

Alphabet and BMW Group Statement on U.K. Modern Slavery Act

This statement is made by **Alphabet (GB) Limited** pursuant to section 54 of the Modern Slavery Act 2015 (“Act”) to identify actions taken by Alphabet and the BMW Group during the financial year ending 31st December 2016 to prevent slavery and human trafficking from occurring in its supply chains and business. The statement considers:

1. Alphabet and the BMW Group business and supply chains
2. Alphabet and the BMW Group’s approach to human rights (including slavery and human trafficking)
3. The approach of Alphabet and 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 ultimate parent company of the BMW Group is Bayerische Motoren Werke Aktiengesellschaft (BMW AG). It was founded in 1916 and has its headquarters in Munich, Germany.

Today, the BMW Group is an international organisation, represented in over 150 countries and at the end of 2016, it employed 124,729 people. The BMW Group has a large research and innovation network, operating from 13 locations in five countries, a production network of 30 locations in 14 countries and a worldwide vehicle sales network of around 3,310 BMW, 1,550 MINI, 1,150 BMW Motorcycle and 140 Rolls-Royce Motor Car dealerships.

Alphabet is owned by BMW (UK) Holdings Limited and is a leading provider of Business Mobility services.

SUPPLY CHAINS

The automotive supply chain is one of the most complicated of any industry. There are often six to ten levels of suppliers between a manufacturer and the source of raw materials that enter the manufacturing process.

BMW Group works with around 13,000 1st tier suppliers in more than 70 countries. BMW Group’s global supplier network makes a major contribution to value creation, quality and innovation. Therefore, the supply chain is critical to the success of the BMW Group and has a significant impact on the BMW Group’s sustainability

performance. It is therefore essential 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. We fully endorse the United Nations Guiding Principles on Business and Human Rights (UNGP). Our value-oriented personnel policy set out our position on human rights with regard to our employees already more than a decade ago ("Respect for human rights is a given"). Our human rights policy ("Joint Declaration on Human Rights and Working Conditions in the BMW Group", endorsed in 2005 and reconfirmed in 2010) underlines and specifies our commitment. It applies to all BMW Group activities worldwide and also encourages business partners to adhere to these human rights standards.

As part of its commitment, the BMW Group is an active member in the following cross-sectoral initiatives and networks on human rights:

- UN Global Compact (since 2001)
- econsense – Forum for Sustainable Development of German Business
- CSR Europe OEM Working Group for environmental, social and human rights standards for suppliers
- Aluminum Stewardship Initiative for environmental, social and human rights standards in aluminum production (ASI)

It is our principle aspiration to avoid negative impacts on human rights arising from our business activities throughout the value chain. This is essential to us, and our expectation is that our business partners are committed to respect human rights. This includes all applicable anti-slavery and trafficking laws. Among other measures we therefore implement human rights requirements in contractual obligations in particular with suppliers and dealers, inform our partners about BMW Group's commitment and discuss our expectations with them.

ALPHABET AND BMW GROUP DUE DILIGENCE PROCESS FOR HUMAN RIGHTS (INCLUDING PREVENTION OF SLAVERY AND HUMAN TRAFFICKING)

BMW GROUP'S BUSINESS

Our human rights due diligence approach is aligned with the requirements of the UN Guiding Principles on Business and Human Rights (UNGP). We conducted a comprehensive internal risk analysis, which considered all

human rights (as mentioned in the International Bill of Human Rights), all our business activities and all stakeholders (employees, dealers/importers, suppliers, joint ventures, communities, clients etc.). Existing processes were risk assessed, and their effectiveness was evaluated in group-wide interviews with specialist units. The risk analysis included an identification of potential human rights risks which are of relevance for the BMW Group and the identification of vulnerable groups, e.g. children or migrant workers. New legal requirements in the field of human rights, e. g. arising out of the Act, were addressed accordingly. The analysis revealed no major unaddressed fields of action inside BMW Group, as the commitment to respect human rights already has a long tradition at BMW Group and elements of a due diligence process, training and communication had been implemented already.

SUPPLY CHAINS

BMW Group's public statement "BMW Group Supplier Sustainability Standard" outlines the basic principles we require our suppliers to adhere to. Human rights standards are also included in our international purchasing conditions. As a member of the "European Automotive Working Group on Supply Chain 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 recognize the risk of human rights violations occurring in the supply chain beyond our immediate suppliers. Therefore we identify components and materials at risk of human rights violations, and work closer-still with our suppliers to achieve greater transparency in these supply chains and we engage in industry-wide initiatives like the Aluminum Stewardship Initiative (ASI).

MODERN SLAVERY ACT 2015

In order to fulfill the requirements of the UK Modern Slavery Act 2015, we implemented a risk management process for suppliers of production and non-production material with focus on the existence of:

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

In addition to this, a special process was initiated in 2016 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).

68 high-risk suppliers were evaluated on the following aspects, among others:

- A member of management responsible for social sustainability (61 suppliers: 90% achieved compliance)
- A Code of Conduct (51 suppliers: 75%)
- A written company policy on principles relating to prohibition of forced labor, human trafficking and child labour (33 suppliers: 49%)
- Internal or external social audits / assessments conducted at the supplier site (32 suppliers: 47%)
- Supplier Sustainability Policy and the communication to their subcontractors (31 suppliers: 45%)

- Training sessions to enhance the understanding of Corporate Social Responsibility (48 suppliers: 70%)

For suppliers with sustainability deficiencies, we supplement the supply contracts with corrective action plans and binding rules. We can thus ensure that all sustainability requirements will be met within reasonable time.

HUMAN RIGHTS AND ELIMINATING SLAVERY AND HUMAN TRAFFICKING

Based on the results of our human rights due diligence approach (see above), we see the main risks for potential human rights violations in our supply chain due to the complexity and international nature of our business model. For Alphabet and the BMW Group, it is therefore essential that our business partners meet the same social standards we set for ourselves. The “BMW Group Supplier Sustainability Standards” (see above) are the foundation on which this process is based. The standards establish 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 put 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 cooperation with the University of Ulm to become a “Certified sustainability officer” as well as web-based training course in cooperation 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 2016, training were conducted in India, China and the Czech Republic.

We have 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 13,000 active supplier locations to reach the highest level of transparency possible. The BMW Group 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 of 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 2016, around 5,600 (2015: 1,900) potential and existing supplier operations were reviewed with regard to current and potential negative human rights impacts. The assessments identified around 3,300 potential negative impacts. Around 1,000 of these potential risks were associated with suppliers who were subsequently rejected. Action plans and improvements were agreed with around 2,300 (2015: 400) nominated supplier operations based on the pre-agreed evaluation process. Examples of reasons why suppliers could have potential negative impacts were:

- Lack of a sustainability policy for suppliers and their sub-suppliers
- Lack of a policy for observing human rights
- Lack of an environmental management system
- Lack of work instructions for the correct handling of chemicals
- Lack of a social management system

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.

BMW GROUP STAFF TRAINING ABOUT HUMAN RIGHTS

After the adoption of the UN Guiding Principles on Business and Human Rights, BMW Group implemented a comprehensive employee human rights training programme. We train our employees on human rights via face-to-face trainings and communicate our position e.g. by newsletters, intranet and in the context of compliance presentations, e.g. in 2016 in our plant in Thailand or the "APAC BMW Group Compliance Conference" in Kuala Lumpur. Human rights are also integrated in introductory events for new employees and a web-based training.

Senior management of the UK based entities have been made aware of each entity's responsibilities under The Modern Slavery Act 2015 and an additional training program will be initiated to inform and educate relevant UK employees about the specific aspects of The Modern Slavery Act 2015, in addition to the broader Human Rights training provided by the BMW Group.



Nick Brownrigg
Chief Executive Officer
Alphabet (GB) Limited

Date 18/05/2017



Stefan Oswald
Chief Financial Officer
Alphabet (GB) Limited

Date 18/05/2017

COMPANY REFERENCES

- Our policy, the “Joint Declaration on Human Rights and Working Conditions in the BMW Group”, has been adopted by the CEO and works council in 2005 and reconfirmed in 2010. The document is published on our website:

https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/responsibility/downloads/en/2005/BMWGroup_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_englich_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>