Statement in relation to The UK Corporate Governance Code (July 2018): Board Leadership and Company Purpose, Provision 4

Dear Shareholder

I am writing to you in my capacity as Chair of the Remuneration Committee (the "Committee") of Pendragon plc (the "Company") to provide an update on the Company's response to the outcome of the 2023 Annual General Meeting ("AGM") in June this year. There were six resolutions overall which received less than 80% of votes in favour.

I would like to set out, based on my communications with shareholders prior to the AGM and reflecting on views expressed at the AGM, what I understand to be the reason for the voting outcomes, as well as the actions taken in response to them.

Resolution 2 – Annual Report on Director's Remuneration for Year ended 31 December 2022

In relation to the advisory vote on Pendragon's Remuneration Report (the "Report"), 56.44% of our shareholders voted against this resolution at our AGM in June 2023. Our analysis confirms that opposition to the Report was restricted to a number of our main shareholders, who together at the time held approximately 40% of our issued share capital.

As we have previously indicated, the Director's Remuneration Policy (the "Policy") applicable to the 2022 annual report on remuneration was approved by shareholders at the 2020 Annual General Meeting, and contained a number of best practice and generally market accepted features including:-

- a more conventional Long Term Incentive Plan ("LTIP") with a performance period of 3 years and a holding period of 2 years (in normal circumstances);
- Improved malus and clawback provisions including the addition of reputational risk and corporate failure to the triggers;
- introduction of a post-cessation shareholding requirement equal to the in-employment shareholding requirement for 2 years after cessation of employment; and
- Changes to the pension policy to bring Executive Director pensions in line with average employee rate over time by ensuring that new Executive Directors are appointed with a pension contribution which is not above the level available to the wider workforce and reducing the pension contribution of current Executive Directors where appropriate.

We listened to the feedback and concerns raised by our shareholders in terms of how the Policy was implemented for 2022, and made further adjustments to the remuneration policy in accordance with best practice for the next cycle (which was approved at the June 2023 AGM).

Resolution 3 – Directors' Remuneration Policy

The Board maintains that the Directors' Remuneration Policy approved by 58.06% of shareholders at the June 2023 AGM remains in line with best practice and contains generally market accepted features. It is noted that despite this, some shareholders continued to oppose our remuneration policy. At the time of its approval, the Board were of the view that the policy remained appropriate for the size, composition and sector of the business.

Resolution 5 – re-election of Bill Berman

The Company understands that the reason for the 58.06% of votes in favour of resolution 5 at the AGM was primarily due to the position taken by one of our main shareholders, who remained opposed to the re-election of Mr Berman. For the avoidance of doubt, the majority of our major shareholders remained supportive of the re-election of Mr Berman.

Resolution 6 – re-election of Martin Casha

The Company understands that the reason for the 59.86% of votes in favour of resolution 6 at the AGM was primarily due to the position taken by one of our main shareholders, who was opposed to the re-election of Mr Casha. For the avoidance of doubt, the majority of our major shareholders remained supportive of the re-election of Mr Casha. Mr Casha resigned from his role and stood down from the board on 07 October 2023.

Resolution 7 – re-election of Dietmar Exler

The Company understands that the reason for the 57.74% of votes in favour of resolution 7 at the AGM was primarily due to the position taken by one of our main shareholders, who was opposed to the re-election of Mr Exler. For the avoidance of doubt, the majority of our major shareholders remained supportive of the re-election of Mr Exler.

Resolution 8 – re-election of Ian Filby

The Company understands that the reason for the 54.86% of votes in favour of resolution 8 at the AGM was primarily due to the position taken by one of our main shareholders, who was opposed to the re-election of Mr Filby. The Company announced at 07.00am on 30 June 2023, and prior to the AGM taking place later that day that Mr Filby had informed the Board that he intended to step down to pursue other interests, although would continue in his role as chairman until the process of identifying and appointing a replacement was completed.

It is important to recognise that since the Company's AGM, the Company announced on 18 September 2023 the conclusion of the Board's strategic review, which is expected to result in a value maximising transformation of Pendragon into Pinewood Technologies plc. In order to achieve this, the Company has entered into a series of agreements that result in its exit from the UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply) (the "Business") and at the same time beginning a broader strategic partnership to accelerate the growth in Pinewood ("Pinewood"), the Company's dealer management systems ("DMS") business. Reflecting the change in the Company's business model to become a pure-play, independent Software as a Service ("SaaS") business, following Transaction Completion, the Company will change its name to Pinewood Technologies plc.

To effect this, the Company has entered into an agreement for the sale by Pendragon Group Holdings Limited ("PGHL") of the entire issued share capital of Pendragon NewCo 2 Limited ("Pendragon NewCo") which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Company's entire UK motor business and leasing business (the "Disposal"), to Lithia UK Holding Limited (the "Purchaser" or "Lithia") a wholly-owned subsidiary of Lithia Motors, Inc. for a gross aggregate consideration of £250 million (subject to certain financial adjustments) (the "Consideration"). The Disposal will result in the transfer of the Group's pension plan and also the Company's defined benefit pension scheme (the "DB Pension Scheme"). In addition, under the terms of the Disposal, Lithia will repay the net bank debt of the Company on Disposal Completion, leaving the Company debt and cash free.

It is anticipated that there will be further liaison and communication with shareholders on completion of the transaction described above, particularly in terms of consideration of the appropriateness of our remuneration policy and governance applicable to the remaining the

Company, and I invite you to get in touch with any comments, questions or ongoing concerns throughout the year.

Yours sincerely

Jemima Bird – Remuneration Committee Chair

21 December 2023