

## **BMW Financial Services (GB) Limited**

### **Corporate Governance Statement**

This report comprises the Corporate Governance Statement for BMW Financial Services (GB) Limited (“Company”) required under The Companies (Miscellaneous Reporting) Regulations 2018 for the Financial Year 1st January 2019 to 31st December 2019 (“Financial Year”).

The Company has not applied a specific corporate governance code during the Financial Year however as a subsidiary of BMW AG, its ultimate German parent company, it operates in accordance with its parent company’s corporate governance expectations. BMW AG adopted its own corporate governance code based on the German Corporate Governance Code (“Code”) in 2002. The Code (updated in 2019) sets out how German listed companies should be organised and seeks to formulate recognised standards for good and responsible governance. The Code seeks to promote the trust of investors, customers, employees and the general public in the management and supervision of German listed companies. The Board of Directors of the Company therefore manage the Company in accordance with BMW Group policies in relation to corporate governance, compliance and risk management.

Although the Company has not adopted a UK specific corporate governance code, the Company’s Board of Directors (“Board”) have considered The Wates Principles and in this statement the Company has set out how the Company has aligned itself to these governance principles in the Financial Year.

## **Purpose, Strategy and Values**

The Company provides regulated and unregulated motor finance products and services, and associated general insurance products, to customers through Retailers of BMW Group products. The Company also operates under the trading name of ALPHERA Financial Services to provide regulated and unregulated motor finance products and services and associated general insurance products to customers of non BMW Group motor dealerships and independent credit brokers. The Company provides unregulated wholesale financing for motor vehicle dealers to finance their stock of vehicles, premises and equipment.

The Company's strategy is based on BMW Group Strategy. Financial Services plays an important role in supporting BMW Group to actively shape the future of mobility, by offering inspiring premium products for individual mobility, today and for future generations, and by generating profitability. BMW Group Strategy recognises that mobility products need to change over time: with regard to different drive trains, the degree of connectivity and the positive overall experience customers can expect from its vehicles.

The Board has defined that the purpose of the Company is 'to create the best experience for people on the move'. By fulfilling its purpose, the Company aims to achieve the strategic vision in 2025 'To be the obvious choice for automotive mobility'.

All strategic initiatives feed directly into one or more of the Company's fundamental ambitions - to be simple to do business with; to be accessible across all channels; to be at all times customer oriented and inspire trust; and to achieve operational excellence; as well as agility, speed and innovation. The Board's Management Committee as well as its Sub-Committees review and consider the various stakeholders referred to in the Directors report when arriving at recommended business decisions consistent with the strategy.

## **Culture**

The Company recognises that long term success is founded on the culture of the organisation. The aim is to be customer centric and select the best talent to ensure the longevity and success of the organisation and to be considered one of the top employers in the UK.

There are 5 core values which the whole of the BMW Group, including the Company, adhere to and these are

- **Responsibility;**
- **Appreciation;**
- **Transparency;**
- **Trust;** and
- **Openness.**

These five core values encompass principles of action which define the framework for cooperation within the BMW Group of companies. Based on these core values the Company prides itself in a collegiate atmosphere of mutual trust and understanding. Employees are fully engaged with the business and there is a culture of openness and authenticity. The Board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation. A brand new employee cultural identity was developed in recent years encouraging people to be authentic, inspirational and creating an environment where people feel valued. At the heart of authenticity is the deep set of ethics, values and trust.

All of these cultural and value based initiatives are reviewed by the Board of Directors of the Company and the Management Committee and communicated to the business as a whole at regular All Associates Meetings.

## **Board Composition**

The Company is controlled through its Board of Directors. The Board comprises four statutory directors, the Chief Executive Officer, Michael Dennett, and the Chief Financial Officer, Tobias Essig, and the Chief Operating Officer, Tracey Leith, and the Sales and Marketing Director, Philip Kerry.

The Board combines global experience inside and outside the BMW Group in different business areas, including, but not limited to, Accounting, Controlling, Operations, Sales, Governance, Consumer Credit, Risk, and Outsourcing, ensuring that Board decisions incorporate diverse perspectives.

All members of the Board are designated Senior Management Functions by the FCA. All employees in a Senior Management Function must be approved by the FCA before they commence the role, and must pass an annual check that they remain fit and proper to undertake the role.

Independent assurance is provided by the BMW Group Internal Audit Department and BMW Group Legal (UK).

## **Committees of the Board**

The Company is managed by the Board, its Management Committee and seven other Committees. The Management Committee, which meets every month, manages the Company's business. The Management Committee works to:

- Ensure that customers are treated with fairness and respect and that good customer outcomes are achieved;
- Ensure compliance with laws and regulation;
- Promotes the sustainable success of the Company for the benefit of the members as a whole taking consideration of all the Company's stakeholders, its corporate social responsibilities and the environment the Company operates in;
- Approves strategic objectives in line with our parent company, BMW AG;
- Ensures that the necessary financial and other resources are made available to ensure objectives are achieved; and
- Operates within a framework of effective systems of corporate governance and internal controls appropriate to the environment in which it operates which enable the assessment and management of opportunities and risks.

The Board and Management Committee have delegated appropriate matters to: a National Risk Committee, Joint Customer Committee, Local Credit Committee, Operational Compliance Committee, Interest Rate Strategy Committee, Residual Values Committee, and the Regulations Review Committee. Sub-Committees act to work on detailed topics which would be too time consuming for the Management Committee and provide appropriate challenge to the Management Committee and the Board in their areas of expertise. The CEO acts as Chairman of the Management Committee and with the support of the CFO and Senior Legal Counsel oversees the efficient and effective operation of the Company's Board and its Committees. This includes consideration of the size and structure of the Board, Management Committee and Sub-Committees so that they are appropriate to meet the strategic needs and challenges of the organisation and enable effective decision-making. Consideration is given to the balance and diversity of the Board and all its Committees.

### **Committees of the Board** *(continued)*

The Company has adopted a Diversity and Inclusion Policy and through the application of this Policy the Company aims to ensure everyone is treated fairly and equitably and there are arrangements in place to prevent discrimination in the workplace. The Company is committed to encouraging diversity being inclusive and preventing discrimination amongst the workforce. This is promoted through a number of in house network groups which cover a range of subject areas such as mental health and disability. Whilst the Company does not have any independent non-executive directors, the Chairman of the Board acts in a capacity largely independent of the day to day management of the Company's business. In addition the Company frequently makes use of a large internal audit function who audit different parts of the Company's business to ensure operation in accordance with relevant Company policies and procedures and laws and regulations.

The Management Committee comprises the Board, Legal Counsel, and the most senior managers in the areas of Risk, Compliance, and Human Resources. The Senior Managers and Certification Regime (SM&CR) applies to the Company (and all firms conducting FCA-regulated consumer credit activities, with some exceptions) from 9th December 2019. The SM&CR aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold individuals working at FCA-regulated firms personally accountable for their actions.

The effectiveness of Management Committee members and members of the Sub-Committees is measured via the Company's annual appraisal process (known as "Portfolio") where all employees are reviewed against their objectives which include continuous professional development. Strengths and weaknesses are discussed against a backdrop of feedback from key stakeholders. A rating is given with development goals followed up.

Each Committee has its own Terms of Reference, and formalised approach, with committee agenda and committee minutes, voting rules, and escalation processes. Each Committee has a Secretary who ensures the timely distribution of materials prior to meetings and works to ensure the accuracy of documents submitted to the Committees for consideration and approval. The Chairperson of a Committee report key matters at the Management Committee who also reviews minutes of all sub-committee minutes.

## **Opportunity and Risk**

### **Opportunity**

The Board considers and assesses how the Company creates and preserves value over the long term by assessment of opportunities presented by the changes in customer behaviour, regulation, and opportunities and challenges presented through multiple sales channels. As the captive finance provider of BMW Group in the UK, the Company supports the National Sales Company with their introduction of new technologies, such as battery electric vehicles and plug in hybrid vehicles.

Consideration of opportunities for the Company are assessed against associated risks.

### **Risk**

The Company has an internal control system which follows a BMW Group Internal Control system methodology (“ICS”) to ensure it has appropriate and effective internal controls integrated and applied in its processes so as to maintain correct and reliable financial and accounting records and to comply with legal requirements. The CFO is responsible for ensuring the operation of the ICS including, but not limited to, ICS training, control measures, key control indicators, management reporting and roles and authorisation concepts.

Risks are monitored and managed at an operational level through the National Risk Committee. There are clear roles and responsibilities within this Risk management system set out in the Company’s Risk Management Policies.

The Company’s policies are determined by its Management Committee and drafted by or under the supervision of the Management Committee member with responsibility for the area covered by the policy. The BMW Group operates a four eye principle throughout the Group. Under this requirement all documents with binding content must be reviewed and signed by two signatories with appropriate levels of authority to bind the relevant company delegated to them by the board of that company.