



## **SECTION 172 STATEMENT:**

### **Director 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 the Company's impact on the environment. The following summarises how the Company's Board fulfils its duties under Section 172:

### **Decision Making:**

In the performance of its duty to promote the success of the company, the Board review and consider the various stakeholders referred to in the Directors report when arriving at recommended business decisions. The Board oversees the responsible management of the Company's business working to ensure it operates to the high standards of business conduct and good governance expected from the Company.

The Board fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate. Engagement with the Company's main stakeholder groups, including our customers, dealers, suppliers, employees, governmental bodies and our community are summarised on pages 9 to 11 of our Directors report within our Annual report and financial statements.

### **Employee Engagement:**

Our employees are fundamental to the success of our business. We aim to be a responsible employer in its 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 the assessment of employees' concerns and aspirations.
- Regular all employee business briefings.
- Regular announcements and video blogs updates by the CEO.

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

### **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:

- Periodic meetings between the main investors of Dealer partners and the Directors of the Company to assist investors to understand the strategic direction of the Company.
- Regular communication with the Dealer Network via our Dealernet 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 end 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 such as local MP's and authorities, community organisations and charity partners, 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.

### **Community and Environment:**

Rolls-Royce Motor Cars Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates an environmental management system in accordance with Group environmental policies and to meet the requirements of the ISO 14001 standard. The Group environmental policies are noted in BMW AG's Annual Report, a publicly traded entity on the Frankfurt Stock Exchange, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include responsible disposal of manufacturing waste, recycling and reducing energy consumption and being proactive in pollution prevention measures.

### **Culture and Values:**

The Company's 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.

The Company is focused on people, with customers being at the heart of our business, embracing diversity, flexibility, sustainability and continuous improvement throughout the organisation. The Company has a customer centric philosophy with transparent, fair and simple processes.

### **EXTRACTS:**

#### **Directors Report (pages 9-11)**

#### **Stakeholder Engagement Statement:**

Stakeholder engagement is important to Rolls-Royce Motor Cars 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 world and the Company attracts interest from, and is interested in, a diverse group of stakeholders. The Company highly values regular exchange with the stakeholders and the views, decisions and actions of our stakeholders have a considerable impact on our business. Some examples of the stakeholders that the Company engages with are referred to below.

#### **Customers:**

The Company's customers are Rolls-Royce Motor Cars' dealers, corporate customers and, occasionally, direct consumers. The Company recognises that the fair treatment of customers is central to its strategy and the continuing success of its business.

The Company operates with a global dealer network. The dealers are key customers of the Company and engagement with the network is vital to the success of the Company. There are periodic meetings between the main investors of dealer partners and the Directors of the Company to assist investors to understand the strategic direction of the Company.

The Company's strategy is based on sustainable business relationships with our customers. The Company seeks to re-invest for growth and innovation. The Company is committed to continuous development of its processes to improve the overall customer experience and loyalty.

#### **Suppliers:**

The Company and the BMW Group as a whole, perceive our global supplier network as a major contribution to value creation, quality and innovation and hence to our success. The Company's collaboration with its suppliers is based on a mutual understanding of product and production quality, security of supplies, competitive prices and innovation, as well as the continuous integration of sustainability requirements.

Suppliers have a significant impact on our sustainability performance and the sustainable development of society. It is therefore essential that our partners fulfil the BMW Group Supplier Sustainability Standard, which requires compliance with internationally recognised human rights, as well as labour and social standards.

#### **Government, regulators and trade bodies:**

The Company engages in regular exchange with HM Government and its various departments, trade bodies and industry associations. The Company also engages with local stakeholders such as MP's and authorities, community organisations, charity partners and universities and other stakeholders in academia. In dialogue with these stakeholders, the Company wishes to build trust, understand positions, identify trends as well as build on and consolidate partnerships. The Company engages with its regulators both at an industry level through trade associations for example the Society of Motor Manufacturers and Traders ("SMMT") and at an operational level.

#### **Community and charity:**

Corporate Social Responsibility is important to the Company and it undertakes many initiatives in this area.

At a corporate level, the Company supported a number of major philanthropic events globally during the course of the year. This included the 'Evelina Art for Allergy x Dine on the Line', hosted at the manufacturing plant at Goodwood, which supported allergy research at Evelina London Children's Hospital. Over £1.7 million was raised for the charity.

At a local level, the Company supports an annual House Charity, nominated and voted for by the workforce. Employee fundraising events take place throughout the year. Almost £20,000 was raised by employees for the 2019 House Charity, HomeStart Arun. Other events in 2019 to support previous house charities include evening receptions hosted for supporters of the Snowdrop Trust and Love Your Hospital.

The Company also works hard to be a good Corporate Citizen, working closely with the local community. For example, the Head of Corporate Relations represents the Company at the local Parish Council meeting on a quarterly basis. Any community issues are carefully managed through the Company's Customer Relations Team.

#### **Directors Report (pages 11-13) - Employee Engagement Statement:**

##### **Workforce:**

The Board of Directors regards employee engagement as a matter of great importance with many initiatives taking place during the year aimed at improving the Board's understanding of the employees' views and interests as well as improving the employees' understanding of the Company's performance.

We invest in training, coaching and skills acquisition to ensure the required knowledge and behaviours are aligned with the Company's strategy and values as it is important for our employees to feel connected to the Company's purpose.

Through regular Business Briefings conducted at the Company's Goodwood site in Chichester, West Sussex, the Company seeks to ensure our purpose and the important role employees' play in it is clearly communicated. Our Board of Management and our Senior Managers attend these briefings with the workforce together and

constantly review the way in which information is provided to ensure engagement with our employees. The briefings give employees a platform to raise questions and make suggestions to the Board and senior management team. There are a range of other regular dialogue opportunities with employees, for example: monthly 'Talk to the CEO' meetings, 'Leadership In-dialogue' sessions, regular production forums and other departmental team forums and workshops.

The Company operates a Company Council, which provides a two-way communication process, involving and engaging employees through consultation and 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 for change.

In the Financial Year, employees were invited to participate in an online global BMW Group Employee Survey which helps the Company to assess employees' concerns and aspirations. The key aspects of the survey relate to leadership, team, strategy, processes, and culture and employer attractiveness

### **Diversity, Inclusion & Wellbeing:**

Through the application of the Company's Diversity and Inclusion Policy, the Company aims to ensure everyone is treated fairly and equitably. The Company uses regular communication and education to continuously build an inclusive culture amongst its workforce, minimising discrimination and promoting diversity including disability.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event an employee becomes disabled, every effort is made to ensure that their employment with the Company continues and that appropriate adjustments are made. It is the policy of the Company that the training, career development and opportunity of disabled persons should, as far as possible, be identical with that of other employees.

In the Financial Year a number of Diversity and Inclusion activities were coordinated by the Company. For example:

- "Connect", which is an employee led collection of networking groups aiming to bring like-minded individuals together.
- "Be The Change" programme participation- providing business mentoring within our local schools and community.
- Health and wellbeing – in particular mental health through Mindfulness training, adult mental health first aiders, and 24-7 counselling. Macmillan Neighbour support is also available to support those suffering or caring for someone with cancer.

### **Recruitment:**

The Company has approximately 1300 employees. Recruitment decisions are based upon a robust selection process, where an individual's competencies, skills and knowledge are assessed against 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 as part of our interview and integrity checking processes.

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.

### **Remuneration:**

The Company's pay and benefits landscape and working environment mean it is viewed as an attractive employer, which is also supported by very low absence rates and attrition levels. All employees receive a base salary and are eligible for a bonus payment on an annual basis to promote personal performance, collaboration and the assumption of entrepreneurial responsibility. The bonus is based on personal achievement and achievement of the targets of the Company as a whole, 70% based on Company targets and 30% based on BMW Group targets. A Flexible benefits package becomes available at a defined level within the Company.

Additionally, all employees are actively encouraged to participate in the Company's Continuous Improvement Programme which is designed to reward employees for their ideas which drive quality, cost, environmental and customer improvements for the business.

### **Career Development:**

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

- 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.