

Media Information
26 July 2022

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Speech

**Dr Joachim Post, member of the Board of Management of BMW AG,
Purchasing and Supplier Network
26 July 2022
Media Days Sustainability 360°**

We're not just talking, we're taking action!

On that note, Ladies and Gentlemen,
let me also welcome you to the BMW Group Media Days Sustainability.

You've already heard how the BMW Group is taking a 360-degree approach, spanning the entire value chain. It is important to me to emphasise that we are sticking to our strategy and our ambitious sustainability goals, even in these unusually challenging times.

The upstream supply chain in our supplier network offers substantial and holistic leverage:

- for reducing CO2 emissions,
- for environmental and social standards, and
- for resource efficiency and the circular economy.

The Purchasing and Supplier Network division has set goals for these three priorities and is implementing concrete measures with our partners to achieve them.

Our aim is to create the most sustainable supply chain in the automotive industry.

Sustainability is an integral part of all purchasing activities. We are integrating our sustainability requirements into the award of every contract and giving these criteria equal weighting with demands such as quality and volume flexibility.

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It is important to us to not just make announcements, but to take action and deliver on our promises. What does that look like in detail?

Focus topic number one: CO2 emissions in the supply chain. Our goal is to reduce emissions by 20% from the base year 2019 by 2030.

That might not sound like a lot, but it's all about reversing the trend. Because more e-mobility will initially mean higher CO2 emissions per vehicle in the supply chain – an increase of well over 40% by 2030, in fact. The background to this is that production of high-voltage batteries and other components for e-mobility is very energy-intensive.

But we don't just want to stop this increase, we want to reverse the trend, with a 20% decrease in CO2, instead of a 40% increase. In other words: We will reduce CO2 by more than 60% from 2019 levels by 2030. As you can see, the supply chain offers a lot of leverage for reducing CO2.

We have already set certain measures in motion. Let me give you three examples:

- Green power is one of the biggest levers for reducing CO2 emissions. That's why we have already signed more than 400 green power agreements with our suppliers – for components for our electric cars, as well as for our fuel-efficient combustion-engine vehicles.
- Through this and other measures to reduce CO2, we have already agreed on more than 20 million tonnes in CO2 savings with our partners up to 2030.
- Most importantly, from this year on, we will also be disclosing our suppliers' promised CO2 reductions in our Integrated BMW Group Report, which is audited by an independent party.

Focus topic number two: environmental and social standards. Crucially, this also includes human rights due diligence.

We already built due diligence into all our tendering processes back in 2014. Fulfilment of these requirements is a condition for commissioning.



Suppliers we work with directly are contractually obliged to:

- respect human rights and comply with environmental and social standards,
- implement management systems for occupational safety and environmental protection, and
- require these same standards from their subcontractors.

We are also concerned with safeguarding critical raw materials from an environmental and human rights standpoint.

Battery cells, in particular, require a number of critical raw materials.

To create transparency and traceability in this area, we are sourcing cobalt and lithium ourselves since the fifth generation of battery cells and making it available to our battery cell suppliers.

As well as guaranteeing predictable pricing, this enables us to anchor our sustainability standards in contracts and ensure that the mining and processing of cobalt and lithium take place in an environmentally and socially sustainable manner. We saw this for ourselves when we inspected mines in Australia, Argentina and Morocco.

At the same time, enabler projects in problem regions and supply chains where we have identified risks are also important to us.

That's why, in 2018, we joined with other partners to create the "Cobalt for Development" initiative in Congo. Our aim is to further develop artisanal mining in the region – in compliance with environmental and social standards.

Since the start of the year, we have been part of a study of responsible lithium mining in South America.

For the key raw material mica, which is used in paints, among other things, we are supporting a fair and responsible supply chain: Last year, we became an active member of the Responsible Mica Initiative (RMI) and are also encouraging our suppliers to join.



In addition, we have decided to prioritise the sustainability aspects of other critical raw materials and are implementing a series of measures to this end – for example, certifying hotspots such as mines and smelting plants.

We are also making use of and participating in other international standardisation initiatives for supply chains.

Finally, focus topic number three: resource efficiency and the circular economy.

Resource efficiency begins with technical concepts. Efficiency is a very important aspect of our systems for us. For example, despite having a smaller battery, the BMW iX offers customers more range than any of its competitors.

Another important aspect is the use of secondary material. There are several advantages to this:

It conserves natural resources and critical raw materials.

It helps prevent infringements of environmental and social standards throughout the supply chain.

And it reduces CO2 emissions substantially compared to primary materials: by about 80% for aluminium and by 50 to 80% for steel and thermoplastics.

That's why our goal is to increase the percentage of secondary raw materials per vehicle from an average of 30% currently to 50%.

I'd like to share two examples of how we are going about this:

Aluminium has good recycling properties – which makes it ideal when melting down old wheels as part of the circular economy. MINI will be a pioneer in this field, starting next year: The light-alloy cast wheels for the new generation of the MINI Countryman will already be made from 70% secondary aluminium.

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A second example: The growing percentage of battery-electric vehicles will increase the need for many raw materials, including cobalt, nickel and lithium for the cars' high-voltage batteries.

That's why we have now created a closed loop for the reuse of precisely these raw materials from high-voltage batteries in China for the first time. Our Chinese joint venture, BBA, is working with a local recycler to realise this. It dismantles retired batteries and recovers a high percentage of the raw materials – for production of new battery cells.

Sustainability in supply chains requires transparency.

We need to know what is happening where and are already working hard to achieve end-to-end data consistency.

We will be able to achieve a new level of transparency with Catena-X, the automotive industry platform for digitalisation of the value chain.

It enables safe, global cross-company and standardised exchange of information and data – in compliance with the antitrust framework.

This means all products, materials and software in the data ecosystem can be tracked throughout the supply chain – from initial resources to recycling. In the future, we will be able to cumulate CO2 figures from the supply chain to the vehicle even more accurately using end-to-end data chains.

And, on the topic of environmental and social standards, Catena-X will help us comply with the Supply Chain Law.

Most importantly, we have made participation in Catena-X a requirement for awarding future contracts to our suppliers – because we can only achieve sustainability together.

Ladies and Gentlemen,

The supply chain offers substantial, holistic leverage for implementation of the BMW Group's sustainability goals.

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Our aim is ambitious: We want to create the most sustainable supply chain in the automotive industry.

We don't just talk, we take action: We are constantly working with our partners in the supplier network to implement additional measures – to reduce CO₂, meet environmental and social standards and realise the circular economy.

We are making the BMW Group sustainable.

Thank you!



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