

BAVARIAN AUTO GROUP

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COMMUNICATION ON PROGRESS

DECEMBER 2017 – DECEMBER 2018

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INTRODUCTION

Statement of Continued Support

Dear Stakeholders,

At Bavarian Auto Group, we have a vision to lead the auto industry in Egypt, with superior products and exceptional services and become the region's leading entrepreneur in the automotive industry.



Our mission is to always meet customer's expectations, increase their satisfaction and be actively involved in our community, achieving higher loyalty, better performance and sales results. Social responsibility is an integral part of Bavarian Auto Group's business model. As an institution with a wealth of knowledge and skilled individuals, we take seriously our responsibility to share our experiences with the wider community and support the next generation. We also lead by example in the field of sustainability. During this year, we introduced the BMW i3 electric car to the Egyptian market, further solidifying our commitment to environmental protection and innovation in our industry.

Bavarian Auto Group has adapted a strategy to sponsor People with Disability (PWD) in different fields, such as Education, Sports, Health & Talented people, etc.

Our approach to care is uniquely focused on improving happiness and quality of life for people with special needs in Egypt.

As a main pillar of our social responsibility efforts, I am pleased to confirm that Bavarian Auto Group remains committed to the United Nations Global Compact and to upholding its 10 principles. We plan to continue publicly sharing progress made in terms of our sustainability goals in the form of the annual Communication on Progress.

Sincerely,
Farid El Tobgui
Chairman and CEO

Overview of Bavarian Auto

Group History

Bavarian Auto Group (BAG) was established in March 2003.

Bavarian Auto Group operates in the automotive industry through import, assembly, manufacturing, distribution, sales, and after sales activities.

Companies

- Bavarian Auto Manufacturing Company
- Bavarian Auto Trading Company
- Bavarian Automotive Company
- Royal Auto Trading Company
- Bavarian Auto Distribution Company
- Bavarian for Financial Investment Company S.A.E. (Suez Public Free Zone)
- Bavarian Development and Services in Sudan
- Bavarian for Trading and Investment (Free Zone) in Sudan

Brands

- BMW
- MINI
- BMWI

BAG in Numbers

- 2 state-of-the-art factory in Egypt
- 6 service centers in Egypt



- 7 BMW showrooms and 1 MINI showroom in Egypt
- 1 showroom and service center in Sudan
- 3 Training Academy centers in Egypt and 1 in Sudan
- 1,750 employees (as of December 1, 2019)

Social Responsibility

At BAG, a socially responsible approach to conducting business envisages the following:

- Strict compliance with legislation in all areas
- Highest level of customer satisfaction
- Protecting and empowering employees in the workplace
- Investing in education and training of employees and non-employees in the industry
- Minimizing potential impacts on the environment
- Taking into consideration the expectations and opinions of key stakeholders by building trustworthy and mutually beneficial relationships based on ethical requirements
- Contributing to development of local communities, in particular through mutually beneficial social partnerships
- Sponsoring poor & lean people at remote areas by providing them basic needs for better living.
- Adding a new program for PWD to merge them in our society, they deserve to be independents

Human Rights

1) People with disability (PWD)

BAG started in 2018 a new social project to improve the quality of life for PWD by improving their Education, Health system & Accessibility as well.

a) Education of People with disability PWD

From the first day of its establishment, Bavarian Auto Group put special care for people with disability in its social responsibility projects. In 17th May 2016, BAG organized “Equal for a better living” conference with action plans to make life easier for people with disability.

BAG observes firsthand the unique challenges that disabled men and women face each day, and the strength and perseverance necessary to overcome immense obstacles.

In our efforts to be a true resource for the disabled community, BAG offers scholarships for Bachelor or Master Degrees. The scholarship may cover the tuition fees, books, research cost, online papers access and related educational expenses.

The scholarship may also cover the studies in different subjects such as humanities, linguistics, business, law, health, science, engineering or any related field.

Scholarship Objectives

- Make the life easier to people with disability.
- Encourage people with disability to continue their graduate education.
- Encourage people with disability to engage in social activities.

Eligibility Criteria

- Holding a Bachelor degree
- Be accepted in a Master or Ph. D. program in Egypt
- Priority is given to Egyptians with history in community services related to improving life for people with disability.

Grant Ranges

There is a ceiling for the grant range per student per program but the scholarship covers all the study cost.

Results:

The selection process have been implemented and 320 students have been chosen for the scholarship, all students will be sponsored till graduation.



b) Sports & Youth Activities:

- 1) In January 2018, BAG sponsored th Egyptian National Team of Basketball with wheelchairs.



- 2) In February 2018, BAG sponsored the Comprehensive Awareness Forum for Disability Rights Law in cooperation with the National Council of Youth



- 3) In March 2018, BAG Sponsored the African Championship Morocco-International Federation of Taekwondo for PWD in Morocco



4) Empowerment of Persons with Disabilities

Supporting programs and events for persons with disabilities is a priority for BAG. During the reporting period, BAG's activities included:

- Sponsoring an 18-year old Egyptian swimmer in his attempt to become the world's first swimmer with Down syndrome to cross the English Channel



- Sponsoring the Para volley Africa sitting volleyball championship 15-22 September 2019 in Rwanda



c) Health Program

- In Oct. 2018 , BAG contributed in the initiative of the "Light of Life" “ NOUR EL HAYAH” to combat and treat the causes of blindness and low vision, in cooperation with Tahya Misr fund (an official Egyptian presidential organization)
- BAG provides Electric wheelchairs for uncapable pepole.
- **Initiative against “Virus C”**

BAG Sponsored the initiative of “Tahya Misr Fund” which combatting -
“virus c” in Egyp

d) Improving quality of life

BAG provids shelters, homes, food...etc for PWD

“Halyeb and Shalateen”

Bavarian Auto Group supported “Halyeb and Shalateen” citizens with numbers of Ceiling Fans and Water Tanks to provide them clean water.

Halyeb and Shalateen” is a very poor area with no infrastructure



Initiative of “Misr El Mahrousa Association” against winter cold

BAG Contributed in the initiative of “Misr El Mahrousa Association” to protect people in Upper Egypt from cold by buying Quilts & blankets for poor people



El Youm wa Ghadan” Today & Tomorrow Foundation

Bavarian Auto Group sponsored the initiative of “El Youm wa Ghadan” Foundation for orphanage.

This foundation helped also poor families and provided prosthetic devices for disabilities.

e) Accessiblilty program

Contributing to the first accessible sidewalk for persons with disabilities in Egypt located outside Cairo University through Helm organization, and sponsoring the Entaleq festival, which celebrated the accessible sidewalk’s launch and was held under the auspices of the Governor of Giza

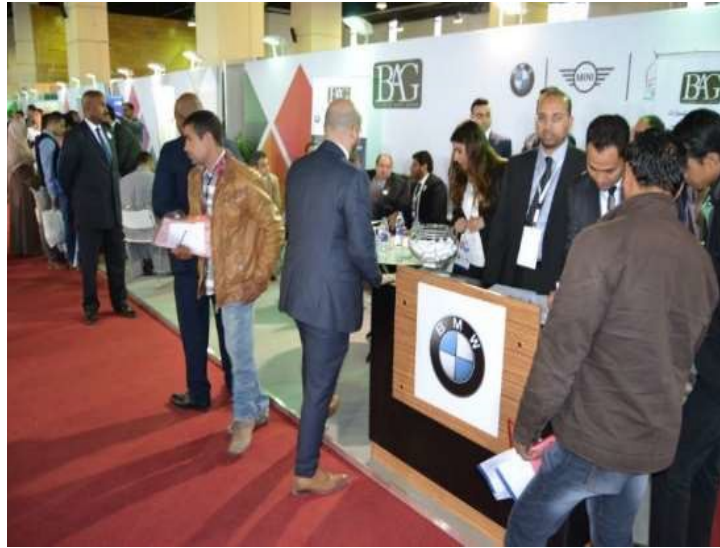


f) Recrutment Program

Employment and Development Fair for People with Disabilities

BAG was a main sponsor of the first employment fair for people with disabilities in Egypt held in

March 2017. BAG also helped with the organization of the employment fair. This event was held under the auspices of His Excellency the President of Egypt Abdel Fatah El Sisi, the Ministry of Communications and Information Technology, the Ministry of Trade and Industry, and the Ministry of Social Solidarity. Her Excellency Dr. Ghada Waly, the Minister of Social Solidarity, inaugurated the event and was the main guest speaker.



AZM Career Day for PWD

BAG Sponsored “AZM Career Day” which was set to be the biggest inclusive job fair for 1000+ job seekers and 30+ employers, key governmental officials and top performing NGOs. This event comes in partnership with Shaghalni, ALEXBANK, and Egyptian Banking Institute on July 20th 2019.



Egypt Business and Disability Network

BAG is a member of the Egypt Business and Disability Network (Network). The Network is supported by the International Labour Organization and is concerned with the participation of persons with disabilities in the workforce. It is committed to creating a culture of equality, diversity, and inclusion. Participants know that persons with disabilities provide great contributions to companies and the economy as a whole and work towards increasing awareness about this important issue. The Network also attempts to build the capacities of institutions to better accommodate persons with disabilities and collaborates with other organizations to evaluate and develop services and tools that can help accomplish this goal. Finally, members of the Network and relevant stakeholders exchange best practices and assist one another in finding solutions to the obstacles they face as inclusive employers.

Throughout the reporting period, BAG participated in Egypt Business and Disability Network discussions and events. One such occasion was the closing event of a joint project implemented by the International Labour Organization (ILO), the United Nations Development Programme (UNDP), and Egypt ICT Trust Fund. The project aimed to support persons with disabilities in finding decent work, especially in the ICT and tourism sectors. The event was called “Jobs and Skills for Persons with Disabilities with a Focus on ICT-Based Solution

Quality Management System

BAG takes seriously its responsibility to comply with Egyptian laws, international guidelines, and industry standards when it comes to manufacturing products. In accordance with this commitment, the Bavarian Auto Manufacturing Company is certified with ISO/TS 16949:2009, which is an international automotive technical specification and quality management system standard. It increases operational process efficiency and effectiveness, thereby reducing waste and preventing defects that could harm or threaten human life and health. This is achieved through enhanced process and risk management approaches. The system is one of continuous improvement and works to ensure customer satisfaction and protection.



During the reporting period, two internal audits and two external audits (one by TÜV SÜD and one by BMW) were conducted with regard to this certification. Results were used to create follow up actions and plans as needed in order to continue improving performance.

2) Health and Safety

BAG, along with its employees, takes all necessary measures to identify and control health and safety risks, create the best possible working conditions, and improve operational performance. There are a number of policies and procedures implemented at BAG with the aim of safeguarding the health and wellbeing of employees, customers, and anyone else who may be on the premises. This includes policies on alcohol, illegal drugs, smoking, as well as procedures addressing risk assessment and emergency preparedness.

The policies strictly prohibit alcohol consumption and illegal drug use or possession during working hours and on any BAG premises. BAG has the right to conduct random drug testing of all of its employees. A positive result or refusal to take this test will lead to disciplinary action up to and including termination. BAG has also established a smoke-free work environment. Smoking is not permitted on any BAG premises in order to protect employees, customers, and anyone else present from the hazardous effects of smoking and passive smoking.

3) Occupational Health and Safety Management System

BAG has a strong health and safety system in place to guarantee implementation of and improvement upon its policies, procedures, and performance regarding this topic. The Bavarian Auto Manufacturing Company is certified with OHSAS 18001:2007, which is an international occupational health and safety management system standard. It covers the following topics: minimizing risk to employees, identifying and managing hazards, reducing workplace accidents and illness, and legal compliance.



There were two internal audits for the OHSAS 18001:2007 requirements and one external audit by TÜV SÜD during the reporting period. Actions were applied and verified according to the audit findings and action plan.

4) Health and Safety Training

BAG ensures that all employees have the necessary training to safely perform their jobs and respond in case of accidents or emergencies, especially employees at the manufacturing plant. A training matrix is used there to increase the knowledge and skills of all employees. By ensuring that employees are trained to work on multiple stations, there is flexibility when employees are absent and no employee is put at risk. An accurate record is kept of who has been trained for specific duties, including health and safety procedures and the use of personal protective equipment. BAG is committed to ensuring that employees use the personal protective equipment provided and understanding why it is necessary to use it.

During the reporting period, 17 types of health and safety trainings were conducted for those working at the manufacturing plant. As of December 2018, 130 employees (33%) are certified for civil defense, which is larger than the percentage recommended by the authorities (25%), and 42 employees are certified for first aid on the premises.

5) Employee Involvement in Health and Safety

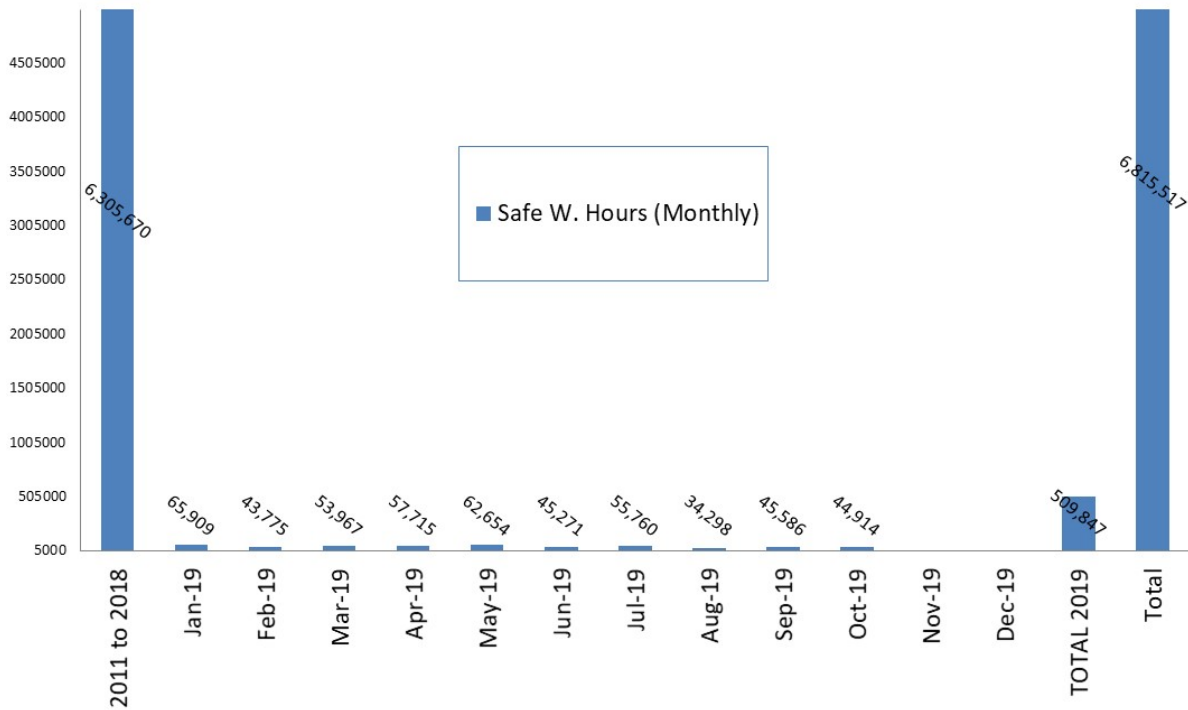
At the BAG manufacturing site, there is a health and safety monthly committee attended by members of management and employee representatives. Health and safety issues are discussed and key performance indicators are displayed. Both managers and employees can bring up new issues or make suggestions. Any topics brought up are then followed up on at the next meeting.

6) Health and Safety Indicators

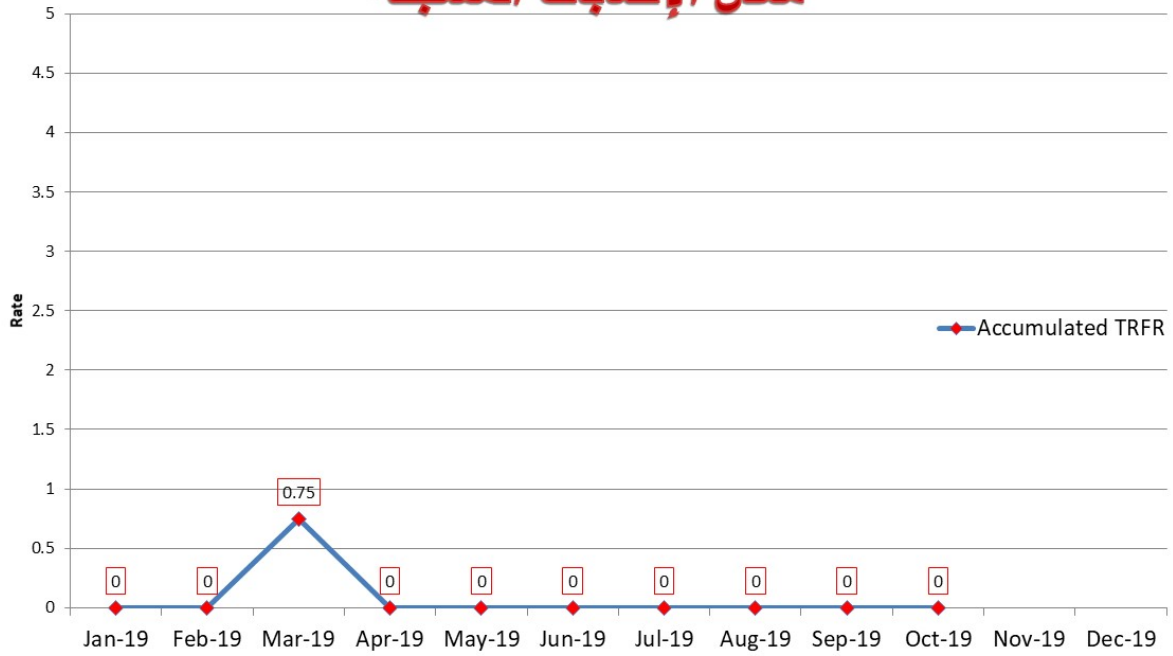
Incident reports are available to document near misses, incidents, and accidents. The event that took place is described in detail, so is its cause and its impact on the individual or individuals concerned and the surrounding area. All such events are investigated and actions are taken to prevent recurrences. Data from these reports is aggregated and culminates in the production of a monthly incident report. Weekly violation reports are also created to record any violations related to personal protective equipment requirements, exposure to potential accidents, fire safety precautions, or any other such infraction. This data is also presented in the aggregate in order to better evaluate performance over time and in specific areas of the manufacturing plant. All aggregate data is displayed and is easily accessible to all.

- The safety KPIs as follow:
- Safe Working Hours
- Total Recorded Frequency Rate (TRFR)
- Lost Time Accidents (LTA)
- Medical Treatment Cases
- Restricted Work Cases
- First Aid Cases
- Near-miss Cases
- Safety Training for management
- Safety Training for shop floor

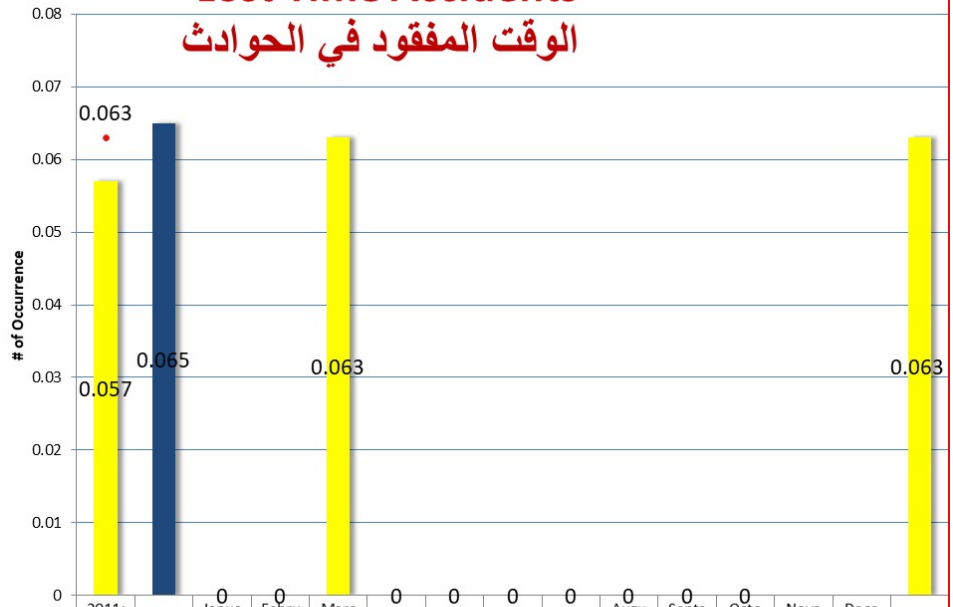
Safety Working Hours



Injuries recorded rate معدل الإصابات المسجلة



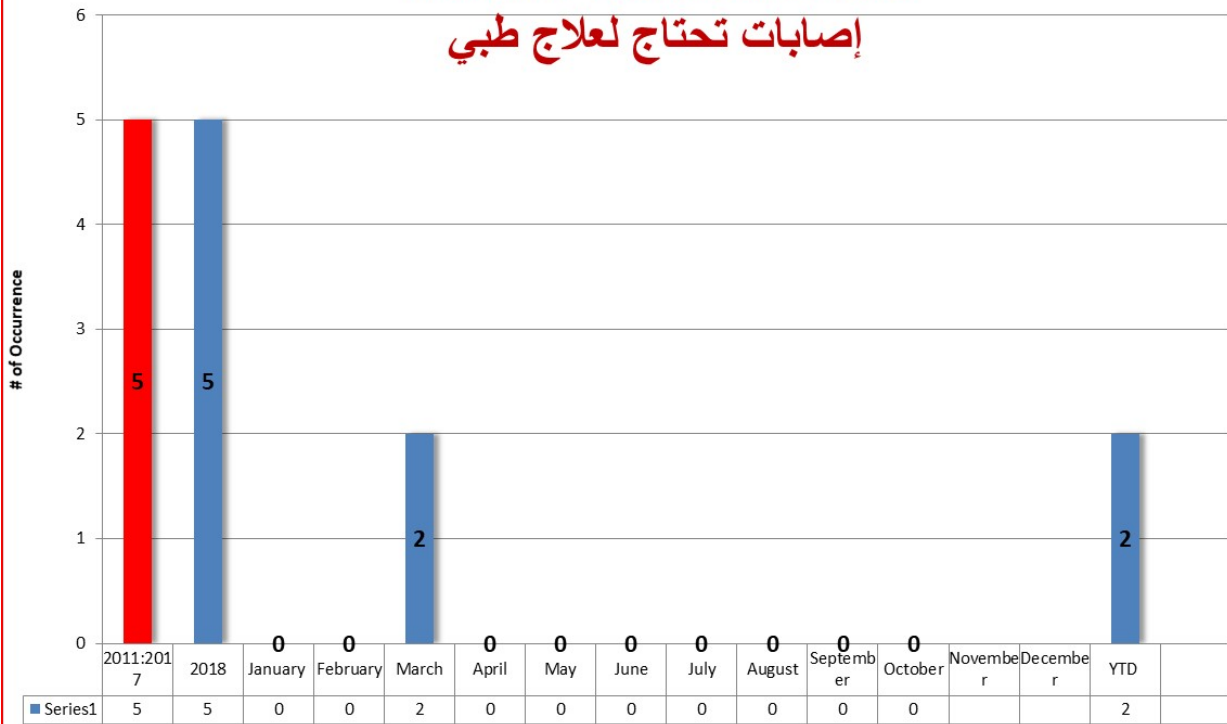
Lost Time Accidents الوقت المفقود في الحوادث



LTA	0.057	0.065	0	0	0.063	0	0	0	0	0	0	0	0	0	0	0.063
Lost Time / Total Monthly Time	0.063															

Medical Treatment Case

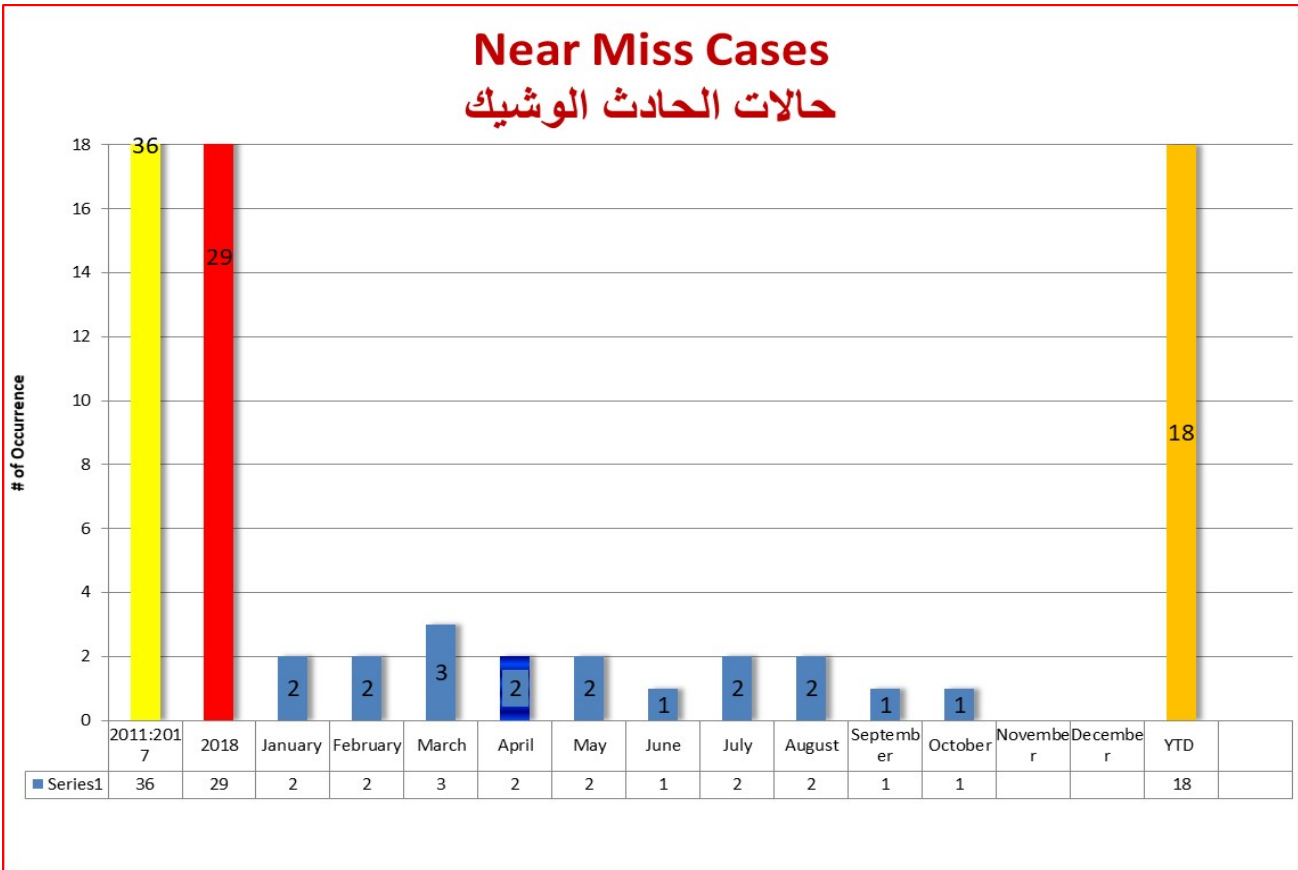
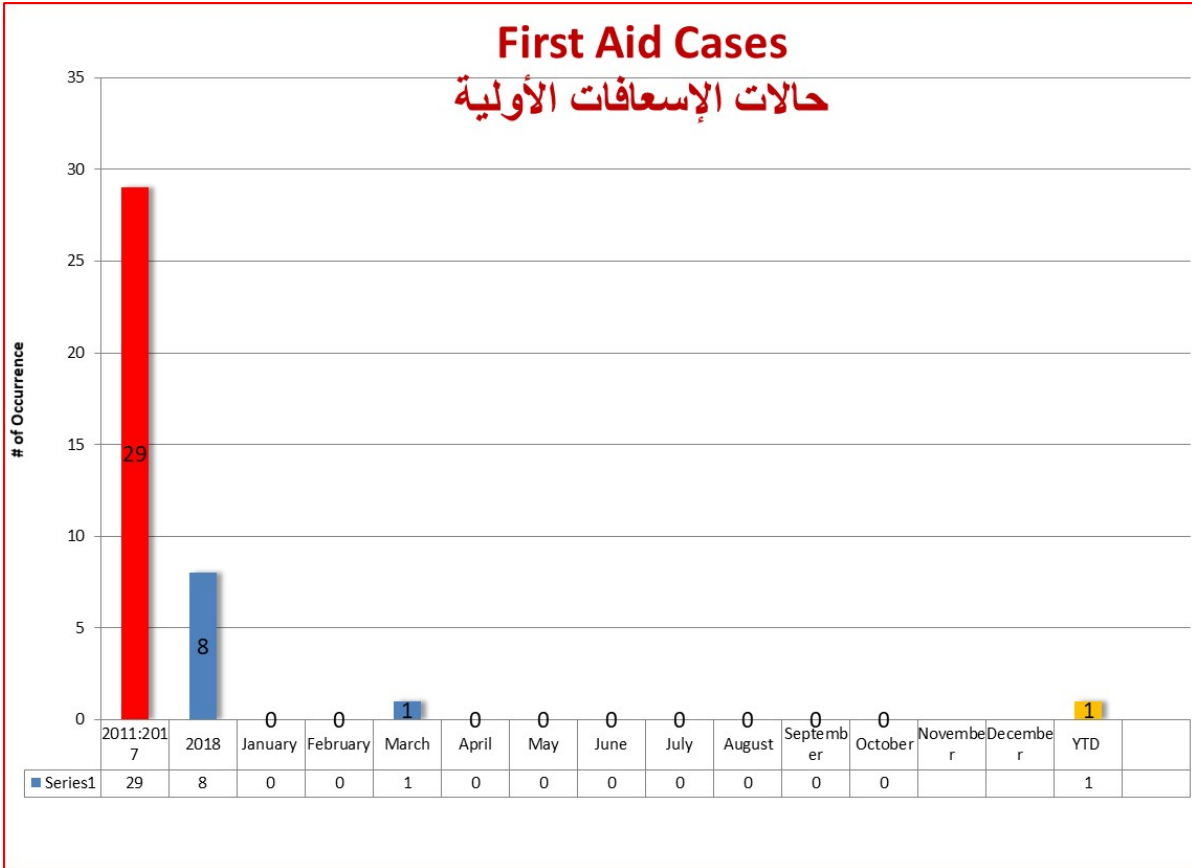
إصابات تحتاج لعلاج طبي



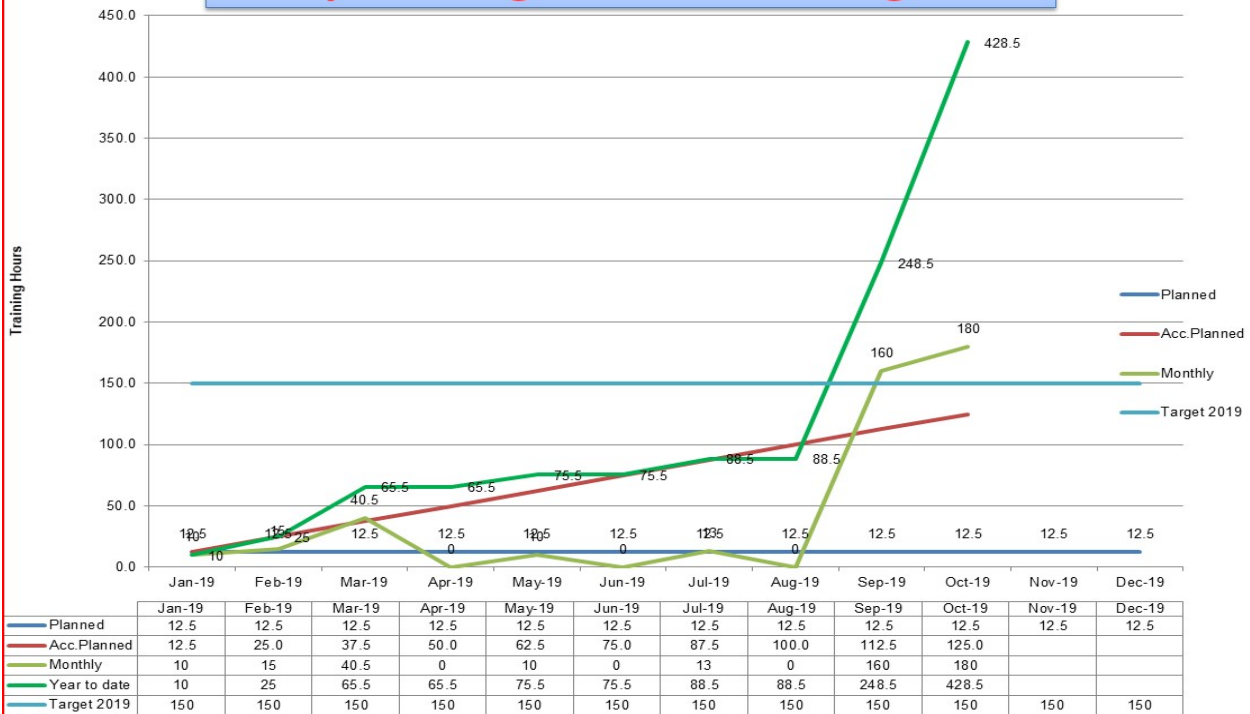
Restricted Work Case

تحديد نوع العمل طبقا لحالة العامل

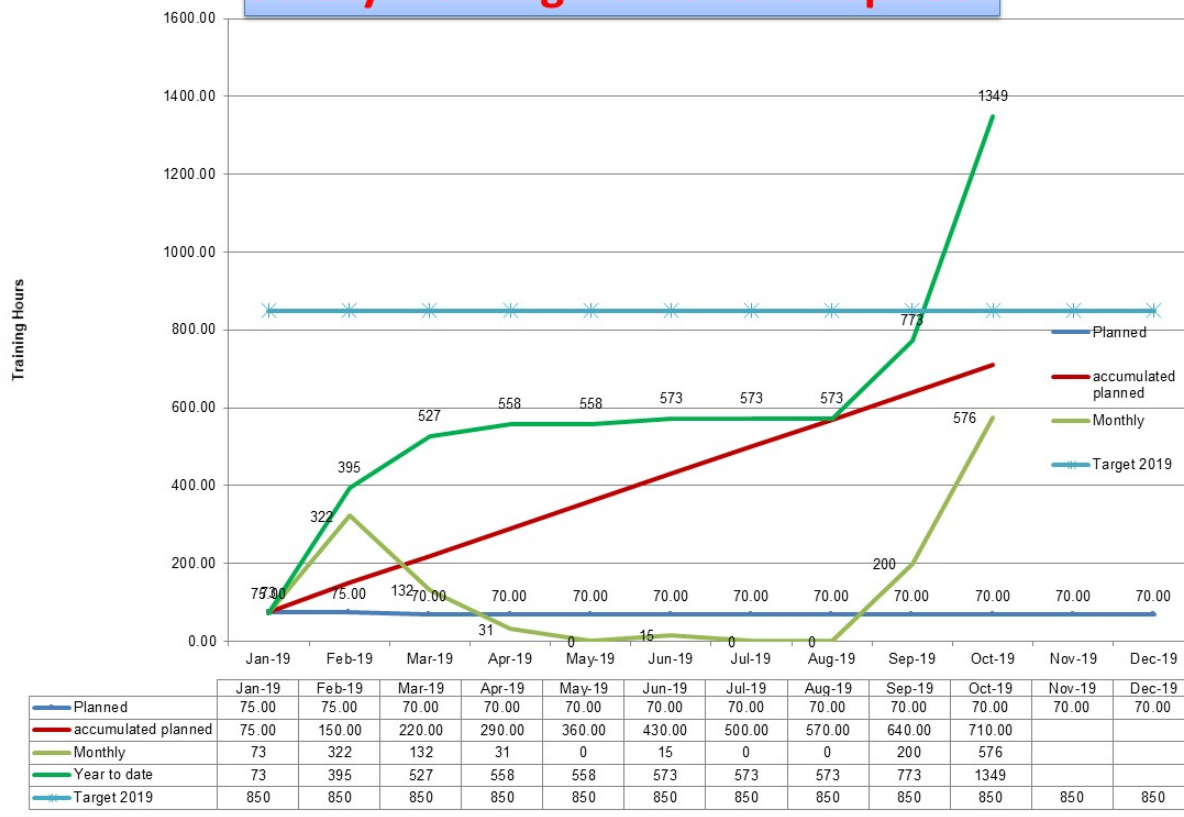




Safety Training Hours for Management



Safety Training Hours for Shopfloor



7) Community Engagement

In addition to BAG taking steps to protect its customers and employees, it also engages with the larger community. A significant part of BAG's social responsibility commitment is cooperating with organizations to plan and implement social development and charitable activities. BAG has contributed to many worthwhile causes throughout the reporting period, and it continually strives to find new and innovative programs and projects.

One example of BAG's commitment is its cooperation with and support of Awliaa El Galeel organization. Awliaa El Galeel conducts charitable and societal development activities in support of the community's basic needs. The organization covers healthcare and medical expenses for surgical cases and chronic diseases for individuals in the Greater Cairo area. It also provides food security assistance to families that are at risk for malnutrition and deprivation, particularly single mothers with young children. Awliaa El Galeel works with other institutions on projects related to basic infrastructure, education, healthcare, and the environment.

BAG also cooperates with other non-profit organizations, as well as United Nations agencies and government entities, to fulfil its social responsibility vision and contribute to the development of the wider community. Below is a sample of the initiatives BAG contributed to in 2017.

8) Health

BAG is committed to supporting health initiatives in the community and has done so for many years. During the reporting period, BAG contributed to the following organizations: Breast Cancer Foundation of Egypt

- Abu El Reesh Pediatric Hospital
- Ahl Masr Burn Hospital
- In January 2018, Bavarian Auto Group supported a charitable Association by providing them an **Anesthesia Machine**



- In January 2018 ,In cooperation with Tahya Misr fund, BAG is working to combating Virus C in Egypt, by a financially donation to allow them to bring medical cures

9) Education

An important area for community engagement at BAG is education. BAG has provided support to the following initiatives in the reporting period:

- Prizes for the highest scoring *Thanaweya Amma* students through Al Gomhoureya newspaper
- Accommodations for foreign experts who were in Egypt providing technical courses through the Education Development Fund (EDF)
- In March 2018 , BAG sponsored Helwan university (Faculty of Engineering) to participate at the completion of Global Hybrid Electric Challenge at Dubai & Sahl Hashiesh



- In July 2018, BAG supported El-Menia University (Faculty of engineering) by paying flight tickets and the camp accommodation for two students and their Professor, to attend the engineering design competition formula student.
- Talented student:
BAG encouraged & sponsored a student at Misr University for Science and Technology, for five consecutive years. BAG will continuing sponsor the student in case that she get GPA (2)/each year. October 2018

Egyptian-electric vehicle competition 2019:

As usual, BAG sponsored the annual Global Hybrid Electric Challenge competition (EVER), held in new Captial, Cairo, Egypt November 2019.

15 Egyptian universities produced 15 electric cars and competed between each other. The competition promoted education, energy efficiency, and environmental consciousness.

Technical Education:

The Bavarian Auto Group (BAG) has always believed in the importance of Technical Education to the Egyptian labor market. BAG spares no effort to participate in the development of the technical education sector.

Ever since its start, BAG built a Training Academy for continual improvement of its employees & extended its role to participate some of the Educational institutes such as:

- The Faculty of Technology in Matarya
- Contributing in establishing the Technical Training School in Minya Government.
- Lecturing in Cairo & Future Universities about Automotive industry.
- Offering summer internships for students from different universities.
- Providing Galal Fahmi School and the Korean institution with vehicles parts and educational tools
- Establishing the Autotronic division at the faculty of technology located in Matrya
- Support the educational lab at Future university
- Train the students of the Faculty of Technology in Matarya at BAG Service centers
- Train the Teachers of the Faculty of Technology on the latest vehicles technology and support them in creating and developing their own curriculums
- Supporting the students of Helwan university to participant in the Formula Student Competition held in the UK
- Participating in developing the technical education material workshops for the three/five - years Technical education school in cooperation with Ministry of Technical Education

Bavarian Vocational School:

- BAG made a commitment to the development by signing a 5-years protocol with the Ministry of Technical Education to establish the Bavarian Technical School.
- The Bavarian Technical School was established in 2015. The premise is located at 6th of Oct. City where BAG manufacturing plant is located & acknowledged as BMW assembly plant.
- The school is classified as a 3-years Technical Secondary school where the students receive theoretical studies & practical training.



- BAG focuses on facilitating the transportation of the students to the studying locations. In addition, a financial incentive is awarded to the students each month for motivation & support. The distinguished students are regularly praised in graduation parties.



- BAG staff focuses on the wellbeing of the students, they provide every possible support for their needs of catering, insurance & even social problems nevertheless all needed safety equipment.
- BAG believes that the effort invested today is the fruit collected tomorrow. Students in final year are awaited with a rewarding job offer at the Bavarian Auto Group, once they pass their final examination.
- There is a class graduating this year & BAG decided to accept a new class of 24 students. This only goes to prove the success of this whole experience in Technical education development.
- Aug – Oct 2017: Selecting students & starting the 2 class – Graduation Oct 2020
- Students benefits:

- Paid reward for practical training.
- Insurance.
- Meal and transportations.
- Technical training uniform.
- National and international trainers for practical education

LABOUR

Forced and Compulsory Labour

All employees show their willingness to work at BAG by signing contracts at the start of employment and periodically renewing their contracts. By agreeing to the job description and employment contract, each individual accepts the existing working conditions and his or her expected tasks and duties at BAG. The job description is available to individuals prior to employment, so employees are fully aware of their role from the beginning of their time at BAG. Employees at BAG can freely give notice and leave employment in accordance with Egyptian labour law. For every employment contract renewal, all employees are required to sign a document detailing the procedure that must be followed should an employee wish to resign and leave employment, including the required length of the notice period based on the number of years they have worked at the company. This means that all employees are fully aware of the requirements for leaving employment before they start working at BAG. Further, BAG is sometimes able to work with an employee to give him or her the opportunity to leave employment within a shorter period of time. This occurs on a case-by-case basis and depends on the particular circumstances.

BAG only requests documents from employees that are needed to provide them with the proper employment status, as well as the relevant benefits package. Providing this information to BAG in no way hinders an employee's ability to leave BAG at a later date. In the case where an employee does choose to leave BAG, all relevant documents will be released to him or her in a timely manner. This is provided that the employee has followed the BAG procedure for resignation, which is clearly stated in its Separation of Employment Policy. At the end of this process, employees receive their original documents, a certificate of discharge, and a certificate of experience in accordance with Egyptian labour law.

Child Labour

BAG complies with minimum age standards and does not employ any children. No employee may be hired at BAG without reviewing his or her national identification card to confirm that the individual is not a minor according to the Egyptian legal definition of the term.

Employee Benefits

BAG provides its employees with comprehensive family health insurance and life insurance coverage. All employees are given access to healthcare through private health insurance. Employees are also entitled to add one spouse and two children to their health insurance plan as part of the benefits package. All BAG employees also receive life insurance benefits. This protects the families of BAG employees in the case of the employee's death.

Non-Discrimination

Job Descriptions and Grade Structure

Both job descriptions and the BAG grade structure minimise the possibility of discriminatory practices when it comes to hiring, establishing salaries, and opportunities for promotion. These systems ensure that those hired for a job must meet specific requirements, such as education and years of experience. Jobs are, in turn, assigned to particular grade and salary categories based on determined criteria. These criteria include details about the seniority of the employee and the type of role he or she must undertake. For example, a factor such as the approximate number of subordinates can distinguish between different grades or categories. This mechanism is used to manage all employee compensation in a fair and equitable manner by relying on objective criteria.

Performance Appraisals

BAG has created performance appraisal forms to help standardize the approach to employee evaluations. Different types of jobs have their own forms, so all who perform similar functions receive performance appraisals in the same format. Every employee's performance is measured against pre-determined objectives and the set of competencies relevant to their role. The result of performance appraisals impacts an employee's opportunities for training and advancement at BAG. The standardization of this process, its results, and its impact on employees ensures that performance is evaluated as objectively as possible for all employees and that this procedure

promotes non-discriminatory practices regarding employment and future opportunities for all. BAG conducts performance appraisals once annually.

Employment of Persons with Disabilities

At BAG, every effort is made for inclusive employment and providing decent work opportunities for persons with disabilities. In addition, BAG conducts activities in the larger community regarding this issue. BAG has organized, sponsored, and participated in conferences, events, and meetings on the topic of employment of persons with disabilities. These initiatives provide opportunities to raise awareness and better facilitate the employment of persons with disabilities at all companies, institutions, and organisations. Below is a sample of the activities conducted by BAG during the reporting period concerning the employment of persons with disabilities.

Professional Development

BAG is committed to investment in the education and training of employees and people in the wider community in order to help them achieve their full potential and contribute to their work to the best of their abilities. For BAG employees, training requirements and goals are determined by the Human Resources Department and given to the BAG Training Academy for implementation as necessary. The Training Academy provides professional development opportunities for employees and non-employees. BAG also provides such opportunities to non-employees through its internship programs and sponsorships of student activities and projects.

Employee Training and Education

The BAG Training and Development Policy establishes the guidelines and procedures for providing employees with the professional training and development programs needed for them to complete their jobs as efficiently and effectively as possible. It covers the professional development opportunities available to employees at BAG, including: general and technical induction training, on-the-job training, opportunities available through the BAG Training Academy, courses provided by institutions outside BAG, training abroad, and education assistance. As a result, BAG employees are trained on a wide variety of topics and through a diverse range of training avenues.

Training procedures are applied uniformly through the Human Resources Department. It determines employee training needs through probation appraisals, performance appraisals, and job needs analyses. It also forms training plans and organizes sessions and programs as needed.

All plans are made in coordination with supervisors, managers, and heads of departments based on business requirements. Employees are also encouraged to take initiative and request training, which must then be approved in consultation with the existing plans. After training programs are completed, employees and direct supervisors evaluate training effectiveness and its impact on employee performance. During the reporting period, 202 employees participated in technical training and 400 employees participated in non-technical training.

BAG Training Academy

In 2004, BAG established a Training Academy to provide many types of training and education opportunities in support of the automotive industry in Egypt and the region. It provides technical and soft skills training to BAG employees and non-employees. The BAG Training Academy has three centres in Egypt and one in Sudan. It has more than 100 accredited courses on the following topics: sales and marketing, services and operations, manufacturing operations, soft skills and management, information systems, and financial management. BAG Training Academy also provides consultation services and tailor-made programs as needed. In terms of its history, it has long-standing cooperation and projects with governmental entities and other institutions, such as agreements with the Ministry of Education and involvement in an initiative with the German-Arab Chamber of Commerce and others to train and employ 4000 Egyptian young people. In this way, BAG is able to share its knowledge and experience in the automotive field with the larger community and develop the industry on a wide scale.

Apart from meeting the training needs of employees at BAG, the BAG Training Academy has developed its strategy to help connect education and training with market needs, keeping in mind the importance of society as a stakeholder. BAG hosts specific training and education programs for high school age students. The first is a dual education program where students spend four days training at BAG and two days at their respective schools. It also has the Bavarian Technical School, where students from grades 10 to 12 spend six days a week at BAG and learn automotive technical studies while being in direct contact with the BAG manufacturing site. The program provides two units of theoretical instruction and one unit of practical preparation. This vocational school serves as a prototype for this type of training to be directly connected to businesses.



BAG also works with institutions to create specialized programs. As one of the Future University in Egypt's corporate partners, the two entities have an agreement on academic and scientific cooperation to better integrate theoretical instruction with practical experience. This type of coordination increases the chances that academic learning will lead to jobs and that graduates will have the knowledge and skills needed in the marketplace. BAG created an automotive management program with the Future University in Egypt for undergraduate students. It teaches them how to run an automotive business, including strategic planning, sales and marketing, finance, and many other topics.

In cooperation with the Matareya Higher Technical Institute, the BAG Training Academy formed an automotive section in the institute. This initiative gives BAG the opportunity to have input on curriculums, supervise the implementation of curriculums, provide training courses to the instructors in the automotive section, and invite students to visit BAG premises with a particular focus on the factory. BAG gives completion certificates for students who perform well in this program, which is considered a valid license to work in the automotive field in manufacturing and maintenance.

Most recently, BAG signed a protocol with El Menya University to provide training opportunities related to the automotive industry at its various sites for the students of the Faculty

of Engineering. BAG also sponsored an event organised by the Faculty of Engineering at El Menya Universty in February 2017 called “Day of Creativity.” This event allowed students to showcase their innovative projects and encouraged them to undertake further research.



Internship Programs and Sponsorships

BAG also offers training and development opportunities to young people in the form of internships. It provides a wide range of opportunities differing in content and length. These types of programs give young people with relevant academic backgrounds a chance to develop their skills for the job market and increase their chances of employability in the future. This is an investment by BAG in the community and individuals pursuing an education in a field relevant to BAG’s activities. The Human Resources Department ensures that interns are matched to the most suitable department based on business needs and the qualifications of applicants in order to create the most beneficial experience possible for both parties.

The BAG Training and Development Policy addresses the topic of internship opportunities. Most internship programs are designed for undergraduate students and recent graduates. BAG ensures that no internship interferes with an individual’s education. Many of these programs are conducted in conjunction with academic institutions. For example, BAG has an agreement with the Future University in Egypt to arrange summer internships for their students. Internships arranged individually (through applications and an interview process) usually occur in the summer months, when students do not have any courses or examinations. All students are required to provide a letter from their academic institution prior to their start date in order to confirm their eligibility to participate in such a program. At the end of the programs, interns and direct supervisors complete evaluation forms to assess program effectiveness and assist in the

continuous improvement of opportunities provided by BAG. During the reporting period, 300 internships were completed at BAG.

BAG also sponsors a number of student activities and projects at various universities. For instance, BAG provides technical support for Faculty of Engineering students' graduation projects. In this way, BAG is able to share its knowledge and experience with young people at the beginning of their careers and encourage them to explore and innovate in their fields of interest. One graduate of the German University in Cairo, whose project was supported by BAG, won first place for his research paper and presentation in the Automation Science section at the 2017 International Conference on Mechanical Engineering and Automation Science (ICMEAS) held at the University of Birmingham, UK. The conference is an international forum for the presentation of technological advances and research results in the fields of Mechanical Engineering and Automation Science. His paper entitled "Development of A New Automotive Active Suspension System" was also published by ICMEAS.

Fair Treatment

Non-Harassment

BAG is further concerned with the protection and safety of employees from others in the workplace and takes measures to ensure that no individual harms another at BAG. The BAG Code of Ethics and Conduct Policy dictates the expected behavior of all employees in the workplace. This policy prohibits harassment in all of its forms and for any reason. BAG encourages any employee who experiences harassment to report the incident. The policy includes the steps employees should follow to report any such incident, including the party equipped to receive these specific types of reports. As with all violations of the BAG Code of Ethics and Conduct Policy, any report of harassment will be promptly and thoroughly investigated, and disciplinary action will be taken as needed.

Complaints and Suggestions Boxes

At all BAG premises, boxes have been installed where employees can submit any suggestion, complaint, or grievance. These submissions can be made anonymously if that is deemed more appropriate by the employee. This mechanism exists in addition to the more typical approach of making a suggestion or complaint in person in order to get the most honest and open feedback possible from employees. BAG makes every effort to protect employee rights to fair treatment

and empower them to speak up when those rights have been infringed upon.

ENVIRONMENT

Environmental Management System

BAG is committed to environmental responsibility and complying with relevant Egyptian laws, international guidelines, and industry standards. Bavarian Auto Manufacturing Company is certified with ISO 14001:2004, which is an international standard for environmental management systems. It provides guidance for forming and maintaining policies and procedures that help improve overall environmental performance, address risks and opportunities, and fulfil legal obligations. Topics under consideration include: resource and energy use management, pollution prevention, waste reduction, and measuring environmental indicators. This ensures sustainable business growth and increased efficiency, while minimizing environmental impact.



During the reporting period, there were two internal audits to cover the ISO 14001:2004 requirements and one external audit by TÜV SÜD. Relevant actions were taken and verified according to the audit findings and action plan.

Emergency Response

BAG has emergency procedures in place to prevent and address accidents affecting the environment and human health. One such procedure is in place at the manufacturing plant to

respond to emergencies, such as a fire, if they occur. The procedure involves four teams of selected individuals: evacuation team, firefighting team, electricity team, mechanic team, and first aid team. The evacuation team is responsible for notifying the relevant person in charge about accidents and unusual situations, directing employees to emergency exits, checking and counting their group at the emergency assembly area, and guiding employees back after the emergency situation. The firefighting team aims to control a fire, if one has occurred, remove any flammable materials, and follow the instructions of the relevant Egyptian authorities. Individuals in the electric and mechanic teams are responsible for ensuring that certain systems are switched off or isolated in order to prevent further escalation of the emergency. The first aid team attends to any injuries on-site until those injured can be transferred to the medical clinic on the premises where the nurse can further assist them. All other employees must evacuate through the nearest emergency exit to their designated emergency assembly area once they hear the continuous emergency alarm. Emergency assembly areas are clearly marked with a letter matching the letter assigned to the group of people that must gather there in an emergency.



BAG trains employees to respond to accidents and emergencies, such as in the procedure described above, including carrying out an emergency drill once a year involving everyone who works on the premises. The purpose of the emergency drill is to practice the procedure that prevents and mitigates any harmful effect on the environment and employee health and safety. It also ensures that everyone who works in the building knows the procedure and is properly prepared for how he or she should act, including any responsibilities he or she may have. During an emergency drill, emergency exits are confirmed to be clearly marked and free from

obstruction, and emergency tools are confirmed to be in good working order. Also, indicators, such as evacuation time and firefighting response, are monitored and compared to target values. An emergency drill was conducted during the reporting period.

Responsibility and Performance

Energy Consumption and Environmentally Friendly Technologies

BAG is committed to the reduction of energy consumption and the use of environmentally friendly technologies. In an effort to put this commitment into action, LED lights have been installed at various BAG premises. From the beginning of this initiative, there has been an 84.8% decrease in power consumption for lighting purposes in the areas where LED lights have replaced regular light bulbs in the main manufacturing plant.

In order to further reduce energy consumption, the manufacturing plant uses automation in many of its processes. For example, it uses photocells triggered by daylight to switch on and off the lights on the exterior of the plant. This controls the duration that power is used for this purpose and ensures that the lights are not on for longer than required. The mechanism also accounts for variation in daylight hours throughout the year and eliminates the need for manual manipulation of the system as this variation occurs. The manufacturing plant also uses timers to control the operation of some equipment, such as the exhaust fan, in order to reduce energy consumption.

Reduce, Reuse, Recycle

The first approach to eliminating waste at BAG is to use resources responsibly. Paper consumption is reduced through the increased use of electronic systems. In addition, maintenance on all water outlets is performed to prevent any leakages. Ongoing maintenance activities are also conducted for all equipment, such as air filter changes, equipment vibration checks, greasing moving parts, and belt changes. This ensures that efficiency is maintained, which reduces excess resource use, air emissions, and loss of power.

The second technique used to manage waste is reuse. At the manufacturing plant, some packaging is reused in the production process. If parts arrived at the plant in packaging, the packaging used to be discarded before taking the parts it contained and utilizing them in the production process. After being treated, these same parts would then be moved along the production line in a different container. Now the original packaging of these parts is not discarded and no new container is required. Instead, the original packaging is used in the line



delivery process.

Finally, BAG recycles many waste products through licensed contractors in order to reduce the environmental impact of waste production. Some paper and paper products are recycled, including cardboard boxes, cartons, and other such items. Oils are also recycled.

Environmentally Friendly Products

As part of BAG's commitment to environmental preservation and raising awareness about this critical issue, BAG has expanded its product offerings to include more environmentally friendly vehicles for its valuable customers. In 2017, BAG introduced the BMW i sub-brand with the reveal of the BMW i3. This electric car is energy efficient and fully emission-free. The BMW i3 is also produced using renewable energy resources and is made from sustainable materials. The BMW i3 fulfils BAG's responsibility with regards to environmental protection without compromising the joy of driving.

As one of the first to introduce sustainable driving to the Egyptian automotive market, BAG takes seriously its leadership role in this vital and rapidly growing field. BAG plans to increase its investment in this cause and is currently working on raising awareness in Egypt about the benefits of electric vehicles.

ANTI-CORRUPTION

Signaling a Non-Corrupt Environment

BAG rejects corruption in all of its forms and requires all employees to behave ethically and in conformity with the law. Further, BAG expects every employee to act with honesty and integrity, to exercise independent professional judgment, and to deter wrongdoing in the conduct of all duties and responsibilities on behalf of BAG. In order to communicate this commitment to its employees, BAG has a number of clear policies detailing its approach to the fight against corruption and the consequences of violating these policies.

Code of Ethics and Conduct Policy

BAG has taken a clear stand against corruption in its Code of Ethics and Conduct Policy in order to ensure the highest standard of integrity in the workplace. All employees are expected to comply with this policy, and employees in leadership roles must provide guidance to their subordinates with regard to the issues outlined in this policy. They should also assist employees in recognizing and dealing with ethical issues, as well as helping to foster a culture of honesty and accountability.

The policy covers conflicts of interest, circumstances in which they may occur, and how they can corrupt business practices. Situations that involve, or may reasonably be expected to involve, a conflict of interest must immediately be disclosed to BAG by following the relevant procedure. The policy stipulates the need for fair dealing practices and the prohibition of manipulation, concealment, abuse of privileged information, and misrepresentation of material facts. The policy also provides guidance on the issue of dealing with business gifts. Accurate record keeping and reporting is another main concern of the policy, highlighting that falsification of any records is strictly prohibited.

Finally, the policy details the mechanisms available to report illegal or unethical conduct or suspicion of such activity, including the individuals within BAG who should be notified. Reports of BAG Code of Ethics and Conduct Policy violations will be promptly and thoroughly investigated. Any employee found to have engaged in any violation will be subject to immediate disciplinary action up to and including termination, as well as reporting the offense to the relevant authorities.

Anti-Corruption Policy

At BAG, there is a zero tolerance policy when it comes to bribery and corruption. The BAG Anti-Corruption Policy sets out BAG's responsibilities and the responsibilities of its employees in upholding this commitment. The policy assists employees in fighting against corruption in all of its forms by providing clear definitions and practical guidelines for acceptable and unacceptable behavior in the workplace.

The policy begins by clearly defining many of the terms used when discussing this topic, such as corruption, bribery, and facilitation payments. This ensures that all employees understand the issue at hand, use one shared definition of these terms, and can better recognize the problem if they face it in the future. The policy also explains in general terms what is and is not deemed appropriate in these situations, then moves to a discussion of these issues within BAG's specific context. It covers the following topics: gifts, hospitality and entertainment, provision of vehicles, discounts and allowances, event sponsorships, and donations and corporate social responsibility projects. There is also a section dedicated to identifying high-risk situations and detailing how to deal with them, i.e. recognizing, stopping, and reporting on bribery and corruption. Finally, the BAG Anti-Corruption Policy details the disciplinary action that may be used in cases where an employee has violated this policy.

Whistle Blowing Policy

The purpose of the BAG Whistle Blowing Policy is to create a mechanism whereby confidential and anonymous reports can be made regarding possible acts of corruption. It ensures that complaints and concerns by any BAG employee concerning corruption will be heard and addressed. The policy establishes procedures for receiving, retaining, and addressing complaints about accounting irregularities, internal accounting controls, audit matters, and illegal or unethical behavior. It also covers reporting on failures to comply with the law, regulations, or the two other BAG policies related to this topic: the BAG Code of Ethics and Conduct Policy and the BAG Anti-Corruption Policy. Further, the BAG Whistle Blowing Policy explains the procedure for investigation of claims received through this system. It goes on to mention disciplinary and corrective action that can be taken as a result of the conclusion of investigations, as well as the required reporting about this mechanism and its use.

The BAG Whistle Blowing Policy reinforces the need for honest and ethical conduct, as well as compliance with applicable laws, rules, and regulations. It provides a method for prompt internal

reporting of any violations of the above requirements. There is also an increased emphasis on existing BAG internal policies regarding this issue and the importance of accountability and adherence to them.

Anti-Corruption Risk Assessment

In addition to establishing the above policies, BAG is committed to periodically evaluating and assessing the potential risk of corruption. This makes it possible for policies and procedures to be amended and updated as necessary. Such a preventive approach minimizes the possibility of any type of corruption occurring.

Awareness Raising

BAG takes steps to ensure that employees are aware of the existence of the policies mentioned above and that they fully understand them. During the reporting period, all newly hired employees at BAG participated in orientation training sessions about the need to comply with Egyptian law and internal governance at BAG, including the policies explained above. Any communication on the matter is presented in a language and form easily understood by allemployees. Further, the BAG Code of Ethics and Conduct Policy is easily accessible to newly hired and existing employees at all times on the BAG intranet portal.

Anti-Corruption Procedures

As the BAG Code of Ethics and Conduct Policy, the BAG Anti-Corruption Policy, and the BAG Whistle Blowing Policy stipulate, all employees must comply with the laws, rules, and regulations applicable to their duties and responsibilities. BAG has a department dedicated to internal audit and compliance responsibilities with a clear strategy and operating procedures presented in its manual. This department ensures that all relevant laws and regulations are being followed and calls attention to any irregularities. It also works with the Human Resources Department to create and update relevant policies and procedures. The department reviews BAG's operations with reference to such policies and identifies any violations and room for improvement. All findings are reported to management and follow up action is taken if necessary. Further, an external audit of BAG is conducted annually, including several visits throughout the year, in accordance with Egyptian law. This allows an entity completely separate from BAG to assess BAG's performance in this area and provide relevant feedback. These checks and controls ensure that all BAG employees abide by Egyptian law and BAG policies and procedures so that no type of corruption occurs at BAG.