

ARCADIA GROUP PENSION SCHEME
ARCADIA GROUP SENIOR EXECUTIVES PENSION SCHEME
MARYLEBONE HOUSE, 129-137 MARYLEBONE ROAD, LONDON, NW1 5QD

PRIVATE & CONFIDENTIAL: IMPORTANT UPDATE

10 September 2019

Dear

ARCADIA GROUP PENSION SCHEME and ARCADIA GROUP SENIOR EXECUTIVES PENSION SCHEME (the Schemes)

When we wrote to you on 17 July 2019, we told you that the creditors of Arcadia Group Limited had voted in favour of its proposed Company Voluntary Arrangements on 12 June 2019 but, just before the subsequent ‘challenge period’ ended on 15 July 2019, challenges were received from two US property companies.

The Trustees are now pleased to note that these challenges have been withdrawn and that no further challenges can be made. This clears the way for Arcadia to focus on implementing its business turnaround plan, the success of which is key to the continued funding of the Schemes. Withdrawal of the CVA challenges also unlocks other important measures and will enable the Schemes to return to business as usual, with the benefits of added security and additional safeguards.

This letter provides further details of these measures and what this means for you and the Schemes.

A. Company Commitment

Earlier in the year Arcadia advised the Trustees that, in addition to securing successful CVAs, it needed to agree a reduction to the £50m a year it has been contributing to the Schemes since September 2016. Following detailed negotiations, an agreement has been reached allowing Arcadia to reduce its contributions, in return for providing an extensive additional security package for the Schemes. The revised contribution levels are:

- £25m a year from July 2019, increasing to
- £35m a year from July 2022 and for the next three years; then increasing by
- £5m every three years after that.
- In addition, if Arcadia out-performs its financial plans by a specified margin between 2019 and 2022, further contributions of up to £5m a year will be paid to the Schemes.

B. £100m contribution from Lady Cristina Green

Lady Green, Arcadia’s main shareholder, has committed to pay an additional £100m into the Schemes over the next two years, fully supported by a Bank Guarantee.

Once the Schemes come out of Pension Protection Fund (PPF) Assessment, the first instalment of £25m will be paid; another payment of £25m will be made by 30 September 2020 and the remaining £50m will be paid by 30 September 2021.

Lady Green is also providing additional capital to the Arcadia Group to support its turnaround plans.

C. Security package

A Pensions Agreement has been put in place between the Arcadia Group and the Trustees, to give the Schemes valuable, additional security by a package of £210m secured primarily on Group properties. This is a significant added safeguard for the Schemes.

D. Increased engagement

The Schemes have agreed with Arcadia the establishment of a Covenant Monitoring Committee which will meet with members of the Company's senior Finance team on a monthly basis to review performance against the turnaround plan.

Additionally, from now on, a Trustee Director will attend Arcadia Group Limited Board meetings as an Observer.

All these protections will continue in place until both Schemes are fully funded on a basis to be agreed between the Trustees and Arcadia.

E. Summary

With the CVA challenges having now been withdrawn, we expect the Schemes to come out of PPF Assessment in six to eight weeks' time. The Schemes will continue to pay members' benefits in full.

Given the circumstances that gave rise to the launch of the CVAs, the Trustees believe that the new contribution arrangements, together with the additional funding from Lady Green and the security package, represent the best outcome for the Schemes and the security of members' benefits.

The Trustees wish to thank Lady Green and the Arcadia Board for their full and invaluable support in achieving this outcome. The Trustees would also like to thank their advisers, the Pensions Regulator, and the Pension Protection Fund for their commitment and collaboration to this matter.

Finally, we expect to complete the 31 March 2019 three-yearly actuarial valuations of the Schemes shortly and will inform members of the results.

Yours sincerely

Alda Andreotti
Chair, Arcadia Group Pension Trust Limited
Trustee of the Arcadia Group Pension Scheme

Peter Baverstock
Chair, AG Senior Executives Pension Trustee Limited.
Trustee of the Arcadia Group Senior Executives Pension Scheme