Statement in relation to The UK Corporate Governance Code (July 2018): Board Leadership and Company Purpose, Provision 4

Dear Shareholder

I am writing to you in my capacity as acting Chair of the Remuneration Committee (the "Committee") of Pendragon plc (the "Company") to provide an update on the Company's response to the outcome of the 2022 Annual General Meeting ("AGM") in June this year. We note that with the exception of resolution 2 (approval of annual report on director's remuneration), all resolutions were successfully passed with the requisite majority. There were three resolutions overall which received less than 80% of votes in favour.

I would like to set out, based on my communications with shareholders prior to the AGM and reflecting on views expressed at the AGM, what I understand to be the reason for the voting outcomes, as well as the actions taken in response to them.

Resolution 2 – Annual Report on Director's Remuneration for Year ended 31 December 2021

In relation to the advisory vote on Pendragon's Remuneration Report (the "Report"), 65.515% of our shareholders voted against this resolution at our AGM in June 2022. Our analysis confirms that opposition to the Report was restricted to a number of our main shareholders, who together at the time held approximately 45% of our issued share capital.

As we have previously indicated, our Director's Remuneration Policy (the "Policy") was approved by shareholders at the 2020 Annual General Meeting, and contained a number of best practice and generally market accepted features including:-

- a more conventional Long Term Incentive Plan ("LTIP") with a performance period of 3 years and a holding period of 2 years (in normal circumstances);
- Improved malus and clawback provisions including the addition of reputational risk and corporate failure to the triggers;
- introduction of a post-cessation shareholding requirement equal to the in-employment shareholding requirement for 2 years after cessation of employment; and
- Changes to the pension policy to bring Executive Director pensions in line with average employee rate over time by ensuring that new Executive Directors are appointed with a pension contribution which is not above the level available to the wider workforce and reducing the pension contribution of current Executive Directors where appropriate.

We have listened to the feedback and concerns raised by our shareholders in terms of how the Policy was implemented, both in 2020 and 2021, and, in light of this feedback, ensured that the August 2022 LTIP grant: (i) was made at the normal level within the ceiling approved by the Policy (capped at 150% of salary for executive directors); (ii) was awarded with a 3-year performance period with 3-year targets; (iii) for executive directors, a two-year holding period was maintained.

It is worth noting that the LTIP is now measured on measured 75% financial metrics (comprising a 70% EPS measure and a 5% ESG/carbon emissions reduction measure) and 25% on strategic measures (comprising 15% used car gross profit and 10% Pinewood revenues) which continues to achieve two key goals (i) allows the measurement of progress towards vital imperatives drawing a direct link between the strategy set out to shareholders in September 2020 and the incentives; and (ii) ensures that the LTIP does not pay-out on a single metric which could lead to all or nothing payments depending on the setting of the targets.

The Committee recognises that some shareholders have continued to highlight concerns that the base salary levels of the Executives are above that seen for other companies of a similar size. The Committee considers a range of reference points when determining salaries including size as well as sector comparators. The Committee continues to maintain that Executive director salary levels remain appropriate and aligned with the need to attract the right talent to the business, and ensures it is paying the right amount for the right candidate.

Resolution 3 – re-election of Bill Berman

The Company understands that the reason for the 64.92% of votes in favour of resolution 3 at the AGM was primarily due to the position taken by one of our main shareholders, who remained opposed to the re-election of Mr Berman. For the avoidance of doubt, the majority of our major shareholders remained supportive of the re-election of Mr Berman.

Resolution 5 – re-election of Dietmar Exler

The Company understands that the reason for the 60.21% of votes in favour of resolution 5 at the AGM was primarily due to the position taken by one of our main shareholders, who was opposed to the re-election of Mr Exler. For the avoidance of doubt, the majority of our major shareholders remained supportive of the re-election of Mr Exler.

I will of course continue to communicate with all shareholders on behalf of the Committee and invite you to get in touch with any comments, questions or ongoing concerns throughout the year.

Yours sincerely

Ian Filby – Acting Chair of the Remuneration Committee

7 December 2022