



# ANTI-FRAUD, THEFT & BRIBERY POLICY 2018 - 2019

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This policy provides the necessary arrangements to reduce fraud and theft to an absolute minimum. It also outlines the procedures designed to prevent persons associated with Pendragon PLC (“the Company”) from undertaking bribery. References in this policy to “Bribery” mean acts of bribery as defined or further described in Sections 1 to 5 of the Bribery Act 2010. Other expressions used which are given a meaning in that Act bear the same meanings.

The Company will provide the necessary controls and procedures to raise awareness of, identify, detect and prevent fraud and Bribery and establish a culture in which these procedures and team member behaviour work together effectively.

The Company provides an appropriate channel for confidential feedback, commonly referred to as “whistleblowing”.

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

This policy applies to all team members and suppliers of goods and services to the Company and its Group.

## 1 INTRODUCTION

### 1.1 Fraud & Theft

Pendragon PLC is a major multi-site retail group. Its activities are primarily carried out in the United Kingdom. It has operations generating circa USD 358m of turnover (2016) in the United States of America.

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 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, whether by false representation, failure to disclose information or abuse of position.*

“Theft” is defined as:-

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

### 1.2 Bribery

“Bribery” is defined as any of the following<sup>1</sup>:-

*offering, promising or giving a financial or other advantage as an inducement or reward for someone else to perform a relevant function or activity improperly (ie bribing someone);*

*requesting, agreeing to receive or accepting a financial advantage intending that, in consequence, a relevant function or activity should be performed improperly, or as a reward for improper performance (ie inviting someone to bribe);*

*performing a relevant function or activity improperly on the understanding that another party will give a financial or other advantage in return (ie receiving a promised bribe after the event).*

The nature and structure of our business means that the Company and those associated with it:-

- (a) are in contact with, and have commercial relationships with many business organisations, and
- (b) have contact for business purposes with a limited number of public officials; but
- (c) have only limited exposure to foreign public officials and this activity is primarily in the context of our US operations in the State of California.

<sup>1</sup>Based on definitions in Sections 1 & 2 Bribery Act 2010

The Company's procedures to prevent Bribery are designed in the context of the risk and likelihood of acts of Bribery, having regard to the scope of the Company's activities as stated above and are designed to be proportionate to the risk of Bribery presented by those activities. The Company will ensure that regular risk assessments of the likelihood of and opportunity for Bribery are conducted.

The Company:-

- adopts and regularly reviews a Bribery risk assessment, having regard to the method of, and motive and opportunity for, Bribery to be carried out on its behalf and for its advantage;
- devises and implements procedures designed to prevent Bribery being committed, which are proportionate to the risk of Bribery posed by the Company's and its Group's activities;
- regularly reviews its procedures for effectiveness and proportionality;
- submits at least annually for scrutiny by the Company's Board of Directors all its procedures designed to combat fraud, corruption and Bribery; and
- in particular, makes appropriate changes to procedures if the scope of the Company's and its Group's activities materially changes from that stated on the latest adoption of this policy.

## 2 TOP LEVEL COMMITMENT TO PREVENTION OF BRIBERY BY PERSONS ASSOCIATED WITH THE COMPANY

As a Group, Pendragon maintains relationships with many stakeholders. Among them are commercial organisations and individuals, including both public officials and business executives, who are in a position to exert influence over decisions that materially affect the interests of Pendragon and its Group's businesses.

In the light of the general law on bribery and corruption, and, more specifically, the Bribery Act 2010, Pendragon has adopted a statement of our corporate value on anti-bribery. This is set out below. The value statement governs all our business dealings and the conduct of all persons or organisations who are appointed to act on our behalf.

We request all who have, or seek to have, a business relationship with Pendragon and/or any member of our Group, to familiarise themselves with our Anti-bribery value statement and to act at all times in a way which is consistent with our Anti-bribery value statement.

### PENDRAGON PLC ANTI-BRIBERY VALUE STATEMENT

As part of our culture of good governance for good business, at Pendragon we operate to a set of core values which reflect our relationships with our principal stakeholder groups: customers, manufacturers, shareholders, suppliers and team members.

We adopt a behavioural value for all our business relationships, reflecting our attitude to bribery, whether it is bribery on our behalf or bribery of our people. We are committed to opposing bribery in all its forms and preventing it by whatever means we can. We demand the same attitude of all who work for us and expect it of all with whom we have business dealings.

**Our attitude to bribery is: zero tolerance.**

### 3 RESPONSIBILITY FOR THE PREVENTION AND DETECTION OF FRAUD AND THE PREVENTION OF BRIBERY

Ultimately the primary responsibility for the prevention and detection of Fraud and the prevention of Bribery rests with the Company's leadership. However, an important factor in preventing and dealing with Fraud and preventing Bribery 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 the following structures, policies, guidance and systems, each of which is adequately published internally and regularly reviewed and its impact monitored:-

- An effective accounting system;
- Appropriate processes for internal controls including authorisation controls, reporting and investigation procedures;
- Appropriate contracts and terms and conditions of employment;
- Appropriate training and awareness programmes;
- Appropriate disciplinary processes and procedures;
- Guidance manuals accessible to all team members via the Company's 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 suspicious activity confidential feedback line accessible to external persons;
- A whistleblowing policy;
- A written Group Accounting Policy (GAP22) with a form for the Notification of Dishonest and Fraudulent acts and acts of Bribery;
- A Gifts and Hospitality Policy;
- An Expenses Policy;
- Legal guidance on the inclusion of appropriate anti-bribery provisions, warranties or conditions in its written contracts;
- Due diligence processes in respect of, in particular, overseas business activities;
- A Specified Persons handbook on Bribery awareness;
- Annual reviews of Bribery risk with Specified Persons (being individuals identified by the Company's Bribery Risk Assessment as holding positions posing a material risk of Bribery).

### 4 SAFEGUARDS

The Company undertakes to ensure that any team member involved in receiving or investigating concerns or information (whatever its subject matter) 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, 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 or allegations made which are found to be malicious or vexatious will result in disciplinary action being taken against the individual.

## 5 ACTIONS TO REPORT FRAUD OR BRIBERY

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.

### 5.1 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 Head of Human Resources and Development. If the matter is extremely serious then a Director of the Company or the Company Secretary should be approached. The nature of the complaint will determine the Company's next course of action.

### 5.2 Confidential Feedback Line.

In addition to the Whistleblowing Procedure, the Company has an internal Confidential Feedback Line on 0870 600 6400 which is monitored, in confidence, by the Company's Head of Internal Audit.

### 5.3 Direct Communication.

The Company encourages members of the public or people not employed who suspect Fraud to write, in confidence, to the Company Secretary or the Company's Head of Internal Audit at Loxley House. The Suspicious Activity Confidential Feedback Line details are published on the Company's website.

## 6 HOW WILL ALLEGATIONS OF FRAUD OR BRIBERY 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

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 and/or outcome of an investigation, normally within ten working days of request.

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

The Company's investigation of Bribery allegations will take into account whether any assets of the Company have been misapplied and the Company will take appropriate steps to pursue any recoverable assets.

## 7 REVIEW

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

Recommended for adoption by the Board.