways that the UK can achieve net zero by 2050, and decarbonise its electricity system by 2035:
- Falling short – a low level of societal change and a slow speed of decarbonisation;
- System transformation – a moderate rate of decarbonisation relying on hydrogen and energy efficiency as opposed to behavioural change;
- Consumer transformation – a moderate rate of decarbonisation with a high rate of energy efficiency and demand side flexibility;
- Leading the way – both a fast rate of decarbonisation, backed by an ambitious energy strategy with a high level of societal and lifestyle change

The IEA and National Grid scenarios were selected due to the sectoral specific analysis and industry dependencies. The National Grid scenarios also apply specifically to the UK market, and therefore provide tailored insights into the potential future changes to our UK strategy and feed into our wider organisational strategy.

A list of risks and opportunities were identified and are set out below.

Time horizons

Short term:	0-3 years (up to 2025)	• Redde Northgate operates a three year fleet renewal cycle
Medium term:	3-8 years (up to 2030)	• UK ICE sale ban by the 2030s and subsequent EU legislation transitioning to zero emission cars and vans by 2035 • 40% renewables share of gross final consumption by 2030 proposed under EU Renewable Energy Directive
Long term:	8+ years (up to 2050)	• Internationally recognised target year for achieving global net zero emissions per the Paris Agreement

TCFD report *continued*

Physical risks

Hazard	Likelihood			Severity	Resilience
	Short	Medium	Long		
Sea level rise	1	1	1	0	0
Heatwave	1	1	1	0	0
Flooding	1	1	1	1	1
Cyclones	1	1	1	0	0
Water stress	3	3	3	3	3
Wildfire	1	1	1	0	0

Sample hazard exposure	Severity	Resilience	Scale
High (>15%)	Critical	No resilience measures	5
	High	Mostly unmitigated	4
Moderate (10-15%)	Moderate-high	Partially mitigated	3
	Moderate	Mostly mitigated	2
Low <10%)	Low	Fully mitigated	1
	None	Mitigation not required	0

Water Stress

Under a worst case scenario Redde Northgate identified exposure to water stress across all seven sites assessed, with the most significant impacts in Spain. Similar outcomes were seen under a middle of the road scenario with less reduced impact across some UK based sites.

Significant physical risks

Redde Northgate found no material exposure to its physical operations from the chronic risks associated with climate change.

Heatwaves

- Develop heatwave response plans
- Incorporating shading and insulation measures, using energy-efficient cooling systems
- Providing education and training

Flooding

- Ensuring emergency response plans are comprehensive and regularly updated with a focus on high value assets/critical sites
- Engaging with insurance providers

Water stress

- Conduct water risk assessments, to understand complete risk exposure and inform the development of risk management strategies
- Implement water management practices to document resilience measures and develop plans to reduce water use/increase water efficiency
- Promote sustainable water practices

The Physical risks table shows the transition risks identified and we anticipate greater quantification of risks in future iterations of our TCFD reporting.

General risks include legal action, fines and/or reputational issues, resulting in increased compliance costs, reduced customer demand and a potential impact on the cost of capital. We identified that policy and legal risks, such as incoming mandatory reporting obligations, could result in requirements for more resources to remain compliant, and heightened expectations from stakeholders. To mitigate the impact of these risks we continue to monitor the legislative environment to identify regulatory changes well in advance, and through the BVRLA and AEDIVE engage with relevant governments on upcoming policy; we therefore consider policy and legal risks to be adequately monitored and mitigated.

At present, we are transitioning to an EV fleet, with an objective aligned with national and EU regulations, to have a non-ICE fleet in the UK and Ireland by the mid-2030s, and all countries by the mid-2040s. This will enable us to significantly reduce our carbon emissions throughout our value chain, and our investment, skills training and commercial strategy plans are aligned with this transition, and reflected in our Drive to Zero strategy and actions. Therefore Redde Northgate expects its business to be positively impacted by the transition to a 1.5-degree world.

TCFD report *continued*

Transition risks

Risk	Potential outcomes	Likelihood			Severity	Resilience
		Short	Medium	Long		
1 Policy and legal						
a Increased pricing of greenhouse emissions	Reduced profits and higher operational costs	1	4	5	2	4
b Increased acquisition costs due to policy changes in fuel subsidies driving increased demand	Increased capex	3	4	4	2	3
c Litigation regarding greenwashing	Reputational damage, reduced customer demand and legal pay-outs	1	1	1	3	4
2 Technology						
a Insufficient charging infrastructure	Lower demand for EVs	4	3	2	3	2
b Limited supply of zero emissions vehicles	Decline in revenues	5	3	2	3	2
3 Market						
a Increased competition within the mobility industry	Reduced market share and revenues	3	4	5	2	2
4 Reputation						
a Failure to meet stakeholder expectations, missed commitments or targets	Decreased access to financial and human capital resulting in lower employment attraction and retention and higher costs of capital.	1	1	1	4	1

Likelihood	Severity	Resilience	Scale
Virtually certain	Critical	No resilience measures	5
Likely	High	Mostly unmitigated	4
More likely than not	Moderate-high	Partially mitigated	3
About as likely as not	Moderate	Mostly mitigated	2
Unlikely	Low	Fully mitigated	1
Very unlikely	None	Mitigation not required	0

Mitigation measures

Policy and legal

Advocating for climate action: support policies to reduce greenhouse gas emissions, promoting the use of renewable energy sources, and encouraging sustainable business practices

Technology

Continual investment in research and development projects. Continue to monitor demand for new technologies and financial incentives

Market

Supply chain engagement, with long-term contacts to secure high-demand resources and extending our products and services to stay ahead of changing mobility needs.

Reputation

Detailed transition plan and public disclosure (follow the Transition Plan Taskforce progress and framework development

TCFD report *continued*

Transition opportunities

	Opportunity	Company progress	Short	Medium	Long	Impact contribution
Products and services						
a	Provision of turnkey ZEV and charging solution to simplify the transition for customers	We have designed our Drive to Zero offering that helps our customers conduct suitability assessments of their fleet to transition to ZEVs where possible. In addition to helping source the vehicle and identify an EV charging point, we offer an aftermarket support and management service, making the move to ZEV as streamlined as possible. We are also starting to offer bundled charging points and solar PV packages to customers.	3	3	5	4
b	Faster access to ZEVs	The Group has invested time researching new OEMs in order to gain access to non-ICE vehicles. Customers that have established more aggressive net zero plans may be willing to pay a premium to convert their fleet faster, enhancing market share and revenues.	3	4	5	4
Resource efficiency						
c	Increased energy efficiency across our operating sites	We continue to invest in LED lights, which have a positive impact on energy usage to reduce operating costs. Across our work and paint shops, we are implementing behavioural training programmes to raise energy usage awareness and better operating practices. This will reduce operating costs	4	4	4	2
d	Increasing renewable energy supply across our operations	Investing in solar projects across our portfolio in Northgate Spain to reduce operating costs and our carbon footprint.	4	4	4	2

Opportunities impact:

- Within our analysis we expect that it is likely our larger fleet customers will in the first instance rent rather than own any electric LCVs.
- Depending on the availability of charging infrastructure we could see our UK rental revenues rising by 2-4% over the medium term through incremental revenues from such fleet growth. This is based on the assumption that electric LCVs will grow to between 2-4% of the rented fleet in line with the UK car parc, and will be at a higher rental value due to their higher lifetime holding cost. UK revenue from vehicle hire in FY2023 was £367.7m, with growth of 2-4% implying £7m-£15m of incremental revenue.
- We seek to improve the quantification of identified opportunities year on year in line with the quality of our climate-related reporting.

Likelihood	Impact contribution	Scale
Virtually certain	Significant	5
Likely	High	4
More likely than not	Moderate-high	3
About as likely as not	Moderate	2
Unlikely	Low	1
Very unlikely	None	0

TCFD report *continued*

Risk management

Redde Northgate has embedded risk management process across the business and reports this process regularly to the Board. Climate transition issues are considered both fundamental to our commercial success and such risks and opportunities are assessed both against relevant financial planning horizons and aligned with our customer strategy and demand requirements.

Our risk identification, assessment, methodology and appetite are described on pages 40 to 49 and are reviewed at a minimum on a quarterly basis. Where climate risks extend outside the timeframe of our Enterprise Risk Management process horizons, they are assessed using the same methodology, but are considered within the longer term context of our sustainability strategy and targets and under the scrutiny of the Sustainability Committee, which also reports to the Board.

Redde Northgate's mitigation and resiliency measures, as set out in the Physical risks table on page 66, appropriately manage the risks identified within our scenario analysis. Our risk management process captures climate-related matters, and in turn, these form part of our Group Risk Register, which is reviewed by the Board.

The Board has responsibility for the Group's overall approach to risk management and internal control, which includes ensuring the design and implementation of appropriate risk management and internal control systems. This comprises assessing the effectiveness of these systems, which includes regular reviews to ensure that the Group is identifying, considering and, as far as practicable, mitigating the risks for the business.

With regards to physical risks, the following recovery plans have been developed:
- Loss of electrical power
- Failure of critical IT applications;
- Short term denial of access to facilities with all services intact (e.g. road traffic incident preventing employees from getting to work);
- Long term denial of access to facilities and all services.
- Pandemic.

Transition risks have mitigation measures in place and these are informed by our existing governance and risk management processes. With the majority of these risks relating to transition to non-ICE vehicles for customers, they are also a core focus of our commercial teams in both day to day actions and long term strategic planning.

Metrics and targets

Redde Northgate seeks to enhance its disclosures through improved year on year reporting; in the past year this has included quantification of Scope 3 emissions for FY2022 and the setting of operational emission reduction targets as an interim measure towards our net zero by 2050 ambitions.

Our emissions accounting follows the GHG protocol standard and, where possible, prioritises supplier or product-specific activity data to improve inventory quality. We recognise the role of effective emissions data inventory management and prioritisation of improving data quality. We have planned workstreams to enhance the accuracy of our emissions accounting and have a site-level reporting system in place. A summary of our FY2023 GHG emissions is set out in our SECR reporting on page 60.

There has been a significant focus in the year on setting Group-wide operational emission reduction targets (see page 61), and the related KPIs to monitor progress. The FY2023 Sustainability Report sets out our emissions mitigation activities in support of our transition plan, encompassing emissions energy reduction, inclusive of our waste and water management and renewable energy options (including installation in FY2023 of 473 kilowatt peak (kWp) of incremental renewable solar energy that we are now able to generate in Spain). This plan will be set out in more detail in FY2024.

Redde Northgate's targets

- A 100% renewable electricity target for direct operations by FY2027;
- A 10% reduction in Scope 1 and Scope 2 (market-based) emissions by FY2027 from a FY2022 base year.

Looking forward

TCFD element	2023 Actions	Status	2024 Next steps
Governance	A Sustainability Committee has been formed with the first session being held in April	●	The Sustainability Committee's focus for the first half of the year will be agreeing the mitigation actions necessary to deliver the carbon reduction targets
	ESG training, including climate change was delivered by an external provider to the Board.	●	Update ESG policies, including the policy on climate change, to reflect the new carbon reduction targets that have been set
	A Head of ESG was appointed to lead on sustainability and climate change. Further work will be undertaken to develop a new ESG approach.	●	Continue to refine our approach to ESG and climate change action, including a broader spread of non-financial targets and metrics
Strategy	Undertaken a double materiality exercise to link financial and environmental impact. Company wide training required on climate change.	●	Develop a carbon literacy training programme to improve the decarbonisation knowledge and skill of our people
	Sustainability sub-groups have been formed to develop the climate change mitigation strategy and approach	●	Develop, with the support of the sub-groups, a carbon net zero transition plan.
			Undertake site energy assessment to inform the transition plan and meet our obligations under the Energy Saving Opportunity Scheme (ESOS)
Risk management	Physical risks were assessed for operating locations throughout UK and Spain.	●	Assess the continuing suitability of business continuity plans to address issue such as heatwave and floods
	Transition risks were explored by applying IEA's Net Zero by 2050 scenario and National Grid decarbonisation scenarios. More work required on supporting ESG metrics	●	Develop, with the support of the sub-groups, a suite of ESG metrics to measure and report on transition risks
Metrics and targets	Absolute emission reduction targets set for Scope 1 and Scope 2.	●	Communicate and operationalise the targets throughout the Group.
	Upstream and downstream Scope 3 GHG emissions mapped and reported. Work continuing on refining data collection processes.	●	Continue evaluation of Scope 3 data to work towards the setting of a Scope 3 reduction target within the next two to three years
			Finalise the GHG Management Plan to prescribe the process and systems for effective GHG emission data gathering