PENDRAGON

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Private & Confidential

14 August 2023

Dear Member

Pendragon Group Pension Scheme (the "Scheme")

I'm writing to you as Chairman of Trustees of the Pendragon Group Pension Scheme. We look after the benefits you have built up in the Scheme and make sure they're paid when they're due.

In this letter, you'll find the Pension Scheme's latest summary funding statement

This tells you about the Scheme's financial situation. It sets out the value of the Scheme's assets and how that compares with the amount it needs to pay benefits, both now and in the future. Please take a few minutes to read it.

Changes to the Trustee Board

We wanted to take the opportunity to let you know about a future change to the Trustee Board. As the terms of office of the current member nominated directors came to an end in June, Pendragon PLC (the "Company") has reviewed the current trustee board structure and has decided that now is the right time to move to a professional corporate sole trustee ("PCST") model for governing the Scheme. As a result, Ross Trustees Services Limited ("Ross Trustees"), which is part of Independent Governance Group ("IGG") will become the sole trustee of the Scheme with effect from 4 September 2023. The existing Trustee (Pendragon Group Pension Trustees Limited) will remain as corporate trustee of the Scheme, but in future its directors will come from Ross Trustees.

No action is needed from you. This change will have no impact on the pension you have built up in the Scheme or the way in which benefits are paid to you - the change in Trustee relates solely to who is responsible for governing the Scheme.

Professional corporate sole trusteeship is an increasingly popular model of pension trusteeship, which replaces a trustee board comprising of employer and member nominated trustees, with an experienced team of pensions professionals, who are entirely dedicated to providing trustee services.

The Company felt that adopting the PCST model, which is becoming increasingly common for UK pension schemes, at this point would be in the best interests of the Scheme and its members, recognising the increasing governance and compliance obligations which have been imposed on pension schemes in recent years; obligations which are only likely to increase in future.

There is a constantly-increasing body of knowledge that trustees are required to have in order to exercise their duties and the Company has concluded that the professional trustee model is the best way to ensure that these knowledge requirements can continue to be met.

IGG is a member of the Association of Professional Pension Trustees and fully subscribes to the Code of Practice governing the operating standards of professional corporate sole trustees. All trustees are fully accredited professional trustees who benefit from the support of a large multi-disciplinary team. I have represented IGG on the Trustee Board since being appointed in 2017. Since our appointment, we have developed an in-depth knowledge of the Scheme. I will continue to represent IGG on the Trustee Board, and act as chairman, working alongside my colleague, Dickon Best, who has also worked on the Scheme for several years. As such, there is strong continuity as the move to the sole trustee model takes effect.

You can find more information about Ross Trustees and IGG at www.weareigg.com.

On behalf of both the Company and IGG, I would like to take the opportunity to thank the current Trustee Directors for their hard work and their valuable contribution over the years. The strong position which the Scheme is now in is testament to their efforts.

Be on the lookout for pension scams

Pension scammers are confidence tricksters who have stolen millions of pounds from pension scheme members in recent years. They use false promises to get their hands on your money. They could telephone you at home, send you a text message or email you. They might offer you the chance to 'cash in' your benefits early. They might use phrases like 'Pension Liberation', 'Pension Loan' or 'Pension Cash back'.

These offers sound promising. But if you fall for a pension scam, you could end up with a big tax bill. You might even lose your pension altogether. A reputable financial adviser will never contact you out of the blue about your pension – so treat unsolicited contact of this kind with extreme caution. More information about pension scams is available from Pension Wise at pensionwise.gov.uk

How to get in touch

If you have any questions about the Scheme or your benefits please contact the Reward & Benefits Team by post, using the above address, or email us at pensions@pendragon.uk.com

Finally, please remember to tell us if you move house, so that we can keep in touch with you about your pension.

Yours sincerely

Nigel Moore
Chairman of Trustees - Pendragon Group Pension Scheme

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Email: pensions@pendragon.uk.com

Web: https://members.pensionpal.co.uk/pendragonpensions

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PENDRAGON GROUP PENSION SCHEME
Summary Funding Statement – 31 December 2022

This summary funding statement gives you an update on the financial situation of the Pendragon Group Pension Scheme (the Scheme) as at the last actuarial valuation. It also explains any changes made since then. Every pension scheme has to provide this information to its members.

The Pendragon Group Pension Scheme is a defined benefit (DB) scheme

In a defined benefit (DB) scheme, member benefits include an income that is paid from when a member retires until they die. Our Scheme also pays spouses an income if they live longer than the member. These benefits are paid out of the scheme's assets, which includes its investments.

At least every three years, the Scheme's financial situation is checked by actuaries.

This regular check is known as a valuation. The valuation establishes how much the Scheme's assets are worth. It then compares this with the amount the actuaries calculate is needed to pay members their benefits, both now and in the future. This amount is known as the Scheme's liabilities. To carry out the valuation, the actuaries need to make some assumptions about factors such as life expectancy and inflation. These assumptions are agreed with the Trustee and the Company (Pendragon PLC). If the assets are more than the liabilities, the Scheme is said to be in surplus. If the liabilities are more than the assets, the Scheme is in deficit.

A deficit doesn't mean that the Scheme won't be able to pay pensions as they fall due. But it does mean that the Trustee needs to agree with the Company how to make up the deficit. As the performance of the Scheme's investments and the assumptions change over time, it's normal for the funding position to change between valuations.

In December 2021, the Scheme was in deficit

The valuation showed that on 31 December 2021, the funding position of the Scheme was as follows:

The Scheme's assets	**£545,404,000**
The Scheme's liabilities	**£578,758,000**
Deficit	**£33,354,000**
Funding level	**94%**

We've agreed a plan to make up the deficit

In November 2022, the Trustee and the Company agreed on a Recovery Plan to make up this deficit. As part of this agreement, the Company has paid the sum of £13,069,000 into the Scheme during 2022 and a further sum of £13,069,000 (increased by 2.25%) is due to be paid into the Scheme during 2023. These extra payments, together with returns from the Scheme's investments, are expected to make up this deficit by 31 December 2023. As part of the agreed Recovery Plan, the Company will pay all the expenses of running the Scheme except for the investment management fees. The agreed Deficit Recovery Contributions include income from the Central Asset Reserve, (see below)

The Central Asset Reserve

One of the Scheme's assets is the Central Asset Reserve (CAR). The CAR comprises a number of properties occupied by Pendragon the rent on which is used to provide the Scheme with a regular income. Provided that the Scheme's funding level is below 105%, the CAR can make payments to the Scheme up until August 2031, (which is 20 years from the date on which the CAR was established). The Trustee would also have a claim on the value of the CAR's properties if they were sold because the Group had gone bankrupt. On 31 December 2022, the CAR was valued at £18,773,000. But, in accordance with the Pension Regulator's guidance on pension scheme funding, this value was not included in the Scheme's funding assessment.

Long Term Funding Target

As explained above, the Trustee believes that the deficit disclosed in the 2021 valuation should have been paid off by 31 December 2023. The Trustee has therefore agreed with the Company that, at this point, the Scheme will adopt a new long-term funding target (LTFT). The LTFT is a stronger funding basis than the one used in the 2021 valuation, and so adopting it should further strengthen the security of members' benefits.

In order to seek to reach this new target, the Company has agreed that from 1 January 2024 until 31 December 2026 it will make annual contributions to the Scheme of £3,450,000 (increasing in each year by 2.25%). It is anticipated that these payments will be funded by the income generated by the CAR.

As part of the next triennial valuation of the Scheme, which is due as at 31 December 2024, the Scheme actuary will report on the funding level of the Scheme on the LTFT basis.

By December 2022 the deficit had been reduced

This update shows that the Scheme's funding has improved in monetary terms since the December 2021 valuation. At 31 December 2022, the Scheme's deficit had fallen from £33,354,000 (a funding level of 94%) to £30,982,000 (a funding level of 92%). This improvement was mainly due to the performance from the Scheme's investments between 31 December 2021 and 31 December 2022, together with contributions that the Company has made to the Scheme.

The Scheme's Liability Driven Investments ('LDI') continues to provide a hedge against the Scheme's interest rate and inflation liabilities. The value of the Scheme's assets have decreased from £545,404,000 at December 2021 to £366,262,000 at December 2022. However, the value of the Scheme's liabilities had also decreased from £578,808,000 at December 2021 to £397,244,000 at December 2022.

What would happen if the Scheme were wound up

'Winding up' is the process of closing a pension scheme. This is usually done by using all the Scheme's assets to buy a policy from an insurance company that then pays members their benefits.

There is no intention to wind up the Pendragon Group Pension Scheme, but pension regulations mean we have to tell members what would happen if we did. Winding up would probably only happen if the Company itself was wound up. This is because the Scheme currently depends on the Company's support for it to have enough money to pay current and future benefits.

If the Company did decide to wind up the Scheme, it would have to pay enough into the Scheme to make sure it could buy an insurance policy that would then pay members their benefits in full. The latest estimate of the amount the Scheme would need to buy this type of policy was made as at 31 December 2021.

Total estimated buyout cost	£707,607,000
Total Assets	£562,071,000
Amount the Company would have to contribute	£145,536,000
Solvency level	79%

Any money that members hold in defined contribution or money purchase pension pots, such as AVCs, is not included in the figures in this statement. This is because they are not involved in paying the defined benefits. The next actuarial valuation is due to take place as at 31 December 2024.

About the Scheme's investment strategy

The Trustee aims to have enough assets available to pay members' pensions as they become due. To help us achieve this, we have designed an investment strategy for our assets. This takes into account the financial support the Company is willing and able to give the Scheme and their attitude to investment risk. The Trustee has divided the Scheme's assets into two parts:

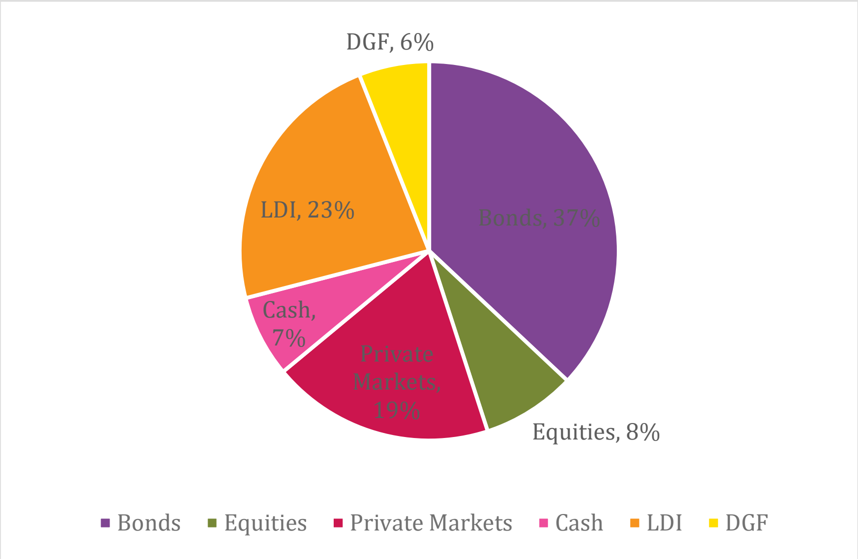
1. The first part is **growth-seeking assets**. These aim to generate a positive return and improve the Scheme's funding position by increasing the value of its assets relative to its liabilities.

2. The second part is **matching assets**. These aim to provide a hedge (protection) against changes in interest rates and inflation, which can affect the Scheme's liabilities.

Since February 2017, based on advice from our Investment Consultants, the Scheme has held within its investment portfolio Liability Driven Investments ('LDI'). The LDI assets are designed to provide a hedge against the Scheme's interest rate and inflation liabilities. By adopting this approach, the Trustee aims to reduce the volatility of the Scheme's funding level, while still allowing the Scheme's growth-seeking asset allocation to increase.

You may have read media reports which have questioned the effectiveness of LDI in pension schemes. The Trustee is pleased to be able to reassure members that, notwithstanding events in financial markets, particularly in the 2nd half of 2022, the LDI portfolio has continued to fulfil the role it was designed to do, and the funding level of the Scheme continues to be strong.

Excluding the value of the Central Asset Reserve (CAR), as at 31 December 2022, the Scheme's investments were broadly allocated as 8% in equities, 37% in bonds or gilts, 6% in diversified growth funds (DGF), 19% in private markets, 7% in cash and 23% in LDI funds.



Can I transfer out of the Scheme?

As a member of the Scheme, you are entitled to a pension for life from the day you retire. But before you retire, you can ask that we transfer the cash value of your future benefits from the Scheme to an alternative pension arrangement chosen by you.

The transfer value of your pension entitlement is calculated by the Scheme's Actuary, based on professional and legal guidelines. We are currently paying full, unreduced transfer values. However, transfer values may change in the future, depending on the Scheme's financial position.

If you're thinking of transferring out of the Scheme, you should speak to an independent financial adviser. The law says you must do this if your transfer value is over £30,000. Neither the Company nor we are allowed to provide members with financial advice.

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How can I get financial advice?

You can find a financial adviser in your area by visiting www.unbiased.co.uk. To help people understand their retirement choices, the Government offers a free and impartial service called Money Helper. This provides information to members online and over the phone. Find out more about at www.moneyhelper.org.uk

How to get in touch?

If you have any other questions, or would like more information about the Scheme, you can get in touch with us:

– by email at pensions@pendragon.uk.com

– by post at Reward & Benefits Team, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottingham, NG15 0DR.

- Visit https://members.pensionpal.co.uk/pendragonpensions

How we store and use your personal information

The Trustee holds and processes personal information in line with the General Data Protection Regulation. This information may also be forwarded to insurance companies and to government bodies if required. Information will only be disclosed for pension benefit purposes. The Scheme Actuary acts as a joint data controller with the Trustee in respect of the Scheme.

Additional Notes

- Contributions are paid to the Scheme by the Company so that the Scheme can pay pensions to Scheme members when they retire. The money to pay for members' pensions for the Scheme's final salary section is held in common funds. It is not held in separate funds for each individual.
- Regular valuations are obtained of the benefits accrued by members. This information is used to enable the Scheme's Trustee to agree the level of future contributions with the Company.
- With effect from 30 September 2006, members of the Scheme ceased to build up any future benefits.
- There has not been any payment to the Company out of Scheme funds since the last statement was issued.
- You should keep the Trustee informed of any change of circumstances, such as changes of address, updated beneficiary nominations and changes to marital/civil partnership status.
- Under the Pensions Act 2004, the Government established the Pension Protection Fund (PPF). The PPF can provide pension compensation to members of schemes where the sponsoring employer company is insolvent and there are insufficient assets in the scheme to cover PPF levels of compensation. The Board of the PPF determines which schemes are eligible for compensation. Although the PPF provides compensation for all members of eligible schemes, there are limits on the amounts that would be paid. Further information is available on the PPF's website at ppf.co.uk

For and on behalf of Pendragon Group Pension Trustees Limited
August 2023