



# CORPORATE GOVERNANCE REPORT

For the financial year ending 31 December 2020  
Capital One (Europe) plc ("COEP")

# Extracts from COEP's 2020 Statutory Accounts - Strategic Report

## Section 172(1) Statement

### Background

In its oversight of the Company and decision making, the directors of the Company (the "Board") are aware of their responsibilities under section 172(1)(a) to (f) of the Companies Act 2006 to promote the success of the Company for the long term and have consideration of its relationships with its stakeholders including: customers, employees, regulators, shareholders, suppliers and the community. This statement describes how the Board encourages a culture that ensures the interests of the Company's customers, consumer advocates and regulators are central to all company decision making. It also outlines how the Board have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties under section 172. The Board was reminded of its responsibilities under section 172(1) periodically throughout the year, including through regular training provided to the Board and specific training provided to the Board by external specialists in Q4 2020.

The Company's ultimate parent is a publicly trading US company, Capital One Financial Corporation (defined in the Accounts as the "Corporation"), which maintains oversight over both the Company and how intercompany decisions may affect the Capital One Group as a whole. The Board has regard to how its activity and decisions impact the Capital One Group, and its ultimate parent, the Corporation. The Board looks to balance the Capital One enterprise ("Capital One Group" as its ultimate shareholder) mission, values and its strategic priorities with those of these key stakeholders in its oversight of the Company and in its decision making.

In 2020, the Board has ensured its decision making has had consideration to the impact of the COVID-19 pandemic and in particular has: (i) requested an increase in the regularity of updates from management; (ii) ensured customers are supported including through the adoption of government and regulator-driven support; and (iii) closely monitored the macroeconomic impact on the Company's financial position.

## **Effective decision making and long term value**

The Board is responsible for approving the Company's strategy. The Company's strategy focuses on long term success and is reviewed and approved annually by the Board. In approving the annual strategy, the Board has due regard to the impact of its decision making on the interests of its stakeholders. The Board achieves this by allowing sufficient time for consideration of all key stakeholder issues underpinning the strategy, and by fostering an environment in which challenge and debate is encouraged in order to achieve long term positive outcomes for the Company and its stakeholders collectively.

The Board monitors the execution of the Company's strategy and meets at least quarterly to review key metrics and forward-looking plans to ensure the Company is operating in line with the long term intent.

Effective relationships with the Company's stakeholders, including its employees, customers, suppliers and others, are crucial to the success of the business. For this reason, the impact of strategy and decision making on those stakeholders is a consistent consideration for the Board when performing their duties. Each Board member is also a part of the Company's leadership team, partaking in the day to day running and decision making of the business, which allows them to maintain a holistic view of decision making affecting key stakeholders.

## **The Board's approach to engagement with its key stakeholders**

The interests of the following key stakeholders are considered by the Board to be crucial to the long term success of the business:

### **Employees**

- The Board considers the Company's employees to be a fundamental asset critical to its long term success. Thus the Board robustly supports the Company's investments in the development and focus on talent. The Board prides itself on its purpose-led customer-focused culture. To help maintain

this, the views and interests of its employees are collated and monitored using various mechanisms, including regular one to ones with managers, team meetings where matters can be escalated, and employee surveys requesting feedback on various matters including: the employee experience, culture, inclusion and delivery against the Company's objectives. The Company takes the results of these surveys very seriously, prioritising making improvements to the employee experience and continued investment in a strong, purpose-led culture.

- Throughout 2020, protecting and maintaining the health and safety of employees during the COVID-19 pandemic has been a key priority for management with full support of the Board, who have overseen decisions regarding remote working and continued employee engagement and support throughout this time. The Company's Crisis Management Team have met regularly during the pandemic, and provided regular reports to the Board's Assurance and Risk Committee ("ARC").
- In 2020, the Board supported a number of employee targeted initiatives, including further enhancing the Company's culture with investment in the Company's diversity and inclusion agenda, providing a focus on the psychological safety of its employees, offering mental health support resources (such as mental health 'first aider' training), access to the ethics line and continued training and education for all people leaders. The Board passionately supports the Company's Diversity, Inclusion and Belonging ("DIB") objectives and has oversight of the Company's DIB strategy and plans, including through quarterly reporting to the Board on DIB by the member of the Board responsible for the DIB strategy. A full-time experienced DIB expert was appointed during 2020 to deepen the Company's DIB strategy. The strategy focuses on ensuring diverse representation, including achieving gender parity and a focus on racial equality. The Board supports the Company's signature of the Women in Finance and Race at Work Charters, and the Company's various employee networks to understand the needs of various less well represented employee groups.

## Customers and Consumer Advocates

- Customer interests are paramount to the strategy of every business area. All employees, including the Board, are required to have and develop a good understanding and appreciation of customer needs and circumstances. This is encouraged through forums such as call listening sessions and the Company's annual "Customer Understanding" event. Customer outcomes are monitored via quality assurance and reviews/testing by the second and third lines of defence, as well as through the engagement of third parties, as necessary, to obtain a broad and external view of market and consumer expectations. In addition, the Company carries out regular customer insight activity to inform its strategy and engagement with customers. Customer feedback metrics and performance metrics are shared regularly with the Board in order to ensure the Board is able to effectively evaluate and take into account customer outcomes when determining the strategy of the Company and in decision making.
- In November 2020 a newly formed advisory group to ARC was established, the Business Conduct Committee (whose membership and chair includes members of the Board), specifically focussing on conduct risk and the Company consistently achieving good customer outcomes. The Business Conduct Committee's role is to provide a forum for discussion, challenge to executive decision making and recommendations for action in relation to the way the Company conducts its business and takes into account the interests of its customers.
- The Board receives a report in relation to vulnerable customers on a quarterly basis, and agenda time is scheduled for discussion on this topic in Board meetings. The Company's vulnerable customer framework is designed to be embedded across all processes, and therefore is a regular consideration during Board discussions. The Company's dedicated Vulnerable Customer Team has devised a framework to evaluate ongoing changes to ensure they are fair and inclusive.

- The Company has ordinarily hosted regular consumer stakeholder forums with policy makers, and advocacy groups in order to seek external challenge and assist the Company in defining and constantly improving its approach to customer needs; however, in 2020 the ability to do so was limited.

### **Regulators**

- The Board, on a regular basis, considers relevant public policy, regulatory and legal issues and topics that could, or will, impact the Company and its customers; this includes consideration to communications from regulators, publications and market activity. The Board considers and has regard to how external engagement across this area can assist them in performing their duties. Board members, including through their wider executive responsibilities, consider and develop relationships with regulators (both in the UK and US), policy-makers and stakeholders, both directly and through industry trade bodies, including UK Finance and the Finance and Leasing Association. A primary objective of such engagement is to listen to and consider perspectives on product development and customer outcomes, as well as to explain the Company's strategy and intent where appropriate. Insight from these engagements is shared with the Board on a regular basis, for consideration in relation to future decision making. The Company is also a member of the Lending Standards Board who conduct regular reviews of customer outcomes which are provided to the Board and management.

### **Suppliers**

- The Company leverages a number of critical suppliers who have direct contact with customers and/or provide services impacting critical business processes. The majority of these suppliers are third parties which contract directly with the Company, although in some cases back office processes and systems are provided by the Corporation or through suppliers of the Corporation. The Company looks to ensure that such suppliers fully understand the culture and regulatory requirements of the Company. This is achieved through effective third party management which ultimately provides for positive relationships with suppliers allowing the desired standard of engagement with customers.

- The Board maintains a detailed awareness of key priorities and any material changes with regard to the Company's supply chain through regular Board updates on these matters. Throughout 2020, the Board members, in their capacity as senior managers of the business, have been heavily involved in day to day decision making regarding the impact of COVID-19 on the Company's supply chain and customer services providers, including those suppliers operating in foreign territories.

### **Community and Environment**

- The Board is deeply invested in ensuring the Company's positive impact on the community and the environment, through its long standing investment in corporate social responsibility ("CSR") initiatives. The Board supports decisions and activities of the CSR team, who run initiatives with community organisations and not for profit groups. This includes Business in the Community, who the Company partner with on delivery of financial education and digital inclusion programmes, sponsorship of the Sutton Scholars programme (in partnership with The Sutton Trust) and working with Age UK, who the Company has supported in 2020 to set up their COVID-19 support service. Throughout the COVID-19 crisis, the Board has supported the work that continues to take place to support young people in the community with access to technology equipment and through the provision of cooked meals.

## Extracts from COEP's 2020 Statutory Accounts - Directors Report

### Statement on Employee Engagement

See the 'Section 172(1) Statement' in the Strategic Report for information regarding how the Company has engaged with its employees in 2020.

### Statement on Stakeholder Engagement

See the 'Section 172(1) Statement' in the Strategic Report for information regarding how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company in 2020.

### Statement of Corporate Governance Arrangements

For the year ended 31 December 2020, the Company has adopted the Wates Corporate Governance Principles ("Wates Principles"). The following considers how the Wates Principles were applied by the Company throughout 2020:

#### Principle 1 - Purpose and Leadership

The Company's purpose, values and culture are articulated in a number of artefacts including the annual business objectives and the Corporation's mission (to "Change Banking For Good"), which is championed by the Board and regularly communicated to employees through business updates and other mediums. The Board has high expectations for a purpose-led customer-focused culture throughout the business, which is considered central to the Company's success. This is encouraged and monitored through various means outlined within the Company's 'Section 172(1) Statement'. Company strategy is analysed and reviewed by the Board and wider business to set the Company up to achieve long-term sustainable value.

#### Principle 2 - Board Composition

The Company's Board members represent diverse skills and knowledge, and are from various backgrounds and experiences. Each Board member is also employed as a member of the senior leadership team of the business, and therefore has detailed,

practical awareness of the way the business operates. In 2020, the Board has experienced various composition changes, with the departure of three directors, and the introduction of a new female Chair and CEO. At the end of 2020, the Company's Board was made up of four male members and one female member, all being caucasian. The Company has had female Chairs/CEOs since 2017. The Company's strategy on Diversity, Inclusion and Belonging, and commitment to the Women in Finance and Race at Work charters will seek to encourage and result in greater gender and racial diversity at all levels of the Company in the longer term.

The size and structure of the Board undergoes periodic effectiveness reviews, in order to ensure it is supporting the success of the business in the most efficient way possible. An evaluation of the Board's effectiveness began at the end of 2020 (at the direction of the Board's Chair), and will be reported to the Board in early 2021.

### **Principle 3 - Director Responsibilities**

The Company maintains key governance policies and procedures to provide clarity and reliability in the management of the business. Policies are clearly documented and user friendly, supporting management and decision making processes. The Company has various committees to assist and support with effective governance, whilst ensuring the Board and ARC maintain overall responsibility for challenge and oversight of decision-making. Robust systems and controls are in place to maintain integrity of information relied upon for the successful operation of the business.

### **Principle 4 - Opportunity and Risk**

Long term opportunity of the Company is recognised within the Company's annual strategy which is reviewed and approved by the Board each year. Short and long term opportunities to improve customer operations, performance and resilience are discussed regularly at quarterly board meetings and at other management forums. Throughout 2020, the impact of COVID-19 across all key areas of the business has regularly been reported to the Board, to

allow for agile decision making in the best interests of the business and stakeholders in the long term.

Future opportunity is balanced against the business' risk appetite, which is constantly monitored, risk mitigated and managed. Oversight of risk management is delegated by the Board to ARC (which consists of all Board members as well as key risk experts (from all three lines of defence)) with documented communication channels and risk management procedures. The Company's Strategic Report (within its statutory accounts) considers key risk categories which are monitored by ARC. There are dedicated forums for further discussion of particular risk categories such as credit risk, liquidity risk, operational risk and conduct risk.

## **Principle 5 - Remuneration**

The Company regularly reviews its remuneration structure across all levels of the business, to ensure that it is fair and appropriate, and will attract the best talent. Pay of each employee, including Board members, is subject to performance management processes, taking employee achievement and behaviours into account on decisions regarding discretionary pay increases, bonuses and progression. Performance management processes are transparent and fair, and are in turn subject to thorough monitoring to ensure appropriate application. Remuneration for all employees is managed via the Capital One Group policy which is appropriately reviewed and updated.

## **Principle 6 - Stakeholder Relationships and Engagement**

The Board contributed to a stakeholder mapping exercise during Q3 2020 which depicts the Company's key stakeholders and engagement initiatives relating to each group. The Capital One Group third party management policy ensures successful management of relationships with external suppliers that are integral to the operation of the Company. With regard to regulatory and policy stakeholders, the Company employs experts in this area in the External Affairs, Compliance and Legal teams, who prioritise awareness of the regulatory landscape and management of relevant relationships. The Company is an active member of the

major trade associations, holding positions on key relevant boards and committees at UK Finance and the Finance and Leasing Association.

The Company's Corporate Responsibility team, with oversight from senior management and the Board, maintain awareness of the external impact of the business. The Company's Green Team, focusing on sustainability, assists with shaping related decision making across the business.

With regard to workforce engagement, the Company has open channels of communication with employees in order to take their views into account when making decisions, including regular employee surveys, one to ones with managers and the company's ethics reporting line.

For more information regarding the Company's stakeholder relationships, see the "Section 172(1) Statement" within the Strategic Report.