

BMW Group Supplier Sustainability Policy

Version 2.0 (2020)

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PREAMBLE

At BMW Group, we believe that ‘sustainability’ means investing into our future. But it also forms the basis of our commercial success today. It opens up new business opportunities and allows us to minimize risks and find timely solutions to environmental, social and business challenges - for us and our stakeholders. Therefore, we aspire to be the most successful and sustainable premium provider of individual mobility.

Our global supplier network makes a major contribution to value creation and innovative strength, and hence to the success of the BMW Group. Consequently, our suppliers also play a significant role in helping us to achieve our sustainability targets, e.g. improving resource efficiency and reducing CO₂ emissions over lifecycle. Therefore, it is essential that our business partners meet the same environmental, social and governance standards we set for ourselves.

This policy summarizes the BMW Group guiding principles for the worldwide supplier network, in accordance with globally accepted standards and internationally recognized guidelines regarding ESG¹-topics (see ‘references’). We require our business partners to ensure legal compliance on any level, to protect the environment and respect human rights in line with international expectations.

The specific sustainability requirements for suppliers of production materials and non-production related supplies are further specified in the ‘BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components - IPC’ and the ‘General Terms and Conditions for Indirect Purchasing’ (GTC). Meeting our sustainability requirements for suppliers is fully integrated into our procurement process.

We believe, that we can only enhance the overall sustainability performance through continuous and collaborative supplier development and consistent supplier and sub-supplier management. Considering the growing complexity of our n-tier supplier network, we depend on joint efforts with our direct suppliers, to obtain more transparency and effectiveness.

¹ Environmental, Social and Governance/Compliance

ENVIRONMENTAL RESPONSIBILITY

Environmental Protection

We expect all suppliers of the BMW Group to comply with national and international environmental standards and regulation and to operate an effective and certified environmental management system according to ISO 14001 or Eco-Management and Audit Scheme (EMAS), to continuously minimize their resource consumption (i.e. energy, water, raw materials, primary materials) and environmental impact (i.e. emissions, pollutants, waste).

CO₂ Reduction

The BMW Group is fully committed to the 'Paris Agreement' (COP 21). Therefore, one major focus of our sustainability activities is lowering CO₂ emissions over the complete product lifecycle, from development, raw material production to recycling. With more than 70% of value creation, our supplier network has a huge impact on the carbon footprint of our products.

We demand from our suppliers to provide transparency regarding emissions data from their own operations as well as from upstream activities, e.g. via Lifecycle Assessments (LCA), the CDP Supply Chain Program or our CO₂ questionnaire for production locations. Also, we expect our suppliers to implement effective measures to reduce their direct and indirect CO₂ emissions (including their upstream supply chain) in line with the Paris Agreement.

Material Restrictions

Our suppliers and sub-suppliers shall comply with all applicable laws and regulation regarding the restriction and registration and where necessary, authorization or notification of chemical substances contained in the end product or production process according to the statutory requirements that apply to the corresponding market (e.g. REACH).

In addition, suppliers shall adopt new process and best practice not only securing the supply of parts and components, but also addressing the environment as well as health and safety concerns.

To implement the above-mentioned standards, our suppliers shall disclose information in support of the

- identification of critical parts related to the vehicle projects and
- substitution of the affected parts in line with the technical, business and sustainability requirements.

Biodiversity and Deforestation

Supply chain activities - including raw material production and processing – shall protect natural ecosystems and halt conversion, deforestation and forest degradation based on identification and management of natural forests and other natural ecosystems, using the guidelines of the High Conservation Value Resource Network (HCV) and the High Carbon Stock Approach (HCSA), where applicable.

SOCIAL RESPONSIBILITY

Human Rights and Working Conditions

It is crucially important to BMW Group, that all business activities take into account the company's social responsibility towards its own employees and society. As stated in the 'Joint Declaration on Human Rights and Working Conditions in the BMW Group' as well as the 'BMW Group Code on Human Rights and Working Conditions', this applies both to the BMW Group itself and its business partners. Therefore, all suppliers are called upon to observe the principles and rights set forth in the guidelines of the UN Initiative 'Global Compact' and the 'ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up' and to align their due diligence process with the requirements of the 'Guiding Principles on Business and Human Rights' by the United Nations.

Of particular importance are the respect for human dignity and internationally recognized human rights like

- the prohibition of child labor,
- the prohibition of modern slavery (i.e. slavery, servitude and forced or compulsory labor and human trafficking),
- the prohibition of harassment and discrimination,
- ensuring the right to freedom of association and collective bargaining and
- compliance with all applicable labor regulations e.g. regarding working hours, wages and benefits and work safety.

Health and Safety

We expect all suppliers of the BMW Group to comply with national and international health and safety standards and regulation and to operate an effective and certified health and safety management system according to ISO 45001, OHSAS 18001 or similar, to continuously minimize health and safety risks and improve working conditions for the workforce including sub-contractors working on site.

Responsible Sourcing of Raw Materials

Extraction, production, transport, trade, processing and export of certain raw materials along the upstream value chain may be linked to high ESG risks for people and the environment. Based on the risk analysis of the 'Material Change' report by Drive Sustainability and the Responsible Minerals Initiative (RMI) we have refined our raw material strategy. We aim to use only raw materials in our products, whose extraction, production, transport, trade, processing and export neither directly nor indirectly contribute to human rights abuses, health & safety issues, environmental pollution or compliance breaches.

With regard to raw materials, such as tin, tungsten, tantalum and gold (3TG) from conflict-affected and high-risk areas (CAHRAs) like the Democratic Republic of the Congo (DRC), as well as other raw materials, such as cobalt, lithium, copper etc., we established processes in accordance with the 'OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas' and expect our suppliers to do the same. Smelters and refiners without adequate, audited due diligence processes in place shall be avoided. Upon request, suppliers shall disclose their supply chain including information on the origin of the material, e.g. via the 'Responsible Minerals Assurance Process' (RMAP) by the RMI.

Raw materials should be obtained from audited sources as a matter of principle wherever possible, using independent, third-party assurance, such as the Standard for Responsible Mining from the 'Initiative for Responsible Mining Assurance' (IRMA).

The BMW Group participates in multi-stakeholder initiatives which aim to establish the standards set out in this document in raw material supply chains and expects its suppliers also to be active in this kind of activities whenever relevant and necessary.

Indigenous People

The rights of indigenous peoples and local communities shall be respected, promoted and protected throughout the supply chain in accordance with the 'UN Declaration on the Rights of Indigenous Peoples'. Suppliers are required not to engage in land grabbing, to obtain Free Prior and Informed Consent (FPIC), as defined by the UN-REDD Programme from existing land users and to promote adequate compensation where land use has been granted to the supplier.

Animal Welfare

For BMW Group it is crucial, that corporate activities consider animal welfare as well. Therefore, we require relevant suppliers to implement standards and best-practice methods to comply with animal welfare along the entire supply chain. In general, animal testing must be avoided and alternative methods free of animal testing must be favored, as long as animal testing is not strictly required by law. In any case, national and international rules regarding animal protection and animal testing, e.g. the German Animal Protection Law (TierSchG) or the EU Directive 2010/63 shall be followed. Further, BMW Group recognizes following ethical principles and expects suppliers and sub-suppliers along the entire supply chain to respect the same principles:

- The '3R' principle regarding animal testing (reduction, refinement, replacement),
- the 'five freedoms' of the Animal Welfare Committee (AWC) as a criterion to evaluate animal welfare and
- the standards for the improvement of animal health and welfare (Terrestrial Animal Health Code) of the World Organisation for Animal Health (OIE).

GOVERNANCE

As stated in the BMW Group Legal Compliance Code, responsible and lawful conduct is an integral part of our company. We request legal compliance not only from our associates but from all business partners, particularly with regard to corruption and fraud prevention as well as anti-trust matters, taxation regulations, data protection and privacy as well as export controls. In order to ensure such adherence, the BMW Group expects its business partners to implement an adequate and effective Compliance Management System within their organizations.

SUPPLY CHAIN RESPONSIBILITY

Due Diligence

Supply chain due diligence at the BMW Group is observed based on the 'OECD Due Diligence Guidance for Responsible Business Conduct'. To verify suppliers' compliance with the standards and rules set out in this document, we apply for example the 'Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers' by Drive Sustainability as well as third-party audits and onsite assessments performed by BMW Group sustainability experts at supplier locations along the entire supply chain.

All suppliers are called upon to implement a due diligence process themselves, to ensure that their contractors and sub-contractors comply with the standards and rules set out in this document, as well. This includes, but is not limited to contractual agreements, a supplier policy for sustainable procurement and audits. Suppliers shall map their supply chain to effectively identify, analyze and prioritize material ESG-risks and take appropriate measures to address them properly.

Upon request, the BMW Group requires collaboration between suppliers and sub-suppliers with the target to obtain maximum transparency in relevant high-risk supply chains, to the source of origin if needed.

Grievance Mechanism

In case of (potential) violations against the above-mentioned requirements, the BMW Group has implemented a grievance mechanism, which is available by phone under +49 89 382-71230 or by e-mail under humanrights.sscm@bmwgroup.com.

Escalation Process

The BMW Group escalation process is regulated across all divisions and is based on performance figures and responsibilities as well as consequences for the suppliers and measures to be taken by the BMW Group. Sustainability criteria are fully integrated into the escalation process. An escalation can be started upon exceeding thresholds or event-driven for incidents with legitimate criticality. The highest escalation level of our process is equivalent to 'New Business Hold' i.e. the supplier location will be suspended from new placings.

REFERENCES

BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components – IPC

<https://b2b.bmw.com/en/web/b2b/einkauf-direktes-material>

General Terms and Conditions for Indirect Purchasing

<https://b2b.bmw.com/en/web/b2b/einkauf-indirektes-material>

ISO 14001

www.iso.org

Eco-Management and Audit Scheme (EMAS)

<https://ec.europa.eu/environment/emas/>

Paris Agreement (COP 21)

<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

CDP Supply Chain Program

<https://www.cdp.net/en/supply-chain>

Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32006R1907>

High Conservation Value Resource Network (HCV)

<https://hcvnetwork.org/>

High Carbon Stock Approach (HCSA)

<http://highcarbonstock.org/>

Joint Declaration on Human Rights and Working Conditions in the BMW Group

https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup.com/responsibility/downloads/en/2010/BV171_Joint_Declaration_on_Human_Rights_and_Working_Conditions_in_the_BMW_Group_2010.pdf

BMW Group Code on Human Rights and Working Conditions

https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/responsibility/downloads/en/2020/CCO_HumanRights_Code_EN_November2019_external.pdf

UN Global Compact

<https://www.unglobalcompact.org/>

ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up adopted by the International Labour Conference at its Eighty-sixth Session, Geneva, 18 June 1998 (Annex revised 15 June 2010)

https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf

Guiding Principles on Business and Human Rights

https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

ISO 45001

www.iso.org

OHSAS 18001

<https://www.bsigroup.com/en-GB/>

Material Change Report

https://drivesustainability.org/wp-content/uploads/2018/07/Material-Change_VE.pdf

Responsible Minerals Initiative

<http://www.responsiblemineralsinitiative.org/>

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

<https://www.oecd.org/corporate/mne/mining.htm>

Responsible Minerals Assurance Process (RMAP)

<http://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>

Initiative for Responsible Mining Assurance (IRMA)

<https://responsiblemining.net/>

UN Declaration on the Rights of Indigenous Peoples

https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf

UN-REDD Programme

<https://www.un-redd.org/>

German Animal Protection Law (TierSchG)

<https://www.gesetze-im-internet.de/tierschg/B.JNR012770972.html>

EU Directive 2010/63

<https://eur-lex.europa.eu/legal-content/DE/ALL/?uri=CELEX%3A32010L0063>

Animal Welfare Committee (AWC)

<https://www.gov.uk/government/groups/animal-welfare-committee-awc>

OIE Terrestrial Animal Health Code

<https://www.oie.int/standard-setting/terrestrial-code/>

BMW Group Legal Compliance Code

https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/company/downloads/en/2020/CCO_LCC_EN_March2020_external.pdf

OECD Due Diligence Guidance for Responsible Business Conduct

<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers

<https://www.drivesustainability.org/compliance/>

DOCUMENT HISTORY

Version 1.0	released in May 2012
Version 1.1	released in April 2016: minor revisions to selected provisions, new provisions '4. Preventing the Flow of Funds to Armed Groups and Conflicts' and '5. Implementation of these Standards in the Supply Chain'
Version 1.2	released in May 2017: minor revisions to selected provisions
Version 1.3	released in December 2018: minor revisions to selected provisions, new provision '5. Animal Welfare in the Supply Chain'
Version 2.0	released in June 2020: layout and content revision to selected provisions, new provisions 'Biodiversity and Deforestation' and 'Indigenous People'