

## Section 172(1) Statement

Section 172 (1) 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. In doing so a director of a company must have regard (amongst other matters) to:

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

The Board of Directors ("Board") have received guidance and training from the Company Secretary to support the performance of their statutory duties as a director, in particular their duty under Section 172 of the Companies Act 2006.

The Board reviewed their current approach to corporate governance and decision making, engagement with stakeholders and the Company's impact on the environment. The following summarises how the Company's Board fulfils its duties under Section 172 (1).

### Decision Making

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

The Board engages with a variety of stakeholders, including customers, employees, regulators, and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst maintaining the Company's strategy. In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

The Board fulfils its duties to act in good faith to promote the success of the Company through its implementation of the BMW Group Strategy. As part of the BMW Group Strategy, the Board aims to actively shape the future of mobility, by offering inspiring premium products for individual mobility, today and for future generations. The Board has defined that the purpose of the Company is 'creating the best customer experience, making mobility easier and better'.

The Board ensures that strategic initiatives feed directly into one or more of the following fundamental ambitions - to be easy to do business with, to be accessible across all channels and, crucially, to be at all times customer driven. This strategy allows the Company to be competitive, flexible, and resilient while also responding to a rapidly changing market situation. The Board reviews and considers the various stakeholders when arriving at recommended business decisions consistent with the strategy. An example of the Board decision making during 2024 was the review, approval and payment of a dividend payment totalling £50 million to BMW (UK) Holdings Limited.

During 2022, the Directors of the Company made the decision for Alphabet (GB) Limited and BMW Financial Services (GB) Limited to become one operational organisation whilst continuing to report as two separate legal entities, to allow the companies to stay relevant to their customers in the future by using a more joined up approach and working together on new opportunities to become a customer driven organisation. During 2023 the final Alphabet (GB) Limited departments transitioned to BMW Financial Services (GB) Limited.

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

## **Employee Engagement**

Following the operational changes above, the Company has no direct employees. However, engaging with the employees of the wider group who provide core operational services on behalf of the Company remains critical, and therefore disclosures have been provided below and elsewhere in this report as if these employees were employed directly by the Company.

The Company invests in training, coaching, and skills acquisition. Personal development of our employees is a key pillar of the Company's strategy. The Company aims 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 the Company does business.

Examples of the Board's engagement with employees during 2024 include:

- Quarterly Business Briefings: Senior managers attend virtual briefings with the employees and constantly review the way in which information is provided to ensure engagement with employees. The briefings give employees a platform to raise questions and put suggestions to the senior management team.
- An Employee Consultation Forum: The aim of the forum is to provide a two-way communication process, involving and engaging employees through consultation, enabling them to contribute to the success of the business.

For further details on how the Company engages with its workforce please see the Employee Engagement Statement in the Directors' Report.

## **Business Relationships**

Stakeholder engagement is important to the Company and the BMW Group as a whole. The Board engages with a diverse group of stakeholders, including customers, suppliers, government, regulators and trade bodies. The views, decisions and actions of the Company's stakeholders have a considerable impact on the business.

Examples of the Board's engagement with stakeholders during 2024 include:

- Receiving regular customer feedback and insights generated by a number of feedback loops, including Net Promoter Scores ("NPS") and Quality Assurance Programmes, ensuring outstanding customer care is a strategic priority and the 'Voice of the Customer' is prominent during executive decision-making.
- Working in close partnership with third party suppliers across all aspects of the relationship and value chain - from initial vehicle supply and procurement with retailers and partners, through to 'in life' fleet management (such as breakdown, service and maintenance or tyre/glass replacement) and ultimately asset remarketing and disposal operations.

- Having dedicated procurement and supplier management functions and procedures in place which are responsible for performance and quality management, as well as regular competitive tendering to ensure 'best in class' supplier network.
- Continuing to prioritise compliance with the FCA's Senior Management and Certification Regime. Measures undertaken included training of all relevant staff on the requirements of the FCA's Conduct Rules, additional training for those Associates defined by the Company as 'Certified Individuals' and for those holding Senior Management Function designation, including all Board members.
- Engaging with regulators both at an industry level through trade associations for example the British Vehicle Rental and Leasing Association ("BVRLA") and at an operational level.

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

## Community and Environment

As part of the BMW Group, sustainability and Corporate Social Responsibility ("CSR") continue to be firmly embedded in the Company's culture and corporate strategy. The Company strives to pursue BMW Group's mission to be the most sustainable premium provider of individual mobility, for society and the environment. Sustainability runs through all aspects of our business, from energy-saving, recycling, and resource-sharing policies in our offices, employee orientation and social commitment, and ultimately flowing into the products and services the Company bring to customers.

Below are some of examples of actions carried out during the year:

### Charity

- Worked with its charity partner Teenage Cancer Trust running a range of fundraising events.
- Ongoing support for Ben, a not-for-profit organisation that partners with the automotive industry to provide support and advice.
- Continuation of a long-standing relationship with the British Heart Foundation through the provision of a Clothes Bank to donate items to raise money for the Foundation.

### Education

- EMBRACE, the employee network group for culture, ethnicity and race, worked with a local school with a diverse mix of students, with the aim of engaging the students to be more aware of career opportunities regardless of their individual backgrounds.
- Partnered with Leonard Cheshire to support and run the Change 100 flagship programme of paid summer work placements, professional development, and mentoring of talented university students and recent graduates with any disability or long-term condition.

### Community

- Provision of a food bank on campus where food donations have been collected to donate within the local community.
- An annual festive gift giving scheme for employees to buy a present for children in the local community.
- Six volunteer network groups work to create a truly inclusive workplace driving many educational experiences both for the Company's employees and local community.
- Partnered with Community Matters Partnership Project ("CMPP"), a charity that helps the Company to engage with the local community and provides access to corporate volunteering opportunities, such as painting projects in local schools, garden clearance and many more local initiatives.
- Partnered with the ENEI (Employers Network for Equality and Inclusion) and ran a number of diversity, equity and inclusion initiatives such as the training of over 80 mental health first

aiders and the introduction of hearing loops and improved site access across campus. As a result of the Company's commitment to these topics, the Company has achieved a silver status.

The BMW Group has a long-established commitment to supporting education across the UK through BMW Education <https://bmweducation.co.uk/>. The programmes are informative, engaging, and accessible to everyone free of charge.

## **Culture and Values**

The Company's culture is characterised by clear responsibility, mutual respect, and trust. Lawful conduct and fair competition are integral to its business activities and an important condition for maintaining a reputation for high standards of business conduct securing long term success.

The Company's primary goal is to avoid risks which could jeopardise the trust which customers, shareholders, business partners and the public place in the BMW Group. The Company is focused on people, with customers being at the heart of the Company's business.

The Company embraces diversity, flexibility, sustainability, and continuous improvement throughout the organisation. The Company 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.

## Extracts from the Directors' Report

### **Employee Engagement Statement**

#### **Workforce**

##### **People and culture**

The Company invests in training development, coaching and skills acquisition for its workforce to ensure the required knowledge and behaviours are aligned with the Company's strategy and values. Personal development of our employees is a key pillar of the Company's strategy, and every employee is encouraged to utilise training for their career and personal development. Training and development is an integral part of the Company's objectives, set by the Board and monitored through regular status updates in the Board and Management Committee Meetings.

##### **Communication**

It is important for our employees to feel connected to the Company's purpose. Through our ongoing internal communications plan, including regular Business Briefings, the Company seeks to ensure our purpose and the important role employees have is clearly communicated. Senior managers attend these briefings with the workforce and constantly review the way in which information is provided to ensure engagement with associates. The briefings give associates a platform to raise questions and put suggestions to the senior management team.

In addition, regular briefings take place with our people leaders to give them an opportunity to question, explore and understand further the Company's plans. At a monthly Communication Circle, the Company constantly reviews the way in which information is provided to our employees to ensure engagement with our employees. There is also a weekly newsletter.

##### **Consultation**

The Company operates an Employee Consultation Forum. The aim of the forum is to provide a two-way communication process, involving and engaging employees through consultation, enabling them to contribute to the success of the business. It also offers management the opportunity to consult over business related issues and gain commitment to change.

The forum discusses business wide issues impacting employees, provides key information on employment policies and terms of employment, serves as a central communication channel for employees and is an important mechanism of communication between management and employees. The Board receives updates from and will consider matters raised by the Employee Consultation Forum on a regular basis, based on feedback directly from employees

##### **SpeakUP**

The Company operates a SpeakUP line, to support any employees who wish to raise concerns relating to possible misconduct or concerns regarding wrongdoing. Employees may choose to confirm their identity or remain anonymous through this disclosure process. The Board have appointed a Whistleblowing Champion who is responsible for ensuring and assessing the integrity, independence and effectiveness of the whistleblowing process. The Whistleblowing Champion is responsible for reporting to the Board regarding the operation and effectiveness of the Company's systems and controls, whilst maintaining the confidentiality of any whistleblowers.

##### **Campus Trust**

The Company and the other Group companies on the Campus have a "Campus Trust" which is responsible for protecting the way things are done on the Campus, now and in the future. The purpose of the Trust is to be the guardians of the continued cultural journey and seek synergies between the companies on Campus.

## **Diversity and Inclusion**

The Company is committed to providing employment practices and policies which recognise the diversity of its workforce and ensure equality for Associates regardless of sex, race, disability, age, sexual orientation, or religious belief. These commitments extend to recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal. In the event of Associates becoming disabled, every effort is made to ensure that their employment with the Company continues and to provide specialised training where this is appropriate.

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 in-house network groups which cover a range of subject areas such as mental health and disability.

The Company vision towards diversity and inclusion is to build a workplace culture of inclusion that reflects the diversity of our surrounding communities. The Company embraces fresh perspectives as a lever for innovation, and encourages an environment where people speak their minds and diverse ideas are embraced to achieve our common goals. A Diversity and Inclusion Steering Group made up of business representatives from different levels from across the Campus and volunteers from employee led network groups, steer our progress towards this vision.

In the Financial Year a Diversity and Inclusion Survey was carried out by the network groups. The survey raised awareness of the initiatives and the various network groups there are across our Campus. Examples of initiatives that the network groups and the Company is working on include supporting an accessible campus; promotion of quiet spaces; inclusive leadership; disability awareness and becoming a disability confident employer. There is a PRIDE network group which supports the Company's LGBTQ+ community. Other Campus groups include a group supporting working parents and part time workers called, "Timewise". The "Embrace" network group has been formed to celebrate, support, and embrace all cultures, ethnicities, and faiths, focusing on building understanding, respect, and equality. The Company also has an employee network group called "Minds Matter" which brings together passionate employees from the BMW community who seek to drive cultural change surrounding issues of mental health.

Along with the other Group companies on Campus the Company is a member of The Employer's Network for Equality and Inclusion (ENEI) who help us steer our company on its inclusion journey.

The Company has also signed up to the Women in Finance Charter. This charter is a commitment by HM Treasury and signatory firms to work together to build a more balanced and fairer financial services industry. The Charter was introduced following the 'Empowering Productivity' report into harnessing the talents of women in finance. The Company will also undertake activity-based targets such as running Inclusive Leadership programmes for all people leaders; conducting a review of our recruitment process; establishing gender related reporting; and a review of existing policies to enhance diversity and inclusion.

## **Recruitment**

The Company is an equal opportunities employer. Recruitment decisions are based upon the match of the individual's competencies, skills and knowledge to the requirements of the role. A variety of selection methods are used for both internal and external recruitment including assessment centres, competency-based interviews and psychometric tests. Offers of employment are made subject to satisfactory completion of pre-employment checks, which include verification of reasons for leaving past employers, qualifications and honesty.

All roles are assessed and provided with job specifications. These detail the purpose of the role, key accountabilities, selection criteria and competencies required. The recruitment process is designed to ensure the most suitable candidate is selected and also to highlight any additional training required in order to ensure the person is competent and remains competent for that role.

## **Career Development**

The Company recognises the importance of career development and progression. To assist in this a performance management process is employed. This process:

- ensures the employee has a clear understanding of what is expected of them;
- enables the employee to monitor their performance against the requirements for their role;
- provides a fair and consistent way of measuring the performance of all staff;
- helps identify any training needs;
- helps identify how employees can maximise their potential;
- enables employees to discuss their aspirations for the future; and
- influences salary and bonus payments.

Succession planning is performed annually following the performance review process. Individuals establish a Personal Development Plan with their manager each year as part of the Performance Management Process. Formal, informal (coaching etc.), computer based and on-the-job training is then provided to meet individual training needs and in fulfilment of best practice and legislative requirements.

The Company has a Performance Management Process in place, which appraises employee's performance by consideration of target achievement and leadership behaviour. In order to ensure all employees, have a clear understanding of expectations, an individual target agreement is drawn up for every employee at the beginning of the year as part of the Performance Management Process. Achievement of the targets is appraised informally throughout the year in feedback meetings with the line manager and is formally assessed in the performance review process, which takes place at the end of the year.

## **Training**

It is the policy of the Company that all employees are trained and developed to satisfy the statutory, regulatory and professional requirements expected of their role. Training and development is ongoing and monitored to ensure required levels of knowledge are achieved and maintained. Training is planned to ensure that it is received at the appropriate times and the Company offers a full range of remote training opportunities for employees to avail of. Training on legal and regulatory requirements are provided to all relevant personnel. Records are retained of all training undertaken; future training required by an employee is captured as part of the portfolio process.

All roles are assessed and provided with job specifications. These detail the purpose of the role, key accountabilities, selection criteria, and competencies required. The recruitment process described above is designed to find the most suitable candidate to match the specification and highlight any

additional training required to ensure the person is competent and remains competent for that role. Additionally, in the case of internal staff, the job specification can ensure that other employees are sufficiently trained to be competent in another role to ensure the Company has adequate cover should there be peaks in the business or staff absence.

## **Remuneration**

It is a stated aim of the Company to reinforce the connection between performance and reward and this makes the merit principle a fundamental value in our corporate culture. Remuneration is intended to promote the personal performance of every employee including members of the Board and its Committees. All employees receive a base salary, have access to a range of flexible benefits, and are eligible for a bonus payment on an annual basis to promote personal performance, collaboration and the assumption of entrepreneurial responsibility.

Market benchmarking data is used every year and determines the salary ranges for different roles. All employees have an element of performance related remuneration or variable pay (e.g. personal bonus, company bonus etc). The bonus is based on personal achievement and achievement of the targets of the Company as a whole, a large percentage based on Company targets and a lesser amount based on BMW Group targets.

## **Stakeholder Engagement Statement**

Stakeholder engagement is important to the Company and the BMW Group as a whole. The BMW Group operates in a highly connected environment. The Company's products and services are used extensively throughout the UK and the Company attracts interest from, and are interested in, a diverse group of stakeholders.

The Company highly values regular exchange with the stakeholders. The views, decisions and actions of the Company's stakeholders have a considerable impact on the business.

## **Customers**

One of the key pillars of Alphabet's strategy in the UK is a customer driven approach, which channels all customer experience initiatives and innovations under the mantra: 'putting the customer at the heart of everything we do'.

These programmes have been driven by customer feedback and insights generated by a number of feedback loops, including NPS and Quality Assurance Programmes, such as the 'Customer Committee' which ensures outstanding customer care is a strategic priority and the 'Voice of the Customer' is prominent during executive decision making. Alphabet is a member of the Institute of Customer Service who are working with the Company on an 'Effortless Experience' programme, as well as helping to benchmark the Company's performance beyond the finance and mobility industry.

Today's fleet leasing and mobility sector serves a hugely diverse customer base with very different needs and expectations, so it is vital that the Company understands these and offers tailored products to meet customers' precise demands.

The Company recognises the importance of treating customers fairly and appropriately at all times. The Senior Management Team is committed to developing a customer driven business, ensuring that all customers are treated in accordance with applicable laws and regulations including the FCA Consumer Duty, and in accordance with the standards of the Company.

## **Suppliers**



Alphabet provides a wide breadth and depth of funding, fleet management and mobility solutions to a wide range of customers - from individuals, sole traders and SMEs through to public sector organisations and large corporates. In order to be able to provide this range of products and services to a broad spectrum of customers, Alphabet works in close partnership with third party suppliers across all aspects of the relationship and value chain - from initial vehicle supply and procurement with retailers and partners, through to 'in life' fleet management (such as breakdown, service and maintenance or tyre/glass replacement) and ultimately asset remarketing and disposal operations.

Alphabet and the BMW Group have dedicated procurement and supplier management functions and procedures in place which are responsible for performance and quality management, as well as regular competitive tendering to ensure 'best in class' supplier network.

## **Government, Regulators and Trade Bodies**

The Company is authorised and regulated by the Financial Conduct Authority, and registered with the Information Commissioner's Office. The Company has an open and cooperative relationship with regulators, and proactively engages with them, to both understand what regulators seek to achieve through proposed regulatory changes, and to provide feedback as to how this can best be achieved in a proportionate way, avoiding any unintended consequences where possible.

The Board prioritised compliance with the FCA's Senior Management and Certification Regime. Measures undertaken included training of all relevant staff on the requirements of the FCA's Conduct Rules, additional training for those Associates defined by the Company as 'Certified Individuals' and for those holding Senior Management Function designation, including all Board members. 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.

The Company engages with its regulators both at an industry level through trade associations for example the Finance and Leasing Association ("FLA") and at an operational level.

## **Community and Charity**

Corporate Social Responsibility is important to the Company, and it undertakes many initiatives in this area. The Company organised many fundraising events throughout the year with its own "Charity Champion" group comprising of employee volunteers.

The Company's employees regularly complete volunteering opportunities, 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 the local community in need. The Company also supports a British Heart Foundation Clothes Bank to raise money for the Foundation and this has been a long-standing relationship. The BMW Group has a long-established commitment to supporting education across the UK through BMW Education <https://bmweducation.co.uk/>. The programmes are informative, engaging, and accessible to everyone free of charge.

The Company also actively supports Ben, the Motor and Allied Trades Benevolent Fund. Ben is the charity dedicated to supporting the people of the automotive industry, providing support for life for them and their family dependents. The Company regularly participates in fund raising events and invite Ben to run on-site support sessions to promote their services to the Company's employees.

## **Environmental Matters**

As part of the BMW Group, sustainability and environmental care continue to be firmly embedded in the Company's culture and corporate strategy. The Company places sustainability and environmental responsibility at the heart of its supply and value chain.

As a leader in the fleet and mobility industry, the Company recognises it has an important role to play in the protection of the environment and sensible management of limited natural resources. Consequently, sustainability runs through all aspects of the business, from energy-saving, recycling and resource-sharing policies in Alphabet offices, employee orientation and social commitment, supplier chain responsibilities and ultimately flowing into the products and services that the Company brings to its customers.

Delivering a more sustainable approach to mobility is a key part of Alphabet's proposition to organisations and business fleets, providing funding, fleet management and mobility solutions which create effective ways to reduce fuel consumption and CO2 emissions for fleets. As a result, the Company is one of the UK's leading providers and proponents of ultra-low and zero emission vehicles for fleets.