

BMW Financial Services (GB) Limited Slavery and Human Trafficking Statement for 2019

This statement is made BMW Financial Services (GB) Limited ('BMW FS') pursuant to section 54 of the UK Modern Slavery Act 2015 ('the Act') to identify actions taken by BMW FS and the BMW Group during the financial year ending 31 December 2019 to prevent slavery and human trafficking from occurring in its supply chains and business. The statement considers:

1. BMW Group business and supply chains
2. BMW Group's approach to human rights (including slavery and human trafficking)
3. The approach of the BMW Group to eliminating slavery and human trafficking from its business and supply chain

Although not all BMW Group companies are subject to the Act, the BMW Group takes a group-wide approach to its human rights commitments.

THE BMW GROUP'S BUSINESS

The BMW Group is one of the most successful manufacturers of cars in the world and its BMW, MINI and Rolls-Royce premium brands are three of the strongest in the automotive industry today. The BMW Group also has a strong market position in the motorcycle industry and is a successful financial services provider. In recent years, the company has become one of the leading providers of premium services for individual mobility. The success of the BMW Group has always been based on long-term thinking and responsible action. We have therefore established ecological and social sustainability throughout the value chain, comprehensive product responsibility and a clear commitment to conserving resources as an integral part of its strategy.

The BMW Group production network comprises 31 production and assembly facilities in 16 countries and its global sales network extends across more than 140 countries with around 3,500 BMW, 1,600 MINI, 140 Rolls-Royce Motor Car and more than 1,200 BMW Motorcycle retailers. The BMW Group sold over 2,490,660 passenger vehicles and 165,560 motorcycles worldwide in 2019 with a workforce of 134,682 employees as at December 31st, 2019.

The ultimate parent company of the BMW Group is Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which was founded in 1916 and is headquartered in Munich, Germany.

BMW FS is part of the BMW Group, and its principal strategic role within the BMW Group is to enable customers in the UK to engage with the BMW Group's premium products and services relating to individual mobility, including BMW, MINI, and Rolls-Royce motor cars and BMW Motorrad motorcycles.

SUPPLY CHAIN

The automotive supply chain is one of the most complicated of any industry with often six to ten tiers of suppliers between a manufacturer and the source of raw materials that enter the manufacturing process. Since our network of approximately 12,000 suppliers accounts for over 70% of our value creation, it is vitally important that they safeguard social standards.

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BMW Group
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a trading name
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Company Number
01288537

Authorised and
regulated by the
Financial Conduct
Authority

The financial services segment is a partner to the sales organisation, and is represented in over 50 countries worldwide. The largest business area in the financial services segment is loan financing and leasing of BMW brand cars and motorcycles for private customers. Under the brand name Alphabet, the BMW Group has an international Multi-brand vehicle fleet business that offers loans to large customers to finance their car fleets. It also provides comprehensive management of company vehicle fleets in 19 countries. This also includes full-service solutions such as the corporate car-sharing program AlphaCity, as well as AlphaElectric, a comprehensive e-mobility solution.

THE BMW GROUP'S COMMITMENT TO HUMAN RIGHTS (INCLUDING SLAVERY AND HUMAN TRAFFICKING)

Respect for human rights is fundamental to the strategy and culture of the BMW Group and we fully endorse the United Nations Guiding Principles on Business and Human Rights (UNGP). Our long-standing value-oriented personnel policies set out our position on human rights concerning our employees. Furthermore, the **“Joint Declaration on Human Rights and Working Conditions in the BMW Group”** (endorsed in 2005 and reconfirmed in 2010) underlines and specifies our commitment to all BMW Group activities worldwide and encourages business partners to adhere to these human rights standards.

In 2018 we published the BMW Group Code on Human Rights and Working Conditions (“The Code”), which complements the existing joint declarations. The Code defines and explains how the BMW Group promotes human rights and implements the International Labour Organisation (ILO) Core Labor Conventions in its business activities. The Code is based on a due diligence process that allows us to identify relevant issues and determine actions. Applicable worldwide, the Code is valid for all BMW Group sites and business units. Its key focus is on aspects that are of particular relevance to the company and business partners.

One of BMW Group's main aspirations is to avoid negative impacts on human rights arising from our business activities throughout the value chain and it is our expectation that our business partners are as committed to respecting human rights as we are. This includes all applicable anti-slavery and trafficking laws. Amongst other measures, we fully inform our partners about the BMW Group's commitment and formalise our expectations within our supplier and retailer contracts.

The BMW Group is increasingly supportive of initiatives to standardise sustainability requirements and introduce monitoring mechanisms, for example in mining and processing critical raw materials. We see a high risk for modern slavery in these areas. The BMW Group is therefore an active member in the major networks on human rights:

- UN Global Compact – the world's largest initiative for responsible corporate leadership
- econsense – Forum for Sustainable Development of German Business
- Drive Sustainability – The European Business Network for Corporate Social Responsibility.
- Responsible Business Alliance – Industry coalition dedicated to corporate social responsibility in global supply chains.

In addition, the BMW Group participates in various cross-sectoral initiatives for example:

- Aluminium Stewardship Initiative - for environmental, social and human rights standards in aluminium production (ASI); and

- Responsible Cobalt Initiative – a framework to enable member companies to identify and address potential adverse impacts arising from their business activities related to extraction, transportation and manufacturing of cobalt.

For more information on our activities in raw materials and standardization initiatives, see our current BMW Group Sustainability Report 2019.

THE BMW GROUP'S DUE DILIGENCE PROCESS FOR HUMAN RIGHTS (INCLUDING SLAVERY AND HUMAN TRAFFICKING)

THE BMW GROUP'S BUSINESS

Our human rights due diligence approach aligns with the requirements of the UN Guiding Principles on Business and Human Rights (UNGPs). We conducted a comprehensive internal risk analysis in 2012/13 which considered the International Bill of Human Rights, our business activities and all of our stakeholders (employees, retailers/importers, suppliers, joint ventures, communities, clients etc.). Existing processes were risk-assessed, and their effectiveness evaluated during group-wide interviews with specialist units. This risk assessment identified potential human rights risks along with vulnerable groups, e.g. children or migrant workers, which are of relevance for the BMW Group. The analysis revealed that no major actions were required. This was in line with our expectations given our respectful culture and embedded due diligence procedures, training and awareness.

In 2017/2018, we reassessed our internal risk analysis using a global Human Rights Compliance Assessment, involving more than 95 % of the international BMW Group organizational units as well as BMW AG. The assessment confirmed that there are no significant weaknesses within BMW Group. However, we have identified some opportunities for further improvement, which are being addressed with the respective business units. For example from 2019 onwards we include a special section on Human Rights into our regular training program for the HR departments at our international locations. We also communicated expectations towards our employees through presentations and workshops during our Global BMW Group Compliance Day on February 28th, 2019 and our Global BMW Group Compliance Conference in July 2019.

INTEGRATING AND ADVANCING SUSTAINABILITY IN THE SUPPLY CHAINS

The **due diligence process** is at the heart of how we implement our sustainability requirements in the supply chains. As a pioneer in the automotive sector, we have made sustainability an integral part of our procurement process since 2014. The elimination of identified risks up to the start of production is a prerequisite for commissioning the supplier. Our sustainability requirements apply to all suppliers of production materials as well as service providers. The BMW Group assesses the potential human rights risks of all our 12,000 active supplier locations to achieve the highest possible level of transparency possible.

Increasing transparency and minimising risks

The increase of transparency and resource efficiency in our supply chains is based on compliance with environmental and social standards as defined in the **BMW Group sustainability standard for the supplier network**. The standard is an integral part of the application to become one of our suppliers and must be taken into account at the time of preparing an offer. In addition, all supplier agreements concluded by the BMW Group for materials required for

production as well as for materials not required for production contain specific clauses in the purchasing conditions.

These conditions are based on the principles of the UN Global Compact and the ILO and contain specifications for resource efficiency. When they sign the contract, our suppliers also commit to ensuring that their own suppliers in turn comply with these agreements. Our employees in Strategic Purchasing are responsible for sustainability topics concerning the supply chain. We use due diligence processes to monitor the implementation of sustainability standards at our suppliers.

Relevant supplier locations evaluated

In the period under review, we assessed 3,921 (2018: 4,168) nominated and potential supplier locations on the basis of the industry-wide sustainability questionnaire. Our focus is on suppliers with a large tendering volume. Therefore, the evaluation included 95% (2018: 97%) of suppliers of materials required for production with a tendering volume of more than €2 million from BMW AG, as well as 72% (2018: 80%) of new suppliers of materials that are not required for production with a tendering volume of more than €10 million from BMW AG.

Sustainability deficits were identified at 2,131 potential and existing supplier locations, for example in the area of environmental management or with regard to a human rights policy not being in place at the company in question. Corrective measures to remedy the sustainability deficits were defined for 1,317 of those cases.

In addition, 94 audits and 11 assessments were carried out by or on behalf of the BMW Group in 2019. Crucial areas of action identified by the audits and assessments have been highlighted, particularly in the areas of hazardous substance management, waste management and working conditions or occupational safety.

A total of 153 supplier locations were not commissioned because they did not meet the sustainability requirements of the BMW Group, amongst other things. We did not, however, terminate any existing cooperation in 2019. We regard this as confirmation of the success of our approach of addressing and demanding sustainability requirements early on in the procurement process.

Any **information about potential breaches** of our sustainability standards for the supply chain is processed by the Supply Chain Response Team. In addition, we have established the Human Rights Contact Supply Chain as a central contact point, which can be reached by phone +49 89 382-71230 and e-mail (humanrights.sscm@bmwgroup) to anonymously report potential infringements against social and also environmental standards by our suppliers. In the reporting period, we also launched a pilot version of a smartphone app, which enables BMW Group employees such as quality assurance engineers or purchasers to record suspicious sustainability-related matters when visiting suppliers. Our experts in the Supply Chain Response Team evaluate this information and initiate immediate measures with the supplier if required. They may also commission more in-depth analysis of the matter in question through third-party audits or BMW Group assessments should they deem it necessary to do so.

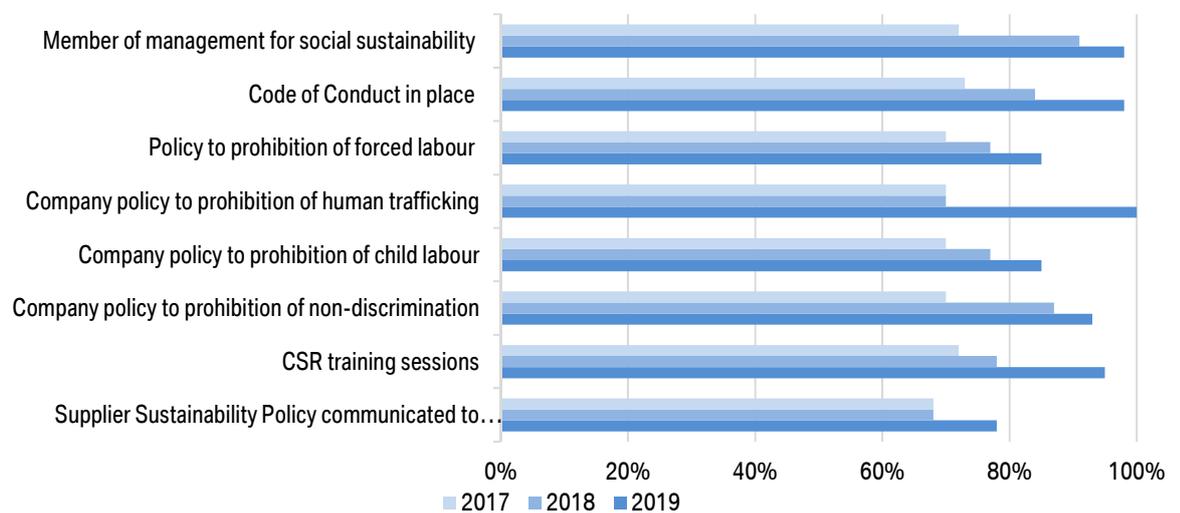
Two potential incidents involving infringements of our principles for sustainability in the supply chain were reported using the relevant channels, for example the Human Rights Contact Supply Chain, during the reporting year. These notifications concerned occupational health and safety matters. We were able to investigate and close all enquiries in 2019 before the end of the year.

MODERN SLAVERY ACT 2015

In 2016, we introduced an additional process to evaluate all high-risk suppliers for our UK-based business service activities (e.g. distribution of parts, agencies supplying non-permanent workers, suppliers of lifestyle products, and ancillary services such as maintenance, security services, cleaning services, catering services, landscaping). Based on our annual evaluation in 2019, 93 UK service suppliers were identified as high risk (2018, 106 and 2017, 116 high-risk suppliers were identified). Their sustainability performance and specifically their observance of human rights, prohibition of forced labour, human trafficking and child labour were specifically monitored and evaluated.

Among the 93 suppliers 35 (38 %) met all of the BMW-specific sustainability criteria and were able to achieve a green rating. At the end of 2019, sustainability deficits were detected for 58 suppliers (62%) and we supplemented the supplier contracts with corrective action plans and binding rules. Among those 58 suppliers, 18 are new BMW partners and therefore no sustainability rating could have been conducted so far. These suppliers will be screened within the upcoming year. Of these 58 suppliers, only 13 had UKMSA relevant deficits. The remaining 45 suppliers fulfilled all UKMSA requirements but were unable to comply with the much higher BMW sustainability standards.

Progress of high-risk suppliers in the UK (2017-2019) evaluated on UKMSA relevant aspects (in %)



Business due diligence reporting in 2019 for UK Modern Slavery Act relevant issues in the supply chain has also been conducted for tier1 suppliers in high risk countries like India, Thailand, Mexico, China and Turkey. These countries represent important sourcing markets for the BMW Group and have an increased risk of human rights abuses.

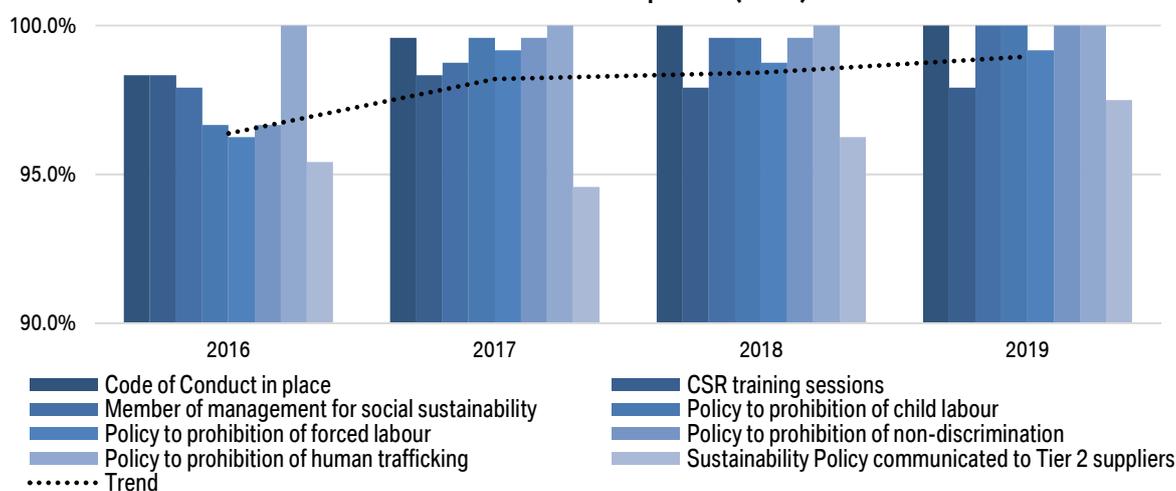
We also carry out a worldwide due diligence process for our parts suppliers on these human rights issues. The process includes at a first step the identification of risks where we use e.g. the risk filters of the Responsible Business Alliance as well as the same industry-wide sustainability questionnaire.

This procedure is described below using the example of the MINI COOPER SE. From 2016 to 2019 we commissioned 240 suppliers in 30 countries. During this period, we have identified deficits in the procurement process that could affect compliance with human rights. The following deficits and progress of the suppliers regarding these deficits have been identified in this time period at 75 suppliers in 20 countries like Poland, Hungary, Czech Republic, Romania, Mexico, Turkey and Italy.

Generally, our suppliers in these 20 countries are at a very high level (over 90%) with regards to these topics. The issue of cascading sustainability requirements in the supply chain with the help of sustainability policies will be one of the major topics that we want to address to all of our suppliers in 2020 in a more intensive way.

A further step of our due diligence process to identify deficits and to agree on corrective action with our suppliers are on-site inspections. For 10% of these high risk Mini Cooper SE suppliers in countries like Hungary, Poland and Czech Republic we conducted these on-site inspections. As part of these assessments, we addressed the deficits identified by the questionnaire and introduced corrective measures. Furthermore we use these inspections to discuss with the top management as well as employees topics related to social standards, health and safety and environmental issues.

Progress of MINI Cooper SE suppliers (2016-2019) evaluated on UKMSA relevant aspects (in%)



THE BMW GROUP'S TRAINING ON HUMAN RIGHTS

The BMW Group offers a wide range of sustainability training courses for purchasers, internal process partners and suppliers to make them more aware of the topic. This includes classroom courses in association with the University of Ulm to become a "Certified Sustainability Officer" as well as web-based training course in association with econsense, which includes case studies on sustainability in the supplier network. In addition, we participate in the industry-wide supplier training in high risk countries, which is coordinated by CSR Europe (European Business Network for Corporate Social Responsibility).

After the adoption of the UN Guiding Principles on Business and Human Rights, the BMW Group implemented a comprehensive employee training programme. We train our employees through face-face training; web based training; internal communications and newsletters. Human rights

are also integrated into induction events for new employees and presentations are available on the BMW Group Intranet pages.

The Senior Management of the UK-based entities are aware of each entities responsibilities under the Act. An additional web-based training programme was rolled out in 2017 to heighten awareness of the Act specifically amongst managers and other relevant departments for example purchasing and human resources. In 2019, this web-based training continued to be communicated and made available to managers and other relevant associates.



Mike Dennett
CEO
BMW Financial Services (GB) Limited

Date: 03/04/2020



Tobias Essig
CFO
BMW Financial Services (GB) Limited

Date: 03/04/2020

COMPANY REFERENCES

- Our policy, the “Joint Declaration on Human Rights and Working Conditions in the BMW Group”, has been adopted by the BMW AG’s CEO with Works Council assent in 2005, reconfirmed in 2010. The document is published on our Website:
https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2010/BV171_Joint_Declaration_on_Human_Rights_and_Working_Conditions_in_the_BMW_Group_2010.pdf
- The BMW Group Sustainability Report is published on our Website:
https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/responsibility/downloads/en/2020/2020-BMW-Group-SVR-2019-Englisch.pdf
- The “BMW Group Code on Human Rights and Working Conditions” is published on our Website:
https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2018/2018-BMW-Group-Code-on-human-rights.pdf
- In regards to our suppliers, the publicly available “BMW Group Supplier Sustainability Standard” outlines basic principles we require our suppliers to adhere to including respect for human rights: https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2012/BMWGroupSupplierSustainabilityStandard.pdf
- Human rights are also included in our International Purchasing Terms and Conditions https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2014/140331_IPC_clean_englisch_Status_31.03.2014.pdf
- Further information regarding our supply chain risk management can be found at <https://www.bmwgroup.com/en/responsibility/supply-chain-management.html>
- Further information on our activities in raw materials and standardization initiatives, can be found at <https://www.bmwgroup.com/en/responsibility/sustainable-value-report.html>