



2021

CORPORATE SUSTAINABILITY AND SOCIAL REPORT



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FORWARD LOOKING STATEMENTS

Certain statements herein are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are usually identifiable by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “likely,” “may,” “plan,” “position,” “possible,” “potential,” “probable,” “project,” “should,” “strategy,” “will,” or similar language. All statements other than statements of historical fact are forward-looking statements, including, but not limited to, statements about the company’s strategic initiatives, operational plans and objectives, expectations for economic conditions and recovery and future business and financial performance, as well as statements regarding underlying assumptions related thereto. Forward-looking statements reflect the company’s views based on historical results, current information and assumptions related to future developments. Except as may be required by law, the company undertakes no obligation to update any forward-looking statements made herein. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements. They include, among others, factors related to the timing and implementation of strategic initiatives, including with respect to labor shortages or disruptions and the impact on our ability to complete store openings, deterioration of general macroeconomic conditions, the highly competitive nature of the company’s industry, demand for the company’s products and services, complexities in its inventory and supply chain, challenges with transforming and growing its business and factors related to the current global COVID-19 pandemic. Please refer to “Item 1A. Risk Factors.” of the company’s most recent Annual Report on Form 10-K, as updated by other filings made by the company with the Securities and Exchange Commission, for a description of these and other risks and uncertainties that could cause actual results to differ materially from those projected or implied by the forward-looking statements.

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LETTER FROM OUR CEO

TOM GRECO

Many decades ago, the founder of our company, Arthur Taubman, established three timeless values for Advance. First, Inspire our team members to be the very best they can be. Second, Serve our customers better than anyone else. Third, Grow our business profitably. In a year best described as “exhausting,” our team took to heart each of these values to serve our customers better than ever. As always, in 2021, nothing was more important than the health, safety and wellbeing of our Advance team members and customers. And for their part, our team members continued to show the utmost in care for others despite extreme challenges. Every week, our approximately 68,000 team members came together as one team to deliver on our mission: Passion for Customers...Passion for Yes! As a result of this selfless dedication to keeping customers on the road, we achieved a record-setting year. This included our highest net sales growth, adjusted operating margin expansion¹, adjusted diluted earnings per share and cash returned to shareholders since becoming a public company in 2002.

Meanwhile, we achieved these record results as we elevated our focus on corporate sustainability. We believe our track record within Environmental, Social and Governance (ESG) over the past few years is inextricably linked with the significant improvement in our performance. Let me start with our commitment to our people, including how we Grow Talent, which is one of our Cultural Beliefs. Not only has our focus on growing talent led to improved performance, but it is also becoming a differentiator for Advance.

When we say Grow Talent, it means we are all inspired to learn and grow together. We accomplish this by building an “ownership culture” – the idea that when our team members feel empowered to make decisions, we will provide a superior experience for our customers. An ownership culture means we Advance Together, by giving team members a voice in the company’s culture, while encouraging them to bring their whole authentic selves to work every day. In a challenging labor market like we experienced this past year, providing a strong and distinct company culture was particularly important. We supported our commitment to building an ownership culture with substantial investments in our team, including differentiated programs like Fuel the Frontline, which provides stock awards to frontline team members who distinguish themselves with outstanding performance in their respective functions and areas. We’ve now granted over 24,000 stock awards to frontline team members, valued at over \$60 million upon grant since the inception of our Fuel the Frontline program. We remain the only company in our industry making this significant investment in stock ownership for frontline team members. When we started Fuel the Frontline, we knew the investment benefits would build over time and deliver a meaningful impact across our organization. We continue to see positive improvements from this unique program, including a significant reduction in our turnover, which for key frontline roles is approximately half of what it was five years ago.

1. Adjusted results are non-GAAP financial measures. For additional information regarding these non-GAAP financial measures, please see the discussion of these key metrics included in the company's 2021 form 10-K or Q4 2021 earnings release.



**OUR OWNERSHIP
CULTURE ALSO EXTENDS
TO OTHER PARTS OF OUR
SUSTAINABILITY AGENDA,
INCLUDING THE WAY WE
CARE FOR OUR PLANET,
THE WAY WE ENSURE
WORKPLACE SAFETY
AND THE WAYS IN WHICH
WE GIVE BACK TO THE
COMMUNITIES WE SERVE.**

TOM GRECO

PRESIDENT & CHIEF EXECUTIVE OFFICER

Like Grow Talent, Champion Inclusion is another one of our Cultural Beliefs, and in 2021, diversity, equity and inclusion (DEI) continued to be essential parts of our ownership culture. This past year, we created many initiatives to ensure we Champion Inclusion in all we do, and I believe we are leading the industry in this critical area. In addition to expanding the size and scope of our Office of DEI, we leveraged data to increase accountability, fostered inclusion through numerous cultural celebrations, delivered DEI awareness training and reimagined our seven team member networks to make them more accessible to team members at all levels and in all geographies. Importantly, we also established our first CEO inclusion council charged with oversight of the company's DEI strategy. This diverse group of company leaders will help ensure we continue to deliver meaningful progress in this area and provide everyone at Advance the opportunity to thrive, belong and succeed.

Throughout 2021, we also refined our field and distribution center (DC) training programs to pave the way for easier onboarding and swifter advancement. For added safety, we identified Safety Champions in many of our stores and DCs, which has contributed to our lowest incident rate ever. In addition, we introduced new health and wellness benefits and made progress on how we operate in a hybrid and remote environment post-pandemic. Collectively, we believe this work is helping us continue to position Advance as an employer of choice.

Our sustainability agenda also extends to the way we care for our planet. From an environmental standpoint, we reduced both energy consumption and carbon emissions and continued to work to improve recycling and re-use opportunities.

From a community standpoint, we set out a few years ago to become more focused on where we could have an impact. From a corporate giving standpoint, in 2021, we concentrated our efforts in two primary areas: improving community health and supporting military veterans. We were once again counted among the top corporate fundraisers for the American Heart Association thanks to the generosity of our team members and customers. Heart disease is the number one cause of death in the U.S. and affects our Advance team members in a similar fashion. Over the past four years, we raised more than \$4.7 million to support the American Heart Association's mission of building healthier lives,

free of cardiovascular disease. From a military veteran perspective, Advance is proud to be the home of thousands of veteran team members. With the help of our supplier partners, we raised approximately \$1.5 million in 2021 to support Building Homes for Heroes, a nonprofit organization that gifts mortgage-free homes to military heroes. Beyond these company-wide initiatives, giving back also happened at the local level. Through the newly reinvigorated Advance Auto Parts Foundation, we gifted tens of thousands of dollars to nonprofits recommended by our team members – from food pantries to Big Brothers Big Sisters chapters to programs aimed at veteran suicide prevention and support for cancer patients.

At the end of the day, we know that when we care for our team members and provide them a stake in our success, they will in turn take care of our customers and help us continue to achieve strong business results. Throughout this report, you'll read many examples of ways our team members contributed to building an even better – and stronger – Advance.

Importantly, our work in corporate sustainability continues to evolve. I'm excited to share that we recently completed our first ESG Materiality Assessment, which used input from our stakeholders to help us prioritize our sustainability agenda. At the conclusion of this report, you can read more about the results of this assessment and the five areas of ESG that we determined have high relevance to our stakeholders and the most potential to contribute value to our business and support our long-term success.

Despite the uncertainty that still exists in today's dynamic environment, there is one thing I am certain about: at Advance, our team members ARE our best part and together, we will continue to achieve great things. As the basketball legend Michael Jordan once said, "Talent wins games, but teamwork and intelligence win championships." I think the same can be said in our business. I hope you enjoy reading about our many accomplishments, and I look forward to hearing your feedback.

Regards,





ABOUT ADVANCE

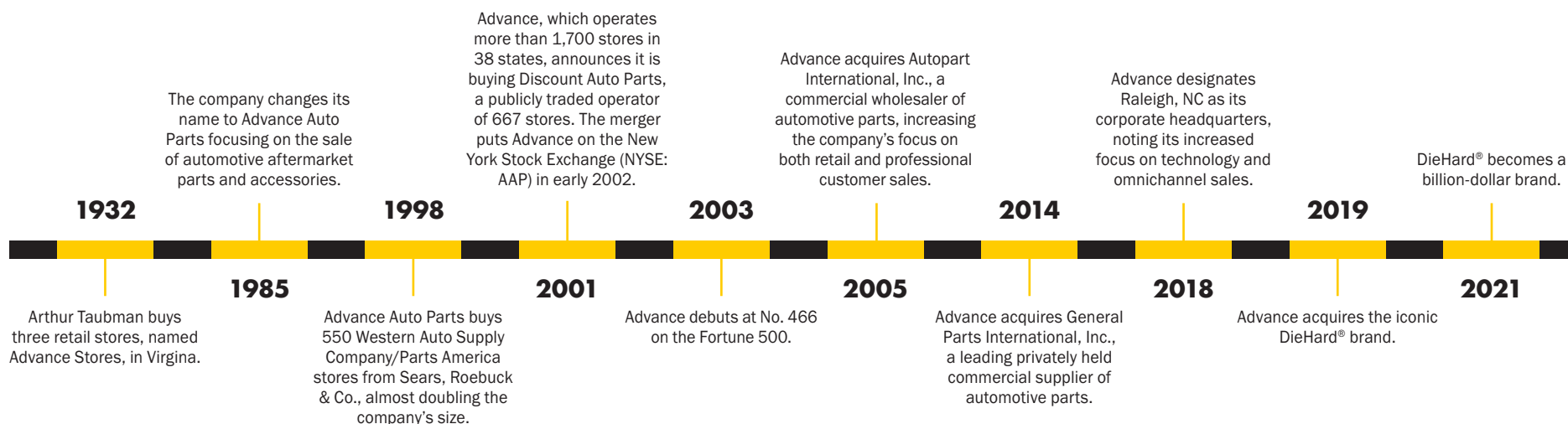
ABOUT ADVANCE

Advance is a leading automotive aftermarket parts provider that serves both professional installers and do-it-yourself customers. The company was founded in April 1932, when Arthur Taubman purchased three stores in Virginia. In 2014, Advance acquired General Parts International, Inc., a leading privately held distributor and supplier of original equipment and aftermarket replacement products for commercial markets operating under the Carquest and Worldpac brands. Since the acquisition, we have done the important work of integrating Advance, Carquest, Autopart International and Worldpac, which includes moving our headquarters to Raleigh, NC in 2018. In 2019, we acquired the DieHard® brand and in mid-2020 we launched our #DieHardisBack marketing campaign, which helped DieHard become a billion-dollar brand for Advance Auto Parts in 2021.

As of January 1, 2022, we employed approximately 68,000 team members and generated \$11.0 billion in net sales in 2021. At year end 2021, we operated 4,706 stores, 266 Worldpac branches primarily within the United States, Canada, Puerto Rico and the U.S. Virgin Islands. We also served 1,317 independently owned Carquest branded stores across these locations in addition to Mexico and various Caribbean islands.

As a leader in the aftermarket automotive parts industry, all of us at Advance appreciate the important role we must play in finding solutions to the environmental and social challenges that our industry faces. We are committed to actively participating in leading trade organizations and working with our industry peers whenever possible to find innovative and responsible common solutions. Ultimately, we all share a common goal: leaving the world a better place for future generations.

ADVANCE AUTO PARTS OVER THE YEARS



ADVANCING A WORLD IN MOTION

PEOPLE

We put people first by giving our team members a voice in the company's inclusive culture, enabling everyone to bring their whole authentic selves to work every day.

- Delivered a safety program that has reduced injury rates by nearly 60% since 2016
- Introduced a financial wellness program that provides wage advances, loans and coaching to help team members reach their financial goals
- Granted over 24K stock awards to frontline team members, valued at over \$60M upon grant since the inception of our Fuel the Frontline program
- Delivered best-in-class training and onboarding programs, improved the hiring process and adapted how we work in a post-pandemic world
- Designed programs so team members can develop the skills they need to advance in their careers and to evolve our diversity, equity and inclusion agenda

PLANET

We care for the environment because doing so makes us more efficient, helps bring down costs and contributes to the long-term health of our planet.

- Joined the science-based target initiative and committed to setting a science-based emissions reduction target by early 2023
- Conserved energy through our use of renewable energy, the continued optimization of our fleet and the installation of updated HVAC equipment in our stores
- Continued oil, batteries, cardboard, stretch wrap and scrap metal recycling programs

COMMUNITY

Our passion for helping others drives our community involvement through both corporate and foundation giving.

- Gifted hundreds of thousands of dollars through the Advance Auto Parts Foundation to nonprofits supporting military veterans, community health and education and job readiness
- Introduced a first-ever team member-led gifting program that provided grants totaling \$1.5K to \$7.5K each to 30 local nonprofits
- Raised \$1.7M for the American Heart Association, placing Advance among the organization's top corporate fundraiser, bringing our total to approximately \$4.6 million since 2018
- In partnership with our suppliers, raised \$1.5M for Building Homes for Heroes, bringing our total contribution to approximately \$16M since 2011

GOVERNANCE

Our strong corporate governance practices enhance our ability to create long-term value and support our performance & growth in an ethical and sustainable manner.

- Assembled the most diverse board in our history to help move the business forward and advise on many parts of our business
- Continued to drive improvement in cyber security and data privacy management in support of our business initiatives
- Conducted our first ESG materiality assessment to identify those areas of ESG that matter most to our stakeholders and are most likely to impact our long-term success



CULTURAL BELIEFS



SPEAK UP

I listen to seek and provide candid, informed feedback to improve performance.



BE ACCOUNTABLE

I own challenges and overcome obstacles to achieve team and personal goals.



TAKE ACTION

I act with urgency because speed matters.



GROW TALENT

I own my development and the success of those around me.
I hire and develop the best talent and commit to my teams' continuous development.



MOVE FORWARD

I build trust and collaborate as one team with one voice to the customer.



CHAMPION INCLUSION

I embrace diversity of people, thoughts, skills and styles to deliver results.





PEOPLE

At Advance, we are approximately 68,000 team members strong. We have often said “our people are our best part,” and throughout 2021, they showed the utmost in care for others despite significant challenges resulting from the COVID-19 pandemic. During the year, we went to great lengths to ensure their voices were heard and their feedback acted upon to help perform at the highest level possible and ensure our team members could take pride in the company where they work.

ONGOING COVID-19 RESPONSE

Throughout 2021, COVID-19 remained front and center in all our lives. We experienced moments of relative calm and periods when cases surged. Through it all, we continued to prioritize the health, safety and wellbeing of our team members and customers. Our COVID-19 Leadership Team, along with our COVID-19 Project Management Office, continued to closely monitor the guidance of the Centers for Disease Control (CDC) and other relevant regulatory authorities to ensure we could quickly respond to changes. From enhanced cleaning processes and other safety protocols to COVID-19-related trainings and the use of case coordinators for contact tracing and incident investigation, we worked hard to ensure we maintained a safe working environment. As a result, our case count remained well below the national average.

PROMOTING THE AVAILABILITY OF VACCINATIONS

As the first COVID-19 vaccines rolled out in early 2021, a massive push to promote their availability ensued. We collaborated with CVS Caremark to produce powerful videos to share information with team members on the topic and hosted vaccination drives at certain Advance locations. We also created a lottery system where DC and store team members were randomly incentivized for receiving vaccinations. These efforts helped to increase the number of vaccinated Advance team members.

CONTINUING EMERGENCY PAY GUIDELINES

Like any chronic situation, Advance stayed close to the needs of our team members by providing hazard and emergency pay. This significant investment enabled impacted team members to stay home and reduced the potential for community spread. Additionally, we continued to make available Team Member Assistance Fund grants to help team members with basic living expenses, including childcare costs. We also continued to offer our expanded Employee Assistance Program at no cost to team members 24 hours a day, seven days a week by phone or on the web and included services to address the mental health and wellbeing of our team members.

SUPPORTING OUR TEAM IN INDIA DURING THE DELTA SURGE

In spring of 2021, India recorded an exponential jump in COVID-19 cases and deaths. In response, Advance stood up a task force to support the team members working for the company in the country. The task force arranged for the delivery of care kits and packed food for team members and their families, including COVID-related items like hand sanitizer, face masks, thermometers, steamers to help with congestion, garbage bags for safe disposal of contaminated items, N95 masks to limit household spread and more. In addition, the company purchased oxygen concentrators for use by impacted team members or their families. These portable machines, which were difficult to source in India and expensive, would provide extra oxygen in the event a person's oxygen level fell below a critical point. The task force also provided virtual training programs to support health and wellness, including sessions on mental health, change management and updates in government mandates. In addition, the company increased flexibility for anyone personally impacted or who had an impacted family member, including paid sick leave, the availability of Team Member Assistance Fund support and salary advances to help offset medical costs.

SUPPORTING OUR PROFESSIONAL CUSTOMERS

Many of our professional customers are small businesses that benefitted from extra support in dealing with COVID-19. We took the initiative to contact them via phone, text, social media, in-store contacts and any other means. Through these connections, we significantly boosted feedback and learned what kind of, and how much, information they needed. For example, we created videos that targeted COVID-19-related issues and best practices. We also followed guidance from the CDC and other regulatory agencies and invited customers to webinars and training sessions to help ensure their businesses could remain compliant.

PREPARING FOR A POST-PANDEMIC WORLD

COVID-19 accelerated a range of talent management dynamics, including the shift to increasing flexibility in the workplace and a compressed labor market, both of which impacted frontline retail and distribution center hiring. In addition, there was an increased push to prioritize diversity, equity and inclusion in response to an amplified call for action across the country. At Advance, we responded to these changes by further sharpening our focus and attention on building a strong and differentiated company culture. We thoughtfully reviewed feedback from our annual organizational health survey and other team member engagement throughout the year, through which team members asked us to continue to simplify processes, prioritize and act on their input. Cross-functional teams, led by our HR leadership and augmented by extensive team member feedback data, worked tirelessly to advance the team member experience and prioritized programs that could help strengthen the organization in a post-pandemic world. These programs were organized under the pillars of **CARE**, **SPEED** and **PURPOSE**.





CARE

At Advance, we are people-first in what we do and how we do it. From health and safety initiatives to team member wellness to recognizing those who do great work, we prioritize care for our team members in all we do. We also realize that providing ways for team members to “Speak Up” and shape our culture ranks very high in keeping people satisfied. For these reasons, we spend a lot of time assessing our organizational health, including the ways we solicit input from our team members.

ENVIRONMENTAL HEALTH & SAFETY

In 2021, Advance delivered a double-digit reduction in team member safety incidents. In fact, Advance's 2020 and 2021 injury rates are down approximately 50 percent since 2016, the year our latest safety program was formally introduced. Our growing team of environmental health and safety (EHS) professionals work daily to help ensure the safety of our team members and customers by regularly inspecting and evaluating the safety of our stores and DCs, including the equipment we use and the processes we have in place to ensure compliance with government regulations and industry standards. Our EHS team recognizes that the only way to get customers back on the road safely is by caring for our team members, and they continue to go above and beyond in that regard.

IDENTIFYING SAFETY CHAMPIONS

We continued tracking each store's safety performance against a detailed scorecard and put comprehensive action plans in place to drive meaningful improvements. We expanded our Safety Captain program in every market to help ensure continued compliance with safety measures. Safety Champions are high-performing field leaders who have expressed an interest in developing new skills. Their responsibilities include reinforcing compliance, leading training programs and tracking safety data.

TOTAL RECORDABLE INCIDENT RATE¹



51% 5-YR REDUCTION
35% 2-YR REDUCTION
18% YEAR OVER YEAR REDUCTION

LOST TIME INJURY RATE¹



51% 5-YR REDUCTION
40% 2-YR REDUCTION
12% YEAR OVER YEAR REDUCTION

DAYS AWAY/RESTRICTED CASES RATE¹



52% 5-YR REDUCTION
22% 2-YR REDUCTION
13% YEAR OVER YEAR REDUCTION

COLLISION FREQUENCY RATE^{1,2}



N/A 5-YR REDUCTION
0% 2-YR REDUCTION
13% YEAR OVER YEAR INCREASE

1. Comparisons as of year end 2021

2. With the addition of video telematics, our ability to report collisions improved. This led to a year-over-year increase in our collision frequency rate.

SAFETY SPOTLIGHT

Ralph was doing quite well as a general manager for a major computer retailer, but when a friend told him about opportunities at Advance, he decided to apply. “I never thought I’d work in the automotive industry, but my friend told me it was a great company and that I’d do well there.” He was hired as an Assistant Manager and soon became a General Manager. Next, he was promoted to Commercial Accounts Manager, and seven years ago to District Manager.

“I love Advance for three reasons, and the first is the customer. They come into our stores because they need something, so I make sure my team takes better care of them than anyone else. The second reason is my team because I love helping team members grow and improve. The third is the company, and one example is how they managed COVID. They were there for my family and me, which gave me real peace of mind.”

Earlier this year, Ralph was asked to become a Safety Captain. “I was super excited because team member safety is close to my heart. I want to be sure they get back home in the same shape they left that morning.”

Since he assumed the mantle of Safety Captain, Ralph is always looking for ways to improve safety in all work areas.



RALPH TEJADA

FLORIDA DISTRICT MANAGER AND SAFETY CAPTAIN

YEARS AT ADVANCE: 11

LOCATION: GREATER ORLANDO, FLORIDA

ENSURING DRIVER SAFETY

With one of the largest delivery fleets in the country, employing the best drivers is important and we go to great lengths to train and develop our drivers to help ensure they comply with all safety standards. Expanding our SmartDrive™ video-based telematic coaching and feedback system to the majority of our stores was a key accomplishment in 2021. SmartDrive records any distraction occurring inside or outside of a vehicle. Any event that registers as a safety risk is logged and sent to an intelligence portal that allows general managers to review the incident and provide coaching to the team member. In addition, we completed the deployment of our in-house Advance Driver Program to provide additional training. We also instituted regular motor vehicle records checks on all our drivers. Collectively, these driver safety practices contributed to reduced collision.



50TH ANNIVERSARY OF SALINA DC

In 2021, the Advance distribution center in Salina, Kansas, celebrated its 50th anniversary. Several members of the Advance leadership team traveled to Salina to personally congratulate and thank the team and to remember long-time General Manager Devin Kurtz, who unfortunately passed away earlier in the year. “It was wonderful to celebrate with the DC team members and see the progress that has been made over the last half century since the DC’s inception. As leaders, nothing is more gratifying than to hear first-hand about the success of our team members and how we can better support them in servicing our customers,” said Reuben Slone, executive vice president, supply chain.

The Salina facility was built in 1971 as a Western Auto Distribution Center, and in 1988, was acquired by Advance. It encompasses about 437,000 square feet, employs around 200 team members, and serves hundreds of Advance and Carquest locations. In 2018, the Salina DC earned recognition as the Advance DC of the year. Key to its success is strong leadership and exceptional team members. Not only has 13% of the staff been with the company for 20 years or longer, but 7% of the staff have been with the company 30 years or more. Now that’s worthy of a celebration!

TEAM MEMBER TOTAL REWARDS

These days, competitive pay and health insurance are table stakes for most companies. At Advance, we offer a comprehensive health and wellness benefits program that goes above and beyond the basics to improve the way of life for our team members and those who mean the most to them: their families. This includes paid maternity leave, 401(k) retirement saving plans with a company match, company-provided basic life insurance and more. For example, we now provide virtual health coaching for those impacted by conditions such as hypertension and type 2 diabetes. In addition, we recently introduced a program that contributes to the financial wellbeing of our team members. We regularly assess our benefits package and add other meaningful options that support total team member wellbeing.

PROMOTING FINANCIAL WELLNESS

In 2021, Advance introduced a financial wellness program that provides wage advances, loans and coaching to help team members reach their financial goals. Thus far, the service has been widely utilized by our team members, particularly those working on the frontline in our stores and DCs. Beyond this program, we expanded the financial education offerings through our 401(k) provider.



ORGANIZATIONAL HEALTH

At Advance, one important way we've gathered input from our team members over the last several years is through our Organizational Health Survey, which we typically conduct once per year in the September-October timeframe. While our most recent (2020) survey netted the greatest response to date, we realized we needed to do more to ensure team member feedback is gathered more frequently and then acted upon. In 2021, we conducted more frequent, informal surveys to gather input on everything from internal Town Hall meetings to how we are returning to in-office work

arrangements for some team members. In addition, we put the final touches on a new organizational health model that will be introduced in 2022. This new approach will provide a “real-time” view of team member feedback and allow us to respond more quickly to the dynamic, changing circumstances around us. Included will be a model that provides continuous feedback to enable us to respond quickly to meet the needs of our customers and team members while also increasing the capability of each team member to help reach their full potential.



RECOGNITION

At Advance, our team members are committed to providing outstanding service to our customers, communities and each other every day. Whether they work on our frontline, in our DCs or our corporate support centers (CSCs), the knowledge and experience they bring to their jobs is what sets Advance apart. We know that recognizing team members who go above and beyond is one of the most important things we can do to build a winning culture and drive strong business results. It's why we have instituted so many meaningful recognition programs.

INVESTING IN OUR FRONTLINE TEAM MEMBERS

Fuel the Frontline is geared toward frontline team members who exceed their business targets and awards top performers Advance stock grants. We have granted over 24,000 stock awards to frontline team members, valued at over \$60 million upon grant since the 2016 inception of our Fuel the Frontline program. We are the only company in our industry making such a significant investment in stock ownership for frontline team members.

FUEL THE FRONTLINE



**AWARDS
GRANTED**

13,300+

UNIQUE WINNERS

6,000+

REPEAT WINNERS

2,500+

WINNERS 3X OR MORE



**VALUE
GRANTED**

\$62.5M

TRADITIONAL FTFL

\$4.8M

SPECIAL FTFL

\$67.2M

TOTAL FTFL



FUEL THE FRONTLINE WINNER

After Joan graduated Magna Cum Laude from Cayey University in Puerto Rico, she had every intention of becoming a Spanish teacher. However, that changed in 2006 when her part-time job at Advance turned into a real profession. Fifteen years later, Joan is Advance's General Manager for Puerto Rico and the recipient of 11 Fuel the Frontline awards. "I was a part-time salesperson at the Ponce store because I needed the money for my university," she said. "That was right after Advance bought it from Western Auto. In a short time, I was promoted to Retail Parts Pro and then to Assistant Manager. Seven years ago, I became General Manager."

Joan said she loved working in customer service so much that her transition to full time was easy.

"I worked in every part of the company, and I love helping my team members grow. So, I credit them for these accomplishments."

Joan also uses Fuel the Frontline as an example to motivate her team. "Being recognized with company stock shows the team that we work for an organization that not only values our efforts, but rewards us by providing an ownership stake in our company. It's a powerful message that helps inspire us all to continue working hard."



JOAN ACEVEDO

GENERAL MANAGER, CAGUAS, PUERTO RICO

YEARS AT ADVANCE: 18

LOCATION: ADVANCE AUTOMOTIVE
HUB STORE IN CAGUAS

IMPROVING “BE AN OWNER” STOCK AWARD PROGRAM

Be An Owner recognizes top-performing supply chain and CSC team members who work cross-functionally and achieve excellence on key company initiatives, contribute to the overall success of the company and demonstrate the behaviors of one or more of Advance’s Cultural Beliefs. Each quarter, below-vice president-level team members are nominated by Executive Committee members and receive Advance stock awards for their exceptional performance.

INTRODUCING NEW MILLION DOLLAR INDUCTEES

The Million Dollar Club rewards team members who achieve individual sales totaling \$1 million or more in a single calendar year. In 2021, more than 250 Million Dollar producers were inducted into this prestigious club, each receiving an Advance stock award and special uniform.

RECOGNIZING CEO AWARD RECIPIENTS

The Passion for Customers...Passion for Yes! CEO Award recipients are personally selected by Advance CEO, Tom Greco, for their contributions toward:

- Living our Cultural Beliefs
- Helping Advance execute our Roadmap for Growth
- Bringing our Mission - Passion for Customers...Passion for Yes! - to life

Winners receive a specially designed pewter 1967 Mustang – the same classic car that we use as a background for our Roadmap for Growth. In 2021, 11 team members or stores were recognized with this prestigious award.

GROWING OUR SPARK PROGRAM

Spark is an online recognition program providing team members with the ability to give “Shout Outs” to colleagues who live our Cultural Beliefs and deliver great work. Through the program, team members can earn Spark points, which can be redeemed through an online catalog for a wide variety of merchandise and gift cards or be donated to charitable organizations.

— BE ★ AN —
OWNER



**AWARDS
GRANTED**

300+

UNIQUE WINNERS

40+

REPEAT WINNERS

3

WINNERS 3X OR MORE

MILLION DOLLAR CLUB



52 IN 2017

89 IN 2018

150 IN 2019

191 IN 2020

260 IN 2021

CEO AWARD



79

TEAM MEMBERS

HAVE BEEN RECOGNIZED SINCE 2017

INNOVATION GARAGE WINNER

Advance has always encouraged team members across the board to submit creative ideas. So, when Shaun responded with a blockbuster proposal for our DieHard business, he earned an Innovation Garage Award. Being “fluent in cars,” he loves everything about them including the technical side. His eclectic career at Advance began fifteen years ago at a call center, and in short order he became a Team Leader for customer calls and then moved into Advance’s payment section focusing on fraud mitigation. Shaun points out that his automotive background helps him to identify transactions that could potentially be fraudulent.

“I don’t know where else I would be if not in the automotive industry,” he said. Some time ago, he received an email from corporate asking for ideas about how to “win the winter” with DieHard batteries. “I thought about all those snowplows that need good batteries after the first snow and imagined how it would be if their batteries didn’t work. He pitched a compelling idea to the Innovation Garage executive review committee, and they helped him pass all the hurdles until he presented it to Advance President and CEO, Tom Greco. “I was pretty nervous because it was the first time I submitted anything to Innovation Garage, much less to the top guy.”

It worked. Shaun’s idea became a marketing reality for the company and a real boost for his career.

“I encourage everyone to get their ideas out of their head and into reality because this company makes it possible.”



SHAUN STEWART

OPERATIONS PAYMENT & RISK PROJECT MANAGER

YEARS AT ADVANCE: 15

LOCATION: RICHMOND, VIRGINIA



SPEED

At Advance, we have a bold and relentless drive to stay ahead of the curve in all we do. We take pride in being resilient and adapting quickly in a rapidly changing environment. Delivering best-in-class training and onboarding programs, improving the hiring process and adapting how we work in a post-pandemic world is all part of setting up a workforce positioned to win now and in the future. It's this focus on efficiency and agility that helps us attract and retain great talent and deliver a people-first culture.



TRAINING & ONBOARDING

At Advance, our training and onboarding programs ensure our team members have the specific skills needed to complete their responsibilities and grow in their careers. In 2021, we took steps to further refine our field and DC training and onboarding programs to support our hiring and retention goals and better serve our customers.

DELIVERING BEST-IN-CLASS FRONTLINE TRAINING

Our store team members are the face of Advance with our customers and ensuring they are properly trained is critical to their individual success and that of the company. It's especially important where competition to hire is fierce and store team members are juggling many priorities at once. In 2021, we streamlined training modules for many roles. The result is quicker response times and more time to focus on what matters most – serving our customers. In automotive systems training, we plan to flip the old version of online tutoring on its head with lifelike, under-the-hood type video experiences with diagnostic tools being used by professional technicians as if the viewer was looking over their shoulder. We did something similar with customer service-oriented trainings to ensure they included more lifelike examples and were easier to understand. In addition, across the training curriculum, we looked for opportunities to replace older, often lengthy training modules with new “microlearning” sessions that last no more than 10 minutes. We also more clearly identified store roles and responsibilities to ensure training is targeted to specific skills and can help team members advance in their careers.

INSTITUTING A TRAINING SCORECARD AND TRACKING AGAINST THE CUSTOMER EXPERIENCE

A first for our company, we rolled out a new Field Training Scorecard that includes key metrics such as our Net Promoter Score, which is a measurement of how our customers feel about the way they're served in our stores, on-time training completion rates and team member turnover, among other sales-related factors. The scorecard is another way of helping us measure the effectiveness of our training programs.

ENHANCING THE ONBOARDING PROCESS IN OUR DISTRIBUTION CENTERS

One of the most important pieces to successful onboarding is training. Ensuring new hires feel prepared to tackle the responsibilities of their new positions helps ensure a positive start and a likelihood to stay long term. In 2021, we launched a training curriculum called "Start Your Engines," which allows new DC hires to gradually acclimate physically and mentally to their new positions in a safe and intentional way. Over several weeks, the program provides dedicated hours for job shadowing, hands-on coaching and safety training.



IMPROVING TALENT ACQUISITION

Despite a challenging labor market and the continued impact of COVID-19, 2021 saw substantial increases in Advance's hiring and retention rates for certain populations. To remain competitive, we either improved upon, or introduced new, innovative programs to attract or retain team members. Through our enhanced programs we have documented increased hiring and retention rates in certain categories that not only encouraged team members to stay but attracted a substantial number of qualified candidates.

FOCUSING ON NATIONAL HIRING

In June, Advance created its first-ever national hiring event for field team members across the country. In fact, Advance hired over 2,200 team members in the enterprise-wide "come-work-for-us" event. It not only resulted in new hires, but it also produced a substantial uplift in brand awareness. Events were up close and personal with large banners displayed on storefronts, announcements on Advance's e-commerce website, emails to Speed Perks loyalty members and promotion through LinkedIn and many other social media channels. Prospects never had to go inside the store because team members met them outside beneath tents where they also gave away Advance gifts and memorabilia. Hiring managers spoke with candidates and, if qualified, extended offers to them on the spot.



EXPANDING DRIVE-THROUGH HIRING

Our drive-through hiring program that began in 2020 at the height of COVID-19, increased this year to include all our DCs. The program offered a great way for hiring managers to connect with candidates while practicing social distancing and other recommended COVID-19 precautions. The face-to-face nature of the events enabled hiring to be done on the spot, creating greater efficiencies by reducing the required time for follow-up interviews. In some markets where local candidates wanted in-person interviews, they were welcome to enter the DC so long as safety measures were followed. The program continued through the year, and culminated with a year-end event in Gastonia, North Carolina.

GROWING OUR INTERNSHIP PROGRAM

This year's program attracted 42 participants and resulted in a whopping 70 percent conversion rate of interns who accepted offers to work at Advance. Like last year, Advance targeted rising college seniors with the potential of being hired full time after graduation. The program is also an accelerator for our leadership development program in the supply chain network. We supported interns in our DCs, our field sales and leadership programs and our CSC. Interns tended to participate at the analyst level in our CSC while in our DCs they joined as operation supervisors managing a team of approximately 15. Although COVID-19 continued, we experienced a combination of virtual and in-person interns with a mixture of both in our CSC and the majority of interns in person within the field and supply chain. This was highlighted by a significant representation of people of color and females in support of our DEI agenda. Based on the program's current trajectory, we anticipate upwards of 85 interns in 2022.

INCREASING VETERAN HIRING

At Advance, we make veteran hiring a priority because veteran team members bring so much to our company every day. Skills like teamwork, leadership, flexibility, problem-solving and discipline have been developed throughout their years of service and translate so well to the culture we are building. In 2021,

we enhanced our veteran hiring program through dedicated events at Fort Bragg, North Carolina, in partnership with the Whole Vet, a nonprofit that helps veterans and transitioning service members. We also sourced veteran applicant prospects through the Military.com and RecruitMilitary.com sites.

HIRING PEOPLE WITH DIFFERENT ABILITIES

Throughout 2021, we continued to make meaningful progress with our "People with Different Abilities Hiring Program" through which we identify, hire and train motivated and qualified job seekers with disabilities. This year, we expanded the program to include not only our distribution centers, but retail stores in certain markets. In partnership with our extensive network of community-based partners with whom we work, the program continued to have a meaningful impact with more than 400 team members with disabilities having joined our ranks since 2019. Supporting our program, Advance provided hands-on Disability Awareness Training to thousands of team members across all parts of the company.

IMPROVING THE DISTRIBUTION CENTER HIRING EXPERIENCE

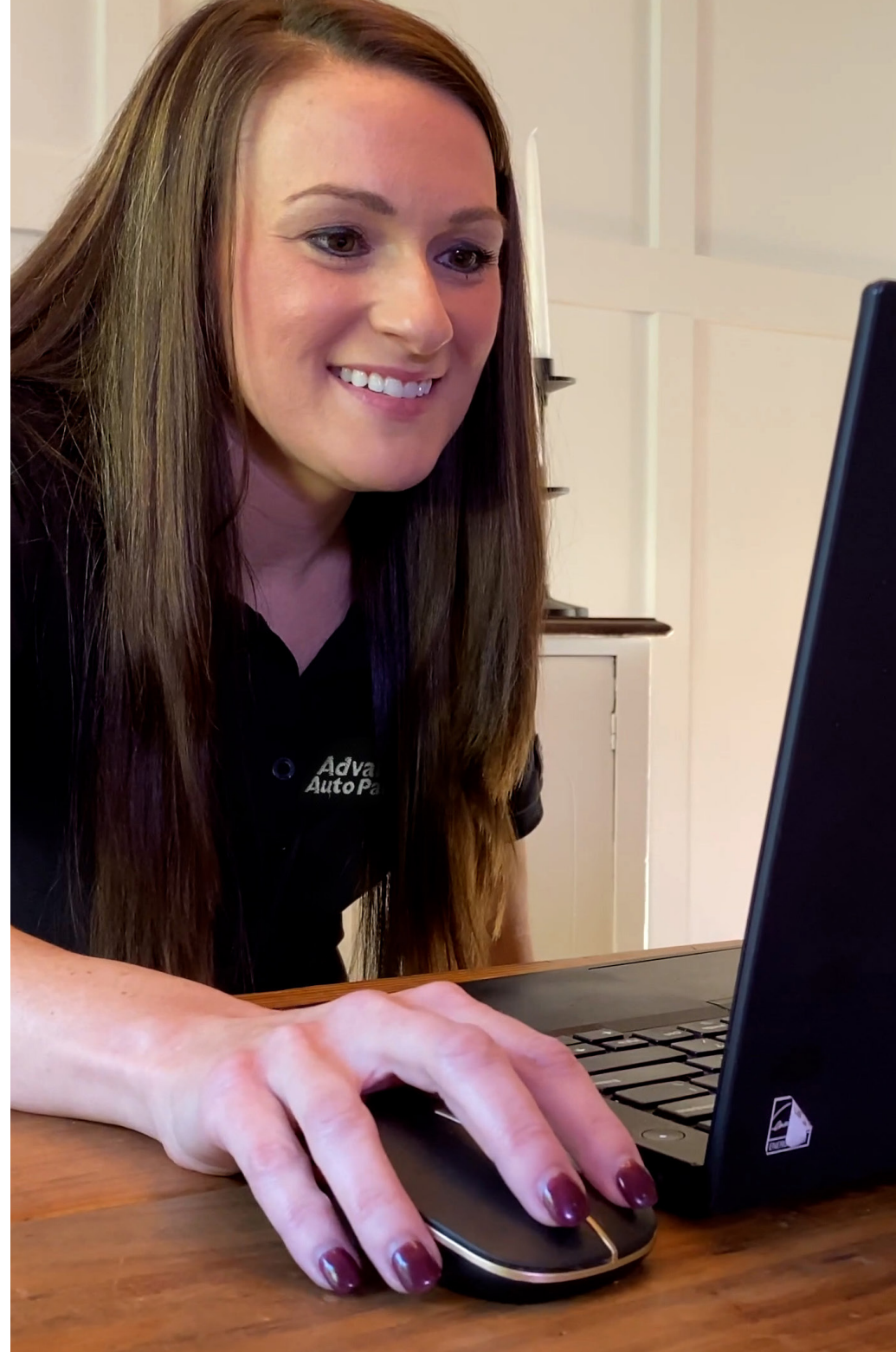
Like many retailers, we faced a challenging labor market in 2021, particularly in our DCs. In addition to refining our DC pay structure when the pandemic began, we took steps to streamline the hiring process for prospective team members in 2021. This included the use of technology to help prospective team members progress through different interview stages in an accelerated time frame – from initial online screenings, virtual job tryouts and realistic job previews to support the candidate's decision making. In addition, we provided regular communication via SMS text messages to ensure candidates were informed about their hiring status. The use of technology not only improved the process for the candidate, but it also gave much-needed time back to recruiters and hiring managers, which supported increased productivity across the team.

INTRODUCING “ADVANCE OUR WORK”

We navigated the challenges of the last two years by putting people first in what we do and how we do it. We heard feedback about the need to remove obstacles and simplify our agenda. In fall 2021, we launched an initiative called “Advance our Work” to better define how we operate in a hybrid and remote environment post-pandemic. Through team member feedback and external benchmarking, we developed a flexible return-to-office approach that provides an enhanced team member value proposition. Advance our Work is designed to attract, retain and develop the very best people in our CSCs, while heightening our focus on how we can best serve our field team.

PROVIDING FLEXIBILITY IN WHERE AND HOW WE WORK

Advance our Work includes several initiatives that will simplify and change how we work to support all team members. Initially, we’re focused on enabling flexibility in where and how our CSC team members work. This includes designated team member work arrangements for corporate roles, whether they are hybrid, full-time in office, or full-time remote, and more frequent in-person and virtual team connections that focus on team member development, innovation and engagement. Our goal is to continue to assess team member feedback to Advance our Work and adjust the program as needed.



A smiling man with a beard, wearing a yellow long-sleeved shirt, is sitting in a workshop or garage. He is holding a red cloth in his hands. The background is filled with various tools and equipment, creating a busy, industrial atmosphere. A yellow horizontal line with a diagonal cut on the right side is positioned behind the word 'PURPOSE'.

PURPOSE

At Advance, we believe team members make a difference by being who they are. We know that every individual brings unique skills and talents to bear on their job and that contributes to innovation, growth and improved business results. Throughout the year, we took important steps to better enable team members to develop the skills they need to advance in their careers and to evolve our diversity, equity and inclusion agenda to ensure we provide a greater sense of belonging.

CAREER DEVELOPMENT

At Advance, we don't just hire employees, we support our team members in building careers. This focus on career development increases satisfaction and productivity, which helps us attract and retain the very best people in the business.

BUILDING A STRONGER EMPLOYMENT BRAND

In a competitive labor market, we knew we needed to strengthen our Employee Value Proposition (EVP) to differentiate Advance and better position ourselves to attract and retain great talent. Through a series of team member focus groups and with external support to better understand the marketplace, our refreshed EVP is focused on three important pillars:



CARE

People first in what we do and how we do it



SPEED

Bold and relentless drive to stay ahead of the curve



PURPOSE

You can make a difference because of who you are

Moving forward, we plan to facilitate trainings to build on key leadership principles embedded in this EVP, introduce new certification programs to help team members gain skills to enhance their career paths and design programs with a greater emphasis on delivering a differentiated customer experience in a post-pandemic world.



APPROXIMATELY

8,000

PROMOTIONS



OVER

1,000

HOURLY TO SALARY
PROMOTIONS

CAREERS SPOTLIGHT

In 2012 Jeanette—a native Californian—moved to Virginia and took a job in a chain video store. After the chain went bankrupt, she joined a competitive auto parts store. But an Advance manager soon recruited her as a salesperson at Advance's local super hub. However, like all rising stars, Jeanette didn't stop there. Within three years, she became a part-time key holder, a retail parts manager, and then a general manager at her first location in Fredericksburg, Virginia. Today, Jeanette's store is #2 in the district, second only to their super hub.

Meanwhile, her talent flourished as a trainer/troubleshooter at a store in Stafford. The store had gone through five managers until she arrived, but she and her team quickly turned it into a thriving location. The experience elevated her to the status of a go-to General Manager when fellow GMs need assistance.

In late 2021, Advance sent Jeanette to California to train team members at the new Advance locations, the former Pep Boy's stores with locations across the state. As she breaks new ground out West, she continues to exercise her core skills for Advance. "It feels great," she said, "to bring people up to the point when I can tell them they're ready to go to the next level." It will be fun to see what she does in the next nine years.



JEANETTE VASQUEZ

GENERAL MANAGER

YEARS AT ADVANCE: 9

LOCATION: STAFFORD, VIRGINIA

CAREERS SPOTLIGHT

After 11 years as store manager of a wireless company, Jose heard they were about to sell all their company-owned stores. Seeing the writing on the wall, he consulted a good friend who told him Advance was hiring. He applied, and after three interviews was hired as the General Manager of the Montgomery Village store.

“They must have liked me,” said Jose, “because the only automotive experience I had was changing brake pads and oil in my car.”

Apparently, his former management skills came through because Jose has been promoted twice in his GM position. He says his forte is improving customer service, streamlining inventory and boosting sales. In his current position, Jose focuses on operations and team development. The result is a store with one of the largest sales volumes in the area, nearly matching that of a super hub.

“That’s not bad for a little store,” he said. “We can do that because I have a great commercial team that develops strong relationships with our professional customers.”

In one year, his store increased from two delivery vehicles to four, and two commercial managers to three. What Jose loves about Advance is that he has room to grow. In his past position with the wireless company, he went six years in the same position. But with Advance, he’s worked in three locations and promoted twice within two years.

“I get to work with a lot of different team members, and Advance is truly diverse with both team members and our customer base.”

He said he loves to grow team members so they can be promoted. That’s clear because during his tenure he has promoted five members to various positions. And, at just over two years with Advance, Jose has set his target on District Manager in Training ... when the opportunity comes up.



JOSE GUEVARA

GENERAL MANAGER

YEARS AT ADVANCE: 2

LOCATION: GAITHERSBURG, MARYLAND

CAREERS SPOTLIGHT

Naomi doesn't let the grass grow under her feet. It began when she and her stepfather went to an Advance store in Maryland to buy sparkplugs, and as the team member rang up the order he mentioned they were hiring. Naomi had just graduated high school and wanted a job, so they arranged for an interview. She was nervous since she had zero experience with cars, but the interview went well, and she was hired as a part time sales associate. She kept her night job at a local convenience store until another position opened at another Advance store. That's when she went full time.

"I never thought it would turn out to be a career," she recalled, "but I'm sure glad it did."

In short order she became an assistant manager, then a commercial parts pro, and eventually the General Manager. But when her daughter was born, Naomi wanted to devote more time with her, so she stepped down from her GM position.

"It was an awesome decision," she said, "because I could never have that time with her again."

She accepted a Commercial Parts Pro position at a super hub in Tacoma Park and remained there until she opened a new store in Landover. In 2015, she opened another store in Landover and ran it until 2017 when she managed a super hub in Prince George's County. Then in August of 2021, she became District Manager in Training. Then, two days before this writing, Naomi was appointed District Manager.

"It was important that my daughter saw me—a single mother—as a good parent, who excelled at my job as a woman."

When asked about what she loves best at Advance, she doesn't hesitate.

"It's the overwhelming amount of support from my peers and managers, and Advance's diversity keeps getting better and better....That's pretty much why I'm here twenty years later."



NAOMI VARIAS

DISTRICT MANAGER

YEARS AT ADVANCE: 22

LOCATION: PRINCE GEORGE'S COUNTY, MARYLAND

DIVERSITY, EQUITY & INCLUSION

While DEI has always been important to Advance – both from a business and team member satisfaction standpoint – we recognize there is an urgent need to do even more. And the input of team members and business partners has never been more critical in shaping our strategy.

In early 2021, we conducted a company-wide survey of internal stakeholders. Team members across Advance contributed through one-on-one interviews, roundtables, team member networks and/or surveys. We asked where we were succeeding and where we had more room to grow and team members were forthcoming with their feedback. After evaluating the data and input we received, we introduced a refreshed DEI strategy focused on recruitment, retention and advancement of people of color and women, the promotion of allyship across the enterprise and the creation of an even more inclusive culture that welcomed and valued all.

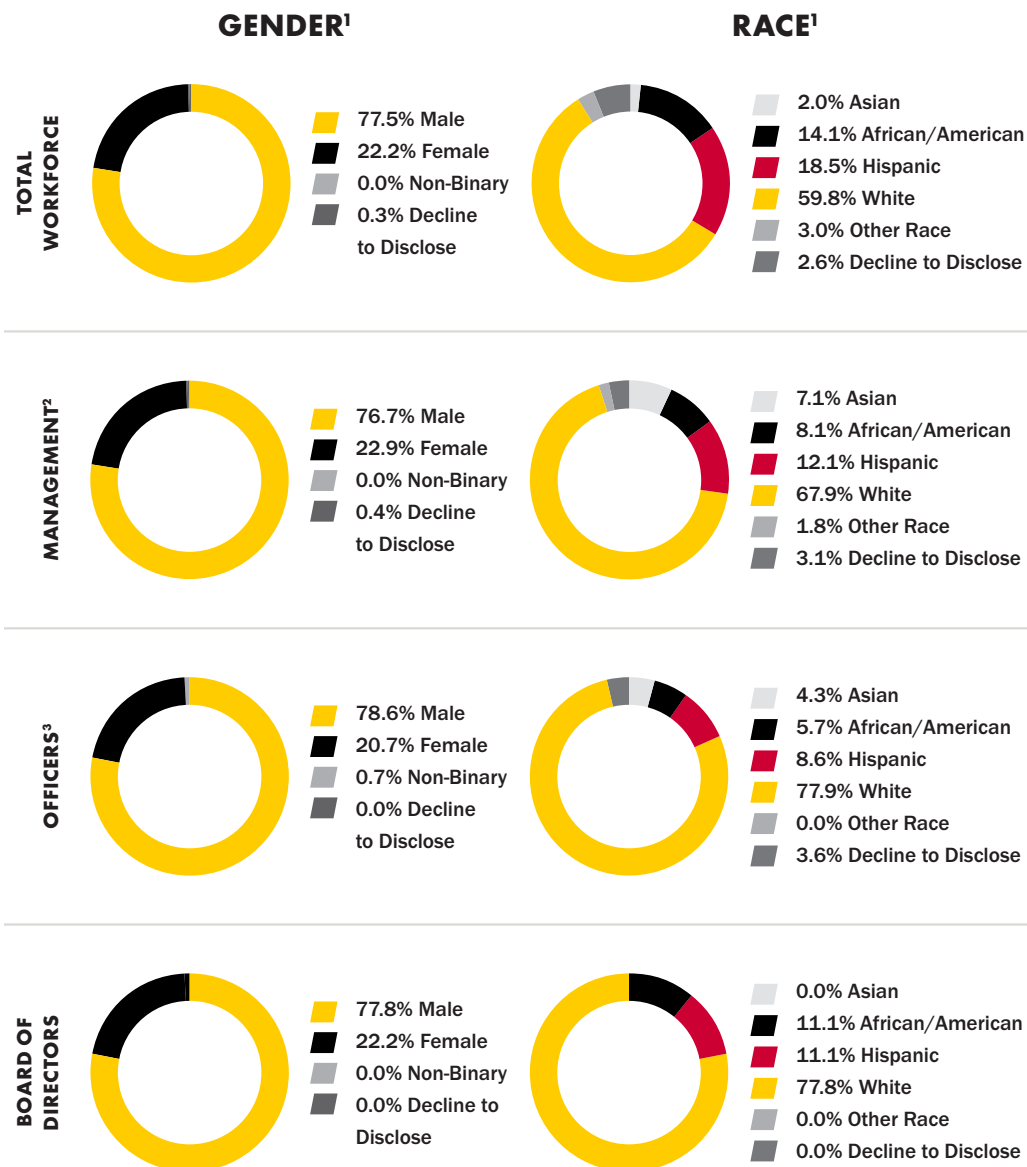


CONTINUING TO BUILD ON OUR DEI STRATEGY

We continued to build out our office of DEI and hired key roles to further Advance's ability to bring our strategy to life. Within the department is a diversity arm responsible for gathering and interpreting data; an equity arm that partners with HR to build strategies to recruit and retain diverse talent and ensure equity in compensation among underrepresented groups; and an inclusion arm charged with collaboration with team member networks, as well as engagement with external diversity organizations. This includes driving participation in third-party trainings and conferences to increase knowledge and gain outside perspectives on strategies to increase diversity, equity and inclusion in the workplace. In addition, the office of DEI facilitates cultural celebrations, often in partnership with team member networks, linked to key diversity-related moments-in-time, such as Martin Luther King, Jr. Day, Black History Month, Women's History Month, Asian American and Pacific Islander Heritage Month, Hispanic Heritage Month, Veteran's Day, National Disability Employment Awareness Month and Pride Month, among others.

IMPLEMENTING A DATA-DRIVEN APPROACH

Strong DEI data and analytics help us understand where gaps exist and where best to direct resources to address them. In 2021, we developed a data-driven strategy to ensure our progress is measurable, goes beyond just diversity numbers and provides great intelligence in terms of retention and advancement across all parts of the business – from the field to our DCs to our corporate locations. We gleaned across-the-board feedback and established a baseline for all categories of team members. Then we mapped their equity journey in the company.



1. Based on U.S. team members as of January 1, 2022. For metrics in accordance with SASB Standards, please see Appendix A. Includes salaried and hourly U.S. team members (U.S. and Puerto Rico). Other race includes two or more races, Hawaiian, Native American).

2. Management defined as managers and directors and excludes VP+ roles.

3. Officers defined as VP+ and includes executive officers

The availability of this intelligence helped us to better address areas of opportunities and, through programs and interventions, make needed adjustments. This was done in three phases. With each cohort, we first examined our diversity data from an equity view: how we recruit, retain, advance and at what points. And then from an inclusion view: how does the culture affect cohorts in the corporate office, DC and field? Next, we examined our leadership commitment and communication in each area. Armed with that level of analytics, our DEI agenda started to make significant inroads in 2021.

EMPOWERING OUR TEAM MEMBER NETWORKS

Team member networks allow team members to connect with colleagues and share ideas, and they help increase cultural fluency across the company. In 2021, we rebranded our team member network program to broaden its reach and enable greater participation in planned activities regardless of location or role.

We started by moving team member networks away from chapter models and into centralized groups with chairs at a VP+ level and VP allies to advise from different parts of the business. Next, we established a quarterly cadence of meetings to keep members informed and engaged. And finally, we launched a software platform that features all team member network events and engagement opportunities in a single location accessible by all team members. Using this platform, team members across geographies and roles can join any, or all, of our seven team member networks, register and attend team member network events, read and comment on the latest diversity-related articles and access tutorial videos and user manuals to learn more about the platform. Participation in team member networks has increased by 300 percent, with new members joining daily.

ADVANCE PRIDE

ADVANCE PRIDE AND ALLIES NETWORK

Fosters visibility and growth for its members and allies of the LGBTQ+ community

ALIGN

AFRICAN AMERICAN LEADING INCLUSION & GROWTH NETWORK

Is focused on the professional growth of its members and strives to build competencies through networking, exposure and opportunity

DIFFERENT ABILITIES

THE ADVANCE FOR DIFFERENT ABILITIES NETWORK

Is a nationwide forum for team members and customers aspiring to further education and activation in support of our focus around different ability inclusion

FUEGO

FOSTERING UNITY, ENGAGEMENT, GROWTH & OPPORTUNITIES LATINO NETWORK

Creates opportunities for our team members, customers and communities by celebrating the Hispanic/Latino culture

ICON

INTERNATIONAL CULTURAL OPPORTUNITIES NETWORK

Serves as a liason between Asian and non-Asian team members, customers and communities to promote a culture of inclusivity, compassion and mutual respect

SERVICE

SERVE, EDUCATE, RECRUIT, VALUE, INSPIRE, CELEBRATE & EMPOWER NETWORK

Is a community of veteran team members, their families and people with a passion for their country's service members

WIMN

THE WOMEN IN MOTION NETWORK

Is a community that creates opportunities for the Women of Advance to grow professionally in an inclusive environment

CREATING MAINSTAGE EVENTS AND OTHER CELEBRATIONS

We increased DEI visibility with high caliber “mainstage” events open to all team members and often featuring well-known external speakers and panelists who shared personal experiences and took questions from those eager to learn more. In January, our first mainstage event celebrated the remarkable life and legacy of Dr. Martin Luther King, Jr. and featured award-winning journalist, entrepreneur and television host Soledad O'Brien. The event, Unity in Motion: From a Moment to Momentum, reminded participants that it will take all of us to achieve real and substantive change and challenged us to work together to move our DEI agenda forward.

In May, in commemoration of Asian American and Pacific Islander Heritage Month, the ICON team member network held several great events touching on topics such as the rise in violence against the Asian community, building and growing your professional career, exploring the idea of Asians in America as the “model minority” and more. The month concluded with a special event featuring keynote speaker Osman Parvaiz, general manager and country head, Philippines at Capital One, who spoke about his life as an Asian Muslim immigrant in the U.S. In June, Advance celebrated Pride Month with an engaging panel of openly gay athletes, including NFL football coach Katie Sowers, NFL draftee Michael Sam, and Olympic silver medalist freestyle skier Gus Kenworthy. In addition to sharing their experiences of being out in their respective disciplines, the panelists discussed the importance of allyship to support the LGBTQ+ community. Finally, in September, we hosted a Hispanic Heritage Month event with NFL Hall of Famer Tony Gonzalez who addressed ways to embrace diverse Hispanic cultures and move beyond labels. Each event was supplemented with smaller gatherings to dive deeper into topics related to that month's theme.

WE ARE COMMITTED TO INCREASING DIVERSITY AMONG OUR TEAM MEMBERS, INCLUDING OUR LEADERSHIP REPRESENTATION OF WOMEN AND PEOPLE OF COLOR BY 25% BY 2026.

2021 ORGANIZATION PARTICIPATION



In 2021, Advance received a 90 out of 100 on the Human Rights Campaign's Corporate Equality Index, the national benchmarking tool on corporate policies and practices pertinent to LGBTQ+ employees.

TRAINING TO INCREASE DEI AWARENESS

DEI awareness trainings help every team member better understand their role in building an inclusive workplace. They also increase cultural competence and build awareness of unconscious bias that might exist among our team members. Sessions were conducted throughout 2021 in partnership with an external global think tank and addressed each of the seven cohorts represented by our team member networks. Importantly, these sessions were not only informational, they identified actions we could all take to better leverage and support each audience. For example, our Asian American training in May unleashed the potential of what many perceive as a “model minority,” and a separate training in June enhanced understanding of the LGBTQ+ cohort and the importance of allyship. We also featured sessions on “Being Black in Corporate America,” and unique challenges and opportunities for military veterans, the LatinX community and people with disabilities. In 2021, we offered courses to help educate women at Advance about the benefits of having both mentors and sponsors to help them advance in their careers.

ESTABLISHING THE CEO INCLUSION COUNCIL

The commitment of the leadership team to Advance’s DEI agenda is essential in ensuring meaningful progress, so in spring 2021, CEO Tom Greco assembled his first-ever CEO Inclusion Council. This diverse group of Advance leaders is charged with oversight of the company’s DEI strategy to ensure it delivers against our business goals and provides everyone at Advance the opportunity to thrive, belong and succeed.

The goals of the CEO Inclusion Council are largely focused on:

- Ensuring alignment between Advance’s overall business strategy and our DEI goals while integrating DEI within the company’s mission, vision and operations.
- Creating strategic accountability for results, providing governance and oversight of our efforts in addition to enhancing company-wide communications on progress.
- Leading Advance in modeling inclusive behaviors and cascading core competencies of self-awareness to ensure all team members feel included, empowered, accepted and valued.
- Improving our talent pipeline and diverse representation in senior leadership by operationalizing DEI practices, principles and processes.

Each council member serves for 18 months and a variety of job functions and geographies are represented.

DEI SPOTLIGHT

AAP BOARD MEMBER ARTHUR VALDEZ JR. INSPIRES TEAM MEMBERS DURING NATIONAL HISPANIC HERITAGE MONTH FIRESIDE CHAT

This year, we commemorated National Hispanic Heritage Month in a big way. The FUEGO Latino Team Member Network partnered with the DEI team to provide a series of noteworthy events through which team members could gain a deeper understanding of Hispanic heritage and learn how to better support the Hispanic community.

This included an unforgettable fireside chat with Advance Board Member, Arthur Valdez Jr., who shared personal reflections on the role his Hispanic heritage played in shaping his career. Arthur talked about being the first in his family to attend college and that despite feeling a lack of belonging as one of the few Latino students at school, he developed the confidence he needed to move forward and advance his career.

Arthur's message to our team members was simple, "Never accept the premise that you've done enough. Be confident in your abilities and make the next step happen. Be willing to raise your hand and ask for more challenging assignments." Arthur inspired our team members to think differently about their own career advancement and ways they can overcome potential barriers to their future success.



ARTHUR VALDEZ JR.

EXECUTIVE VICE PRESIDENT, CHIEF SUPPLY CHAIN
& LOGISTICS OFFICER OF TARGET CORPORATION
ADVANCE BOARD MEMBER

A man with a beard and a green long-sleeved shirt is pouring oil from a white plastic jug into a car's engine. The scene is set in a workshop or garage, with various tools and equipment visible in the background. The lighting is warm and focused on the man and the engine.

PLANET

Over the last few years, we have focused on improving our environmental impact to reduce waste and support a healthier planet. Not only does it help us operate more efficiently and reduce costs over time, but it also improves our business performance. We've continued to make meaningful progress in this area, as evidenced by an above-average "B" score in global nonprofit CDP's annual climate change report. Advance was the only automotive aftermarket parts retailer to be ranked in this year's report and our score places us firmly in the "management" band, signifying our commitment to taking action on climate issues.

ENERGY CONSERVATION

SETTING SCIENCE-BASED EMISSIONS TARGETS

A major step we took in early 2021 was joining the science-based target initiative (SBTi) and committing to setting a science-based emissions reduction target by early 2023. The move enables Advance to do our part in tackling global warming while also differentiating ourselves in the transition to a low-carbon economy. Our emissions strategy includes everything from the procurement of energy to how we use our energy to ways we optimize routing and logistics across our supply chain and vehicle fleet. As we take on this important goal-setting work, our environmental team continues to work to stay ahead of the environmental sustainability curve in each of these areas. We made meaningful progress in lowering our overall energy consumption, which helped to reduce our scope 1 and scope 2 emissions by approximately 15 percent in 2020, as compared with the year prior. In addition, during 2021, we began assessing our scope 3 emissions and ways we can work with our suppliers to reduce scope 3 emissions across our value chain.

SCOPE 1 & SCOPE 2 REDUCTION

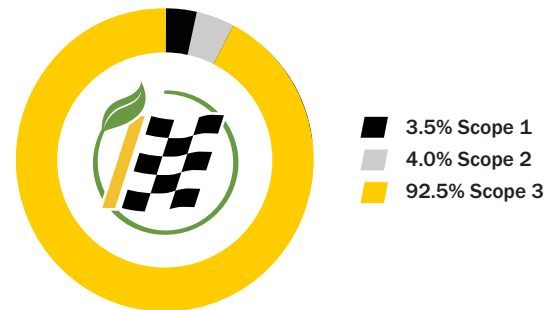


**APPROXIMATELY
15% REDUCTION**
BASED ON INTENSITY FIGURE AS THE METRIC



In 2021, we received the above average “B” score in the global nonprofit CDP’s annual climate change report.

AAP TOTAL EMISSION ESTIMATE BASED ON 2021 CDP SUBMISSION



Scope 1, 2 and 3 are used to categorize the different kinds of carbon emissions a company emits within its own operation as well generation of purchased energy and other indirect emissions that occur in the value chain, both upstream and downstream. Our scope 3 emissions are based on a global assessment calculated for our SBTi submission and is currently being reviewed by SBTi.

INCREASING OUR USE OF SOLAR AND WIND ENERGY

Throughout the year, we focused on increasing our use of renewable energy to offset our current electricity usage and maintain efficiencies as we continue to grow. This included a wind energy agreement in Texas. In fact, approximately 70 percent of our purchased energy consumed in Texas comes entirely from wind generators. That means we're using a completely renewable energy source in the state. Approximately seven percent of our total consumed energy was from renewable sources by the end of 2021. We also initiated community solar power purchase agreements in Maine and New York.

IMPROVING FLEET EFFICIENCY

In 2021, we made a procurement decision to lease several new Ford Maverick hybrids as we continue to optimize our fleet with energy-efficient vehicles. The Maverick is a front-wheel-drive pickup truck that gets over 40 miles per gallon in the city. We've also added efficiency through our ongoing supply chain optimization and delivery routing initiatives that reduce wasted mileage. These initiatives ensure our stores and DCs are synchronized and have reduced miles driven by approximately 14 percent. This helps lower costs, increases supply chain effectiveness and improves availability for our customers while reducing our environmental impact.

UPDATING HVAC EQUIPMENT IN STORES








Another energy conservation project we took on in 2021 was updating HVAC systems in many of our stores. We systematically replaced the old systems with high-efficiency units through our end-of-life management program. Importantly, through our multi-year agreement with our HVAC manufacturer and the 10-year life cycle on the HVAC equipment in the stores, we gain environmental credit when we replace our old, antiquated equipment with new energy-efficient systems.



RECYCLING

In 2021, we continued our recycling programs in the major categories of oil and batteries as well as our cardboard, stretch wrap and scrap metal recycling programs. Our stores collect a sizeable amount of used oil from our customers. The oil we receive at our stores is transferred to a third-party to re-refine into a base stock that is then used primarily as lubricant. Similarly, when customers bring their old automobile or light truck batteries to our stores, we recycle them for no charge and even provide those customers a \$10 Advance gift card that can be used for a future in-store purchase.

2021 RECYCLING PROGRAMS

	2021	2021 VS 2020
 CARDBOARD (IN THOUSANDS)	11.6 tons	-11.5%
 METAL (IN THOUSANDS)	12.2 lbs	-6.2%
 REPAIRABLE PALLETS (IN THOUSANDS)	400.7	1.1%
 STRETCH WRAP (IN THOUSANDS)	936.9 lbs	12.4%
 USED ANTIFREEZE (IN THOUSANDS)	16.9 gallons	-12.0%
 USED OIL (IN THOUSANDS)	5,739.2 gallons	1.1%
 BATTERIES (IN THOUSANDS)	156.2 tons	5.1%

Decrease in cardboard and metal recycling primarily driven by supply chain constraints. Decrease in antifreeze due to a reduction in store participation due to physical space constraints.



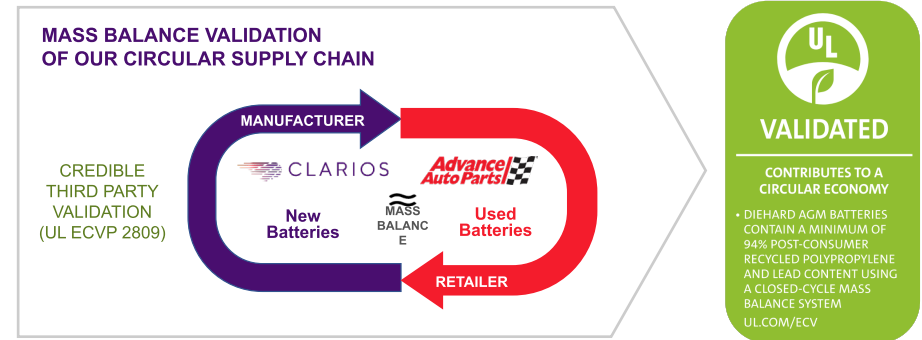
STRIVING TO IMPROVE DIEHARD® BATTERIES

Advance's 2019 acquisition of the DieHard brand is standing even taller in the marketplace thanks to the strategic partnership we have with Clarios, our strategic battery manufacturing partner. DieHard already is America's most trusted auto battery. It is reliable, durable and powerful, and it also stands for innovation and plays an important role in our environmental sustainability programs. In fact, DieHard's AGM batteries recently received formal recognition from UL on being the first automotive battery to achieve one of their distinguished validations within the circularity or "closed-loop" space. During the validation process, UL determined that 94 percent of the materials in new batteries are from batteries collected at Advance and Carquest retail stores, significantly reducing the environmental impact and resources needed to manufacture new plastics or mine for virgin lead. Simply put, this means that new DieHard batteries come from old batteries.

PUTTING UNWANTED AUTO PARTS TO GOOD USE

Another way Advance diverts unwanted auto parts from landfills is through its ongoing partnership with Good360. The nonprofit serves as a link between socially responsible retailers like us and a network of thousands of vetted nonprofit organizations, providing them with highly needed unused or discarded goods they otherwise could not access. In our case, Good360 manages 62 such individual nonprofit partnerships on our behalf. One of many examples is a monthly product distribution event arranged by Good360 in Indiana. In partnership with the Indiana Association of Transportation Technology Instructors (IATTI), automotive school programs targeting vulnerable populations have access to donated automotive products to supplement their curriculums. In this way, our donations go to organizations that train future generations of auto mechanics, among other things. It's our way of giving a 'hand-up' to those interested in careers in the automotive field.

DIEHARD® AGM FIRST AUTOMOTIVE BATTERY TO SECURE VALIDATION



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WORKING WITH THE RESPONSIBLE BATTERY COALITION

As a founding member of the Responsible Battery Coalition (RBC), we are committed to advancing the best practices for managing all batteries from production to recycling. Working with the RBC supports our goals of reducing energy consumption and carbon emissions while promoting increased recycling and recovery of battery materials. As batteries become a larger part of our daily lives, Advance works with RBC to support its 2 Million Battery Challenge, a campaign to drive awareness of the recyclability of lead-acid batteries and incentivize consumers to return used batteries to participating stores. The campaign also supports battery recovery efforts in some of Alaska's most remote communities, where the RBC and its partners in the Backhaul Alaska program recovered and recycled more than 100,000 pounds of spent vehicle and equipment batteries in 2021.



COMMUNITY

Giving back is something our Advance team members not only take pride in doing, it's something they do exceptionally well. Their passion for helping others continues to drive our community involvement through both corporate and foundation giving. This year, in response to team member feedback, we created even more ways for every level of the organization to get involved in our charitable giving – whether by fundraising on behalf of the American Heart Association, participating in home ceremonies through Building Homes for Heroes, or identifying local nonprofit organizations that will benefit from our gifts. We refocused where and how we contribute, bringing new life to Advance's ownership culture and giving voice to individual team members and their desire to help. Our company-sponsored giving and gifting via our Advance Auto Parts Foundation centered around three important focus areas: support of military veterans, health and wellness, and education/job readiness.

FOUNDATION GIVING

VETERAN SUPPORT

The Advance Auto Parts Foundation is committed to supporting our military veterans who have done so much for all of us. This year, we proudly supported two exemplary organizations committed to supporting veteran needs.

PREPARING VETERANS FOR THE CIVILIAN WORKFORCE

Through a broad network of partners, North Carolina-based Veteran's Bridge Home (VBH) helps navigate the employment maze, create social connections and settle families after deployment or long-term military service. The Advance Auto Parts Foundation donated \$50,000 to VBH for a three-part workforce development initiative in North Carolina's Research Triangle area. Included is funding for direct outreach to North Carolina companies willing to hire veterans, a Triangle-based veteran hiring event and career coaching and job search training.

LENDING A HAND IN THE FIGHT AGAINST MILITARY SUICIDE

In the U.S., more than 500 veterans die by suicide each month. The North Carolina-based nonprofit Stop Soldier Suicide (SSS) provides free, confidential, trauma-informed care to veterans and service members at the highest risk for suicide, with a goal of reducing the military suicide rate to civilian parity no later than 2030. The organization's evidence-based risk stratification model confirmed nearly 150 lives saved - the equivalent of an Army infantry company - in 2021 alone. Our \$50,000 gift to SSS supports its Operation Rapid Reinforcement, an initiative to bolster its front-line force of Wellness Coordinators in the face of increased demand for its services since the end of the U.S. presence in Afghanistan.



F O U N D A T I O N

**THE ADVANCE AUTO
PARTS FOUNDATION
SUPPORTS THE
DEVELOPMENT OF A
HEALTHY, SKILLED AND
DIVERSE WORKFORCE
PREPARED TO ADVANCE
THE MOBILITY INDUSTRY
IN THE 21ST CENTURY.**

HEALTH AND WELLNESS

Every person deserves the opportunity for a full, healthy life, which is why we are so committed to investing in community health. This year, the Advance Auto Parts Foundation took an important step in building on our corporate commitment to fighting heart disease and stroke.

PROVIDING LIFESAVING HEART HEALTH MEDICATION TO THOSE IN NEED

Advance Community Health is a private, non-profit community health center in Wake and Franklin counties (NC) with a mission to provide primary care services to all, including privately insured, uninsured, under-insured and medically underserved patients. Since 1972, Advance Community Health has been an anchor of quality, compassionate health care for more than 26,000 patients annually. The Advance Auto Parts Foundation gifted \$50,000 to Advance Community Health to fund the “ACH Cares Prescription Assistance Program,” to help reduce out-of-pocket prescription costs for low-income patients affected by heart disease, hypertension, high blood pressure or other heart-related conditions.



EDUCATION/JOB READINESS

From supporting post-secondary educational opportunities to training and upskilling our existing workforce, investing in education and job readiness helps to create a more productive society and supports growth for the economy. In 2021, we proudly supported several meaningful opportunities in this area.

INCREASING DIVERSITY AMONG AUTO TECHNICIANS THROUGH A FIRST-OF-ITS-KIND PARTNERSHIP

Not only is the U.S. currently facing a worsening shortage of automotive technicians, but the industry also lacks diverse representation in these roles. In fact, 91 percent of technicians identify as male and more than two-thirds of technicians identify as white or non-Hispanic. To help improve these troubling statistics, the Advance Auto Parts Foundation committed \$200,000 to Wake Technical Community College (NC) for a first-of-its-kind recruitment initiative aimed at increasing student diversity in the school's automotive systems technology and collision repair programs. The funding is used to conduct direct outreach in Wake County high schools to encourage diverse populations to pursue automotive career paths and to provide \$5,000 scholarships each to 25 students enrolling in the program over the next five years to help offset educational and living expenses. In addition, Advance, through our DieHard brand, committed \$50,000 to outfit the school's two tool rooms, supporting student learning on and off campus by providing students access to tools for temporary use.

SUPPORTING SUMMER LEARNING

Virginia Western Community College Educational Foundation serves approximately 500 students annually, providing up to three years of tuition for high school graduates who meet program requirements. A \$50,000 gift from the Advance Auto Parts Foundation is helping to cover unbudgeted tuition gaps for students enrolled in summer sessions, many of whom have jobs and families to support while attending school to better their future.

PROVIDING CAREER DEVELOPMENT FOR WOMEN

Dress for Success Triangle (NC) supports underserved women through career development and career-retention programs specifically tailored to help them achieve success in their job search and to thrive in their careers and in life. These programs are supported by corporate partners and over 500 volunteers and have benefitted more than 19,500 Triangle women since the affiliate was founded. A \$25,000 gift from the Advance Auto Parts Foundation covers the costs for 100 women to participate in Dress for Success Triangle's Going Places Network, a program in partnership with local community colleges that provides one-on-one coaching, interview practice and networking opportunities.

ADVANCING POST-HIGH SCHOOL LEARNING FOR TEAM MEMBER DEPENDENTS

We continued our legacy O. Temple Sloan, Jr. Founder's Scholarship Program, which began in 2002 and benefits the dependents of Advance team members who wish to continue their education beyond high school. In the school year 2020-2021, we broadened the selection criteria to include a greater focus on financial need and expanded the list of qualifying post-secondary pursuits to include vocational and trade schools. A total of \$160,000 in scholarships was awarded to 36 students.



COMMUNITY DONATION PROGRAM

In 2021, a team member-led gifting program was introduced under the sponsorship of our foundation. With gifts ranging from \$1,500 to \$7,500 each, team members are invited to submit organizations for consideration. The only requirement is that the team member have some affiliation with the recommended nonprofit, whether it be as a volunteer, donor, recipient of services or board member. Once the requests are submitted, a panel of team members evaluates each request, scoring it using specific criteria. Recipients then are chosen and assigned a donation amount. In 2021, 31 organizations received gifts, totaling nearly \$78,000. Our colleagues in Canada run a similar program where team members are invited to recommend nonprofits that receive gifts to support various projects. A total of nearly \$85,000 CAD was gifted through this program in 2021.

- Roanoke First Church of the Nazarene Food Pantry (VA)
- Clearfield-Jefferson Suicide Prevention Team (PA)
- Guitarists for Good (NC)
- Passage Home (NC)
- A Step in The Right Direction (OH)
- Post Oak Education & Charitable Foundation (VA)
- Ruta Community Service Inc. (PA)
- A Place at the Table (NC)
- Inez Volunteer Fire Department (KY)
- Big Brothers and Big Sisters of Metro Atlanta (GA)
- Operation Homefront (NC)
- Marine Corps League, Detachment 1149 (TX)
- Haven House Services (NC)
- Project Healing Waters (VA)
- Hope Distributed (VA)
- SoroptimistRaleigh (NC)
- Hemophilia of SC (SC)
- Cancer Awareness Network for Children (AL)
- Rocky Mountain Automotive Teachers Society (CO)
- Anchored in Faith (VA)
- Kelly's Dream (MD)
- Kid's Discovery Factory (IN)
- Anchored In Faith Together (VA)
- Blue Ridge Mountains Council, Boy Scouts of America (VA)
- Clarion Fire & Hose Co. No. 1 (PA)
- Georgia Pro Players (NFLPA Atlanta Chapter – 2022 Professional Athletes' Foundation) (GA)
- Gibraltar the Remnant Church (NC)
- JDRF – Triangle and Eastern (NC)
- North Carolina Opera (NC)
- Veterans Northeast Outreach Center (MA)
- Pretty Ponytails (NC)



COMMUNITY DONATION PROGRAM SUPPORTS MEANINGFUL MATCHES

Ronnie Harrell, operations manager in DC 16 in Thompson, GA, has mentored his “little brother” Jarvis for the two years that he has been a volunteer for Big Brothers Big Sisters of Metro Atlanta. The former professional football player has always been community-minded and when the Advance Auto Parts Foundation’s Community Donation Program was introduced, he knew he wanted to find support for an organization that has meant so much to him personally. Last summer, Ronnie’s request for funding was granted and he presented a \$2,000 gift to the program. “This gift will help support another Big Brother/Little Brother match. My match has lasted for two years with no end in sight, and I know this gift will multiply in value many times over.”

COMPANY-SPONSORED GIVING

Throughout the year, Advance contributed to a range of industry-related organizations, including the TechForce Foundation, which supports educational opportunities for aspiring automotive technicians; and the Automotive Aftermarket Charitable Foundation, which supports the needs of members who have experienced catastrophic illnesses or accidents. In addition, we provided gifts to deserving nonprofits in the communities where we live and work, sometimes in response to unexpected events. For example, this year we gifted \$50,000 to the United Way of Kentucky, which set up a fund to support those impacted by last fall's devastating tornadoes. We also continued our support of key partners, including the American Heart Association, Building Homes for Heroes and Brakes for Breasts.

AMERICAN HEART ASSOCIATION – JOINING THE FIGHT AGAINST HEART DISEASE AND STROKE

In 2021, our American Heart Association campaign raised a record-setting \$1.7 million, a 21 percent increase over 2020. This included fundraising at more than 5,700 Advance and independently owned Carquest stores in the U.S. and Puerto Rico through the Life is Why™ campaign, as well as team member participation in the 2021 Triangle (NC) Heart Walk and individual donations. In addition, several Advance executives joined the Triangle's American Heart Association Executives with Heart program, which asks participants to fundraise or donate a minimum of \$5,000 each.



DISTRIBUTION CENTERS RAISE THE BAR IN AMERICAN HEART ASSOCIATION FUNDRAISING

For the second year in a row, our Advance DCs joined our fundraising effort for the American Heart Association, contributing tens of thousands of dollars to this worthy cause. Team members came together in novel ways by hosting sports tournaments, creating special lunches and even inviting leaders to participate in a dunk tank to raise money. Among the top DC fundraisers were Thomson, GA, Houston, TX, Delaware, OH, and Buffalo, NY.

Proceeds from the campaign support innovative research and the creation of lifesaving tools and information needed to improve cardiovascular health for millions of Americans at a time when it is needed most. According to the American Heart Association, recent studies suggest many COVID-19 survivors experience some type of heart damage, even if they didn't have prior underlying heart disease or become sick enough to be hospitalized, increasing the potential for heart failure in the future.

BRAKES FOR BREASTS – CONTRIBUTING TO BREAST CANCER RESEARCH

Ten years ago, an employee in a professional automotive shop saw firsthand the devastating effects breast cancer had on a relative. What emerged was a new relationship with the Cleveland Clinic to help fund its cancer research, and soon the nonprofit Brakes for Breasts was born. Advance contributes to Brakes for Breasts by offering \$40 rebates on Carquest-branded brakes at TechNet-affiliated professional shops. Shop customers can choose to redeem the rebates for cash or donate the money to Brakes for Breasts. Our support of Brakes for Breasts has helped the nonprofit accomplish a major fundraising milestone – over \$1 million in donations since its founding in 2011.

ADVANCING OUR ROADS – EXPANDING OUR SUPPORT FOR MOTORISTS IN NEED

In 2021, dozens of cities welcomed Advance Auto Parts stores to their communities. To celebrate these new locations, we provided gift cards to local police departments to provide to motorists when they were pulled over for violations like non-functioning headlights or tail lights. Rather than receiving costly citations, these motorists instead received Advance gift cards to help cover the cost of the needed repairs. In 2021, we've donated approximately \$58,000 worth of gift cards to 22 local law enforcement departments and plan to expand the program in 2022.

BUILDING HOMES FOR HEROES – SUPPORTING OUR NATION'S MILITARY HEROES

Among the many ways we show our gratitude for our military heroes is through our longstanding support of Building Homes for Heroes, an organization committed to rebuilding lives and supporting the brave men and women who were injured while serving their country. In 2021, Advance and its suppliers proudly raised \$1.5 million for Building Homes for Heroes, bringing our total contribution to more than \$16 million since 2009. The funds are used to build or modify homes and gift them, mortgage-free, to wounded veterans and their families, and many Advance team members participate in the home gifting ceremonies.

In addition, in September, Advance supported the 10th annual FDNY 343 memorial bicycle ride, which benefitted Building Homes for Heroes, among other nonprofit organizations. The ride, which traveled from Montauk, N.Y. to Arlington National Cemetery, was held in memory of the 343 FDNY firefighters who perished at the World Trade Center on Sept. 11, 2001. In addition to donating \$5,000 to the cause, the Advance store located in Takoma Park, MD, the location of the 343-mile mark, hosted a moment of silence for the riders in commemoration of the fallen.





GOVERNANCE

At Advance, we believe that strong corporate governance practices enhance our ability to create long-term value and support our performance and growth in an ethical and sustainable manner.

BOARD OF DIRECTORS COMPOSITION

With the exception of our CEO, all our directors are independent from management. Each of our directors bring to our Board skills, experiences and characteristics relevant to the effective oversight for the execution of our transformation agenda and creation of long-term value. We continually assess the composition of the Board, including its size and the diversity, skills and experiences of our directors, to ensure continued alignment with the strategic direction of the company.

BOARD REFRESHMENT AND RECRUITMENT

Four of our directors have joined our Board within the past three years. We believe the Board benefits from a balance of newer directors, who bring fresh perspectives, and longer serving directors, who have contributed to our strategy over time and have deep understanding of our operations. As we consider candidates for new directors, our Nominating and Corporate Governance Committee has primary responsibility for overseeing any searches and evaluating qualified individuals to become director nominees, including individuals identified and presented by our shareholders in accordance with the rights afforded them in our Bylaws. In 2021, we added one new director, who brought significant digital marketing expertise and enhanced gender and racial/ethnic diversity on the Board.



WELCOMING SHERICE TORRES AS A BOARD MEMBER IN 2021

“I’m a gear head,” Sherice Torres proudly professes. From an early age, Sherice’s father introduced her to all things automotive. In fact, she can distinguish the make of a car simply by the sound of its motor. Her passion for cars is something Sherice shares with her husband, who for 30-plus years has owned his own automotive detailing business.

Beyond industry knowledge, Sherice brings something even more important to her role as an AAP board member; nearly 30 years of experience as a senior executive in marketing and change management. She honed her craft in the historically male-dominated tech industry, no easy feat for someone who admits she stood out, both in her appearance and skillset. “I might look different, but I brought new skills to the table and I knew I could contribute,” she remarks. And contribute she did. Sherice was recently appointed chief marketing officer at Circle Financial, a global internet finance firm that provides payments and financial infrastructure to businesses of all sizes. There, she will use her marketing and branding experience to help accelerate global digital currency adoption and improve financial inclusion, including the removal of barriers to financial services.

Sherice joined the AAP board because she sees tremendous promise for the automotive aftermarket, and Advance, in particular. To Advance’s 68,000+ team members, she offers this advice: “Continue to seek feedback as it will help you grow, but don’t let others define what you are capable of or place limits around your potential. Great companies rely on a variety of skill sets, backgrounds and perspectives to drive results. There’s room for everyone to make an impact.”

COMMUNICATION AND ENGAGEMENT

As a foundational principle, our Board maintains open communication channels with management, third party advisors and our shareholders. In addition to having regular sessions of independent directors, our Nominating and Corporate Governance Committee regularly holds a private session with only our senior vice president, communications and investor relations to help stay informed and engaged on stockholder interests outside the presence of other management. These open channels and a high degree of engagement by our directors enable close oversight of our business and facilitate discussions with shareholders and interested parties on important topics such as sustainability and diversity.

RISK OVERSIGHT

Our management regularly identifies and reviews near term risks to the execution of our business activities and long-term strategic risks to our plans for enterprise development and growth. On an annual basis, our management team executes a comprehensive risk identification and analysis process, considering our strategic priorities, and reports and discusses its findings with the Board. Our Board is responsible for overseeing enterprise-wide risk management activities. Management provides regular updates to the Audit Committee, or as appropriate, the full Board, on risk exposure and mitigation efforts, as well as discusses any recommendations with respect to risk management.

ESG OVERSIGHT

We believe that strong environment, social and governance oversight enhances our ability to identify, develop and implement initiatives designed to make meaningful improvements to our long-term profitability and sustainability. Senior leaders from several functions, including human resources, risk and environmental health and safety, investor relations, communications and legal meet regularly to discuss and address ESG initiatives and disclosures. Representatives of that working group regularly provide updates to and engage in dialogue with both our Executive Committee and our Nominating and Corporate Governance Committee, which has

oversight responsibility of our ESG programs. During 2021, we conducted our first ESG materiality assessment to help us refine our ESG focus and prioritize those areas of ESG that our stakeholders believe are the most relevant and that we believe can provide the most value to our business. Additional information about the ESG materiality assessment can be found beginning on page 57 of this report.

ETHICAL STANDARDS & COMPLIANCE

We expect our team members and the third parties with whom we do business to conduct themselves with high ethical standards and in compliance with applicable laws wherever we do business in the world. We continually strive to build and enhance a culture of responsible and ethical behavior and have several policies and procedures in place to advance that business environment.

CODE OF ETHICS AND BUSINESS CONDUCT

We have adopted both a Code of Ethics and Business Conduct and a Code of Ethics and Business Conduct for Finance Professionals, which articulate our commitment to and expectations for honest and ethical conduct in business dealings, including with respect to human rights matters, and full, fair and accurate financial management and reporting.

TRAINING AND TEAM MEMBER HOTLINE

Our ethics and compliance (E&C) team delivers annual training on our Code of Ethics and Business Conduct and Fair and Respectful Workplace policies to make clear the company's expectations of ethical conduct wherever we do business. During 2021 annual training, team members completed a customized course built in-house with targeted content for our team members. In addition, the E&C team creates and delivers custom training and communications on selected compliance topics and works across functions to establish our enterprise-wide compliance training curriculum that helps drive team member awareness and compliance with applicable laws and regulations. This includes training for general managers on compliance with selected California laws in support of our expansion in this market. We promote our Speak Up Cultural Belief through our Open Door Policy, and we encourage team members to report

any concerns to managers, our Human Resources team and our anonymous Team Member Hotline. To help foster an ethical workplace and drive a strong sense of organizational fairness for our team members, we have a strict non-retaliation policy, and we investigate all good faith concerns fairly, objectively and expeditiously. To drive quality and consistency in our internal investigations, we created an Investigators' Toolkit that includes training, templates, resources and an Escalations and Internal Investigations Policy.

APPROACH TO CYBER SECURITY AND DATA PRIVACY

We believe that the integrity of our technological infrastructure and our ability to mitigate threats to systems that power our operations and from vulnerabilities of third parties with whom we do business is a source of significant value to our business. As part of our strategic transformation, we continue to enhance enterprise-wide cyber security and data management practices. We evaluate the maturity and ongoing enhancements of our work using the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity, Version 1.1. Our security operations function provides 24/7 monitoring across all information assets, which include our privately hosted data centers, cloud-hosted services, all internet-facing resources, distribution centers and all corporate-hosted desktops and laptops. We take a cross-banner approach to identify vulnerabilities in information systems that pose a data security risk that leverages both technological tools and operational procedures. We also comprehensively train our team members at least annually using a variety of methods to increase security awareness enterprise wide.

In addition, we highly value the data and privacy of our team members, customers, our business and those with whom we do business. We adhere to fair information principles and address data privacy risks through the leadership of a cross-functional Data Privacy team comprising leaders in information security, information technology and legal/compliance. We continually improve our data privacy management in support of our business initiatives and seek to embed privacy into the design of our systems and business processes.

The Audit Committee of our Board oversees and regularly receives updates regarding cyber security and data privacy matters.

THIRD PARTIES

We expect those with whom we do business to adhere to our standards for responsible and ethical business practices. While historically our Code of Ethics and Business Conduct and Human Rights Policy have applied to third parties, in 2021, we created a Supplier Code of Conduct that sets out the expectations we have for our suppliers in many areas, including human rights, bribery and corruption, conflicts of interest, information security, trade compliance and reporting concerns. We maintain programs designed to identify, evaluate and address potential human rights and environmental issues with our Direct Import suppliers. We maintain policies that govern our selection of third parties with whom we do business to help us assess the alignment of those parties to our standards for ethical and compliant behavior and help us mitigate the risks of working with third parties. In addition to screening processes to new international and private label suppliers, we conduct regular audits of existing suppliers to identify and evaluate environmental practices, labor practices, working conditions and records on human rights matters.



CORPORATE GOVERNANCE PRACTICES

The compass of our corporate governance practices can be found in our By-laws, our Guidelines on Significant Governance Issues, our Code of Ethics and Business Conduct and our Code of Ethics and Business Conduct for Finance Professionals, which were adopted by our Board to guide our company, our Board and our team members. We also maintain several other policies designed to promote our values, including among others, a Political Contributions Policy and Human Rights Policy. We invite you to obtain more information about our corporate governance policies and practices on our website at ir.advanceautoparts.com.

Annual election of all directors

Directors elected by majority voting

Independent Chair of the Board

Approximately 90% of our directors are independent

All Board committees consist solely of independent directors

Regular executive sessions of independent directors

Proxy access right for up to 20-person groups of stockholders owning 3% of our stock for 3 years to nominate up to 20% of our Board

Right to call special meeting by stockholders holding 10% of shares, with no holding period

Strong guidelines on significant governance issues

Annual evaluation of the Board, its committees and individual directors

New director searches focused on key skills for the company's long-term strategic plan and diversity characteristics

Board policy on CEO succession planning

Policies prohibiting hedging (unless certain stringent requirements are met) and pledging for all employees and directors

Robust stock ownership guidelines for directors and executive officers

Direct oversight by the Nominating and Corporate Governance Committee of ESG matters

ESG MATERIALITY ASSESSMENT

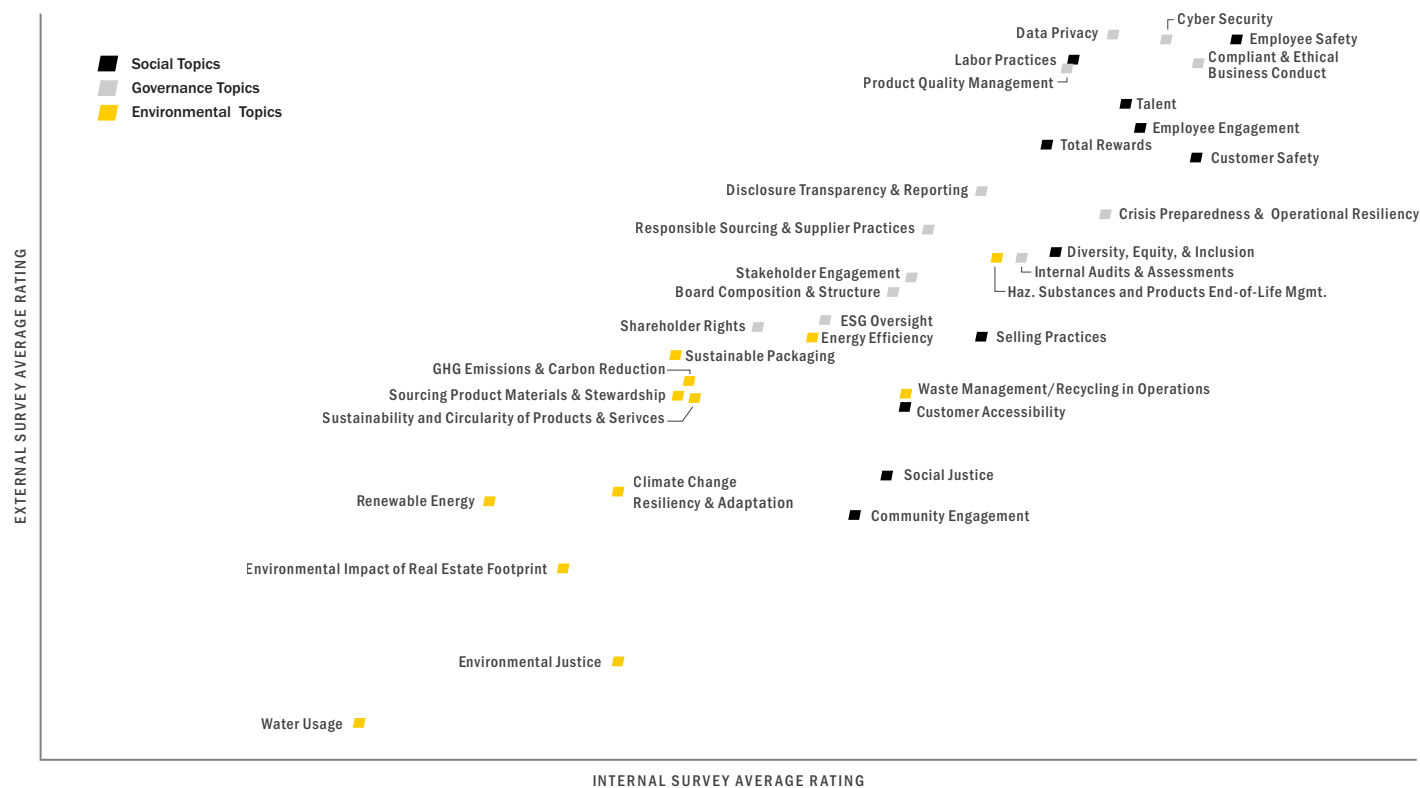
Throughout our business, we believe it is important to prioritize with purpose. As we continue to mature our ESG work, we intend to focus our efforts and communications on the areas that are most important to our stakeholders and can add the most value to our business. Conducting our first ESG materiality assessment provided us a principled way to identify those areas of ESG that matter most to our stakeholders and are most likely to impact our long-term success.

With the support of a third-party consultant, a cross-functional team of leaders at Advance curated a list of 35 potentially meaningful ESG topics and reached out to over 170 internal stakeholders and over 100 external stakeholders to better understand how important they perceived those topics to be for the future of our business. All of our Board and our Executive Committee participated, as did many corporate functional leaders and field leaders in our stores and distribution

centers. External participants included investors, sell-side analysts customers, suppliers, community organizations and industry associations.

In addition to participating in our assessment as stakeholders, those responsible for oversight of ESG at Advance had integral involvement with this work. Nearly half of the members of our Executive Committee served on the Executive Steering Committee for the materiality assessment, receiving regular updates and providing input throughout the assessment. The Nominating and Corporate Governance Committee of our Board of Directors also received regular updates and engaged in dialogue with project leaders throughout the assessment.

Our materiality assessment survey asked stakeholders to rate each of the 35 ESG topics relative importance to Advance's long-term success on a scale of 1 to 100. The plot below depicts the results of our survey, and how we defined each of these ESG topics in the survey appears in the Appendix to this report.



Our consultant also conducted live interviews with internal and external stakeholders to gain deeper insight into their views about ESG at Advance. We considered our complete survey results, aggregate responses from our investor and customer stakeholder categories and feedback from the live interviews in selecting 15 ESG topics to further evaluate for the potential to add value to our business.

For each topic within this more targeted group, our internal leaders for the topical area, along with leaders from our finance team, evaluated the potential for focus on the topic to mitigate risk or cost exposure, lead to financial savings or efficiencies or provide a social or reputational benefit that could fuel differentiation. A cross-functional team including our chief executive officer, chief financial officer and our most senior leaders in each of the environmental, social and governance areas then reviewed the results of those evaluations and, together with our consultant, identified the five ESG topics that we believe provide the greatest value to our business. These topics are:

ENVIRONMENTAL	Hazardous Substances & Product End-of-Life	We sell an incredibly broad range of products, and some of the products we sell contain oil, paint or other substances that call for special care. Our accountability for how we store and handle those products, including how we handle product components brought back to us at the end of the product's lifecycle, impacts the planet and our business.
	Employee Safety	Our stakeholders have validated our perception that the health, wellbeing and safety of our team members is of paramount importance. We believe that building and sustaining a safety culture not only provides protection for our team, but also directly increases our productivity and the efficiency of our operations.
	Talent	The success of our business depends on our relationships with our customers and ability to exceptionally serve their needs. Attracting, retaining and developing the people best positioned to help us say "yes" to our customers is a key component of our strategy.
SOCIAL	Diversity, Equity & Inclusion	An engaged, collaborative workforce in which all team members bring the entirety of their authentic selves to work every day and can leverage variation in background, thought and experience into better solutions for our customers can help us provide a differentiated value proposition for team members and facilitates achievement of our long-term business goals.
	Cybersecurity	In addition to selling products in stores, we conduct a significant amount of business online and use many network-connected tools in our operations. The integrity of our technological infrastructure and our ability to mitigate threats to systems that power our operations is a source of significant value to our business.
GOVERNANCE		

We are currently reviewing each of these five prioritized ESG topics in detail to examine our current performance and explore opportunities for initiatives in these areas to intersect with our strategic business plan and add value to our business and our stakeholders. We expect this work to enable us to develop goals and share them and our progress with our stakeholders.

While our top priority in the near-term is focus on the five areas of ESG outlined above, our materiality assessment confirmed our perception that there are many important topics when it comes to delivering long-term, sustainable success. For those topics rated higher in relative importance to both internal and external stakeholders, as well as those topics that we further evaluated for business value, we intend to remain attentive to areas for opportunistic investment and advancement. We recognize that many aspects of ESG are interdependent, and we plan to periodically refresh our materiality assessment to ensure that we continue to focus our efforts and resources on the areas that matter most to our stakeholders and provide the most value to our business.





APPENDIX

APPENDIX A – SASB REFERENCE TABLE

TOPIC	METRIC	SASB CODE	LOCATION/DATA	ADDITIONAL INFO
Labor Practices	(1) Voluntary and (2) involuntary turnover rate for in-store employees	CG-MR-310a.2	For 2021: Voluntary: 53.7% Involuntary: 7.8% Page 30	
Driver Working Conditions	(1) Total recordable incident rate (TRIR) and (2) fatality rate for direct employees	TR-RO-320a.1	For 2021: TRIR: 2.1 Fatality rate: 0 Page 14	
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	CG-MR-330a.1	As of January 1, 2021 Gender representation management: 20.0% Racial/ethnic group representation management: 29.0% Gender representation all other employees: 22.3% Racial/ethnic group representation all other employees: 39.0% Page 35	“Management” consists of all team members at the level of Manager or above
Energy Management in Retail & Distribution	(1) Total energy consumed and (2) percentage grid electricity	CG-MR-130a.1	For 2021: 2,778,724 gigajoules 54% grid electricity	
Greenhouse Gas Emissions	Gross global Scope 1 emissions	TR-RO-110a.1	For 2021: 105,649	Scope 1 emissions relates to transportation only
Data Security	Description of approach to identifying and addressing data security risks	CG-MR-230a.1	Page 55	
Activity Metrics	Number of and total area of: (1) retail locations and (2) distribution centers	CG-MR-000.A-B	As of January 1, 2022: Retail locations: 4,972 3,837,060 sq. meters Distribution centers: 52 1,1139,905 sq. meters	

APPENDIX B – ENVIRONMENTAL DEFINITIONS

Energy Efficiency	The energy efficiency of the company's operations through buildings, transportation of products and first and third-party data centers.
Renewable Energy	The procurement of renewable energy sources in the company's operations.
GHG Emissions and Carbon Reduction	The reduction and elimination of direct and indirect greenhouse gas (GHG) and carbon emissions of the company's operations through buildings, vehicle efficiency, miles driven and third-party/supply chain emissions.
Water Usage	The management of water usage and wastewater in the company's operations.
Climate Change Resiliency and Adaptation	The adaptation and resiliency of the company's operations to climate change impacts, including acute (e.g. severe weather) and chronic (e.g. sea level rise, drought) events.
Waste Management/ Recycling in Operations	The reduction and extent of recycling of non-hazardous waste generated in the company's operations, including handling of shipping materials and clearance inventory.
Hazardous Substance and Product End-of-Life Management	The management and minimization of hazardous substances in the company's operations and products, including the storage and handling of products as well as end of life practices for products and product components.
Sustainable Packaging	The minimization of environmental impacts of packaging, including resource efficiency, recoverability and recyclability, and toxicity. vehicle efficiency, miles driven and third-party/supply chain emissions.
Sustainability and Circularity of Products and Services	The circularity of products and product components (e.g., use of recycled materials and remanufactured parts in product design, product take-back programs), and innovation in merchandising to prepare for and respond to ESG-driven consumer trends.
Sourcing of Product Materials and Stewardship	The responsible sourcing and stewardship of product materials to minimize direct environmental impacts associated with third parties' sourcing activities for raw materials in private label products.
Environmental Justice	The degree of equitable distribution of environmental risks and burdens, and recognition of impacts on local communities, associated with the company's operations.
Environmental Impact of Real Estate Footprint	The management and minimization of environmental impacts associated with the company's real estate footprint and land use, including owning and leasing land, upfitting stores, and local environmental and community considerations (e.g. biodiversity, protected areas).

APPENDIX B – SOCIAL DEFINITIONS

Employee Safety	The occupational health and safety for company employees, including physical workplace design and environment, vehicles, and an embedded culture of working safely.
Customer Safety	The assurance of a safe shopping environment and experience for customers of the company.
Diversity, Equity & Inclusion	The sustained commitment to diversity among employees and equity and inclusion of all employees, regardless of gender identify, national origin, race, color, creed, sexual orientation or other background characteristic, among company employees and company leadership, as well as the diversity of the company's suppliers and emphasis placed on minority-owned, female-owned or small businesses in the supply chain.
Employee Engagement	The degree of engagement of employees in the company's operations and with each other, and the company's provision of a workplace and establishment of a culture that helps all employees give their best, commit to the organization's goals and values, participate in company internal and community outreach initiatives, and maintain their personal well-being.
Talent	The importance of effective recruiting and retention of the best people to enable achievement short- and long-term business objectives, including their training, development and career advancement opportunities.
Total Rewards	The ability of employees to earn a living wage, the degree of pay equality among similarly situated employees and the other forms of compensation and benefits provided to employees to enable them to live present day and prepare for their future.
Labor Practices	The adherence to fair labor practices in accordance with company standards and compliance with applicable laws and regulations of the company and those with which it conducts business.
Customer Accessibility	The accessibility of the company's business and products to customers of disparate societal and economic backgrounds.
Selling Practices	The practice of diverse, inclusive, ethical and socially responsible marketing of products and services.
Social Justice	The adherence to social justice principles in the company's positions and actions, including equity, access, participation and rights.
Community Engagement	The extent of company engagement with philanthropic causes and local communities.

APPENDIX B – GOVERNANCE DEFINITIONS

Board Composition and Structure	The structure, composition, diversity and expertise of the Board with respect to risk oversight and strategic development, including with respect to ESG matters.
ESG Oversight	The governance structure and depth and breadth of ESG experience among those with oversight responsibility for ESG strategy, including senior executive leaders and directors.
Shareholder Rights	The ability of shareholders to engage with the company, including structures that facilitate shareholder feedback such as Board accessibility, proxy access rights and the like.
Stakeholder Engagement	The extent of company engagement with various stakeholders such as customers, suppliers, shareholders, industry organizations and the like.
Disclosure Transparency and Reporting	The extent to which the company maintains effective disclosure controls and procedures, and the extent to which the company provides transparent and comparable qualitative and quantitative disclosures regarding ESG topics, including adoption and alignment with recognized frameworks.
Internal Audits and Assessments	The sophistication and maturation of the company's internal audit function to periodically assess risks associated with the company's operations, including with respect to environmental practices, labor practices and human rights.
Crisis Preparedness and Operational Resiliency	The company's business continuity planning and preparedness to respond to critical incidents that threaten business disruption.
Compliant and Ethical Business Conduct	The compliance with applicable laws and regulations and presence and enforcement of a robust code of conduct and ethics (e.g. corruption, bribery, anti-competitive behavior) applicable to the company's operations, employees and those with which the company does business.
Data Privacy	The security and protection of personal information collected or stored during company operations and compliance with applicable data privacy and information security laws.
Cyber Security	The sophistication and maturation of information technology infrastructure, including policies and processes to prevent and respond to cyber threat actors.
Product Quality Management	The management of product safety, compliance, standard conformance, and testing and assessment of products for health and environmental impacts.
Responsible Sourcing and Supplier Practices	The accountability for social, environmental and ethical standards and practices of suppliers and third party contractors, including robustness of supplier audit program.