

EU TAXONOMY

Within the framework of the implementation of the European Green Deal and the Action Plan "Financing Sustainable Growth", the EU Taxonomy is a cornerstone of the EU's aspiration to become climate-neutral by 2050. Its key objectives are to increase transparency and provide an objective benchmark for capital market participants in order to channel capital flows towards environmentally sustainable economic activities.

The EU Taxonomy is a classification system that defines economic activities as environmentally sustainable based on fulfilment of predetermined technical screening criteria.

Essentially, an economic activity can only be classified as sustainable if it substantially contributes to one of the following six environmental objectives:

- I. Climate change mitigation
- II. Climate change adaptation
- III. Sustainable use and protection of water and marine resources
- IV. Transition to a circular economy
- V. Pollution prevention and control
- VI. Protection and restoration of biodiversity and ecosystems

This contribution is based on fulfilment of specific predetermined requirements. Moreover, no other environmental objective may be significantly harmed as a result of performing the activity and the Company involved must observe minimum safeguards, among them compliance with human rights.

On the basis of the phased introduction of the EU Taxonomy in the Delegated Acts, companies such as the BMW Group were required to report the Taxonomy-eligible proportion of their revenues, capital expenditures and operating expenditures for Environmental Objectives I and II for the first time in the previous year. Since reporting year 2022, the reporting requirements have been expanded to include Taxonomy-aligned proportions for both these environmental objectives. The reporting scope is expected to be expanded to the environmental objectives III to VI starting with the reporting year 2024.

Our holistic understanding of sustainability

The BMW Group supports the overarching goal of the EU Taxonomy to promote the private financing of environmentally sustainable economic activities in order to make Europe the world's first climate-neutral continent by 2050. As a company aspiring to achieve net zero across its entire value chain by no later than 2050, we welcome all initiatives that serve this objective. As part of this commitment, the BMW Group had already set ambitious, science-based targets for all three scopes in 2020, which it aims to achieve by 2030 (base year 2019). These goals were validated by the Science Based Targets initiative (SBTi). Each year, the BMW Group Report informs about the level of progress. [↗ Strategy](#)

In the coming years, the significant growth in electromobility will imply that the majority of carbon emissions will be generated within the upstream value chain, rather than primarily in the use phase. Without the anticipated set of measures to reduce carbon emissions generated within the BMW Group supply chain, these emissions would already exceed actual carbon emissions in the use phase prior to 2030. [↗ Strategy](#), [↗ Production and Supplier Network](#), [↗ Carbon emissions](#) Accordingly, the BMW Group is taking a holistic approach to achieving its sustainability-related targets and is committed to considering carbon emissions over the entire life cycle of the vehicles produced. [↗ Carbon emissions](#) However, for the economic activities that are relevant to the BMW Group, the EU Taxonomy focuses exclusively on reducing carbon emissions during the use phase that are attributable to low-emissions (until 2025) and emissions-free drive systems. Indirect carbon emissions, for instance those produced when generating charging current or during the energy-intensive production of high-voltage batteries, are not taken into account in the context of these economic activities. Moreover, the EU Taxonomy only reflects the impact of decarbonisation measures in in-house production to the extent that they serve to manufacture Taxonomy-aligned products or to the extent that they are explicitly included in the description of an activity. The deficit of this approach is shown by the example that increasing the energy efficiency of paint shop processes also reduces carbon emissions in in-house production when a conventionally powered vehicle is painted. In light of the BMW Group's selected economic activities, its sustainability efforts in this regard are not, or are only partially, taken into account in the EU Taxonomy. [1\]](#)

Explanatory comments on reporting procedures

Explanatory comments on reporting procedures for the reporting year 2022, we are reporting on Taxonomy alignment for the first time in relation to Environmental Objective I "Climate change mitigation" and Environmental Objective II "Climate change adaptation", in addition to reporting on Taxonomy eligibility. Taxonomy eligibility is an initial indicator of the maximum environmental sustainability potential of economic activities as defined by the EU Taxonomy. Taxonomy alignment, on the other hand, serves as an indicator of an organisation's transformation towards environmentally sustainable economic activities.

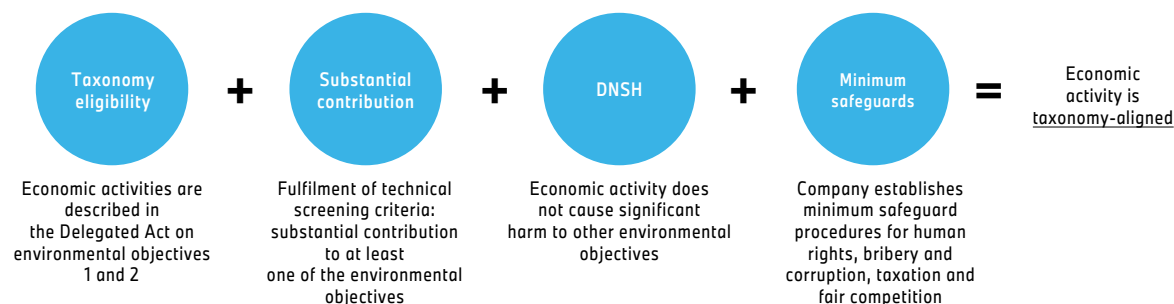
An economic activity is to be seen as Taxonomy-eligible if it is described in the Delegated Acts relating to one of the six environmental objectives, regardless of whether that economic activity meets the technical screening criteria stipulated in those Delegated Acts. Following an analysis, the BMW Group's business activities can best be summarised under the following economic activities¹:

- Economic activity 3.3 "Manufacture of low carbon technologies for transport" including the production of passenger cars and motorcycles.
- Economic activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles" including the acquisition, financing, lease and operation of automobiles and motorcycles.

Based on the descriptions of the two economic activities listed for Environmental Objective I "Climate change mitigation" and in consideration of the additional clarification by the EU Commission regarding the Taxonomy eligibility of vehicles with combustion engines under economic activity 3.3, a large part of the BMW Group's business model falls within the scope of the EU Taxonomy Annex.²

Only the sale of parts and components, such as after-sales business excluding the provision of repair services, the supply of components for production to BMW Brilliance up to and including

Explanatory comments on reporting procedures



10 February 2022³ and/or to other third parties, and banking and insurance services performed by our non-automotive Financial Services segment, are not described as economic activities in the Delegated Regulation and are therefore not Taxonomy-eligible.

Consequently, in order to determine the Taxonomy alignment of the two aforementioned economic activities in the reporting year, they must be reviewed against the technical screening criteria relevant to them:

- 1) They make a substantial contribution to the fulfilment of the environmental objective based on the specific carbon emissions for the vehicles in question.
- 2) They do not cause any significant harm to other environmental objectives based on the specific requirements for each relevant economic activity ("Do no significant harm" or "DNSH").

It must also be ensured that the organisation carrying out the economic activities has established minimum safeguards aimed at guaranteeing compliance with human rights in particular and also minimum safeguards relating to bribery, corruption, taxation and fair competition.

Substantial contribution

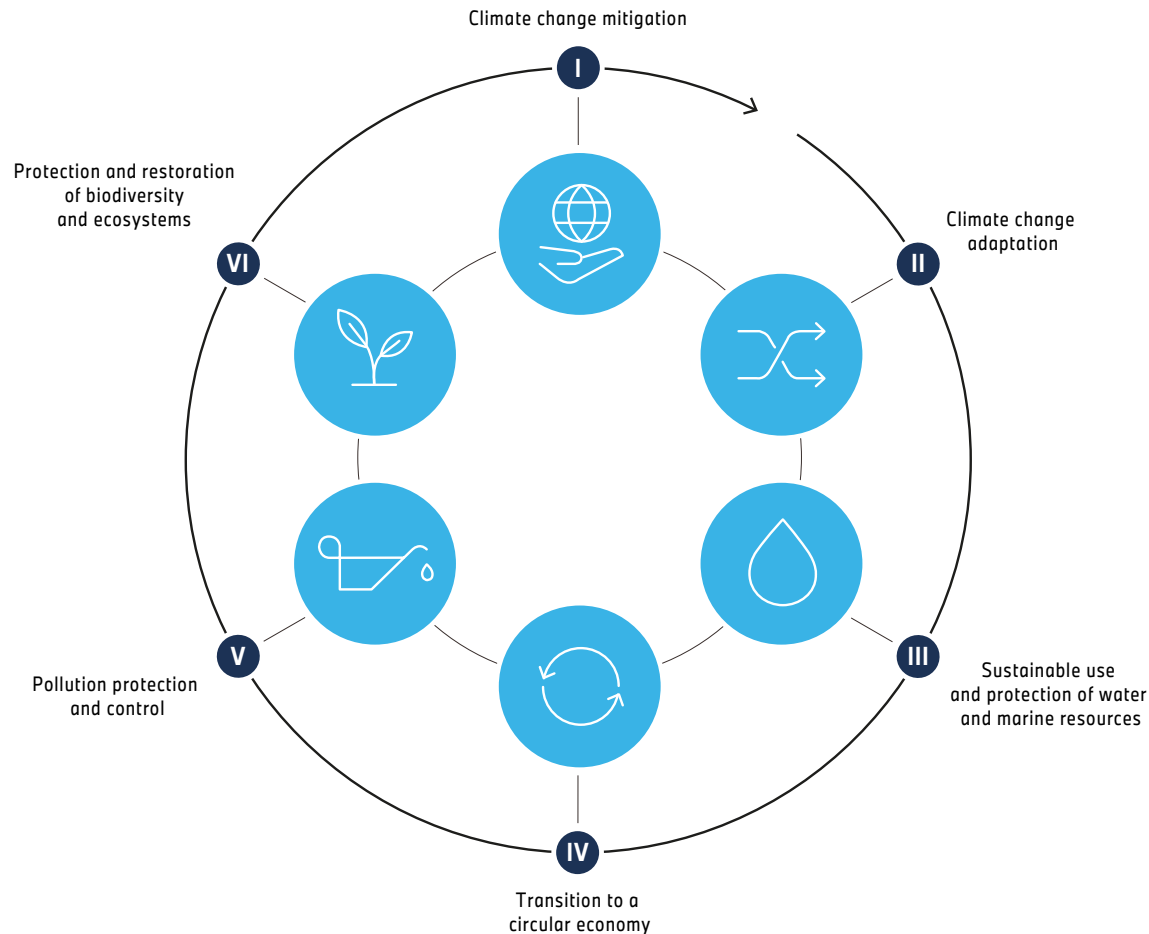
The BMW Group has reviewed its contribution to the environmental objectives "Climate change mitigation" and "Climate change adaptation" for the reporting year. Economic activity 3.3 and economic activity 6.5 both make a substantial contribution to the achievement of Environmental Objective I "Climate change mitigation" due to the manufacture, financing and leasing of low-emissions (PHEV < 50 g CO₂/km WLTP until 2025) and zero-emissions vehicles (BEV and motorcycles with 0g CO₂/km). The contribution of the two economic activities to the second environmental objective "Climate change adaptation" was subsumed under environmental objective I "Climate change mitigation" for reasons of materiality.^{1]}

¹ The additional economic activities specified in Delegated Regulation (EU) 2022/1214 of 9 March 2022 (in particular with regard to nuclear energy and gaseous fossil fuels) are not relevant to the BMW Group. Accordingly, specific reporting tables for these activities are not included.

² It should be noted that the relevant Delegated Act describes the economic activity "Manufacture of low carbon technologies for transport" differently for Environmental Objective I "Climate change mitigation" and Environmental Objective II "Climate change adaptation". For the purposes of consistent reporting on the Taxonomy eligibility of vehicle production, the BMW Group follows the description given for Environmental Objective I, given that Taxonomy-eligible vehicle production as listed for Environmental Objective II is a subset of Taxonomy-eligible vehicle production for Environmental Objective I.

³ Further information on the consolidation of BMW Brilliance is provided in ² Note [3] to the Group Financial Statements.

Environmental objectives of EU Taxonomy



[In order to identify the specific carbon emissions of PHEV that are not determined in line with Regulation (EU) 2019/631 (USA, China, etc.), assumptions were made based on the worst-case value for that vehicle model, even though these emissions may have been lower in reality.

Avoidance of significant harm

Compliance with the DNSH criteria was reviewed in the reporting year for the five additional environmental objectives, based in each case on the specific requirements for economic activity 3.3 "Manufacture of low carbon technologies for transport" and economic activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles".

The vehicle portfolio for economic activity 6.5 includes BMW Group vehicles and vehicles from other manufacturers. As no data are available regarding the relevant attributes of these third-party products, it is not currently possible to make a comprehensive assessment in relation to the DNSH criteria. For this reason, these vehicles are not currently reported as Taxonomy-aligned.



Climate change adaptation

A robust climate risk and vulnerability assessment is required for both economic activity 3.3 and economic activity 6.5 to determine that they do not cause significant harm to Environmental Objective II. It considers the physical climate risks at all key BMW Group production sites as well as any potential damage that may occur as a result of climate change based on long-term climate projection scenarios* up to 2034 and 2050. Moreover, we consider potential natural hazards at all of our direct supplier locations in order to adequately take supply risks into account when selecting and evaluating suppliers. Adaptive solutions to mitigate risks are drawn up and implemented as appropriate based on [1]

* SSP1-2.6, SSP2-4.5, SSP5-8.5.

the results of this risk analysis and in consultation with site representatives. For further information, see [Climate-related Risks and Opportunities](#).

The DNSH requirements for Environmental Objective II are fulfilled for economic activities 3.3 and 6.5.



Sustainable use and protection of water and marine resources and protection and restoration of biodiversity and ecosystems

In order to establish that no significant harm is caused to Environmental Objectives III and VI, it is necessary to perform a comprehensive risk analysis that looks at the preservation and protection of environmental resources for economic activity 3.3 (in both cases, not relevant for economic activity 6.5). In this context, the BMW Group carries out environmental impact assessments in accordance with Directive 2011/92/EU during the construction of new and expansion of existing sites within the EU that also take account of water and biodiversity. At locations outside the EU, the BMW Group carries out an environmental impact assessment based on EU requirements. Moreover, a certified environmental management system in accordance with ISO 14001 has been implemented at all BMW Group production sites and all local legal requirements are met. [Resource Management at all locations](#)

The DNSH requirements for Environmental Objectives III and VI are fulfilled for economic activity 3.3.



Transition to a circular economy

The requirements for both economic activities of the BMW Group to do no significant harm to Environmental Objective IV differ for each stage of the value chain. We fulfil these requirements during the manufacturing process for BMW Group vehicles (economic activity 3.3) by, for example, using secondary raw materials in our products, designing products to facilitate their recycling, managing waste at our production sites in a way that prioritises recycling over disposal as well as registering substances of concern systematically along the entire supply chain. With regard to the use phase and recycling of BMW Group vehicles (economic activity 6.5), we have set up appropriate processes to comply with recycling requirements and established measures for managing waste during maintenance and at the end of the life cycle. All these criteria also form part of our comprehensive approach to the [Transition to a circular economy](#).

The DNSH requirements for Environmental Objective IV are fulfilled for economic activities 3.3 and 6.5.



Pollution prevention and control

The requirements to do no significant harm to Environmental Objective V differ considerably for economic activity 3.3 and economic activity 6.5.

With regard to economic activity 3.3, the BMW Group has established corresponding processes which aim to monitor and ensure legal compliance with any prohibitions and limits relating to the use of chemical substances at vehicle level. All substances used by the BMW Group are in compliance with national and European laws. The use of any other substances, such as those classified under the CLP Regulation which go beyond current prohibitions established in applicable legislation (including the REACH

Regulation), is reviewed. Substitutes are sought for substances if their use cannot be avoided owing to current societal needs, taking into account factors such as economic and technical requirements.

Never the less, it is not possible to meet all criteria to do no significant harm to Environmental Objective V in the case of economic activity 6.5. Current PHEV models under 50 g CO₂/km WLTP offered by the BMW Group and other manufacturers may make a significant contribution as defined by the EU Taxonomy. However, manufacturer specifications for air pollutant emissions in real driving conditions (real driving emissions, RDE) cannot be declared as 80 % of the limit as required by the EU Taxonomy with reference to table 2 in the notes to the Clean Vehicles Directive, due to potentially extreme driving situations. All PHEVs in the vehicle portfolio for economic activity 6.5 must therefore be considered as not Taxonomy-aligned, even if they meet these specifications in everyday driving situations.

For the remaining BEV in the BMW Group's vehicle portfolio, further deductions have to be made in the context of economic activity 6.5. In the case of individual models in light of the requirements for rolling resistance coefficients for tyres and in particular the external rolling noise of tyres. Owing to the limited availability of data, the eligibility of the models concerned is calculated in a simplified manner based on the tyres approved for these models, weighted by their purchase volumes and take rates.

The DNSH requirements for Environmental Objective V are fulfilled for economic activity 3.3; however, not all are fulfilled for economic activity 6.5.^{1]}

[Minimum safeguards

In addition to making sure that no significant harm is caused to the other environmental objectives, it must also be ensured that the organisation carrying out the economic activities has established minimum safeguards. These require the implementation of processes to ensure compliance with due diligence obligations both within an organisation and in the stages of the upstream and downstream value chain that have been outsourced. Specifically, this refers to compliance with human rights and regulations on bribery, corruption, taxation and fair competition. In its [Policy statement on respect for human rights and environment-related standards](#), the BMW Group has, among other things, committed to compliance with the following standards for minimum safeguards as defined in Article 18 of the Taxonomy Regulation: Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Ten Principles of the UN Global Compact, which we signed back in 2001.

[➤ Purchasing and supplier network](#), [➤ Compliance and human rights](#)

The minimum safeguard requirements are met.

EU Taxonomy performance indicators

Please refer to the remarks in the glossary for the definition and calculation of the Taxonomy-specific performance indicators revenues, capital expenditure and operating expenditure. [➤ Glossary](#)

The proportion of revenues, capital expenditure and operating expenditure relating to eligible and non-eligible economic activities are shown in each case as an aggregate percentage for the BMW Group. Only Taxonomy-eligible revenues, capital expenditure and operating expenditure as listed for Environmental Objective I "Climate change mitigation" are disclosed, given that Taxonomy-eligible revenues, capital expenditure and operating

expenditure for Environmental Objective II "Climate change adaptation" are a subset of the values for Environmental Objective I "Climate change mitigation". This approach avoids double counting of revenues, capital expenditure and operating expenditure when determining the KPI in the numerator across multiple economic activities.

In the case of capital expenditure, all Taxonomy-eligible expenditure is allocated to the two economic activities 3.3 and 6.5. In most cases, values from financial data were allocated directly to the economic activities for all three performance indicators, based for example on the drivetrain or the vehicle model. In the remaining cases, an allocation mechanism was used for each economic activity and each performance indicator. For Taxonomy-eligible and Taxonomy-aligned capital expenditure, the allocator is based on long-term Taxonomy-aligned revenues generated from the automobile and motorcycle business for economic activity 3.3 and on the Taxonomy-aligned financing volume for new customers in the current financial year for economic activity 6.5:

- Allocator for economic activity 3.3: (BEV + PHEV (<50g)) x Automotive segment revenues (2023–2028)
- Allocator for economic activity 6.5: (DNSH alignment factor x BEV) x proportion of financing volume attributable to new customer contracts (2022)

For capital expenditure, the allocator is based on detailed long-term corporate planning for the next six years, as approved each year by the Board of Management and Supervisory Board.

This allocator is used for capital expenditure on property, plant and equipment (including right-of-use assets), intangible assets and expenditure on research and development for economic activity 3.3, and for capital expenditure on leased products for economic activity 6.5. For operating expenditure, the formula is also applied to non-capitalised development costs.

For other operating expenditure (non-capitalised right-of-use assets (lessee), maintenance/repair expenses) relating to economic activity 3.3, the allocator is based on the Taxonomy-aligned revenues generated from the automobile and motorcycle business in the reporting period.

Interpretation of the performance indicators for reporting year 2022

The following overview tables summarise the performance indicators revenues, capital expenditure and operating expenditure resulting from Taxonomy-eligible and Taxonomy-aligned economic activities of the BMW Group.

— BMW Group perspective

Taxonomy-aligned revenues of the BMW Group amounted to € 15,705 million, corresponding to 11% of total Group revenues. The Taxonomy-aligned share of capital expenditure was 21% (€ 5,100 million). Operating expenditure incurred for Taxonomy-aligned economic activities amounted to € 1,661 million, corresponding to almost 29% of Taxonomy-eligible operating expenditure.

— Economic activity 3.3, "Manufacture of low carbon technologies for transport"

The Taxonomy-aligned share of revenues generated by the Automotive and Motorcycle segments corresponded to 10.7% (economic activity 3.3 "Manufacture of low-carbon technologies for transport") of total Group revenues. As a percentage of external revenues of the two segments, the Taxonomy-aligned share rises to 14%. [➤ Segment information 1\)](#)

ⓘ Additions to intangible assets and property, plant and equipment of the BMW Group were more than 19 % Taxonomy-aligned. This proportion more than doubles to 43 % in relation to additions recorded by the Automotive and Motorcycle segments. The latter highlights the high proportion of Taxonomy-aligned capital expenditure of the Automotive segment. ^{1]}

— Economic activity 6.5, "Transport by motorbikes, passenger cars and light commercial vehicles"

The Taxonomy-aligned shares for the three performance indicators were at a low single-digit level for the Financial Services segment. This was due to the fact that – compared to the Automotive segment – there is a time lag before the effects of the vehicle fleet electrification ramp-up are felt in the financing and leasing lines of business. A further reason is the stricter DNSH requirements for economic activity 6.5, in particular those relating to environmental objective V "Pollution prevention and control", which lead to the exclusion of all PHEV and a significant restriction in the recognition of BEV in the scope of EU Taxonomy reporting (for details see Section "Avoidance of significant harm"). In addition, with economic activity 6.5, third-party brands can only be included in the vehicle portfolio under restrictive conditions, such as for the purpose of assigning tyre categories or WLTP emissions values as part of the process of testing compliance with the DNSH criteria. As a result, no specific deductions can be allocated, with the consequence that the models concerned must be excluded from the scope of reporting on Taxonomy alignment.

The growing share of zero-emissions vehicles, the development and production methods used, and – where applicable – contributions made to other environmental objectives as yet to be defined are expected to lead to an increase in Taxonomy-aligned revenues, capital expenditure and operating expenditure. Due to the high level of investment in the transformation of our business activities, for example in the electrification of our vehicles and research into alternative drivetrains, these economic activities have the potential to become Taxonomy-aligned over time. Overall, we anticipate that the proportion of Taxonomy-aligned economic activities will steadily rise as a result of the increasing electrification of our product portfolio. ^{2]} [Strategy](#)

The contribution of the two economic activities considered for Environmental Objective II is subsumed in the contribution reported for Environmental Objective I. Regardless of the taxonomy criteria, the BMW Group regularly and comprehensively addresses risks arising from climate change and their potential impact on its locations and supply chains.

^{2]} [DNSH adaptation to climate change](#), [TCFD climate risks](#)

As the overview tables from Delegated Regulation (EU) 2021/2178 do not provide a detailed picture of the BMW Group's business model per economic activity, the following table provides detailed information about the three performance indicators for both economic activities. ^{1]}

ⓘ Voluntary additional information on the Taxonomy-aligned share per economic activity*

	in € million	in € million	in %
	by activity	of which Taxonomy-aligned	Proportion
Revenues 2022			
Manufacture of low carbon technologies for transport (3.3)	109,029	15,264	14.0
Transport by motorbikes, passenger cars and light commercial vehicles (6.5)	33,581	441	1.3
Total	142,610	15,705	11.0
Capital expenditure 2022			
Manufacture of low carbon technologies for transport (3.3)	10,659	4,596	43.1
Transport by motorbikes, passenger cars and light commercial vehicles (6.5)	13,452	504	3.7
Total	24,111	5,100	21.2
Operating expenditure 2022			
Manufacture of low carbon technologies for transport (3.3)	5,584	1,655	29.6
Transport by motorbikes, passenger cars and light commercial vehicles (6.5)	232	6	2.5
Total	5,816	1,661	28.6

* Taxonomy-aligned share calculated with denominator as the sum of Taxonomy-aligned, non-Taxonomy-aligned and Taxonomy-capable values of the respective economic activity.

PURCHASING AND SUPPLIER NETWORK

The BMW Group's Purchasing and Supplier Network is responsible for the global procurement and quality assurance of production materials, raw materials, components, capital goods and services as well as the in-house production of vehicle components.

The main responsibilities of the network include:

- Ensuring security of supply to the plants
- Creating resilient supply chains within the geopolitical environment
- The quality assurance of components
- Access to innovations
- Cost management in competition
- The digitalisation of processes within the supplier network
- The integration of social and environmental aspects within the supplier network

Supply chains and supplier network

The year 2022 was dominated by fragile supply chains and rising prices for many materials. The cost drivers for the BMW Group's Purchasing team were primarily the price hikes seen for raw materials, semiconductors, energy and transportation coupled with a challenging supply situation. The combined impact of supply bottlenecks for semiconductor components, the temporarily restricted availability of wire harnesses owing to the war in Ukraine, and pandemic-related lockdowns in China led to production interruptions worldwide, particularly in the first half of the year. Although the situation eased slightly during the second six-month period, global supply chains remained in a fragile state.

➤ [Outlook](#), ➤ [Risks and opportunities](#)

The BMW Group follows the principle of procuring vehicle components close to its production sites to the extent possible and is therefore represented by local teams in all its key purchasing markets, in order to identify risks promptly and respond flexibly to the respective market circumstances. In the face of geostrategic aspects, a resilient strategy for the Group's supply chains is also becoming increasingly important and the BMW Group takes this fact into account when selecting its partners.

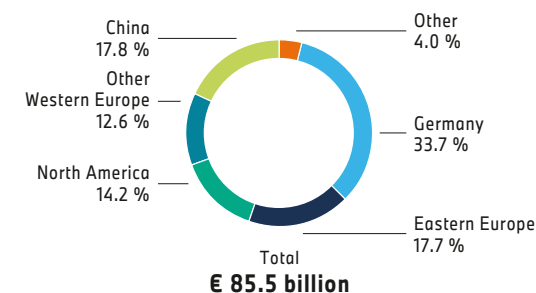
In-house production: a competitive advantage

The BMW Group regularly examines its range of products in terms of their profitability and strategic importance. A special focus is currently on e-mobility. In this central area of transformation, the BMW Group is building up its own skill sets in strategically important components, particularly in areas where technology is not competitively available on the market. The in-house production of certain key components also helps us to improve the level of supply security and thus gain a competitive advantage. At the same time, we are looking to strengthen our process-related expertise in technologies relevant for quality management within the supplier network.

Quality assurance

Quality is a vital competitive factor and of key importance for ensuring customer satisfaction. Our quality experts monitor the entire product development process, including the phases of industrialisation and series production. Regular visits to suppliers and a preventive, systematic review of all processes are aimed at ensuring the agreed quality.

Regional distribution of BMW Group*



Raw materials security and strategy

The volatile situation on energy and raw materials markets had a major impact on purchasing over the course of 2022. There are signs of increasing competition for the raw materials required to drive forward electric mobility. With the help of measures such as the direct purchase of lithium and cobalt, the BMW Group is making itself technologically and regionally less dependent on individual deposits and suppliers. Direct purchasing in Australia, Argentina and Morocco underpin our dual intention of securing raw material supplies, whilst also maintaining our high sustainability standards, particularly in supply chains involving critical raw materials. At the same time, the BMW Group analyses the development of raw materials prices and hedges against price fluctuations – provided the capital market offers the opportunity to do so. ➤ [Raw materials price risks and opportunities](#) 11

* Direct and indirect purchasing;
this includes the entire year 2022 for BMW Brilliance Automotive Ltd.

Our commitment to upholding environmental and social standards as well as human rights in our raw materials supply chains is enshrined in the [BMW Group Supplier Code of Conduct](#) and the [High-level commitment to sustainable natural rubber](#) among others. The BMW Group Supplier Code of Conduct also requires Tier-1 suppliers to demand minimum standards within their sub-supplier chains.

Annual risk analyses regarding the BMW Group's sustainability standards are the starting point for raw materials-related hedging activities that are designed to reduce environmental and human rights risks. Key levers in this respect are to forgo, substitute or reduce the use of primary risk raw materials. We also focus in particular on cooperating closely with our partners in the supplier network as well as in multi-stakeholder initiatives and projects. We use scientific findings to gain an even better understanding of the raw material extraction process and to take it into account accordingly when analysing the level of risk in order to further reduce any negative impacts.

The BMW Group places a particular focus on so-called "conflict minerals" and uses standardised Responsible Minerals Initiative (RMI) tools to ensure that the raw materials deployed can be traced back to the smelter. It uses existing certifications to ensure the origin of other raw materials. The BMW Group is also involved in developing certified standards for critical stages of the value chain, for example as part of the Initiative for Responsible Mining Assurance (IRMA), and subsequently applies them. Further details and raw materials profiles are available [online](#). [SASB Index](#)

Moreover, the BMW Group has set itself the goal of generating a positive impact for selected raw materials through our involvement in local development projects. During the year under report, for example, we initiated a project with a locally based NGO to improve living conditions associated with the mining of the raw material mica in India.

Purchasing battery cells

As of 2025, the BMW Group plans to deploy a new generation of battery cells. We have therefore concluded agreements with our partners that guarantee annual production capacities of 40 GWh in Europe, 40 GWh in China and 30 GWh in the USA. Via this strategy, the Company is reinforcing its "local for local" approach by sourcing battery cells regionally where our production facilities are located. The BMW Group will also use secondary raw materials to replace the primary raw materials cobalt, lithium and nickel in the new generation of battery cells and purchase green electricity in order to further reduce the size of our carbon footprint in the supply chain. [Carbon emissions in the supply chain](#)

Supply security

To cushion the impact of the ongoing war in Ukraine on our European plants, the BMW Group has introduced a comprehensive raft of measures with its partners and therefore continues to source components from western Ukraine. At the same time, our partners have established additional production sites outside Ukraine and the supply of wiring harnesses to our plants has returned to normal as a result.

Lockdowns in China designed to contain the coronavirus pandemic kept supply chains on tenterhooks, not to mention the challenging supply situation for semiconductors. In an effort to mitigate the worldwide shortage of semiconductors, among other measures the BMW Group has entered into supply agreements involving increased levels of buffer stock when placing orders, as well as the direct purchase of strategically important semiconductors.

Risk management in purchasing

An interconnected risk management system is fundamental for managing the supplier network. With this point in mind, the Company has established a RiskHub that analyses information from external, publicly available data sources with regard to potential risks such as natural disasters or financial risks. We also employ state-of-the-art methods derived from the fields of AI and big data analytics. For selected issues such as semi-

conductor component supplies, we also take account of the locations of sub-suppliers in our risk assessment, thus enabling us to respond rapidly and counter supply bottlenecks preventively. The RiskHub is subject to continuous improvement.

In order to avoid cyber risks and provide adequate protection, we analyse the entire value chain. The BMW Group expects its partners to provide evidence of a preventive and responsive level of security. We require our partners to provide information security certificates in accordance with the TISAX automotive standard, and monitor their implementation. Collaborative IT security analyses and a constant exchange of information additionally bolster resilience in the supplier network. The awareness of cyber risks is raised internally through training and information campaigns. Externally, the BMW Group supports its business partners with a regular flow of information.

Innovations

Cooperation in the supplier network based on trust and the development of new partnerships is essential for us when it comes to swiftly deploying innovations in the products on offer. In this context, we work closely with the [BMW Startup Garage](#) and [BMW i Ventures](#). At Newcomer Day 2022, selected start-ups presented a broad range of future technologies – including our new partner for innovative natural fibre composite solutions.

The highly innovative achievements of start-ups are also reflected in the [BMW Supplier Innovation Award](#). During the year under report, various companies won awards in the categories of e-mobility, sustainability, digitalisation, customer experience, exceptional team performance and Newcomer of the Year, which are essential for driving forward transformation. [1\]](#)

🔗 Digitalisation in the supply chain

A digital flow of information throughout the supply chain is a prerequisite for more resilient and flexible supply chain management.

➔ **Catena-X** is one of the largest ongoing projects in the automotive industry. It is open to all BMW Group partners and designed to enable data exchange across the various levels of the value chain between automotive manufacturers and their suppliers. With the platform due to be launched in 2023, Catena-X is expected to offer an end-to-end solution that will lead to closer and even more coordinated cooperation between partners. One of our aims is to improve transparency and response speed by regularly comparing the demand and capacity situation in order to adjust the supply of parts at short notice. Further improvements are expected for the network partners, whether raw materials suppliers, n-Tier suppliers or automotive manufacturers, for example in terms of delivery reliability and customer satisfaction. At the same time, costs can be effectively cut by improving capacity utilisation and avoiding special procurement processes. Recording carbon emissions data in supply chains enables measures to reduce greenhouse gas emissions to be agreed upon and their effectiveness verified going forward. The BMW Group has already begun preparations for the pilot tests of the initial applications.

Social and environmental responsibility

The BMW Group considers responsible supply chain management as an integral part of good corporate governance. Against the backdrop of the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz), the BMW Group continued to develop its well-established processes during the year under report. The BMW Group's requirements and the expectations it places on its suppliers are set out in the ➔ [BMW Group Supplier Code of Conduct](#). ➔ [GRI Index: 2-23, 3-3, 407-1, 408-1](#)

Due diligence in the supplier network

A multi-stage due diligence process has been established across all relevant areas of the organisation to delineate our responsibility for the supplier network. A comprehensive description of the due diligence process can be found ➔ [online](#).

The BMW Group is committed to the application of standardised procedures and a cooperative approach with a view to implementing the due diligence obligations that are integrated in its business processes and avoiding redundant activities. For this reason, we engage in the Sector Dialogue Automotive Industry initiative, for example to develop guidelines for action and create an industry-wide grievance mechanism.

— Risk analysis

The BMW Group monitors and assesses sustainability and human rights risks in its supplier network, including its business relationships with both potential and active supplier locations. Among other strategies, we use risk filters and media analyses to identify abstract environmental and human rights risks, as well as standardised sustainability questionnaires and audits to conduct specific risk analysis at our Tier-1 suppliers. Supply chain mapping forms the basis for analysing risks at n-Tier suppliers.

➔ [GRI Index: 2-24, 308-1, 414-1](#)

— Prevention and remediation

Prior to signing a contract with the BMW Group, suppliers are required to implement any necessary preventive or remedial measures to minimise potential risks or eliminate any deficits that may have been identified – including those in the areas of corporate governance, human rights and working conditions, health and safety, and environmental protection – by an agreed target date, no later than the start of production, and to demand that these measures are also complied with by subcontractors. ➔ [Further GRI Information](#), ➔ [Sustainability assessment of relevant supplier sites](#) The extent of the preventive measures is partially based on the potential risks, the nature and scope of the business activity and the size of the supplier.

er. Alongside its preventive measures, the BMW Group offers a training programme on sustainability in the supply chain aimed at internal buyers and process partners as well as suppliers. ➔ [GRI Index: 2-24, 308-2, 414-2](#)

— Effectiveness and grievance mechanisms

For suppliers operating in high-risk regions or high-risk product groups, the BMW Group has implemented additional control mechanisms, such as audits of environmental and social standards at supplier locations using its own auditors or external auditors. The Group reviewed a total of 49 potential and active supplier locations via this method during the year under report (2021: 38)^{1, 2}. We have set ourselves the target of ensuring that all Tier-1 supplier sites that have been audited meet the locally applicable legal requirements for sustainability as well as international human rights standards (BMW Group minimum requirements). In 2022, the final audits confirmed that all cases of non-compliance with minimum requirements (non-conformities) that were identified in initial audits had been redressed.

The internal Human Rights Contact Supply Chain unit deals with any indications of possible violations of the sustainability requirements stipulated by the BMW Group for the supplier network. We also use the standardised RBA Voices grievance mechanism as a complementary measure. In addition, ➔ [whistle-blower systems to detect possible legal violations](#) are in place and compliance checks performed. Our aim is to ensure that any substantiated reports of environmental or human rights violations are redressed by agreeing on corrective measures.

1]

¹ The audits carried out worldwide were conducted to a large extent in accordance with the standards of the Responsible Business Alliance (RBA).

² The number of audits reported in the previous year totalled 196 and was adjusted for purposes of comparison, as Environmental Performance Assessments (EPA) in China will no longer be included in the metric from 2022 due to the Group's new environmental and social audit requirements.

If necessary, the BMW Group temporarily suspends a given business relationship during efforts to mitigate the detected risk. However, the business relationship will only be terminated if no other effective means are available and we are unable to further leverage our ability to exert influence. We endeavour to avoid this latter situation by carefully selecting our suppliers and empowering and working with them to improve their sustainability performance. No existing supplier relationship needed to be terminated due to serious sustainability violations during the year under report.

➤ GRI Index: 2-24, 3-3, 308-1, 414-1

Carbon emissions in the supply chain

The BMW Group is pressing ahead with its efforts to decarbonise its own supply chain. The Group's goal is to reduce carbon emissions generated in the supply chain by more than 20 % per vehicle by 2030 (base year 2019)¹. For this reason, the Group has established a firm commitment to make carbon-reducing measures² an award criterion in its supplier network. We specifically empower suppliers via the BMW Group Partner Portal and additionally provide face-to-face formats for conducting partner workshops at our plant in Landshut (Germany). ➤ GRI Index: 3-3

In 2022, the number of contractual agreements with suppliers on carbon-reducing measures increased to 468 awards (2021: 429 awards), including agreements on the use of secondary raw materials, biomaterials and carbon-reduced steel routes. However, in our view, green electricity offers the greatest potential for reducing carbon emissions in the supply chain. The BMW Group makes its use³ for direct suppliers (Tier-1) and energy-intensive processes in the upstream chain (n-Tier) a criterion for awarding new contracts to manufacture carbon-intensive components and materials. During the year under report, we concluded agreements for 343 contracts (2021: 427 contracts). In addition, since mid-2021 the BMW Group has concluded framework agreements with 46 of its largest suppliers regarding the use of green electricity⁴ to manufacture its components.

Agreements reached with suppliers regarding carbon reduction measures in production scenarios already began to take effect in 2022. Together with an external auditor, the BMW Group has developed a concept for verifying compliance with these agreements and confirmed compliance with contractually agreed ➤ carbon-reducing measures in the supplier chain at 23 suppliers in the course of 2022. As a result, the BMW Group helped reduce carbon emissions at the production facilities of its suppliers by approximately 1.0 million tonnes in the reporting period.⁴

The Group also continues to rely on the Carbon Disclosure Project (CDP) supply chain programme to assess supply chain performance in terms of its decarbonisation commitment. Measures relevant for supplier development and empowerment are also derived from the programme. In 2022, 247 suppliers took part in the rating (84 % of the production-relevant purchasing volume). 1]

¹ For the sake of simplicity, this figure has been rounded. The target validated under SBTi is 22 %.

² For the BMW Group this includes measures to reduce carbon emissions. Correspondingly, this does not include any compensation measures.

³ In-house generation, direct purchase or Energy Attributes Certificates (e.g. certificates of origin).

⁴ The carbon reductions achieved in the year under report resulting from measures agreed upon with suppliers were not taken into account when calculating the ➤ Carbon footprint.

DIVERSITY, EQUAL OPPORTUNITY AND INCLUSION

People from over 100 countries work successfully together at the BMW Group. They bring different perspectives, experiences and competencies to their daily work, and can therefore make us more innovative and competitive as a company. The BMW Group therefore values an unprejudiced, appreciative and inclusive working environment for all its employees. Key principles such as protection against discrimination, equal treatment of all employees and respect at all times are firmly embedded in the [BMW Group Code of Conduct](#) and the [BMW Group Code of Human Rights and Working Conditions](#). These principles include equal pay regardless of gender, religion, background, age, disability, sexual orientation and country-specific characteristics. [GRI Index: 405-2](#)

All employees can contact their line managers, the responsible specialist departments, the HR department, the Works Council or disability representatives if they have any pertinent concerns. The BMW Group SpeakUP Line is a telephone service available in over 30 languages that gives employees worldwide the opportunity to report possible violations both anonymously and confidentially ([Whistleblower Systems for Detecting Possible Legal Violations and Compliance Controls](#)). In addition, a Zero Tolerance hotline was launched in late 2022. This provides employees with free, anonymous and professional advice on the topics of discrimination, workplace bullying and sexual harassment at work.

[GRI Index: 406-1](#)

Promoting diversity

The BMW Group sees diversity as a strength. Using a variety of training events, presentations and dialogue formats, we raise awareness among employees and managers to the positive contribution that diversity, equal opportunity and inclusion can make to the business. The BMW Group also promotes these topics in its recruitment and personnel development strategies.

We embrace diversity in all its facets on the basis of our concept for diversity, equal opportunity and inclusion. This is implemented by HR management together with the disciplinary line managers. The concept contains aims and measures that focus on five key dimensions:

- Gender
- Age and experience
- Cultural background
- Sexual orientation and identity
- Physical and mental ability

We provide information about our commitment to these categories on our [website](#).

BMW AG employees according to age group, divided into functions and gender

in %	< 30 years	30-50 years	> 50 years
2020 in total	10.4	59.9	29.7
2021 in total	9.8	59.9	30.3
2022 in total	10.8	59.8	29.4
direct ¹	14.4	54.1	31.5
indirect ²	8.6	63.3	28.1
male	9.9	59.1	31.0
female	15.4	63.6	21.0

We launched a variety of measures within the scope of these five dimensions during 2022. For example, the trainee exchange programme MOVE was launched in the reporting year and attracted more than 100 trainees. This gives young people the opportunity to experience intercultural collaboration through practical work experience placements at different sites. During the year under report, we also continued with measures such as the Joint Leadership Programme, which enjoyed greater popularity during its second year. The Group-wide Diversity Week took place for the tenth time in 2022. In the newly developed Zero Tolerance training course, we also increase managers' awareness of the importance of providing a non-discriminatory work environment.

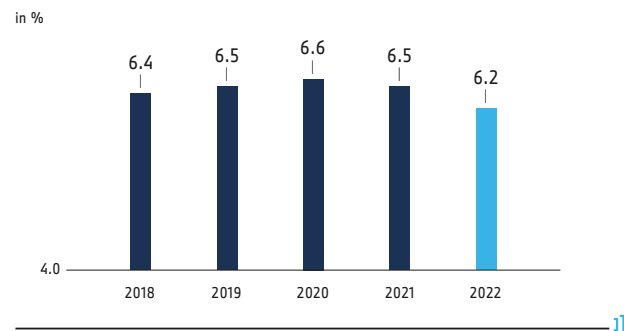
The BMW Group actively promotes an environment that offers equal opportunity regardless of physical or mental disabilities. Last year, we joined the international [The Valuable 500](#) initiative, which champions a more inclusive world of work. In 2022, we also adopted a revision of BMW AG's Company inclusion agreement for employees with disabilities, thus strengthening our commitment in this area. At the same time, we expanded our requirements for barrier-free access in the areas of construction and IT. As in previous years, BMW AG in Germany awarded contracts amounting to around € 41.1 million (2021: € 24.2 million) in 2022 to workshops staffed by people with disabilities.^{3]}

¹ Direct: Clock-controlled and production employees.

² Indirect: All employees not engaged in clock-controlled work.

³ The significant increase in the total order volume to workshops staffed by people with disabilities is due to an adjustment of the calculation logic as well as the fact that all workshops listed by the Federal Employment Agency as recognised workshops for people with disabilities have been recorded. According to the new calculation logic, the figure for 2021 is € 39.2 million.

Share of employees with severe disabilities at BMW AG¹



Our employees continue to play a key role in ensuring that diversity, equal opportunity and inclusion are actively practised. Many employees are involved in internal networks that have been set up, including a number of women's networks at various locations and the BMW Group PRIDE group, which campaigns across borders for the interests of the LGBTQI+² community. The dialogue generated by these internal networks creates further momentum for the BMW Group's commitment to this area.

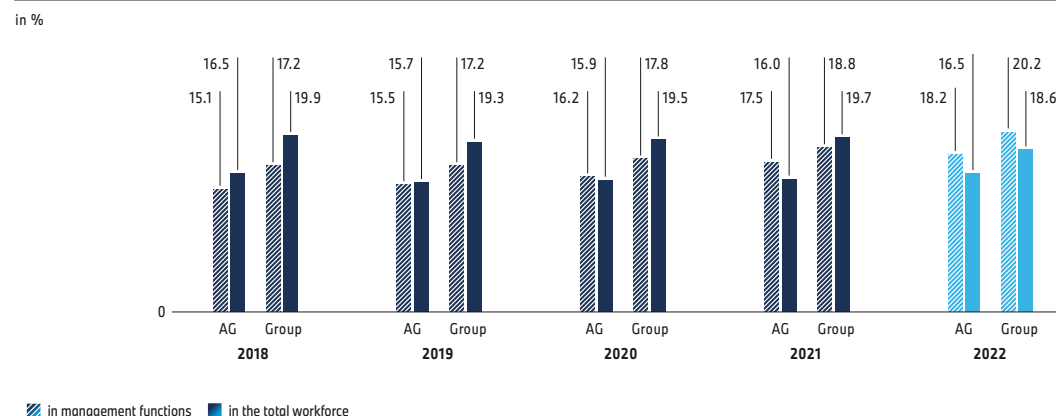
Concepts to promote diversity, equal opportunity and inclusion have also been developed in relation to the composition of the Board of Management and Supervisory Board. Information on the stipulated diversity criteria and their implementation is provided in the [Corporate Governance Statement](#).

➔ [GRI Index: 3-3, 405-1](#) ^{1]}

Increasing the share of women

The BMW Group is working continuously to increase the share of women in the workforce as a whole and in management functions in particular. This remains a challenging task in that it is still the case that more men go through the process of vocational training, particularly in technical fields, and are therefore in the majority on the market.

Share of women in management functions and in the total workforce in the (BMW AG and BMW Group)⁴



The BMW Group has set targets for the percentage share of women at all levels of the Company. By 2025, we aim to increase the share of women in the BMW Group workforce as a whole to between 20 and 22 % and to between 17 to 19 % for BMW AG. We aim to boost the share of women holding management positions in the BMW Group to 22 % by 2025, and to 20 % for BMW AG.

The share of women in management functions³ within the BMW Group has been rising steadily for many years. Globally, the share of female managers in the BMW Group stood at 20.2 % at the end of the year under report (2021: 18.8 %). During the period from 2011 to 2022, the number of women in management positions in BMW AG has more than doubled.

Expressed as a percentage, the share of female managers at BMW AG was 18.2 % at the end of 2022 (2021: 17.5 %).

The share of women in the BMW Group workforce as a whole reached 18.6 % (2021: 19.7 %). For BMW AG, the share was 16.5 % (2021: 16.0 %). ➔ [Further Information](#)

The BMW Group is also aware of the need to achieve a high percentage of women in our future talents programmes. By doing so, we aim to ensure that the share of women in the total workforce and in management functions continues to rise in the future. The proportion remained high in the trainee programme (Global Leader Development Programme⁵) in 2022 at 45 % (2021: 47 %). The same applied to the student support programmes (Fastlane, SpeedUp), with a proportion of around 31 % (2021: 32 %). For our vocational training in STEM subjects (science, technology, engineering and mathematics), the share of women at BMW AG in 2022 was 16.1 % (2021: 15.6 %), and 16.4 % (2021: 16.1 %) in the BMW Group⁶. ^{1]}

¹ The share of employees with severe disabilities is based on the statutory requirements in accordance with the German Social Code (SGB IX).

² Abbreviation for all sexual orientations and forms of identity.

³ For a definition of the term management functions, please refer to the [Glossary](#).

⁴ For a definition of the term employee, please refer to the [Glossary](#).

⁵ Trainee programme renamed to AcceleratiON for new trainees from 4/2023.

⁶ Including BMW Brilliance Automotive Ltd., China, and BMW Group plant Mexico; excluding sales companies.

According to our Group-wide guidelines, every employee and manager has a duty to report risks via the relevant reporting channels. The key elements of the risk management processes and an appropriate risk culture are embedded in the BMW Group's core values, the Group's extensive rules and regulations on risk management and in its overall risk strategy. Furthermore, the BMW Group's risk management strategy is continually developed to reflect new findings and requirements. Training programmes and informational events are regularly conducted throughout the BMW Group, particularly within the risk management network.

The risk management process is applicable across the entire Group and comprises the early identification, analysis and measurement of risks, the use of appropriate risk management tools and the monitoring and assessment of the measures taken. If no specific reference is made, risks and opportunities relate to the Automotive segment.

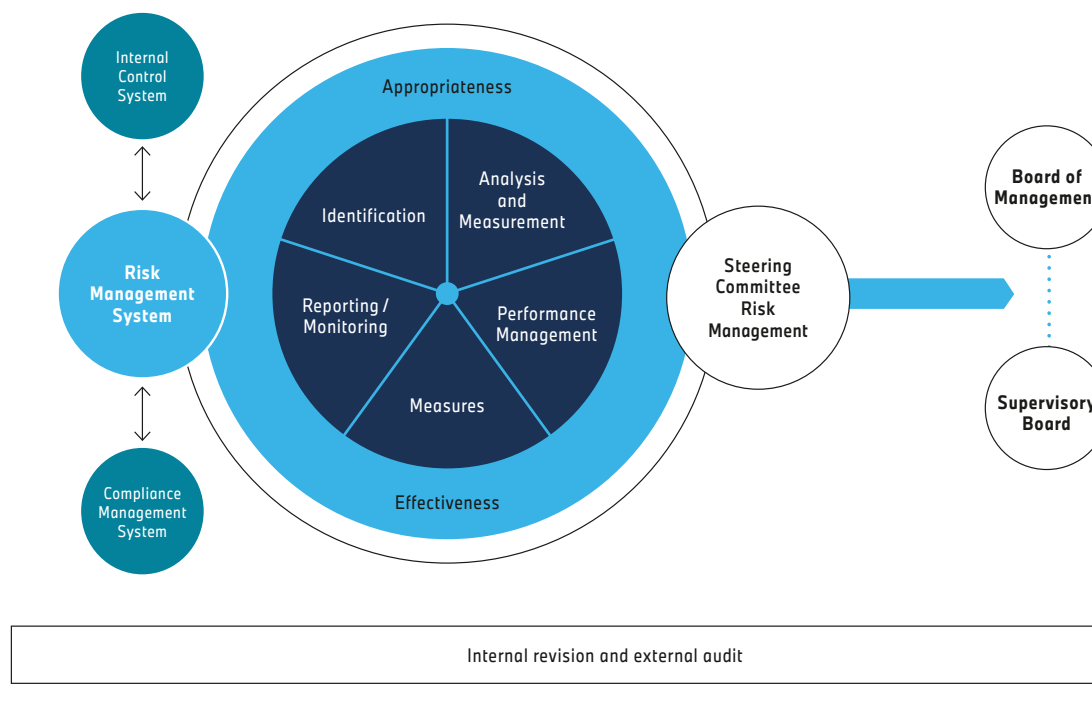
Risk measurement

The BMW Group uses standardised, suitable methods for measuring all short-term risks, reputational risks and medium to long-term climate-related risks.

Short-term risks

Risks relating to the current and subsequent financial year are shown in the section [7 Material short-term risks and opportunities](#). These risks are measured using value-at-risk models and assessed on the basis of uniform loss distribution metrics, thereby enabling better comparability of risks for both internal and external reporting purposes. Risks are measured net of any risk mitigation measures that are already taking effect (net basis).

RISK MANAGEMENT IN THE BMW GROUP



Risks are classified according to the risk amount (average earnings impact, taking into account the probability of occurrence). The earnings impact may be significantly higher if the risk actually materialises (worst-case scenario, confidence interval: 99 %).

The impact of risks and opportunities is presented separately without offsetting.

Group-wide effects and trends can be identified by aggregating all material short-term risks at Group level. For this purpose, the potential earnings impact of the risks is aggregated, taking correlation effects into account. In order to assess the risk-bearing capacity of the BMW Group, the aggregated amount of risks is compared with the risk cover amount (i.e. the equity capital of the BMW Group recognised for accounting purposes). A limit system for various risks helps monitor the risk-bearing capacity.

Reputational risks

Quite apart from the financial consequences, risks can also have an impact on the BMW Group's reputation. For these purposes, the BMW Group assesses all risks with regard to their impact on its reputation using a scoring model. Moreover, other overarching topics are monitored by means of regular media analysis. Any material reputational repercussions are described in the section [↗ Material short-term risks and opportunities](#).

Climate-related risks

Risks associated with climate change are presented in the section [↗ Climate-related risks and opportunities](#). Climate-related risks are evaluated as physical and transitory risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Transitory risks arise from the transition to a lower-carbon economy and are measured with the help of climate-related risk drivers and qualitative expert assessments. Physical risks arise due to climate change and are evaluated using external data on potential natural hazards. Potential short-term effects of climate change are already taken into account in the short-term risks. All short-term risks are evaluated for their climate impact. If a risk is categorised as climate-relevant, the climate-related portion of the risk is determined. The potential development of climate-related risks is measured for two reporting periods (medium-term until 2034 and long-term until 2050) and for three global warming scenarios.

Non-financial risks as reported in the non-financial statement (NFS)

Alongside the maintenance of a comprehensive system of risk management, conducting business in a sustainable manner constitutes a core strategic principle of the BMW Group. Risks resulting from sustainability issues are generally identified via the Group-wide risk management network.

In accordance with § 289c of the German Commercial Code (HGB), risks that could have an impact on the non-financial aspects referred to in the relevant legislation are reviewed as part of the reporting process. Material risks in this context are defined as those stemming from business activities, business relationships and products and services provided by the BMW Group that are highly likely to have a seriously adverse impact. No material non-financial risks were identified during the year under report.

Opportunity management

Identifying opportunities is an integral part of the BMW Group's strategic planning processes. The Group's range of products and services is continually reviewed on the basis of these analyses.

The continuous monitoring of key business processes and strict cost controls are also essential factors for ensuring high levels of profitability and return on capital employed.

The importance of short-term opportunities for the BMW Group is classified on a qualitative basis in the categories "material" and "immaterial". Probable measures aimed at increasing profitability are already incorporated in the outlook.

Climate-related opportunities are identified progressively as part of the ongoing strategy development process and described in the section [↗ Climate-related risks and opportunities](#).

MATERIAL SHORT-TERM RISKS AND OPPORTUNITIES

The overall risk situation for the BMW Group deteriorated significantly as compared with the previous year.

Consistently high inflation with lower real incomes and a corresponding widespread drop in demand may have a negative impact on sales volumes and result in unfavourable price and product mix effects. Considerable uncertainties remain in the form of potential supply bottlenecks along the entire supply chain. Higher prices for energy, raw materials and transport may have a negative impact. The ongoing war between Russia and Ukraine, as well as the progression of the coronavirus pandemic may also significantly affect the global economy. However, if the effect of these issues were to prove less severe in 2023 than currently expected, opportunities could arise that could benefit both revenues and earnings.

Overall, no risks capable of threatening the continued existence of the BMW Group were identified either at the balance sheet date or at the date on which the Group Financial Statements were drawn up. The Management and the Supervisory Board do not see any threat to the BMW Group's status as a going concern. As in the previous year, the current set of risks to the BMW Group are considered to be manageable. All risks and opportunities that are expected to materialise have already been addressed in the Outlook Report. Liquidity requirements are currently covered by existing liquidity as well as the various financing instruments available.

The following sections illustrate potential future developments or events that could result in a negative (risk) or a positive (opportunity) deviation from the outlook for 2023 and 2024 and indicate their significance to the BMW Group.

In addition, unforeseen events could affect business operations and hence the BMW Group's results of operations, financial position and net assets as well as its reputation.

The following overview provides a summary of the material short-term risks and opportunities:

	Risks		Opportunities	
	Classification of the risk level	Change compared to prior year	Classification	Change compared to prior year
Macroeconomic risks and opportunities	High	Increased	Immaterial	–
Strategic and sector-specific risks and opportunities				
Changes in legislation and regulatory requirements	High	–	Immaterial	–
Market developments	High	Increased	Immaterial	–
Risks and opportunities relating to operations				
Production and technology	High	Increased	Immaterial	–
Purchasing	High	–	Immaterial	–
Sales network	Low	–	Immaterial	–
Information security, data protection and IT	High	–	Immaterial	–
Financial risks and opportunities				
Foreign currencies	Low	–	Material	–
Raw materials	High	–	Material	–
Liquidity	Low	–	–	–
Other financial risks	Medium	–	Immaterial	–
Pension obligations	Medium	–	Material	–
Legal risks	Medium	–	–	–

COMPLIANCE AND HUMAN RIGHTS

Compliance lays the foundation for the long-term success of the BMW Group, builds trust in our products and brands, and shapes our public image. Compliance is not just a matter of adhering to applicable laws and Company rules around the world. It forms part of our identity, our understanding of leadership and our living culture of integrity. Compliance creates a binding framework for all our business activities.

Compliance as a corporate function

Compliance is the managerial responsibility of the Board of Management of BMW AG, executed by creating an appropriate regulatory and supervisory framework, as well as through regular and ad hoc reporting, accompanied by clear communications. This approach is based on the core belief that compliance with applicable laws and related internal regulations is the responsibility of all employees. As role models, managers are tasked with anchoring compliance culture in their area of responsibility and ensuring compliance requirements and processes are implemented accordingly. [↗ GRI Index: 2-23](#)

In addition to being responsible for the Company-wide Compliance Management System, the Chief Compliance Officer also manages the Group Compliance division and briefs the Board of Management and Supervisory Board of BMW AG at regular intervals.

Compliance Management System (CMS)

The BMW Group's Company-wide Compliance Management System (CMS) reinforces the culture of compliance and integrity and helps reduce sanction and liability risks, as well as risks arising from other (non-)financial disadvantages, such as reputational risks. The CMS focuses on adequacy and effectiveness and is based on the Prevent, Detect, Respond model, which defines specific preventive, monitoring, control and response measures. Clear assignment of roles and responsibilities is also essential.

The CMS is tailored to the Company's risk situation and addresses all relevant compliance topics. Company-wide, these include corruption and fraud prevention, anti-money-laundering, antitrust and human rights compliance, export control, data privacy and product compliance. Responsibility for data privacy and product compliance lies with separate specialist departments outside Group Compliance. [↗ GRI Index: 2-27, 205-1, 205-3, 206-1](#)

Further development of CMS

The CMS is reviewed on a regular basis and refined as needed. The main drivers are strategic focus topics, legal and regulatory requirements and trends, best practices and industry standards, all of which are taken into account from a risk perspective. The objective is to consistently improve the CMS. The BMW Group is an active member of various associations and interest groups, including the German Institute for Compliance (DICO) at Board level and through its leadership of the working group on human rights.

One focus of work in the field of compliance during the reporting period was on amending the human rights compliance programme in response to the Supply Chain Due Diligence Act, which took effect on 1 January 2023. Since January 2022, the head of Group Compliance has also served as Human Rights Officer of BMW AG. Further priority areas emerged in the context of export control, due to the war in Ukraine, and in anti-money-laundering efforts, due to the increase in legislative initiatives.

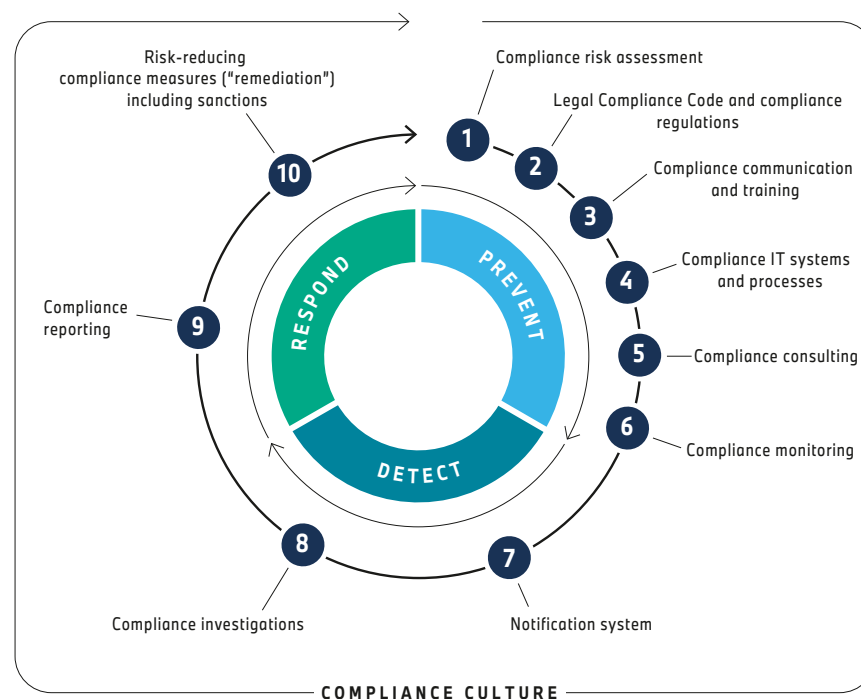
One component of the CMS is the Data Privacy Management System (DMS), which is the responsibility of Group Data Privacy Protection, and also based on the Prevent, Detect, Respond model. The data protection directive (Privacy Corporate Rules) and Binding Corporate Rules, which contractually protect the transfer of employee data within the BMW Group, form the basis of the

DMS. Implementation of the DMS is validated through regular reporting by affiliated companies and independent audits carried out by Group Data Privacy Protection.

As part of the CMS, responsibility for product compliance, with a focus on compliance with technical requirements for BMW Group products, lies with the Quality Management division. The pro-

gramme was further developed during the reporting year as part of a broad-based project, with a primary focus on integrating the governance function more closely into operating processes and expanding training and communications activities. Product-specific risk assessments ensure holistic risk monitoring. [➤ GRI Index: 3-3](#)

Three-stage approach to the Compliance Management System



Company-wide compliance network

Relevant compliance risks are identified in the business departments on the basis of internal guidelines; an initial assessment is then made and measures taken to mitigate them. More than 250 managers group-wide perform these tasks for their area of responsibility as operational Compliance Responsibles.

Specialist departments worldwide are supported in their work by the central Group Compliance function, as well as the network of business unit and division Compliance Officers (heads of relevant compliance functions), supplemented by around 80 local Compliance Officers (heads of local compliance functions) at BMW AG's international subsidiaries. Every Compliance Officer is tasked with implementing the CMS and compliance programmes for defined topics in their area of activity, as well as identifying and realising division-specific compliance measures.

Expanded training activities

Training opportunities are continuously refined for specific target groups. For example, during the year under review, we expanded our mandatory Company-wide Compliance Essentials online training to six languages.

Online and classroom training with case studies and test questions, repeated every two years, strengthens the compliance culture and reinforces compliant behaviour. More than 81,000 staff and managers worldwide have so far completed the Compliance Essentials training and 38,000 have received antitrust compliance training.* This offering is supplemented by mandatory data privacy training, which is available in 13 languages worldwide, and training courses on [human rights](#).

➤ [GRI Index: 205-2](#)

Digitalisation supports compliance

IT-based compliance systems have been used for transparent and efficient documentation, assessment and approval of compliance-relevant matters Company-wide for years. This includes topics such as money laundering and sanctions lists, exchange activities with competitors, business partner due diligence and verifying the legal admissibility of benefits in kind. The data collected in this way forms the basis for the compliance risk assessment.

Compliance and notification systems

Employees with questions or concerns relating to compliance can discuss these matters with their managers or relevant departments and, specifically, with the compliance functions.

Reports may also be submitted anonymously and confidentially in several languages via the BMW Group SpeakUP Line notification system or via the ombudsperson. ➤ [Checking effectiveness](#). The Compliance Contact serves as a further point of contact for both employees and external parties.

The BMW Group protects information providers in two ways: first, individuals may provide information without disclosing their identity; second, no one providing information faces retaliatory action. All queries and concerns relating to compliance are documented and processed using a Company-wide electronic case management system. If necessary, Corporate Audit, Corporate Security, the legal departments or the Works Council may be brought in.

➤ [GRI Index: 2-16](#)

CMS monitoring and controls

The CMS provides differentiated monitoring levels for reviewing observance and implementation of compliance rules and processes at regular intervals. In addition to the direct checks performed by Compliance Responsibles as business managers, risks are further reduced by additional measures integrated into business processes, which generally form part of the [Internal Control System](#).

In 2022, the Detect function of central Group Compliance was further expanded to enable it to carry out ad hoc, independent compliance investigations. These include internal investigations in connection with official investigations, which serve to clarify the facts internally. Risk-based compliance audits aimed at identifying specific compliance risks are currently focused on antitrust law. Corporate Audit also monitors adherence to compliance requirements by business managers, as well as selected elements of the CMS.

All control checks are geared towards reducing compliance risks. Any infringements are immediately remedied, with an emphasis on reducing the risk of repeat offences as far as possible. Where infringements can be traced to an individual, that person will be appropriately sanctioned, in accordance with the processes defined for this purpose.

In 2022, a compliance maturity measurement was also introduced, with the aim of using defined criteria to make the adequacy and effectiveness of the CMS, including implementation status, structured and transparent for the purpose of evaluation. In addition to the assessment of the Compliance Responsibles, the measurement also takes into account the assessment of compliance and other governance functions. Our overall statement on the adequacy and effectiveness of the Internal Control and Risk Management System, including the CMS, can be found in the section [Appropriateness and Effectiveness of the Internal Control System and Risk Management System](#).

* Excluding BMW Brilliance Automotive Ltd.

Regular compliance reporting to the Board of Management and Supervisory Board

The Board of Management and Supervisory Board of BMW AG, the Audit Committee (a committee of the Supervisory Board) and the Company's other executive committees are briefed regularly (at least twice a year), as well as on a case-by-case basis, by the CCO.

Global implementation of labour standards and human rights

Internationally recognised guidelines for environmental and social compliance set the benchmark for the BMW Group's entire value chain. The fundamental principles for us in this context are the:

- Guidelines for Multinational Companies issued by the Organisation for Economic Cooperation and Development (OECD)
- UN Guiding Principles on Business and Human Rights
- Ten Principles of the UN Global Compact
- content of the ICC Business Charter for Sustainable Development
- United Nations Environment Programme's (UNEP) Declaration on Cleaner Production.

The Company concentrates on action areas where it can exert its influence as a company. With the participation of employee representatives in particular, these (supra)national requirements were incorporated into internal Company rules and principles through the [Joint Declaration on Human Rights and Working Conditions in the BMW Group](#) of 2005 (updated in 2010), clarified in the [BMW Group Code on Human Rights and Working Conditions](#) (2020) and integrated with the [Human rights compliance programme](#).

The automotive industry is closely integrated into global supply chains. In a collaborative global value creation process, the risk of individual violations of human rights requirements cannot be entirely excluded. For this reason, respect for human rights has been incorporated into the [BMW Group Supplier Code of Conduct](#).

To fulfil our [social and environmental responsibility](#), we implement a multistage due diligence process. Human rights issues also play an important role in the Company's choice of locations and major investment decisions. In addition to this, our dealer and importer contracts require compliance and respect for human rights to be taken into account. [GRI Index: 2-23.1](#)

Compliance management in the Financial Services segment

The Financial Services business is subject to its own regulations and risks. The focus of compliance management here is on anti-money-laundering, compliance with financial sanctions, information and privacy protection, fraud prevention, legislative and regulatory monitoring, consumer protection and implementing the requirements of the German Financial Supervisory Authority. To manage these risks, the Financial Services segment has established its own Compliance and Governance department, which works closely with the central Group Compliance function. On the basis of an annual analysis, it identifies the possible need for adjustments and defines appropriate measures. Worldwide implementation by the BMW Group's financial services companies is continuously reviewed and reported to the management of the Financial Services segment on a quarterly basis.

In the Financial Services segment, compliance is incorporated into the target management process. Integration of specific targets into strategic steering helps monitor implementation. A management system also supports the process of identifying risks arising from non-compliance with internal and external regulations at an early stage.

NFS INDEX

Mandatory disclosure pursuant to section 289 c – e HGB

Business model	➤ Organisation and Business Model ➤ BMW Group Integrated Strategy
Integration of top management	➤ BMW Group Integrated Strategy — ➤ Strategy Process — ➤ Performance Indicators and Performance Management
Risks	➤ Environmental Analysis and Megatrends ➤ Risks and Opportunities
Connection to figures in financial statements	➤ About This Report
Environmental matters	➤ BMW Group Integrated Strategy — ➤ Environmental Analysis and Megatrends — ➤ Performance Indicators and Performance Management ➤ Products ➤ Production and Supplier Network ➤ Risks and Opportunities — ➤ Climate-related Risks and Opportunities
Employee matters	➤ BMW Group Integrated Strategy — ➤ Strategy Process — ➤ Performance Indicators and Performance Management ➤ Employees and Society
Social matters	➤ Environmental Analysis and Megatrends ➤ Purchasing and Supplier Network
Respect for human rights	➤ Compliance and Human Rights ➤ Purchasing and Supplier Network
Combatting corruption and bribery	➤ Compliance and Human Rights

Mandatory disclosure pursuant to Section 8 of the EU Taxonomy Regulation*

Disclosures regarding revenues that are Taxonomy-eligible and Taxonomy-aligned, capital expenditure (CapEx) and operational expenditure (OpEx)	➤ EU Taxonomy
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* Regulation (EU) 2020 /852 of the European Council and of the European Parliament on the Establishment of a Framework to Facilitate Sustainable Investment, and amending Regulation (EU) 2019 /2088 and Commission Delegated Regulation (EU) 2021/2178