

BMW
GROUP

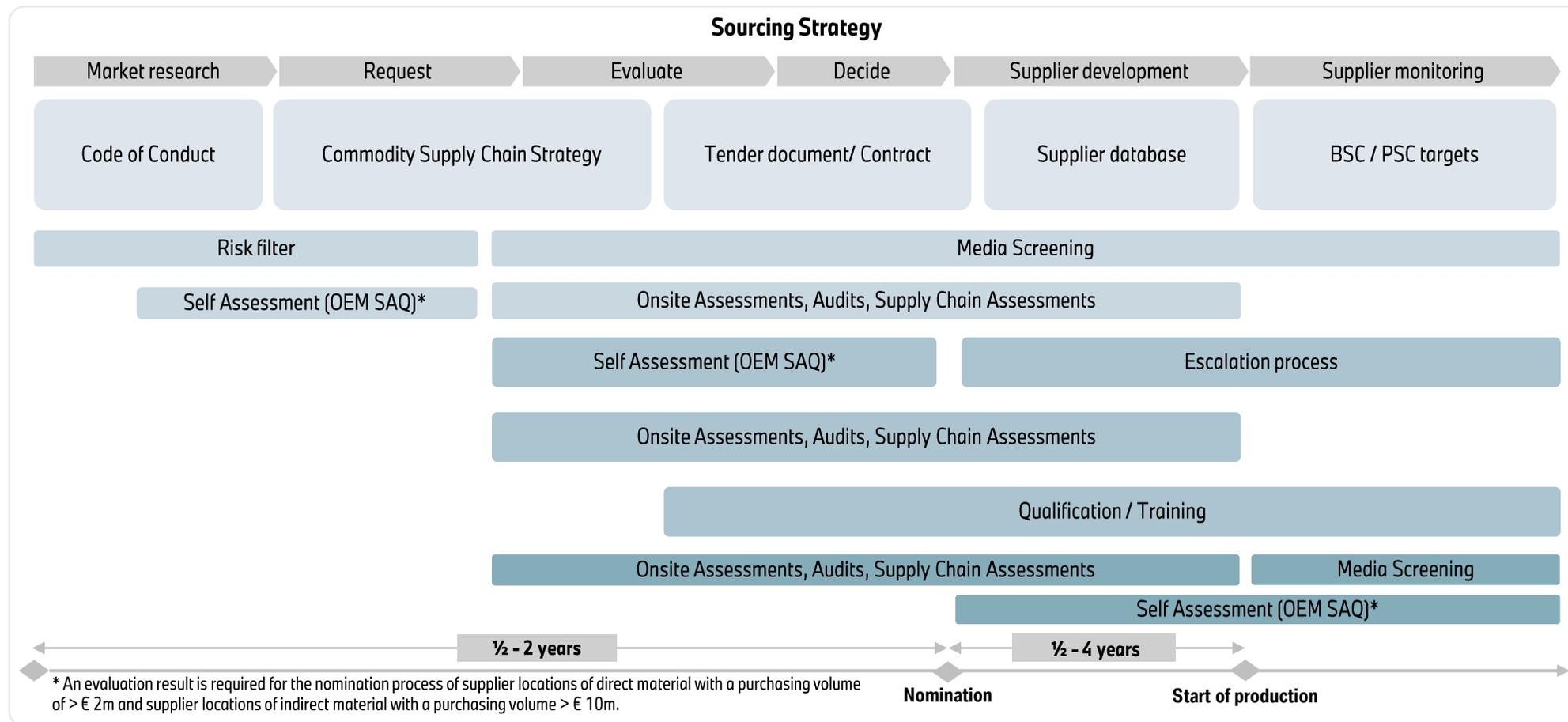


PERFORMING CORPORATE DUE DILIGENCE IN THE SUPPLIER NETWORK.

09/2023.

PERFORMING CORPORATE DUE DILIGENCE IN THE SUPPLIERS SELECTION PROCESS – RISK ANALYSIS AND PREVENTION.

- Due Diligence NAP core elements**
- 1) Management-system, policy statement, ...
 - 2) Conducting regular risk analyses
 - 3) Measures to ward off potentially adverse impacts at direct and indirect suppliers
 - 4) Effectiveness review
 - 5) Reporting
 - 6) Grievance mechanism



Target achievement, i.e. the fulfillment of our due diligence requirements, is measured at an agreed due date prior to the start of production and is reported to the Board of Management. It is part of the **BMW Group PSC target system**. By integrating due diligence tools into the **procurement process** and agreeing and continuously measuring PSC targets, we achieve a high level of implementation of preventive measures.

IDENTIFICATION AND ASSESSMENT OF POTENTIAL ADVERSE IMPACTS OF OUR BUSINESS ACTIVITIES ON INDIRECT SUPPLIERS.

Due Diligence NAP core elements

- 1) Management-system, policy statement, ...
- 2) Conducting regular risk analyses
- 3) Measures to ward off potentially adverse impacts at direct and indirect suppliers
- 4) Effectiveness review
- 5) Reporting
- 6) Grievance mechanism

In 2017, at the suggestion of the BMW Group and with the support of other automotive manufacturers in the Drive Sustainability initiative, an analysis of the most important raw materials was carried out at the European business network CSR Europe.

In 2018, this resulted in the Material Change Report of the two standardization initiatives mentioned above as well as in "The Dragonfly Initiative".

In the meantime, the BMW Group has expanded its raw material evaluation methodology on its own initiative and is applying this to an even more comprehensive raw material portfolio. On the basis of regular analysis updates, current environmental developments on the commodity markets are taken into account, comprehensive commodity risk monitoring is ensured and appropriate prioritization of raw materials is ensured in order to derive effective measures.

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

<https://tdi-sustainability.com/>



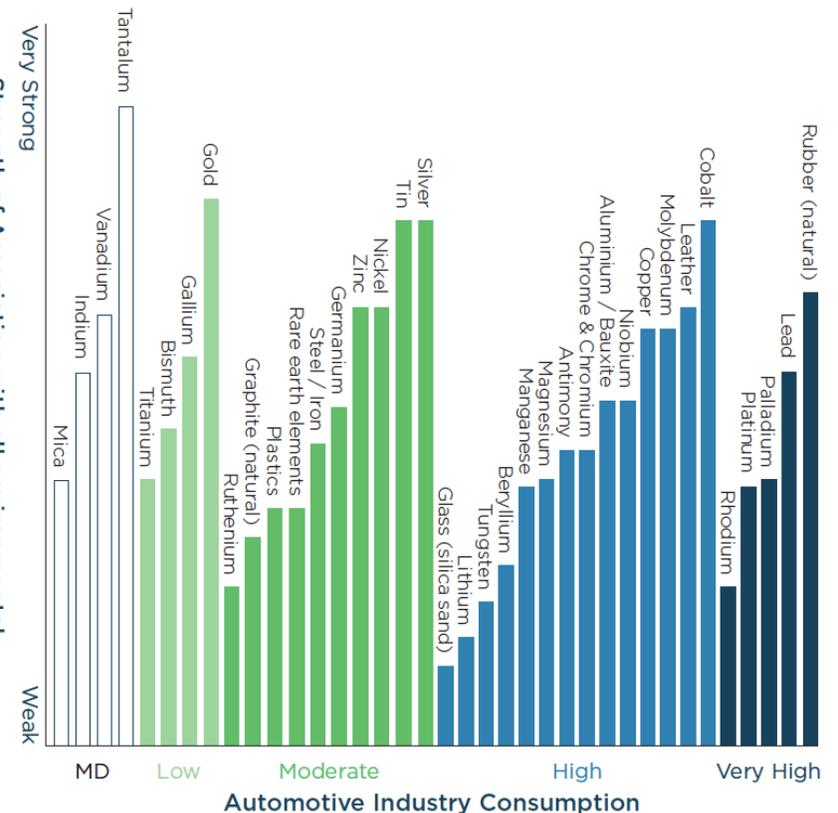
BMW GROUP



drive sustainability



Strength of Association with all environmental, social and governance issues



OCCASION-RELATED HUMAN RIGHTS DUE DILIGENCE OBLIGATIONS FOR INDIRECT SUPPLIERS. PREVENTIVE AND CORRECTIVE MEASURES.

Due Diligence NAP core elements

- 1) Management-system, policy statement, ...
- 2) Conducting regular risk analyses
- 3) Measures to ward off potentially adverse impacts at direct and indirect suppliers
- 4) Effectiveness review
- 5) Reporting
- 6) Grievance mechanism

Creation and assurance of traceability to determine affectedness.

The BMW Group is involved in standardization initiatives such as the Catena-X partner platform and is actively driving the expansion of the IMDS database with the goal of obtaining traceability on an occasion-related basis to environmental and social standards. Block chain technologies, among others, are also used to secure traceability.

Other methods to create and assure traceability back to the raw material extraction or smelting and thus to determine the affectedness are:

- supply / directed buy of raw materials from the mine (cobalt, lithium, palladium, platinum)
- as well as the supply / directed buy of smelters (steel, aluminum).

The direct purchase of the raw materials aluminum, steel, platinum, palladium, cobalt and lithium is one of several instruments for ensuring traceability and transparency with regard to environmental and social standards and to anchor appropriate due diligence measures in the raw material supply chain

OCCASION-RELATED HUMAN RIGHTS DUE DILIGENCE OBLIGATIONS FOR INDIRECT SUPPLIERS.

Due Diligence NAP core elements	Activities / measures to eliminate, avoid or mitigate identified adverse impacts on affected parties in raw material supply chains:	Communication:
1) Management-system, policy statement, ...	Avoidance or substitution (e.g. BMW iX: replacement of chrome with olive leaf essence for leather tanning, replacement of chrome with lacquer for trim)	 The BMW iX ... combines locally emission-free driving pleasure, sporting agility and a compelling operating range with a character profile dedicated squarely to sustainability.
2) Conducting regular risk analyses	Suppliers are activated to demand minimum standards from their suppliers (cascading) for all 37 raw materials analyzed .	
3) Measures to ward off potentially adverse impacts at direct and indirect suppliers	  Participation in the development of n-tier certification systems (Chain of Custody) e.g. aluminum (ASI), natural rubber (GPSNR), leather (Leather Working Group) and demand / apply the certification systems in the supplier network (aluminum (ASI) (natural rubber (FSC)	 Sustainable tires for BMW X5 Plug-in Hybrid: BMW Group becomes first automotive manufacturer to use new Pirelli tires containing FSC-certified natural rubber and rayon.  Harnessing the power of the desert sun: BMW Group sources aluminum produced using solar energy.
	  Contribute to the development of certification systems for specific stages of the value chain (RMI, IRMA) and demand these in the supplier network for mineral raw materials such as conflict minerals and lithium .	 BMW Group steps up sustainable sourcing of lithium for battery cell production to ensure rapid e-mobility expansion.  Minerals derived from responsible mining.
	Closing material cycles. The use of secondary raw materials (aluminum, steel, tungsten , ...) reduces or avoids the purchase of primary raw materials.	 BMW Group creates closed-loop material cycle for tungsten production tools to protect valuable resources.
4) Effectiveness review	Enabling identified supply chain levels through supplier site activities .	
5) Reporting	 The cross-industry " Cobalt for Development " initiative began training sessions for twelve micro-mining cooperatives in Kolwezi, Democratic Republic of Congo (DRC). The trainings cover key environmental, social and governance aspects of responsible mining practices. They include mine site management and legal compliance, human rights, health and safety, and environmental management.	 Greater Transparency in Cobalt Mining.
6) Grievance mechanism		