

## STRATEGIC REPORT

### Section 172 Statement

The Company is a joint venture with 50.01% of the share capital being held by Santander Consumer (UK) plc, a subsidiary of Santander UK plc (the Santander UK group's ring-fenced bank). 49.99% of the share capital is held by Volvo Car Corporation AB Sweden. The shareholders' investments are represented equally by four members from each group, with all decisions requiring unanimous approval.

The day-to-day management of the Company is delegated to the senior management team (SMT) who are employees of the Company or seconded from one of the shareholder groups. The SMT are responsible for business performance, the delivery of the strategic objectives of the company and managing VCFSUK's business wide risks. The performance targets and the strategic objectives are agreed annually by the VCFSUK Board as part of the annual business planning process, as is the risk appetite for each of VCFSUK's business wide risks. The Board members review progress on a quarterly basis in each of these areas to ensure that VCFSUK is meeting the needs of customers, partners, employees as well as making a sustainable return for shareholders. Decisions are taken with the best interests of all stakeholders considered.

The information given below summarises how the VCFSUK Directors act in good faith and promote the success of the company for the benefit of its members as a whole:

### Performance Targets

The Directors consider it important to understand the company's performance in relation to the market and the performance of its partners. Regular reporting is provided across all areas of the business enabling investment and resources to be directed as appropriate. Whilst performance measures are set in line with the long-term objectives of VCFSUK, all decision making will consider the wider stakeholder groups at all times.

### Strategic Objectives

As the Company is still in its infancy as an organisation the strategic objectives fall into two clear areas – becoming an effective partner to our OEM brands within the current business model whilst at the same time developing the financial products and operational effectiveness to be able support them in the future as their business models change. This increasingly involves direct sales routes delivered to consumers remotely through digital channels.

The strategic objectives within these two areas can be summarised as follows:

#### Current Business Model

##### Business Optimisation:

Focusing on maximising business opportunities for the Company from the traditional business channels of OEM and Retailer introduced business, through understanding the customer needs and optimising the commercial and risk parameters linked to a clear focus on sales process effectiveness.

##### Customer Retention:

Customer loyalty and retention is key to the success for VCFSUK and its OEM partners. In this area VCFSUK focus is on improving our customer contact strategies and processes as well as ensuring the customer proposition is fit for purpose and fair to the customer.

##### People Development:

The above will be delivered if VCFSUK employs the right people, develops the necessary knowledge and skills and provides the appropriate direction and focus. This will be achieved by focusing on engagement and empowerment coupled with the appropriate training and development environment.

#### Future Business Model

##### Channel Development:

As the OEM business model develops increasingly in the direction of direct to consumer and via digital channels the objective for VCFSUK is to ensure we are in a position to continue to be the financial services supplier of choice, helping our OEM partners drive this change. This requires very close coordination with key suppliers to ensure that appropriate solutions are available when they are needed.



## STRATEGIC REPORT *(continued)*

### Section 172 Statement (continued)

#### Business Optimisation:

As the channels to market change, VCFSUK will be nimble and adaptable to ensure that it can maximise the new and emerging opportunities.

#### People Development:

The personnel strategy for the organisation will continue to focus on recruiting and retaining people with the ability to adapt to and lead the changing nature of the automotive finance services business, facing out to our customers, OEM partners and key suppliers. Continuous engagement, empowerment, training and staff wellbeing will continue to be a fundamental bedrock of our corporate philosophy

#### Stakeholders:

Apart from the two shareholder companies, the SMT recognise that there are various stakeholders that are important to VCFSUK as an organisation. These stakeholders are:

##### *Retailers and Customers*

Since the commencement of business, the SMT has endeavored to communicate regularly with the retailer network of our OEM partners. In addition, during the period, the company ran a number of training courses for the network as well as various surveys to monitor satisfaction with the processes and support provided to them; the output from these surveys form a significant input into various process improvement initiatives being considered by the Company.

All these initiatives go a long way in ensuring that we have an input into the customer experience including ensuring that they are treated fairly.

##### *Suppliers*

We recognise that quite a number of our customers are small businesses and do what we can practically do to ensure that we are considerate and fair in our dealings with them including ensuring that we conform to invoice payment terms.

##### *Employees*

The Company considers that employees are its greatest resource and tries to employ the right people while recognising the need to develop the necessary knowledge and skills to support our customers as well as enhance the career of our employees. Towards this end, during the period, every employee had access to a suite of training programmes some of which were made mandatory.

In recognition of working during the Covid pandemic, the company encouraged working from home and ensured a safe working environment with appropriate social distancing and screens to ensure employees were protected if they did come into the office.

##### *Community and the Environment*

In addition to the above, VCFSUK recognises the community initiatives and green initiatives of both shareholder companies and where appropriate gets involved in or adopts the policies where practicable. For instance, the company follows all recycling initiatives run by Volvo Cars UK and is mindful of the environmental impact of our sourcing policies.

#### Risk Appetite

The Board of Directors approved VCFSUK's Risk Appetite and the Risk Framework on the commencement of business and will review and approve on an annual basis.

The Risk Appetite metrics cover different kind of risks to ensure high standards are maintained across all risk areas. These include but are not restricted to Credit, Liquidity, Residual Value, Concentration, Anti Money Laundering and Capital.

The different risks are managed on a day-to-day basis through various committees, as set out in the risk charter and reported to the Board of Directors to have the appropriate oversight and to take any action as may be needed.

The management of risks, both in terms of setting an appropriate appetite level and monitoring the performance accordingly enables the Board of Director's to have confidence that VCFSUK is maintaining a high standard of business conduct.

#### Streamlined Energy and Carbon Reporting (SECR)

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds criteria of "Large company".



## STRATEGIC REPORT *(continued)*

### Principal risks and uncertainties facing the Company

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible are detailed below.

#### *Operational risk*

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Company. An independent central operational risk function (Enterprise and Operational Risk) has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas (coordinated by IT and Operational Risk) to ensure consistent approaches are applied across the Company. The primary purpose of the framework is to define and articulate the Company-wide policy, processes, roles and responsibilities. The framework incorporates industry practice and regulatory requirements.

The day-to-day management of operational risk is the responsibility of business managers (line 1) who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function (line 2) ensures that all key risks are regularly reported to the Company's risk committee and Board of Directors.

#### *Conduct risk*

Conduct risk is the risk that our decisions and behaviors lead to a detriment or poor outcomes for our customers and that we fail to maintain high standards of market integrity.

We consider conduct risk as part of the governance around our key business decisions. To support this, our conduct risk framework sets out how we manage the risk. It includes:

- Key roles and responsibilities
- Our approach to risk culture and remuneration
- Formal governance, escalation lines and committee structures

#### Broader geopolitical and social risks, including invasion by Russia of Ukraine

During the course of the past two years, since the onset of the Covid-19 pandemic, a number of broader risks have evolved and may present future headwinds. These include geopolitical tensions between regions across the world, global supply chain pressures (which have already fueled inflationary pressures), stretched household finances, and emerging social unrest. These factors are also likely to play into increased localised political risk, including in the UK. The Company is closely following these developments and the potential for any material impacts which may need to be taken into consideration in its future plans and intends to take a coordinated approach with our shareholders.

On behalf of the board



For and on behalf of  
Volvo Car Financial Services UK Limited

VT Hill  
Director

29<sup>th</sup> March 2022

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