GIFTS AND HOSPITALITY POLICY

OUR STANDARDS

1.0 Introduction

1.1 **Accepting** or **offering** gifts or personal hospitality could be seen to influence a team member's or third party's business's actions or decisions and we want to protect team members and our Company from bribery or potential bribery.

The Company has a zero tolerance attitude to bribery in all its forms. The Company's Anti-Bribery value statement is displayed on the Group's website www.pendragonplc.com.

In general, the Company does not believe that it is appropriate for team members to accept gifts or personal hospitality from customers, suppliers or any other person or organisation with which the Company has (or might have) business connections. This is because it is important to ensure that no team member acts in any way that could create a sense of obligation by accepting the gift or personal hospitality. Recognising that this policy needs to be proportionate, the Company also deems some forms of small promotional gifts and certain corporate entertainment to be a legitimate part of business life. This policy accommodates this and gives essential guidance on the subject.

2.0 Receipt of gifts - disclosure

2.1 Any team member who receives or is offered a gift of any kind (with the exceptions set out in **2.6** below) from an existing or potential business contact must disclose the fact of the gift, its nature and the identity of the sender to their Dealer Principal/Business Leader.

2.2 In cases where the team member's Dealer Principal/Business Leader agrees that the gift is intended as a token of gratitude for work carried out to a particularly high standard or for an exceptional level of service given, the team member may, at the Dealer Principal/Business Leader's discretion, be permitted to retain the gift. Thus, small gifts that are genuinely given as a token of appreciation or gratitude will be acceptable, provided that the team member properly declares the gift in line with this policy and provided that the team member does not subsequently treat the person who sent the gift more favourably than other customers/ suppliers or business contacts.

2.3 If the gift is anything other than a small token of appreciation having no substantial financial value, the Dealer Principal/Business Leader will decide what to do with the gift. This could include donating the gift to charity, dividing it amongst team members, offering it up as a prize for team incentives or saving it as a charity raffle prize. There may be occasions on

which the appropriate thing to do in the circumstances is to politely return the gift (see **2.5** below).

2.4 The Company's view of what constitutes a "token" gift is linked to the perceived value of the gift. Gifts of money, however small, must always be disclosed, so as to avoid any future dispute about the purpose of the gift. As well as disclosure to your Dealer Principal/Business Leader, gifts which are not money and have a perceived value over £50 must be recorded on the register described at **4.0** below.

2.5 If, in the opinion of the Dealer Principal/Business Leader, the gift is inappropriate or might constitute a bribe or other inducement, the team member will be required to pass the gift to their Dealer Principal/ Business Leader, who will return it to the sender with a suitable letter explaining the Company's policy and asking that it be respected in the future (see **Appendix 2** for a model letter). The Dealer Principal/Business Leader is expected to make his or her decision with the help of relevant guidance issued by the Company to leaders.

2.6 This duty to disclose gifts does not apply to promotional gifts, i.e. items such as stationery, pens or diaries that bear the logo or company name of another organisation, provided that these have no significant value. However, since it is likely that such gifts will be received by only a limited number of team members, they should always be shared amongst other team members where appropriate.

3.0 Receipt of Incentives, hospitality or entertainment

3.1 We also require you to report to your Dealer Principal/Business Leader all corporate incentives, entertainment or hospitality offered to you by third parties. In broad terms "corporate" means an event designed for business promotion, incentive or reward purposes organised by the donor and on which the donor accompanies participants at the event in question. A team member may only be given authorisation to accept hospitality in circumstances where the donor will be present. This is in order to avoid situations where the hospitality could be offered solely as a gift rather than corporate hospitality. Reporting in this way will enable your Dealer Principal/Business Leader to assess whether or not it is appropriate for you to accept the offer. Factors to be taken into account include: the identity of the donor, the value and nature of the offer, how much time away from the business it would entail and how much expenditure by the business it would entail (if not "all expenses paid"). The decision of your Dealer Principal/Business Leader as to whether or not you may

accept the offer is final and in the Dealer Principal/Business Leader's discretion, acting in accordance with this policy and guidance issued by the Company to leader.

3.2 We require you (with very limited exceptions) to register offers of incentives, entertainment or hospitality received. The requirement to register applies whether or not the offer is accepted. The exceptions are detailed in **3.3** below.

3.3 Exempt Hospitality

The Group's businesses operate within the motor retail sector, which has a culture in which events and hospitality (many focussed on motor vehicles) are an integral part of business relationships. Motor manufacturers and their associated companies expect their franchised dealers to participate in events centred on their vehicles and associated products and services, and also to attend sporting and arts or other leisure or entertainment events to foster good relations, some of which are also attended by potential mutual customers or customer decision-influencers. The Group has therefore set some basic principles to define what are "business-as-usual" events for those performing roles which entail promotion of the brands we represent or fostering relations with motor manufacturers and our mutual customers or customer decision-influencers, so that these may be exempted from our written declaration or recording processes. This is on the basis that, for the team members involved, participation is "in the ordinary course of business" and does not carry a risk that, by attending they will either (a) be induced to act improperly themselves; or (b) cause anyone else to act improperly.

An "Exempt Event" is an event to which a team member has been invited by **a motor manufacturer** (or its associated finance company) **of the brands the Group represents** (the "Host") and:-

- is organised and paid for wholly or partly by the Host; and
- is attended by the Host's representatives; and
- if the event involves an overnight stay or attendance by our team members' partner/guest, either:-
  A. has business content relating to the Host's products or services; or
  B. is a prize/ reward in the context of a published business performance incentive operated by the Host.

It is assumed the perceived value of the team member's attendance exceeds the limit for central declaration (£250). However you are not required to report it centrally if it falls within the above criteria.

The processes the Group has adopted in this area are designed to be appropriate to our business and the sector within which we operate, and not onerous obligations which are disproportionate to the actual risk of bribery. If the event fulfils the above criteria, the only step the team member invited needs to take is to obtain

permission to attend from his relevant senior leader. If it does not, the event invitation must be declared to the team member's Dealer Principal / Business Leader or Senior Leader (as appropriate) and recorded locally (if the perceived value is less than £250) or to the centre, if in excess of £250 (see further at **4.0** below).

3.4 Obtaining permission

The relevant Leader's response to a request for permission to attend any event (whether or not an Exempt Event) will be determined by his/her assessment of the following, in his or her reasonable discretion:-

1. the needs of the business and the effect of that team member's absence, by attending the event
2. the amount of any costs the Group has to bear associated with that team member's attendance at the event
3. the apparent business purpose of the event and its relevance to that team member's job role
4. the extent of the legitimate business benefit (direct or indirect) the Group will derive from that team member's attendance
5. the presence of any significant hazards to health or safety of participants in the event and the related insurance arrangements
6. whether or not the event involves any apparently illegal act, including an assessment of the bribery risk.

The relevant Leader should consult the Group's Specified Persons' Handbook on Anti-Bribery to assist his/her decision. The relevant Leader's decision will be final.

3.5 Where a team member is given permission to attend a business contact's charity event (sponsored or supported by the business contact host) the team member should make a personal contribution to the charity as a charity donor, so that he or she can demonstrate he or she is not solely relying on the business contact's generosity.

4.0 Registering of gifts, Incentives, hospitality or entertainment

4.3 The register of offers or receipt of gifts, incentives, hospitality or entertainment to a perceived value of between £50 and £250 is kept locally by your Dealer Principal/Business Leader. Please note: this is for single instances of between £50 and £250. See **Appendix 1** for an example of a register entry. The register form should be downloaded from the Company intranet. Offers exceeding that perceived value (£250 single or £250 cumulative from a single third party over 12 months) must also be reported for

recording on the central register kept by the Group Head of Internal Audit, who is based at Loxley House.

The email address to send your information to is: giftsandhospitality@pendragon.uk.com

5.0 Offering Gifts or Hospitality to third parties

5.1 The vast majority of team members are not authorised to offer Gifts or Group-funded hospitality to customers, suppliers or other business contacts. Where a team member occupies a senior leadership role which carries with it the authority to provide gifts or hospitality, they must operate within their prescribed limit and in accordance with the Company's expenses policy.

5.2 To maintain good relations, these leaders are allowed to offer gifts and hospitality to a customer, supplier, or other business contact provided that:

5.2.1 it is appropriate to the Group's business interests and not motivated by a desire to induce improper conduct or decisions;

5.2.2 the hospitality is not allowed to develop into an inappropriate personal relationship, for example, in return for attending events the leader hosts, the business contact provides special discount arrangements for Group team members;

5.2.3 the host's relevant senior leader is informed of the social aspect of a business relationship;

5.2.4 in the case of existing or potential Group customers or suppliers, the host's relevant senior leader has given prior approval or a general authorisation. It is also essential that the senior leader be accurately briefed to prevent any suggestions that the host is seeking to influence the guests or recipients of gifts to behave improperly within the business relationship; and

5.2.5 the host is present at the event to which the business contact is invited; this is in order to avoid situations where the hospitality is offered solely as a gift rather than corporate hospitality.

6.0 Disciplinary Action

6.1 This policy forms part of the terms and conditions of all team members' contract of employment and any breach of the policy will be regarded as misconduct, leading to disciplinary action up to and including summary dismissal.

7.0 Further Information

7.1 Please read the 'What if?' scenarios we have supplied in **Appendix 3** to help answer some of the questions you may have. If you are still unsure of your responsibilities in relation to this policy, or the action to take in a particular situation, you should consult your Dealer Principal/Business Leader or email giftsandhospitality@pendragon.uk.com.

7.2 If you are a Dealer Principal or Business Leader, not only are you obliged to adhere to this policy but you must also record and/or report such gifts/hospitality as required by this policy.

7.3 If you are a Dealer Principal or Business Leader and are offered gifts, hospitality or entertainment which are reportable as described in this policy, you should report this to your Regional Director/Senior Leader or email giftsandhospitality@pendragon.uk.com in accordance with this policy.

7.4 If you are a Regional or National Franchise Director (or similar level in non-motor divisions) and are offered the gifts, hospitality or entertainment which is reportable as described in this policy, you should report this to your Divisional Managing Director or email giftsandhospitality@pendragon.uk.com in accordance with this policy.

7.5 It is Company policy to ask all third parties we deal with to report to us any team members they believe to be requesting or offering inducements of any kind or engaging in any activity that may contravene the Bribery Act 2010.

7.6 The Company's Value Statement on Anti-Bribery appears on the Company's website under "Corporate Governance" within the "Corporate Profile" section.

Appendix 1 – local register (available to download on the intranet)

Group Gifts and Hospitality Register

Dealership / Business Name		DP / Business Leader Name	
Local Requirement:	Record details of all gifts, hospitality, incentives and entertainment received or offered with a 'value' or 'perceived value' of between £50 and £250 (per instance) per annum.		
Central Requirement:	Record details of any gifts, hospitality, incentives and entertainment with a value greater than or equal to £250 per instance, or with a cumulative value greater than or equal to £250 per annum on this record AND send to **giftsandhospitality@pendragon.uk.com** to be recorded centrally.		

Date	Details of gift, hospitality, incentive or entertainment received / offered	Received From	Recipients	Value / Perceived Value (£)
EXAMPLE SUBMISSION				
01/07/2011	*Food Hamper*	*CleanCo LTD*	*Distributed amongst team members across the dealership*	*£75.00*

NB: Receipts and evidence relating to ALL records MUST be kept locally for inspection
Further guidance on the Group's Gifts and Hospitality Policy can be found on the WAY / Leaders WAY and ARTHUR.

Appendix 2

Model template letter:

[When a team member receives a gift (or offer of one) or invitation to non-exempt hospitality which cannot be accepted]

On Dealership / Business Letterhead

Our Reference

Date **PRIVATE & CONFIDENTIAL**

[Addressee details]

Dear [name]

Pendragon Value Statement on Anti-Bribery and Gifts & Hospitality Policy

I understand from [*name of team member receiving gift/offer etc*] that you have recently

[A sent to him/her at the business [(*describe item(s)*)]

OR

[B included him/her in an invitation to [(*describe event/hospitality*)] on [*date of event*]

(the "Gift" or "Offer").

You will probably be aware that UK companies have been required to tighten their policies on receiving gifts and hospitality from business associates, following the Bribery Act 2010 coming into force. The group of companies to which we belong operates a Gifts & Hospitality Policy which, unfortunately in these circumstances, acceptance of your Gift or Offer would contravene.

Our inability to accept the Gift /Offer is by no means a reflection on your intentions. Our Policy requires me to take steps to prevent the Gift/Offer being interpreted as an inappropriate inducement.

I should therefore advise you that [*choose/adapt whichever of the following statements is appropriate*]

[The Company is holding the Gift / Offer for use exclusively in a raffle, the proceeds of which will be donated to charity.]

[The Company has donated the Gift/ Offer to the Company's adopted charity, exclusively for use as a charity raffle prize.]

[The Offer is respectfully declined. [*use when declining an invitation to an event.*]]

[I am arranging to return the Gift to you by a registered secure means. [*use for physical gifts only*.]

I should be grateful if you would familiarise yourselves with our Anti-Bribery Value Statement and Gifts and Hospitality Policy, each of which may be found under "Governance" in the "Corporate Profile" section of the Pendragon PLC website.

I sincerely apologise for any embarrassment this response may cause you. However, I am sure you will understand the necessity for the Company to adopt and then implement a robust policy. We believe this benefits not only us, but also those with whom we have business relationships

Yours sincerely
[**Name of sender**
Job Title of sender]

Appendix 3

WHAT IF...?

These scenarios have been gathered to provide guidance on different types of gifts, hospitality or incentives that may be offered to our team by business contacts. They are not exhaustive, so if you have any further questions please email giftsandhospitality@pendragon.uk.com.

1 **A customer gives a team member £20 because they were very satisfied with the service they received. Can they keep it? Does it need recording?**

The team member must report to their leader all cash gifts. It is acceptable for the team member to keep the £20 and because it is less than £50 it does not need to be recorded on the local register.

2 **The team or a team member receives a box of chocolates or biscuits from a satisfied customer. Can they keep it? Does it need recording?**

The team member must report the gift to his/her departmental leader. It is acceptable for the team to keep the chocolates or biscuits (or any other gift of a similar value, for example a bottle of wine) and because it has a real or perceived value of less than £50 it does not need to be recorded on the local register.

3 **The team or a team member receives a case of champagne from a supplier. Can they keep it? Does it need recording?**

The team member must report this to their leader. This is likely to have a real value of more than £50 so does need to be recorded on the local register. You also need to consider whether its value is greater than £250 and would therefore need to be recorded on the central register also. See point 5.4 of the Gifts and Hospitality policy for the email address to use to report centrally.

4 **A supplier offers to take a team member out for lunch. Is it acceptable to go for this lunch and does it need recording on the local register?**

If this lunch is part of the team member's normal working day then it should be

acceptable to go and you do not need to record this. If however, the meal is not part of normal working activity and would be classed as "entertainment" then, if the value is greater than £50, you must record this locally. If the value of the entertainment is greater than £250, it must be reported centrally also.

5 One of our suppliers sets us a target for selling their products and tells us that if we hit 100% of the target they will pay for the team to go bowling? What do we do?

First of all, any incentive schemes like this offered by a third party needs to have been approved by your National Franchise Director or Divisional Managing Director. Dealer Principals and Business Leaders will know if it is approved or not. If it is an approved scheme then it should be acceptable to take advantage of the incentive and please make sure it is recorded on the local register if the value of the incentive is more than £50 as well as centrally if it is more than £250.

6 One of our suppliers sets individual team members us a target for selling their products: if 100% of the target is reached they will provide vouchers of over £50 to the team member. What should the team member do?

As in **5** above, any incentive schemes like this offered by a third party needs to have been approved by your National Franchise Director or Divisional Managing Director. Dealer Principals and Business Leaders will know if it is approved or not. A schemes will not be approved unless it is in the overall interests of the business and the supplier providing the incentive has a totally transparent process for awarding and recording the incentives, including an "open book " policy for all queries the Company has about the scheme and its operation.

To protect yourself from any suggestion of non-compliance, you should get a written confirmation from the relevant leader that your participation in the scheme is Company-approved. Your Dealer Principal should make a general entry in the local register describing the scheme and ensure he has access to all relevant records of vouchers actually received, and by whom, in case of audit.

7 What if we receive some mugs and pens from a supplier?

This is acceptable to keep and should be shared amongst as many team members as possible. This applies to mouse mats, memory sticks, diaries and similar items. There is no need to record this.

8 A leader and their partner are given an all expenses paid trip to New York accompanied by the supplier but there is no business content to the trip. What happens here?

This would be classed as "corporate" entertainment. Broadly, this is an event designed for business promotion, incentive or reward purposes organised by the donor and on which the donor accompanies participants at the event in question. In the scenario above the team member would be given authorisation to accept hospitality because the donor (the supplier in this case) will be present. It must be reported to the Dealer Principal/Business Leader to enable them to assess whether or not it is appropriate to accept the offer and for them to record locally and centrally. Things like how much time away from the business it would entail and how much expenditure by the business it would entail have to be taken into account. The decision of the Dealer Principal/Business Leader as to whether or not you may accept the offer is final. If you are a Dealer Principal/Business Leader, the decision would be for your line leader.

9 A leader and their partner are offered an all expenses paid trip to Dubai but they are NOT to be accompanied by the supplier on the trip and there is no business content to the trip (no conferences, etc). What happens here?

This would not be classed as "corporate" entertainment and therefore a polite refusal to the supplier is required. See **Appendix 2** for a template letter. This should be recorded as "offered but not taken up" on the local and central register by sending an email to giftsandhospitality@pendragon.uk.com.

10 A leader is invited to attend a vehicle launch event abroad. Can they go?

If this is approved by the Dealer Principal or Regional Director as appropriate to the

leader's job role, then it is fine for the leader to attend as this may be considered part of the knowledge required for their role. This does not need recording.

11 A few team members receive free tickets to a sporting event as a "thank you" from a business customer. Can we accept these?

This is fine to accept and must be recorded on the local register unless the value is greater than £250, in which case it should be recorded centrally also. The same would apply if the tickets came from a supplier.

12 A local professional football club is seeking supply of free loan cars in exchange for publicity for your business and they provide free tickets for every match. Can we accept this?

The Dealer Principal needs to seek approval from his National Franchise Director and report this enquiry centrally to giftsandhospitality@pendragon.uk.com. Approval can be given, in the National Franchise Director's discretion only if there is a demonstrable business case, that is, the tickets will be used for genuine business promotion, generating sales for the business. Use of tickets for team members/ family and friends is not a business use.

13 I notice that another team member is regularly going with a customer to various sporting fixtures and the customer seems to be getting preferential deals, seemingly as a result. What should I do?

You should email giftsandhospitality@pendragon.uk.com outlining your information on this and ask for it to be discreetly investigated.

14 I notice that a local councillor and his family seem to get their servicing work and parts at only nominal charges but I am afraid to ask whether this is irregular or not?

You should email giftsandhospitality@pendragon.uk.com outlining your information on this and ask for it to be discreetly investigated.