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Your/Our Reference AL OTH 63/2021
Your message dated 12 March 2021
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Date 07 May 2021
Subject **Joint Communication from Special Procedures**

To the Working Group on the issue of human rights and transnational corporations and other business enterprises; the Special Rapporteur in the field of cultural rights; the Special Rapporteur on minority issues; the Special Rapporteur on freedom of religion and belief; the Special Rapporteur on contemporary forms of slavery, including its causes and consequences; the Special Rapporteur on torture and other cruel, inhuman or degrading treatment or punishment; and the Special Rapporteur on trafficking in persons, especially women and children.

Dear Mr Pesce,
dear Ms Bennoune,
dear Mr de Varennes,
dear Mr Shaheed,
dear Mr Obokata,
dear Mr Melzer,
dear Ms Mullally,

Thank you for your letter to the BMW Group.

Sustainable business practices and social action are an integral part of both our corporate strategy and our corporate culture. In this context, we support the Sustainable Development Goals adopted by the United Nations in autumn 2015.

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The following principles apply to supply chain management at the BMW Group: The due diligence process is at the heart of how we implement our sustainability requirements in supply chains. As a pioneer in the automotive sector, we have made sustainability an integral part of our procurement process since 2014. The elimination of identified risks up to the start of production is a prerequisite for commissioning the supplier.

Our sustainability requirements apply to all suppliers of production materials, as well as service providers. The BMW Group assesses the potential human rights risks of all our active supplier locations to achieve the highest level of transparency possible.

The increase in transparency and resource efficiency in our supply chains is based on compliance with environmental and social standards as defined in the BMW Group Sustainability Standard for the Supplier Network. The standard is an integral part of the application to become one of our suppliers and must be taken into account at the time of preparing an offer. In addition, all supplier agreements concluded by the BMW Group for production materials and non-production materials contain specific clauses in the purchasing conditions.

These conditions are based on the principles of the UN Global Compact and the ILO and contain specifications for resource efficiency. When they sign a contract, our suppliers also undertake to ensure that their own suppliers also comply with these agreements. Our employees in Strategic Purchasing are responsible for sustainability topics concerning the supply chain. We use due diligence processes to monitor the implementation of sustainability standards at our suppliers.

Regarding your specific reference to possible human rights abuses in our supply chain: The BMW Group has no knowledge of minorities being suppressed in its supply chains in China or human rights not being observed as agreed with all suppliers in our BMW Group Supplier Sustainability Policy.

If the United Nations Human Rights Office of the High Commissioner has information regarding suppression of minorities in our supply chains, we request that this information be shared with us so we can launch an investigation immediately.

Regarding your questions about our due diligence process in general: It is BMW Group policy not to differentiate between employees, business partners or customers when it comes to respect for human rights. We also do not differentiate between people on grounds of attributes such as gender, skin colour, religion, nationality, political or other beliefs, ethnic origin, disability, age, sexual orientation or any other characteristics protected by local laws, e.g. membership of a national minority, pregnancy or veteran status. This is clearly stated in our BMW Group Code on Human Rights and Working Conditions. The rules for compliance with human rights apply equally to anyone who works with the BMW Group.

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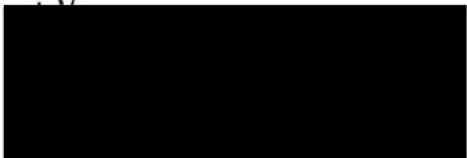
We are attaching key information in the appendix to provide you with a deeper insight into the BMW Group's activities to protect human rights – especially within our supply chains.

Should you have any further questions in this regard, please do not hesitate to reach out to us again.

Kind regards
Bayerische Motoren Werke Aktiengesellschaft


Wolfgang Obermaier

Purchasing and Supplier Network
Senior Vice President Indirect Goods
and Services, Raw Materials,
Production Partners


Dr. Christoph Klahold
Chief Compliance Officer BMW Group

Appendix

Human rights management within the BMW Group

1.) Policy statement

Respect for human rights is fundamental to the strategy and culture of the BMW Group and we fully endorse the United Nations Guiding Principles on Business and Human Rights (UNGP). Our long-standing value-oriented personnel policies set out our position on human rights within the BMW Group. Furthermore, the **“Joint Declaration on Human Rights and Working Conditions in the BMW Group”** (adopted in 2005 and updated in 2010) underlines and specifies our commitment throughout all BMW Group activities worldwide and encourages business partners to adhere to these human rights standards

(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).

In 2018, we published the **BMW Group Code on Human Rights and Working Conditions** (“the Code”), which complements the existing joint declaration. The Code defines and explains how the BMW Group promotes human rights and implements the International Labour Organisation (ILO) Core Labour Conventions in its business activities. The Code is based on a due diligence process that allows us to identify relevant issues and determine actions. Applicable worldwide at all BMW Group sites and for all business units, the Code focuses primarily on aspects of particular relevance to the company and its business partners.

One of the BMW Group’s main aspirations is to avoid negative impacts on human rights arising from its business activities throughout the value chain. Among other measures, we provide our partners with comprehensive information on the BMW Group’s commitment and formalise our expectations in our supplier and retailer contracts.

2.) Risk assessment

After confirming the UN Guiding Principles, in 2013 the BMW Group conducted a comprehensive internal risk analysis, covering all aspects of human rights (Bill of Human Rights), all business activities and all interest groups (employees, dealers / importers, suppliers, etc.). Existing processes were reviewed and their effectiveness assessed in company-wide interviews with business departments. The risk analysis included identifying potential human rights risks relevant to the BMW Group and identifying groups at risk, such as children or migrant workers. The analysis did not reveal any significant unaddressed areas of activity within the BMW Group, since the obligation to respect human rights has a long tradition at the BMW Group.

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An update of human rights compliance was carried out in 2018 for the BMW Group in Germany and at 95% of its international locations. Only minor areas of improvement were identified, and these were remedied with suitable measures (e.g. additional training and communication measures).

In our annual compliance reporting, the company also calls on all organisational units worldwide to conduct a local risk assessment of the potential for human rights violations and to report possible infringements. Their responses form the basis for developing further measures to minimise risk.

When making major investment decisions, e.g. for a new factory location, a social impact analysis is carried out to consider possible negative effects on human rights. The relevant local stakeholders are also involved in the process.

3.) Training and communications

The BMW Group Code of Human Rights and Working Conditions was communicated to all employees worldwide when it was published in 2018 through various communication channels, such as the BMW Group intranet, an email to all employees and additional communication to executives (BMW Group Management Info). In addition, we educate our employees through face-to-face and web-based trainings, internal communications and newsletters. Human rights are also integrated into induction events for new employees and presentations are available on the BMW Group intranet pages.

Further internal communication of the BMW Group Code took place as part of international compliance initiatives, such as the BMW Group Global Compliance Day 2019 or the “Walk-the-Talk” initiative in 2020, which were held at all BMW locations worldwide and for all employees. In addition, various training courses on the content of the Code continue to take place in the context of local market visits and for selected target groups, such as buyers and employees in the international HR departments.

The BMW Group offers a wide range of sustainability training courses to raise awareness of the topic among purchasers, internal process partners and suppliers. This includes classroom courses in association with the University of Ulm to become a “Certified Sustainability Officer”, as well as web-based training courses in association with econsense – featuring case studies on sustainability in the supplier network. We also participate in the industry-wide supplier training in high-risk countries, coordinated by CSR Europe (European Business Network for Corporate Social Responsibility).

4.) Grievance mechanism

The BMW Group has set up three contact points for questions and advice on the subject of human rights:

The **BMW Group Compliance Contact** answers questions about the BMW Group Code of Human Rights and Working Conditions and advises on how to assess possible violations and further courses of action. The helpline is available to all employees, customers, suppliers and other external stakeholders.

Reports can also be made anonymously, if preferred. The BMW Group assures persons who choose to make an anonymous report that it will not attempt to identify them. This assurance does not apply in the case of improper use of the BMW Group Compliance Contact.

The BMW Group Compliance Contact is available in German and English via phone or email:

Phone: +49 89 382-60000 / Monday to Friday from 7:00 a.m. to 8:00 p.m. (CET)

Email: compliance@bmwgroup.com

The BMW Group also gives its employees the opportunity to report information on possible human rights violations at the company anonymously and confidentially via the **BMW Group SpeakUP Line**. The BMW Group SpeakUP Line is available in all countries where BMW Group employees work via local, toll-free numbers, in no fewer than 34 languages. Alternatively, employees can submit reports online.

Incoming questions and information from both contact points are processed by a Human Rights Response Team, which also includes an employee representative from the affected location. A representative of the EURO Works Council is called in at international locations. In some cases, relevant business departments or external stakeholders may also be involved. The team reviews the issues reported and initiates the necessary steps.

If the review reveals that the BMW Group has directly or indirectly caused or contributed to a violation, appropriate corrective measures are initiated. Non-compliance with the human rights principles described in the Code by employees may lead to consequences under labour law in accordance with local legislation.

As part of our participation in the German government's National Action Plan Business and Human Rights for the Automotive Industry, the BMW Group is represented in Working Group 3, which aims to develop a cross-company grievance mechanism across the entire value chain. All relevant stakeholders, such as trade unions, non-governmental organizations and national interest groups, take part in the process.

Especially for the supply chain, we established the **Human Rights Contact Supply Chain** as a central contact point, which can be reached by phone +49 89 382-71230 and email (humanrights.sscm@bmwgroup.com) to report potential infringements of social and environmental standards by our suppliers anonymously. Any information about potential breaches of our sustainability standards for the supply chain is processed by the Supply Chain Response Team. During the reporting period, we also launched a pilot version of a smartphone app, which enables BMW Group employees, such as quality assurance engineers or purchasers, to record suspicious activity relating to sustainability when visiting suppliers. Our experts in the Supply Chain Response Team evaluate this information and initiate immediate measures with the supplier, if required. They may also commission a more in-depth analysis of the matter in question through third-party audits or BMW Group assessments should they deem it necessary to do so.

Human rights management within our supply chain

Worldwide human rights due diligence across our supply chains seeks to prevent and mitigate impact on the human rights of minority workers, including their right to freedom of movement and protection from forced labour, trafficking and other contemporary forms of slavery:

Environmental and social standards are defined in the BMW Group Sustainability Standard for the Supplier Network.

This has been an integral part of the tender documents for suppliers for all products since 2014 and must therefore be considered at the time of the quotation. In concrete terms, this means that all suppliers' bids must acknowledge the BMW Group's sustainability requirements.

Through the BMW Group Sustainability Standard for the Supplier Network, we are committed to respecting the human rights of employees in our business relationships and, in particular, the rights of employees in our supplier network.

The standard summarises the BMW Group's guiding principles for the global supplier network in accordance with internationally recognised standards and guidelines on environmental, social and governance (ESG) issues. We require our business partners to ensure compliance with all legal requirements, protect the environment and respect human rights in accordance with international expectations.

Global sustainability requirements in the area of **working conditions** and, in particular, **human rights**, have applied to our suppliers with more than 50 employees since 2014, including:

- Policy on the following social issues: Child and youth labour - Wages and benefits - Working hours - Forced or compulsory labour and human trafficking - Freedom of association, including collective bargaining - Non-discrimination, as well as
- An occupational health and safety directive.

We implement requirements for the management of **indirect suppliers** for our direct suppliers with more than 100 employees. Here, for example, we require:

- The existence of CSR / sustainability requirements for suppliers for the following identified risks, including: - Child and youth labour - Wages and social benefits - Working hours - Forced or compulsory labour and human trafficking - Freedom of association, including collective bargaining - Occupational safety - Non-discrimination
- It is also important to us that the CSR / sustainability policies are passed on or communicated to suppliers, as well as
- A process for verifying compliance with sustainability policies.

For suppliers with more than 500 employees, for example, we require:

- Publication of a CSR / sustainability report,
- Implementation of employee training courses on CSR / sustainability and, in particular, on the environment, working conditions and human rights.

In 2019, we further tightened sustainability requirements around occupational safety for suppliers. In addition to a certified environmental management system in accordance with ISO 14001 or EMAS, we now also require a certified occupational health and safety management system in accordance with OHSAS 18001 or the new ISO 45001 standard.

The BMW Group's supplier contracts for production and non-production materials contain specific clauses in the purchasing conditions that refer to the principles of the UN Global Compact and the International Labour Organisation (ILO), as well as guidelines on resource efficiency.

By signing a contract with us, our suppliers undertake to meet the various requirements for their environmental (ISO 14001, EMAS) and occupational health and safety management systems (OHSAS 18001, ISO 45001).

They also undertake to require their subcontractors to observe these agreements and to track compliance.

We verify implementation of sustainability standards at our suppliers with the help of our due diligence process.

Due diligence process for the supplier network

Anchoring human rights due diligence in the organisation and as an essential element in the **procurement process** enables us to effectively enforce social and environmental standards.

To ensure compliance with social and environmental standards, it is necessary to include them in product group **strategies**, as **decision-making criteria** in the award process.

As a pioneer in the automotive sector, we have firmly established due diligence activities and sustainability requirements for our BMW i models since 2008 and anchored them as a nationwide criterion in the procurement process since 2014.

This means, for example, that more than 800 purchasers of the BMW Group require compliance with environmental and social standards and, if deficits are identified, agree corrective measures with the suppliers' contact persons before awarding a contract. These generally need to be implemented by the parts suppliers commissioned before production starts. The sustainability requirements apply to all suppliers, both for production materials and capital goods and services. We also oblige them to pass on these requirements to their subcontractors.

Process for identifying actual and potentially adverse human rights impacts

The BMW Group proactively assesses its human rights risks and impacts on an ongoing basis, even if these are triggered by key moments in the company's activities (e.g. policy changes, market entry, new projects, etc.).

The BMW Group Due Diligence Programme in Purchasing and the Supplier Network consists of procedures, measures and standardised applications (tools) coordinated in different ways that are all integrated into the procurement process. The aims of the programme include:

- Understanding any negative effects the BMW Group's business activities may have along the entire global value chain (risk identification), as well as
- Avoiding, reducing and remedying the negative effects of our business activities on human rights.

The programme is based on implementation of the five core elements of the German government's National Action Plan (NAP) for business and human rights and the "OECD guidelines for compliance with the duty of care for responsible business conduct".

To identify any negative effects of our business activities on human rights, we implemented a multi-stage procedure in 2008, which we continuously further develop and supplement with standardised procedures. Our goal is to use cross-industry – or at least industry-wide standards – for the main components of our programme, thus reflecting the structure of our supplier network.

1. Identification of country and product group-specific risks for identified core issues

To identify human rights risks at direct and indirect supplier locations, the BMW Group has proceeded as follows since 2014:

All previously commissioned and potential BMW Group supplier locations are assessed using our risk filter, which accesses different country and product group-specific risk databases.

In the **first step**, we cluster potential and active supplier locations according to country-specific and regional human rights risks.

We have used a **BMW-specific risk filter** for this purpose since 2012 and supplemented this with risk data from the **RBA Risk MAP** since 2019. We obtain essential information on environmental and human rights risks from data sources from the following organisations:

- Working conditions: Child Labour Percentages (UNICEF), Global Slavery Index - Proportion in Slavery (Walk Free Foundation), Global Slavery Index - Vulnerability (Walk Free Foundation), Human Development Index (United Nations), TiP Report Index (US Department of State)
- Health and safety: Fatal Injuries Index (ILO), Non-fatal Injuries Index (ILO), OSH Framework (EU)

In the **second step**, we combine these risks with technology or product group-specific risks, as well as risks that may arise from the corporate structure:

- Orientation of the company (multinational / national)
- Product group (service provision) (automated / manual) (MG product group analysis)

For this purpose, we asked our purchasing managers to use an online assessment to determine social, environmental, governance and n-tier sustainability risk scores. The survey is updated on a regular basis.

2. Identification and evaluation of location-specific risks for direct and indirect suppliers

In the **third step**, we determine location-specific risks for potential supplier locations.

Version 4.0 of the Drive Sustainability Questionnaire (DS NH questionnaire), which we initiated and helped develop, is an essential component for identifying and evaluating potential negative effects of our business activities with direct (Tier 1) suppliers and selected n-tier suppliers.

The BMW Group uses this questionnaire not only for identification, but also for individual assessment of the sustainability performance of a supplier's production or delivery location.

The evaluation is based, among other things, on the requirements of the BMW Group Sustainability Standard for the Supplier Network, the International Purchasing Conditions (IPC) for direct purchasing and the General Terms and Conditions (AVB) for indirect purchasing.

The result of this evaluation is relevant for commissioning supplier locations for production materials with an award volume of more than 2 million euros and supplier locations for non-production materials with an award volume of more than 10 million euros.

To identify human rights risks for those impacted by our business activities along the entire global value chain, we have defined minimum requirements for supplier locations. As a first step, we verify compliance with these requirements with the help of the DS NH questionnaire.

3. Identification of location-specific risks for indirect (n-tier) suppliers

Due to the structure of our supplier network, the Tier 1 supplier locations audited are companies that can be classified as follows:

National / multinational

- Tier-x / multi-tier (multi-tier companies / supplier locations that produce and sell semi-finished products and materials to customers at different stages of the value chain)
- Sector-specific / multisectoral (multisectoral companies / supplier locations that produce and sell semi-finished products and materials to customers in different sectors and industries)
- Unilateral / bilateral supplier-customer relationship

With the help of the DS NH questionnaire, we also regularly identify human rights risks at supplier locations that are both direct and indirect suppliers in our global value-added network.

Multinational, multi-tier and multisectoral suppliers, in particular, have a large number of B2B customers with different requirements in terms of corporate due diligence. For these companies, especially, it is essential for customer requirements to be standardised and harmonised.

In addition, as part of our supply chain assessments, we also identify risks at indirect suppliers in the downstream stages of the value chain between Tier 1 suppliers and raw material suppliers.

Our goal is to secure sustainability standards in these intermediate stages of the value chain with identified indirect risk suppliers on a case-by-case basis. We also develop raw material-specific hedging strategies and implement raw material-specific activities derived from them. In addition, we implement pilot projects to raise environmental and social standards for extraction of this raw material.

4. Measures to avert potentially negative effects, corrective action and reviewing the effectiveness of these measures

The BMW Group monitors implementation of its human rights obligations across its business activities and business relationships and implements corrective measures and necessary changes to guidelines or processes.

Activities and corrective measures to eliminate, avoid or reduce identified negative effects in our supplier network take different forms. We also differentiate between direct and indirect measures.

Monitoring of compliance and implementation of measures is primarily carried out by verifying written documentation or certification on the agreed target date or as part of checks conducted at the supplier location (OEM NH questionnaire, QMT APP, assessments, audits).

The sustainability function for purchasing and the supplier network has been monitoring and controlling the implementation of specific measures since 2014. We have also published the minimum requirements listed below for preventing and mitigating adverse human rights impacts at our suppliers in the internet.

An essential minimum requirement for parts suppliers is certification of their occupational safety management system (ISO 45001). ISO 45001 is a standard published by the International Organisation for Standardisation (ISO) in March 2018 that sets out requirements for an occupational safety management system (AMS), as well as instructions for implementation. An occupational health and safety management system (AMS) provides companies with a process-based approach to avoid accidents, work-related injuries and illnesses at work and to generally protect the health of employees in the workplace.

In addition, we also conduct our own follow-up assessments and commission external auditors (RBA VAP audits) to review implementation of corrective measures.

From 2022, regular reviews will also be carried out by our quality assessors as part of recurring quality audits.

We apply this procedure mainly to intermediate stages of the value chain (Tier 1 to Tier 4)

Monitoring of compliance and implementation of measures in raw material supply chains is primarily carried out by fulfilling the required raw material-specific (ASI, FSC, Leather Working Group, ...) or cross-raw material (RMI audits of smelters, IRMA certifications) certification standards.

It is important to us that these certifications are developed in a multi-stakeholder process.

If serious human rights violations are identified in the extraction of raw materials, continuous monitoring and review of the measures implemented are carried out over several years – for example, in the context of development projects.

In 2020 (2019), 3,220 (3,921) supplier locations were assessed using the "Self-disclosure questionnaire on corporate social responsibility (CSR) / sustainability for suppliers in the automotive industry". Sustainability deficits were identified at 1,902 (2,131) potential and existing supplier locations – for example, in the area of environmental management or the lack of a corporate human rights policy.

For 1,225 (1,317) of these cases, corrective actions were agreed to remedy the deficits. The number of deficits increased this year due to the inclusion of higher occupational safety requirements.

Last year, we initiated or performed 308 (105) risk-based audits and assessments. The main areas of activity identified through audits and assessments were in hazardous materials management, waste management and working conditions and occupational safety.

108 (153) supplier locations were not commissioned through the award process, because they did not meet the above-mentioned sustainability requirements of the BMW Group, among other factors.

With 62% of the suppliers found to have sustainability deficits, we agreed measures to remedy these deficiencies prior to the start of production. The main areas of activity were in hazardous materials management and waste management, as well as working conditions and occupational safety. We ensured the measures were implemented no later than the start of production.

Assessments by qualified BMW Group employees at the supplier location are another step in our due diligence process to identify potential deficits and agree on corrective measures with our suppliers.

We also use these assessments to discuss aspects of occupational safety and social and environmental standards with top management and employees.

Measures to avert identified and prioritised human rights risks

With the help of the standardised and externally validated " Self-disclosure questionnaire on corporate social responsibility (CSR) / sustainability for suppliers in the automotive industry" , we require and verify that our suppliers:

- ban child and youth labour
- prohibit modern slavery (i.e. slavery, easement and forced or coercive labour and human trafficking)
- ensure freedom of association and collective bargaining
- prohibit harassment and establish the principle of equal treatment of individuals or groups, regardless of their personal attributes, including gender
- comply with the applicable international standards and national laws and regulations for maximum working hours, minimum breaks and rest times, and

- anchor company guidelines on working conditions and human rights in writing, train their employees accordingly and pass these requirements on to their suppliers.

We only commission those suppliers who meet these requirements prior to the start of production.

Lighthouse projects – such as BMW Group projects to improve living wage practices at n-tier suppliers – aim to improve the local situation.

The BMW Group also considers possible risks in the supply chain separately.

Where a need for action is identified, funding projects are initiated to set change processes in motion. Together with direct supplier the DRÄXLMAIER Group, the German Society for International Cooperation (GIZ) and the certification organisation "Rainforest Alliance", for example, a project was implemented in Bangladesh to increase transparency in the value chain for the kenaf plant. Composites with kenaf fibres are up to 40% lighter than conventional plastics and the BMW Group uses them in the door panels of the i3 model, among other applications. A preliminary study showed that the income situation of many kenaf farmers is precarious and therefore represents a potential human rights risk.

To improve this situation, those involved in the project launched a training and coaching programme. Almost 1,000 smallholders learned how to improve the harvest volume and quality of the plants. As a result, their incomes rose significantly.

The BMW Group is active in the Democratic Republic of Congo through another lighthouse project: A 100% privately-financed pilot project to improve the human rights situation in artisanal mining was initiated there. For three years, GIZ will be investigating how to improve miners' working conditions at a cobalt mine. The living conditions of the surrounding community are also taken into account. If the project is successful, the aim is to transfer it to other small mines in the long term.

All BMW Group supplier contracts for production and non-production materials also contain specific clauses in the purchasing terms and conditions referring to the principles of the UN Global Compact and International Labour Organisation (ILO).

When our suppliers sign a contract, they also undertake to require their subcontractors to observe these agreements and to track compliance.