

PENDRAGON PLC

Anti Fraud, Theft and Corruption Policy

This policy is intended to provide the necessary arrangements to reduce fraud, theft and corruption to an absolute minimum.

Pendragon PLC (“the Company”) will provide the necessary controls and procedures to raise awareness of, to identify, detect and prevent fraud and establish a culture in which these procedures and team member behaviour work together effectively.

The Company will put into place measures to provide the appropriate channels for confidential feedback, commonly referred to as “whistleblowing”.

The Company will pursue those found to have committed fraud and will take the necessary legal action to recover assets and instigate criminal proceedings by referring matters to the police, as well as instigating its disciplinary procedures.

This policy applies to all team members.

1. Introduction

Pendragon PLC is a major multi-site retail group with a turnover (2006) of an estimated £5 billion and employing approximately 17,000 team members.

The nature and structure of our business places us at risk of loss due to fraud, theft and corruption (collectively referred to as “Fraud” in this policy) both from within and outside of the Company.

The Company is committed to preventing Fraud, or at the very least, reducing to a minimum the risk of loss through Fraud.

This policy will be used by the Company to advise and guide our team members on this serious subject.

Fraud is defined as:

Deception by persons internal or external to the Company, which is carried out to conceal the misappropriation of assets or otherwise for gain.

Theft is defined as:

The dishonest taking of property belonging to another with the intention of depriving the owner permanently of its possession.

Corruption is defined as:

The offering, giving, soliciting or acceptance of an inducement or reward which may inappropriately influence the action of any person.

2 Responsibility for the Prevention and Detection of Fraud

Ultimately the primary responsibility for the prevention and detection of Fraud rests with the Company's leadership. However, an important factor in preventing and dealing with Fraud is the co-operation of our team members, customers and suppliers and we expect each of these groups to give the necessary information, help and support when required.

The Company helps leadership in discharging its responsibility by providing:

- An effective accounting system
- Appropriate processes for internal controls including authorisation controls.
- Appropriate terms and conditions of employment
- Guidance manuals accessible to all team members via the intranet
- Policies relating to use of computers, email and the internet
- An independent internal audit function
- An audit committee comprised of independent non-executive directors
- An internal security and monitoring team
- A procedure for security incident investigation
- A confidential internal feedback line
- A confidential external feedback line
- A whistleblowing policy
- A written Group Accounting Policy (GAP22) with a form for the Notification of Dishonest and Fraudulent acts.

3 Safeguards

The Company undertakes to ensure that any team member involved in receiving or investigating concerns or information reported by an individual in good faith will wherever possible ensure that individual's identity will not be disclosed and that he or she will not be subject to any form of harassment or victimisation. The Company will accept and take seriously concerns communicated anonymously. However the retention of anonymity does render investigations and validation more difficult and can make the process less effective. Individuals are therefore encouraged to put their names to allegations.

Any claims made which are found to be malicious or vexatious will result in disciplinary action being taken against the individual.

4 Actions to report Fraud

Team members very often are the first to recognise that something is seriously wrong within the part of the Company within which they work. Team members may be fearful of speaking up for various reasons. However, the Company would encourage concerns being raised and as a result has established three mechanisms for the receipt of confidential feedback from team members.

1. Whistleblowing Procedure – direct access to senior leadership.

The Company's Whistleblowing Procedure is intended to provide guidance on how concerns can be communicated to the Company. The Whistleblowing Procedure may be found in the Human Resources section of the Way Manual on the Company's intranet site.

In summary, team members should approach either their Divisional Managing Director, or equivalent senior leader or the Group Human Resources Leader. If the matter is extremely serious then a Director of the Company should be approached. The nature of the complaint will determine the Company's next course of action.

2. Confidential Feedback Line

In addition to the Whistleblowing Procedure, the Company has an internal Confidential Feedback Line on xxxxxxxx which is monitored, in confidence, by the Assistant to the Chief Executive.

3. External Confidential Hotline

If, for whatever reason, team members are reluctant to invoke the Whistleblowing Procedure, or use the internal Confidential Feedback Line, they can raise concerns through the External Confidential Hotline provided independently by Expolink. This hotline number is dedicated to Pendragon Team Members and is administered by an external company who have no connection with Pendragon save for the provision of this service. Information on how this external service operates is sent direct to all team members in the Company, and can also be found on the Company intranet.

The Company encourages members of the public or people not employed who suspect Fraud to write, in confidence, to the Chief Executive at Neway House.

5 How Will Allegations of Fraud Be Dealt With?

For issues raised by team members or members of the public, depending on the nature of the complaint, the Company will:-

Investigate the matter internally
and/or Instruct external agents to investigate
and/or Refer matters to the police

The Company will on all occasions take whatever steps are necessary by means of legal procedures to recover losses and prosecute perpetrators of Fraud.

Normally within five working days of a concern being raised, the Company will:

Acknowledge its receipt
Indicate how it proposes to deal with the matter
Give an estimate of how long it will take to provide a response

Following the conclusion of an investigation, and, at the Company's sole discretion, during an investigation, the Company will, upon request from the individual who raised the concerns, and subject to legal constraints, provide information about the progress of and/or outcome of an investigation, normally within ten working days of request.

6 Review

This Anti Fraud, Theft and Corruption Policy will be reviewed by the Company's Audit Committee on a regular basis for adoption by the Board and may be amended from time to time.

Recommended by the Audit Committee
for adoption by the Board

..... Date

Chairman of the Audit Committee