

PENDRAGON PLC
Remuneration Committee Terms of Reference

1. Composition and Quorum

The Remuneration Committee is a committee of the Board of Directors of Pendragon PLC appointed by the Board and shall comprise of at least three members. All members of the Committee shall be independent non-executive directors.

The quorum necessary for the transaction of business shall be two.

The Company Secretary also acts as secretary to the Committee.

2. Chairman

The Chairman of the Committee is an independent non-executive director.

3. Participation Exclusion

No director or executive shall be involved in any decisions as to his or her own remuneration.

4. Meetings

The Committee shall meet not less than twice a year and at such other times as the Chairman of the Committee shall require.

5. Responsibilities

The Committee's responsibilities are as follows:

- (i) to determine and agree with the Board the framework or broad policy for the remuneration of the executive directors, and such other members of the executive management as it is designated by the Board to consider;
- (ii) in determining such policy, to take into account all such factors it deems necessary including (without limitation) where to position the company relative to other companies, and pay and employment conditions else where in the Group. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives which align their interests with those of shareholders, and encourage enhanced performance in the short and medium term as well as the achievement of the Company's longer term strategic goals. The policy shall also be designed to reflect the commitment and responsibilities of the respective roles of the executive management and ensure they are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- (iii) to liaise with the Nomination Committee to ensure that the remuneration of newly appointed executive directors and executives is consistent with the Company's overall remuneration policy;
- (iv) to determine targets for any performance related pay schemes operated by the Company and ask the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements;
- (v) within the terms of the agreed remuneration policy, to determine the total individual remuneration package of each executive director, including, where appropriate, bonuses, incentive payments and share - based incentives;
- (vi) within the terms of the agreed remuneration policy, to determine the total individual remuneration package of the Chairman, taking into account all such factors as it deems necessary. The Chairman shall be excluded from any discussions or meetings during which the Committee discusses or determines his remuneration. The objective shall be to ensure that the Chairman is provided with appropriate remuneration which aligns his interest with those of shareholders, and encourages enhanced performance in the short and medium term as well as the achievement of the Company's longer term strategic goals. The Chairman will not be entitled to any bonuses, incentive payments or share based incentives.
- (vii) to determine the policy for and scope of pension arrangements, service agreements, termination packages and compensation commitments for the executive directors;
- (viii) in determining the remuneration packages and arrangements for executive directors other than the chief executive, to take into account the views of the chief executive;
- (ix) in determining such packages and arrangements, to give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- (x) to ensure that provisions regarding disclosure of remuneration, including pensions, as listed in the Directors' Remuneration Report Regulations 2002 are fulfilled.

6. Authority

- 6.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 6.2 The Committee is authorised to obtain outside legal or other independent professional advice.