Pendragon Group Pension Scheme

Annual Report and Financial Statements

Registered number: 12006432

Year ended 31 December 2022

Pendragon Group Pension Scheme

Contents

Year ended 31 December 2022

Principal Company
Pendragon PLC
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Trustee
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Directors of the Corporate Trustee
M Willis (Company nominated)
H Sykes (Company nominated)
B Powell (Member nominated)
R Bell (Member nominated)
Ross Trustees Services Limited (Independent), represented by N Moore

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Investment managers
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Pendragon Scottish Limited Liability Partnership
Aviva Investors UK Services Limited
BlackRock Channel Islands Limited
M&G Investment Management Limited
TwentyFour Asset Management Limited
Artemis Investment Management LLP
Lindsell Train Global Funds PLC
Partners Group
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, Pendragon PLC, 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

Introduction

The Trustee presents its report and financial statements for the year ended 31 December 2022.

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.

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 seven 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.

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 PLC, “the Group”.

Changes to the Scheme

There were no 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.

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:

Defined Benefit Section	Deferred Members	Pensioners	Total
At 31 December 2021	1,950	2,308	4,258
Adjustments to prior year	(3)	(12)	(15)
New dependants	-	48	48
Transfers out	(7)	-	(7)
Retirements	(68)	68	-
Deaths	(2)	(73)	(75)
At 31 December 2022	**1,870**	**2,339**	**4,209**

Included in the 2,339 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.

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.

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 (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.

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
TwentyFour Asset Management Limited
Artemis Investment Management LLP
Lindsell Train Global Funds PLC
Partners Group
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.

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. The Trustee implemented a set of de-risking triggers in 2021, to de-risk the portfolio over time in order to capture better than expected market performance as the Scheme moves towards its target of being fully funded on a self-sufficiency basis by 31 December 2028. The Scheme hit the 92% trigger in January 2022, following which the Scheme's interest rate and inflation hedging was increased to 92% of liabilities and the allocation to growth assets was reduced in order to de-risk the portfolio. The Statement of Asset Strategy was updated in March 2022 to reflect these changes.

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

	2022	**2022**	2021	2021
	£'000	**%**	£'000	%
Schroders Investment Management Limited	**182,124**	**46.6%**	199,906	35.1%
Aviva Investors UK Services Limited	**23,357**	**6.0%**	26,284	4.6%
BlackRock Channel Islands Limited	**20,684**	**5.3%**	83,036	14.6%
M&G Investments	**48,283**	**12.4%**	49,763	8.8%
TwentyFour Asset Management Limited	**3,411**	**0.9%**	49,293	8.7%
Pendragon Scottish Limited Liability Partnership	**18,773**	**4.8%**	16,667	2.9%
Artemis Investment Management LLP	**15,514**	**4.0%**	25,474	4.5%
Hamilton Lane	**24,174**	**6.2%**	34,503	6.1%
Lindsell Train Global Funds PLC	**15,451**	**4.0%**	24,422	4.3%
Partners Group	**21,442**	**5.4%**	32,031	5.6%
Insurance Policies	**4,464**	**1.1%**	5,187	0.9%
AVC Investments	**1,915**	**0.5%**	2,175	0.4%
Schroders Investment Management Limited - cash in transit	**11,000**	**2.8%**	19,723	0
	390,592	**100%**	568,464	100.0%

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

	2022	2021
	%	%
Global Equity	**7.9%**	14.2%
Pendragon Scottish Limited Liability Partnership	**4.8%**	2.9%
Diversified Growth Funds	**5.3%**	9.1%
Credit	**34.6%**	32.2%
Illiquids	**17.7%**	16.3%
Liability Driven Investments	**22.1%**	18.8%
Cash	**6.0%**	5.2%
Insurance Policies	**1.1%**	1.0%
AVC Investments	**0.5%**	0.3%
	100.0%	100.0%

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 2022 the Trustee made some changes to the investment strategy of the Scheme.

In January 2022 the 92% de-risking trigger was reached. As a result, the Scheme disinvested entirely from its BlackRock Equity Portfolio (c.£30.6m) and disinvested £27.9m from the BlackRock Diversified Growth Fund (equivalent to around half of the holdings in this Fund at the time). The funds were transferred to Schroders and were invested such that the LDI portfolio hedged 92% of the self-sufficiency liabilities (equivalent to approximately 100% of the funded liabilities at the time) and the overall Schroders portfolio targeted an expected return of gilts + 0.5% p.a.

It is worth noting that, whilst there are benchmark allocations in place for the Schroders funds, Schroders use their discretion to adjust the allocations in response to changes in interest rates and inflation expectations. Hence the target allocations set out in the table on page 10 for the Schroders funds can be subject to change.

In July 2022, the Trustee agreed to disinvest £25m from across the Hamilton Lane and Partners funds in order to top up the collateral pool available to the Schroders LDI funds. At the beginning of September, £14m was disinvested from the Hamilton Lane Fund, with the proceeds invested in the Schroders Sterling Liquidity Fund. The Partners Fund disinvestment was completed post-year end and settled in the Trustee bank account in early January 2023, after which it has subsequently been reinvested into the TwentyFour Strategic Income Fund.

Following the significant gilt yield rises seen during the UK gilts crisis in September and October 2022, the Schroders Securitised Credit Fund and TwentyFour Strategic Income Fund were almost entirely depleted in order to meet collateral calls from the LDI funds. In early October, a total of £15m was disinvested from across the Lindsell Train and Artemis Funds and transferred to the collateral portfolio to ensure there was sufficient liquidity.

Investment Strategy (continued)

The Scheme's strategic allocation is below:

	Allocation as at 31 December 2022	Target allocation
	%	%
Fund		
Lindsell Train Global Equity Fund	4.2%	4.3%
Artemis Global Select Strategy	4.2%	4.3%
BlackRock Dynamic Diversified Growth Fund	5.6%	4.8%
M&G Alpha Opportunities Fund	13.0%	9.6%
Twenty Four AM Strategic Income Fund	0.9%	9.6%
Aviva Lime Property Fund	6.3%	4.8%
Hamilton Lane Global Private Assets Fund	6.5%	4.8%
Partners Group Fund	5.8%	4.8%
Schroders Buy & Maintain Fund	10.6%	8.9%
Schroders Securitised Credit	11.8%	13.2%
Schroders LDI	26.6%	26.6%
Central Asset Reserve	4.5%	4.3%
	100.0%	100.0%

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 2022:

	Segregated Funds	Pooled investment vehicles (including cash)	Total	Total	1 Year performance	3 Year performance
	£'000	£'000	£'000	%	%	%
Investment	-					
Schroder LDI Synthetic Gilt Funds	-	86,296	86,296	22.0%	-78.8%	-33.7%
Schroder Buy & Maintain	-	39,522	39,522	10.1%	-13.3%	-3.9%
Schroder Securitised Credit	-	43,704	43,704	11.2%	-1.2%	n/a
Schroder LDI Cash Instruments	-	12,602	12,602	3.2%	-1.2%	-0.2%
Aviva Investors UK Services Limited	-	23,357	23,357	6.0%	-8.1%	n/a
BlackRock Investment Management (UK) Ltd (DDGF)	-	20,684	20,684	5.3%	-11.2%	0.6%
M&G Investments	-	48,283	48,283	12.4%	-0.1%	3.2%
TwentyFour Asset Management Limited	-	3,411	3,411	0.9%	-12.6%	-1.3%
Partners Group	-	21,442	21,442	5.5%	1.9%	n/a
Hamilton Lane	-	24,174	24,174	6.2%	11.1%	n/a
Artemis Investment Management LLP	-	15,514	15,514	4.0%	-10.5%	n/a
Lindsell Train	-	15,451	15,451	4.0%	-4.4%	n/a
Pendragon Scottish Limited Liability Partnership	18,773	-	18,773	4.8%	n/a	n/a
Insurance Policies	4,464	-	4,464	1.1%	n/a	n/a
AVC Investments	1,915	-	1,915	0.5%	n/a	n/a
Schroders Investment Management Limited - cash in transit	11,000	-	11,000	2.8%	n/a	n/a
	36,152	**354,440**	**390,592**	100.0%		

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.

Economic and market conditions over the year to 31 December 2022

Economic Environment

The 12-month period to 31 December 2022 began with high and rising inflation and markets focused on the actions that central banks would need to take to bring it under control. The concerns around inflation were exacerbated in February 2022 as the Russian invasion of Ukraine led to further disruption, particularly in energy markets. To bring inflation under control, central banks began to raise interest rates, with the pace of rate rises picking up sharply in the second half of the year. These factors resulted in most asset classes producing deeply negative returns over the year. In the UK, markets were also significantly impacted by the September budget and the resulting extreme volatility in gilt markets.
Following the Russian invasion of Ukraine in February 2022, western governments responded to the invasion by imposing sanctions on Russia and their ally, Belarus. In particular, the US, UK and EU placed strict sanctions on Russian government bodies, Russian oligarchs, and the Russian financial system, including a ban on trading Russian government bonds issued after 1 March 2022 on the secondary market. Russia is a major producer of several important commodities, and the risk of disruption to those markets, from the war or from retaliatory sanctions, caused prices to rise. Oil rose above $100 a barrel for the first time since 2014, briefly touching close to $140, a 14-year high. European natural gas prices rose to an all-time high as did several other important commodities such as nickel. While some of these prices would fall over the coming months, natural gas prices would remain highly elevated in Europe and the UK throughout the middle of the year as Europe stockpiled gas for winter. However, the end of the stockpiling period and a warmer than average winter helped natural gas prices to fall nearly 60% over the final quarter of 2022.

US CPI inflation peaked in June at 9.1%, before falling to 6.5% in December as supply chain disruption and pandemic stimulus measures passed through the system. However, European gas prices meant that 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 for several decades and reduce or reverse asset purchase programmes. This process began on 16 December 2021, when the Bank of England became the first major central bank to raise interest rates, increasing the base rate from 0.1% to 0.25%. The Federal Reserve and ECB also began to raise interest rates on 16 March and 27 July respectively. From May 2022, central banks started to step up the pace of rate rises from 0.25% increments to 0.5% or 0.75% increments at each meeting. By the end of the year 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.

Rising inflation and interest rates resulted in rising government bond yields across the world. The pace of the rise was steep compared to history with UK 15-year nominal gilt yields rising from 1.15% on 31 December 2021 to 3.16% on 31 August 2022, broadly in line with other developed market government bonds. However, on 23 September, the new UK government produced a budget including tax cuts and measures to cap energy price increases. The total costs and increased borrowing required contributed to a sharp rise in gilt yields. 15-year gilt yields spiked as high as 4.9% on the morning of 28 September. The speed and scale of this rise in long-term gilt yields was far larger than at any time since the early 1970's and later that day the Bank of England stepped in to calm markets. It announced that it would purchase up to £65bn of long dated gilts. Purchases were later extended to include index-linked gilts and increase the maximum daily purchase limit, although only around £19bn of total purchases were made. This intervention, alongside the replacement of Liz Truss as Prime Minister by Rishi Sunak, calmed markets and by 23 November 15-year yields had fallen back to 3.28%. The Bank of England was therefore also able to sell the gilts purchased during this intervention back into the market, selling the final gilts in the first week of 2023.

Over the year, major central banks began to tighten monetary policy as economies recovered to pre-pandemic levels and inflation rose far above target. All major central banks raised interest rates over this period.

- The Bank of England (BoE) raised the base rate from 0.25% to 3.5% over the year. In February 2022, it stopped reinvesting the proceeds of its bond assets and in November 2022 began to actively sell bonds. After the BoE's intervention in September and October, it was able to sell all the gilts it had bought during that period by the first week of 2023.
- The Federal Reserve (The Fed) raised the Federal Funds Rate range from 0.0%-0.25% at the beginning of the year to 4.25%-4.50% during its last monetary policy meeting of 2022. The Fed ended bond purchase in March and began the process of reducing its balance sheet in June. The proceeds from its US Treasury holdings would no longer be reinvested below a monthly cap of $30bn from June to August and $60bn after that.
- The European Central Bank (ECB) raised its main lending rate from 0.0% to 2.5% over the year to 31 December 2022. The ECB's total asset purchases over the period, including purchases as part of the Pandemic Emergency Purchase Programme, totalled €263 billion. The ECB decided to end its asset purchase program in June effective from 1 July 2022.

Market Performance

The 12 months to 31 December 2022 saw negative returns across almost all asset classes.

- **Equities:** Overall, global equities produced negative total returns over the year to 31 December 2022, falling by 15.3% in local currency terms. Almost all geographical regions produced a negative return over the year. The best performing region was the UK (0.3%), and the worst performing region (in local currency terms) was North America (-18.7%).
- **Bonds:** Over the year to 31 December 2022, UK gilt yields rose significantly across all maturities. UK fixed interest gilts (all stocks) produced very deep negative returns (-23.8%) and UK index-linked gilts (all stocks) delivered even deeper negative returns (-33.6%) as implied inflation fell over the year. UK corporate bond spreads (all stocks) widened significantly (0.7%) over the year.
- **Property:** The MSCI UK All Property Index fell by 10.4% over the 12 months to 31 December 2022.

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 2022

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 57.

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

N Moore

M Willis

Date:

Opinion

We have audited the financial statements of the Pendragon Group Pension Scheme for the year ended 31 December 2022 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 2022, 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.

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. This description forms part of our auditor's report.

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:

Pendragon Group Pension Scheme

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

Year ended 31 December 2022

We have examined the Summary of Contributions to the Pendragon Group Pension Scheme in respect of the Scheme year ended 31 December 2022 which is set out on page 19.

In our opinion contributions for the Scheme year ended 31 December 2022 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 18 April 2020 and 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 Schedules 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 Schedules 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 Schedules 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:

Pendragon Group Pension Scheme

Year ended 31 December 2022

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 Schedules in respect of the Scheme year ended 31 December 2022

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 Schedules of Contributions certified by the Actuary on 18 April 2020 and 2 November 2022 in respect of the Scheme year ended 31 December 2022.

Contributions payable under the Schedules in respect of the Scheme year ended 31 December 2022

	2022	2021
	Total	Total
	£'000	£'000
Employer contributions excluding Income from Special Purpose Vehicle	**9,910**	9,692
Income from Special Purpose Vehicle	**3,159**	3,090
Total Contributions as reported in the financial statements	**13,069**	12,782

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

N Moore

M Willis

Date:

Pendragon Group Pension Scheme

Fund Account

Year ended 31 December 2022

	Notes	Total 2022 £'000	Total 2021 £'000
Contributions and benefits			
Employer Contributions	5	**9,910**	9,692
		9,910	9,692
Benefits paid or payable	6	**16,820**	16,644
Payments to and on account of leavers	7	**1,320**	2,578
		18,140	19,222
Net withdrawals from dealings with members		**(8,230)**	(9,530)
Returns on investments			
Investment income	8	**10,469**	9,196
Change in market value of investments	9	**(180,208)**	14,375
Investment management expenses	10	**(207)**	(278)
Net returns on investments		**(169,946)**	23,293
Net (decrease)/increase in the fund during the year		**(178,176)**	13,763
Net assets of the Scheme at 1 January		**569,433**	555,670
Net assets of the Scheme at 31 December		**391,257**	569,433

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 2022

	Notes	2022 £'000	2021 £'000
Investment assets:			
Pooled investment vehicles		**341,837**	515,169
Insurance policies - annuities		**4,464**	5,187
Special Purpose Vehicle		**18,773**	16,667
AVC investments		**1,915**	2,175
Cash		**12,603**	9,543
Other investment balances		**11,000**	19,723
Total investments	9	**390,592**	568,464
Current assets	17	**1,100**	1,293
Current liabilities	18	**(435)**	(324)
Net current assets		**665**	969
Total net assets of the Scheme at 31 December		**391,257**	569,433

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

M Willis

Date:

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 witholding taxes which are accrued in line with the associated investment income. Irrecoverable witholding 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.

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

	2022	2021
	Total	Total
	£'000	£'000
Employer Contributions	**9,910**	9,692
	9,910	9,692

6. Benefits paid or payable

	2022	2021
	Total	Total
	£'000	£'000
Pensions	**14,546**	14,110
Commutations of pensions and lump sum retirement benefits	**2,210**	2,530
Lump sum death benefits	**64**	4
	16,820	16,644

7. Payments to and on account of leavers

	2022 Total £'000	2021 Total £'000
Individual transfers out to other schemes	**1,320**	2,578
	1,320	2,578

8. Investment income

	2022 Total £'000	2021 Total £'000
Income from pooled investment vehicles	**7,289**	6,080
Income from Special Purpose Vehicle	**3,159**	3,090
Income from annuities	**21**	26
	10,469	9,196

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

9. Reconciliation of Investments

	Value at 31 December 2021 £'000	Purchases at cost £'000	Sales proceeds £'000	Other movements £'000	Change in market value £'000	**Value at 31 December 2022 £'000**
Pooled investment vehicles	515,169	363,926	(355,670)	-	(181,588)	**341,837**
Special Purpose Vehicle	16,667	-	-	-	2,106	**18,773**
Insurance policies - annuities (note 3)	5,187	-	-	-	(723)	**4,464**
Cash and cash equivalents	9,543	328,338	(325,982)	525	179	**12,603**
AVC investments	2,175	-	(78)	-	(182)	**1,915**
Other investment balances	19,723	-	-	(8,723)	-	**11,000**
	568,464	692,264	(681,730)	(8,198)	(180,208)	**390,592**

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 Pendragon PLC which owns properties which are leased back to 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

	2022	2021
	Total	Total
	£'000	£'000
Administration, management and custody	**205**	276
Bank charges and interest	**2**	2
	207	278

11. Pooled investment vehicles

	2022	2021
	Total	Total
	£'000	£'000
Equity	**151,632**	272,837
Bonds	**169,521**	190,363
Diversified Growth Funds	**20,684**	51,969
	341,837	515,169

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;

	2022	2021
	Total	Total
	£'000	£'000
The Royal London Mutual Insurance Society Limited	**38**	37
Utmost Life and Pensions Limited	**875**	1,056
Clerical Medical Investment Group Limited	**144**	163
Phoenix Life Limited	**51**	49
Standard Life Assurance Limited	**62**	59
Aegon UK PLC	**82**	88
Santander UK PLC	**8**	8
Aviva Life Limited	**372**	432
Scottish Widows Limited	**283**	283
	1,915	2,175

13. Insurance policies

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

	2022	2021
	Total	Total
	£'000	£'000
Insurance policies - annuities	**4,464**	5,187
	4,464	5,187

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.

14. Fair value determination (continued)

At 31 December 2022

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total Total £'000**
Pooled investment vehicles	30,966	239,231	71,640	341,837
Insurance policies - annuities	-	-	4,464	4,464
Special Purpose Vehicle	-	-	18,773	18,773
AVC investments	1,915	-	-	1,915
Cash	12,603	-	-	12,603
Other investment balances	11,000	-	-	11,000
	56,484	239,231	94,877	390,592

At 31 December 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total Total £'000
Pooled investment vehicles	49,896	381,210	84,063	515,169
Insurance policies - annuities	-	-	5,187	5,187
Special Purpose Vehicle	-	-	16,667	16,667
AVC investments	2,175	-	-	2,175
Cash	9,543	-	-	9,543
Other investment balances	19,723	-	-	19,723
	81,337	381,210	105,917	568,464

15. Concentration of Investments

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

	2022 Total £'000	**2022 Total %**	2021 Total £'000	2021 Total %
Schroders LDI	86,296	22.0%	106,616	18.7%
Schroders Securitised Credit	43,704	11.2%	53,386	9.4%
BlackRock Dynamic Diversified Growth Fund	20,684	5.3%	51,969	9.1%
TwentyFour Strategic Income Fund	N/A	N/A	49,293	8.7%
M&G Alpha Opportunities Fund	48,283	12.3%	49,763	8.7%
BlackRock Global Equity	N/A	N/A	31,068	5.5%
Schroders Sterling Liquidity	N/A	N/A	9,034	1.6%
Schroders Buy & Maintain Fund	39,522	10.1%	30,360	5.3%
Aviva Lime Property Fund	23,357	6.0%	N/A	N/A
Hamilton Lane	24,174	6.2%	34,503	6.1%
Partners Group	21,442	5.5%	32,031	5.6%

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 porfolios.

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

	2022	2021
	Total	Total
	£'000	£'000
Investment grade		
Cash	12,603	9,543
Pooled investment vehicles	341,837	515,169
	354,440	524,712

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.

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.

	2022	2021
	Total	Total
	£'000	£'000
Pooled investment vehicles by type of arrangement		
Unit linked insurance contracts	-	31,068
Authorised unit trusts	57,640	109,474
Open ended investment companies	260,840	348,343
Jersey Property Unit Trust	23,357	26,284
	341,837	515,169

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.

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:

		2022	2021
		Total	Total
		£'000	£'000
Direct	Bonds	18,773	16,667
Indirect	Bonds	221,214	289,417
	Cash	12,603	9,543
		252,590	315,627

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:

		2022	2021 Restated
		Total	Total
		£'000	£'000
Indirect	Equities	30,966	80,895
		30,966	80,895

17. Current assets

	2022	2021
	Total	Total
	£'000	£'000
Other debtors	277	768
Cash balances	823	525
	1,100	1,293

18. Current liabilities

	2022 Total £'000	2021 Total £'000
Unpaid benefits	211	118
Other creditors	224	206
	435	324

19. Related party transactions

The sponsoring employer, 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 PLC pay all Trustee expenses and administration expenses of the Scheme. All of the above transactions are made in accordance with the Scheme Rules.

During the year, there were lump sums on retirement paid out to members of the Pendragon Life Assurance Scheme totalling £46k (2021: £nil) in error. The amounts have been confirmed as payable back to the Scheme, and a balance of £46k (2021: £nil) is included within the Other debtors balance in note 17.

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.

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 changes to the Scheme Rules during the year.

Employer-related Investments

There were no employer-related investments during the year.

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: DocuSigned by: 5E066CDDB3AE4F3...

Name: Nigel Moore

Position: Chair of Trustees

Date: 31 October 2022

Signed on behalf of the employer, Pendragon Plc: DocuSigned by: Mark Willis 343F5CF62B40495...

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: –	Nicola Nash (signed)	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:

DocuSigned by:
N C M
5E066CDDB3AE4F3...

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:

DocuSigned by:
Mark Willis
343F5CF62B40495...

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: N.S. N.S.

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.

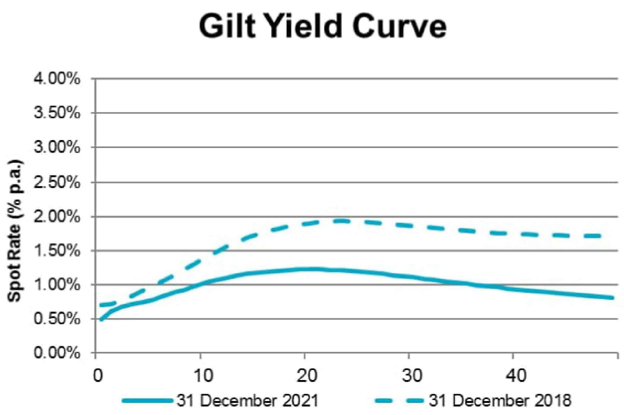
For this valuation allowance has been made for investment outperformance of 1% p.a. until the end of the recovery plan (ie 31 December 2023).

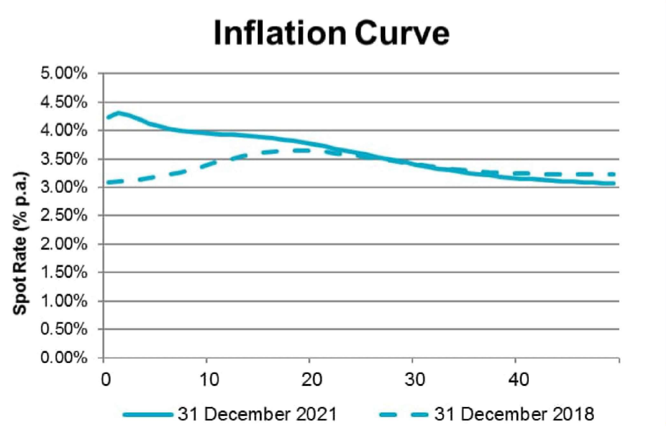
In the absence of any such review by the Trustee, or specific instruction to the contrary, the actuary should use the derivations set out in this statement to generate consistent market related assumptions for calculating funding updates. In particular, this will apply for the actuarial report on developments 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

Discount rate	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).
Return on existing assets and new contributions over the deficit recovery period	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.
Rate of inflation – Retail Prices Index (RPI)	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).
Rate of inflation – Consumer Prices Index (CPI)	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.
Revaluation of pensions in deferment	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.
Increases to pensions in payment	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

Members taking transfer values	No allowance will be made for members taking transfer values from the scheme.
Retirements	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.
Cash commutation	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%.
Mortality - pre retirement	No allowance will be made.
Mortality - post retirement	The basis adopted for the valuation was: 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. 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.

	The 2019 Vita Curves identify a mortality assumption for each member which reflects his or her individual mortality characteristics.
Contingent dependants' pensions	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.
Spouses' ages	Males will be assumed to be three years older than females.
Discretionary benefits	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: DocuSigned by: N. C. M. 5E066CDDB3AE4F3...

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: DocuSigned by: Mark Willis 343F5CF62B40495...

Name: Mark Willis

Position: CFO

Date: 01 November 2022

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

Signed N. Nash

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 2022:

- 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 2022 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 September 2020 to comply with regulations that came into force on 1 October 2020. The SIP has been made available online here:

https://www.pendragonplc.com/investors/corporate-responsibility/

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 their Development Day on 22 September 2020 meeting 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 6 December 2022.
- 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
March 2023

BARNETT WADDINGHAM
beyond the expected

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 2022**. Please note, voting data for the equity portfolio the Scheme previously held with BlackRock has not been included in the table below as the Scheme disinvested from these funds in January 2022.

Manager	BlackRock	Artemis	Lindsell Train	Partners Group	Hamilton Lane
Fund name	Dynamic Diversified Growth Fund	Global Select Fund	Global Equity Fund	The Partners Fund	Global Private Assets Fund
Structure	Pooled				
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.				
Number of company meetings the manager was eligible to vote at over the year	898	56	23	58	Data not provided
Number of resolutions the manager was eligible to vote on over the year	11,899	736	324	853	Data not provided
Percentage of resolutions the manager voted on	94%	100%	100%	100%	Data not provided
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	1%	1%	1%	2%	Data not provided
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	94%	91%	97%	94%	Data not provided

Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	5%	8%	2%	4%	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.	Artemis has their own proxy voting policy. Artemis uses ISS to facilitate the implementation of this policy but their recommendations do not make up part of Artemis' decision making process.	Lindsell Train has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area. The portfolio managers maintain final decision-making responsibility, which is based on their detailed knowledge of invested companies.	Partners Group uses Glass Lewis but has their own proxy voting policy.	Data not provided
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	<1%	2%	n/a	1%	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. Artemis did not consider there to be any significant votes over the reporting period according to their criteria, which requires a significant vote to be a vote against management whereby Artemis held at least 1% of the voteable shares. Hamilton Lane have not provided any significant votes, as most of their investments are in limited partnerships that do not hold annual shareholder meetings.

For the Partners Fund, Partners Group control the board of many of the companies in which they invest. The examples provided by Partners Group are therefore examples of ESG efforts from the portfolio company over which Partners Group have control, rather than examples of significant votes.

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

Lindsell Train Global Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Intuit	Disney	Mondelez
Date of vote	20 January 2022	09 March 2022	18 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.6%	4.7%	4.8%
Summary of the resolution	Advisory vote on Executive compensation		
How the manager voted	Against	Against	Abstained
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	n/a
Rationale for the voting decision	Lindsell Train believes that Intuit's compensation structures	Lindsell Train believes that Disney's compensation structures can be improved to	Lindsell Train does not believe that the company's compensation policy is aligned

	Vote 1	Vote 2	Vote 3
	can be improved to foster greater shareholder alignment.	foster greater shareholder alignment.	with the long-term best interests of the shareholders. Prior to 2020, Lindsell Train has voted against Mondelez compensation resolutions. Over the recent years, Mondelez management have made significant efforts to explain the rationale for their policies to Lindsell Train. They intend to support Mondelez management in the event that Mondelez amend their policy to align more closely with Lindsell Train's views.
Outcome of the vote	Approved/For	Approved/For	Approved/For
Implications of the outcome	Lindsell Train will continue to engage with Intuit on this matter.	Lindsell Train will continue to engage with Disney on this matter.	n/a
Criteria on which the vote is considered "significant"	Lindsell Train engaged with Intuit's compensation committee before the vote to signal their intentions to vote Against.	Lindsell Train engaged with Disney's compensation committee before the vote to signal their intentions to vote Against and to encourage them to review their compensation structures.	Lindsell Train engaged with Mondelez's compensation committee before the vote to signal their intention to Abstain.

Partners Group The Partners Fund

	Vote 1	Vote 2	Vote 3
Company name	Rovensa	Fermaca	PremiStar
Date of vote	n/a	n/a	n/a
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	Publication of second Sustainability Report in April 2022 and health and safety improvements.	Reduction in methane emissions.	Introduction of ESG initiatives.
How the manager voted	Control of board	Control of board	Control of board
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	n/a	n/a

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	After two years of Partners Group ownership, Rovensa is making progress to become the leading bio-solutions company. Meanwhile, the company published its second Sustainability Report in April 2022, which summarised the achievements made worldwide in 2021.	Fermaca has made progress across a number of initiatives in 2022. Fermaca has reduced methane emissions in the entire system by 4.7% and maintained 90% survival of the 27,000 trees planted in 2020 as part of a reforestation effort.	Due to the early stage of the investment, ESG initiatives are yet to be introduced. ESG initiatives are expected to be set forth in the second quarter of 2023 after its first ESG key performance indicator survey.
Outcome of the vote	n/a	n/a	n/a
Implications of the outcome	Health and Safety remains a top priority for Rovensa, as illustrated by the roll out of its 'STAR Program' across all manufacturing plants globally to achieve a zero-harm culture adoption worldwide. In 2022, Rovensa has reduced its lost time injury frequency rate by around 40% compared to the prior-year period.	Fermaca has implemented an environmental and social management system, which will allow for full compliance with the Equator Principles and Performance Standards of IFC. Currently, Fermaca is at 65% adoption across its system, against a target of 50%.	Premistar has engaged a third party ESG consultant to identify material sustainability topics and craft a longer term ESG journey and strategy. Premistar is looking to hire an ESG manager and sales strategy employee, as the company aims to launch an energy efficiency sales strategy with customers.
Criteria on which the vote is considered "significant"	Size of holding in fund	Size of holding in fund	Size of holding in fund

BlackRock Dynamic Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Meta Platforms, Inc.	The Home Depot, Inc.
Date of vote	25 May 2022	25 May 2022	19 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	Data not provided	Data not provided
Summary of the resolution	Elect Director	Publish third party human rights impact assessment	Report on efforts to eliminate deforestation in supply chain
How the manager voted	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Data not provided	n/a	n/a

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	BlackRock believed the nominee has not demonstrated ability to effectively represent shareholders' best interests.	BlackRock believed it was in the best interests of shareholders to have access to greater disclosure on this issue.	BlackRock believed that the company did not meet its expectations for disclosure of natural capital policies and/or risk.
Outcome of the vote	Pass	Fail	Pass
Implications of the outcome	Data not provided	Data not provided	Data not provided
Criteria on which the vote is considered "significant"	Vote Bulletin	Vote Bulletin	Vote Bulletin

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. 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 previously held BlackRock equity portfolio, as this was disinvested from in January 2022.

Manager	BlackRock	Artemis	Aviva*	Hamilton Lane**	Lindsell Train
Fund name	BIJF Dynamic Diversified Growth Fund	Global Select Strategy	Lime Property Fund	Global Private Assets Fund	Global Equity Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	n/a	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	n/a	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	652	113	Data not provided	n/a	19
Number of entities engaged on behalf of the holdings in this fund in the year	378	25	Data not provided	n/a	10
Number of engagements undertaken at a firm level in the year	Data not provided	1,490	3,328	n/a	33

Manager	M&G	Partners Group***	Schroders	TwentyFour
Fund name	Alpha Opportunities Fund	The Partners Fund	Sterling Liquidity Plus Fund	Strategic Income Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	n/a	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	n/a	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	15	Data not provided	126	250
Number of entities engaged on behalf of the holdings in this fund in the year	14	Data not provided	19	c.200
Number of engagements undertaken at a firm level in the year	Data not provided	Data not provided	2,072	469

*Aviva have not provided data on engagements as they directly own the assets in the Fund, and therefore traditional engagements do not apply.
**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.
*** Partners do not provide data on engagements due to the fact that this focuses on listed investments, which are not the focus of the Partners Fund of which the majority of assets are private market investments

Examples of engagement activity undertaken over the year to 31 December 2022

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
Artemis Global Select Strategy	In 2022, the Global Select team engaged with Novo Nordisk (a Danish multinational pharmaceutical company), to which the Fund had an average exposure of 1.5% to. Engagement was across a number of issues including: 1. The reasoning for Artemis voting against a severance payment to a former executive, as they felt it was too high (it was 36 months base salary plus pension contribution, whereas they felt 24 months would be more reasonable). Novo Nordisk noted Artemis's comments and responded that they are proposing to amend the remuneration policy to remove the 36 months term and only have 24 months term. 2. Novo Nordisk's long term incentives programme was limited to being awarded based on certain performance outcomes during 2018 and could only be adjusted +/- 30% during the vesting period based on a subsequent 5% sales growth hurdle. Artemis felt that measures of long term

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
	performance should focus on sustained growth over a minimum 3 year period. As a result, a new remuneration policy means that from 2021 the long term incentives programme has a three-year performance period (2021-23) and a two-year holding period (2024-5). 3. The reasoning for Artemis abstaining from a voting regarding the re-election of a Director. Artemis was concerned that the Director held four directorships and this may impact his ability to carry out his Novo Nordisk Board responsibilities effectively. Novo Nordisk responded that he has attended all meetings since 2019 and the Danish Corporate Governance Code stipulates how much time is required to perform board duties so that the board of directors do not take on more managerial duties than they can complete.
Lindsell Train Global Equity Fund	Lindsell Train have provided examples of engagement at a firm level, rather than engagements specific to the Global Equity Fund. In 2022, Lindsell Train engaged across a number of themes including renumeration (governance), climate change (environmental) and human and labour rights (social). Specific to renumeration (which aligns with the UN Sustainable Development Goal 8, decent work and economic growth), Lindsell Train pays careful consideration to the compensation policies of the companies in which they invest and they write to management, as a first step, if they do not agree with their policy. In assessing their compensation policies, they focus more on how incentives are structured than the actual quantum of compensation. Where they do not believe that a company's compensation policy is aligned with the long term best interests of the shareholders they will write to management to inform them of their intention to vote against such policies and set minimum criteria for their companies. Over 2022, they have written to the management of nine companies, by way of escalating engagement. They also voted against 12 advisory votes on compensation and also abstained in 6 instances.
Partners Group The Partners Fund	In 2022, through control of the Board, Partners Group continued to engage with Eyecare Partners (ECP) on the company's ESG strategy. The strategy focuses on three areas: caring for employees, the patients and the community. Several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in both 2021 and 2022. In addition, the company increased communication around its Eye Care Partners Care Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%). Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022.
TwentyFour Strategic Income Fund	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). 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. They have continued to engage as part of this policy in 2022 (this engagement is aligned with the UN SDG Climate Action goal), examples being with Paragon and Virgin Money, as per the below: 1. Paragon - they reached out to understand Paragon (a sponsor of Residential Mortgage Backed Securities) plans to reach the UK Government's proposed regulation for buy-let-let properties to

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
	have a minimum EPC rating of C. They questioned how much of their £150 million green bond has been allocated to new green financing. Finally, their ESG scoring provider Asset4 by Refinitiv scores Paragon very poorly on innovation – while innovation is a more challenging area for the banking sector they questioned their progress on green mortgages and other environmental incentive products. The lender is unable to force landlords to upgrade their properties, but they are actively communicating with their buy-to-let customers on this issue and encouraging action. With the launch of its green mortgage product, which offers reduced rates to new applicants with a property rated C or above, Paragon is aiming to lower the concentration poorly rated properties in its mortgage portfolio. TwentyFour learned that some £142m of the £150m green bond proceeds have already been invested in eligible green loans – these are mainly in B rated EPC properties, with A rated EPCs still very rare in the UK. Paragon's progress on innovation was not fairly captured in TwentyFour's ESG score for the bank and they will now look to update this, reflecting its green mortgage offering and the extension of its motor finance policy to cover lending on battery electric vehicles. 2. Virgin Money – TwentyFour were pleased to learn that Virgin Money has included scope 1 & 2 emissions targets in their Report & Accounts but there was a few points they wanted more detail and progress on. Virgin Money noted they have disclosed some scope 3 emissions but this is still a work in progress. Full EPC breakdown has been provided for 69% of mortgages, they are currently exploring an external data provider to test the coverage of their book in order to calculate the scope 3 emissions within the mortgage portfolio. The proportion of sustainable leaders increased from 2.8% to 3.7% as of their 2021 financial year. TwentyFour felt that this was reasonable progress, but will continue to engage.
Schroders Sterling Liquidity Plus Fund	In 2022, Schroders continued their engagement with Barclays on its climate transition plan. Barclays was prioritised as part of Schroders's new climate engagement and escalation framework. This sets out how they intend to use their influence as investors to help drive the transition to a low carbon economy. Barclays was one of the 373 companies previously contacted in 2021 for further engagement in 2022. They engaged with the bank on a number of occasions over the period via various forms, including emails, a call with management and a meeting with Barclays Sustainability Experts. Schroders noted a number of issues, including: 1. The carve out of US clients with a later exit timeline versus clients in the UK/EU (2035 versus 2030). 2. Inconsistent and narrow CO2e definitions, relative to peers. 3. Schroders are keen to see that Barclays' thermal coal policies are workable and genuinely able to push absolute financed emissions down with due diligence to ensure funds are not diverted thermal coal. It was clear from their engagement that emissions data is a large issue for the bank, both in terms of the loan book and direct emissions, as is building green mortgage backed bonds on the back of housing stock where building standards for existing and new housing are inefficient. Schroders agreed to continue the dialogue with Barclays into the next year.

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
Aviva Lime Property Fund	Due to the nature of the Fund, Aviva's engagement is focused on occupiers and is targeted at providing support for decarbonising assets, in line with the occupier's own business priorities and ambitions. Aviva engaged with a range of occupiers of the Fund over 2022, with a focus on climate change. As part of this engagement, they carried out a number of actions including, but not limited to: 1. Net zero due diligence audit across 16 occupiers of the tenant's demise and proposed recommendations for improvements. 2. Initial occupier engagement programme meetings around renewable electricity, electric vehicles and emissions, across three occupiers. 3. A feasibility study for rooftop installation of solar panels at three Premier Inn assets. Whilst discussions are ongoing across a number of engagements and Aviva are waiting on tenant feedback on many of these. Nevertheless, some progresses have been made. Notably: 1. Aviva is discussing the installation of electric vehicle charges with Anchor Hanover. 2. A regear is being negotiated with solar array and ground source heat pump for Leeds Beckett University. 3. A regear is being negotiated with solar array for Capita. 4. Next is seeking expansion of solar array. They are awaiting status of electricity grid upgrades.
BlackRock	BlackRock's main engagement topics include: • **Board Quality & Effectiveness** - Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain top priorities • **Climate & Natural Capital Strategy** - Climate action plans with targets advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business practices • **Strategy Purpose & Financial Resilience** - A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience • **Incentives Aligned with Value Creation** - Appropriate incentives reward executives for delivering sustainable long-term value creation • **Company Impacts on People** - Sustainable business practices create enduring value for all key stakeholders 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. 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.