

OUR DUE DILIGENCE PROCESS

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01 RISK ANALYSIS

We have been identifying possible violations of environmental standards and human rights by potential suppliers since 2014 and have made it an integral part of our procurement process.

The BMW Group constantly monitors and evaluates sustainability risks in its supplier network, for both potential and active direct supplier locations. We use various in-house and industry-standard external data sources to identify and assess abstract environmental and human rights risks, including country- and commodity-specific indicators and company- as well as site-level media analyses.

Concrete risk analyses for direct suppliers are carried out annually and as needed, and are additionally based on the results of the standardised online and onsite assessments. The onsite assessments are usually carried out by external third parties and/or BMW Group sustainability experts for quality assurance purposes.

Risk analyses with indirect suppliers are based on supply chain mapping. For this reason, the BMW Group works continuously to increase transparency over its own supply chain with the support of external databases, among other things.

CONDUCTING REGULAR RISK ANALYSES.

The BMW Group conducts comprehensive risk analyses of supplier sites, whether tendering or already active. Investigations are underpinned by two key cornerstones: regular risk analyses of direct suppliers, and as-needed analyses of both direct and indirect suppliers. The latter are carried out based on tip-offs and complaints from the whistleblowers' and complaints procedure. To find out more, click [here](#).

Regular risk analysis of direct supplier sites comprises an abstract and a concrete component:

To identify and evaluate abstract risks to human rights and the environment, we investigate from several perspectives, including the country, business purpose, commodity group, location and corporate perspectives, based on internal and external data sources. The evaluation includes internal and external indicators as well as media analyses from which abstract indicators are deduced.

One example is the standardised risk map of the [Responsible Business Alliance](#) (RBA). It incorporates external indicators and relates them back to the results of the global concrete risk analysis from worldwide onsite assessments of production facilities. In conjunction with the BMW Group, the RBA has updated the risk map in accordance with the Act on Corporate Due Diligence in Supply Chains. The map is available for all members to use.

On this basis, potential risks can be identified, and their probability, inherent severity and potential contribution to causation shown. To integrate the risk analysis into our purchasing processes, we award a sustainability risk score, which appears on monitoring dashboards for our buyer to use. This allows suitable procedures and control measures – such as online and/or onsite assessments/certifications – to be initiated during procurement, strategic decision-making and supplier development projects.

For direct suppliers in high-risk regions or dealing with high-risk commodities, the BMW Group has established control mechanisms. One important tool in this regard are the onsite assessments of environmental and social standards at suppliers' sites. These are carried out using industry-wide or cross-industry assessment programmes by the RBA along with the Validated Audit Programme (VAP) and the VDA's Responsible Supply Chain Initiative (RSCI).

Findings from these concrete risk analysis procedures (i.e. the onsite and online

assessments) provide the basis for prevention and remediation and complement the abstract risk analysis. This allows the actual level of risk at the site to be substantiated.

As part of the regular risk analysis for direct and indirect suppliers, priority risks were identified from among the different risk types. Corrective actions were defined for each one, and the BMW Group is following up with the respective suppliers to ensure they are implemented.

ONLINE ASSESSMENTS BASED ON DRIVE SUSTAINABILITY.

The BMW Group has defined a set of Minimum Requirements at site level for its supplier network. These are based on the findings of risk analyses and outline the implementation of preventive measures to mitigate potential negative impacts, for example on a supplier's employees. They are underpinned by the online assessment of the Drive Sustainability initiative, which we continue to enhance in cooperation with other automotive manufacturers.

The application of standards saves duplicate work and allows us to operate more efficiently.

By signing a contract with the BMW Group, direct suppliers are committing to implementing, supplementing or continuing with required prevention and remediation measures and controls such as ISO certifications (ISO 14001 and ISO 45001) by an

agreed date. They must also notify their sub-suppliers of these measures, depending on the risk. The scope of the preventive measures depends on the potential risks, the type and scope of business activities, and the size of the supplier. The Drive Sustainability online assessment questions suppliers about the measures, and their implementation is verified and evaluated. The aim is to mitigate risks and eliminate any potential deficits.

If any shortfall from our requirements is identified, the buyer and the supplier concerned agree preventive measures to be implemented by a specific deadline. Suppliers of production-related goods and services must implement them in full by the time production commences.

For more information on preventive measures, click [here](#).

ONSITE ASSESSMENTS: AUDITING SUPPLIER LOCATIONS.

For direct suppliers in high-risk regions or dealing with high-risk commodities, the BMW Group has established further control mechanisms that are generally carried out before production begins. An important tool in this regard are the onsite assessments of environmental and social standards at suppliers' sites. These are carried out using industry-wide or cross-industry assessment programmes by the Responsible Business Alliance (RBA) along with the Validated Audit Programme

(VAP) and the VDA's Responsible Supply Chain Initiative (RSCI).

As part of these online assessments, employees at the audited sites are interviewed to ascertain potential and actual impacts.

With both initiatives – and with the supplier's permission – the audit results are published on platforms to avoid duplicate audits, but also to increase acceptance among audited suppliers.

SUPPLY CHAIN MAPPING.

The BMW Group also uses supply chain assessments to identify risks with indirect suppliers located downstream in the value chain, between direct suppliers and raw

materials extractors, for instance. Here, impacts are determined by supply chain mapping and using media and logistics data, among other things.

02 COMPLAINTS PROCEDURE

COMPLAINTS PROCEDURE AND WHISTLEBLOWER SYSTEM.

The BMW Group aims to prevent human rights violations and environmental breaches and their negative impacts on its business activities wherever possible. It also strives to eliminate any substantiated (verified) indications of them through remediation measures agreed with the supplier.

If a supplier refuses to implement the remediation measures, we may adapt our supply chain as needed. We may also temporarily suspend business relations with them, if necessary, while risk mitigation is carried out. If there are no other effective means at our disposal and we cannot exert any further influence, a business relationship may be terminated.

MEDIA MONITORING.

We use automated web crawlers to carry out global media monitoring and identify potential and actual risks with direct and indirect suppliers. Every day AI algorithms analyse sources in more than 50 languages and dialects and over 140 risk categories. These sources include media reports,

social media posts and other public data sources. By taking this perspective on our supplier network, we can identify violations of human rights and environmental or other sustainability standards as soon as possible.

COMPLAINT CHANNELS.

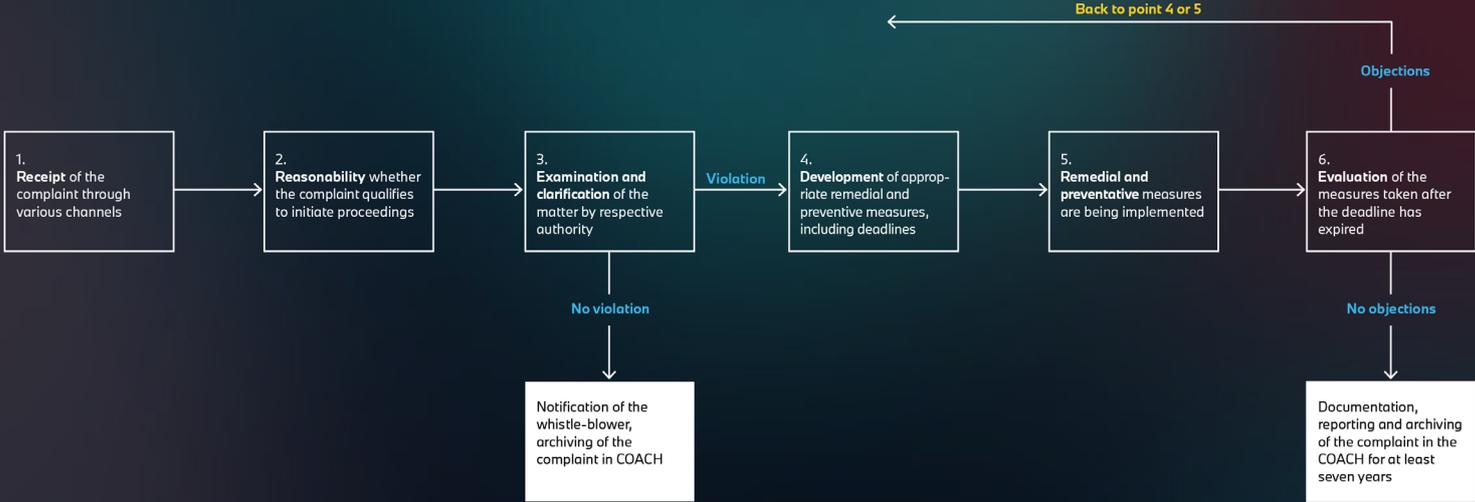
Various complaints procedures are in place for in-house and external whistleblowers to flag up potential human rights violations and associated breaches of environmental standards. This allows us to identify and address risks early on and provide suitable remediation support, if needed. Confidentiality and the protection of whistleblowers is our top priority, and grievances can be reported anonymously.

In keeping with our Group-wide policy, we do not take any steps to identify anonymous informers.

Besides the established grievance channels of BMW Group compliance – which include the SpeakUP Line and ombuds-person (for more information, click [here](#)) – we operate supply chain-specific complaint channels for whistleblowers to use.

OVERVIEW OF COMPLAINTS PROCEDURE (SIMPLIFIED), ACCORDING TO SECTION 8 OF THE ACT ON CORPORATE DUE DILIGENCE IN SUPPLY CHAINS

As part of the complaints procedure, we use specific metrics to gauge potential and actual sustainability violations in our supplier network and the risk they could pose to human rights and the environment in the future.



As well as having our own in-house complaints mechanisms, the BMW Group regularly monitors and trials new applications from external organisations such as the Responsible Business Alliance (RBA)

with a view to extending its existing system, if needed. Since 2020 we have been involved in an Automotive Industry Dialogue working group, which aims to establish an industry-wide complaints mechanism.

03 PREVENTIVE MEASURES

PREVENTION AND REMEDIATION.

If risks, potential or actual impacts are identified with a Direct supplier or (where appropriate) with an indirect supplier, remediation and/or preventive measures are introduced. These are a fixed part of our processes.

The BMW Group Supplier Code of Conduct forms an integral part of our purchasing terms and conditions. By signing contracts with us, our direct suppliers give assurance that they will comply with the required human rights and environmental standards set out for them and notify their indirect suppliers, who do not have a direct business relationship with the BMW Group, of them too.

By signing a contract with the BMW Group, direct suppliers are committing to implementing, supplementing or continuing with required prevention and remediation measures and controls such as ISO certifications (ISO 14001 and ISO 45001) by an agreed date. They also confirm that, depending on the degree of risk, they will notify their sub-suppliers of the requirements too. The scope of the preventive measures depends on the potential risks, the type and scope of business activities, and the size of the supplier. The Drive Sustainability online assessment questions suppliers about the measures, and their implementation is verified and evaluated.

The aim is to mitigate risks and eliminate any potential deficits.

On awarding the contract, we agree corrective preventive measures with the supplier concerned to mitigate the risks identified. This has enabled the identification of risks before supplier contracts were awarded – in part relating to a lack of preventive measures in occupational health and safety, reporting and environmental management.

As part of our internal target management system, we assess how far the externally validated preventive measures have been implemented.

Our expectations around human rights and environmental standards are already a factor in the selection of direct suppliers, as our procurement process comprises integrated and standardised procedures. These include the online assessment of the Drive Sustainability initiative and the onsite assessments of the Responsible Business Alliance (RBA) and Responsible Supply Chain Initiative (RSCI). These online and onsite assessments also serve to verify the supplier's compliance with the standards set out in the BMW Group Supplier Code of Conduct and allow us to agree on prevention and remediation measures if needed.



KEY PREVENTION AND REMEDIATION MEASURES.

DIRECT SUPPLIERS.

Direct suppliers hold contracts directly with the BMW Group.

OVERARCHING REQUIREMENTS.

Suppliers with more than 500 employees must have a social and environmental sustainability manager and a code of conduct. Those with more than 1,000 emp-

loyees must publish a sustainability report and have a dedicated employee to oversee sustainability risk management.

HUMAN RIGHTS AND WORKING CONDITIONS.

Direct suppliers with more than 50 employees must have a policy on working conditions and human rights for their business area. As a minimum requirement, this must address key topics that have been identified of non-discrimination, harassment and women's rights. These suppliers must also provide suitable staff training on all these key issues.

To be commissioned by the BMW Group, relevant suppliers with more than 500 employees at their site require an ISO 45001-certified occupational health and safety management system.

ISO 45001 is a global standard designed to effectively integrate occupational health and safety protection into everyday corporate and business practice and demonstrably reduce the risk of injury, accidents and work-related illness among staff. It sets out a series of requirements for what

it calls an Occupational Health and Safety Management System and offers suitable instruments and measures to support practical implementation. As soon as the management system is established and ready for certification, an independent assessor audits it to ensure it meets all the specifications.

Audits are carried out regularly and repeatedly, essentially, as part of an onsite assessment of the company seeking certification. Methodological aspects such as depth of testing, scope and required competence are officially defined in an international set of rules. To ensure the norms are actually fulfilled, the assessors inspect not just the processes but also examples of their implementation. In addition, the audit examines the implementation of process descriptions and the fulfilment of legal and other requirements.

For accredited ISO 45001 certification, various processes are examined, assessed and confirmed, including:

Safety standards in the provision and maintenance of workplaces, workstations and work equipment

Presence of measures to prevent excessive physical and mental fatigue, especially caused by inappropriate work organisation with regard to working times and breaks

Suitability of protective measures against the effects of chemical, physical or biological substances

Adequate training and instruction of employees

ENVIRONMENTAL PROTECTION.

Direct manufacturing suppliers with more than 50 employees must have an environmental protection policy and control mechanism in place, such as a certified environment management system. They must demonstrably commit to integrating active environmental protection into their business practice and continuously enhancing their environmental performance.

To be commissioned by the BMW Group, they must have an environment management system in place that has ISO 14001 or equivalent certification.

The global ISO 14001 norm aims to establish active environmental protection as a fixed part of corporate practice and everyday business in order to continue improving companies' environmental performance. To achieve this, it stipulates that an environment management system is required that must integrate environment and

sustainability into every area and process of a company effectively.

The general guidelines on implementation list suitable tools and measures for practical implementation of ISO 14004. When the management system is established in the company and ready for certification, it is regularly audited and verified – again by an independent assessor – to ensure all the relevant norms are met. The audits are mainly carried out onsite, at the certifiable facility. Methodological aspects such as depth of testing, scope and required competence are officially defined in an international set of rules. To ensure compliance with the norms, the assessors inspect not just the processes but also examples of how they are implemented in business workflows. In addition, they carry out spot checks to ensure legal and other requirements are fulfilled.

ISO 14001 certification examines, assesses and confirms various aspects, including:

The establishment of environmental targets at strategic or operative level to improve systems or performance

The introduction of operational control measures for dealing with environmental issues

Monitoring and measuring to assess environmental performance and the achievement of desired outcomes

Continuous safeguarding and acquisition of new knowledge and skills around environmental issues

Communication to raise awareness or provide transparency and reassurance to the interested parties

COMMUNICATION AND AWARENESS RAISING.

Direct suppliers with more than 500 employees must publish a sustainability report and a code of conduct.

INDIRECT SUPPLIERS.

Indirect suppliers operate in upstream stages of value creation and do not have a direct contractual relationship with the BMW Group. This means that to fulfil due diligence obligations relating to specific incidents, we generally reach out to them via the obligations of our direct suppliers and our own responsible raw material management.

HUMAN RIGHTS AND WORKING CONDITIONS.

Depending on their area of business, direct suppliers with more than 100 employees are required to implement preventive measures to manage their indirect suppliers. These include sustainability requirements for indirect suppliers around identified risks relating to human rights and working conditions, e.g. child labour, young workers,

remuneration and benefits, working hours and modern-day slavery (i.e. slavery, servitude, forced labour and human trafficking), freedom of association and collective bargaining, the rights of minorities and indigenous peoples, and occupational health and safety risks.

ENVIRONMENTAL PROTECTION.

Indirect suppliers must have management systems in place for environmental issues such as air and water quality, chemical management, waste prevention, biodiversity, land use and deforestation, and environmental control mechanisms.

To make sure this is the case, our direct suppliers with over 1,000 employees must commit to addressing these issues with their indirect suppliers.

COMMUNICATION AND AWARENESS-RAISING.

We require our direct suppliers with more than 100 employees to communicate the BMW Group's sustainability requirements to their (Tier 2) suppliers. This can be done

via their general terms and conditions, supplier training, their code of conduct, sustainability guidelines and/or their own corporate website.

In addition, we offer training and education for suppliers around this issue and around further due diligence measures, and verify the supplier's documentation for their own business area.

04 EFFICACY ANALYSIS

EFFICACY ANALYSIS.

To support procedures around verifying due diligence in the supplier network, a comprehensive efficacy analysis has been developed in accordance with the requirements of the Supply Chain Due Diligence

Act. It comprises a functionality check and performance measurement, is carried out on a regular basis, and is continuously improved.

FUNCTIONALITY TEST.

The functionality test assesses the due diligence tools and procedures used in the supply chain, such as risk analysis, complaints procedures, and prevention and

remediation measures. Any shortcomings are revealed by annual reviews, and analysis findings are incorporated in the continuous improvement process.

MEASURING SUCCESS.

Measuring success is primarily about the impact of prevention and remediation measures, because their outcomes and conclusions allow us to make effective improvements to due diligence. A core part of this process is the IOOI (Input-Output-Outcome-Impact) method, which aims to develop a better understanding of inter-

relations between measures and their effects and enable better monitoring of suppliers' improvements.

With the BMW Group's holistic approach, impact analysis is a key tool for reviewing and enhancing the efficacy of due diligence processes.

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