

BMW (UK) Limited

Section 172(1) Statement

Directors' Duties

Section 172 of The Companies Act 2006 states that a director of a company must act in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and the environment;
- e. The desirability of the company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the company.

In 2019, the company's lawyers, gave a presentation to remind the Board of their responsibilities under section 172 and how their duties should be fulfilled.

The Board reviewed their current approach to corporate governance and decision making, engagement with stakeholders and our impact on the environment. The following summarises how the company's Board fulfils its duties under Section 172.

Decision Making

Our strategy, which we set out in 2017, is to be SIMPLY SUCCESSFUL meaning putting simplicity at the heart of everything we do. This success manifests itself in three outcomes:

- PROFITABILITY – for the company, the wider BMW Group and its retailers;
- EFFICIENCY – we strive to make it easy for all stakeholders to do business with us;
- PARTNERSHIP – we aim to act in partnership with our customers, retailers and employees.

Our strategy aims to achieve these outcomes for the company by focusing on the following six cluster areas: Product, Brand, Customer, Channel, Mobility and People. Each of these cluster areas has a number of initiatives which are planned or in development to achieve the goal. Progress against key initiatives is reviewed by the Management Committee on an ongoing basis and communicated to the whole business at business briefings.

Our strategy allows us to be competitive, flexible and resilient while also responding to a rapidly changing market situation. In 2019 examples included:

- Monthly review of Key Performance Indicators and definition of actions to ensure we reach our long-term objectives;
- Preparation for different Brexit scenarios, especially review of our logistics routes and IT systems to ensure we are fully set for business post-Brexit;
- Review of our operational structure to ensure our organisational model remains fit for the future;
- Review of training strategy to ensure future training needs are met.

For further details on how the company is managed please see the Corporate Governance Statement in the Directors Report.

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Employee Engagement

Our employees are fundamental to the success of our business. We aim to be a responsible employer in our approach to the pay and benefits of employees. The health, safety and wellbeing of our employees is one of the primary considerations in the way we do business.

In 2019, the following activities have been performed:

- All employees have been asked to participate in an online Global All Employee Survey in order to help in assessment of employees' concerns and aspirations.
- Quarterly Employee Consultation Forums have been held to provide a two-way communication process.
- Quarterly business briefing, where the company's directors present and are available to answer any questions.
- Regular video blogs updates by the CEO.

Our Human Resources function has been reviewed and reorganised to ensure it is able to continually deliver an efficient and consistent service to our employees.

For further details on how the company engages with its workforce please see the Employee Engagement Statement.

Business Relationships

We are fully committed to effectively engage with all our stakeholders. As we operate in a highly connected environment; the views, decisions and actions of our stakeholders have a considerable impact on our business. Therefore, our success depends on our ability to engage and work together effectively and constructively. In 2019 examples included:

- Quarterly National Franchise Board to facilitate open discussion with key representation of our Retailers' network.
- Periodic meetings between the main investors of Retailer partners and the Directors of the company to assist investors to understand the strategic direction of the company.
- Regular communication with the Retailer Network via Retailer HUB Portal to ensure alignment.
- Annual review of the Retailer Engagement Plan to ensure we provide appropriate support to our retailers.
- Ongoing communication with our suppliers to develop deeper relationships with companies in our supply chains as well as develop strategic relationships with our key suppliers.
- Numerous product events organised throughout the year to further understand our customers' needs and expectations.
- Regular exchange with HM Government and its various departments, UK and international NGOs, trade bodies and industry associations as well as other stakeholders to build trust, understand positions, identify trends as well as build on and consolidate partnerships.

For further details on how the company engages with its stakeholders please see the Stakeholder Engagement Statement in the Directors Report.

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Community and Environment

Sustainability and taking care of the environment is firmly embedded in our culture and corporate strategy. It is therefore an integral part of every thought and action we take. We have adopted a holistic approach, implementing sustainability throughout the value chain. In addition to reducing CO2 emissions, our strategy also focuses on achieving continuous progress in areas such as corporate environmental protection, supply chain sustainability, employee orientation and social commitment. We remain committed to the principles of the United Nations Global Compact and have systematically implemented its Ten Principles worldwide since 2001. Our sustainability strategy also supports the Sustainable Development Goals adopted by the United Nations in autumn 2015.

We also recognise the relevance of leading our company in such a way that it contributes to wider society. In 2019, we are proud to continue our support of numerous charities and community projects as part of its Corporate Social Responsibility, an area that we take very seriously. Below are some of examples of our 2019 actions:

- We organised many fundraising events throughout the year with our own “Charity Champion” group comprising of employee volunteers.
- We have encouraged our employees to volunteer in our communities. In 2019, our employees have completed over 800 hours of volunteering, supporting the local community, including painting projects in local schools, garden clearance and many more local initiatives.
- There is a food bank on Campus to donate to those in need in the local community.

For further details please see the Corporate Governance Statement in the Directors Report.

Culture and Values

Our culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to our business activities and an important condition for maintaining a reputation for high standards of business conduct securing long term success. We are focused on people, with customers being at the heart of our business. We embrace diversity, flexibility, sustainability and continuous improvement throughout the organisation. It has a customer centric philosophy with transparent, fair and simple processes. 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.