

## **BMW FINANCIAL SERVICES (GB) LTD SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR 2021**

This statement is made by BMW Financial Services (GB) Ltd pursuant to section 54 of the UK Modern Slavery Act 2015 ('the Act') to identify actions taken by BMW Financial Services (GB) Ltd and the BMW Group during the financial year ending 31 December 2021 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.

### **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's production network comprises 31 locations in 15 countries. Operating on a global scale, the BMW Group employed a workforce of 118,909 people at the end of the year under report.

The global sales network of the BMW Group's automobile business currently comprises more than 3,500 BMW, over 1,600 MINI and some 150 Rolls-Royce dealerships. Currently, BMW motorcycles are sold by more than 1,200 dealerships and importers in over 90 countries.

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 Financial Services (GB) Ltd 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. Our network of approximately 32,000 active supplier locations for direct and indirect goods and services is responsible for over 70 % of our value creation and it is vitally important that they safeguard social standards.

The BMW Group is a leading provider of financial services in the automotive sector. It offers these services in over 50 countries worldwide via companies and cooperation arrangements with local financial services providers and importers. The Financial Services segment's main business is credit financing and the leasing of BMW Group brand automobiles and motorcycles to retail customers. Customers can also choose from an attractive array of insurance products.

Operating under the brand name Alphabet, the BMW Group's international multi-brand fleet business provides financing and comprehensive management services for corporate car fleets in more than 20 countries. These services also include helping customers to manage their fleets on a sustainable and climate-friendly basis.

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

The BMW Group takes its social responsibility seriously. Our corporate culture combines success orientation with cosmopolitanism, trust and transparency. Various internationally recognised guidelines serve as guidance for dealing with employees in a socially sustainable manner and for generally ensuring social standards.

The BMW Group is committed to the guidelines for multinational companies of the Organisation for Economic Cooperation and Development (OECD), the content of the ICC Business Charter for Sustainable Development and the UN Guiding Principles on Business and Human Rights. With

the signing of the UN Global Compact by the Board of Management of the BMW Group in 2001 and the "Joint Declaration on Human Rights and Working Conditions in the BMW Group", which was adopted in 2005 by the Board of Management and employee representatives and reconfirmed in 2010, we have also committed ourselves to the worldwide compliance with internationally recognised human rights and the core labour standards of the International Labour Organisation (ILO). These include in particular the ban on modern slavery, child and forced labour, the free choice of employment, the ban on discrimination, freedom of assembly and the right to collective bargaining, appropriate pay, legal working hours and occupational health and safety.

In 2018, we published the BMW Group Code on Human Rights and Working Conditions, which supplements the 2010 "Joint Declaration on Human Rights and Working Conditions in the BMW Group". The Code is based on a due diligence process that allows us to identify relevant aspects and determine actions. It reaffirms our commitment to respecting human rights and specifies how the BMW Group promotes human rights and implements the ILO core labour standards in its business activities worldwide.

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.
- Industry Dialog Automotive for Business and Human Rights of the German government.
- German Institute for Compliance – Leader of the working group Corporate Social Responsibility / Human Rights.

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 standardisation initiatives, see our current BMW Group Report 2021.

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

### **BMW GROUP'S BUSINESS**

Our human rights due diligence approach aligns with the requirements of the UN Guiding Principles on Business and Human Rights (UNGPR). We conducted comprehensive internal risk analysis in 2012/13 and 2017/2018 which considered the International Bill of Human Rights and the UNGPR, our business activities and all our stakeholders. Human rights have been an integral part of the worldwide BMW Group Compliance Management System including a regular Compliance Risk Assessment (CRA) since 2016. This was a further step towards the consistent implementation of the UN Guiding Principles on Business and Human Rights at BMW Group.

The new German Supply Chain Due Diligence Law will take effect on 1 January 2023 in Germany; the adjustments it requires for the human rights compliance programme have been a key focus for Group Compliance during the reporting period and will be for the next years. We reviewed all process partners along our value-chain (own operations, employees, external production partners, retailers/importers, suppliers, joint ventures etc.) regarding potential human rights implications and are now developing appropriate measures to deal with identified risks and a risk monitoring system with key performance indicators. In this course we will also update our BMW Group Code on Human Rights and Working Conditions to match the new legal requirements and develop new training material for various stakeholder groups, among other measures.

It should be noted that – as recommended by the new law – the Board of Management decided in December 2021 to appoint a Human Rights Officer and assign this role to the head of Group Compliance. Concentrating relevant expertise in this new function will also contribute to the strategic alignment of the Company in the social dimension of sustainability.

Global compliance with these fundamental principles and rights is a matter of course for us. Since 2005, our employees have been sensitised to the subject through numerous communication measures and training. Our BMW Group Training "Compliance Essentials", which is mandatory for most BMW associates worldwide, was updated in 2021 and covers various human rights aspects.

Our employees can use the Compliance Contact Helpline and the BMW Group SpeakUP Line for inquiries or complaints on human rights issues, so that reports can be made anonymously and confidentially. The information and questions are processed by a Human Rights Response Team, which takes the necessary measures with the involvement of stakeholders and specialist

departments on a case-by-case basis. The BMW Group Compliance Contact Helpline is also available as a whistle-blower system for anonymous reports from external third parties.

## **INTEGRATING AND ADVANCING SUSTAINABILITY IN THE SUPPLY CHAINS**

The BMW Group's supplier network comprises over 32,000 direct supplier locations worldwide, with whom we maintain direct supplier relationships. Our rigorous partner selection process is based on the criteria of quality, innovation, flexibility, cost and sustainability. To meet the respective due diligence requirements in terms of environmental and social standards, we rely on systematic risk analyses as well as prevention, empowerment and remediation measures. We also use standardised online assessments and audits that are integrated in our business processes. Moreover, the BMW Group enshrines its obligatory sustainability standards in all its supply contracts. 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.

## **INCREASING TRANSPARENCY AND MINIMISING RISKS**

The increase in transparency and resource efficiency in our supply chains is based on compliance with environmental and social standards as defined in the BMW Group Supplier Sustainability Standard for the supplier network. The standard is an integral part of the application to become one of our suppliers and must be considered 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 WORLDWIDE**

The BMW Group has defined minimum requirements for supplier locations throughout its global value chain. For example, these minimum requirements include the implementation of

preventive measures to minimise the potential negative impact for the parties involved, such as the supplier's employees. Compliance with these requirements is verified using the Drive Sustainability questionnaire.

The due diligence activities are integrated into the business process. The aim is to implement prevention measures to minimise human rights violations by the time all our immediate suppliers start production.

Preventive measures we require, depending on company size include:

- An appointed member of management with responsibility for social sustainability,
- The publication of a CSR/ sustainability report,
- Code of Conduct,
- A policy on working conditions and human rights which includes prohibition of:
  - Child labour and young workers,
  - Modern slavery (i.e. slavery, servitude and forced or compulsory labour and human trafficking),
  - Harassment and non-discrimination,
- An occupational health and safety guideline,
- A certified occupational health and safety management system according to ISO 45001 or comparable,
- Supplier Sustainability Policy communicated to subcontractors which includes prohibition of:
  - Child labour and young workers,
  - Modern slavery (i.e. slavery, servitude and forced or compulsory labour and human trafficking)
  - Harassment and non-discrimination

In the period under review, we assessed 5,101 (2020: 3,220 / 2019: 3,921 / 2018: 4,168) nominated and potential supplier locations based on the industry-wide Drive Sustainability questionnaire worldwide. Our focus is on suppliers with a large tendering volume. Therefore, the evaluation included 98% (2020: 98% / 2019: 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 20% (2020: 56% / 2019: 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. The main reason for the low proportion of audited suppliers in 2021 was the change from a value threshold-based approach to a risk-based approach.

Sustainability deficits were identified at 2,247 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 1,332 of those cases.

The remainder were not successful in their application for a supplier contract.

In addition, 196 audits and assessments which include on-site visits and remote audits were carried out by or on behalf of the BMW Group in 2021. This number was reduced compared to the previous year due to the global pandemic. 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 81 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 2021. We regard this as confirmation of the success of our approach of addressing and demanding sustainability requirements early 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](mailto: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.

Eight 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 working conditions, modern slavery, rights of indigenous peoples and deforestation. We were able to investigate and close all enquiries in 2021 before the end of the year.

## **UK 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 2021, 68 UK service suppliers were identified as high risk (2020, 59; 2019, 92; 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 68 suppliers:

- 12 suppliers already implemented measures to prevent slavery and human trafficking from occurring in its supply chains and business,
- 2 suppliers have agreed a deadline for implementing preventive measures,
- 10 suppliers are in the implementation phase of preventive measures,
- 11 suppliers have yet to agree on a deadline for implementing preventive measures with the BMW Group.
- 33 suppliers are new BMW Group partners and therefore no sustainability rating could have been conducted so far. These suppliers will be screened within the upcoming year.

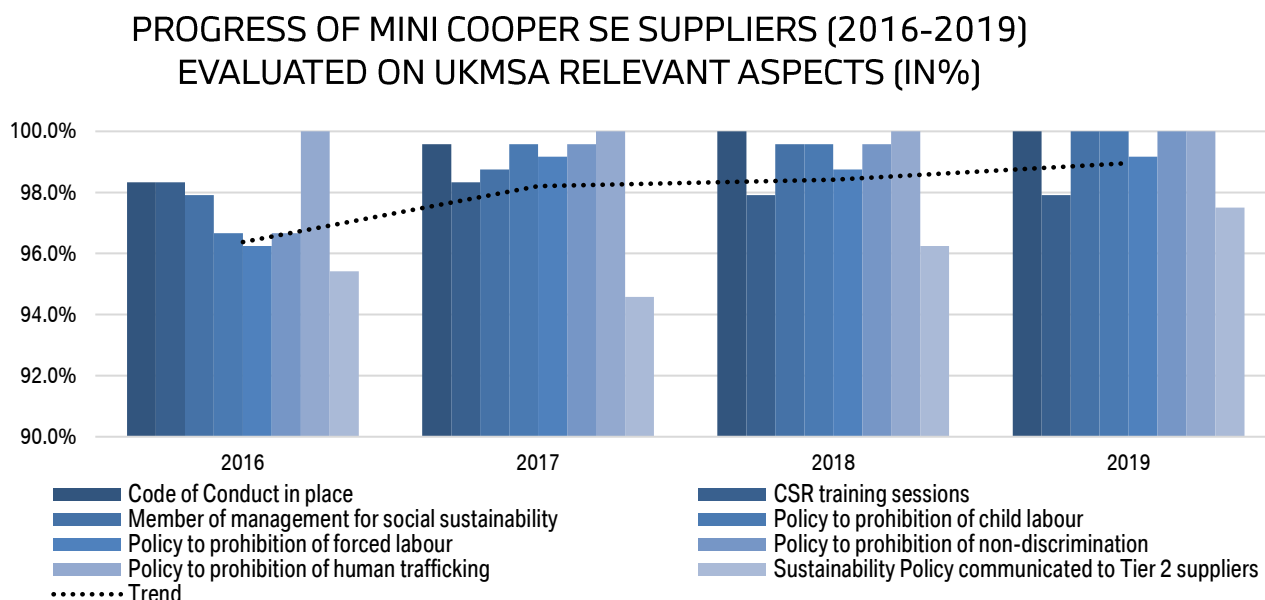
## **FOCUS OF BUSINESS DUE DILIGENCE IN HIGH-RISK COUNTRIES**

Business due diligence reporting for UK Modern Slavery Act relevant issues in the supply chain has also been conducted for tier-1 suppliers in high-risk countries such as 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. The first step in the process is the identification of risks where we use, for example, 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 launched in 2020. Commissioning of the suppliers already started in 2016.

From 2016 to 2019 we commissioned 240 new suppliers in 30 countries (no new suppliers were commissioned in 2020 and 2021) for the new model. During this period, we identified deficits in the procurement process of 75 suppliers in 20 countries like Poland, Hungary, Czech Republic, Romania, Mexico and Turkey, which could affect compliance with human rights and implemented corrective actions plans together with the suppliers.



The following chart shows the deficits and progress of the suppliers in the time period 2016 to 2019:



**\*Note: No new suppliers were commissioned in 2020 and 2021.**

Generally, our suppliers in these 20 countries developed over the years to a very high level (over 96%) with regards to these topics. A further step in our due diligence process is to identify deficits and agree on corrective action with our suppliers through 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.

## 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 a 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. In 2021, this web-based training continued to form part of all BMW Financial Services (GB) Ltd associates' annual mandatory training programme.



---

Mike Dennett  
Chief Executive Officer  
BMW Financial Services (GB) Ltd  
Date 29.06.2022



---

Ursula Wingfield  
Chief Finance Officer  
BMW Financial Services (GB) Ltd  
Date 29.06.2022

## 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 the BMW Group website.
- The [BMW Group Report 2021](#) is published on the BMW Group website.
- The "[BMW Group Code on Human Rights and Working Conditions](#)" is published on the BMW Group website.
- 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, as published on the BMW Group website.
- Human rights are also included in our [International Purchasing Terms and Conditions](#).
- Further information regarding our supply chain risk management can be found in our documentation: [Performing Corporate Due Diligence In The Supplier Network](#).
- Further information regarding our sustainability requirements for BMW Group suppliers can be found in our documentation: [Sustainability Questionnaire For Suppliers](#)