

BMW (UK) Manufacturing Limited

Section 172 Statement

Director's 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 its impact on the environment. The following summarises how the company's board fulfils its duties under Section 172:

Decision making

The company's strategy allows it 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 it reaches its long-term objectives;
- Preparation for different Brexit scenarios, especially review of logistics routes to ensure it is fully set for business post-Brexit;
- Review of its operational structure to ensure its organisational model remains fit for 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.

Employee engagement

The company's employees are fundamental to the success of the business. The company aims to be a responsible employer in its approach to the pay and benefits of employees. The health, safety and wellbeing of its employees is one of the primary considerations in the way the company does 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.
- Associate communication events held at the start and end of each year.
- Quarterly management briefing, where the company's directors present and are available to answer any questions.
- Regular internal and external messages are communicated clearly and effectively to target audiences via the most appropriate channels.

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

Business relationships

The company is fully committed to effectively engage with all of its stakeholders. The company operates in a highly connected environment; the views, decisions and actions of stakeholders have a considerable impact on the business. Therefore, the company's success depends on its ability to engage and work together effectively and constructively. In 2019 examples included:

- Ongoing communication with the company's suppliers to develop deeper relationships with companies in the company's supply chains as well as develop strategic relationships with key suppliers.
- Regular exchange with HM Government and its various departments, UK 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.

Community and environment

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

The company also recognises the relevance of leading the company in such a way that it contributes to wider society. In 2019, the company is proud to continue its support of numerous charities and community projects as part of its corporate social responsibility, an area that the company takes very seriously. Below are some of examples of its 2019 actions:

- Organisation of many fundraising events throughout the year with its own "Charity Champion" group comprising of employee volunteers.
- Encouragement of its employees to volunteer in their communities. In 2019, the company's employees have completed hours of volunteering, supporting the local community, including supporting local initiatives.

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

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 is focused on people, with customers being at the heart of its 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

Corporate Governance Statement

This report comprises the Corporate Governance Statement for BMW (UK) Manufacturing 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 during the financial year.

Purpose, Strategy and Values

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 jeopardise 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 five 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 an 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.

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 the company's Number One Next strategy. The BMW Group product range will include 25 models which are either plug in hybrid electric vehicles or battery electric vehicles by 2023. The company is an active participant in HM Government "Go Ultra Low" campaign.

Board Composition

The board of the company consists, as of 31 December 2019, of two statutory directors, being Dr. Peter Weber, the Chief Executive Officer (CEO) and Jeremy Stoyle, the Chief Financial Officer (CFO).

Committees of the Board

The company is managed by the board, its management committee and 9 other committees. The management committee which meets every week manages the company's business.

The management committee works to:

- Ensure compliance with laws and regulation;
- Manage the 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;
- Ensure organisational and structural changes are carried out in line with strategic objectives;
- Monitor progress towards achievement of 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 management committee have delegated appropriate matters to: a programme circle, plant strategy & planning circle, production system circle, business strategy circle, new model working group, plant quality circle, people strategy circle, safety steering circle, and a project Brexit steering circle.

Sub-committees act to work on detailed topics and provide appropriate challenge to the management committee and the board in their areas of expertise. The CEO acts as chairman of the management committee and with the support of the CFO, who oversee the efficient and effective operation of the company's board and its committees. This includes consideration of the size and structure of the board, 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. 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 corporate 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, CFO, and the most senior managers in the areas of the manufacturing operation: painted body, assembly and logistics and quality. In addition they are supported by head of human resources and head of communications. 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.

Each committee has its own terms of reference and a formalised approach with an agenda circulated in advance, minutes taken, voting and quorum 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 to the management committee who also reviews minutes of all sub-committees' minutes.

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 consumer behaviours, regulation, buying patterns, opportunities and challenges presented by new technologies introduced in our product offering, such as battery electric vehicles and plug in hybrid vehicles.

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.

The company has a risk function which focuses on managing day-to-day risks impacting the business and is responsible for defining risk management methodology. Risks are monitored and managed at an operational level through the risk and compliance committee. There are clear roles and responsibilities within this risk management system set out in the company’s risk management policy.

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. All policies are approved by the risk and compliance committee.

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.

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 the company’s corporate culture. Remuneration is intended to promote the personal performance of every employee including members of the board and its committees. Market benchmarking data is used every year and determines the salary ranges for different roles. Further details on how the company remunerate its workforce are contained in the Employee Engagement Statement in the Directors’ Report.

Stakeholder relationship and engagement

The company works closely with its stakeholders including its suppliers, regulators, government and trade bodies; the local community; charities and more particularly its workforce.

The company recognises that the fair treatment of all its stakeholders is central to its strategy and the continuing success of its business. Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors’ Report and with regard to its other stakeholders in the Stakeholder Engagement Statement in the Directors’ Report.

Employee Engagement Statement

Workforce

Our workforce is our most valuable asset. We invest in training, development, coaching and skills acquisition to ensure the required knowledge and behaviours are aligned with the company’s strategy and values. It is important for our employees to feel connected to the company’s purpose.

Through associate communication events held at the start and end of each year we seek 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 employees.

Our communications department is responsible for corporate and associate communications for Plants Oxford, Swindon and Hams Hall. The team works in close co-operation with colleagues in all technologies and on other BMW Group sites to ensure that internal and external messages are communicated clearly and effectively to target audiences via the most appropriate channels.

Communication briefings at a local level give employees a platform to raise questions and put suggestions to the senior management team. In the financial year employees were invited to participate in an online Global All 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.

The company have in place a Recognition Agreement with the signatory Trade Union (currently Unite the Union) where a working culture will be encouraged, via training and development which promotes communication, minimises barriers, and invites a high level of involvement and results in a close partnership between the company, its associates and the trade unions.

The company accepts that the signatory trade unions have the exclusive right and responsibility to represent all non-management Associates in relation to salaries and other terms and conditions of employment.

The company and trade union recognise the Plant Joint Committee (the PJC) as the 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 company, in collaboration with the PJC and Senior Management Team, guides the cultural development of our plants and aims to make it a successful and happy place to work in. It does this through living and breathing the five core values of responsibility, appreciation, transparency, trust and openness.

Diversity and Inclusion

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.

In the financial year a Diversity and Inclusion Survey was carried out by the company. The survey raised awareness of the initiatives and the various diversity and inclusion focus groups there are across our plant. The ethos of diversity and inclusion means the company is very supportive of individuals to achieve their full potential regardless of physical ability.

Examples of initiatives that the company is working on include: Supporting an accessible plant; 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 LGBT community. The company was represented at the PRIDE parade in London this financial year.

The survey also looked at culture and ethnicity. The company is looking to create more awareness around BAME and engages with external organisations to benchmark and see how their network groups are supporting this issue. The company has a focus group called "Minds Matter" which brings together passionate employees from the BMW community who seek to drive cultural change surrounding issues of mental health.

Recruitment

The company is an equal opportunities employer of around 4000 staff. 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 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 regularly at a senior level, locally within each department and 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 multiple Performance Management Processes in place, which appraises employee's performance either as individuals or as a team by consideration of target achievement and leadership behaviour. In order to ensure all employees have a clear understanding of expectations, an individual/team 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 in order 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.

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 also 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.

Training is planned to ensure that it is received at the appropriate times. 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 personal development process.

Remuneration

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. 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.

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. BMW Group products and services are used extensively throughout the UK and it attracts interest from, and are interested in, a diverse group of stakeholders. The BMW Group highly values regular exchanges with the stakeholders. The views, decisions and actions of stakeholders have a considerable impact on the business. Some examples of the stakeholders that the company and the BMW Group engages with are referred to below.

Employees

Our employees are the foundation of our success. Their professional qualifications and commitment are outstanding. In return, we offer attractive jobs, comprehensive opportunities for personal development and the opportunity to gain further qualifications.

Further details on how the company engages with its workforce are contained in the Employee Engagement Statement.

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. Our collaboration with our 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 our 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, UK and international NGOs, trade bodies and industry associations as well as 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.

The company is represented at the SMMT through working groups on various topics affecting the automotive industry for example on type approval, Brexit and Worldwide Harmonised Light Vehicle Test Procedure ("WLTP"). At an operational level the

company interacts with regulators such as the DVSA on vehicle safety and the recall process and with the VCA on topics such as vehicle standards, type approval and environmental labelling.

Community and Charity

Corporate social responsibility is important to the company and it undertakes many initiatives in this area.

The company made donations to UK charities amounting to £10,499 (2018: £13,500). The company organised many fundraising events throughout the year with its own "Charity Champion" group comprising of employee volunteers.

Associates are also able to contribute via monthly wage deduction in to the 'Associate Charity Fund' which is a company and trade union collaboration. The fund ensures that contributions received are split across a number of local charities within the area each year.

The company's employees have completed hours of volunteering and charitable work in the local community and our Plant is proud to support local initiatives such as the Cowley Road Carnival.

The BMW Group has a long-established commitment to supporting education across the UK through BMW Education. The programmes are informative, engaging and accessible to everyone free of charge.