

BMW (UK) Holdings Limited Group of Companies – Group Tax Strategy

A. Preamble

The Group Tax Strategy set out in this document outlines the following matters as they relate to the BMW (UK) Holdings Limited group of companies (the “BMW UK Group”).

The BMW UK Group strategy is effective for the year ending 31st December 2016 and the years following. The strategy is published in accordance with the requirements of Sch19 Finance Act 2016 and the strategy will be reviewed for necessary adjustments periodically.

B. Basic Principles

The BMW Group, of which the BMW UK Group is a part, has a long standing commitment to corporate social responsibility. An essential feature of this is the professional management of tax compliance, and the fulfilment of all its tax and customs responsibilities throughout the value chain at all its locations.

One of the basic principles of any action in the BMW UK Group is the formal and substantive compliance with all current UK tax and customs laws, rules and regulations. This is consistent with the overall BMW Group Tax Strategy and complies with the OECD recommendations for responsible business conduct.

These basic principles extend to all legal representatives and employees of BMW UK Group companies. Employees of BMW UK Group are required to comply with the BMW Group “Code of Conduct - Principles for a lawful act”, and the corresponding mandatory compliance declaration.

C. Group Tax Strategy

In particular, the Group Tax Strategy highlights the following topics:

I. Approach of the BMW UK Group to risk management and governance arrangements in relation to UK Taxation

Ensuring worldwide compliance is one of the primary responsibilities of the management board as the legal representative of Bayerische Motoren Werke AG. The management board has delegated responsibility for tax and customs compliance and planning to the BMW Group Tax function (“FR-3”).

FR-3 performs a regulatory function within the BMW Group. The functions and specialist departments of all BMW Group board divisions are required to involve FR-3 early and in a proactive manner. In this context FR-3 has the authority to issue work instructions accountable to BMW Group as is deemed necessary. The business departments and subsidiaries involved are required to report on the proper implementation of the instructions to FR-3. FR-3 can review the compliance with tax and customs instructions on its own initiative and can address necessary adjustments.

Uncertain technical positions that affect more than one jurisdiction within the BMW Group will be discussed with both FR-3 and local tax teams to ensure that the tax technical position is fully understood and compliant in each jurisdiction. Where relevant, BMW Group transfer pricing guidelines are applied.

Responsibility for all UK Taxation matters is delegated to the UK Group Tax department (“FR-3-UK”) which is staffed by suitably qualified and experienced tax professionals. FR-3-UK is part of FR-3.

Tax risk in the UK is managed with the diligent care and judgement of the professionals involved. Decisions are supported by written evidence documenting the facts, quantification and mitigation of risk, and conclusions drawn.

These actions are complementary to the UK statutory requirements (such as the Senior Accounting Officer requirements) and to the requirements of the relevant professional bodies to which the members of FR-3-UK belong. This includes abiding by the Code of Conduct "Professional Conduct in Relation to Taxation".

II. The attitude of the BMW Group towards tax planning (so far as affecting UK taxation)

The BMW UK Group ensures that the taxes due in respect of its UK activities are duly paid.

The BMW UK Group will not engage in tax planning that would adversely affect the BMW Group's brand or reputation.

The commercial needs of the BMW UK Group take precedence over tax planning possibilities, and any and all tax planning will be undertaken in this context. Notwithstanding this, in no circumstances will the commercial needs override tax legislation. Full consideration will be given to the BMW Group's reputation, brand, corporate and social responsibilities.

The UK Group aims for certainty on arrangements it adopts. However, where tax law is unclear or subject to interpretation, written advice is sought externally including discussing the matter with HMRC for advance clearance where appropriate, in order to ensure that the position taken is more likely than not to be settled in BMW UK Group's favour should it be challenged by HMRC.

III. The level of risk in relation to UK taxation that the group is prepared to accept

The BMW UK Group seeks to minimise risk in relation to UK taxation, and aims for certainty on the tax positions it adopts.

Where the tax treatment of an item is not certain, a detailed risk assessment including quantification wherever possible will be undertaken in order to agree the appropriate course of action and/or clarification.

IV. The approach of the group towards its dealings with HMRC

Acting through FR-3-UK, the BMW UK Group targets a transparent, honest and open relationship with HMRC by responding promptly to queries and providing such information as HMRC might reasonably require in order to discharge its duties under the law.

FR-3-UK meets with HMRC on a regular basis and seeks to keep HMRC informed of business and other developments within the group. The BMW UK Group makes use of real time working with HMRC when issues arise which warrant making use of this approach.

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