

## **Pendragon Group Pension Scheme**

### **Annual Report and Financial Statements**

**Registered number: 12006432**

**Year ended 31 December 2023**

**Pendragon Group Pension Scheme**

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**Year ended 31 December 2023**

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## **Pendragon Group Pension Scheme**

### **Trustee and advisers**

**Year ended 31 December 2023**

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#### **Principal Company**

Pendragon NewCo2 Limited (formerly Pendragon PLC)  
Loxley House  
2 Oakwood Court, Little Oak Drive  
Annesley  
Nottingham  
NG15 0DR

#### **Trustee**

Pendragon Group Pension Trustees Limited

#### **Directors of the Corporate Trustee**

M Willis (Company nominated) (resigned 4 September 2023)  
H Sykes (Company nominated) (resigned 4 September 2023)  
B Powell (Member nominated) (resigned 4 September 2023)  
R Bell (Member nominated) (resigned 4 Septemeber 2023)  
D Best (Independent Trustee) (appointed 4 September 2023)  
Ross Trustees Services Limited (Independent), represented by N Moore

#### **Secretary to the Trustee**

R Maloney  
Pendragon NewCo2 Limited (formerly Pendragon PLC)  
Loxley House  
2 Oakwood Court, Little Oak Drive  
Annesley  
Nottingham  
NG15 0DR

#### **Actuary**

N Nash FFA  
Mercer Limited  
7 Lochside Avenue  
Edinburgh  
EH12 9DJ

#### **Auditor**

Cooper Parry Group Limited  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

#### **Administrator**

Pendragon Pensions  
Pendragon NewCo2 Limited (formerly Pendragon PLC)  
Loxley House  
2 Oakwood Court, Little Oak Drive  
Annesley  
Nottingham  
NG15 0DR

## **Pendragon Group Pension Scheme**

### **Trustee and advisers**

**Year ended 31 December 2023**

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#### **Investment managers**

Schroder Investment Management Limited  
Pendragon Scottish Limited Liability Partnership  
Aviva Investors UK Services Limited  
BlackRock Channel Islands Limited  
M&G Investment Management Limited (disinvested 18 June 2024)  
TwentyFour Asset Management Limited  
Artemis Investment Management LLP (disinvested 3 May 2023)  
Lindsell Train Global Funds PLC (disinvested 19 January 2024)  
Partners Group (disinvested 3 July 2023)  
Hamilton Lane

#### **Custodian**

JP Morgan

#### **Annuity providers**

Canada Life Limited  
Phoenix Life Assurance Limited  
Aviva Life & Pensions Limited  
The Prudential Assurance Company Limited  
Aegon UK PLC  
ReAssure Limited

#### **Employer Covenant Adviser**

Teneo

#### **Investment adviser**

Barnett Waddingham LLP

#### **AVC providers**

The Royal London Mutual Insurance Society Limited  
Utmost Life and Pensions Limited  
Clerical Medical Investment Group Limited  
Phoenix Life Limited  
Standard Life Assurance Limited  
Scottish Widows Limited  
Santander UK PLC  
Aviva Life Limited  
Aegon UK PLC

#### **Bankers**

Lloyds Bank PLC

#### **Solicitors**

Gowling WLG  
Hogan Lovells International LLP

#### **Enquiries**

Enquiries about the Scheme generally, or about an individual's entitlement to benefit, should be addressed to Pendragon Pensions, Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottingham NG15 0DR, where a copy of the Trust Deed and Rules can be inspected.

**Alternatively, enquiries may be made to:** [pensions@pendragon.uk.com](mailto:pensions@pendragon.uk.com)



**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Introduction**

The Trustee presents its report and financial statements for the year ended 31 December 2023.

**Constitution of the Scheme**

The Scheme was established on 24 September 2012 following a merger of the CD Bramall Pension Scheme, The CD Bramall Retirement Benefit Scheme, The CD Bramall Dealerships Limited Pension Scheme, Quicks Pension Scheme, Reg Vardy Retirement Scheme and the Pendragon Pension Plan, the 'former schemes'.

With effect from 24 September 2012 all of the accumulated benefits of the former schemes were re-assigned to Pendragon Group Pension Scheme.

The Scheme has multiple benefit structures consisting of a final salary section whereby benefits are payable to members in accordance with the Scheme Rules based on their length of service and their average salary prior to retirement up to 30 September 2006. In addition, some of the Scheme members contributed to a money purchase section whereby the contributions for each member are invested until retirement when the accumulated value of each member's investment account will be available to purchase benefits. Members with benefits in the money purchase section had their benefits transferred to individual policies with Friends Life (now Aviva) or Legal & General between August 2006 and December 2007.

The Pendragon Group Pension Scheme is governed under the Definitive Trust Deed and Rules, dated 24 September 2012.

Pendragon NewCo2 Limited was admitted as a participating employer under a Deed dated 31 October 2024 and became the principal employer on 31 January 2024 under a Flexible Apportionment Arrangement (FAA) dated 10 November 2023. Pendragon plc ceased to be a participating employer with effect from 31 January 2024. A Notifiable Events Report was submitted to the Pensions Regulator confirming the FAA on 7 February 2024.

**Management of the Scheme**

The names of the Trustee Directors during the year are shown on page 3 of this report.

The power of appointing and/or removing Trustee Directors is exercised by deed and is vested in the principal employer by selection. Member Nominated Trustee Directors are appointed by the Scheme membership.

Decisions are made by majority voting of the Trustee Directors present at a meeting.

The Trustee Directors met formally four times during the year. On 7 March 2016 the Trustee agreed to establish a Valuation Committee. The purpose of the Valuation Committee is to formulate views and make recommendations to the Trustee, in relation to the appropriate actuarial assumptions, technical provisions and recovery plan after discussions with the Employer.

Ross Trustees Services Limited and Dickon Best, part of Independent Governance Group (IGG) and a Trustee Director for IGG, became the only Directors with effect from 4 September 2023.

The names of the advisers, appointed by the Trustee Directors in writing, to whom certain powers have been delegated are shown on pages 3 and 4.

Enquiries regarding the Scheme should be addressed to the Secretary to the Trustee. In the event of a complaint, matters should also be addressed to the Secretary to the Trustee in the first instance.

**Participating employer**

The sole principal and participating employer is Pendragon NewCo2 Limited (formerly Pendragon PLC), "the Group".

**Changes to the Scheme**

There were no significant changes to the Scheme Rules during the year.

**Benefit review**

There have been no changes to the benefits under the Scheme during the year. Preserved pensions and pensions in payment were increased in accordance with statutory requirements and Scheme Rules. No discretionary increases were granted during the year.

A Pension Increase Exchange (PIE) exercise was completed during 2019, giving members the option to give up inflationary increases to their pension in payment, to receive a higher initial pension.

**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Transfer values**

Transfer values paid out of the Scheme during the year were calculated and verified in the manner required by Sections 97 and 183(3) of the Pension Schemes Act 1993. None of the transfer values paid were less than the amount provided by Section 94(1) of that Act. No discretionary benefits were included in the calculation of transfer values.

Any transfer values paid or received during the year have been calculated and verified in the manner prescribed by the Occupational Pension Schemes (Transfer Values) Regulations 1996. No discretionary benefits were included in the transfer values.

**Scheme membership**

The following summarises movements during the year in the Scheme's membership:

<b>Defined Benefit Section</b>			
	<b>Deferred Members</b>	<b>Pensioners</b>	<b>Total</b>
At 31 December 2022	1,870	2,339	4,209
Adjustments to prior year	(10)	(44)	(54)
New dependants	-	-	-
Transfers out	(3)	-	(3)
Retirements	(104)	131	27
Deaths	-	(50)	(50)
<b>At 31 December 2023</b>	<b>1,753</b>	<b>2,376</b>	<b>4,129</b>

Included in the 2,376 pensioners are 70 annuitants and 1 company pensioner. The Trustee is also receiving annuity income for a further 3 pensioners who are being paid from the Scheme.

**GMP Equalisation**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will have an effect on the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. It is expected these amounts will be material to the Scheme's financial statements. However, at this stage the Trustee and employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore, the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustee is able to reach a reliable estimate.

**Financial development of the Scheme**

The financial statements have been prepared and audited in accordance with the regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The benefits payable by the Scheme are provided out of the contributions paid by the Company. The Trustee is responsible for ensuring that contributions are paid into the Scheme to build up the fund to provide for future benefits. The Trustee is advised by the Scheme's Actuary who recommends the level of contributions to be paid by the Company.

**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Financial development of the Scheme (continued)**

Whilst the Accounts of a pension scheme can effectively deal with the past, and to some extent the present, they are not intended to provide members with information about the long term financial strength of the Scheme. This information can only be provided by the Actuary through periodic valuations.

The Pendragon Group Pension Scheme is closed to future accrual.

On 31 October 2022 the Trustee of the Pension Scheme agreed with the Group a recovery plan, which is intended to address the remaining deficit. The recovery plan has been prepared and agreed in conjunction with the 31 December 2021 actuarial valuation, after taking advice of the Scheme Actuary. The Group then entered into a Recovery Plan dated 1 November 2022 with the Trustee of the Scheme to make Deficit Recovery Contributions of £13,069,000 each year from 1 January 2022 to 31 December 2023, increasing at 2.25% each year. The aim of the Recovery Plan is to eliminate the shortfall in 2 years. As part of the agreed Recovery Plan, the Group will pay all the expenses of running the Scheme, excluding investment management fees and custodian fees. The agreed Deficit Recovery Contributions include distributions made from the Central Asset Reserve ("CAR").

The Group provided the Pension Scheme in 2011 with an investment which generates a predictable asset-backed income for the Pension Scheme. The investment is in the form of an interest in a Central Asset Reserve ("CAR") created by the Group which owns properties which are leased back to the Group on long-term leases. The interest in the CAR entitles the Pension Scheme to the rental Income of the CAR for a period of 20 years. The interest is an asset of the Pension Scheme which will be recorded at the present value of the income rights. The CAR involved the creation of a partnership between the Group and the Pension Scheme. The Pension Scheme will have recourse to the value of the properties in the event of insolvency of the Group.

On 20 December 2013 the Trustee agreed an amendment to the CAR agreement, as a result of correspondence between the Group and the Conduct Committee of the FRC following their review of accounting for asset backed pension arrangements. The amendment was to restrict the Trustee's ability to sell or otherwise transfer its income interest in the UK Pension Partnership without the Group's consent.

At the end of September and into October 2022, heightened market volatility and sharp increases in gilt yields led to significant activity within the Scheme's LDI portfolio. The Scheme's LDI manager, Schroders, carried out a number of de-leveraging events in order to quickly reduce the leverage levels within their funds to within their tolerance levels in light of the market movements. The Scheme had enough assets to meet all of these collateral calls and functioned as expected. Schroders maintained exposure across their LDI funds throughout the period of heightened volatility. Following this, Schroders took the decision to permanently reduce the leverage levels within their pooled LDI fund range because of the 'whipsaw risk' associated with a spike in gilt yields, loss of LDI fund exposure and subsequent fall in yields resulting in a negative impact on pension schemes' funding levels. These changes are consistent with the views of regulators and prevailing market trends, making the funds more robust in the event of future market volatility.

Pendragon plc was acquired by Lithia Group Inc, on 31 January 2024. As a result of the transaction, a FAA was agreed and Pendragon NewCo2 Limited appointed as principal employer. Pendragon ceased to be a participating employer with effect from 31 January 2024. As part of the transaction, Lithia Group arranged for a lump sum contribution of £10million to be paid to the Scheme on 2 February 2024. In addition, it was agreed to add new properties worth £45million to the CAR which would provide an additional £2.5million per annum to the Scheme.

**Actuarial position**

The last full valuation of the Scheme was carried out on 31 December 2021 by the Scheme Actuary. The actuarial statement based on the full valuation is given on page 35. The actuarial valuation as at 31 December 2021 revealed a funding level of 94%.

The next full valuation is due to take place as at 31 December 2024.

**Investment management**

The Scheme's investments are managed by the following organisations who act only in accordance with the Trustee directives.

Schroder Investment Management Limited  
 Pendragon Scottish Limited Liability Partnership  
 Aviva Investors UK Services Limited  
 BlackRock Channel Islands Limited  
 M&G Investment Management Limited (disinvested 18 June 2024)  
 TwentyFour Asset Management Limited  
 Artemis Investment Management LLP (disinvested 3 May 2023)  
 Lindsell Train Global Funds PLC (disinvested 19 January 2024)  
 Partners Group (disinvested 3 July 2023)  
 Hamilton Lane

Investment managers' fees are primarily remunerated on the basis of the market value of the assets under their management but commissions and fees are also levied on investment transactions.

**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Investments**

A copy of the Statement of Investment Principles (SIP) and Statement of Funding Principles as required by Section 35 of the Pensions Act 1995 are available on request.

An investment strategy review was carried out in February 2023, to assess the portfolio following changes to the cashflow position of the Scheme after the 31 December 2021 Actuarial Valuation, as well as changes to the level of resilience needed in the LDI strategy post-UK gilts crisis in September and October 2022. As a result of this review, the Trustee agreed to implement the following changes:

- The full holdings in the Artemis Global Select Fund (£15.6m) were redeemed in May 2023 and subsequently invested into the Schroders Buy & Maintain Credit Fund, following an announcement from Artemis that the three original co-fund managers would no longer be managing the Fund by the end of 2023.
- The full holdings in the Partners Fund (c.£21.9m) were redeemed in July 2023 and the proceeds were invested across the Schroders Buy & Maintain Credit Fund and the Schroders LDI and Cash portfolios.

At the meeting on 4 September 2023, the Trustee agreed to fully disinvest the Scheme's holdings in the Lindsell Train Global Equity Fund and invest the proceeds in a passive approach. It was subsequently agreed to invest the mandate in the BlackRock Aquila Life MSCI World Index and the BlackRock iShares Emerging Markets Index funds, with a 90%/10% weighting to each fund, respectively. This was implemented in early 2024.

In December 2023 the Trustee agreed to invest the lump sum contribution from the Employer into the LDI and collateral portfolio, in order to rebalance the split between the growth and protection investments such that they move closer to the strategic benchmark. This was also implemented in early 2024.

The investments at the end of the year were as follows:

	2023	2023	2022	2022
	£'000	%	£'000	%
Schroders Investment Management Limited	223,185	55.8%	182,124	46.6%
Aviva Investors UK Services Limited	21,296	5.3%	23,357	6.0%
BlackRock Channel Islands Limited	22,390	5.6%	20,684	5.3%
M&G Investments	50,743	12.7%	48,283	12.4%
TwentyFour Asset Management Limited	14,814	3.7%	3,411	0.9%
Pendragon Scottish Limited Liability Partnership	18,121	4.5%	18,773	4.8%
Artemis Investment Management LLP	-	0.0%	15,514	4.0%
Hamilton Lane	26,781	6.7%	24,174	6.2%
Lindsell Train Global Funds PLC	16,421	4.1%	15,451	4.0%
Partners Group	-	0.0%	21,442	5.4%
Insurance Policies	4,464	1.1%	4,464	1.1%
AVC Investments	1,942	0.5%	1,915	0.5%
Schroders Investment Management Limited - cash in transit	-	0.0%	11,000	2.8%
	400,157	100%	390,592	100.0%

The asset allocation of the Scheme's investments at the end of the year was as follows:

	2023	2022
	%	%
Global Equity	4.1%	7.9%
Pendragon Scottish Limited Liability Partnership	4.5%	4.8%
Diversified Growth Funds	5.6%	5.3%
Credit	47.9%	34.6%
Illiquids	12.0%	17.7%
Liability Driven Investments	21.5%	22.1%
Cash	2.8%	6.0%
Insurance Policies	1.1%	1.1%
AVC Investments	0.5%	0.5%
	100.0%	100.0%

## Pendragon Group Pension Scheme

### Trustee annual report

Year ended 31 December 2023

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#### Investment Strategy

Overall Investment Strategy and Policy for meeting the Statutory Funding Objective ("SFO") is set out below.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee acting on advice from their Investment Consultants (and Scheme Actuary where applicable). The other element of the policy is the day-to-day management of the assets which is delegated to the Investment Managers. Having considered advice from Barnett Waddingham LLP, the Trustee has set the investment policy, with regard to the Scheme's liabilities and funding level.

The Trustee requires the Scheme Actuary to review the funding level of the Scheme regularly. The Trustee aims to have sufficient and appropriate assets to cover the technical provisions under the SFO.

Taking these factors into account, together with the expected returns and risks relative to the liabilities on different types of investment, the Trustee believes that it is appropriate to adopt the following overall objectives to the Scheme:

- To ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- To achieve a long-term positive real return;
- To manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution
- To reduce the risk of the assets failing to meet the liabilities over the long term; and
- To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regards to the above objectives.

It is accepted that at different times within the economic cycle, acceptable levels of risk may change according to market conditions.

To achieve these overall objectives the Trustee has decided upon an investment strategy having considered the covenant of the Principal Employer, the agreed funding objective, and the Principal Employer's attitude to risk and their own attitudes to investment risk. The Trustee has divided the Scheme's assets into two elements:

- **Growth-seeking Assets** - the Growth-seeking Assets are aiming to generate a positive return, in excess of the risk-free rate, and thereby improve the funding position of the Scheme by increasing the size of the Scheme's assets relative to its liabilities.
- **Matching Assets** - the Matching Assets provide a hedge (protection) against movements in interest rates and inflation, to which the Scheme's liabilities are sensitive.

In March 2021, the Trustee implemented a set of funding level de-risking triggers. Schroders will notify the Trustee and Barnett Waddingham when the Scheme reaches the funding levels of 88%, 92%, 96%, 100% and 110% on the self-sufficiency basis at which point trades will be carried out to de-risk the portfolio.

During the year to 31 December 2023 the Trustee made a number of changes to the investment strategy of the Scheme as set out in the Investments section on Page 8.

Pendragon Group Pension Scheme

Trustee annual report

Year ended 31 December 2023

Investment Strategy (continued)

The Scheme’s strategic allocation is below:

	Allocation as at 31 December 2023	Target allocation
	%	%
<b>Fund</b>		
Lindsell Train Global Equity Fund	4.2%	4.8%*
BlackRock Dynamic Diversified Growth Fund	5.7%	4.8%
M&G Alpha Opportunities Fund	12.9%	9.5%
Twenty Four AM Strategic Income Fund	3.8%	9.5%
Aviva Lime Property Fund	5.4%	4.8%
Hamilton Lane Global Private Assets Fund	6.8%	4.8%
Schroders Buy & Maintain Fund	17.7%	18.0%
Schroders Securitised Credit	14.2%	11.4%
Schroders LDI	24.5%	27.6%
Central Asset Reserve	4.8%	4.8%
	100.0%	100.0%

\*This was the target allocation to the Lindsell Train Fund as at the year end, however, during Q4 it was agreed that this mandate would be transferred to a passive equity portfolio with BlackRock. This transfer was completed post year end.

**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Nature, Disposition and Investment Performance**

The Trustee invests in segregated portfolios and pooled investment vehicles. The nature and disposition of the Scheme investments are shown below. The pooled investment vehicles are priced and traded daily by the investment manager.

The Trustee regularly reviews the investment performance of the funds against appropriate benchmarks. The Scheme's investments provided the following returns during 2023:

	Segregated Funds	Pooled investment vehicles (including cash)	Total	Total	1 Year performance	3 Year performance
	£'000	£'000	£'000	%	%	%
<b>Investment</b>						
Schroder LDI Synthetic Gilt Funds	-	85,930	85,930	21.5%	14.4%	-40.8%
Schroder Buy & Maintain	-	70,089	70,089	17.5%	8.7%	-3.0%
Schroder Securitised Credit	-	55,981	55,981	14.0%	9.1%	3.0%
Schroder LDI Cash Instruments	-	11,185	11,185	2.8%	4.8%	1.8%
Aviva Investors UK Services Limited	-	21,296	21,296	5.3%	-4.8%	-0.4%
BlackRock Investment Management (UK) Ltd (DDGF)	-	22,390	22,390	5.6%	8.2%	0.3%
M&G Investments	-	50,743	50,743	12.7%	10.3%	4.4%
TwentyFour Asset Management Limited	-	14,814	14,814	3.7%	10.0%	-0.5%
Hamilton Lane	-	26,781	26,781	6.7%	10.8%	14.2%
Lindsell Train	-	16,421	16,421	4.1%	6.3%	0.7%
Pendragon Scottish Limited Liability Partnership	18,121	-	18,121	4.5%	n/a	n/a
Insurance Policies	4,464	-	4,464	1.1%	n/a	n/a
AVC Investments	1,942	-	1,942	0.5%	n/a	n/a
	<b>24,527</b>	<b>375,630</b>	<b>400,157</b>	<b>100.0%</b>		

**ESG Investing**

The Trustee believes that Environmental, Social and Governance ("ESG") factors are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes, however the Trustee is comfortable that all of the investment managers are managing the respective funds with ESG taken into account as far as it is possible for that particular asset class and within applicable guidelines and restrictions. This position is monitored periodically, at least annually. In the future, ESG factors will be taken into account when appointing and reviewing managers.

**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023****Economic and market conditions over the year to 31 December 2023****Economic Environment**

In the 12-month period to 31 December 2023, the dominant economic factors have been persistently high but falling inflation and further rises in interest rates. After inflation reached its highest rate since the early 1980's in both the UK and US during the second half of 2022, the Federal Reserve, Bank of England, and European Central Bank raised interest rates considerably over the year to 31 December 2023. However, by the end of the year inflation had fallen significantly and markets began to price in interest rate cuts in 2024.

US CPI inflation peaked in June 2022 at 9.1%, whilst UK and EU inflation reached a higher and later peak in October 2022, with UK CPI inflation reaching 11.1% and Eurozone inflation reaching 10.6%. This high level of inflation forced central banks to raise interest rates at the fastest pace in several decades and to reduce or reverse asset purchase programmes. By the end of 2022, interest rates had reached 3.5% (Bank of England), 4.25-4.50% (Federal Reserve) and 2.5% (ECB), their highest levels since the Global Financial Crisis.

The scale and pace of the rate rises enacted by central banks in 2022 and early 2023 contributed to significant disruption across markets. In March 2023 two US banks, Silicon Valley Bank and Signature Bank, failed with the US government having to step in to guarantee deposits. These were the first failures of a large US bank since 2008. The failure of Silicon Valley Bank in particular, was closely tied to its inability to adjust to the swift rise in central bank interest rates. The failures caused wider disruption in banking markets that spread to Credit Suisse, which had been suffering from falling deposits for some time. This required the Swiss government to step in and arrange for UBS to purchase Credit Suisse. By the end of the second quarter of 2023 the disruption had subsided, and the overall market impact was limited outside the banking sector.

Through the second and third quarters of 2023 inflation continued to fall but remained well above its target range in most major economies. As a result, while central banks continued to raise interest rates, the pace of rate rises began to slow. In the US, inflation fell sharply in the second quarter to 3.0% in June 2023, allowing the Federal Reserve to leave interest rates unchanged at its June and September meetings. While the Bank of England also chose not to raise rates for the first time in 21 months at its September 2023 meeting, UK and Eurozone inflation did not experience such a sharp slowdown until the final quarter of 2023. UK CPI fell from 6.7% in September to 4.0% in December and Eurozone inflation fell from 4.3% and 2.9% over the same period. As a result, while central banks continued to hold interest rates steady over the fourth quarter, markets began to price in aggressive rate cuts with markets pricing in approximately five 0.25% cuts to occur in both the US and UK over 2024.

Growth in the US was stronger than expected, growing by 3.0% over the first three quarters of the 2023. Falling inflation, coupled with strong US economic growth over 2023 boosted market hopes for a "soft landing" in the global economy (where inflation falls back to target without a significant recession). This caused global equities to enjoy a very strong final quarter, adding to gains made earlier in the year by large US technology stocks. Growth prospects appear much less favourable in the UK and Eurozone economies, which both grew by only 0.2% over the first three quarters of 2023.

Over the year, all major central banks tightened monetary policy in response to significantly above target inflation.

- The Bank of England (BoE) raised the base rate from 3.50% to 5.25% over the year to 31 December 2023. In September 2023 meeting, the Bank announced that it would increase the pace at which it will reduce the stock of gilts held on its balance sheet to £100 billion per year. Around half of this reduction will come from not reinvesting proceeds as bonds reach maturity and around half from active sales.
- The European Central Bank (ECB) raised its main lending rate from 2.50% to 4.50% over the year to 31 December 2023. The ECB decided to cease all reinvestment of the proceeds from the Asset Purchase Programme assets in July 2023.
- The Federal Reserve (The Fed) raised the Federal Funds Rate range from 4.25%-4.50% at the beginning of the year to 5.25%-5.50% in December 2023. Since September 2022, the Federal Reserve has partially halted reinvestment of the proceeds of maturing assets such that its balance sheet will shrink by \$60 billion per month.



**Pendragon Group Pension Scheme****Trustee annual report****Year ended 31 December 2023**

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**Market Performance**

The 12 months to 31 December 2023 saw positive returns across equities and bonds, but negative returns for property.

- **Equities:** Overall, global equities produced a positive return across all major regions. The FTSE All World rose by 22.1% over the year to 31 December 2023. The best performing region, in local currency terms, was Japan (+28.2%), and the worst performing region was UK (+7.9%).
- **Bonds:** Over the year to 31 December 2023, UK gilt yields fell slightly at maturities below 15 years, but have risen at longer maturities. UK fixed interest gilts (all stocks) produced positive returns (+3.7%) and UK index-linked gilts (all stocks) delivered weaker returns (+0.9%) as implied inflation fell slightly over the year. UK corporate bond spreads (all stocks) tightened (-0.6%) over the year.
- **Property:** The MSCI UK All Property Index fell by 0.5% over the year to 31 December 2023.

**Custodial arrangements**

The Scheme's assets held with Schroders, TwentyFour and BlackRock are held via a custody account with JP Morgan (Chase Nominees Limited), which allows Schroders to transfer assets from these investment managers in the event of a collateral call. The custodian is responsible for the settlement of all day to day investment transactions, the collection of investment income and related tax and the safe custody of the investments. As professional custodian they employ a rigorous system of control to ensure the safekeeping of assets entrusted to them.

## Pendragon Group Pension Scheme

### Statement of Trustee's responsibilities for the Financial Statements

Year ended 31 December 2023

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

This report also includes the Compliance Statement on page 32, the Report on Actuarial Liabilities on page 43 to 44 and the Implementation Statement on pages 45 to 54.

Signed for and on behalf of the Trustee of the Pendragon Group Pension Scheme

N Moore

D Best

Date: 23 July 2024

**Pendragon Group Pension Scheme****Independent Auditor's report to the Trustee of the Pendragon Group Pension Scheme****Year ended 31 December 2023****Opinion**

We have audited the financial statements of the Pendragon Group Pension Scheme for the year ended 31 December 2023 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Pendragon Group Pension Scheme****Independent Auditor's report to the Trustee of the Pendragon Group Pension Scheme (continued)****Year ended 31 December 2023****Responsibilities of the Trustee**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Scheme's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Pendragon Group Pension Scheme**

**Independent Auditor's report to the Trustee of the Pendragon Group Pension Scheme (continued)**

**Year ended 31 December 2023**

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**Use of our report**

This report is made solely to the Scheme's Trustee, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee, for our audit work, for this report, or for the opinions we have formed.



Cooper Parry Group Limited  
Statutory Auditor

Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 23 July 2024

**Pendragon Group Pension Scheme**

**Independent Auditor's Statement about Contributions to the Trustee of the Pendragon Group Pension Scheme**

**Year ended 31 December 2023**

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We have examined the Summary of Contributions to the Pendragon Group Pension Scheme in respect of the Scheme year ended 31 December 2023 which is set out on page 19.

In our opinion contributions for the Scheme year ended 31 December 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 2 November 2022.

**Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

**Respective responsibilities of the Trustee and Auditor**

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

**Use of our report**

This statement is made solely to the Scheme's Trustee, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in such an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee, for our work on contributions, for this Statement, or for the opinions we have formed.



Cooper Parry Group Limited  
Statutory Auditor

Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 23 July 2024

Pendragon Group Pension Scheme

Year ended 31 December 2023

Summary of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee Summary of contributions payable under the Schedule in respect of the Scheme year ended 31 December 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of, the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 2 November 2022 in respect of the Scheme year ended 31 December 2023.

Contributions payable under the Schedules in respect of the Scheme year ended 31 December 2023

	2023	2022
	Total	Total
	£'000	£'000
Employer contributions excluding Income from Special Purpose Vehicle	10,133	9,910
Income from Special Purpose Vehicle	3,230	3,159
Total Contributions as reported in the financial statements	13,363	13,069

Signed for and on behalf of the Trustee of the Pendragon Group Pension Scheme

N Moore

D Best

Date: 23 July 2024

**Pendragon Group Pension Scheme****Fund Account****Year ended 31 December 2023**

	<b>Notes</b>	<b>Total 2023 £'000</b>	<b>Total 2022 £'000</b>
<b>Contributions and benefits</b>			
Employer Contributions	5	<b>10,133</b>	9,910
		<b>10,133</b>	9,910
Benefits paid or payable	6	<b>18,266</b>	16,820
Payments to and on account of leavers	7	<b>469</b>	1,320
		<b>18,735</b>	18,140
Net withdrawals from dealings with members		<b>(8,602)</b>	(8,230)
<b>Returns on investments</b>			
Investment income	8	<b>14,678</b>	10,469
Change in market value of investments	9	<b>6,231</b>	(180,208)
Investment management expenses	10	<b>(248)</b>	(207)
<b>Net returns on investments</b>		<b>20,661</b>	(169,946)
<b>Net increase/(decrease) in the fund during the year</b>		<b>12,059</b>	(178,176)
Net assets of the Scheme at 1 January		<b>391,257</b>	569,433
<b>Net assets of the Scheme at 31 December</b>		<b>403,316</b>	391,257

The notes on pages 22 to 31 form part of these Financial Statements.



**Pendragon Group Pension Scheme****Statement of Net Assets (available for benefits)****As at 31 December 2023**

	Notes	2023 £'000	2022 £'000
Investment assets:			
Pooled investment vehicles		364,445	341,837
Insurance policies - annuities		4,464	4,464
Special Purpose Vehicle		18,121	18,773
AVC investments		1,942	1,915
Cash		11,185	12,603
Other investment balances		-	11,000
<b>Total investments</b>	9	<b>400,157</b>	390,592
Current assets	17	3,449	1,100
Current liabilities	18	(290)	(435)
Net current assets		3,159	665
<b>Total net assets of the Scheme at 31 December</b>		<b>403,316</b>	391,257

The notes on pages 22 to 31 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 43 and 44 and these Financial Statements should be read in conjunction with that Report.

Signed for and on behalf of the Trustee of the Pendragon Group Pension Scheme

N Moore

D Best

Date: 23 July 2024

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****1. Identification of the Financial Statements**

The Scheme is established as a trust under English law. The contact details for enquiries are listed on page 4.

**2. Basis of preparation**

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

The financial statements have been prepared on the going concern basis which the Trustee believes to be appropriate based on their expectations for a 12 month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Scheme to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

**3. FRS 102**

The valuation of the annuity policies is at 31 December 2021 and the Scheme actuary will provide the Trustee with an updated valuation after the completion of each triennial actuarial valuation. The Trustee has satisfied itself that any movement in valuation in the intervening periods would not be material.

**4. Accounting policies**

The principal accounting policies of the Scheme are as follows:

**a) Investments**

- i. Investments are included at fair value.
- ii. Fixed interest securities are stated at their clean prices. The clean price is the price of the asset not including any accrued interest. Accrued income is accounted for within investment income.
- iii. Pooled investment vehicles are stated at their bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.
- iv. Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these Financial Statements at the amount of the related obligation, determined using an assessment on the Pension Protection Fund's Section 179 Valuation Basis, the most recent Scheme Funding valuation assumptions and methodology. Annuity valuations are provided by the Scheme Actuary. Annuities are issued by the providers listed on page 4.
- v. Additional Voluntary Contribution investments are stated at the value given by the provider at the year end.
- vi. Special purpose vehicle investments are stated at the value as determined by the Scheme's Actuary at the year end.

**b) Investment income**

- i. Dividends from quoted securities are accounted for when the security is declared ex-div.
- ii. Interest is accrued on a daily basis.
- iii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- iv. Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Value'.
- v. Income from pooled investment vehicles is accounted for when declared by the fund manager.
- vi. Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.
- vii. Distributions from Special Purpose Vehicles comprise an element of income and capital. Due to the split between income and capital not being readily available, receipts are reported as investment income.

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****c) Foreign currencies**

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year end date. Asset balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

**d) Contributions**

Contributions are accounted for on an accruals basis.

**e) Payments to members**

- i. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his or her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
- ii. Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

**f) Expenses**

Expenses are accounted for on an accruals basis. The Employer bears all the costs of administration.

**5. Employer Contributions**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Employer Contributions	<b>10,133</b>	9,910
	<b>10,133</b>	9,910

**6. Benefits paid or payable**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Pensions	<b>15,270</b>	14,546
Commutations of pensions and lump sum retirement benefits	<b>2,976</b>	2,210
Lump sum death benefits	<b>20</b>	64
	<b>18,266</b>	16,820

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****7. Payments to and on account of leavers**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Individual transfers out to other schemes	469	1,320
	<b>469</b>	<b>1,320</b>

**8. Investment income**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Income from pooled investment vehicles	11,417	7,289
Interest from Cash Deposit	10	-
Income from Special Purpose Vehicle	3,230	3,159
Income from annuities	21	21
	<b>14,678</b>	<b>10,469</b>

Income from the Special Purpose Vehicle contributes towards the deficit funding of the Scheme.

**9. Reconciliation of Investments**

	Value at 31 December 2022	Purchases at cost	Sales proceeds	Other movements	Change in market value	Value at 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	341,837	120,203	(103,883)	-	6,288	364,445
Special Purpose Vehicle	18,773	-	-	-	(652)	18,121
Insurance policies - annuities (note 3)	4,464	-	-	-	-	4,464
Cash and cash equivalents	12,603	76,567	(77,707)	(772)	494	11,185
AVC investments	1,915	-	(42)	(32)	101	1,942
Other investment balances	11,000	-	-	(11,000)	-	-
	<b>390,592</b>	<b>196,770</b>	<b>(181,632)</b>	<b>(11,804)</b>	<b>6,231</b>	<b>400,157</b>

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****9. Reconciliation of Investments (continued)**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Where the investments are held in pooled investment vehicles, the change in market value also includes expenses, both implied and specific, for the year and, where the income is not distributed, any reinvested income.

The companies operating the pooled investments are registered in the United Kingdom.

The Special Purpose Vehicle is the Scheme's investment in a limited liability partnership comprising an interest in a Central Asset Reserve ("CAR") created by Pinewood Technologies Group PLC (formerly Pendragon PLC) which owns properties which are leased back to Pinewood Technologies Group PLC (formerly Pendragon PLC) on long-term leases. The interest in the CAR entitles the Pension Scheme to the rental income of the CAR for a period of 20 years from its original formation on 2 August 2011. The interest is an asset of the Pension Scheme which will be recorded at the present value of the income rights.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within these vehicles.

**10. Investment management expenses**

	2023	2022
	Total	Total
	£'000	£'000
Administration, management and custody	246	205
Bank charges and interest	2	2
	248	207

**11. Pooled investment vehicles**

	2023	2022
	Total	Total
	£'000	£'000
Equity	130,055	151,632
Bonds	212,000	169,521
Diversified Growth Funds	22,390	20,684
	364,445	341,837

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****12. AVC investments**

The Trustee holds assets invested separately from the main fund in the form of insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amount of AVC investments is as follows;

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
The Royal London Mutual Insurance Society Limited	<b>38</b>	38
Utmost Life and Pensions Limited	<b>904</b>	875
Clerical Medical Investment Group Limited	<b>148</b>	144
Phoenix Life Limited	<b>52</b>	51
Standard Life Assurance Limited	<b>63</b>	62
Aegon UK PLC	<b>58</b>	82
Santander UK PLC	<b>8</b>	8
Aviva Life Limited	<b>371</b>	372
Scottish Widows Limited	<b>275</b>	283
	<b>1,917</b>	1,915

**13. Insurance policies**

The Scheme held insurance policies at the year end as follows:

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Insurance policies - annuities	<b>4,464</b>	4,464
	<b>4,464</b>	4,464

**14. Fair value determination**

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****14. Fair value determination (continued)****At 31 December 2023**

	Level	Level	Level	Total
	1	2	3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	16,421	326,728	21,296	364,445
Insurance policies - annuities	-	-	4,464	4,464
Special Purpose Vehicle	-	-	18,121	18,121
AVC investments	1,917	-	-	1,917
Cash	11,185	-	-	11,185
	29,523	326,728	43,881	400,132

**At 31 December 2022**

	Level	Reclassified Level	Level	Total
	1	2	3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	30,966	287,514	23,357	341,837
Insurance policies - annuities	-	-	4,464	4,464
Special Purpose Vehicle	-	-	18,773	18,773
AVC investments	1,917	-	-	1,917
Cash	12,603	-	-	12,603
Other investment balances	11,000	-	-	11,000
	56,486	287,514	46,594	390,594

**15. Concentration of Investments**

The following investments each account for more than 5% of the Scheme's net assets at the year end:

	2023	2023	2022	2022
	Total	Total	Total	Total
	£'000	%	£'000	%
Schroders LDI	85,930	21.3%	86,296	22.0%
Schroders Securitised Credit	55,981	13.9%	43,704	11.2%
BlackRock Dynamic Diversified Growth Fund	22,390	5.6%	20,684	5.3%
M&G Alpha Opportunities Fund	50,743	12.6%	48,283	12.3%
Schroders Buy & Maintain Fund	70,089	17.4%	39,522	10.1%
Aviva Lime Property Fund	21,296	5.3%	23,357	6.0%
Hamilton Lane	26,781	6.6%	24,174	6.2%
Partners Group	N/A	N/A	21,442	5.5%

Pendragon Group Pension Scheme

Notes (forming part of the Financial Statements)

Year ended 31 December 2023

16. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

1. Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
2. Market risk: this comprises currency risk, interest risk and other price risk.

• Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

• Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

• Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to some of these risks. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee and by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposure to credit and market risks is set out below. This does not include annuity policies or AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Credit risk

The Scheme is subject to credit risk as it has credit fund exposure and has cash balances. The Scheme does not undertake direct stock lending activities and does not enter directly into repurchase agreements. The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the holdings in pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on the financial instruments that make up the pooled investment vehicles.

Analysis of direct credit risk

	2023	2022
	Total	Total
	£'000	£'000
Investment grade		
Cash	11,185	12,603
Pooled investment vehicles	364,445	341,837
	375,630	354,440

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivatives are not guaranteed by a regulated exchange so there is the risk of a counterparty defaulting on its payment. The risk is reduced through collateral arrangements. It must be emphasised that although OTC derivatives carry various risks, the aim of these investments is to hedge against the changing actuarial value placed on the liabilities of the Scheme.



Pendragon Group Pension Scheme

Notes (forming part of the Financial Statements)

Year ended 31 December 2023

16. Investment risks (continued)

Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme does not participate in any direct stock lending activities. BlackRock currently engages in securities lending. BlackRock manages the credit risk arising from securities lending by complying with industry codes, such as the Code of Guidance published by the Bank of England Securities Lending and Repo Committee. BlackRock also conducts regular counterparty reviews and monitor counterparty exposure on a regular basis. Furthermore, BlackRock is responsible for all transaction and operational costs related to securities lending.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled managers.

	2023	2022
	Total	Total
	£'000	£'000
Pooled investment vehicles by type of arrangement		
Authorised unit trusts	22,390	57,640
Open ended investment companies	320,759	260,840
Jersey Property Unit Trust	21,296	23,357
	364,445	341,837

Currency risk

The Scheme’s liabilities are denominated in sterling. The Scheme is exposed to currency risk because some of its investments are held in overseas markets. For example, the Scheme invests in pooled funds that hold overseas equities, global credit and also funds where the manager has discretion to hold overseas assets such as in the BlackRock Diversified Growth Fund. The Trustee hedges 50% of the overseas currency risk in the BlackRock Equity Funds back to Sterling. Within the credit funds, all of the currency risk is hedged back to Sterling. The Trustee delegates the management of currency risk within the Diversified Growth Fund to BlackRock.

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****16. Investment risks (continued)****Interest rate risk**

The Scheme is subject to interest rate risk on investments comprising of bonds and cash held as segregated investments or through pooled vehicles. At the year end the Scheme's position comprised of:

		<b>2023</b>	<b>2022</b>
		<b>Total</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>
<b>Direct</b>	Bonds	18,121	18,773
<b>Indirect</b>	Bonds	277,557	221,214
	Cash	11,185	12,603
		306,863	252,590

**Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the year end, the Scheme's exposure to investments subject to other price risk was:

		<b>2023</b>	<b>2022</b>
		<b>Total</b>	<b>Restated Total</b>
		<b>£'000</b>	<b>£'000</b>
<b>Indirect</b>	Equities	16,421	30,966
		16,421	30,966

**17. Current assets**

		<b>2023</b>	<b>2022</b>
		<b>Total</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>
Other debtors		2,555	277
Cash balances		894	823
		3,449	1,100

**Pendragon Group Pension Scheme****Notes (forming part of the Financial Statements)****Year ended 31 December 2023****18. Current liabilities**

	<b>2023</b>	<b>2022</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Unpaid benefits	-	211
Other creditors	290	224
	<b>290</b>	<b>435</b>

**19. Related party transactions**

The sponsoring employer, Pendragon NewCo2 Limited (formerly Pendragon PLC), provides secretarial services at no charge to the Trustee. B Powell and R Bell are the only Directors of the Corporate Trustee who are members of the Scheme. B Powell and R Bell are drawing benefits from the Scheme, which is on the same basis as other members. Pendragon NewCo2 Limited (formerly Pendragon PLC) pay all Trustee expenses and administration expenses of the Scheme. All of the above transactions are made in accordance with the Scheme Rules.

**20. Contingent liabilities**

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will have an effect on the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. On 20 November 2020, the High Court also ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. It is expected these amounts will be material to the Scheme's financial statements. However, at this stage the Trustee and employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore, the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustee is able to reach a reliable estimate.

## **Pendragon Group Pension Scheme**

### **Compliance Statement**

**Year ended 31 December 2023**

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The purpose of this statement is to disclose some additional information required by law.

#### **Scheme Investment Managers**

The investment managers appointed on behalf of the Trustee to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services Act 1986 to manage investments, or are specifically exempted from the requirements of the Act.

The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

#### **Scheme advisers**

There are written agreements in place between the Trustee and each of the Scheme advisers listed on pages 3 and 4 of this report and also with the Principal Employer.

#### **Taxation Status**

The Scheme is a registered Scheme under chapter 2 of part 4 of the Finance Act 2004, and therefore does not bear UK income tax and Capital Gains Tax. To the best of the Trustee's knowledge there is no reason why this should be prejudiced or withdrawn.

#### **Changes to the Scheme Rules**

There were no significant changes to the Scheme Rules during the year.

#### **Employer-related Investments**

There were no employer-related investments during the year or at the year end.

# Schedule of Contributions

## Pendragon Group Pension Scheme

This schedule of contributions has been prepared by the Trustee, after obtaining the advice of Nicola Nash, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 18 April 2020.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 December 2021 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

### Period covered by this schedule of contributions

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after the date it is certified by the Scheme Actuary.

### Contributions by employer in respect of expenses

Other than Investment managers' and custodians' fees, which are to be met from the scheme, the employer will pay separately all expenses of running the scheme, including the Pension Protection Fund levies.

The Trustee and employer can agree for Scheme running expenses to be met from the Scheme assets, should the circumstances permit, provided that the employer reimburses the Scheme within a reasonable time frame after the expense is paid, and no later than the effective date of the next triennial valuation after the expense is met.

### Contributions by employer in respect of the shortfall in funding

In accordance with the recovery plan following the 31 December 2021 actuarial valuation, the employer will pay annual contributions of £13,069,000, increasing at a rate of 2.25% p.a., until 31 December 2023. As contributions are paid quarterly in advance, the final instalment would be paid in October 2023.

These contributions include the expected distributions from the Central Asset Reserve over the recovery period, which will be paid quarterly in advance.

### Additional employer contributions

In addition to above, recognising the Trustee and company aim to achieve full funding on a long term funding target, company contributions will continue beyond 31 December 2023, but at the reduced level of contributions from the Central Asset Reserve.

On this basis, with effect from 1 January 2024 the annual contributions will reduce to £3,450,000 (this being the current annual CAR contributions of £3,300,000 increased by 2.25% p.a. till 1 January 2024). These contributions will increase at a rate of 2.25% p.a. and be payable until 31 December 2026. As contributions are paid quarterly in advance, the final instalment would be paid in October 2026.

The employer may pay additional contributions of any amount and at any time from those set out above.

## Signatures

See overleaf..

Signed on behalf of the Trustee, Pendragon Group Pension Trustees Limited

Name: Nigel Moore

Position: Chair of Trustees

Date: 31 October 2022

Signed on behalf of the employer, Pendragon Plc

Name: Mark Willis

Position: CFO

Date: 01 November 2022

# Actuary’s Certification of Schedule of Contributions

## Pendragon Group Pension Scheme

### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2021 to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the Trustee on) 31 October 2022

### Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the Trustee on) 31 October 2022

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme’s liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	—	Date:	2 November 2022
Name:	Nicola Nash	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	7 Lochside Avenue Edinburgh, EH12 9DJ	Name of employer:	Mercer Limited

# Recovery Plan

## Pendragon Group Pension Scheme

This recovery plan has been prepared by the Trustee in conjunction with the 31 December 2021 valuation after obtaining the advice of Nicola Nash, the Scheme Actuary. It replaces the previous recovery plan. The actuarial valuation of the scheme as at 31 December 2021 revealed a funding shortfall (technical provisions minus value of assets) of £33,354,000.

### Steps to be taken to ensure that the statutory funding objective is met

To eliminate this funding shortfall, the Trustee and the employers have agreed that additional contributions will be paid to the scheme by Pendragon Plc of £13,069,000 p.a., increasing at 2.25% each 1 January, until 31 December 2023. As the contributions are paid quarterly in advance, the final instalment will be paid in October 2023.

These contributions include the expected distributions from the Central Asset Reserve over the recovery period, which will be paid quarterly in advance.

### Period in which the statutory funding objective should be met

The funding shortfall is expected to be eliminated in 2 years from 1 January 2022, which is by 31 December 2023. This expectation is based on the following assumptions:

- Technical provisions calculated according to the method and assumptions set out in the statement of funding principles dated ..31 October 2022.....;
- The return on existing assets and the return on new contributions during the period as set out in the statement of funding principles dated ..31 October 2022..

## Signatures

This recovery plan has been prepared and agreed by the Trustee.

Signed on behalf of Pendragon Group Pension Trustees Limited:

Name: Nigel Moore

Position: Chair of Trustees

Date: 31 October 2022

This recovery plan has been agreed ~~by the employer~~.

Signed on behalf of Pendragon Plc:

Name: Mark Willis

Position: CFO

Date: 01 November 2022



This recovery plan has been agreed by the Trustee after obtaining actuarial advice from me.

Signed:

Name: Nicola Nash

Fellow of the Institute and Faculty of Actuaries

Position: Scheme Actuary

Date: 2 November 2022

# Statement of Funding Principles

## Pendragon Group Pension Scheme

This statement was prepared by the Trustee for the purposes of recording the principles underlying the funding of the scheme and to satisfy the requirements of section 223 of the Pensions Act 2004.

This document was prepared in the context of the scheme funding valuation of the scheme as at 31 December 2021 (the "valuation"). This Statement of Funding Principles supersedes all previous versions and will be reviewed in conjunction with the next scheme funding valuation.

## Trustee's funding objective

The Trustee's sole funding objective is the statutory funding objective. The statutory funding objective is defined in Section 222 of the Pensions Act 2004 and states that a scheme must have sufficient and appropriate assets to cover its technical provisions.

The technical provisions are an estimate, made using actuarial principles, of the assets needed at any particular time to make provision for benefits already accrued under the scheme. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by members which will become payable in the future.

## Trustee's policy for achieving their funding objective

The Trustee's policy for achieving their funding objective is to commission the Scheme Actuary to review whether or not the Trustee's funding objective is being met (a scheme funding valuation) and, if necessary, the Trustee will agree a recovery plan with the employer.

Scheme funding valuations will, in normal circumstances, be carried out every three years. The Trustee may call for a full actuarial valuation earlier than scheduled if, after considering the actuary's advice, they are of the opinion that events have made it inappropriate to continue to rely on the results of the previous scheme funding valuation as the basis for future contributions. However, the Trustee will consult the employer before doing so.

The recovery plan will be based on the technical provisions calculated in accordance with the method and assumptions set out in the statement of funding principles.

The employer contributions under the recovery plan will be such as to eliminate the shortfall over an appropriate period, taking into account the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The Trustee's assessment of the financial covenant of the employer;
- Any contingent security offered by the employer or an associated company.

The recovery plan resulting from this valuation is based on a recovery period of 2 years from the valuation date 31 December 2021, i.e. by 31 December 2023.

## Principles for the setting of assumptions

The statement of funding principles and, in particular, the derivation of the actuarial assumptions will be reviewed at each actuarial valuation and possibly at other times. Such reviews will consider legal, demographic and economic circumstances at the time, the strength of the employer's covenant and the scheme's investment strategy. Changes in any of the above factors could lead to a change in the assumptions and/or their derivation.

In particular, the derivation of the discount rate(s) will be reviewed each time to make sure this remains consistent with the Trustee's investment strategy and the latest view of the employer's covenant. The mortality assumptions will also be specifically reviewed at each actuarial valuation so that they continue to take into account up to date information published by the actuarial profession's Continuous Mortality Investigation and make prudent allowance for future improvements in longevity.

When calculating the recovery plan contributions the Trustee can assume higher investment returns on the assets than that implied by the discount rate(s) (investment outperformance). Any allowance for investment outperformance will be consistent with the investment strategy and will reflect how the investment allocation is expected to evolve over time. Any such allowance will be applied to the scheme's assets and expected future contributions.

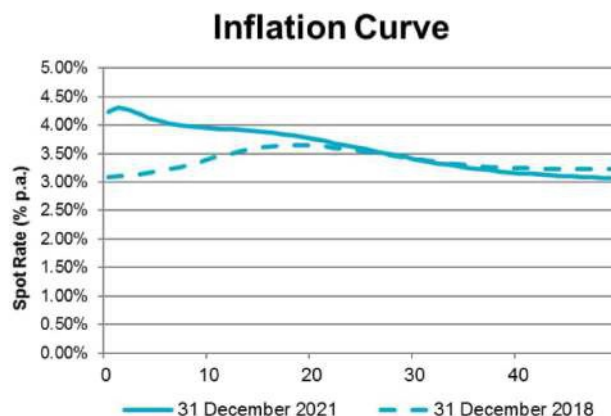
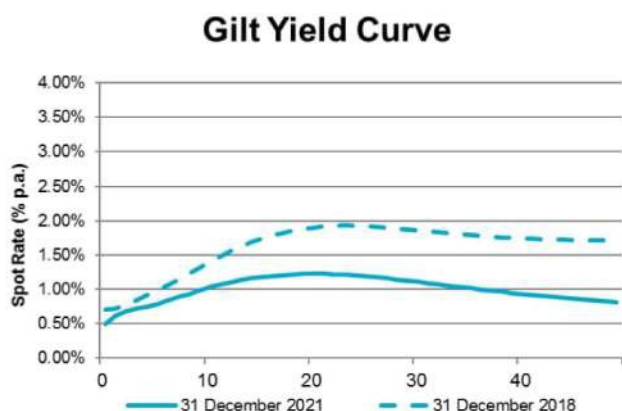
For this valuation allowance has been made for investment outperformance of 1% p.a. until the end of the recovery plan (ie 31 December 2023).

In the absence of any such review by the Trustee, or specific instruction to the contrary, the actuary should use the derivations set out in this statement to generate consistent market related assumptions for calculating funding updates. In particular, this will apply for the actuarial report on developments affecting the scheme's funding level, which will be obtained at each intermediate anniversary of the valuation date when a full valuation is not commissioned.

## Financial assumptions

<b>Discount rate</b>	The discount rate will be calculated using the Nominal Gilt Yield Curve plus 0.75% p.a. at each term (see chart under this table for the Nominal Gilt Curve spot rates at the valuation date).
<b>Return on existing assets and new contributions over the deficit recovery period</b>	The return on assets over the deficit recovery period will be calculated using the Nominal Gilt Yield Curve plus 1.75% p.a. at each term until 31 December 2023. This is higher than the assumptions used to value the technical provisions, in order to take some advance credit for the additional investment returns anticipated from the Trustee's investment strategy.
<b>Rate of inflation – Retail Prices Index (RPI)</b>	The rate of inflation as measured by RPI growth will be calculated using the Gilt Inflation Curve (see chart under this table for the Gilt Inflation Curve spot rates at the valuation date).
<b>Rate of inflation – Consumer Prices Index (CPI)</b>	The assumption for CPI growth will be calculated as the assumption for RPI Inflation less 0.7% p.a. at each term till 2030, then without deduction thereafter.
<b>Revaluation of pensions in deferment</b>	Elements of pension in deferment which have future revaluation in line with RPI subject to a maximum of 5% p.a. will be calculated as revaluing at the assumed rate of RPI inflation, subject to a minimum assumption of 0% p.a. and a maximum assumption of 5% p.a.. Elements of pension in deferment which have future revaluation in line with CPI subject to a maximum of 5% p.a. will be calculated as revaluing at the assumed rate of CPI inflation, subject to a minimum assumption of 0% p.a. and a maximum assumption of 5% p.a..

	The maximum is calculated cumulatively over the period between date of leaving and retirement for each member and compared with actual RPI/CPI increases over that period.
<b>Increases to pensions in payment</b>	Pension increases will be calculated using the Black-Scholes stochastic model applying any applicable maximum and/or minimum rates, the RPI/CPI inflation assumption and an assumed inflation volatility of 1.75%. The model is applied to the RPI/CPI inflation for each term in the curve.



## Demographic assumptions

The size of the scheme is not sufficiently large as to allow any meaningful analysis of scheme statistics to determine future demographic assumptions. Consequently, standard assumptions will be adopted, with the exception of VitaCurves being used as the base mortality tables as described below

<b>Members taking transfer values</b>	No allowance will be made for members taking transfer values from the scheme.
<b>Retirements</b>	All members will be assumed to retire at their normal retirement date. To allow for special terms available on early retirement arising from equal treatment provisions, late retirement factors will be applied to each tranche of benefit that can be taken from an earlier age without reduction.
<b>Cash commutation</b>	Members assumed to exchange 90% of maximum cash permitted (ignoring the effect of protection of cash) using the factors approved by the Trustee in July 2022 based on the CETV basis reduced by 10%.
<b>Mortality - pre retirement</b>	No allowance will be made.
<b>Mortality - post retirement</b>	<p>The basis adopted for the valuation was:</p> <p>Base mortality table: 98% of the mortality rates in 2019 Vita Curves for males and 2019 Vita Curves for females, projected to the valuation date in line with the approach below.</p> <p>Allowance for future improvements: CMI core projection model with a 1.5% p.a. long term projected rate of improvement and a smoothing parameter (Sk) of 7.5 (CMI_2021 [1.50%,S=7.5]), using a year of birth approach.</p>

	The 2019 Vita Curves identify a mortality assumption for each member which reflects his or her individual mortality characteristics.
<b>Contingent dependants' pensions</b>	80% of males and 70% of females will be assumed to be married at retirement (or on earlier death). This proportion reduces each year after retirement based on the mortality assumptions relating to the spouse. This allowance is designed to cover all contingent dependants' pensions (including non married partners and children's pensions where applicable) rather than separate assumptions being made for such benefits.
<b>Spouses' ages</b>	Males will be assumed to be three years older than females.
<b>Discretionary benefits</b>	There has not been any practice of granting discretionary benefits or increases in benefits under the scheme and consequently no allowance will be made for this.

## Further calculation principles

The actuarial method used in the calculation of the technical provisions will be the defined accrued benefits method.

## Treatment of scheme expenses

At each valuation the Trustee and employer will review if the costs of any insurance premiums and the expenses of running the scheme should be met separately or if a prudent allowance will be made within the schedule of contributions. If included within the schedule of contributions, this may be as an additional percentage or as a specific monetary allowance, as appropriate, and the figures will be based on recent experience and reasonable future expectations.

Other than investment managers' and custodians' fees, which are to be met from the scheme, the employer will pay all expenses of running the scheme, including the Pension Protection Fund levies separately, and no allowance is made for these costs within the valuation calculations.

## Policy on reduction of transfer values

At each valuation, the Trustee will consider whether to ask the actuary to advise if the provision of full transfer values is likely to affect adversely the security of the benefits of other members and beneficiaries. If the actuary then advises that the scheme is not fully funded on this basis then the Trustee will consider whether transfer values should be reduced and if an "insufficiency report" should therefore be commissioned from the actuary.

If at any other time the Trustee is of the opinion that the payment of transfer values at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, they will consider commissioning advice from the actuary to decide whether and to what extent transfer values should be reduced.

## Other matters

### Directions by the Pensions Regulator as to the funding of the scheme

No directions under section 231(2) of the Pensions Act 2004 have been made by the Pensions Regulator as to the funding of the scheme.

## Arrangements by a person other than a participating employer or a scheme member to contribute to the scheme

There are no such arrangements.

## Payments to the employer

If the scheme is not being wound up and the assets of the scheme exceed the estimate by the actuary of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses of doing so, the employer may request a payment of the excess. If the actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be paid, the Trustee will give notice to the members of the proposal.

It is felt however that such a scenario is extremely unlikely for the foreseeable future.

## Disclosure requirements

The statement of funding principles is available to members on request.

## Signatures

This statement has been agreed by the Trustee.

Signed on behalf of Pendragon Group Pension Trustees Limited:

Name: Nigel Moore

Position: Chair of Trustees

Date: 31 October 2022

This statement has been agreed by ~~the employer~~.

Signed on behalf of Pendragon Plc:

Name: Mark Willis

Position: CFO

Date: 01 November 2022

This statement has been agreed by the Trustee after obtaining actuarial advice from me.

Signed

Name: Nicola Nash

Fellow of the Institute and Faculty of Actuaries

Position: Scheme Actuary

Date: 2 November 2022

# PENDRAGON GROUP PENSION SCHEME

## REPORT ON ACTUARIAL LIABILITIES

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustees of the Pendragon Group Pension Scheme (“the Scheme”) and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme effective as at 31 December 2021 showed that the accumulated assets of the Scheme represented 94% of the Scheme’s technical provisions in respect of past service benefits; this corresponds to a deficit of £33,354,000 at the valuation date.

	£000
The value of the technical provisions	578,758
The value of the assets at that date	545,404

If the Scheme had been discontinued and wound up at 31 December 2021 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurer. The estimated discontinuance (or wind up) funding level was 79%, corresponding to a shortfall of £145,536,000.

The value of technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pension increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

### METHOD

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefit Method.

### SIGNIFICANT ACTUARIAL ASSUMPTIONS

**Pre and post retirement discount rate:** calculated based on the Nominal Gilt Yield curve, plus 0.75% p.a. at each term.

**Rate of inflation - Retail Prices Index (RPI):** calculated based on the Gilt inflation curve at each term.

**Rate of inflation - Consumer Prices Index (CPI):** calculated as the assumption for RPI inflation less 0.7% p.a. at each term until 2030 and RPI with no deduction thereafter.

**Revaluation of pensions in deferment:** elements which have future revaluation in line with RPI/CPI subject to a maximum of 5% p.a. calculated as RPI/CPI inflation at each term subject to a maximum of 5% p.a.



**Pension increases:**

Elements of members' pensions which increase in line with RPI/CPI subject to a maximum and/or minimum will be derived at each term using the Black Scholes methodology with a volatility assumption of 1.75% p.a., subject to any applicable maximum and/or minimum rates. The model is applied to the RPI/CPI inflation for each term in the curve.

**Mortality:**

- *Pre-retirement:* No allowance.
- *Post retirement:* 98% of the mortality rates in the standard tables 2019 Vita Curves (males and females), projected to the valuation date in line with the approach below.
- *Allowance for the future improvements:* CMI core projection model with a 1.5% per annum long term projected rate of improvement (CMI\_2021 [1.50%,S=7.5]), using a year of birth approach.

**Recovery Plan**

In light of the deficit arising from the actuarial valuation, a Recovery Plan was agreed between the Trustees and the employer in November 2022. Under the Recovery Plan, the employer will pay deficit funding contributions of £13,069,000, increasing at a rate of 2.25% each 1 January until 31 December 2023.

**Next actuarial valuation**

The next triennial valuation is due to be carried out as at 31 December 2024.





# Implementation Statement

## Pendragon Group Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustee of the Pendragon Group Pension Scheme ("the Scheme") to set out the following information over the year to 31 December 2023:

- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes; and
- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

### Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in force at 31 December 2023 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

*"The Trustee delegates responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.*

*The Trustee periodically reviews engagement activity undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers."*

The Trustee's SIP was last reviewed in June 2023. The SIP has been made available online here:

<https://members.pensionpal.co.uk/pendragonpensions>



## How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers at a Development Day in 2020 and were satisfied that their policies were reasonable and no remedial action was required at that time.
- Annually the Trustee receives a Sustainability monitoring report on the Scheme's investment managers (which includes data on voting and engagement) from their investment advisors. This was discussed at the Trustee meeting on 4 September 2023.
- Annually the Trustee receives and reviews voting and engagement data from the Scheme's investment managers which they review and report in their annual implementation statement.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Pendragon Group Pension Scheme  
April 2024**



## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Portfolio on behalf of the Trustee over the year to **31 December 2023**. Please note, voting data for the Artemis Global Select Fund and The Partners Fund and has not been included in the table below as the Scheme disinvested from these funds in May and July 2023 respectively.

Manager	BlackRock	Lindsell Train	Hamilton Lane
<b>Fund name</b>	Dynamic Diversified Growth Fund	Global Equity Fund	Global Private Assets Fund
<b>Structure</b>	Pooled		
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
<b>Number of company meetings the manager was eligible to vote at over the year</b>	575	24	Data not provided
<b>Number of resolutions the manager was eligible to vote on over the year</b>	7,491	353	Data not provided
<b>Percentage of resolutions the manager voted on</b>	93%	100%	Data not provided
<b>Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on</b>	1%	1%	Data not provided
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	94%	96%	Data not provided
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	5%	3%	Data not provided



Proxy voting advisor employed	BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision.	Lindsell Train use Glass Lewis to aid the administration of proxy voting and provide additional support in this area. Their portfolio managers maintain final decision-making responsibility, which is based on their detailed knowledge of invested companies.	Data not provided
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0%	N/A	Data not provided

There are no voting rights attached to the other assets held by the Scheme, which include the Liability Driven Investment ("LDI") funds, property and bonds, as these funds do not hold equities.

Data has not been provided by Hamilton Lane, as most of their investments are in limited partnerships that do not have annual shareholder meetings.



## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities / themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Some managers have provided a selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes for each fund. In the absence of agreed stewardship priorities / themes, the Trustee has selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. However, this was difficult with Lindsell Train, given that the vast majority of the significant votes they have provided are on executive compensation. Hamilton Lane have not provided any significant votes, as most of their investments are in limited partnerships that do not hold annual shareholder meetings.

A summary of the significant votes provided is set out below.

### Lindsell Train Global Equity Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Intuit	FICO	Walt Disney
<b>Date of vote</b>	19 January 2023	01 March 2023	03 April 2023
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	4.19%	4.82%	4.23%
<b>Summary of the resolution</b>	Advisory vote on Executive compensation/Amendment for Employee Stock Purchase Plan	Advisory Vote on Executive Compensation	Advisory vote on Executive compensation
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	Yes	Yes
<b>Rationale for the voting decision</b>	During 2020 - 2022 Lindsell Train escalated their engagement relating to matters of remuneration. They wrote to	Lindsell Train pays careful consideration to the compensation policies of the companies in which they invest	Lindsell Train pays careful consideration to the compensation policies of the companies in which they invest.



	Vote 1	Vote 2	Vote 3
	the management outlining their reasons for voting against the resolutions concerning compensation at their 2020, 2021 and 2022 AGMs. Lindsell Train have engaged with the company on a number of occasions to share their views regarding compensation best practice and continue to believe that Intuit could foster greater shareholder alignment through improved compensation structures.	and in the case of FICO they had several concerns. In the case for FICO, executive incentives were proposed in the form of equity linked awards that may be influenced by factors unrelated to the performance of the company/individual. Additionally, the period over which management is being assessed is shorter than Lindsell Train would like, and they also believe that executives should buy shares with cash in the same way as investors. Lindsell Train wrote to the management of FICO, outlining the reasons for voting against the resolutions concerning compensation at their upcoming AGM.	In the case for Walt Disney, Lindsell Train do not believe that the company's compensation policy is aligned with the long-term best interests of the shareholders and have been engaging with the company on this matter over a number of years to share their views regarding compensation best practice. Lindsell Train continue to believe that Disney could foster greater shareholder alignment through improved compensation structures.
<b>Outcome of the vote</b>	Approved/For	Approved/For	Approved/For
<b>Implications of the outcome</b>	Lindsell Train will continue to engage with the company on this matter		
<b>Criteria on which the vote is considered "significant"</b>	Lindsell Train engaged with Intuit's management before the vote to signal the intention to vote Against.	Lindsell Train engaged with the remuneration committee on this matter and signalled the intention to vote Against.	Lindsell Train wrote to the management of Walt Disney, outlining the reasons for the votes, and encouraging them to review their compensation structures.

## BlackRock Dynamic Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Broadcom Inc.	Santos Limited	Amazon.com, Inc.
<b>Date of vote</b>	03 Apr 2023	06 Apr 2023	24 May 2023
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Data not provided	Data not provided	Data not provided
<b>Summary of the resolution</b>	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve the Amendments to the Company's Constitution	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining
<b>How the manager voted</b>	Against	Against	Against



	Vote 1	Vote 2	Vote 3
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	BlackRock Endeavours to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. Their voting decisions reflect their analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and their active investment colleagues.		
<b>Rationale for the voting decision</b>	Pay is not aligned with performance and peers.	Shareholder proposals best facilitated through regulatory changes.	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.
<b>Outcome of the vote</b>	Fail	Fail	Fail
<b>Implications of the outcome</b>	BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. Their Global Principles describe their philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the framework for their more detailed, market-specific voting guidelines. BlackRock do not see engagement as one conversation. They have ongoing direct dialogue with companies to explain their views and how they evaluate their actions on relevant ESG issues over time. Where BlackRock have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, they monitor developments and assess whether the company has addressed their concerns.		
<b>Criteria on which the vote is considered "significant"</b>	Vote Bulletin	Vote Bulletin	Vote Bulletin

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown. As with the voting data, no engagement data has been included for the Scheme's previous holdings in the Artemis Global Select Strategy Fund and Partners Fund, as the Scheme disinvested from these funds in May and July 2023 respectively.



Manager	BlackRock	Hamilton Lane**	Lindsell Train	M&G	Schroders	TwentyFour	Aviva*
Fund name	Dynamic Diversified Growth Fund	Hamilton Lane Global Private Assets	Lindsell Train Global Equity Fund	M&G Alpha Opportunities	Sterling Liquidity Plus Fund	Strategic Income Fund	Lime Property Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	427	15	27	9	57	107	Data not provided
Number of entities engaged on behalf of the holdings in this fund in the year	247	N/A	14	7	10	c.100	Data not provided
Number of engagements undertaken at a firm level in the year	Data not provided	27	40	Data not provided	6,724	330	11,784

\*Aviva have not provided data on engagements because, due to the nature of the assets, this data will not be available until June 2024.

\*\*Hamilton Lane is not a General Partner and therefore typically take a minority position alongside a high-quality general partner. As a result, they are generally not engaging directly with the underlying portfolio company. However, they will occasionally engage with the General Partner.



## Examples of engagement activity undertaken over the year to 31 December 2023

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
<b>Lindsell Train</b> Global Equity Fund	<p>Lindsell Train have provided examples of engagement at a firm level, rather than engagements specific to the Global Equity Fund. In 2023, Lindsell Train engaged across a number of themes including remuneration (governance), climate change (environmental) and human and labour rights (social).</p> <p>Specific to Climate Change, Lindsell Train believes the risks associated with climate change represent the great issue of our era and the transition to a low-carbon economy will affect all businesses, irrespective of their size, sector or geographic location. Therefore, no company's revenues are immune and the assessment of such risks must be considered within any effective investment approach, particularly one like theirs that seeks to protect their clients' capital for decades to come.</p> <p>The objective of the engagement efforts is to assess the preparedness of their companies to transition to net zero. As public supporters of TCFD and SASB, Lindsell Train also encourages their portfolio companies to report in line with these, or similar (if more relevant to their business) frameworks, and also to report on positive impact goals and progress. During Q3 2023 they engaged proactively with 20 laggard companies that they had identified in August 2023 as "not aligned" with the Lindsell Train interim Net Zero targets.</p>
<b>TwentyFour</b> Strategic Income Fund	<p>TwentyFour have provided examples of engagement at a firm level, rather than engagements specific to the Strategic Income Fund. TwentyFour engaged across various topics including, but not limited to, climate change (environment), public health (social) and leadership, Chair/CEO governance).</p> <p>TwentyFour's Carbon Emissions Engagement Policy that was launched in Q1 2021 aims to target their significant holdings which perform relatively poorly in carbon emissions versus their peers and engage with them on improving their carbon emissions and producing a demonstrable plan for such improvements. This is aligned to the 'Climate Action' SDG.</p> <p>They have conducted specific engagement projects with 6 companies during 2022/23, 3 which were ongoing from 2021 and 3 new ones: Virgin Money, Heimstaden, Paragon, Santander, Together and Yorkshire Building Society. This firmwide project shows the collaboration between the different investment teams, as they particularly choose companies that are held by all or most of the strategies, as they feel as a smaller investment manager, that they have most impact with the small and medium sized companies where they have large holdings.</p> <p>The issues with each company were slightly different but all related to carbon emissions data - one of the specific themes on a number of these engagements was provision of Scope 3 carbon emissions in addition to Scope 1 and 2.</p> <p>Those companies they had previously engaged with showed good progress since their previous significant engagement and the new engagements were also useful and gave us comfort that progress was being made in various areas in relation to carbon emissions and that in all cases they were investable.</p>
<b>Schroders</b> Sterling Liquidity Plus Fund	<p>Schroders engaged with Toronto-Dominion Bank over the year. All companies have the potential to affect the environment and this engagement depicts the impacts of physical capital of a big company on the environment. There is increasing recognition of the role that businesses can and should play to respect human rights without causing harm. Businesses involved in climate-related risks could face higher operational and financial risks and could suffer damages to their reputation. Respect for this management is also an important foundation in building resilient supply chains and forging business stability.</p> <p>Schroders Sustainable Investment Team presented to the bank on their approach to voting at the AGM, including their views on shareholder resolutions relating to financing policy guidelines for sensitive sectors, Say on Climate votes, and transition planning. Their objective is to see the company develop interim milestones and science-based targets relating to the bank's Net Zero commitment.</p>



Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
	<p>Schroders are seeing continual progress in the bank's target setting and measurement of financed emissions. The bank has also set out its client engagement strategy and goals, which they've been pushing for. There is still progress to be made regarding the bank's policies and absolute emissions targets but they are pleased that they have addressed some of their concerns. For these reasons, they shared that they would not be recommending they vote against a director this year.</p>
<b>Aviva</b> Lime Property Fund	<p>Aviva have provided examples of engagement at a firm level, rather than engagements specific to the Lime Property Fund.</p> <p>In 2023, Aviva expanded their flagship Climate Engagement Escalation Programme (CEEP) to cover other hard-to-abate sectors to reflect the interlocking nature of supply and demand. They began with the aviation sector, which currently accounts for around 2.5% of global carbon dioxide (CO2) emissions from fossil fuel and is behind in preparing for a net zero future.</p> <p>To catalyse the systemic change necessary for decarbonising the aviation sector, Aviva have evolved their engagement from direct to a more holistic sector/value chain approach. They conducted a holistic, 'value chain' roundtable discussion, bringing together key actors from across the aviation value chain – including airlines, engine manufacturers and biofuel producers. Recognising that the energy transition for the aviation sector will be a long/complicated road. They identified concrete areas for policy to step up efforts to enable a sector-wide, viable energy transition.</p> <p>Aviva applaud each company's openness in discussing their respective decarbonisation challenges and responsiveness to their feedback. They found that stakeholders are keen to support the roll out of SAF, however policy uncertainties around sustainable classification schemes and certification persist. Insights are also materially shaping the direction of their Macro Stewardship Team's campaign work. In 2024, they look to replicate this approach across other hard-to-abate sectors.</p>
<b>BlackRock</b>	<p>BlackRock's main engagement topics include:</p> <ul style="list-style-type: none"><li>• <b>Board Quality &amp; Effectiveness</b> - Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain top priorities.</li><li>• <b>Climate &amp; Natural Capital Strategy</b> - Climate action plans with targets advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business practices.</li><li>• <b>Strategy Purpose &amp; Financial Resilience</b> - A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience.</li><li>• <b>Incentives Aligned with Value Creation</b> - Appropriate incentives reward executives for delivering sustainable long-term value creation.</li><li>• <b>Company Impacts on People</b> - Sustainable business practices create enduring value for all key stakeholders.</li></ul> <p>An example is BlackRock's engagement with Shell Plc, a major integrated oil and gas company that operates through Integrated Gas, Upstream, Downstream and Corporate segments. The company was formerly based in the Netherlands and has recently moved their headquarters to the United Kingdom.</p> <p>BlackRock has engaged regularly with Shell over the last several years to discuss a range of corporate governance and sustainable business matters that they believe contribute to a company's ability to deliver durable and long-term shareholder returns. This has included conversations about climate risk and opportunities, which BlackRock believes can be a defining factor in companies' long-term prospects.</p>