



ROLLS-ROYCE
MOTOR CARLS LTD



Responsibility

SUPPLIER MANAGEMENT.



GLOBAL SUPPLIER NETWORK.

Our global supplier network makes a major contribution to value creation, quality and innovation and hence to the success of the BMW Group. Suppliers therefore have a significant impact on our sustainability performance and the sustainable development of society.

We work with around 12,000 suppliers in 70 countries. It is therefore essential that our partners fulfil the same environmental and social standards we set for ourselves. The BMW Group Supplier Sustainability Standard, which requires compliance with internationally recognised human rights, as well as labour and social standards, forms the basis for this.



Our collaboration with our suppliers is based on a mutual understanding of product and production quality, security of supplies, competitive prices and innovation, as well as the continuous integration of our sustainability requirements. Faced with complex global supply chains, involving a large number of suppliers and sub-suppliers, these goals present a considerable challenge, but also a great opportunity.

CO2 emissions in the supply chain

With growth in e-mobility, much more attention will need to be paid to upstream added value in order to reduce CO2 – for example, looking at energy-intensive production of high-voltage batteries. Because, without corrective measures, the growing share of electrified vehicles would mean CO2 emissions per vehicle from the BMW Group supply chain would increase by more than a third by 2030.

The company not only wants to avoid this increase, but also lower CO2 emissions per vehicle by 20 percent from 2019 levels. One of the ways the BMW Group is doing this is by defining a supplier's carbon footprint as a decision criterion in its contract award processes. The company leads the way as the first automobile manufacturer to establish concrete CO2 targets for its supply chain, which comprises around 12,000 tier 1 partners worldwide who supply material and components for vehicles, as well as additional suppliers providing production equipment or tools. The BMW Group has a total purchasing volume of more than 60 billion euros per year; around two thirds of this amount is for direct vehicle production.

Environmental and social standards in the supply chain

To ensure a holistic approach to sustainability throughout our supplier network and guarantee continuous improvement, we focus on two main areas.

First, we manage and minimise risk, by identifying and analysing potential sustainability risks throughout the supply chain in a risk management process. Since 2009, we have been asking suppliers to assess their sustainability management and related activities. Supplier production facilities that are at high risk of breaching sustainability requirements and facilities suspected of such a breach are subject to independent audits.

Second, we take advantage of opportunities and work with our suppliers to leverage potential, for example, in the area of resource efficiency, by training and enabling our employees and suppliers, as well as active

involvement in initiatives and with stakeholders.

Our approach focuses, on the one hand, on ensuring broad application of sustainability standards through comprehensive risk management – i.e. at all our direct suppliers – and, on the other, through in-depth analysis of specific raw materials or supplies throughout the entire value chain.

The BMW Group recognises outstanding supplier innovations and development achievements with the BMW Supplier Innovation Award.

Read more about how we work with suppliers to constantly improve and ensure sustainability throughout our supplier network. Learn about the tools and measures we use to minimise risks and exploit opportunities.

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SUPPLY CHAIN DUE DILIGENCE.

In accordance with globally accepted guidelines and principles, the „BMW Group supplier sustainability policy“ sets out the core sustainability requirements for all suppliers of BMW Group as well as for their suppliers (sub-suppliers). The requirements are specified accordingly, e.g. in the purchasing conditions for direct and indirect material, which are legally binding.

Sustainability Risk Management is an important measure to ensure the implementation of our sustainability standards in the supply chain. Basically, it consists of three different steps:

1. Identifying risks.

The BMW Group uses a specific sustainability risk filter to identify risks. This filter considers regional as well as product-specific risks. These risks can be country specific social risks, e.g. child or compulsory labour. We also consider health and safety risks caused by dangerous process materials and substances as well as ecological risks like the harmful interference with nature and emissions.

2. Conduct self-assessment.

Every production- and delivery location of the supplier has to conduct a self-assessment before nomination by filling out an industry-specific sustainability questionnaire regarding the implementation of ecological-, social- and governance standards. Among other things, information about compliance with human rights, the prohibition of compulsory labour and resource-saving use of materials is collected. Furthermore, the existence of an environmental management system according to ISO 14001 or EMAS is examined. These and other aspects are relevant criteria for the awarding decision.

3. Conducting assessments and audits.

Sustainability violations can be identified at supplier locations through the sustainability risk filter, media-screening and/or the sustainability self-assessment questionnaire. These selected locations are then checked and qualified through independent sustainability audits or sustainability assessments of the BMW Group. Sustainability audits are conducted by external auditors while the sustainability assessments are executed by employees of the BMW Group.

Additionally, the BMW Group uses the following tools, to become aware of potential sustainability violations in the supply chain:

Media screening (e-listening): an IT-tool which continuously searches the web for sustainability violations in connection with (potential) BMW suppliers.










Human Rights Contact Supply Chain: a grievance mechanism available via phone +49 (0)89 / 382-71230 and email (humanrights.sscm@bmwgroup.com) to directly report sustainability violations in the supply chain of BMW Group.

Furthermore, we are conducting in-depth **supply chain assessments** to safeguard specific supply chains. These assessments are conducted around products, which have been defined as sustainability light house projects and have been prioritized in terms of risk. The goal of these supply chain assessments is to establish transparency from the BMW Group up to the suppliers of raw materials (supply chain mapping). In addition, we aim at evaluating and improving the sustainability performance along the entire n-tier supply chain by applying the above mentioned three-step sustainability due diligence process. Supply chain assessments enable us to react quickly to possible sustainability violations and detect supply risks early. The gained insights on e.g. specific sustainability industry initiatives or sustainability standards serve as input for commodity and nomination strategies, product and series strategies as well as communication and marketing strategies.

Improve supply chain performance.

The goal of our Due Diligence process is to avoid sustainability violations and to improve sustainability performance of our supply chain in the long run. Based on the corrective actions from self-assessments, audits and onsite assessments as well as its integration in our procurement process, we enhance the performance of our suppliers continuously. Capacity building measures for supplier development like trainings and events support this development. A progress report based on selected key performance indicators is available under downloads.

Downloads.

-  [BMW GROUP Supplier Sustainability Policy Version 2.0](#) (PDF, 177.2 KB)
-  [BMW GROUP International Terms and Conditions for the Purchase of Production Materials and Automotive Components](#)
-  [BMW GROUP General Terms and Conditions for Indirect Purchasing](#)
-  [BMW GROUP Code on Human Rights and Working Conditions](#) (PDF, 1.6 MB)
-  [Joint Declaration on Human Rights and Working Conditions in the BMW Group](#) (PDF, 144.1 KB)
-  [BMW GROUP Supply Chain Transparency and Due Diligence](#) (PDF, 1.3 MB)
-  [UK Modern Slavery Statement 2019](#)
-  [Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers](#)
-  [Sustainability requirements – BMW-specific evaluation](#) (PDF, 1017.2 KB)



SUSTAINABLE RAW MATERIAL MANAGEMENT.

Raw materials are the basis for every industrial production process. However, following the path taken by raw materials from the mine to the final product is highly complicated due to the multi-layered and dynamic global supply chain. This is primarily due to the interconnected trade and processing levels and raw materials trading on the exchange.

It is therefore a major challenge to implement sustainability standards from the extraction stage onwards. In light of this, the BMW Group concentrates on selected, relevant or critical raw materials and supply chains. We analyse and evaluate both the supply chains and the corresponding need for action and develop measures based on this, which we then implement together with our suppliers.

For this purpose, we are also active in cross-industry initiatives supporting sustainable dealings with raw materials. In line with this, we have been supporting the Aluminium Stewardship Initiative (ASI) since December 2012. As a material used in lightweight design, aluminium plays an important role because it is considerably lighter than steel. The goal of ASI is to establish a standard for responsibly produced aluminium across the entire value chain: from responsible company management to compliance with environmental standards to social standards.

From a sustainability perspective, in addition to aluminium, steel as a raw material is also a focal point. Steel is proportionally the most widely-used raw material in our vehicles. Its production is highly energy intensive and therefore responsible for the largest portion of CO2 emissions in the manufacturing phase. For this reason, we are developing measures together with our suppliers to increase the transparency of the supply chain and to unlock CO2 potential.

Due to regulatory demands, the issue of conflict minerals is of major relevance. According to the current legal position, the raw materials tin, tungsten, tantalum and gold are conflict minerals. The extraction of these minerals helps finance ongoing civil wars in the Democratic Republic of the Congo and its neighbouring states. To prevent the financing of armed groups via these minerals, legislation was introduced in the USA – the so-called Dodd Frank Act. In that country, all companies listed on the US stock exchange were required to disclose whether these conflict minerals were necessary for the production or functioning of their products, as well as whether they were extracted in the DR Congo or its neighbouring states.

Renewable raw materials.

Traditionally, some products in the automotive industry contain natural materials. In the current discussion about limited oil-based resources and the importance of product sustainability, their proportion is constantly increasing. Natural materials are sustainable and offer advantages over oil-based primary materials in a life cycle assessment. However, when using natural materials, we should always consider their origins. Renewable raw materials grow in forests, plantations and on fields, where BMW's sustainability standards must also be guaranteed. One possibility is the use of certificates and seals, which already exist on the world market for a large number of products, particularly in the lumber and food industry. Taking sustainability certificates into account when selecting materials guarantees compliance with basic principles with respect to social, environmental and compliance issues and is recognised worldwide.

In 2013, the BMW Group became the first car manufacturer to incorporate wood that was certified as sustainable into its products: The BMW i3's interior trim made from fine eucalyptus is certified by the well-known Forest Stewardship Council (FSC).

We will continue and intensify these efforts to develop a sustainable and transparent supply chain for natural materials by engaging in dialogue and cooperation with our suppliers and NGOs and by participating in industry initiatives.

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FURTHER LINKS.

› **Drive Sustainability**



CONFLICT MINERALS.

Duty of care regarding conflict minerals.

To exclude the use of so-called "conflict minerals" and prevent the financing of conflicts as well as violations of human rights by the mineral trade, the BMW Group is pursuing the goal of creating complete transparency in the supply chains that handle conflict minerals by 2022. Furthermore, the BMW Group actively advocates for continuously increasing the share of minerals from certified smelters.

What are conflict minerals?

The raw materials of tin, tungsten, tantalum and gold can originate from the Democratic Republic of Congo and its neighbouring states where violent conflicts are financed by their sale. In these countries, the raw materials are frequently extracted under conditions that lead to violations of human rights.

What are tin, tungsten, tantal and gold used for?

The four minerals of tin, tungsten, tantalum and gold are used in many products, primarily in the electronics industry, and are thus elements of a number of vehicle components.

What is the Dodd-Frank Act about and what does the new mineral regulation which the European Parliament implemented at the start of 2017 entail? To what extent is the BMW Group affected?

The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is a law that was passed in the USA in 2010. It requires all companies listed in the US to account for the minerals used in the production of vehicle components. Products of which the origin cannot be reliably determined must be identified as not conflict-free. The BMW Group is not affected by this law as the company is listed on the German stock exchange (DAX).

The regulation implemented by the European Parliament at the start of 2017 is also expected to prevent the financing of conflicts and violations of human rights by the mineral trade. The law requires that all direct EU importers of raw materials subject their supply chains to a duty of care assessment. We are also not affected by this regulation as the BMW Group does not import any raw materials into the EU. So-called conflict minerals can therefore only reach the products of the BMW Group indirectly, i.e. via numerous supplier and production steps.

What role do conflict materials play in the BMW Group?

Taking into account the sustainability strategy and in the interests of our stakeholders, conflict minerals are becoming increasingly relevant for the BMW Group. The BMW Group therefore voluntarily undertakes to only use raw materials of which the extraction, transport and trade neither directly or indirectly contribute towards the financing of conflicts and violations of human rights.

Our goal is to create full transparency in the supply chains that handle conflict minerals by 2022. On the basis of this transparency, we intend to continually increase the share of minerals from certified, conflict-free smelters.

What is the BMW Group doing to achieve this goal?

On the one hand, our activities are focussed on direct suppliers (1) and, on the other hand, the support of initiatives (2) that promote the sustainable trade of minerals worldwide.

1: Our goal is to prevent the financing of armed conflicts. Within the course of the procurement process, we therefore inform all potential parts suppliers about our sustainability standards and systematically request that they complete a sustainability questionnaire on conflict minerals and regularly update it following assignment. This way we ensure more transparency and freedom of conflict in our supply chains on an continual basis. The sustainability standard of the BMW Group is available to the public at: [supplier sustainability policy](#).

2: The BMW Group joined the „Responsible Minerals Initiative“(RMI, <http://www.responsiblemineralsinitiative.org>) of the Responsible Business Alliance (RBA) in 2017, which helps companies promote the sustainable management of conflict minerals with the aid of standardised tools and standards. The Responsible Minerals Assurance Process (RMAP) aims at encouraging smelters to undergo audits and become certified in order to guarantee a duty of care in the management of conflict minerals.

In addition, the BMW Group has implemented numerous measures based on the "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" of the OECD (Organisation for Economic Co-operation and Development). These include a strategy that empowers companies to respond to identified risks.

Furthermore, the BMW Group organises information events and provides training courses for employees and suppliers in order to increase awareness of conflict minerals.

If you have any queries, please write to: conflictminerals@bmwgroup.com

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PROJECTS.


Sustainable Kenaf.



SUPPLIER INNOVATION AWARD – SUSTAINABILITY.

Every two years, suppliers are awarded with the BMW Supplier Innovation Award for exceptional innovations in five categories, one of them being sustainability. Innovations represent the foundation of the BMW Group's economic success and a sustainable future of the company. The BMW Group recognises the global sustainability challenges as a chance to develop innovative products and services. In this context, suppliers constitute important partners and contribute significantly to the implementation of new developments. Therefore, the BMW Group would like to honour this cooperation in due form with the Supplier Innovation Award.

FURTHER INFORMATION.

 **Highlight Movie.** (MP4, 458.6 MB)



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BMW GROUP REPORT 2020.

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