



## GOVERNANCE AT PENDRAGON

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This section of the Pendragon website informs you about our governance practices. We keep it up to date with details about our governance policies and practices, our Board and its committees, practices and information useful to shareholders and potential investors, as well as anyone seeking to do business with us.

Information specific to Pendragon's and our Board's activities during defined reporting periods is set out in Pendragon's published financial statements and other reports on the Pendragon PLC website <http://www.pendragonplc.com>. For an index of material relating to governance and reporting please refer to the Pendragon website.

### GETTING PENDRAGON'S REPORTS ONLINE

We encourage more shareholders each year to help us reduce the environmental impacts of report printing and distribution. You can do this by agreeing to receive an on-line only version. We are pleased that over 75% of our shareholders chose to receive our 2016 Annual Report on-line, rather than in the post. If you are a new shareholder, unless you specify otherwise, you will be treated as having chosen to receive Pendragon's company reports electronically. If you are an existing shareholder and wish to switch to receiving Pendragon company reports only electronically, please telephone our registrars on 0871 664 0300 or e-mail [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) to enable them to update your preferences.

### PENDRAGON AND THE UK CORPORATE GOVERNANCE CODE

Every year in our Annual Report, we confirm Pendragon's compliance with the corporate governance standards which apply to us. These are set out in The UK Corporate Governance Code, which the Financial Reporting Council publishes and amends from time to time (the "Code"). The latest version was published in April 2016 and you can view it on the FRC website. In the latest Pendragon Annual Report we confirm that, throughout the period reported, other than for an eight month period in respect of Board composition, we complied in full with the Code applicable to the reporting year in question. As a company listed on the UK Stock Market, we are also required to make statements in each Annual Report about our corporate governance compliance. The latest Pendragon Annual Report contains those statements and all statements required by applicable accounting standards and by the Disclosure and Transparency Rules. Because those statements have to be made specific to each reporting period, we do not include them in this website information. To see to the latest Pendragon Annual Report, go to the Pendragon website.

### PENDRAGON'S BOARD OF DIRECTORS

Pendragon has a Board of directors composed of both executive and non-executive directors. The Board is always structured to achieve good governance, an appropriate balance of skills and experience, and the necessary independent oversight of Pendragon's activities. Changes to Board membership occur from time to time. The current Board members and their roles and brief histories are available on the website. If you find any differences between details of directors published in Pendragon Annual Reports and the details on this website, this is likely to be owing to the fact that Reports record the position as at their publication date. This website is updated each time a change occurs.

**Chris Chambers** is Pendragon's **non-executive chairman** appointed to that role on 23 October 2017. He joined Pendragon as an **independent non-executive director** on 28 January 2013 and, from appointment, joined the Audit, Nomination and Remuneration Committees of the Board. He remains a member of the Nomination and Remuneration Committees. Chris is a banker with particular expertise in retail and property. He is a non-executive director of Swiss Prime Site AG and a member of the supervisory board of Berenberg Bank (Schweiz) AG. He is executive chairman of Lonrho Limited, non-executive chairman of GVO Investment Management Limited and vice-chairman of Cembra Money Bank AG Switzerland.

**Gillian Kent** is an **independent non-executive director**, having joined in that role and as a member of the Audit, Nomination and Remuneration Committees of the Board, on 23 May 2013. Gillian spent her executive career with Microsoft culminating as managing director of MSN, UK heading their largest online business in the UK. Her expertise is in building markets and brands for online consumer products and web-based applications. Gillian is also a non-executive director of National Accident Helpline Limited and Ascential PLC.

**Jeremy King** is an **independent non-executive director**, having joined in that role and as a member of the Audit, Nomination and Remuneration Committees of the Board, on 25 November 2014. Jeremy is the senior independent director. Before joining us, Jeremy spent his career in the accountancy profession with PriceWaterhouseCoopers (PWC). He is a chartered accountant. His earlier PwC roles encompassed a range of senior management positions, including leading PwC's Tax Practice in the Midlands and London Regions.

**Mike Wright** is an **independent non-executive director**, having joined in that role and as a member of the Audit, Nomination and Remuneration Committees of the Board, on 02 May 2018. Mike spent his executive career in the international automotive sector, including senior roles at Jaguar Land Rover, Ford and BMW.

**Trevor Finn** is an **executive director** and has been Pendragon's **chief executive** since our shares were first introduced on the London Stock Exchange in October 1989. This makes him one of the longest-serving chief executives of any UK listed company. Trevor began his career in vehicle servicing and repair and came into leadership in the vehicle division of Williams PLC in 1982, where he became divisional managing director until Pendragon's flotation in 1989. Trevor's role with the company makes him responsible for the execution of the strategy set by the Board. He also takes the lead in investor relations.

**Martin Casha** is an **executive director** and has been with the Pendragon business since 1982. He began his career in vehicle servicing and repair and, following promotion through a number of leadership positions, Martin became a Pendragon director in September 1995 and **chief operating officer** in November 2001. Martin's responsibilities range widely across Pendragon's UK operations, encompassing both the motor retail and leasing and parts support businesses.

**Tim Holden** is an **executive director** and has been with Pendragon since June 2008, first as group financial controller and, from December 2009, as finance director. In that time, Tim has taken a leading role in several successful refinancings for the Pendragon Group. Together with Trevor Finn, Tim is active in the communication of Pendragon's performance and strategy to a wide range of stakeholders. Before joining Pendragon, Tim's earlier career was spent with chartered accountants KPMG, where he was a senior manager advising on audit and transactional service matters. He is a chartered accountant.

## WHO'S WHO - AUDITOR, KEY ADVISERS AND SERVICE PROVIDERS

### AUDITOR

The role of auditor is an officer of the company. Pendragon's auditor since 1997 has been KPMG. Currently the KPMG entity appointed as auditor is KPMG LLP. The appointment to the office of auditor is submitted for annual shareholder approval, typically at Pendragon's Annual General Meeting (AGM). Although the shareholders decide on this resolution, the Board always makes a recommendation. The latest resolutions about the appointment of the auditor and authorising the Board to determine their remuneration in that role are those passed at Pendragon's most recent AGM. In choosing whom to recommend to shareholders as auditor, the Board delegates the performance oversight and selection to the Audit Committee. A firm occupying the auditor role has to demonstrate a high degree of independence, so that shareholders and others can have assurance that the financial statements and other auditable matters on which the company reports have been properly prepared and fairly reflect performance. For more on how Pendragon governs its relationship with its auditor, and the auditor appointment, please refer to the website.

### BANKS

Pendragon has relationships with a number of UK banks. The company's principal banks are Barclays Bank PLC, Lloyds TSB Bank plc, Royal Bank of Scotland plc, Allied Irish Banks plc and HSBC Bank Plc.

### STOCKBROKERS

Pendragon's stockbrokers primarily advise and assist in the management of portfolio of shareholders who have invested in Pendragon. Pendragon has two firms working in this capacity: Joh.Berenberg, Gossler & Co KG and Jefferies International Limited.

#### SOLICITORS

Pendragon has relationships with a number of law firms across a range of legal service areas. Its principal legal advisers are CMS Cameron McKenna Nabarro Olswang LLP, Geldards LLP and Eversheds LLP.

#### IMPORTANT COMPANY INFORMATION

Company name	Pendragon PLC
Country of registration	England and Wales
Registered number	2304195
Date incorporated	12 October 1988
Registered Office	Loxley House, 2, Oakwood Court, Little Oak Drive, Annesley, Nottingham, NG15 0DR
London Stock Exchange:	PDG
Bloomberg:	PDG.LN
Global TOPIC and Reuters:	PDG.L

#### REGISTRAR AND SHAREHOLDER ENQUIRIES

Capita Asset Services

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

[ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Tel: 0871 664 0300

## HOW THE BOARD WORKS

The Board is collectively responsible for the long term success of the company. It carries out the role of strategic leadership, setting corporate goals and overseeing the management of risk, through regular discussions and debates. Governance matters are discussed at our regular, formal board meetings to ensure that the company continues to operate to high governance standards. The Board receives comprehensive management information to allow it to assess progress against the company's plans and decide how best to mitigate risks faced by our businesses.

## OUR BOARD'S ROLE AND DECISIONS

The Board sets Pendragon's overall strategy and that of our principal trading businesses. We ensure the company has in place the financial and human resources needed to meet our objectives.

Our Board also undertakes governance oversight of the company so that all relevant Code expectations are met and engagement with stakeholders is constructive and effective.

To help the Board to discharge its duties properly and ensure that decisions are made at the right level within the company, we have reserved certain key decisions exclusively to the Board. These are set out in a schedule of matters reserved for Board decision, reviewed and agreed by the Board annually.

The schedule of matters reserved for decision by the Board can be viewed on the website..

## THE ROLE OF COMMITTEES

The Board delegates certain of its duties to its Audit, Nomination and Remuneration committees, each made up entirely non-executive directors. Although these three are the main Board committees, the Board may also appoint other committees from among its members to deal with specific matters if the need arises. We report annually on the specific work undertaken and issues addressed in a particular year by each committee. Those reports form part of Pendragon's Annual Report. This section of the website gives details of the structure and purposes of the committees and other governance measures which does not significantly change from year to year. Each committee has prescribed membership and operates within prescribed terms of reference determined by the Board, and reviewed annually. Committees can invite to attend any other Pendragon director or employee.

The current terms of reference of our Board committees can be viewed on the website. An example of a standing committee of the Board not made up of non-executive directors is Risk Control Group. This also operates within terms of reference and membership determined by the Board. For more details of the work of the Risk Control Group, see the Corporate Governance Report, within our latest Annual Report.

## THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

The chairman and the chief executive perform distinct leadership roles. The chairman is primarily responsible for the effectiveness of the Board in all aspects of its role. The chief executive is responsible for the implementation of the strategy set by the Board. The Board has set a clear division of their responsibilities and reviews this annually or more frequently if needed. Our policy on the roles and responsibilities of the chairman and chief executive can be found on the website.

## HOW THE BOARD OPERATES

The Board takes collective responsibility for the company's long term success. To do this, our work focuses on developing strategy, setting objectives and measuring performance against them, identifying risks to the Group's businesses and ensuring effective measures to control and mitigate such risks are in place. The Board operates to a standing agenda which ensures that all our responsibilities are discharged in an appropriate manner and all matters requiring regular or annual review receive adequate scrutiny and debate. Our annual programme of reviews also features Board composition and performance, skill mix and balance, succession planning for executive and

non-executive roles, and how the company's businesses operate in the wider social and environmental context. Further, detailed review of each of these areas occurs within the relevant Board committees.

## RELATIONSHIPS WITHIN THE BOARD

The chairman ensures that a healthy Board environment exists, one which enables our Board to fulfil its role effectively and individual members to contribute constructively. Outside the formal Board timetable, he convenes informal meetings, typically to focus on a specific business area and its place within our overall strategy, or to receive updates on the market and competitive environment. By formal and informal means, he ensures that all directors have the opportunity to contribute effectively and to raise any matters of particular concern to them. The chairman encourages a collaborative approach to problem resolution and an open style, where issues of concern can be raised informally, or at a Board meeting, and addressed in a timely and informed way. Any unresolved concern about the way the company is running would be raised at a Board meeting and recorded in the minutes of meeting. We are required in our Annual Report to tell shareholders of any unresolved concerns raised at Board meetings. Such an event is unusual and the latest Annual Report confirms there were none in the last complete year.

## THE ROLE OF THE EXECUTIVE

The "Executive" is a term used for the executive directors acting within the authority the Board delegates to them. In common with most large undertakings, the Board delegates the operational running of the company and its group to the executive directors, led by the chief executive. Unless it is a matter specifically reserved for Board decision or shareholder resolution, the Executive is empowered to make day-to-day decisions, operating within prescribed delegated authority, such as capital expenditure limits. The Executive meets regularly to plan how we fulfil the strategy set by the Board, to facilitate the communication and implementation of that strategy within our business and to monitor performance against Pendragon's set goals.

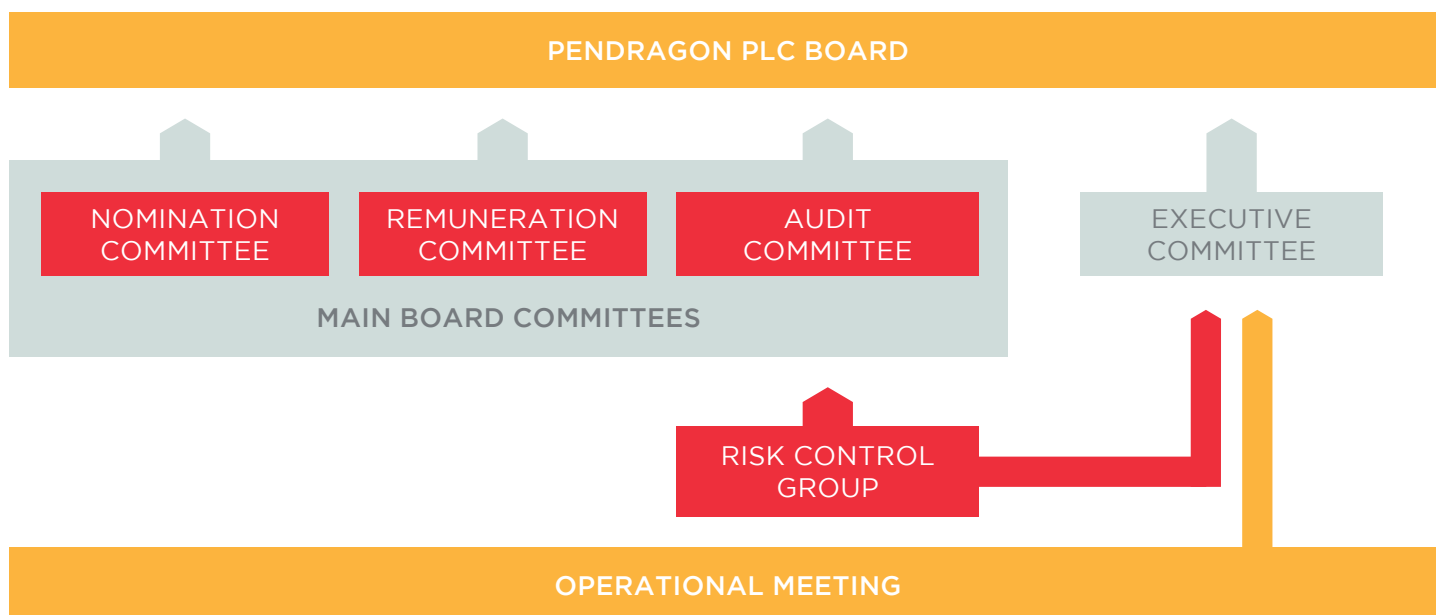
## HOW THE EXECUTIVE OPERATES

Individual executive directors take oversight responsibility for specific parts of the Pendragon business, divided by geography and business or activity type. The chief executive and the chief operating officer oversee most operational and strategic aspects of the business areas. Each of the chief executive and the chief operating officer holds monthly or more frequent operational review meetings with the leaders of the Group's motor business and support businesses, at which business performance and the effectiveness of our business model and key operating controls are considered. The finance director is responsible for financial control, use of banking and financial resources, data security and financial compliance, and regularly meets to plan improvements and review progress with specialists in each area. The company secretary monitors legal and regulatory compliance and the operation of related systems of control. We prepare prescribed monitoring and performance management information for each such meeting and, for all key performance areas it is also available for review between meetings on a real time basis. It is from this detailed performance information that higher level reports to the Board are compiled, for review and comment. The executive meets monthly to review overall strategic progress, reports on specific initiatives and to identify matters for reporting to the Board, either for decision or for monitoring of progress towards agreed objectives.

## HOW NON-EXECUTIVE DIRECTORS OPERATE

The non-executive directors have particular responsibility for monitoring financial and performance reporting to ensure that progress is being made towards agreed goals. They monitor the performance of the executive directors and determine their remuneration and terms of service. Their responsibilities also include assessing the effectiveness of internal controls and the management of risk. To discharge these responsibilities, as well as attending Board and committee meetings, non-executive directors make themselves available for consultation between Board meetings, individually and collectively. This enables them to apply their own skills and expertise and to feed back to the chairman informally. The non-executive chairman ensures that at all times the Board performs effectively through a wellfunctioning combination of Board and committee meetings and other appropriate channels for strategic input and constructive challenge from non-executive directors.

The chairman holds meetings with the non-executive directors without the executive directors present when he deems it appropriate. These allow the free discussion of performance, evaluation of how well the non-executive directors perceive the Board and its committees to be operating and the giving and receiving of feedback by the chairman, and chairmen of Board committees.



## THE ROLE OF SENIOR INDEPENDENT DIRECTOR

This role is a Code requirement as part of the system of checks and balances well-run companies put in place to ensure independent decision-making and the proper recognition of stakeholders' interests. The senior independent director is an independent non-executive director available to act on the company's behalf in circumstances where, normally the chairman would be the appropriate person to act, but for some reason, it is inappropriate for the chairman to act. The role of the senior independent director is not typically described in detail, but best practice tends to dictate how the senior independent director would get involved in a particular issue or set of circumstances, which might include: where the chairman is perceived to have a conflict of interest; where a successor to the chairman is being sought; and where a stakeholder is raising issues about the chairman's personal performance in that role. The Board would not normally choose a newly appointed director to perform the role of senior independent director, since it is beneficial for the person in that role to have a period of experience of the Board's working. By their very nature, the senior independent director is expected to be independent as regards any matter in which his involvement is required or sought. Should that not be the case in any given circumstance, the Board would choose an alternative independent non-executive director from their number to fulfil that role.

## BOARD COMPOSITION

A well-functioning board is one which reflects an appropriate balance of skills, experience, professional or business background and knowledge of the company and facilitates a healthy level of constructive challenge to executive board members. We achieve this by having in place the right number and quality of non-executive directors able to demonstrate independence of thought, which they apply to their participation in strategic debate and all the Board's decision-making. The Board ensures it has in place the right people in the right roles to enable us as a Board and each committee to discharge our respective duties and responsibilities effectively. We review annually our Board's and committee's composition. Our review considers the adequacy and appropriateness of the skill-sets of the existing Board members, the length of service of existing non-executive directors and good practice in refreshing the board membership. We also take into account new developments in the company's business and strategy, the range of experience and expertise already represented and any gaps identified by this review. We also consider director's attendance and ability to devote sufficient time to the company's affairs and the effective discharge of their responsibilities.

Although the Board itself initially makes all Board appointments all directors are required, under the code as it relates to FTSE 350 listed

companies to retire and offer themselves for re-election by the shareholders at each AGM of the company. This applies to all such times as the company is listed in the FTSE 350. At other times, all directors abide by the additional rules of the company's articles concerning retirement by rotation.

The Board also chooses which Board members should occupy specific roles: chairmen of the Audit, Nomination and Remuneration Committees, the senior independent director and the chairmen of any other committees formed from time to time to handle specific matters. The Board reviews these appointments at least annually, typically immediately after the AGM, and also whenever a vacancy arises, such as on a non-executive director's retirement.

The Board is committed to progressive refreshing of its membership. To achieve this effectively, the Board delegates to the Nomination Committee, chaired by the company chairman, much of the work of assessing and meeting Board recruitment needs, but retains overall responsibility for its own effectiveness and that of its committees, under the leadership of the chairman. For more on how the Nomination Committee operates, see the latest Committee Report in our current Annual Report.

## HOW THE NOMINATION COMMITTEE WORKS

The Nomination Committee is a committee of the Board chaired by the company's chairman and made up entirely of non-executive directors. To see its constitution and terms of reference, go to the company website. The Nomination Committee meets at least once a year to assess the Board's composition and establish any recruitment needs. The Board also keeps its composition under constant review and commissions work by the Nomination Committee. Once the Board or Committee has identified a particular need, the Committee defines the role and how best to fill it, and leads the search and selection process, with a view to recommending suitable candidates for the Board position. The Board as a whole makes the final decision in response to any Nomination Committee recommendations. The Committee works to a protocol for managing each recruitment and uses external search consultants except in circumstances where the Board deems it unnecessary to do so.

Examples of triggers for a Board position recruitment exercise are: a non-executive or executive director retirement; a non-executive director reaching over eight years of service on the Board; or a perceived gap in the skill-set or experience of the existing Board members; or the Board's composition ceasing to meet Code requirements for the number of independent non-executive directors.

## CURRENT COMPOSITION OF THE BOARD

We report annually on the Board's membership, in a specific section of the Pendragon Annual Report. This describes what happened to Board membership during the most recently concluded financial year, who served during that year, who retired, who offered themselves for re-election at the AGM, who joined the Board and the roles each person performed, and reflects the Board's membership at the particular Pendragon Annual Report publication date. For details of the current directors and the roles they perform (which may be different from the latest Pendragon Annual Report), please refer to the website.

## DIRECTOR'S TIME COMMITMENT

Before their appointment, the chairman advises non-executive director candidates of the time commitment likely to be required of them in the role for which the Board is recruiting. Committee chairman roles have a slightly higher time commitment than do committee member roles. The chairman ensures that candidates to any Board role give assurances that they are, and will continue to be, able to devote sufficient time to enable them to discharge effectively their responsibilities to Pendragon. One influence on time commitment is the number and nature of the other roles a director performs or offices they hold. Non-executive director's appointment terms record the expected time commitment and they declare prior to appointment, and disclose as changes occur, their outside commitments. Executive director's appointment terms require them to devote their whole time and attention to Pendragon business. With the chairman's or the Board's permission, they may hold office or carry out duties for other organisations. Pendragon has adopted the following policy governing such requests.

#### POLICY ON NON-EXECUTIVE DIRECTORSHIPS HELD BY EXECUTIVES

The Board considers that executive directors are likely to be able to broaden their understanding of their board responsibilities if they take up a non-executive position on another Board. Accordingly, provided that such roles (whether in a paid, voluntary or honorary basis) do not prevent an executive director from being able to allocate sufficient time to the company to discharge their responsibilities effectively, non-executive roles beyond the company are not actively discouraged. Whether or not an executive director may keep fees gained from holding an external non-executive directorship or similar is decided on an individual case by case basis.

This policy should be considered in conjunction with the Conflicts of Interest Policy, as appropriate.

The secretary keeps a register of all Board member's interests, offices and appointments and receives details of changes to these as they occur. The Board reviews the register at each Board meeting, ensuring that it assesses the impact of outside commitments on Board member's availability to attend to company business and their duties for Pendragon. Details of the non-executive and (if any) executive main outside roles are reported annually in the Pendragon Annual Report. The Board is required to report to shareholders annually on whether it believes non-executive directors are devoting the right amount of time to perform effectively for the company. The company's position on this for our most recent financial year is in the latest Pendragon Annual Report, which concluded that the chairman and each of the non-executive directors is able to devote the amount of time required to attend to the company's affairs and his duties as a Board member. In addition we keep a register of all meeting attendance and report on this annually in our Annual Report.

## HOW WE ASSESS DIRECTOR'S COMMITMENT

We use various means to assess directors's commitment to the company, including an annual board evaluation survey, completed by all executive and non-executive directors. A director's holding of outside roles may influence their ability to act independently when carrying out their Pendragon director's duties. For information on how we report and manage conflicts of interest see our Conflicts of Interest Policy on the website.

## HOW WE EVALUATE THE BOARD'S EFFECTIVENESS

We describe above the main role and purpose of a company board, being made up of non-executive and executive directors, and also what is expected of the balance and characteristics of an effective board of directors. We assess Board effectiveness by a variety of means: our annual formal evaluation of the Board and each of its committees; informal annual individual evaluation of both non-executive and executive directors relative to their role on the Board; private meetings of the non-executive directors only, without the chairman present; and meetings of the non-executive directors including the chairman, without the executive directors present. We are required to report to shareholders annually on the evaluations we have performed in the financial reporting period. There are statements in the latest Pendragon Annual Report on the Board's evaluations for the most recently completed financial year.

## BOARD AND COMMITTEE EVALUATION

Modern boards of directors have available a variety of tools to help them evaluate their effectiveness. We are aware of the availability of external providers who facilitate or conduct board evaluation and would consider their use if the need were to arise. Pendragon uses a questionnaire tool, covering all applicable Code provisions relating to Board effectiveness, and reviews annually the question set to ensure relevance and that issues which may have emerged in recent periods are covered. The chairman and Board committee chairmen evaluate the survey results and outcomes are reported to the Board. Free-text sections allow respondents to raise any matter of interest, and committee chairmen and the chairman seek individual meetings where material weaknesses or concerns emerge. Action plans are put in place to address matters of concern about Board or committee effectiveness. During the next period of three years the code's rules as they apply to FTSE 350 listed companies require the evaluation of the board and its members be concluded by internal specialists.



## INDIVIDUAL BOARD MEMBER EVALUATION

The chairman's role includes ensuring each individual Board member is able to contribute constructively. He therefore maintains an open dialogue with Board members so that any Board or individual performance issues of concern can be raised privately, without waiting for a formal annual appointment to discuss them. One formal meeting with each individual director each year includes a review of their capacity to contribute positively to Board business and their attendance at meetings and other Board events. The Board's business is not confined to formal meetings and directors are expected to participate in and contribute to familiarisation and development events.

## CHAIRMAN EVALUATION

For a chairman to operate properly he is required to be independent at time of his appointment to that role. He is not required thereafter to satisfy the requirement of independence but he is subject to all the same requirements as the rest of the Board concerning conflicts of interest and their management. The role of chairman is appointed by the Board excluding any director who is a candidate for that role. The chairman is accountable to the shareholders, but most company boards have mechanisms for performance evaluation of the chairman to take place. At Pendragon this is achieved by the senior independent director meeting privately with the chairman and also holding a meeting of the other non-executive directors without the chairman present.

## HOW THE BOARD DEVELOPES ITS MEMBERS

The chairman ensure that, in addition to formal and informal meetings, non-executive directors gain exposure to Pendragon's principal operations and senior operational leaders below Board level. The Board receives presentations on market developments and matters of strategic significance and makes periodic visits to operational sites both in the UK and at overseas locations. Industry experts and representatives from Pendragon's corporate advisers also present periodically to informal Board meetings, to inform debate and strategic direction. We organise access for all Board members to professional development events and briefings appropriate to their role. New directors receive a tailored induction designed to afford a comprehensive understanding of Pendragon's strategy, business model and operations; the outgoing committee chairman and secretary to the committee conduct comprehensive familiarisation and hand-over meetings with an incoming committee chairman. This takes the form of operational visits to selected Group retail outlets, a tour of the support businesses's facilities and a head office based orientation session. All new non-executive directors's experiences of their induction are monitored to ensure they are adequately equipped and the induction is appropriate to their role and effective. Any feedback for them or suggestion for improvements are recorded and acted on appropriately.

## INFORMATION AND SUPPORT

To enable effective decision-making and ensure all matters requiring regular or annual review receive adequate scrutiny and debate, the Board operates to a standing agenda and we structure our meetings to enable open discussion by all directors. To facilitate fully informed debate and the contribution of all members, the chairman and company secretary ensure the Board's business is set timely to allow appropriately detailed information to be circulated to all directors in advance of meetings.

The company secretary attends all Board meetings and is responsible for advising the Board and its committees, through their respective chairmen, on corporate governance and matters of procedure, as well as facilitating the flow of information within the Board. All directors have access to support from the company secretary on matters of procedure, law and governance and also in relation to their own induction and professional development as Board members. All directors are entitled to take independent advice at the company's expense, and to have the company and other Board members provide the information required to enable them to make informed judgements and discharge their duties effectively.

## INDEPENDENCE

Each year the Board reports to shareholders, in the Directors's Report, its view of the independence of serving non-executive directors (excluding the chairman). Assessment of the independence of the chairman is made at the time of his appointment in line with the Code, but not thereafter. In judging independence, we pay particular attention to a director's existing and recent former interests and to the length of his service on the Board.

To help us identify potential impacts on a director's independence, the Board maintains a register of all interests, offices and appointments which are material to be considered in our assessment of director independence. This is reviewed at every Board meeting. Each review from 2008 to date has concluded that there are not, in relation to any director, any relationships or circumstances regarded by the company as affecting his exercising independent judgement. Each of the non-executive directors is determined by the Board to be independent.

## RE-ELECTION OF DIRECTORS

At times when the company is listed on the London Stock Exchange at a level below the FTSE 350 the following applies to the re-election of directors. In accordance with the company's Articles of Association (Articles), directors appointed by the Board seek election at the first AGM following their appointment and all directors seek re-election by rotation at least once every three years. In accordance with best practice, non-executive directors who have served in excess of six years seek re-election annually and the reasons for the Board's proposal that they be re-elected are given on each occasion. Details of the directors seeking re-election or election each year are indicated in our latest Annual Report and Notice of AGM, both of which are available on other sections of this website.

## CONFLICTS OF INTEREST

Pendragon's Articles, that is, the company's governing legal constitution, permit the Board to authorise director's conflicts of interest if certain conditions are met. A conflict of interest is defined by company law. As part of their induction, directors are advised about our processes for declaring, managing and, where appropriate, authorising conflicts. Directors declare at all Board and committee meetings all matters which might constitute a conflict of interest with Pendragon's interests. They can seek Board authorisation of a conflict, but that decision can only be by directors who have no interest in the matter being considered. In deciding whether or not to authorise a conflict, the non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote Pendragon's success. No director is automatically entitled to have their declared conflict authorised, neither is he or she allowed to take part in a decision to authorise the declared conflict. The rest of the Board is not obliged to give authorisation and, if they do authorise a conflict, they may make it subject to conditions or subsequently impose or change any conditions they choose. The secretary records all declared conflicts, any conflicts considered for authorisation, and any authorisations given and their conditions. The Board reviews all declared conflicts annually. The Board may at any time withdraw authorisation for or alter the terms of any authorised conflict, by decision only of the non-conflicted directors.

## RISK MANAGEMENT AND INTERNAL CONTROLS

### RISK MANAGEMENT

The company's operating structures that ensure we have a hierarchy of effective control are set out under the headings "The Role of Committees" and "How the Executive operates" above. The accountability framework described above is designed to ensure comprehensive management of risk across the Group's businesses. The Board and any of its committees is able to refer specific risks to the Risk Control

Group (RCG) for evaluation and for controls to be designed or modified; this occurs in consultation with operational management; the communication and implementation of mitigating controls and corresponding systems of check is a function of operational management. The RCG oversees the effective implementation of new measures designed to mitigate or meet any specific risks or threats. The work of the Risk Control Group is detailed in our latest Annual Report.

## CORPORATE SOCIAL RESPONSIBILITY

### PEOPLE AND DEVELOPMENT

We regard our people, combined with our mutually shared values and aspirations for the Group's business, as among our greatest assets. Enabling our people to contribute every day what they do best is essential to our success. Our industry-leading communications ensure that we transmit key messages swiftly to all within our business. Together with our carefully designed performance awards for many areas of our activities, these enable team members across the entire Group to readily understand our goals and ensure that both individuals and teams enjoy the recognition they deserve for outstanding achievement. The Group's scale creates opportunities for everyone to enhance their skills and experience in different areas of operation, affording scope to progress within our business, whether to develop in their own discipline or to attain leadership roles suited to them and their career aspirations.

If you would like to learn more about our people strategy, please see our latest Annual Report to see what we have achieved in the last year.

### COMMUNICATION

The challenges presented by our size and geography and the importance of consistency drive us to devise and implement ever more innovative and timely means of communication. Live-streaming information bulletins and podcasts, internal website messaging and face to face presentations as well as the use of social media electronic newsletters and video play-books keep team members up-to-date with the company's strategy and performance. Team member's views on our performance and services are actively gathered via targeted social media campaigns. Regular briefings for all team members at each location provide a forum for sharing both company and local information. At all levels, communications aim particularly to recognise the achievements of individual team members and celebrate outstanding business performance, through peer recognition and widely publicised awards. Each year we increase the breadth and variety of incentive programmes aligned to the Group's business objectives and we consistently experience increased team member engagement with these programmes.

### DIVERSITY AND EQUALITY OF OPPORTUNITY

We are an equal opportunity employer, committed to ensuring that our workplaces are free from unfair discrimination within the framework of the law. Details of how we are enhancing our engagement with committees to assist with our profile for potential job applicants are set out in our Annual Report, the latest version of that is available on this website in investor relations. The gender balance for our most recently completed financial year is with the Annual Report. The company's diversity and equal opportunities policy is available on the website.

### HEALTH AND SAFETY

As a Group, we recognise our responsibility to all team members and others working in or visiting our facilities to provide, so far as is reasonably practicable, an environment which is safe and without risk to their health. Our policy is to identify and assess all potential risks and hazards presented by our activities and to provide systems and procedures which allow team members at all levels to take responsible decisions in their day to day work in relation both to their own and other's health and safety. We promote awareness of potential risks and hazards and the implementation of corresponding preventative or remedial actions through our on-line health and safety systems, operations manuals and regular communications on topical issues. A clear hierarchy of responsibility is published to team members and reinforced through regular monitoring by a variety of means. We assess our safety record against relevant published benchmarks and target specific hazards for improved results through additional monitoring and processes promoting safe working. The company's health and safety policy is available on the website.

### COMMUNITY

We are predominantly a retail operator, with a tangible presence in the many communities our businesses serve. Each year we briefly describe in our Annual Report the community and charity activities we and our businesses in the UK have been involved with. Our retail businesses also generate community involvement through local engagement, contributing to their local areas in a variety of ways. Individuals and businesses organise charity events to support schools, hospitals and charities as well as the Group wide monthly nominated charity. The company supports and encourages these activities and we welcome the opportunities they present for team-building within

our businesses, engagement with the communities they serve and recognition of charitable causes with whom our team members and their families have personal connections.

#### RESPONSIBLE SOURCING

All our Group's sites are situated within the UK or US and at each of them we operate in strict compliance with all applicable labour relations laws. We have no presence, either directly or via sub-contractors, in any areas which present any risk of the exploitation of men, women or children in the workplace. We work with vehicle manufacturers and other suppliers who manage their supply chains in a responsible way, free from the exploitation of labour. We adopted our policy against the activity and effects of modern day slavery in 2015. A copy of this can be viewed on our website.

#### TAX STRATEGY AND OBJECTIVE

As a responsible taxpayer, the Group is committed to establishing, maintaining and monitoring the implementation of an appropriate tax strategy. Our tax strategy is aligned with our objective of paying the correct amount of tax at the right time. Commercial transactions are therefore structured in the most tax efficient way but without resorting to artificial arrangements which we regard as abusive. There is an ethical dimension to achieving this objective. This ethical dimension reflects the need to mitigate the risk to the company's reputation which would arise from a tax strategy that entails aggressive tax planning.

Details of our latest initiatives and approach to Corporate Social Responsibility can be found in our latest Annual Report.