McLaren RACING

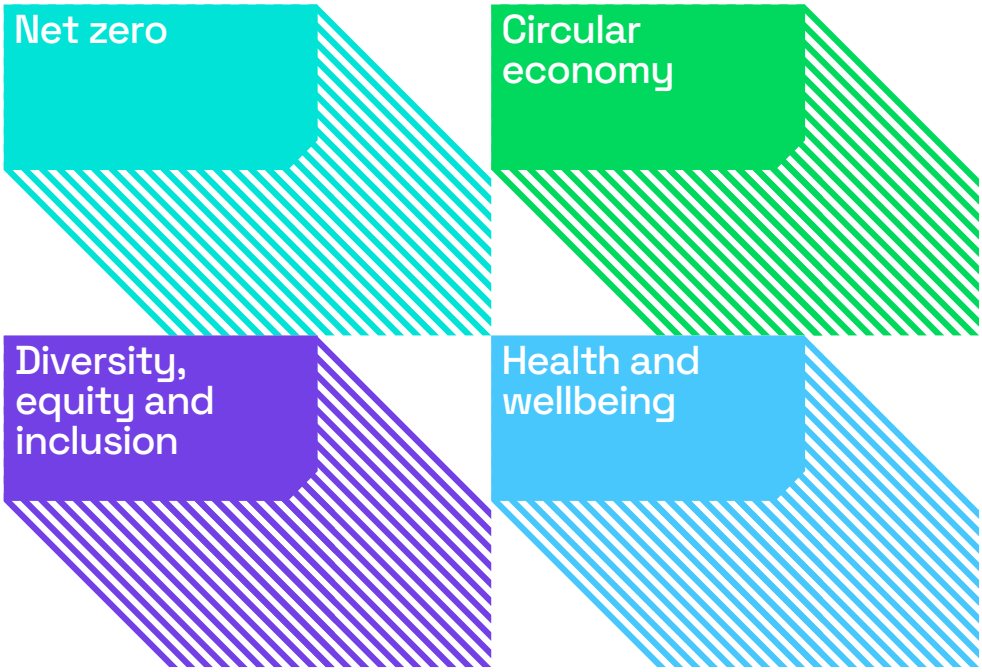
McLaren Racing Climate Transition Action Plan September 2023

Contents

1 Introduction

We report on our sustainability strategy and progress against our targets in our annual sustainability reports. Our latest report for 2022 can be found **here**.

Our sustainability strategy is built on four pillars:



These pillars are based on the ambitions we have set out for ourselves, and the issues which are most material to us and our stakeholders. The pillars provide us with a holistic view of sustainability with both environmental and social focuses. There are strong synergies between each pillar and they impact one another, such as reconciling the travel demands of racing with the wellbeing of our people.

The transition to a low-carbon future affects our people and their roles so we recognise that the transition must be just, supporting our workforce. Whilst transitioning to a low carbon future, we are aiming to promote and embed a diverse and inclusive culture across our team. Our DE&I programmes tackle the STEM (Science, Technology, Engineering and Maths) skills shortage and address systemic inequalities, ensuring that we are diversifying talent in motorsport.

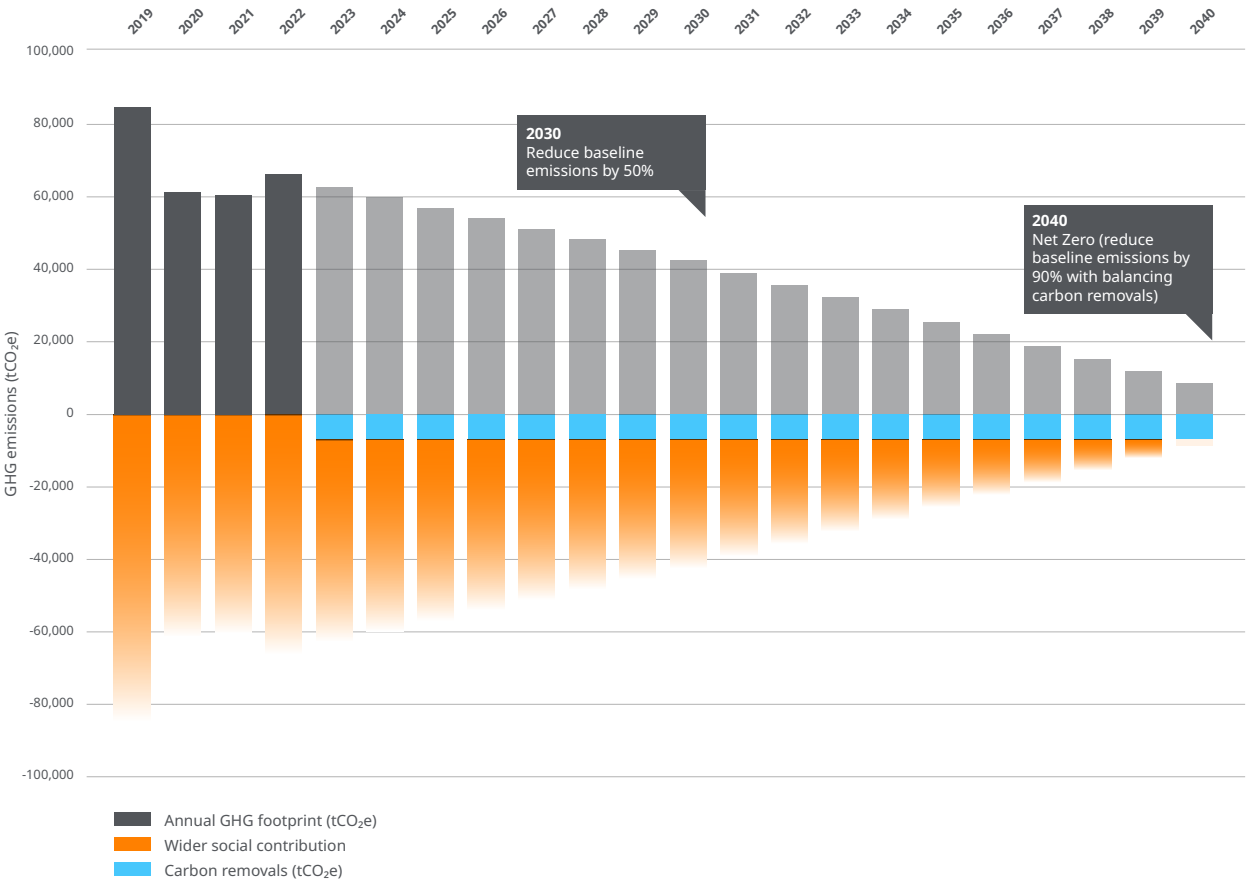
By taking a holistic approach to sustainability, we are considering environmental and social factors when implementing our strategy.

2 Emissions reduction strategy

Decarbonisation strategy

We started developing our sustainability strategy in 2021, which includes action planning to deliver progress against each of our four pillars. This document outlines our plans within the net zero pillar, to achieve net zero emissions by 2040 from a baseline year of 2019. Our decarbonisation strategy focuses on reducing emissions to meet our targets and also includes plans for neutralisation of emissions through carbon removals. The graph below illustrates how we see our net zero plans developing from 2019-2040, with our emissions in grey and greenhouse gas (GHG) neutralisations in blue.

Alongside these activities we aim to make wider societal contributions by helping to accelerate and scale the impact of climate solutions that the world needs to urgently transition to net zero. We believe that this approach will be more valuable than purchasing carbon credits to fully neutrallise our carbon impact. We are still developing a way to measure this but for now this is illustrated by the papaya bars on the graph.

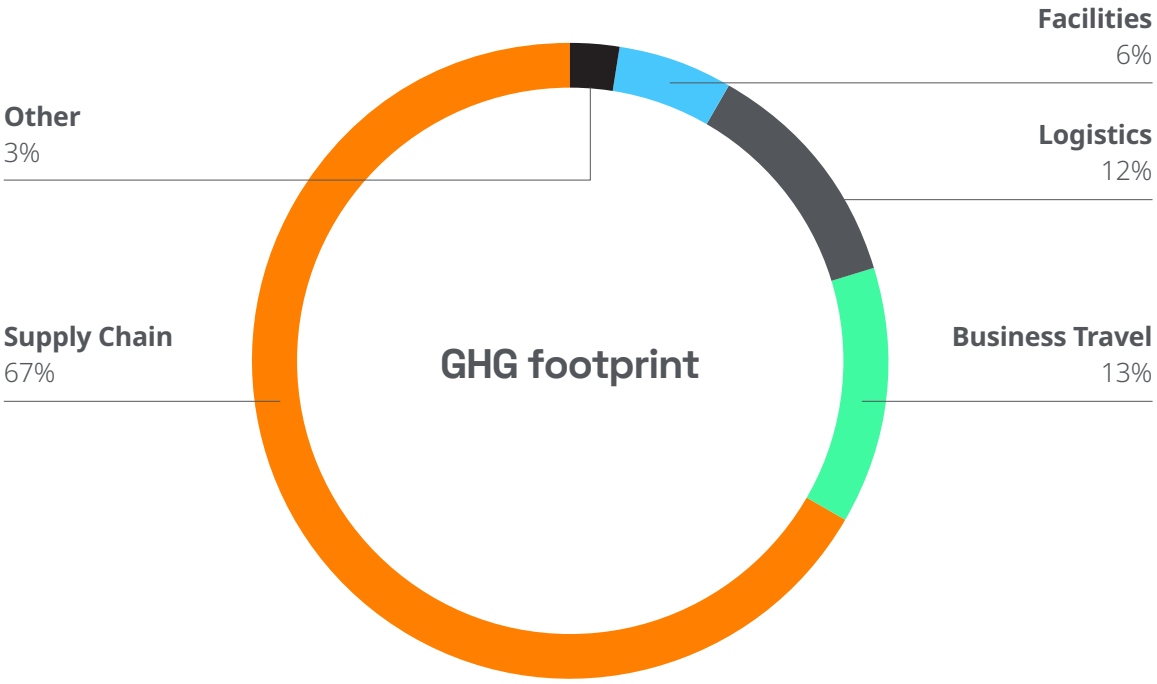


Emissions reduction strategy

We have an emissions reduction strategy to achieve our GHG targets. As a signatory of the UN's Sports for Climate Action Commitment (UN S4CA) and Race to Zero campaign, we have a target to reduce our emissions by 50% by 2030 compared to 2019, and to achieve net zero by 2040. We have committed to set near- and long-term company wide emission reductions in line with science-based net-zero with the Science Based Targets initiative (SBTi) and have submitted our targets for their approval.

The actions within our emissions reduction strategy fall into four categories: supply chain, business travel, logistics and facilities. These cover the most material activities responsible for our GHG footprint and which are in scope for our science-based targets. We have already taken some key actions to reduce our emissions and are seeing results in these areas. Since 2019 we have reduced our electricity usage by 16% in our headquarters and we only source renewable and low-carbon electricity for our facilities.

The following chart shows the breakdown of our GHG footprint into the four action areas:



The tables below show our emissions reduction strategy for each of the four main areas of our GHG footprint.

Supply chain

Context

Our supply chain emissions are the largest area within our GHG footprint. This is largely due to us purchasing goods and materials for our operations which have emissions associated with them, mainly in the development and build of our Formula 1 cars.

GHG emissions reduction expected if actions are successful

2030
32,124
tCO_2e reduction

2040
57,823
tCO_2e reduction

Action details	Timeline	Investments	Challenges
Implement supplier sustainability criteria	2024 onwards	Systems to track supply chain emissions	Existing supplier contracts, complexity and difficulty for small suppliers
Assessment of product-level emissions	2023 onwards	N/A	Complexity and reliance on supplier engagement and data availability
Development of sustainable materials, e.g. recycled and bio-based carbon fibre	2023 onwards	Research and development into sustainable materials and trials and capital expenditure for any new infrastructure	Technical complexity, material performance requirements and constraints of regulations
Sustainable procurement policy	2023 onwards	Uplifts in cost to procure sustainable alternatives	Required step change in ways of working and availability of good alternatives

Business travel

Context

McLaren Racing races in multiple different locations across the world every year, requiring our people to travel to these locations. As a result of this, business travel emissions, particularly from flying, is a key area within our GHG footprint. These emissions also include other transport methods such as road and rail.

GHG emissions reduction expected if actions are successful

2030
4,206
tCO_2e reduction

2040
7,572
tCO_2e reduction

Action details	Timeline	Investments	Challenges
Switch from indirect to direct flight routes	2023 onwards	Uplift in cost depending on flight routes	Visibility of race calendars
Scheduling of race calendar to minimise travel	Ongoing	N/A	Not within our direct control and reliant on influencing series and support from competitors
Switch to hydrogen, hybrid and electric vehicles for team road travel	TBC	New operated fleet, uplift in cost	Availability and range of vehicles, charging/ fuel infrastructure and cost
Invest in sustainable aviation fuel (SAF) "book and claim" programme(s)	TBC	Uplift in cost of flying and SAF to inset emissions	Availability and quality of SAF, security of supply and complex travel plans

Logistics

Context

McLaren Racing races in multiple different locations across the world every year, requiring the movement of our freight via air, sea and road. Some of these logistics are managed by us, and others are through third parties. We aim to reduce both our own and third-party logistics as part of our decarbonisation plans.

GHG emissions reduction expected if actions are successful

2030
2,884
tCO_2e reduction

2040
5,191
tCO_2e reduction

Action details	Timeline	Investments	Challenges
Switch to biofuels for road freight	2024	On-site HVO storage facilities and uplift in fuel costs	Diversity of logistics needs and availability of fuel
Switch to low-carbon powered HGVs	2027 onwards	New truck fleet	Availability of suitable vehicles and fuel/ charging infrastructure
Switch from air to sea and road freight	Ongoing	Additional sets of race kits for road and sea freight	Variability in race calendars
Influence race calendar changes across series	Ongoing	N/A	Not within our direct control and reliant on influencing series and support from competitors
Reduce and lightweight freight	Ongoing	New lightweight components	Diminishing returns and race calendar complexity
Invest in sustainable aviation and marine fuels (SAF) and (SMF)	TBC	Uplift in cost of freight	Availability and quality of fuel and security of supply

Facilities

Context

McLaren Racing operates from three locations: Woking and Bicester in the UK, and Indianapolis in the US. Our largest facility is the McLaren Technology Centre based in Woking, UK which is where we construct our Formula 1 cars. At our facilities, the largest contributor to our GHG footprint is energy consumption. Therefore, our emissions reduction activities are focused on reducing both energy use and emissions intensity.

GHG emissions reduction expected if actions are successful

2030
2,803
tCO_2e reduction

2040
5,045
tCO_2e reduction

Action details	Timeline	Investments	Challenges
Install on-site renewable generation	Phased 2024–2027	Procurement and installation of solar panels	Structural suitability, energy storage and existing infrastructure
Low carbon heating system	Before 2040	Procurement and installation of ground, air or water source heat pumps	Complexity of solution and operating at a shared site
Implement energy efficiency measures	Ongoing	Procurement and installation of LED internal and external lighting, insulation and air handling units	Diminishing returns and operating on a shared site
Install EV charging infrastructure on-site	2024 onwards	Procurement and installation of infrastructure	Operating on a shared site and network capacity

3 Climate risks and opportunities

In 2024 we will be reporting in more detail on climate risks and opportunities in line with the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). In this section we have considered two types of risks: physical and transition. Physical risks represent threats to our operating model caused by changes in climate, for example increased frequency and intensity of extreme weather events. Transition risks relate to changes in global financial markets, consumer and corporate behaviours, and regulation as a result of moving to a low-carbon future.

The below list gives an initial view of the risks and opportunities to our business model.

Topics	Actions to mitigate or capitalise	Barriers to progress
Assessment and action relating to climate risks & opportunities	Developing TCFD assessment and reporting in 2023 Highlighting risks to motorsport through public advocacy: UN S4CA, COP, etc.	Resource and expertise High quality data and projections Limited visibility of future race calendars and locations
Risk: extreme weather events at race locations	Influencing race calendars to avoid most acute seasonal risks e.g. typhoons in Asia in autumn	Outside of direct control; limited ability to influence Conflict with commercial incentives
Risk: increased disruption to logistics & travel due to extreme weather events	Influencing race calendars to avoid most acute seasonal risks Building resilience of logistics with regional hubs	Outside of direct control; limited ability to influence Investment in, and carbon cost of, multiple sets of freight
Risk: license to operate in climate-impacted markets	Legacy projects and community activations at race locations Reducing carbon footprint of operations, logistics and travel	Required step change in ways of working in motorsport
Risk: attraction of motorsport and McLaren Racing to fans and partners in a low-carbon future	Investment in non-fossil fuel racing: biofuel, electric, etc. Authentic sustainability activations and awareness-raising Demonstrate strong and sustained progress against sustainability targets	Investment for activations Decarbonisation challenges as described in Section 2

Topics	Actions to mitigate or capitalise	Barriers to progress
Opportunity: leverage technology innovation capability to accelerate change	Innovation in circular materials usage, e.g. flax fibre and recycling of composite materials Working with partners to solve shared challenges in GHG reductions, energy efficiency, digitisation and electrification, process innovation, etc.	Sporting, technical, and financial regulation restrictions Partner willingness to engage and invest alongside McLaren
Opportunity: use our brand to influence and advocate for climate action	Taking a leading role in climate action Meeting ambitious science-based targets and encouraging other organisations to do the same	Difficulty to create engaging and impactful campaigns in a saturated market

4 Regulatory influence

The regulatory areas that affect our ability to meet our decarbonisation targets are controlled by the racing series that we race in and the Federation Internationale de l'Automobile (FIA), the governing body of some of these series. These regulations are outside of our direct control and therefore we rely upon our competitors and other stakeholders to support regulation changes that remove barriers and incentivise investment in sustainability. We have continued communication and discussion in the forums with our competitors, racing series and governing bodies around opportunities in these areas and to understand the views and concerns relating to these topics.

Local and national political stakeholders

McLaren maintains constructive relationships with all key local and national political stakeholders. We engage with government and their administration agencies, regulators, local communities and all mainstream major political parties while ensuring political neutrality. Our engagement is centred around ensuring a positive and sustainable business environment to support our operations in the UK. We actively participate in discussions across key government departments which support the advancement of technology through innovation to support decarbonisation. Furthermore, we actively engage and participate in discussions around current and future skills requirements and engaging in STEM activities.

Formula 1 regulations and Concorde Agreement

The Formula 1 (F1) regulations cover requirements for drivers, teams, media and official delegates relating to the F1 championship and race weekends. They also determine the parameters for constructing a F1 car and what activities and costs sit within the F1 cost cap during a season.

We have proactively championed discussions in 2023 with F1, the FIA and other teams to explore the introduction of a set of cost cap exclusions with regards to certain sustainability initiatives, and are hugely supportive of the FIA's decision to establish a working group for F1 teams to ensure sustainability criteria are incorporated into the 2026 regulations. While discussions to date have progressed well and led to an initial set of exclusions being introduced – including installing sustainable infrastructure, the auditing and monitoring of competitors' carbon footprints and certain charitable donations – we would like to see this go further to enable a step change in this space.

The areas in which we are calling for change are:

- Sustainable materials and processes to develop and manufacture the car
- Tyre usage and materials
- Reduction of travelling personnel
- Regional F1/team hubs for freight
- Team wellbeing initiatives
- Diversity, equity and inclusion initiatives, training, internships and apprentices
- Clear sustainability criteria for the race calendar, paddock and motorhomes
- Circuit and promoter requirements
- Sustainability standards

Cross series opportunities in IndyCar, Extreme E and Formula E

- Use of sustainable and recycled materials in future generations of cars in the series that we race in
- Required environmental accreditations for racing teams and environmental data collection requirements
- Decarbonisation areas of focus across the racing series and teams
- Promoter and competition organiser requirements e.g. zero single use materials, low-carbon energy, etc.

5 Looking forward

Whilst our plan is fixed on meeting our target of net zero by 2040, the sports industry and the wider world are continually evolving. The way our sport operates may look quite different in the future, and new activities, technologies and strategies will be needed for us to stay on course for net zero. These will be factored into our planning, and our climate transition action plan will be regularly updated with any major developments.

We recognise that understanding our climate risks and opportunities is important to supporting our decarbonsation strategy, and we are working on a more comprehensive assessment of these and will report on them in our next annual financial statements and sustainability report.

We also know that regulations within our sport are key to enabling change in this area, so we will continue to use our influence in series we race in to influence and contribute to climate action in the motorsport industry.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