

**BMW
GROUP**

Australia



BMW Group Australia Modern Slavery Statement 2021 Reporting Year

BMW Australia Ltd

BMW Australia Finance Limited

BMW Sydney Pty Ltd

BMW Melbourne Pty Limited

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1. Opening Statement

The BMW Group is one of the most successful manufacturers of vehicles in the world and its BMW, MINI, BMW Motorrad and Rolls Royce brands are among some of the strongest in the automotive industry today. The BMW Group also has a strong market position in providing financial services for BMW Group brands.

The success of the BMW Group has always been based on long-term thinking and responsible action. We have therefore established social sustainability throughout the value chain, including comprehensive measures to help ensure product responsibility and to minimise risks of illicit behaviour within our supply chains, including modern slavery.

Globally, the BMW Group production network comprises 31 production and assembly facilities in 15 countries and its global sales network extends across more than 140 countries with over 3,500 BMW, 1,600 MINI, 150 Rolls Royce and more than 1,200 BMW Motorcycle dealerships. The global group employs 118,909 people worldwide (as at 31 December 2021) and produced 2,461,269 vehicles in 2021, across its various brands.

2. Structure and Operations

All entities that comprise BMW Group Australia are wholly owned subsidiaries, with the ultimate parent company being Bayerische Motoren Werke Aktiengesellschaft (**BMW AG**), which is headquartered in Munich, Germany. This global group of companies is referred to as '**BMW Group**' throughout this report.

BMW Australia Ltd (**BMW Australia**) is the sales company in Australia for the BMW, MINI and BMW Motorrad vehicle brands. Although BMW AG is also the parent company for the Rolls Royce Motor Cars brand, BMW Australia does not facilitate the sale, service or promotion of these vehicles in Australia.

BMW Australian Finance Limited (**BMWAF**) is a financial services company which provides regulated consumer loans and commercial finance solely to retail customers who purchase BMW Group vehicles from an approved dealer.

BMW Sydney Pty Ltd (**BMW Sydney**) is a dealership wholly owned by BMW Australia based in Rushcutters Bay, Sydney, providing vehicle sales, parts sales and vehicle service of BMW, BMW Motorrad and MINI vehicles.

BMW Melbourne Pty Limited (**BMW Melbourne**) is a legal entity wholly owned by BMW Australia, which was associated with the operation of a Melbourne based dealership up until that facility was sold in 2017. Although the corporate entity remains, it is dormant and had no associated operations during the reporting period. This report therefore includes no detail in relation to supply chains or modern slavery risks during the reporting period for this entity.

Throughout this report the related corporate bodies registered within Australia (comprising BMW Australia, BMWAF, BMW Sydney and BMW Melbourne) are collectively referred to as '**BMW Group Australia**'.

2.1 Supply Chains

The supply chains of BMW Group Australia differ based upon the goods and services provided for each of the entities outlined above.

2.1.1 BMW Australia

The automotive supply chain is one of particular complexity, often involving multiple tiers of suppliers through the business chain. As a result, BMW Australia has a diverse mix of suppliers, incorporating suppliers based within Australia and those based overseas. All vehicles across BMW Australia's brands are manufactured overseas within manufacturing facilities operated by the BMW Group or approved service providers and imported by BMW Australia into the Australian market. Manufacturing locations for vehicles and parts imported by BMW Australia include Germany, Brazil, Netherlands, Austria, South Africa, United States of America, United Kingdom, Mexico, India, and China. Each BMW Group manufacturing location is strictly controlled by subsidiary corporations of the BMW Group or the relevant appointed service provider according to BMW Group guidance in relation to manufacturing processes, supplier management, audit, and oversight. These controls include measures in relation to human rights and anti-slavery outlined in further detail in section 4 below. Locally, BMW Australia procured various services, including professional corporate services (marketing, legal, consulting services), vehicle delivery services, roadside assistance services and warehousing and logistics services. The procurement and management of these locally acquired services are directly overseen by BMW Australia, provided by a specialist procurement team with support from internal governance, legal and compliance functions.

2.1.2 BMWAF

BMWAF's supply chain is less complex than that of BMW Australia. The majority of BMWAF's suppliers are based in Australia with the exception of some call centre operations and the provision and development of information technology. Most suppliers provided services rather than goods. The services provided included financial services, call centre operations, provision and/or development of information technology, credit reporting services, debt recovery services, marketing services, training, travel, and professional advisory services such as accounting and legal services.

2.1.3 BMW Sydney

BMW Sydney's supply chains incorporate goods and services ranging from vehicles and parts, as well as products associated with vehicle servicing including required consumable goods, washing and detailing services, logistics and transport services, marketing and advertising services, food and beverage services, recruitment, cleaning, waste disposal services, professional services, finance and insurance products, and information technology products and services.

BMW Sydney is supported by head office services provided by BMW Australia, including in relation to compliance and legal matters.

3. Risks of Modern Slavery

In the preparation of this report BMW Group Australia has built upon the detailed review of supply chains across the entities outlined above conducted for the 2020-21 Financial Year. Professional advisors were engaged to assist BMW Group Australia with this review for the 2020 Financial Year, with work undertaken for the 2021 Financial Year to assess the risks associated with suppliers across the reporting

period. This process included a categorisation of modern slavery risk of suppliers based upon analysis of supplier lists from each of the entities to which this report relates, incorporating key metrics such as the type of services engaged, amounts spent and location of suppliers for the reporting period. This information was assessed against international standards including the Global Slavery Index, ILO Global Estimates on Modern Slavery and Department of Justice List of Goods Produced by Child or Forced Labour, as well as information from COMTRADE databases, Eurostat and IDE/JETRO.

For the 2021 Financial Year, BMW developed a risk assessment that was introduced firstly to BMWAF to assess the Modern Slavery Risk of incoming service providers. These results were compared to the results recorded in the register for BMWAF of the existing Goods and Services providers. The risk assessment also took into account the type of services, the expense amounts and the location of suppliers and also compared this information with the Global Slavery Index and ILO Global Estimates on Modern Slavery. This risk assessment has since been extended to BMW Australia and BMW Sydney.

Overall, the categories of suppliers identified by the professional advisors as presenting a higher risk of modern slavery within BMW Group Australia's operations were monitored. Further proactive measures for the identification and mitigation of modern slavery risks are outlined in section 4 of this report.

3.1 BMW Australia

Some countries from which BMW Australia sources BMW produced vehicles and parts (such as China, India, and South Africa) present an increased risk of modern slavery¹. Although generally these countries exhibit a higher overall risk to modern slavery, production facilities and supply arrangements established in these countries are under direct BMW Group management and are required to comply with BMW Group policies and requirements regarding manufacturing processes and procurement arrangements. An overview of these policies and requirements is included in section 4 below.

Analysis undertaken by the professional advisors down to 10 tiers of BMW Australia's supply chain identified that the overall low modern slavery risk was classified highest across advertising services (influenced by BMW Australia's significant spend in this area), followed by freight, market research and employment placement services. Much of the risk arising across the 10 tiers occur beyond tier 3, with a mixed country break up of risks down to 10 tiers of the supply chain arising in countries such as China and India.

Given the limited modern slavery risks identified within the first tier of BMW Australia's supply chain, and the majority of identified risks occurring beyond tier 3 of the supply chain – these results emphasised the need for BMW Australia to create engagement with key suppliers to ensure they are enforcing appropriate procurement processes through their own subsequent supplier arrangements, to ensure risks in these subsequent tiers is eliminated.

3.2 BMW AF

BMW AF's supply chains are predominately made up of the provision of services rather than manufactured goods, with most expenditure based in Australia which has a geographically lower risk of modern slavery. However, some services are hosted in or by providers based in the other countries which may have an inherently higher risk than Australia.

BMWAF utilised the services of an external consultant specialising in Modern Slavery Risk to make a specific assessment of its supply chain for the 2020 Financial Year. The assessment was built upon in 2021 by introducing a Risk Assessment for new vendors to determine the relative modern slavery risk in comparison to its existing providers. In addition, new providers are required to complete a survey so BMWAF can determine what controls potential suppliers have in place to reduce their own risk. The

¹ Some countries have medium vulnerability ratings according to the 2018 Global Slavery Index.

assessment of individuals suppliers' risks were retained in the BMWAF internal Risk Assessment register. Any vendors in the supply chain which have a higher modern slavery risk are subject to BMW Group's responsible procurement policies.

The risks of modern slavery practices in BMWAF's supply chains are spread across a number of industry categories including business management services and computer and technological services with the highest likelihood of slavery in the supply chain is occurring in India, the Philippines and Malaysia.

BMWAF's risk of modern slavery across tiers is broadly consistent with BMW Australia's with most risks identified beyond tier 3. However, due to some tier 1 and 2 relationships with Business Service providers in the abovementioned countries the overall profile of modern slavery risk is slightly increased in these tiers in this category.

3.3 BMW Sydney

BMW Sydney's suppliers have some similarity with that of BMW Australia and BMWAF, incorporating the vehicles and financial service products, as well as a number of connections to BMW Group global supply chain.

It does however, differ in relation to specific local suppliers related to its dealership operations involving a higher range of third parties outside of the BMW Group global ecosystem of companies. This includes the procurement of consumables, vehicle cleaning and detailing services.

Although maintaining a similarly low overall risk assessment, the varied nature of BMW Sydney's suppliers increases its relative risk above that of the other BMW Group Australia companies noted above.

Analysis undertaken by the professional advisors undertaken down to 10 tiers of BMW Sydney's supply chain identified that the overall low modern slavery risk was classified highest across several dealership specific suppliers including tyre services, smash repairers and vehicle detailing services with much of the risk arising in subsequent supplier tiers. These results emphasised the need for BMW Sydney to work with some of its smaller and less sophisticated suppliers in these industry segments to ensure adequate procurement processes through their own supply chains, to ensure risks in these subsequent tiers are mitigated.

4. Modern slavery risk mitigation

For global businesses such as the BMW Group, the response to modern slavery must be driven across the global structure. The global BMW Group has implemented a number of measures key to the management of modern slavery risks throughout the globe, which are supported by targeted measures undertaken by BMW Group Australia for the Australian market. A summary of some key mitigations across both the global BMW Group and BMW Group Australia are outlined below.

4.1 BMW Group (Global supply chain arrangements)

One of BMW Group's main aspirations is to avoid negative impacts on human rights arising from our business activities throughout the value chain and it is our expectation that our business partners are as committed to respecting human rights as we are. This includes compliance with all applicable anti-slavery and trafficking laws. Amongst other measures, we fully inform our partners about the BMW Group's commitment and formalise our expectations within our supplier and retailer contracts.

The BMW Group is increasingly supportive of initiatives to standardise sustainability requirements and introduce monitoring mechanisms, for example in mining and processing critical raw materials.

The BMW Group is an active member in a number of major networks on human rights. Including:

- UN Global Compact – the world’s largest initiative for responsible corporate leadership
- Econsense – Forum for Sustainable Development of German Business
- Drive Sustainability – The European Business Network for Corporate Social Responsibility.
- Responsible Business Alliance – Industry coalition dedicated to corporate social responsibility in global supply chains.

In addition, the BMW Group participates in various cross-sectoral initiatives for example:

- Aluminium Stewardship Initiative - for environmental, social and human rights standards in aluminium production (ASI); and
- Responsible Minerals Initiative – a framework to enable member companies to identify and address potential adverse impacts arising from their business activities related to extraction, transportation and manufacturing of cobalt.

4.1.1 BMW Group Code of Human Rights and Working Conditions

In October 2018, the Board of Management and General Works Council of BMW Group signed the Code on Human Rights and Working Conditions. This Code is oriented towards the main international standards on human rights and working conditions, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The Code outlines how the BMW Group of companies promotes respect for human rights and good working conditions and implements the core labour standards of the International Labour Organisation (ILO). It covers important topics such as equal treatment of all employees, the right to health and safety at work and protection of the personal data of employees and customers.

The Code is applicable worldwide and is valid for all BMW Group sites and business units.

All BMW Group employees are duty-bound to comply with the Code and align their business activities with the principles set out in it.

The BMW Group does not tolerate child labour, and any forced or compulsory labour, of any kind. At its facilities the BMW Group respects the human rights of local communities potentially affected by its business activities. Equal treatment of all employees is a fundamental principle of our corporate policy and the protection and promotion of employee health and safety is a top priority.

Where human rights abuses are suspected, employees can raise their concerns either with their supervisors, compliance representatives or via the reporting methods (SpeakUp Line and Whistleblower processes) noted below.

Progress in implementing the BMW Group Code on Human Rights and Working Conditions is reported to the global BMW Group Compliance Officer, BMW Group Sustainability Circle and BMW Group Sustainability Board.

4.1.2 Joint Declaration on Human Rights and Working Conditions in the BMW Group

It is crucially important to the BMW Group, that all business activities take into account the company's social responsibility towards its own employees and society. We fully endorse the United Nations Guiding Principles on Business and Human Rights (UNGP). As stated in the Joint Declaration on Human Rights and Working Conditions in the BMW Group (endorsed in 2005 and reconfirmed in 2010) as well as the BMW Group Code on Human Rights and Working Conditions, this applies both to the BMW Group itself and its business partners. Therefore, all of our tier-1 suppliers are called upon to observe the principles and rights set forth in the guidelines of the UN Initiative 'Global Compact' and the 'ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up' and to align their due diligence process with the requirements of the 'Guiding Principles on Business and Human Rights' by the United Nations.

4.1.3 The BMW Group Sustainability Standard

We are strongly committed to ethical business conduct throughout our business operations and in our supply chains, as outlined in our [BMW Group Supplier Sustainability Policy](#). The BMW Group does not tolerate child labor of any kind and reserves the right to end any business relationship violating these principles.

The BMW Group Sustainability Standard for the supplier network advises suppliers of the basic principles, standards, and expectations with regards to social responsibility.

From the perspective of BMW Group's centrally organised procurement arrangements, its General Terms and Conditions of Business and the International Purchasing Conditions of BMW Group stipulate that suppliers must commit to respecting human rights and in particular that they must abide by the "ILO Declaration on Fundamental Principles and Rights at Work". They are required to cause their sub-contractors to act accordingly by undertaking reasonable and meaningful steps to ensure that these responsibilities are realized, e. g. by communicating a supplier sustainability policy for their sub-suppliers.

Respecting human rights is an evaluation criterion in the supplier selection process and a component of a multi-stage risk management process. This includes a risk filter, a media screening, a sustainability self-assessment questionnaire for the automotive industry, a BMW Group specific modular questionnaire, and may include internal on-site assessments or external audits. These measures support the BMW Group in identifying supplier facilities and product groups at particularly high risk of being linked to human rights abuses.

4.2 BMW Group Australia

At a local supply chain level, BMW Group Australia also maintains a number of further processes, based upon the guiding requirements of the global BMW Group, to identify and minimise risks relating to illicit behaviour and human rights, including modern slavery. Existing measures have been further expanded on as a result of BMW Group Australia's preparations for this report and the assessment and analysis of modern slavery risks outlined above.

A summary of these processes and controls are included below.

4.2.1 Procurement processes

BMW Group Australia's procurement processes form a key checkpoint in our protections against modern slavery risks.

Where a tender process is on foot, potential high-risk vendors are required to submit a modern slavery questionnaire during the tender submission phase. To this end, as noted below, BMW

Group Australia has developed tools to enable Procurement to identify high-risk vendors and better understand potential modern slavery risks in relation to their on-boarding.

For non-tender related procurement, BMW Group Australia have been undertaking Business Relations Compliance (BRC) checks of suppliers in accordance with the BMW Group Business Relationship Compliance Framework. This currently integrates a human rights check for business partners. With the scheduled introduction of the new German Due Diligence legislation in January 2023, the BMW Group has plans to further extend this human rights check to cover modern slavery risk.

4.2.2 Human rights guidance information for staff, including dedicated internal webpage

An internal intranet page, collating key information in relevant to BMW's Human Rights obligations, processes and requirements on all staff and business interactions is available to all staff across the BMW Group Australia. It includes key documents referred to in this report, including the BMW Group Code of Human Rights and Working Conditions and Joint Declaration on Human Rights and Working Conditions in the BMW Group, as well as materials on Human Rights management and general guidance on a range of human rights concerns.

4.2.3 SpeakUp Line and Whistleblower processes

BMW Group Australia provides a number of avenues for staff, suppliers and business contacts to confidentially identify and report misconduct, compliance issues or potentially illegal activity to senior staff members.

This includes the SpeakUp Line which provides current and former staff with the ability to report matters via telephone or in writing 24 hours a day, 365 days a year.

Additionally, BMW Group Australia is fully compliant with Australian Whistleblowing requirements and provides a publicly available whistleblowing policy, outlining protections provided to whistleblowers, and providing a defined process for the reporting, investigation and actioning of whistleblower claims.

4.2.4 Assessment of modern slavery risks

In 2020 BMW Group Australia undertook an assessment of its modern slavery risks and supply chains. This consisted of engagement with an external consultant specialising in the assessment of modern slavery risks, the collation and analysis of supplier arrangements and the development of detailed reports outlining risks relating to geography, expenditure and industry risks down 10 levels within the supply chain of each of the entities covered by this report. It also involved internal assessment of processes relating to the engagement and management of suppliers.

Subsequently, BMW Group Australia has implemented a further risk assessment which has been implemented for new vendors. This risk assessment determines how the modern slavery risk of new vendors compare with the existing suppliers.

As a result of this process BMW Group Australia has clearly identified high, medium and low risk suppliers across its supply chains, forming the basis of further targeted mitigations for modern slavery.

4.2.5 Modern Slavery Supplier Survey

BMW Group Australia has introduced a modern slavery supplier survey to be completed by new and renewing vendors commencing from FY 2022. The survey will identify specific risks within the supply chain as well as what controls they have implemented.

These surveys, along with the Risk Assessment will inform BMW Group Australia's procurement process and audit program.

4.2.6 Register of suppliers with increased modern slavery risk

BMW Group Australia has implemented a register of identified suppliers with increased modern slavery risks within its supply chains in order to guide future mitigations. This register contains a record of the modern slavery risk assessment (along with other risks) undertaken as part of this assessment process.

Suppliers with risks above a defined threshold will be the subject of further engagement actions to manage the identified risks.

4.2.7 Modern Slavery Training and Awareness

BMW Group Australia has provided information to all associates to increase awareness of modern slavery risks within our local and Global supply chains. The guidance provided includes:

- Definition of modern slavery;
- How to recognise modern slavery risks;
- Action to be taken when a modern slavery risk is identified; and
- How to escalate incidents.

4.2.8 Modern slavery clauses in relevant agreements

All standard contracts for the procurement of goods and services include clauses that place an obligation on the counterparty to comply with the law and allow BMW Group Australia to conduct an audit of the provider and to check the Subcontractor's compliance with the agreement and the Law. These extend to Modern Slavery obligations.

5. Ongoing assessment of effectiveness

At the global level, work is underway to implement the significantly increased compliance requirements in the entire supply chain from January 2023. As part of this on 1 January 2022, in line with section 4 subsection 3 of the Supply Chain Due Diligence Act, the BMW Group appointed a Human Rights Officer. These changes will likely flow down across BMWs global network including BMW Group Australia.

BMW Group Australia is continuing to develop its modern slavery framework. We are committed to advancing our maturity and ensuring that appropriate action is taken to identify, assess and mitigate our risks of modern slavery in our organisation and supply chains.

During this reporting period BMW Group Australia worked on developing tools to identify and better understand our Modern Slavery Risks especially in relation to the on-boarding of vendors. This is continuing to be developed and the process to create a robust framework remains ongoing.

We recognise that our review and assessment of our actions to identify and address our modern slavery risks in our operations and across our supply chain will be an ongoing and evolving process that we are committed to continue to build upon.

To this end, we will continue to develop our policies, procedures and KPI's to strengthen our modern slavery framework and assess the effectiveness of our approach. This will also ensure that future developments are identified and appropriate action taken.

Our planned actions include:

- Implement a specific Modern Slavery Policy/Procedure to inform our Procurement and Provider Management processes.
- A new modern slavery clause has been drafted into an updated version of our template supply agreement. This template is intended to be rolled out across BMW Group Australia later this year.
- Regular review of the register of suppliers with a heightened modern slavery risk, including a review of collated modern slavery risk assessments (along with other risks) and uptake of the template supply agreement to further guide vendor management approaches (including audits) and actions.
- Reporting to relevant Management Committees regarding Modern Slavery Risks and action taken to reduce Modern Slavery Risk within the supply chain.
- Continuing communication and appropriate training across the business providing insight on Modern Slavery Risk within the supply chain.

6. Consultation

This Modern Slavery statement was prepared by compliance representatives from each entity within BMW Group Australia. In this way, we have taken a group approach to identify, manage, and address our Modern Slavery risks.

The analysis, outcomes and mitigations identified within the report have been aligned with key functions across the entities, including compliance, procurement, legal and vendor management.

The BMW Group in Australia and internationally, share a commitment to continuous improvement in the management of modern slavery risks and the improvement of human rights and working conditions in all our operations and supply chains.

7. Approval

The statement has been approved by the respective Boards of each entity within BMW Group Australia.



Wolfgang Buechel
Director and CEO, BMW Australia Ltd
Director, BMW Sydney Pty Ltd
Director, BMW Melbourne Pty Limited

16.6.2022
Date



May Wong
Director and CEO, BMW Australia Finance Limited

21.6.2022
Date