



SECTION 172(1) STATEMENT:

(From the Strategic Report of the *2023 Annual report and financial statements*, pages 9-11)

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.

The Board periodically receives guidance and training from the Company's in-house legal on the role of being a director of a UK company which included a reminder of their statutory duties as a director, in particular their duty under section 172 of the Companies Act 2006.

Executive officers and senior management continued to meet frequently, continually monitoring production, sales and liquidity developments as well as broader corporate governance topics, 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 reviews and considers 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 clients, dealers, suppliers, employees, governmental bodies and our community are summarised in the Company's Stakeholder Engagement Statement.

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 2023, the following activities were undertaken:

- Regular all employee business briefings.



- Regular announcements and video updates by the CEO.
- Updates to the employee App which provides confidential access to individual personal data such as payslips and the ability to read BMW Group news.
- In-dialogue sessions with the Board to continually inform associates of up to date business status and allow two-way communication.
- Employee engagement survey conducted to gather feedback and opinions about employment with the Company.

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

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 2023 examples included:

- Periodic meetings between the main investors in Dealer Partners and the Directors of the Company to provide investors with guidance on the strategic direction of the Company.
- Regular communication with the Dealer Network via our Retailer Hub Portal to ensure our dealers are kept up to date and informed.
- Annual review of the Dealer Network Strategy and Retail Standards to ensure our Dealers understand our representation requirements
- Ongoing communication with our suppliers to sustain the good 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 clients' desires 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 MPs and authorities, community organisations and charity partners, to build trust, understand positions and 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 below.

Community and Environment:

The Company 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, 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 our clients being at the heart of our business. We embrace 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 positive cultural change and to ensure the Company's corporate strategy and customer orientation principles and values are understood across the organisation.

Stakeholder Engagement Statement

(Extract from the Directors Report of the *2023 Annual report and financial statements*, pages 13-14)

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 include dealer partners, corporate customers and direct clients. 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 business partners 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 provide investors with guidance on the strategic direction of the Company.

The Company's strategy is based on sustainable business relationships with customers. The Company seeks to re-invest for growth and innovation and 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 contributor 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 local level, the Company supports an annual House Charity, nominated and voted for by the workforce. Employee fundraising events take place throughout the year. During 2023, Rolls-Royce Motor Cars' staff raised over £27,000 for Sophie's Legacy, a children's cancer charity which works to improve hospital services, facilities and care provision for children and their families. Funds were raised through a variety of activities, including a pop-up market where Apprentices sold exquisite handmade leather goods and other items to colleagues from across the company.

The Company also works hard to be a good Corporate Citizen, working with local authorities, the community, associations and schools. For example, the Head of Corporate Relations works closely with the local Parish Council, providing reports for the Council's monthly meetings.

Employee engagement statement:

(Extract from the Directors Report of the *2023 Annual report and financial statements*, pages 14-16)

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 employees' views and interests, as well as improving employees' understanding of the Company's performance.

The Company invests in training, coaching and skills acquisition to ensure that 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.

Business Briefings are conducted at the Home of Rolls-Royce Motor Cars, West Sussex and remotely where necessitated by the Company's approach to working. During these Briefings, the Company seeks



to ensure that our strategic direction, performance indicators and the important role employees play are clearly communicated. Our Board of Management and Senior Managers attend these briefings with the workforce and constantly review the way in which information is provided to ensure meaningful engagement with our employees. The Briefings also provide employees with an opportunity to raise questions and make suggestions to the Board and senior management team. During the year, more informal on-line dialogue sessions with the Board were held, to continue the important information flow and two-way dialogue. There are a range of other regular dialogue opportunities with employees, for example: monthly 'Talk to the CEO' meetings, regular production forums and other departmental team forums and workshops.

Digital communication solutions continued to be used during the year. Our employee app provides access to elements of personal data such as payslips and enables easy visibility of Rolls-Royce Motor Cars and Group news.

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. The Company Council membership is reviewed to ensure it reflects the needs of the people it represents and the growth and diversity within our workforce.

All employees had the opportunity to participate in a Group wide employee engagement survey, which looks at the key components of a High Performance organisation and offers the employer an opportunity to reflect on this through the views of its employees. This is a valuable tool to shape actions and activities to continually improve Rolls-Royce Motor Cars as a place to work, a place to grow and a place to contribute and be part of success.

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.

Applications for employment by disabled persons are considered fully, bearing in mind the personal circumstances 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 to that of other employees.

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

- We encourage collaboration from different people across the business. Different employee network groups recognising both diversity characteristics and representation interests have been formed and grown. These groups have mentors from our board of directors who support them in advocating for their network and supporting people to be their authentic selves at work.
- Guest speaker events providing insight on challenges and progress on issues across the Diversity & Inclusion spectrum.



- Creation of employee centric spaces that provide privacy and facilities for employees to focus on their needs at any given time.
- Celebration of recognised dates from the international Diversity and Inclusion calendar.
- Training initiatives to support learning and understanding around Diversity, Equity & Inclusion, and unconscious bias.
- Blended working principles have been further developed, allowing teams to agree the best way to work and collaborate together and achieve business success in flexible ways.
- Formation of an educational forum partnering with Universities, Colleges and Schools in the local area to collaborate on initiatives raise STEM career awareness and engagement with students.
- “Dare To Dream” programme participation providing business mentoring within our local schools and community.

We also encourage and promote conversations about mental health and physical wellbeing within our workforce. Through a diverse range of services and benefits such as BEN (an automotive charity), an employee assistance programme, access to a mental health app “Thrive-mental wellbeing”, occupational health and adult mental health first aiders. The Company has 27 trained adult mental health first aiders across the business. Macmillan Neighbour support is also available to support those suffering or caring for someone with cancer.

Recruitment:

The Company has approximately 1,750 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 virtual 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 have clear job descriptions which are regularly reviewed. 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 to highlight any additional training required in order to ensure the person is, 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, are eligible for a bonus payment on an annual basis to promote personal performance, collaboration and the assumption of entrepreneurial responsibility and access to a market leading pension scheme. The bonus is based 50% on personal achievement and 50% on attainment of the targets of the Company as a whole. Bonus attributable to Company performance is based 70% on Company targets and 30% 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, sustainability and customer improvements for the business.



Career Development:

The Company recognises the importance of career development and progression, this is supported by the Performance Management Process. 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 are encouraged to establish a Personal Learning and Development Plan with their manager each year as part of the Performance Management Process. A full review of learning opportunities identifies the best options which are taken to ensure individual needs are met and in fulfilment of best practice and legislative requirements.

The Company's Performance Management Process 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, which takes place at the end of the year.