

Alphabet (GB) Limited Slavery and Human Trafficking Statement for 2017

This statement is made by **Alphabet (GB)** Limited pursuant to section 54 of the U.K. Modern Slavery Act 2015 ('the Act') to identify actions taken by Alphabet and the BMW Group during the financial year ending 31 December 2017 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.

ALPHABET AND BMW GROUP'S BUSINESS AND SUPPLY CHAINS

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 14 countries and its global sales network extends across more than 140 countries with around 3,400 BMW, 1,580 MINI, 1,200 BMW Motorcycle and 140 Rolls-Royce Motor Car dealerships. The BMW Group sold over 2,463,500 passenger vehicles and more than 164,000 motorcycles worldwide in 2017 with a workforce of 129,932 employees at 31 December 2017

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.

Alphabet (GB) Ltd is part of the BMW Group and is a leading provider of Business Mobility services.

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. The BMW Group works with around approximately 13,000 1st tier suppliers in more than 70 countries. The BMW Group's global supplier network makes a major contribution to value creation, quality and innovation of our products and is therefore critical to the success of the BMW Group and its sustainability performance. It is imperative to us that our partners fulfil the same environmental and social standards we set ourselves.

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.

ALPHABET AND BMW GROUP'S COMMITMENT TO HUMAN RIGHTS (INCLUDING PREVENTION OF 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.

As part of its commitment, the BMW Group is 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
- CSR Europe – The European Business Network for Corporate Social Responsibility.

In addition, the BMW Group participates in various cross-sectoral initiatives like the

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

It is the BMW Groups principal aspiration 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 respect human rights as we are. This includes all applicable anti-slavery and trafficking laws. Among other measures, we have fully informed our partners about the BMW Group's commitment and have formalised our expectations within our supplier and dealer contracts.

ALPHABET AND BMW GROUP DUE DILIGENCE PROCESS FOR HUMAN RIGHTS (INCLUDING PREVENTION OF 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 (UNGP). We conducted a comprehensive internal risk analysis in 2012/13 based on, considering the International Bill of Human Rights, our business activities and all of our stakeholders (employees, dealers/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 which was in line with our expectations given our respectful culture and embedded due diligence procedures, training and awareness.

In 2017, 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 in 2018.

SUPPLY CHAINS

The BMW Group's public statement "BMW Group Supplier Sustainability Standard" outlines the basic principles we require our suppliers to adhere to and these standards are included in our international purchasing conditions. As a member of the "Drive Sustainability", BMW Group has developed and published the "Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain." These guidelines describe minimum expectations towards business ethics, working conditions, human rights and environmental leadership for our suppliers as well as their subcontractors.

We recognise the risk of human rights violations occurring in the supply chain beyond our immediate suppliers. We therefore identify components and materials at risk of human rights violations, and work closely with our suppliers to achieve greater transparency in these supply chains, and we engage in industry-wide initiatives like the Aluminium Stewardship Initiative (ASI).

MODERN SLAVERY ACT 2015

In order to fulfil the requirements of the Act 2015, the BMW Group has enhanced its already existing risk management process for suppliers of production and non-production material with focus on the existence of:

- Sustainability reports for companies with more than 500 employees;
- Written company policies on principles relating to the following social aspects:
 - Observance of human rights;
 - Prohibition of forced labour, human trafficking and child labour.

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 2017, 116 UK service suppliers were identified as high risk (2016, 68 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 116 suppliers, 72 (61%) met all of the BMW-specific sustainability criteria and were able to achieve a green rating. At the beginning of 2017, sustainability deficits were detected for 44 suppliers (39%) and we supplemented the supplier contracts with corrective action plans and binding rules. 15 out of the 44 suppliers have already implemented their corrective actions, 25 suppliers are in the process of implementing the agreed measures and we have needed to terminate our relationship with 4 suppliers. We will continue to monitor and evaluate progress so that the remaining measures are within a reasonable time.

The 116 high-risk suppliers were evaluated on the following aspects. Does the supplier:

- Have a member of management responsible for social sustainability (83 suppliers: 72% achieved compliance)
- Have a Code of Conduct in place (85 suppliers: 73%)
- Have a written company policy on principles relating to prohibition of forced labour, human trafficking and child labour (81 suppliers: 70%)
- Provide training sessions to enhance the understanding of Corporate Social Responsibility (83 suppliers: 72%)
- Perform internal or instruct external social audits / assessments conducted at the supplier site (77 suppliers: 66%)
- Have a Supplier Sustainability Policy and the communication to their subcontractors (79 suppliers: 68%).

HUMAN RIGHTS AND ELIMINATING SLAVERY AND HUMAN TRAFFICKING

Based on the results of our human rights due diligence approach outlined above, the main risks identified for potential human rights violations for the BMW Group are in our supply chain due to the complexity and international nature of our business model. It is therefore essential that our business partners meet the same social standards we set for ourselves. The “BMW Group Supplier Sustainability Standard” (see above) is the foundation upon which this process is based. The Standard establishes basic principles that are to be adhered to by all the BMW Group’s suppliers. This includes compliance with all internationally recognised human rights as well as environmental, labour and social standards. Since 2015, a special emphasis has also been placed on the topic of slavery and human trafficking.

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 and inform them about cause and effect. 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 include case studies on sustainability in the supplier network. In addition, we participate in industry-wide supplier training in high risk countries, which are coordinated by CSR Europe (European Business Network for Corporate Social Responsibility). In 2017, training was conducted in India and Italy.

The BMW Group has a formalised process to identify potential human rights issues and to mitigate the risk of our business partners not meeting our standards. 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. The BMW Group has implemented a sustainability risk assessment (which includes human rights risks as part of the social risks) as a core component of our risk management process. The assessment identifies possible human rights risks at all suppliers and considers both the country risk profile and the commodity risk profile. Risk-specific measures such as a risk-adjusted self-assessment-questionnaire (validated), optional external audits, as well as corrective action plans are then implemented as required, based upon the outcome of the assessment.

In 2017, around 4,890 (2016: 4,112) potential and existing supplier operations were reviewed with regard to current and potential negative human rights impacts. The assessments identified around 2,885 potential negative impacts. 234 supplier locations were not commissioned because they did not meet the sustainability requirements of the BMW Group, among other things. Action plans and improvements were agreed with around 1,747 nominated supplier operations based on the pre-agreed evaluation process. Examples of reasons why suppliers could have potential negative impacts were:

- Lack of an environmental management system
- Lack of a company policy that clarifies principles regarding collective bargaining, freedom of association and/or bribery
- Lack of environmental policies covering the handling of substances and chemicals that are usable to a limited extent.

The BMW Group is working with these suppliers to address the issues identified by implementing a concrete plan of action, which is closely monitored. If a supplier operates from a higher risk location, the supplier is audited and if necessary, the BMW Group provides additional support and training to ensure appropriate standards are attained. The sustainability audits are carried out by external auditors, while the sustainability onsite assessments are performed by employees of the BMW Group. Should no improvement be recognised, the supplier will be put on “new business hold” as a final warning and ultimately, delisted as a supplier for the BMW Group.

ALPHABET AND BMW GROUP STAFF TRAINING ABOUT HUMAN RIGHTS

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 during 2017 to heighten awareness of the Act specifically amongst the BMW Group UK based managers and other relevant departments for example purchasing and human resources.



Nick Brownrigg
Chief Executive Officer
Alphabet (GB) Limited

Date 16/05/18



Stefan Oswald
Chief Financial Officer
Alphabet (GB) Limited

Date 16/05/18

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
- 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_english_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>