

# Alphabet (GB) Limited

## Corporate Governance Statement

This report comprises the Corporate Governance Statement for Alphabet (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 a wide range of mobility solutions to customers through several distribution channels in the United Kingdom (“UK”). Its mobility solutions include vehicle funding and other associated products and services.

The Company’s strategy is based on BMW AG Strategy called “Strategy Number One > Next”. As part of “Strategy Number One”, the Company will actively shape and define the transformation to a technology company for premium mobility and services. As a driver of innovation BMW AG and the Company is playing a leading role in the automotive industry of the future. Digitalisation opens up new opportunities to take individual mobility to the next level - electric, connected and autonomous.

Strategy Number One > Next means a vision to shape tomorrow’s individual mobility with a strategic approach of leveraging innovative technologies, digitalisation and sustainability to deliver unique customer experiences and offer the best solutions to the individual customers’ mobility needs. It also means having a competitive advantage by having the most emotional products, attractive services and having a corporate culture to create the future with operational excellence.

The Company’s vision has been developed to provide a framework which engages employees to deliver the best outcomes for the Company’s shareholders, employees and customers.

### **Culture**

The Company’s culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to the Company’s business activities and an important condition for securing long term success. The Company’s primary goal is to avoid risks which could jeopardize the trust which customers, shareholders, business partners and the general 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. It has a customer centric philosophy with transparent, fair and simple processes. The Company’s policies are designed to support the Company culture with guidelines cascaded from the ultimate parent, BMW AG.

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 associates 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 business briefings.

### **Board Composition**

The Board of the Company consists of two statutory directors, being Nick Brownrigg, the Chief Executive Officer (CEO), Stefan Oswald, the Chief Financial Officer (CFO) (both locally based in the UK).

The board of Company consisted of three statutory directors for the period 1st January 2019 to 1st September 2019. John Chuhan, Chief Risk Officer (CRO) resigned as a Director on 1st September 2019.

The Board combines global experience inside and outside the BMW Group in different business areas 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 Executive Management Committee and five other Committees. The Executive Management Committee which meets bi-weekly manages the Company's business. The Executive 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;
- Manage company's risk;
- Ensure employee engagement and change management initiatives are designed to achieve strategic objectives;
- Promote 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;
- Approve strategic objectives, initiatives and long-range planning in line with our parent company, BMW AG;
- Ensure that the necessary financial and other resources are made available to ensure objectives are achieved;

- Monitor progress towards achievement of strategic objectives; and
- Ensure organisational and structural changes are carried out in line with strategic objectives;
- Operate 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 Executive Management Committee have delegated appropriate matters to: a Local Credit Committee, National Risk Committee, Commercial Committee, Operational, Projects & Change Committee and Compliance Committee (the “Sub-Committees”). Sub-Committees act to work on detailed topics which would be too time consuming for the Executive Management Committee and provide appropriate challenge to the Executive Management Committee and the Board in their areas of expertise. The CEO acts as Chairman of the Executive Management Committee and with the support of the CFO and General 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, Executive 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.

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 CEO and the most senior managers in the areas of Finance, Operations, Commercial, Risk and Compliance. 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 a formalised approach with an agenda circulated in advance, minutes taken, voting rules and escalating 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 reports key matters at the Management Committee who also reviews minutes of all sub-committee minutes.

## **Sustainability**

Sustainability and responsibility for the environment is firmly embedded in the Company’s culture and corporate strategy. The Company has implemented sustainability throughout its value chain. In addition to reducing CO2 emissions the strategy focuses on achieving continuous progress in areas such as environmental protection, supply chain sustainability, employee orientation and social commitment.

Sustainability forms an important part of our Number One > Next strategy. The Company is an active participant in HM Government “Go Ultra Low” campaign.

## **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, taxation, opportunities and challenges presented by new finance concepts for mobility services such as car sharing, short term rental and subscription models.

## **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.”