

BMW Brilliance
Automotive



Sheer
Driving Pleasure

2015

**SUSTAINABILITY REPORT
BMW BRILLIANCE AUTOMOTIVE LTD.**

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“
**AT BMW BRILLIANCE, WE SEE SUSTAINABILITY AS
 A KEY TO OUR CONTINUOUS SUCCESS IN CHINA.**
 ”

Dr. Anton Heiss

President and CEO
 BMW Brilliance Automotive Ltd.

Our vision is to deliver a premium customer experience through desirable products and services, passionate employees and committed partners. To achieve this, we embed sustainability in our business strategy and across our value chain, from our production processes through to our products. Sustainability is also integral to the way we engage with people, both internally and externally.

Our STARS strategy, which we introduced in 2014, reflects this approach. It focuses not only on the sustainability of our business model and our products, but also on our engagement with employees, customers and investors. With this new strategy, we are able to respond to the more moderate growth of the Chinese economy, the “New Normal”. We also remain committed to the principles of the UN Global Compact, which we joined in 2014.

2015 was an exciting year for BMW Brilliance. In January, we celebrated the one-millionth car rolling off the production line at our Tiexi plant in Shenyang. This important milestone demonstrates just how far we have come since our founding in 2003. We continued to advance our North Extension project at the Dadong plant and we broke ground for the High Voltage Battery Centre and for our Research and Development Centre Phase 2. We also finalised the construction of our new engine plant, which was ready to begin production in January 2016. These steps reflect our ongoing commitment to the Chinese market and to local development and production.

We believe that innovation towards sustainability is an investment in the future of our business. Therefore, our research focuses on developing new energy vehicles. The success of our local development efforts was clearly visible in 2015: we introduced the BMW 530Le plug-in hybrid and presented the ZINORO Concept

Next, a further step in developing China’s very own new energy vehicle brand. In the future, we will expand our offering of locally developed, produced and environmentally friendly premium vehicles for our Chinese customers.

Digitalisation is an important driver for sustainability. We are developing new solutions for intelligent mobility products and services. At the same time, we are increasing the quality of our products, as well as the speed and resource efficiency of our processes, thanks to intelligent data management. Furthermore, collaborative robot systems in our production facilities are improving workplace ergonomics by reducing the amount of physically strenuous tasks for our workforce.

The collaborative efforts and passion of our employees create real benefits for BMW Brilliance. We offer exciting opportunities for local and international talent and we continuously invest in further employee development and human resources management. This makes us one of the most attractive employers in the Chinese automotive industry.

Sustainable mobility with regard to electrification may only advance if the right infrastructure is developed. We have actively engaged in tackling this challenge, collaborating with different partners to provide the best possible solutions. In addition to offering our electric vehicle and plug-in hybrid customers individual charging stations at their homes, we are involved in building a public charging infrastructure.

We are also proud of our long-lasting contribution to social initiatives through our Corporate Citizenship projects. Our prize-winning BMW China Culture Journey programme, for example, has taken us across 21 municipalities and provinces over the past nine years, and channelled donations to 90 heritage sites and related research initiatives. Since 2005, our BMW Children’s Traffic Safety Education programme has reached 63 cities and benefited 390,000 children.

In 2016, the BMW Group celebrates one hundred years of history. As part of the BMW Group, BMW Brilliance looks toward the future with confidence. We will continue to act responsibly by integrating sustainability into everything we do – and by creating innovative products and services for our customers.

Dr. Anton Heiss

President and CEO
 BMW Brilliance Automotive Ltd.



Dr. Robert Engelhorn

Senior Vice President
Technology and Manufacturing

Given the environmental challenges we are facing on a global scale, a focus on clean production and products with a reduced environmental impact is essential for BMW Brilliance. As we expand our production, we use state-of-the-art technologies at our plants, we work on creating closed loops for the resources we use, and we focus on increasing production efficiency. In 2015, we implemented several state-of-the-art technologies, for example a “steam to gas” project at the Dadong plant. These contributed to reducing our energy consumption from heating by over 10,000 megawatt-hours, a 6.6% reduction compared to the previous year.



Lei Xiaoyang

Senior Vice President
Finance

Investing in sustainability brings positive results to our triple bottom line. Increasing the eco-efficiency of our product line and introducing sustainable mobility services is crucial for our licence to operate and will determine our future business success. Reducing the environmental impacts of our production and our resource consumption results in lower operating costs. For us it is clear that integrating sustainability into our strategy is indispensable for BMW Brilliance’s success in the “New Normal” and contributes positively to our financial performance.



Jochen Goller

Senior Vice President
Sales and Marketing

Offering the best possible products and services to our customers is the core of our business. We are improving our aftersales services by introducing a new strategy that will allow our dealers to better satisfy the needs of our customers. The growing network of 5S dealerships in China is increasing the sustainability focus of the services we provide to our customers. We also promote new energy vehicles, not only through our range of plug-in hybrid and electric vehicles, but also through new collaborations and business models: car-sharing services in Beijing and Shanghai now feature our electric vehicles, expanding the reach of the ZINORO brand and increasing consumer acceptance and trust in new energy vehicles.



David Shangguan

Senior Vice President
Human Resources

BWM Brilliance’s business has expanded at a rapid pace due to our commitment to local production and procurement. This expansion emphasises the importance of skilled employees to the company. We are proud to be one of the most attractive employers in the Chinese automotive industry. This helps us to engage the best talent and to maintain a high level of employee satisfaction. Our skilled and motivated workforce is the basis for our financial success, but also a main driver for our sustainability. After all, the only way for a sustainability strategy to be successful is if it is lived and implemented in our daily work.

HIGHLIGHTS 2015

JANUARY

Celebrated one-millionth car rolling off the production line



MARCH

Broke ground at High Voltage Battery Centre



APRIL

Presented ZINORO Concept Next at Auto Shanghai 2015



MAY

Broke ground at Research and Development Centre Phase 2



SEPTEMBER

Launched ChargeNow™ in China



OCTOBER

Production of 700,000th engine at the Powertrain plant



DECEMBER

Introduced the ZINORO 1E to a car-sharing service in collaboration with Shanghai International Auto City

AN OVERVIEW OF BMW BRILLIANCE

OUR HISTORY

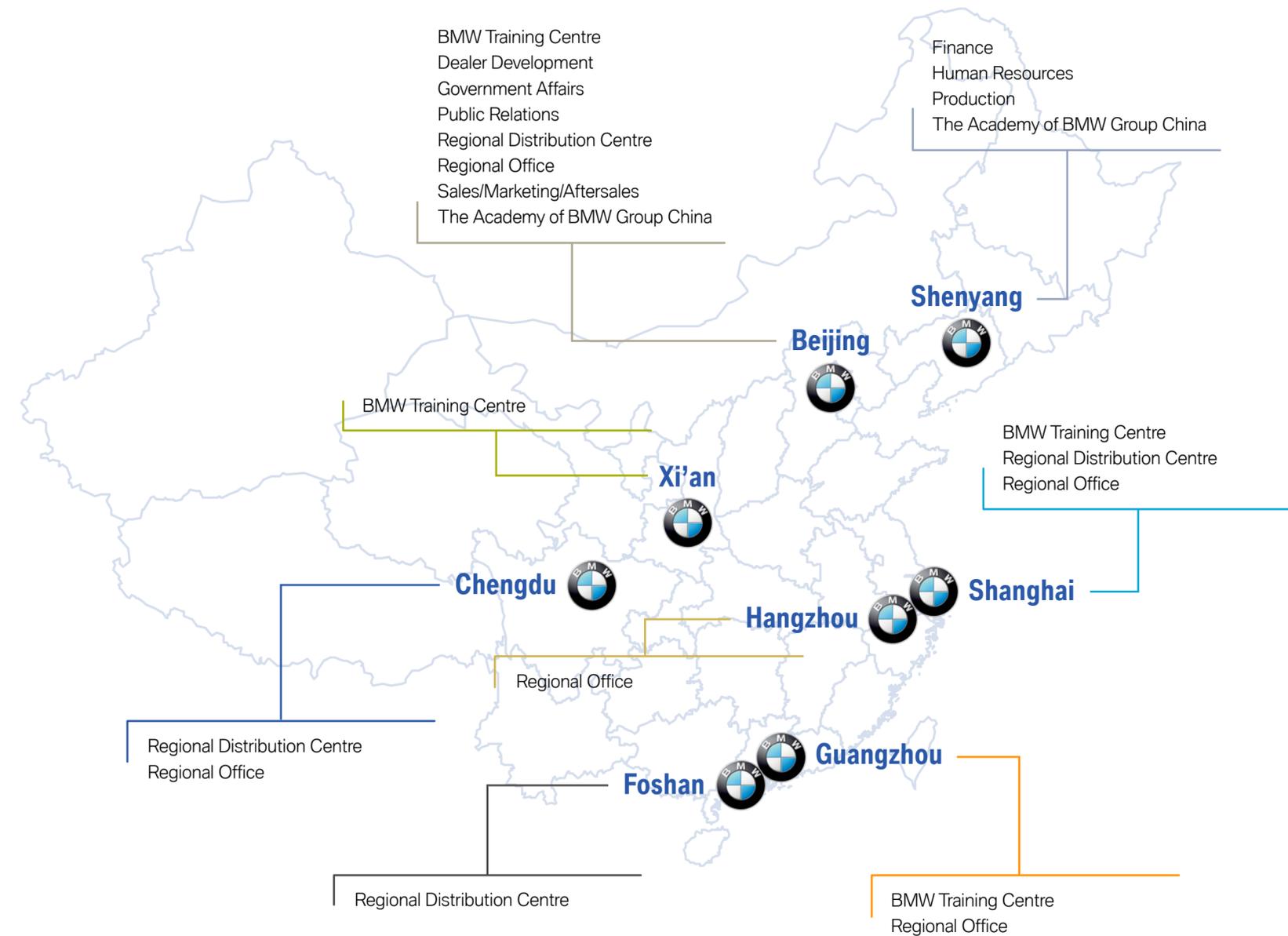
2003: Founding of the company, a joint venture of the final parent companies Bayerische Motoren Werke Aktiengesellschaft and Brilliance China Automotive Holdings Limited.

OUR PRESENT

We are the leading provider of premium vehicles and services in China.

OUR VISION

We sustainably deliver a premium customer experience through desirable products and services, passionate associates and committed partners.



AN OVERVIEW OF BMW BRILLIANCE

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Complete vehicle plants in Dadong and Tiexi

1

New engine plant in Tiexi (start of production 2016)

515

Authorised dealer outlets nationwide

4

BMW Training Centres

15

Training bases

11

Training spots

4

BMW Parts Distribution Centres

CARS PRODUCED



2015: 288,055

2014: 287,780

FLEET CO₂ EMISSIONS



2015: 165.4 g/km

2014: 168.0 g/km

FLEET FUEL CONSUMPTION



2015: 6.95 l/100 km

2014: 7.06 l/100 km

EMPLOYEES



2015: 16,573

2014: 15,257

OUR PRODUCTS



BMW 5 SERIES
Long Wheelbase



BMW 3 SERIES
Long Wheelbase and standard version



BMW X1



ZINORO 1E



BMW 2 SERIES
Tourer (start of production 2016)



BMW 4-CYLINDER ENGINE



BMW 3-CYLINDER ENGINE
(start of production 2016)



Founded in May 2003, BMW Brilliance Automotive Ltd. is a joint venture of the final parent companies Bayerische Motoren Werke Aktiengesellschaft and Brilliance China Automotive Holdings Limited. Its operations include production, sales and aftersales services of BMW and ZINORO automobiles. Situated in Shenyang, Liaoning Province, BMW Brilliance has over 16,500 employees and a nationwide sales and service network. We are continuously adding new energy vehicles to our model range. This allows us to contribute directly to China's national target of reducing industrial average fuel consumption to 5.0 litres of petrol per 100 kilometres by 2020. In 2015, BMW Brilliance's corporate average fuel consumption was 6.95 litres of petrol per 100 kilometres (2014: 7.06 litres per 100 kilometres). This positions us again as number one in the national ranking of the fleet fuel consumption achievement rate among 90 local manufacturers, according to the 2015 corporate average fuel consumption report of the Chinese authorities. The joint venture contract between BMW AG and Brilliance China Automotive Holdings Limited was successfully extended until 2028, which underscores the harmonious collaboration between the shareholders and BMW Brilliance's commitment to the future.

BMW BRILLIANCE KEY PERFORMANCE INDICATORS

	2013	2014	2015	Change to previous year
BMW Brilliance activities				
Automobiles produced (units)	214,978	287,780	288,055	0.1%
Automobiles delivered (units)	206,729	278,637	287,448	3.2%
Number of authorised dealer outlets nationwide	420	460	515	12.0%
Number of dealers with 5S certification	28	35	39	11.4%
Product responsibility				
CO ₂ emissions of BMW Brilliance automobiles (in g/km)	174	168	165.4	-1.5%
Fleet fuel consumption (in l/100 km)	7.30	7.06	6.95	-1.6%
Environmental protection				
Energy consumption per unit produced (in MWh/unit)	2.06	1.67	1.66	-0.6%
CO ₂ emissions per unit produced (in t/unit)	1.10	0.97	0.88	-9.3%
Water consumption per unit produced (in m ³ /unit)	2.72	2.18	2.18	-0.2%
Process wastewater per unit produced (in m ³ /unit)	0.50	0.47	0.46	-1.9%
Waste for disposal per unit produced (in kg/unit)	4.41	5.67	9.17	61.8%
Volatile organic compounds (VOC) per unit produced (in kg/unit)	3.52	0.48	0.45	-5.3%

	2013	2014	2015	Change to previous year
Suppliers				
Purchasing volume in China (in billion CNY)	17.9	23.9	23.5	-1.7%
Employees				
Workforce at year-end	13,024	15,257	16,573	8.6%
Attrition rate (% of workforce)	6.8%	6.8%	3.8%	-44.1%
Share of female employees (in %)	11.9%	12.3%	11.8%	-4.1%
Average days of further training per employee	3.2	3.4	2.2	-34.9%
Accident frequency rate*	0.92	0.82	1.06	29.3%
<small>* Calculated by the number of accidents with one day lost time or more, multiplied by one million hours worked, divided by total working hours of the month.</small>				

	2013	2014	2015	Change to previous year
Corporate Citizenship				
Number of employees and customers who participated in Warm Heart activities*	50,000	65,000	80,000	23.1%
Number of people benefiting from Warm Heart activities*	70,000	91,000	100,400	10.3%
<small>* Warm Heart activities include activities organised by BMW entities in China under the Warm Heart banner as well as activities carried out separately by the BMW Warm Heart Customer Clubs. These figures are cumulative.</small>				

Tables contain rounded data.



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STAKEHOLDER STATEMENT:

Ensuring long-term business success through sustainability



Dr. Annett Richter
Head of Health & Work Environment, BMW Brilliance

Today, sustainability is a key issue in the automotive industry and future mobility sector. How do you rate the sustainability performance of BMW Brilliance in the Chinese context?

BMW Brilliance is one of the sustainability leaders in China and a performance benchmark for other companies. BMW Brilliance was ranked number one again among 90 local manufacturers in the national fuel consumption achievement report, with an average fleet fuel consumption value of 6.95 l/100 km in 2015. We are also pioneering in exploring new approaches.

Where do you see the added value of sustainability for BMW Brilliance?

Public perceptions of sustainability in China are increasingly similar to those in other key markets of the BMW Group. For example, key issues include air pollution in cities and quality of the working environment. Being a leader in fleet-wide average fuel consumption and offering excellent working conditions is critical for the overall business success of BMW Brilliance. In order to meet the challenges of sustainable development in the ever-evolving Chinese business environment, along with the growing expectations of our stakeholders, we strive to incorporate sustainability throughout our entire value chain.

What were the major sustainability highlights for BMW Brilliance in 2015?

2015 marked a significant new milestone for BMW Brilliance. We celebrated the one-millionth locally manufactured car rolling off the production line in Shenyang – in China and for China. With the new engine plant in Tiexi and the North Extension project in Dadong, we are demonstrating our strong confidence in China, now the largest single market within the BMW Group. We are dedicated to introducing the latest new energy vehicles to the market and offering comprehensive charging solutions to our customers. By doing so, we are contributing to the sustainable mobility of the future and the ongoing growth and development of BMW Brilliance in China.

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1.1 Our management approach

Sustainability management is an investment in our future success and long-term viability. Financial indicators, the level of integration into society and our environmental impacts are measures of our business success. Managing our social and environmental responsibility is integral to the way we do business. We believe future leaders of our industry will be manufacturers who integrate sustainability throughout their value chain. We are therefore convinced that the lasting economic success of any enterprise will be based increasingly on acting responsibly.

We are convinced that sustainability challenges, such as urbanisation or climate change, provide opportunities for innovation and further development at BMW Brilliance. To fully embrace and seize these opportunities, sustainability is one of the five pillars of our business strategy – a key aspect that drives our vision.



A workshop discussion on the current status of the Value-added Production System (VPS).

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VISION AND GOALS OF BMW BRILLIANCE



VISION

BMW Brilliance sustainably delivers a premium customer experience through desirable products and services, passionate associates and committed partners.

GOALS: "5 STARS"

TOP QUALITY

Manage growth and complexity.

ASSOCIATES

Develop people, organisation and enablers.

RETURN

Generate returns on investments.



SATISFACTION

Deliver personalised services to customers and dealers.

SUSTAINABILITY

Build an innovative and sustainable Chinese business.



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Goals

The first letters of our goals form the acronym “STARS”, making it emotionally inspiring and easy to remember:

- ★ **Satisfaction**
We deliver personalised services to customers and dealers, achieving the highest customer and dealer satisfaction. We aim to redefine premium standards in China and maintain our position as the most recognised premium brand.
- ★ **Top quality**
We manage growth and complexity, delivering our products and services with top quality. We will deliver the right car to the right customer at the right time and with the right quality by applying “zero defect” value chain process management.
- ★ **Associates**
We develop our people, organisation and enablers, ensuring that we have the competencies for future growth. We believe that this is the foundation to achieving our 5 STARS goals and realising our vision.
- ★ **Return**
We grow together with our shareholders and partners, generating returns on investments. Only through strong collaboration and cooperation with our dealers, suppliers and government partners can we be successful and create a rewarding environment for all.
- ★ **Sustainability**
We build an innovative and sustainable business in China with a long-term mindset. With constant investment in green production and logistics, local research and development, ZINORO brand implementation, as well as various corporate social responsibility activities, we are committed to driving the sustainable development of our company and of the wider society in China.

Further strategic development in 2015

While the Chinese market remains challenging in light of the “New Normal” economy, BMW Brilliance maintains its pioneering attitude and down-to-earth style. In 2015, to realise our vision, we further defined our ambitions, internal responsibilities, measures and key performance indicators.

Within our “Vision and Goals” framework, the Board of Management prioritised ten topics to guide the implementation of the corporate strategy in 2015. The ten topics were identified as the most urgent tasks we need to focus on over the next one to two years, including: dealer profitability, building competency and cost effectiveness, etc. A set of initiatives were implemented for each area. On a regular basis we report to the Board of Management on the progress of these priorities, which helps to ensure we are focusing on the right operational tasks, enhancing our competitive position, and moving toward our vision and goals.

In 2015, we incorporated sustainability targets into our Balanced Scorecard and integrated sustainability issues into all aspects of our business. The new targets relate foremost to environment, health and safety issues.

Sustainability is an integral part of our business strategy, vision, goals as well as business principles. We are convinced it is a precondition for our long-term success.



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Two flagship initiatives: Journey to Excellence (JtE) and Value-added Production System (VPS)

Our flagship initiatives, JtE and VPS, are good examples of how we are adapting to the changing business environment in China and implementing our STARS strategy.

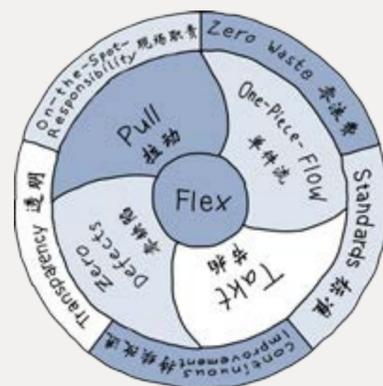


What is JtE?

- JtE is BMW Brilliance’s continuous self-improvement programme which aims to enhance internal processes across all departments and functions.
- JtE enables BMW Brilliance to achieve higher efficiency and quality in operations, more transparency in roles and responsibilities and better cross-functional collaborations.

JtE’s dual focus

- **Process excellence:** the JtE programme consists of a number of cross-department process excellence projects in specific areas.
- **Mindset and behaviour change:** JtE also focuses on establishing the right mindset and behaviour to achieve our JtE objectives.



What is VPS?

- Value-added Production System (VPS) applies the lean management principles of increasing value-added work and eliminating waste wherever possible in all areas of the business.
- VPS increases our resource efficiency. At the same time, it enables us to achieve the necessary improvements in productivity and flexibility to meet and exceed customer expectations.

VPS’ focus

- **Zero defect plant and zero defect launch:** applying a “right first time” approach to quality in all “Idea to Offer” and “Order to Delivery” processes.
- **Mindset change:** VPS focuses on generating the right behaviours, so that people proactively identify and satisfy customer needs, both internally and externally.

MANAGING SUSTAINABILITY

Our sustainability efforts encompass our entire value chain. We aim to enhance our image as the most sustainable and innovative premium automotive brand in China by delivering efficient products, developing new energy vehicles and ensuring sustainable production, as well as the sustainability of our 5S dealerships. This ambition is based on a comprehensive materiality analysis conducted in 2015. With respect to sustainability governance, BMW Brilliance’s Board of Management reviewed and validated the key sustainability issues relevant to our business, as well as our sustainability reporting process. Within BMW Brilliance, sustainability issues are managed in a decentralised manner.

Sustainability issues

To develop a solid basis for managing sustainability, we reviewed our most relevant sustainability issues with key stakeholders in the context of our materiality analysis. We invited 16 representatives of stakeholder groups to contribute their ideas and concerns in individual, detailed interviews. Key topics raised during the stakeholder interviews related to product safety, occupational health and safety, and fuel consumption.



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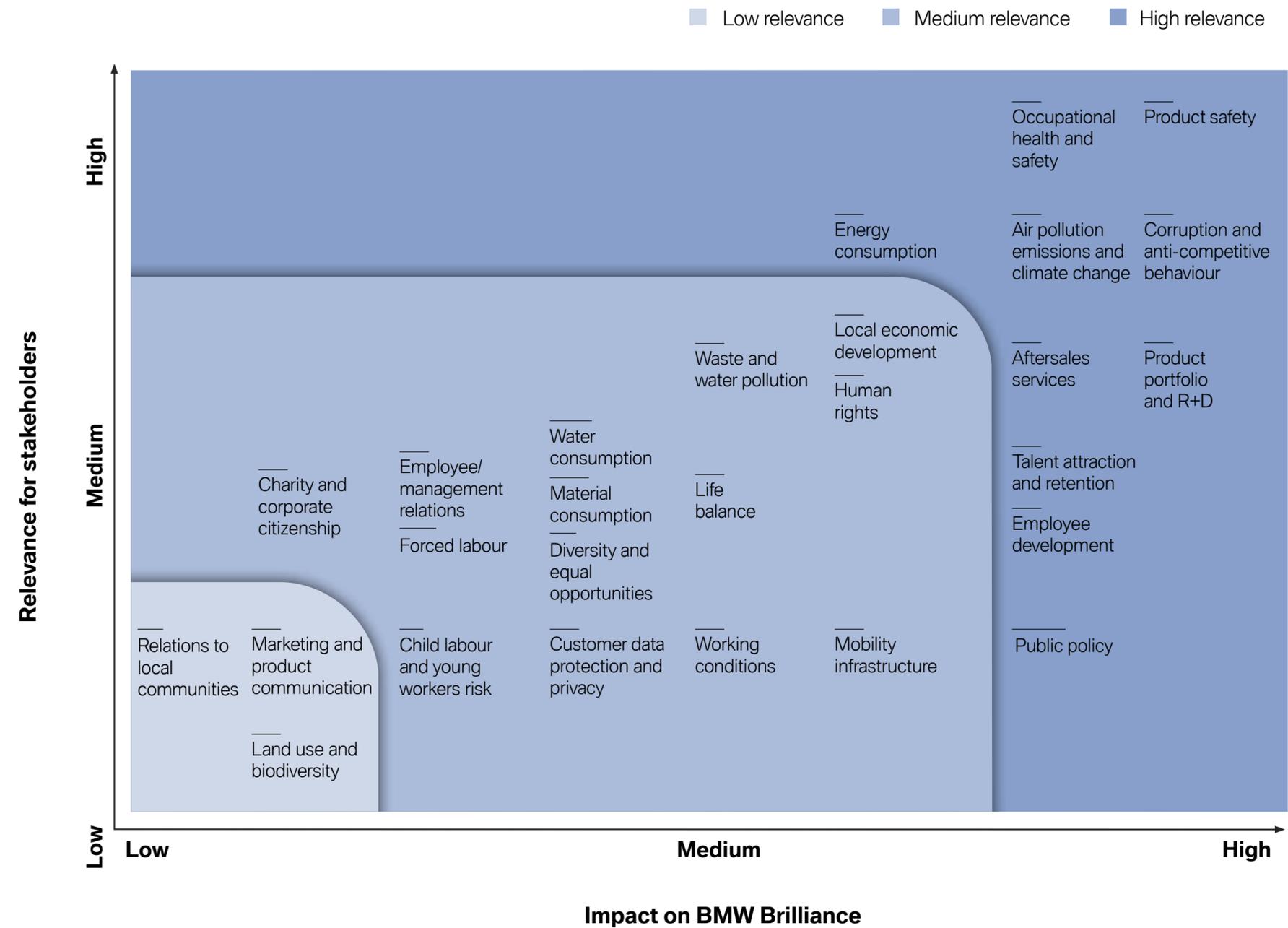
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In an internal workshop with participants from the BMW Group and different BMW Brilliance divisions, we prioritised 28 potentially relevant sustainability issues according to each issue's business impact on BMW Brilliance. We considered the global context of the issues as well as where the most relevant impacts occur along the value chain.

As a result, we identified sustainability issues that are highly relevant for BMW Brilliance and its stakeholders. These issues are our priorities. This report's contents reflect the key issues that govern sustainability at BMW Brilliance:



Product safety



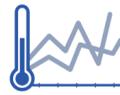
Corruption and anti-competitive behaviour



Product portfolio and research and development



Occupational health and safety



Air pollution, emissions and climate change



Aftersales services



Talent attraction and retention



Employee development



Public policy



Energy consumption

We tackle these issues where they occur in our value chain. All ten key sustainability issues are related to risks or impacts at our own operations. However, some of them also relate to impacts that occur outside of BMW Brilliance's direct control. Product safety, energy and fuel consumption, as well as emissions, are strongly related to our customers' driving habits. With specific offerings such as driver safety training or efficient vehicles, we reduce the sustainability impact of our products > [Chapter 2.1](#). Energy consumption, emissions, occupational health and safety, and corruption are – on the other hand – strongly related to our supplier base. Our localisation and supplier risk management strategies help us to reduce the sustainability impacts in our supply chain > [Chapter 4.1](#). Through our comprehensive and integrated understanding of sustainability, we implement management measures with regards to impacts along the value chain.



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BMW Brilliance sustainability highlights 2015

At BMW Brilliance, we believe that leadership is defined by innovation and sustainability. A good corporate citizen must not only possess excellent business capabilities, it must also be responsible to its stakeholders, demonstrate industry leadership, proactively assume its social responsibilities and drive the progress of social development. BMW Brilliance pursues sustainable development in China and contributes to the local economy, environment and society. We are proud of what we have achieved to date:



BMW Brilliance is the first automotive joint venture in China to join the United Nations Global Compact.



BMW Brilliance is a major contributor to the local economy. For ten years in a row, we have been the top taxpayer in Shenyang. In 2015 alone, BMW Brilliance paid taxes of more than RMB 13 billion. We also play a key role in promoting the development of related enterprises.



In 2015, the BMW Brilliance fleet ranked number one in terms of the target achievement rate for fuel efficiency according to figures issued by the Ministry of Industry and Information Technology. Average fuel consumption of the BMW Brilliance fleet sold was 6.95 litres per 100 kilometres.



We continue to advance and locally produce a range of efficient automotive products that support our strategy of sustainable mobility. In 2015, we launched the new BMW 5 Series plug-in hybrid, BMW Brilliance's first plug-in hybrid business sedan, which was developed with our local research and development capabilities.



Our Tiexi plant has been a benchmark of environmentally friendly production in China, not only in terms of production facilities and technologies, but also in its design, regular maintenance and logistics infrastructure. In almost every regard, sustainability has been a guiding principle. In 2015, energy and water consumption targets were integrated in the corporate Balanced Scorecard.



To emphasise the importance of sustainability and integrate it into all processes, sustainability targets were included in our Balanced Scorecard.



BMW Brilliance provides more than 16,000 high-quality job opportunities and contributes to nurturing local talent for the world's leading auto production technologies.



We are committed to being an excellent corporate citizen. We believe it is an indispensable part of our long-term commitment to China. Since 2008, for example, the BMW Warm Heart Fund distributed student-aid funds to almost 7,800 outstanding college students from 16 provinces to assist them in completing their college studies.



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The Ten Principles of the UN Global Compact



As a member of the UN Global Compact Initiative, we are committed to its **ten principles** as well as to the principles of fundamental rights as set out in the ILO's "Declaration on Fundamental Principles and Rights of Work". We strive to protect human rights related to our employees, suppliers, business partners and the communities in which we live and work. The BMW Brilliance Automotive Ltd. Sustainability Report 2015 documents our progress towards achieving the **ten principles** of the UN Global Compact, which are:

www.unglobalcompact.org

Human rights

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- make sure there is no complicity in human rights abuses.

Labour

- Businesses should uphold the freedom of association and recognition of the right to collective bargaining;
- eliminate all forms of forced and compulsory labour;
- effectively abolish child labour; and
- eliminate any discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Businesses should work against corruption in all forms, including extortion and bribery.

To further integrate sustainability into our daily business, we focus on two key areas:

- ▶ stakeholder engagement > [Chapter 1.2](#)
- ▶ compliance, anti-corruption and human rights > [Chapter 1.3](#)

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FORECAST 2016

With sustainability as one of our 5 STARS goals and reflected in our ten topics and initiatives, we are further consolidating and sharpening our sustainability strategy in 2016. By prioritising key sustainability areas, defining clear goals and developing a roadmap for implementation, we are determined to maintain our leading position as one of the most sustainable automotive manufacturers in China.



An exterior view of the Tiexi plant.





Research and development

Main activities

- Development of innovative, fascinating cars and services:
- vehicle design
 - series development
 - production planning

Areas of action (integration of sustainability)

- environmentally friendly product design
- development of more efficient and alternative drivetrains
- planning and development of new mobility services
- connected drive, digital networking
- life cycle engineering



Supply chain

- Cooperation with suppliers to create:
- modules/systems
 - components
 - parts
 - raw materials

- implementation of environmental and social standards in the supply chain
- promotion of transparency and resource efficiency in the supply chain
- purchase of raw materials from environmentally and socially friendly sources
- purchase of renewable raw materials and materials with sustainable characteristics, e.g. secondary aluminium



Production

- Manufacturing of cars by a highly expert and diverse workforce:
- engine construction
 - bodywork
 - paintwork
 - assembly
 - quality control

- Improving resource efficiency (energy, water, waste):
- reduction in environmentally damaging wastewater and emissions
 - use of recycled materials
 - promotion of lifelong learning and the development of key skills among employees
 - creation of a working environment that fosters long-term health and high performance



Logistics and transport

- Securing customer-oriented transport logistics in the network of:
- suppliers
 - plants
 - dealerships through the seamless combination of various modes of transport

- increase in the share of modes of transport with low emissions
- optimisation of capacity utilisation of modes of transport



Sales and utilisation

- Range of premium products and services for individual mobility through:
- coordination of the Chinese dealership/repair shop network
 - implementation of a coordinated and target-group-oriented marketing mix
 - provision of financial services

- Promotion of sustainable mobility behaviour patterns based on:
- connected drive
 - mobility services in the area of electromobility
 - car-sharing products
 - mobility assistance services
 - dealers with 5S certification



Disposal and recycling

- Recovery and dismantling of vehicles for:
- reuse
 - recycling and disposal of vehicle components and materials

- expansion and management of a network for vehicle recovery and recycling
- research on recycling and second life use of components (e.g. carbon-fibre-reinforced plastic and batteries)

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1.2

Stakeholder engagement

OUR STRATEGIC DIRECTION

We build long-term trust with our stakeholders.

The ongoing dialogue with our stakeholders is a continuous learning process for our business. We use targeted dialogue to understand various perspectives and to receive stakeholder input on strategically relevant topics. We identify trends and key topics at an early stage which helps us to gain the acceptance and trust of our stakeholders. This is important to demonstrate our commitment to society and for our future business success.

We aim to achieve mutual benefits with a variety of different stakeholders. For the city of Shenyang, for example, our business contributes significantly to its tax income, employment and economic development. For our Chinese customers, we are a top automotive manufacturer in the premium market. For our business partners, we are committed to creating a profitable and responsible business. Understanding the different perspectives of these and other stakeholders allows us to gain knowledge, build trust and deepen partnerships that are critical to the performance of our company.



Entrepreneurs attending the 2015 China Green Companies Summit visit our Tiexi plant.



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STRATEGICALLY ALIGNING STAKEHOLDER ENGAGEMENT

Our main stakeholder groups are our shareholders, customers, employees, suppliers and dealers, as well as policymakers and authorities, academic institutions, students and local communities. BMW Brilliance's stakeholder engagement is reflected in our approach to key areas such as product responsibility, human resources, corporate citizenship, production and supplier management.

Engagement with targeted stakeholder groups takes place in a wide range of formats that include dialogues, presentations, events, meetings, surveys and training.

For example:

-  we conduct customer surveys and talks to understand customer expectations and needs;
-  we train dealers to enhance their capacity and improve customer satisfaction further;
-  we arrange open discussions for employees with top management as an opportunity to bring up concerns and suggestions;
-  we have an ongoing dialogue with central and local policymakers to share our expertise; and
-  we interact with students and society to jointly raise awareness about issues such as environmental protection and traffic safety.



Dadong plant employees support Huachen Jinbei Haise paint shop in optimising production.



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Academic institutions
 In 2015, BMW Brilliance initiated a new cooperation with Northeast University (NEU) in Shenyang about “German Industry 4.0” and “Made in China 2025”. In November 2015 the first BMW Brilliance and NEU Technology Forum was held at Northeast University with the aim of facilitating technology cooperation between the BMW Brilliance business departments and the university.

Chinese students
 In 2015, 184 young people took part in the ongoing, practice-oriented programmes we offer at the doctoral, master, bachelor and vocational education levels. The BMW Joy Club further provided activities and training for students to learn more about our company > [Chapter 5](#).

Communist Party of China
 The first Members Congress for the Communist Party of China was held at the Tiexi plant in December 2014. During the event, the Party Committee and Inspection Committee were elected by the representatives, and the focus tasks of the first Party Committee in the coming four years were defined as well.

Customers
 We gain customer insights and knowledge by conducting talks and surveys. Most feedback is related to enhancing the BMW service experience and is used to support dealers to better understand customer needs and expectations. Our new direct communication channel provides individualised monthly information to customers.

Dealers
 We offer dealer training to help them obtain the latest technological knowledge and to enhance the customer service experience. We also actively promote our 5S dealer certification programme (sales, service, survey, spare parts and sustainability). In 2015, we introduced the 360-degree customer view tool that supports our dealers in better delivering individualised services to customers > [Chapter 2](#).

Suppliers
 Every year we host the BMW Brilliance Supplier Day. The event focuses on our new projects, bringing together suppliers and management for an open discussion forum. We have received positive feedback from our suppliers and from the government on this initiative > [Chapter 4](#).

BMW BRILLIANCE STAKEHOLDERS

Employees
 Every year the Associate Representatives Congress and Union Member Representatives Congress are held as forums for employee participation in democratic resolution, management and supervision. We also gather employee feedback through an employee survey conducted every two years, which provides a status check and an opportunity to identify areas for improvement > [Chapter 5](#).

Local communities
 BMW Brilliance has hosted a series of industry-leading corporate citizenship projects as part of our long-term commitment to China and local communities. We will continue to fulfil our long-term commitment to contribute to the harmony and sustainability of Chinese society, with the support of all who have actively engaged in our initiatives in past years > [Chapter 6](#).

Political decision makers
 BMW Brilliance has established relationships of mutual trust between our shareholders BMW and Brilliance and the Chinese government. We engage in regular and open discussions to support the decision-making process. Relevant issues of concern include emissions standards, how policy regulation could better support the promotion of new energy vehicles, the construction of necessary infrastructure and the encouragement of technological competition.

Regulatory authorities
 Relationships with local authorities, including the Shenyang tax authorities, customs and the Entry- Exit Inspection and Quarantine Bureau (CIQ), were strengthened through production site visits. These visits were opportunities to exchange ideas and to help our guests gain a deeper understanding of our operations and corporate culture. Furthermore, a cooperation memo was signed with the CIQ.

Shareholders
 Our Board of Management reports to the Board of Directors which represents our shareholders – BMW Group and Brilliance Group. With our shareholders’ support, we integrate sustainability into our strategic decisions. In 2015, BMW Brilliance and BMW Group supported the Brilliance Group in different areas, including production site improvement, corporate strategy, research and development, production process optimisation and quality management, as well as brand promotion and marketing. Manufacturing support was identified as a priority, and as a result a clearly defined organisational structure and a zero defect plant project were implemented by both Brilliance Group and BMW Brilliance. Through regular workshops, on-site training and process observation, we believe process transparency was enhanced and the mindset of employees on zero defect production was fostered.

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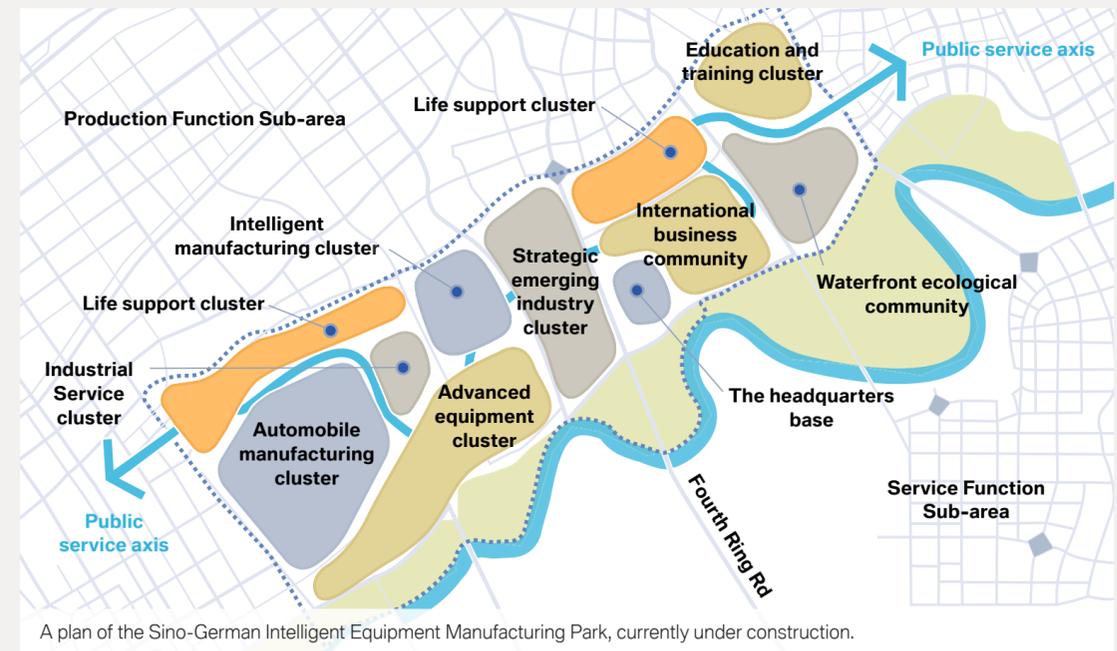
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Sino-German Cooperation: Preparing for Industry 4.0

The Sino-German Intelligent Equipment Manufacturing Park is currently being developed around our Tiexi plant. The aim of the project is to become a pilot zone for “Made in China 2025” and “German Industry 4.0”, a demonstration zone for innovative industrialisation and a hub for the global equipment manufacturing industry. This project will help make Shenyang a smart manufacturing base by integrating both countries’ industrial strategies and strengths. Under the “New Normal”, the economic situation in the north-eastern region of the country is quite challenging. The industrial park brings a unique development opportunity to BMW Brilliance by allowing us to play a more active role in fostering regional economic improvement and transformation.



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We are continuously deepening the relationships with our key stakeholders by engaging with them on a regular basis and through different channels. Throughout 2016, we are hosting regular engagement forums such as the Associate Representatives Congress and Supplier Day. We are also fostering technological innovation in such areas as customer and stakeholder engagement, and employee and leadership training. Finally, we are planning to engage with key internal and external stakeholders to review and potentially update our sustainability materiality analysis.



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1.3

Compliance, anti-corruption and human rights

OUR STRATEGIC DIRECTION

We protect our company's integrity and are committed to respecting the human rights of all persons impacted by our operations. As a responsible company, we take resolute action to combat bribery and corruption.

Acting responsibly and complying with the law are critical to the business success of BMW Brilliance. This approach is integral to our corporate culture and helps define our image in the eyes of the general public. It also creates trust in our products and brands. The further strengthening of an effective compliance management system supports the growth of our business.



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MANAGING COMPLIANCE

BMW Brilliance's Compliance Management System is an important component of our corporate governance framework. Our Legal Compliance Code explains the central importance of lawful conduct and provides an overview of the legal areas relevant to our business, including: anti-corruption and anti-fraud regimes, antitrust and competition law, protection of company assets, data protection, product liability, consumer protection, export control, foreign trade, tax and customs, safety and health, environmental protection, and non-discrimination. Each manager receives a copy of our Legal Compliance Code and it is published on our intranet. We have also published an Anti-Fraud Policy and Fraud Response Procedure, a Corruption Prevention Guideline and Corporate Hospitality and Gift Instructions on our intranet for all employees, which contain specific anti-corruption and anti-fraud rules and requirements.

BMW Brilliance Compliance Management System

The BMW Brilliance Compliance Committee manages and monitors the overall effectiveness of the Compliance Management System. It consists of representatives of the following departments: Legal Affairs and Compliance, Controlling and Risk Management, Corporate Audit and Human Resources. The Committee is chaired by the CEO. It receives regular reports on all compliance management areas and projects from the BMW Brilliance Compliance Committee Office.

The BMW Brilliance Compliance Committee Office is responsible for managing daily compliance matters across the company and in the areas outlined in the table below. In 2015, the office was further strengthened by the introduction of local compliance teams in Shenyang and Beijing. The office's work is reinforced and supported throughout BMW Brilliance by the Compliance Operations Network. The network consists of all department heads, plant directors and heads of the regional sales offices. Additional members include the business leads for areas designated as the most compliance-relevant functions.

The Compliance Management System of BMW Brilliance focuses on antitrust and competition law, anti-corruption and anti-fraud measures, the prevention of bribery, defalcation and theft, data protection, and anti-money laundering provisions. The system includes the management of possible compliance risks associated with our business (including risk identification, assessment, monitoring, control and reporting), the implementation of compliance training programmes, the management of compliance enquiries and reporting of non-compliance (the BMW Brilliance SpeakUP Line) and targeted communication measures. It also includes the definition and implementation of codes, guidelines and procedures.

All measures are designed to ensure that the company, Board members, directors, managers and employees act in accordance with all applicable laws and regulations, and to protect BMW Brilliance's business reputation.



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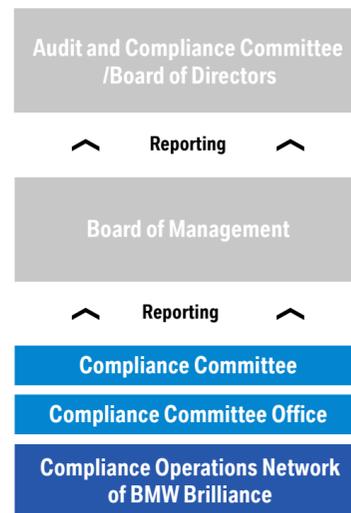
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Compliance Investigations and Controls

- The Compliance Office coordinates the cooperation of Corporate Audit, Legal Affairs, Corporate Security and other relevant departments.
- Investigations into cases of identified compliance issues. Mainly conducted by Corporate Audit, Corporate Security and Legal Affairs.
- Compliance audits by Corporate Audit.

Legal and Compliance Monitoring and Reporting

- Regular BCC Office reporting on all areas of compliance management to the Compliance Committee and Board of Management.
- The Controlling and Risk Management Department and the Department of Legal Affairs and Compliance conduct company-wide queries addressed – among others – at compliance risks and defaults as well as adherence to compliance obligations.

Compliance Risk Analysis

- Continuous risk assessment of the business units of BMW Brilliance.
- Analysis of compliance-relevant developments within the business environment.

Legal Compliance Code and Regulations

- The Legal Compliance Code forms the basis of all compliance activities within BMW Brilliance.
- Additional regulations address other subjects of importance, such as corruption prevention.

Compliance Communication

- “Tone from the Top” from the CEO and the Board of Management.
- Target-group-specific communication to support compliance instruments and measures, e.g. intranet home page, posters, newspaper articles and social media activities.
- Goal is to inform and sensitise all employees and other “Associated Persons” regarding legal compliance.

Compliance Training

- Basic mandatory online compliance training for all employees.
- Additional classroom training for new employees and managers.
- Special classroom workshops and training courses – such as anti-corruption or competition and anti-trust law – for specific risk target groups.



Compliance Contact and SpeakUP Line

- BMW Brilliance Compliance Contact: Helpline contact where compliance-relevant issues can be addressed (telephone or email).
- BMW Brilliance and BMW Group Compliance SpeakUP Line: Anonymous and confidential notification of potential violations of the law within BMW Brilliance (via phone and email).

Compliance Governance and Processes

- Verifying processes to ensure obligatory supervision.
- Risk-oriented steering of compliance activities.
- Examples: (1) Compliance Declaration for all managers, (2) Implementation of processes and tools, such as “Compliance Risk Management Process”.

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IMPLEMENTING AND MONITORING COMPLIANCE INITIATIVES

We address compliance risks through the various compliance tools and programmes under the Compliance Management System set out in the table above. In 2015, we focused on the following compliance initiatives:

Legal and compliance monitoring and reporting

In 2015, we focused on establishing a comprehensive legal and compliance monitoring network to help ensure continuous monitoring and impact analysis of ongoing legal changes and developments. The network draws on specialist functions within BMW Brilliance to form a centralised and cross-departmental exchange of information.

Focus on anti-fraud policy

BMW Brilliance has introduced a comprehensive chop management policy as part of our fraud risk-reduction strategy. It aims to avoid misuse of our company seal, the chop, which is legally binding in China without a signature. Central chop offices run by chop managers have been established in Shenyang and Beijing respectively. A comprehensive guideline outlines workflows, prerequisites and archive regulations, and establishes a clearly structured framework.

Comprehensive communication measures and training on essential compliance fields

Managers throughout BMW Brilliance must demonstrate responsibility by setting a good example for their staff. They are required to be fully aware of the significance of the Legal Compliance Code as well as the newly released compliance regulations, and to make a commitment to adhere to such internal regulations in order to avoid legal and compliance risks.

We believe this goal can be achieved through continuous effort, yearly communication campaigns and up-to-date training programmes. A central element in 2015 has been the roll-out of mandatory online training modules on anti-corruption and anti-fraud policies, as well as IT security and data privacy. These constitute highly relevant risk areas of the modern daily business environment. All non-production BMW Brilliance employees were required to participate, and we achieved a completion rate of almost 100% by year-end.

Additionally in 2015, BMW Brilliance undertook the following steps:

- ▶ the Legal Compliance Code was distributed to every new manager;
- ▶ the Associate Handbook (which contains compliance-related topics) was distributed to every new employee and an updated version was redistributed to every employee;
- ▶ the CEO issued letters to all employees as a message-from-the-top to explicitly underscore the importance of compliance and related training;
- ▶ a new poster campaign was prepared to raise awareness of the main compliance areas, namely anti-corruption, anti-fraud, anti-monopoly law, data privacy and IT security;
- ▶ additional training was conducted for all new managers; and
- ▶ compliance coaching was implemented at the departmental level.

Ensuring compliance in business relations

We are implementing continuous process compliance measures for our business relations with external partners, such as including compliance clauses in purchase orders and event invitation letters. As an automotive manufacturer, we have developed standard vehicle provision forms with compliance clauses, which we use when we provide automobiles to external parties.



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RESPECTING HUMAN RIGHTS

At BMW Brilliance, we are committed to respecting the human rights of all persons impacted by our operations, including our employees and the employees of our suppliers and business partners. We aim to avoid infringing upon the human rights of others, as well as to address adverse human rights impacts that might involve our company – a commitment which is referenced in the BMW Brilliance Joint Venture Equity Contract. We believe that human rights are an issue that cuts across all levels of society, and a responsibility we all share.

Given the complexity of today's corporate value chains, respecting human rights has become ever more relevant. There are potential risks for human rights violations at various steps along the value chain of automotive production, including in the extraction of raw material or during production. That is why we engage with our suppliers and business partners on their compliance with internationally recognised human rights, in particular with labour and social standards. While we have a direct responsibility for the respect of human rights in our own operations, we try to use our influence beyond where our direct responsibility ends > [Chapter 4](#).

At BMW Brilliance we are responding to an evolving context, such as heightened stakeholder concerns regarding human rights, by continuously reviewing our corporate policies and initiatives.

Human rights governance

The responsibility for human rights issues at BMW Brilliance is not allocated to one single function, but is implemented across the relevant business functions at our operations. While our Human Resources team ensures that human rights are respected within our operations, our efforts with our suppliers are led by BMW Brilliance Purchasing and Supplier Quality Management.

We base our respect for human rights on internationally agreed standards, including the principles set out in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The following important governance documents and policies are helping to embed human rights into our business practices:



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BMW Brilliance Joint Venture Contract

Objective: This is the founding document of BMW Brilliance as a joint venture between BMW and Brilliance Automotive, setting out the key principles of business conduct.

How we implement it: The principles set out in the Joint Venture Contract guide the actions of our top management and therefore of our business operations.

Issues addressed: Our commitment to the UN Global Compact and the respect of ILO labour law is explicitly stated therein.



Business Principles

Objective: Our corporate strategy is informed by 12 business principles, which aim to guide our employees and our activities and create a common value base.

How we implement it: The principles inform our corporate culture and are communicated to all employees through the Associate Handbook.

Issues addressed: Specifically, the principles “Respect, Trust and Fairness” as well as “Society” refer to our social responsibilities, including the respect for human rights.



Associate Handbook

Objective: The objective of the Associate Handbook, which includes our Ethics and Code of Conduct, is to detail and communicate to all employees (production and non-production) their rights and responsibilities, as well as our corporate values.

How we implement it: The stipulations in the handbook are binding for all employees, irrespective of their seniority. Violation of the Code of Conduct it contains results in disciplinary action.

Issues addressed: All human rights issues relevant to human resources, such as non-discrimination, remuneration, working hours and other terms of employment, are regulated in the handbook.



Legal Compliance Code

Objective: The Legal Compliance Code explains the central importance of lawful conduct to BMW Brilliance and provides an overview of the legal areas relevant to our business.

How we implement it: Each manager receives a copy of the Code and it is published on our intranet.

Issues addressed: Issues covered which are relevant to human rights include data protection, health and safety, and non-discrimination.



BMW Group's International Terms and Conditions for the Purchase of Production Materials and Automotive Components

Objective: Our terms and conditions of procurement govern the rights and obligations of the parties involved. These specific ones are applied for Parts Purchasing.

How we implement it: All contracts contain a human rights clause, requiring suppliers to comply with international human rights and in turn oblige their own suppliers to respect human rights.

Issues addressed: The International Terms and Conditions include environmental criteria as well as the requirement to preserve recognised human rights and labour standards.



General Terms and Conditions for the Purchase of Goods and Services

Objective: Our terms and conditions of procurement govern the rights and obligations of the parties involved.

How we implement it: All purchasing contracts, except Parts Purchasing, are governed by these General Terms and Conditions.

Issues addressed: The General Terms and Conditions include a separate clause on both human rights and preservation of the environment.

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Managing human rights issues

The UN defines salient human rights issues for a business as the “human rights at risk of the most severe negative impact through the company’s activities and business relations”¹. In the following paragraphs we detail the most salient human rights issues for BMW Brilliance and how we are managing them:

▶ Occupational health and safety

Protecting employee health and safety, especially of production employees, remains a challenging topic in China, despite legal and on-the-ground progress. We have, however, made it one of our priorities to protect the health and safety of our employees and the employees in our supply chain. We aim to maintain our performance by focusing on health and safety training, the promotion of health checks, and the implementation of needs-based health initiatives. Occupational health and safety is also addressed in our Associate Handbook, informing our employees of their rights, responsibilities and where to access our environment, health and safety policies. In 2015, we were able to reduce our absentee rate from 0.98% to 0.93% > [Chapter 5.3](#).

▶ Forced, compulsory or child labour

In complex industrial supply chains we must be vigilant regarding the risk of forced, compulsory or child labour. We have a zero tolerance policy on these issues, and our human resources guidelines address full compliance with Chinese labour law and relevant regulations in these matters. We engage our direct suppliers to uphold the same standards by including the ban on child labour and forced labour in our supplier contracts > [Chapter 4](#).

▶ Freedom of association

We recognise the right of all workers to join a legally recognised trade union, or any other body representing their collective interest and that gives them an opportunity to engage in collective bargaining to agree upon working conditions. The BMW Brilliance Labour Union was therefore established in 2007. The union works to protect employees’ rights and interests and to mediate disputes between employees and the company. The union today represents all local employees, and at this year’s Union Member Representatives Congress, the Collective Contract on Labour Remuneration and the new Special Collective Contract on Protection of Female Employee’s Rights and Interests were approved and signed > [Chapter 5.1](#).

▶ Discrimination and harassment

According to the International Labour Organisation, hundreds of millions of people are victims to workplace-based discrimination. Therefore, BMW Brilliance is strongly committed to providing a work environment free from any behaviour which is discriminatory or could be considered as harassment. This is stated in our Associate Handbook and implemented through our human resource guidelines, which stipulate that all employment decisions are to be taken without regard to ethnic origin, skin colour, gender, religion, nationality, marital status, age, sexual orientation or political beliefs. Migrant workers are treated equally to any other employee, with full coverage of social welfare and protection.

¹ UN Guiding Principles Reporting Framework, p. 12



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▶ [Working hours and remuneration](#)
At BMW Brilliance, we take our social responsibility to provide fair compensation and working hours very seriously, so that our employees can live in dignity and conserve their long-term health and productivity. The Human Resources Department and line managers review employee leave and working hours on a monthly basis, and managers ensure employees take their full entitlement of annual leave over the year. Three different work-time models ensure that the hours worked and monthly salaries paid are both stable, despite fluctuations in the changing market. We reward our employees with total remuneration that is above average and aligned with the upper-third of the respective labour market in China > [Chapter 5.2](#).

▶ [Welfare of local communities](#)
Our business is deeply rooted in China, and our pace of business development is strongly connected with that of Chinese society. In order to achieve our long-term sustainability commitment to China, BMW Brilliance takes all necessary measures to fight corruption in order to prevent personal gain or preferential treatment. Furthermore, we take social and environmental impacts into consideration in the earliest stage of product development and infrastructure planning, in order to minimise the impact on neighbours and local communities. All BMW Brilliance infrastructure construction activities are pre-examined and go through a national Environmental Impact Assessment. Finally, we commit to minimising our environmental impact, for example by continuously reducing energy and water consumption, process wastewater, waste for disposal and volatile organic compound (VOC) emissions per vehicle produced > [Chapters 2 and 3](#).

▶ [Human rights in the value chain](#)
We engage our direct suppliers to meet the same environmental and social standards that we set for ourselves. This includes compliance with internationally recognised human rights, as well as with labour and social standards. In order to achieve this aim, BMW Brilliance dealers must reach a relevant standard on sustainability. This includes their contributions to the local economy and employment, acting as an attractive employer and ensuring their employees' health and safety, as well as dealer participation and dedication to the welfare of their local community. We have also set up a supplier risk management process to identify and analyse potential sustainability and human rights risks along the supply chain. Our regular supplier review considers issues such as operational health and safety, child labour risks and environmental impacts > [Chapters 2 and 4](#).

▶ [Addressing human rights violations](#)
Employees have the opportunity to submit information about possible human rights violations within the company via the BMW Brilliance SpeakUP Line – anonymously and confidentially (see below). In 2015, no human rights violations were reported through internal channels. As part of our activities to prevent human rights violations we provide employee information and training, particularly on the SpeakUP programme; we conduct risk analyses and human rights impact assessments; and we maintain internal monitoring and reporting structures. Our cooperation with network partners and our dialogue with stakeholders also allow us to identify and address risks quickly.



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RESPONDING TO COMPLIANCE-RELATED ENQUIRIES

In order to avoid legal risks, employees are expected to discuss any compliance-related issues with their managers, and with the Legal Affairs and Compliance, Corporate Audit and Human Resources departments. Employees who have any concerns may submit information on perceived legal violations anonymously and confidentially through the BMW Brilliance SpeakUP Line.

All messages directed to the SpeakUP Line are evaluated by the BMW Brilliance Compliance Committee Office, the facts are researched and appropriate steps are agreed on together with the specialist departments concerned. All investigations are conducted in accordance with the applicable laws. The Compliance Committee Office documents every message received, how it is processed, as well as outcomes and further steps and reports back to the BMW Brilliance Compliance Committee. For the protection of informants, BMW Brilliance allows information regarding potential compliance violations to be submitted anonymously through the SpeakUP Line.

As an important tool in the detection of possible compliance violations, including human rights, we promoted the SpeakUp Line on the BMW Brilliance Intranet throughout 2015. We are planning additional employee communication measures during 2016 to make the Line more widely known, but also to encourage personal discussions with Compliance Officers and line managers.

We want to ensure that BMW Brilliance and our employees adhere to the highest standards of professional behaviour and responsibility to protect our corporate integrity. In 2015, BMW Brilliance responded to cases of employee misconduct based on our internal regulations. Case handling and disciplinary decision procedures were further standardised to ensure efficient and thorough investigation and management of any raised complaints. In addition, to ensure compliance with internal rules and external regulations, internal audits were conducted by the Audit and Shareholder Audit departments.

 **FORECAST 2016**

We are maintaining our focus on anti-corruption, anti-fraud and information security during 2016. The Chinese government is preparing several new guidelines on anti-monopoly law and sales policies in the automotive industry, and as a result we are planning to focus our training on these legal areas. We are also integrating a comprehensive compliance risk management process into the company-wide risk reporting process. This is part of BMW Brilliance's integrated Corporate Governance approach to collect bottom-up risk reports. The process is based on a standard methodology for risk identification, assessment, monitoring, control and risk reporting. Following the successful completion of a pilot compliance risk workshop with business departments in 2015, the central compliance function continues to facilitate risk and process analysis in 2016.



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PRODUCT RESPONSIBILITY

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STAKEHOLDER STATEMENT:

Fostering sustainable mobility and promoting charging infrastructure



Cao Guangyu

Vice General Manager, Shanghai International Automobile City Group Co., Ltd.

What challenges does e-mobility face at present?

The Chinese new energy vehicle industry is currently facing a number of challenges. A commercially viable system that supports both the construction and servicing of a public charging infrastructure needs to be established, user acceptance and preferences for new energy vehicles cultivated, and finally, breakthroughs in key technologies – such as enhancing the safety and energy density of the battery – have to be achieved. Once the government subsidy is phased out, balancing the cost and sales price will also be a challenge, especially for completely new energy vehicle manufacturers.

What are the government's priorities regarding the creation of infrastructure for e-mobility?

The top priority and one that is really a precondition for promoting and sustaining the use of new energy vehicles, is establishing an optimal charging infrastructure that is both reliable and safe. The government must play a leading role in constructing and operating this public infrastructure. Ideally, the central government would provide macro-level guidance and formulate unified technical product standards, lay out a public infrastructure plan, and develop a reasonable and effective policy for subsidies. At the local level, governments should develop a mechanism that allows builders and operators to gain fair access to development opportunities for this new infrastructure. Local governments should also establish a public information service platform and gradually achieve nationwide interconnection and intercommunication.

How do you evaluate BMW Brilliance's approach to e-mobility?

BMW Brilliance has established a clear strategy to develop and promote new energy vehicles by leveraging BMW's brand influence and domestic market presence. Opinions about the pilot product ZINORO 1E are gradually improving, and the 530Le is enjoying increasing user acceptance. BMW Brilliance should take into account the potential demand within the Chinese market for class A and class B battery electric vehicles and introduce products with sufficient competitive edge. The demand to develop sustainable shared traffic solutions will be particularly important in urban areas.



2.1

Our management approach

We take a comprehensive approach to product responsibility. For us, sustainability starts with the development of fuel-efficient and low-exhaust-emission vehicles. In doing so, we comply both with stricter environmental legislation in China and our customers' increasing awareness of environmental issues. We are shaping the mobility of the future with innovative electric and hybrid drivetrains, as well as smart services. Product responsibility also includes resource-efficient production processes and high-quality customer care. Recycling ensures that our vehicles provide valuable raw materials after they reach the end of their life cycle. Our commitment to localise and expand our business activities in China – including our product portfolio, our production levels and our research and development activities – supports this approach.

BMW Brilliance is committed to introducing the latest products and technologies into the Chinese market. We currently produce the BMW 5 Series Long Wheelbase, including the 530Le plug-in hybrid vehicle, the BMW 3 Series Long Wheelbase and standard version, the BMW X1, the BMW 2 Series Tourer and the ZINORO – in total, over 30 model options. Our products are produced and inspected thoroughly in accordance with the BMW Group's global standards, ensuring the same high quality.

Our focus regarding product responsibility lies on three aspects:

- ▶ providing efficient mobility solutions > [Chapter 2.2](#)
- ▶ ensuring product safety > [Chapter 2.3](#)
- ▶ improving customer satisfaction > [Chapter 2.4](#)





EXPANDING OUR BUSINESS IN CHINA

Since BMW Brilliance's inception in 2003, we have focused on developing our business in China. Our pace of expansion has been rapid and comprises local procurement, production and products, including the introduction of BMW engines. An important step has been the establishment of our Research and Development Centre, where the high-voltage battery for the ZINORO 1E was developed and vehicle testing and approval of the BMW 530Le plug-in hybrid was carried out.

In 2015, as a result of our localisation and expansion strategy, sales of our locally produced vehicle models accounted for 65% of the total sales of the BMW brand in mainland China.

To expand our production capacity, we established the new engine plant, where BMW's latest turbocharged 3-and 4-cylinder petrol engines are being produced from January 2016. Ultimately, the plant will be one of the most advanced and sustainable engine plants worldwide. It is also the first of the BMW Group to combine the complete engine production process from casting to machining, assembly

and quality performance testing. At our Dadong plant, the North Extension project – which is dedicated to bringing BMW's new generation of BMW 5 Series to China – is under construction. The new operation will include a press shop, body shop, paint shop and assembly shop, and is expected to begin production in 2017.

We are also expanding our local research and development activities, emphasising how important the Chinese market is to our business. Highlights for 2015 included breaking ground for the development of our High Voltage Battery Centre – which will encompass the complete process chain from research and development to production and quality management – as well as for the Research and Development Centre Phase 2 construction at our Tiexi plant. The new research activities will focus on the development of new energy vehicles, as does our existing Research and Development Centre, which currently employs over 500 engineers and works closely with the Research and Development team from BMW Group. China is today the largest market for such vehicles worldwide.



At the start of the first B48 CN engine performance test.



ACHIEVING HIGH PRODUCT STANDARDS

All vehicles produced in our plants are certified to the international standards of ISO 14020 (Environmental Labels and Declarations) and ISO 14024 (Environmental Labels and Declarations – Type I Environmental Labelling). Our vehicles are also certified to the local Chinese standard HJ 2532. In general, BMW Brilliance’s product standard requirements are higher than China’s mandatory requirements for product emissions, fuel consumption, the use of environmentally sound materials, and recyclability and reusability throughout a product’s life cycle.

INCREASING THE EFFICIENCY OF OUR VEHICLES

We are committed to reducing fuel consumption and emissions in China and focus on both exhaust fumes as well as air quality inside the vehicle. As a result of the BMW Group Efficient Dynamics strategy, the energy requirements of each of our models are being continuously reduced. In addition, we are adding electrically powered and plug-in hybrid vehicles to our model range. This allows us to contribute directly to China’s national target of reducing industrial average fuel consumption to 6.9 litres of petrol per 100 kilometres by 2015 and to 5.0 litres of petrol per 100 kilometres by 2020. In 2015, BMW Brilliance’s corporate average fuel consumption was 6.95 litres per 100 kilometres (2014: 7.06 litres per 100 kilometres). This positions us again as number one in the national ranking of the fleet fuel consumption achievement rate among 90 local manufacturers, according to the 2015 corporate average fuel consumption report of the Chinese authorities.



PROMOTING ELECTROMOBILITY THROUGH PRODUCTS AND SERVICES

We are meeting the challenges of urban mobility, not only by further developing our vehicles but also by offering innovative mobility services. In 2015, we launched the BMW Innovative Mobility Service China strategy that includes mobility services for vehicle users, as well as innovative service solutions improving mobility for everyone.

We made our electric ZINORO 1E available through car-sharing services in Beijing and Shanghai and introduced ChargeNow™, the charging service of the BMW Group, providing charging infrastructure for new energy vehicles in four cities in China. We also expanded the BMW ConnectedDrive services available for Chinese customers, making driving easier and smarter by providing real-time traffic information to drivers.

TAKING A BROADER VIEW OF PRODUCT SAFETY

BMW Brilliance follows the approach of the BMW Group to ensure the safety of our customers and other road users. Safety is fundamental to our vision of product responsibility as a provider of premium products and services.

We reduce the risk of accidents through active safety features and we mitigate their effects through the passive safety systems included in our vehicles.

PROVIDING PREMIUM CUSTOMER SERVICE

Enhancing our aftersales service and maximising customer satisfaction are key to expanding our share of the premium segment in China. In 2015, we continued expanding and enhancing our sales and service network, while providing our customers with a diversified selection of products. By year-end, we had 515 BMW sales and service outlets in operation across China. Thirty-nine dealers were certified according to our 5S model, which adds high sustainability standards to our BMW 4S dealership model.



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Interior view of a 5S dealership.



2.2

Efficient mobility

OUR STRATEGIC DIRECTION

We are continuously reducing the CO₂ emissions from our vehicle fleet and aim to be the leader in taking a holistic approach to premium electromobility.

China faces many challenges to its environmental capacity, including a shortage of resources and the rapid growth of its cities. In response, the country is now imposing increasingly stringent emissions regulations, as is the case globally. In this context, our vision of sustainable mobility is becoming even more imperative to achieving business success. As part of the BMW Group Efficient Dynamics strategy, we use innovative efficiency technologies in all models. We are increasingly offering electrically powered and plug-in hybrid vehicles to our customers. Additionally, we are providing innovative mobility services.

REDUCING FUEL CONSUMPTION

We are reducing the energy requirements of our vehicles through intelligent lightweight construction, innovations in energy management and consistently optimised aerodynamics. We are also constantly expanding and further developing our efficiency technologies. These include efficient engines, forward-looking drive control, the Auto Start-Stop function, brake energy regeneration and tyres with reduced rolling resistance. Features such as ECO PRO can additionally reduce fuel consumption and emissions.

With these strategies and continuous research and development efforts, we aim to contribute to the target of corporate average fuel consumption of 5.0 litres per 100 kilometres by 2020. We are aware that new regulations are under discussion nationally; we also follow and participate in global emission target discussions. Our goal is to align our research capacities as soon as possible with any new targets in order to meet the newest emissions standards and regulations worldwide, as outlined in the BMW Brilliance and BMW Group policy.



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Fuel efficiency regulations in China

In China, the corporate average fuel consumption of passenger cars is regulated. For 2020, a corporate average fuel consumption target of 5.0 litres per 100 kilometres has been set. This regulation is valid for all automotive manufacturers in China. Discussions about subsequent regulations have already begun. In addition, weight-based consumption limits have been set for individual vehicles.

A big step in reducing our corporate average fuel consumption is the increasing number of new energy vehicles which we offer our Chinese customers. Following the successful introduction of the battery-driven ZINORO 1E (which is produced at our Tiexi plant), we launched the new plug-in hybrid version of the BMW 5 Series in 2015 – the first locally produced premium plug-in hybrid model of its kind. Our locally produced new energy vehicles are supported by the central government and local authorities with benefits such as purchase tax exemptions, central and local subsidies, as well as free license plate, depending on the respective implementation rules.

For our traditional vehicle models, a clear trend in 2015 was the preference for small displacement engines. The overwhelming majority of our vehicles sold in 2015 had 1.6T and 2.0T engines.

LOWERING CO₂ EMISSIONS

As a result of our efforts and the trend towards smaller engines, between 2014 and 2015 we were able to reduce the CO₂ emissions of our newly sold vehicles in China to 165.4 grams per kilometre > Figure 05. The average fuel consumption of our vehicles in 2015 was 6.95 litres of petrol per 100 kilometres, 1.6% less than in 2014.

CO₂ emissions of BMW Brilliance automobiles

F.05

	2013	2014	2015	Change to previous year
g/km	174	168	165.4*	-1.5%

* The CO₂ emission value reported for China in the Sustainable Value Report 2015 of the BMW Group includes both locally produced and imported vehicles, while the value in the present report includes locally produced vehicles only.

Fleet fuel consumption

F.06

	2013	2014	2015	Change to previous year
l/100 km	7.30	7.06	6.95	-1.6%

We are fulfilling our responsibility to reduce CO₂ emissions along the entire value chain. By continuously increasing the efficiency of our vehicles, we are also reducing CO₂ emission levels during their utilisation phase > Figure 07. Emissions in the supply chain also make a considerable contribution towards so-called Scope 3 emissions > Chapter 3.1. For this reason, we contribute to the aim of the BMW Group to improve the resource efficiency amongst our suppliers.

Indirect CO₂ emissions (Scope 3) of BMW Brilliance automobiles*

F.07

in t	2014	2015	Change to previous year
Total emissions	9,392,718	9,285,353	-1.1%
Upstream chain (1)	1,989,978	1,989,117	0%
Utilisation phase (2)	7,244,557	7,138,095	-1.5%
Disposal (3)	158,183	158,141	0%

* The emissions data shown in this table is not directly comparable to figures reported in the Sustainability Report 2014 of BMW Brilliance, which corresponded to imported and locally produced vehicles. Current figures are for locally produced vehicles only.

(1) Emissions from the upstream chain are calculated based on the carbon footprints of representative vehicles from the product lines.

(2) The fleet emissions are extrapolated from the average fleet emissions of the BMW Brilliance products sold in a given year. The calculation was based on an average mileage of 150,000 km.

(3) Emissions from disposal processes are calculated based on the carbon footprints of representative vehicles from the product lines.



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LEVERAGING THE POTENTIAL OF ELECTROMOBILITY

Offering a premium plug-in hybrid model

In January 2015, we launched the BMW 530Le, the first locally produced premium plug-in hybrid of our luxury-class business sedan. The vehicle, which is produced at our Dadong plant, is based on the BMW 5 Series Long Wheelbase and sets benchmarks for fuel efficiency and emissions in its class. The vehicle's fuel consumption can be as low as 2 litres per 100 kilometres with average CO₂ emissions of 49 grams per kilometre. Given its environmental friendliness, the BMW 530Le has been included in the New Energy Vehicles Recommendation Catalogue, which makes it eligible for a national subsidy. In October, the vehicle was presented at the China International Exhibition on Energy-Saving and New Energy Automobiles in Beijing, together with the electric vehicle 1E of our ZINORO brand.



Xin Guobin (centre), Deputy Minister of MIIT, listens to an introduction of the ZINORO 1E model and innovative rental business models by our representatives.

Expanding the reach of ZINORO

The ZINORO 1E is the first product of our ZINORO brand and the first premium zero-emissions sports activity vehicle in China. The locally developed ZINORO 1E is environmentally friendly, highly energy-efficient and satisfies the highest safety requirements.

In 2015, several hundred ZINORO 1E vehicles were delivered to car rental companies in Beijing and Shanghai with the aim of expanding electromobility, increasing consumer confidence and building up the popularity of new energy vehicles.

Our rental partner eHi Car Services integrated 160 ZINORO 1E vehicles into its Beijing fleet and made them available for rent to its corporate and private customers. Additionally, 160 charging pillars were delivered to eHi. Customers can flexibly pick up and drop off their ZINORO 1E in different parts of the city depending on their needs. Within the "Zero Road Emissions for a Clear Sky" activity, ZINORO and eHi offered 4,000 days of free electric vehicle rental to eHi customers, providing them with an opportunity to gain first-hand experience in electromobility and to improve air quality in Beijing.

In Shanghai, over 200 ZINORO 1E vehicles have become part of the EVCARD electric car-sharing service of Shanghai International Auto City. The vehicles are available at premium properties such as Sinan Mansions, Intercontinental Shanghai Expo Hotel, Crowne Plaza Hotel Shanghai and Wheelock Square. The service focuses on efficient and effective transport, user-friendliness and flexibility.

Moreover, a second ZINORO brand showroom was inaugurated in Shanghai and the concept car ZINORO Concept Next was presented at Auto Shanghai 2015. The design takes inspiration from traditional Chinese culture and incorporates features that convey the flow of strength and the beauty of coherence, reflecting the origins of our ZINORO brand.





OFFERING SUSTAINABLE MOBILITY SERVICES

Developing the charging infrastructure

In September 2015, we launched the BMW Group charging service known as ChargeNow™. At landmark locations in Beijing, Shanghai, Guangzhou and Shenzhen, more than 500 charging pillars were installed in collaboration with our partner Potevio. For BMW customers, the ChargeNow™ card provides access to the charging pillars, and BMW ConnectedDrive gives the driver updated information about charging stations in their immediate vicinity. Customers of other brands with vehicles conforming to the China GB standard can also use the charging service by purchasing a Potevio card from our partner. In this way we are contributing to a public charging service and supporting the development of electromobility at large.

Our customers with private parking spaces can also receive private charging wall boxes. In 2015, certified service providers, who meet our strict qualification standards, were available to install these boxes in 34 cities across the country. For customers who do not have their own parking space in Beijing, Shanghai, Guangzhou and Shenzhen, a special charging card package provides access to semi-public charging stations in their residential compounds.

Furthermore, we are actively involved in the Sino-German electric vehicle charging project, which brings together government officials, automotive companies and scientific institutes. Together, they conduct research on topics related to the charging of new energy vehicles at the invitation of the Chinese and German governments.

Providing mobility information with ConnectedDrive

In 2015, BMW China and China Unicom launched the BMW ConnectedDrive Store, an online commerce platform designed for our Chinese customers that allows vehicle owners to manage their ConnectedDrive services for easier and smarter driving. ConnectedDrive is a package of intelligent technologies that interconnect the driver, vehicle occupants and the vehicle itself with the environment. It allows the driver to avoid traffic jams, for example, and thereby reduce fuel consumption.



BMW ConnectedDrive: A safer, more customised experience underscoring BMW's trademark leadership in automotive innovation.



FORECAST 2016

In January 2016, the new engine plant, a world benchmark in clean production technology, is starting its operations. This allows us to equip our locally produced models with the cleanest and most advanced 3- and 4-cylinder B-Series engines available. Furthermore, we are introducing additional plug-in hybrid models and more compact models aimed at better efficiency and reduced emissions. We are planning to officially launch the next generation of our ZINORO in 2016 and to introduce Link-Services for our ZINORO brand, allowing the driver to retrieve real-time information about traffic conditions and charging stations. We are also installing another 1,000 ChargeNow™ charging pillars in ten cities in 2016 and expanding the private charging network to 22 additional cities.



2.3

Product safety

OUR STRATEGIC DIRECTION

Our strategic approach matches that of the BMW Group. We protect our customers and other road users from injury by creating networks of active and passive vehicle safety systems.

BMW Brilliance follows the global safety standards of the BMW Group to provide premium products and services for individual mobility in China. The safety of our customers and other road users is paramount and fundamental to our sense of product responsibility. We take an integrated approach to product safety, which encompasses both active and passive safety systems. It also addresses such aspects as product labelling, safety training and avoidance of potentially dangerous materials, as well as minimising emissions in vehicle interiors.

Our objective is to prevent risks for road users and any adverse health consequences in the event of an accident. Our technologies and strategies for the safety of all road users are based on systematic research into the causes of accidents, which the BMW Group has been carrying out for over 30 years. Our integrated approach analyses the entire process chain, from accident prevention to post-crash applications. Based on this analysis, we integrate active safety features into our vehicles to try to prevent accidents from happening in the first place, and we apply passive safety features to mitigate their consequences.



Forward collision warning system.



Surround view.



PREVENTING ACCIDENTS THROUGH ACTIVE SAFETY SYSTEMS

Active safety systems include perfect chassis coordination, optimal traction and effective brakes. Electronic chassis control systems also contribute towards preventing accidents.

One of the main ways we increase safety is through driver assistance systems, which are being increasingly integrated into our model ranges. These systems provide a second set of eyes to observe what is happening on the road in order to warn and support the driver. In 2015, we added the lane departure and forward collision warning system to locally produced models of the BMW 3 and BMW 5 Series. The system warns the driver about critical collision and lane departure situations and is integrated into the camera-based driver assistance system.

SAVING LIVES THROUGH PASSIVE SAFETY SYSTEMS

Our vehicles have energy-absorbing crumple zones, safe passenger cells, restraint systems, airbags and many other passive safety features that protect the lives and health of drivers. In order to provide drivers and passengers with the greatest possible protection in the event of a collision, various safety elements work hand-in-hand. A networked system of highly sensitive sensors enables airbags to deploy in the appropriate situation and at precisely the right moment. Pyrotechnically activated seatbelt pretensioners and seatbelt force limiters further minimise risk of injury. The vehicle front has various devices installed to protect pedestrians, including a shock absorber. This is integrated between the bumper carrier and panel to reduce leg injuries in a collision.

GUARANTEEING PRODUCT AND SERVICE INFORMATION

We inform our customers about any potential risks and hazards related to our products, as well as the environmental performance and proper use of our products and services. For example, we report on the fuel consumption of our vehicles in accordance with China's vehicle fuel consumption regulations, making every effort to ensure our products fulfil the new China 6 regulation issued by the Chinese government. We also report fuel consumption for each of our vehicle models on the Ministry of Industry and Information Technology's website.

OFFERING DRIVER SAFETY TRAINING

BMW Brilliance also contributes to protecting road users through driver safety training. We offer 14 different training courses, and 1,550 participants learned how to identify critical driving situations and respond properly during 2015. This included how to avoid such situations, if possible, in the first place.



USING SAFE MATERIALS IN OUR VEHICLES

For each phase of the vehicle life cycle – from development through to use and disposal – our specialist departments ensure compliance with worldwide legal requirements for product safety and human health. In the early development phase, an interdisciplinary working group evaluates the potential materials to be used in a product to determine the risk potential and to eliminate any problematic options. The working group can then intervene in the selection and development process as well as in the production phase, as needed.

Qualifying the materials we use

We test all current and future products according to the standards of the BMW Group. As well as series-model parts, all auxiliary production substances and process materials, such as paint and adhesives, undergo rigorous qualification processes.

We fully document all chemical substances that are used in our production processes. These substances are first inspected to ensure their safety and then approved for a specific application through our central recording system for environmentally relevant substances. The system also provides detailed specifications and tips on handling these products as well as on first aid, storage and transport.

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SECURING AIR QUALITY IN OUR VEHICLES

To assure air quality in our vehicles, we measure and control interior emissions along the production chain. Beyond testing materials for product safety and harmlessness to human health, we also check parts, components and complete vehicles at several stages of the production cycle. Before market launch and at various intervals during a product's lifespan, complete vehicles are tested and evaluated according to the relevant Chinese and international standards. Additionally, BMW Brilliance applies internal standards and limit values for specific substances.

At both development and production stage, and to ensure the air quality in our vehicles, we focus on continuously improving the materials we use. We also constantly strive to replace materials with products and technologies that can further reduce emissions. We implement appropriate filter systems and conduct inspections along the supply chain to avoid contamination by auxiliary materials.



FORECAST 2016

In the upcoming years, we will further strengthen both our active and passive safety features. In particular, we are introducing warning and emergency brake systems for all vehicle categories. In line with our vision to create highly automated driving experiences, we are planning to offer a range of modern driver assistance systems, which will allow us to come another step closer to the aim of accident-free mobility.





2.4

Customer satisfaction

OUR STRATEGIC DIRECTION

We aim to create a perfect “customer journey” with a goal of delivering premium services to satisfied customers

Our customers are at the heart of everything we do. Their satisfaction with our products and services is a prerequisite for our business success, today and in the future. By analysing our customers’ needs continuously, and improving our products and services accordingly, we work to ensure greater customer satisfaction and loyalty.

To maintain our success, we must look after our customers better than anyone else. Customer satisfaction is our number one priority and delivering premium customer service is the responsibility of everyone at BMW Brilliance. We work hard not only on improving our customer interaction, but also on continuously improving the customer experience.

IMPROVING CUSTOMER INTERACTION

We aim to improve our customer interaction and support. The BMW Customer Interaction Centre has been running a customer hotline service since 2005. The purpose of the centre is to gain customer satisfaction and loyalty by constantly providing high-quality services to create the maximum value for our customers. In 2015, the volume of inbound calls, a majority of which were customer inquiries, increased by over 40%.

Direct communications

We focus on optimising our customer communication with the aim of achieving the best balance of efficiency and frequency. In 2015, we introduced an internal mechanism, the Direct Communication Circle, to define which campaigns and contents are of interest to which group of customers. A personalised newsletter is sent to all prospects, owners and users via a multimedia messaging service with a link to their highly personalised landing page every month.

Facilitating customer communication with our 360-degree customer view tool

In 2015, we launched our 360-degree customer view tool to support customer life cycle management. The software helps us, and more specifically our dealers, to provide an individualised service to each of our customers more efficiently and increase customer satisfaction.

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Improving through customer surveys

Our Customer Satisfaction Index guides us on how to fulfil customer needs and increase customer satisfaction. Our customers are invited to give feedback about our products and services at various opportunities. This direct feedback provides our foundation for driving customer satisfaction and managing continuous improvement.

In 2015, over 77,000 customers participated in interviews conducted by our Customer Interaction Centre. Overall, satisfaction was high, with a customer recommendation rate of 90%. Nearly all the interviewed customers gave feedback on service features, products and attitude. The customer feedback was forwarded to our dealers to help them better understand and address the issues that were raised.

Additionally, we conducted an extensive customer study, interviewing 2,300 customers via different channels including phone calls and focus group discussions. The study focused on customer behaviour, driving factors, core needs and ways to improve the customer experience. We communicated the results to our dealers to support them in better understanding customer needs and expectations, and to adapt their services accordingly.

Ensuring comprehensive data protection

Our Data Privacy Protection Office was established to protect customer data and its usage through technical security. Customer data security is the highest priority for our projects. We implemented our own data privacy protection process in 2014 and, additionally, both BMW Brilliance and our dealerships adhere to the customer data privacy protection process of the BMW Group. We continuously improve our systems and processes to ensure our compliance with all data protection requirements when handling our customers' personal data. We offer various channels for customers to change the opt-in status based on their wishes.



INCREASING CUSTOMER SATISFACTION WITH DEALERSHIPS AND AFTERSALES SERVICE

In 2015, we launched a new aftersales strategy to improve our response to customer needs by focusing on convenience, trust and care. Efficiency and reduced waiting times are the key to improving customer convenience, while professionalism and transparency are fundamental to deepening customer trust. Customer care translates into exceeding expectations with proactive service offerings, such as a free end-of-warranty check, the BMW accident hotline or the provision of roadside assistance.

Recruiting talent to our dealerships

The BMW Education of Service Technology – known as our BEST programme – helps us recruit young talent to our dealerships and ensure the best possible customer service. The programme is operated by the BMW China Training Academy and vocational schools in China. It offers a variety of specialised training opportunities that prepare students to work in aftersales services at BMW dealerships. The programme has so far proven successful, with dealers appreciating the designated qualification of its participants and with an increasing number of graduates being employed at BMW dealerships.

On-site coaching in customer treatment

In order to prepare our dealers to better serve their customers, specific on-site coaching has been implemented to continuously improve customer treatment and foster sustainability in the dealership.

“Future retail” is our reinterpretation of the customer experience in dealerships, making it more personal, emotional and inspiring. Improved customer treatment requires all dealership staff to have the right knowledge and attitude in order to provide the best customer experience possible. We have identified eight key moments and attitudes that can enhance the emotional experience of the customer, which we convey to staff during their training. Since 2013, over 330 dealers have participated in our customer treatment on-site coaching programme. Twenty-two of these dealers have already participated in the new version of the on-site coaching programme called “customer treatment sustainability”.



Our sales consultants attending a customer event.



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Training dealers in process improvement

Our specialised on-site coaching programme, combined with regional dealer workshops, allow us to assure high levels of customer satisfaction, efficiency and transparency in our aftersales services. Specific campaigns – such as the End-of-Warranty Check, the Value and Mobility Service and the Sorry Activity on Recall, which are designed to fulfil our customers' needs and increase their satisfaction with our services – were increased in 2015.

Fostering sustainability among dealers

In 2011, BMW Group extended its sustainable development strategy to the retail field by introducing the 5S dealer certification programme. This approach incorporates the concept of sustainability into the traditional 4S dealerships. BMW is the first automotive brand to introduce and practice this new concept. BMW 5S dealers must reach a relevant sustainability standard, including their contributions to the local economy and employment, their commitment to community welfare and the validity of their measures for resource use and carbon emission reduction at their operations.

In 2015, we added four new 5S dealers, bringing the total 5S network to 39. Moreover, 14 dealers were successfully recertified according to the 5S certification model, for which renewal is required every two years. We held 348 person-days of training based on the 5S model focusing on environmental protection and work safety.



Exterior view of a 5S dealership.



FORECAST 2016

In 2016, we are intensifying our customer interactions by implementing “BMW online chat” to provide more multimedia communication channels. We are also expanding our direct customer contact pilot platform, which employs SMS. To support our dealer network, we are continuing to provide our “customer treatment sustainability” on-site coaching programme.



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STAKEHOLDER STATEMENT:

Sustainability through intelligent production processes



Ma Jian
Maintenance Planning Engineer, Tiexi Paint Shop, BMW Brilliance

How does BMW Brilliance optimise its production processes to continuously improve its sustainability performance?

We want to continuously improve towards our vision of sustainable production plants. To achieve this, we worked with the BMW Group to set up an environmental target road map 2020. Our Environmental Sustainability Circle works on finding measures that enable us to achieve the expected results and reach the performance targets for 2020.

Can you give an example of a concrete improvement in 2015?

We focused on reducing the baseload to improve our energy efficiency. Baseload refers to the energy consumed during non-production periods. This energy consumption does not create any value for the customer, but contributes to our CO₂ emissions. We use our intelligent illumination system to help us shut off the lighting when it is not needed. We also control the air supply unit and adapt it to the working hours, reducing the ventilation and cooling when no one is working in the office.

What are your plans to further improve the sustainability of your production processes?

In line with the 2020 road map, more and more environmental improvement measures will be implemented. The planned well water cooling system will allow us to reduce both water and electricity consumption. The limestone recycling project will reduce our hazardous waste and increase our recycling sourcing ratio. And given the importance of Industry 4.0, BMW Brilliance will also invest in the digitalisation of our environmental management. We will build up an environmental management system to collect and analyse data, and to manage our targets. In this way we hope to continuously improve our sustainability performance.



3.1 Our management approach

We aim to be the leading and most resource-efficient premium automotive manufacturer in China. Like many countries in the world, China is facing major environmental challenges, such as air pollution, decreasing environmental resources and climate change. In these circumstances, BMW Brilliance is focused on using energy and other resources more efficiently, in order to minimise our impact on the environment and to reduce our costs at the same time.

INTEGRATING ENVIRONMENTAL PROTECTION INTO OUR BUSINESS

Environmental protection is a fundamental part of our sustainability strategy. In December 2015, we established the Environmental Sustainability Circle with a mandate to continuously improve our environmental performance. The circle aims to proactively contribute to achieving the BMW Group target for 2020, which is to reduce resource consumption by 45%, per vehicle produced, compared to 2006. It identifies and implements key initiatives, reports directly to the executive team, and receives approval to fulfil long-term targets for energy, water, process wastewater, emissions of volatile organic compounds (VOC) and waste for disposal. Technology heads and senior managers are members of the circle. It encompasses all activities conducted at all of our plant locations, including technology planning and operations functions, Human Resources' Safety and Environment teams, as well as our Strategies and Logistics Department.

Our Board of Management appoints a representative to ensure the effective implementation of our environmental management system. Our plant directors are responsible for the environmental management of our operations.

We focus on reducing the environmental impact of our activities in three key areas:

- ▶ energy consumption and emissions > [Chapter 3.2](#)
- ▶ waste reduction > [Chapter 3.3](#)
- ▶ water consumption as well as process wastewater discharge > [Chapter 3.4](#)



Reducing our CO₂ emissions along the entire value chain

Climate change is highly relevant for BMW Brilliance. Reducing CO₂ emissions not only makes environmental sense, it is also a business opportunity. Fewer CO₂ emissions mean cost savings and a competitive advantage, due to the consumption of less energy and the avoidance of CO₂ levies. In addition, we see an increasing demand for vehicles with reduced CO₂ emissions. We are therefore reducing the CO₂ emissions of our vehicles at our own locations, as well as along the value chain.

Minimising emissions at company locations

We focus on minimising CO₂ emissions related to our operations, including emissions that are generated directly from burning fossil fuels (Scope 1), and indirectly through our consumption of electricity and heat (Scope 2). Our reduction strategy includes increasing the energy efficiency of our plants > [Chapter 3.2](#).

Reducing upstream and downstream emissions

We focus on continuously reducing emissions caused by the use and disposal of our products, in our supply chain, in transport logistics and by employees commuting to and from work (Scope 3). The majority of these emissions are generated during the use of our products (corporate level, not including upstream fuel). The BMW Group Efficient Dynamics strategy > [Chapter 2](#) focuses on continually reducing the average fleet emissions of CO₂ per kilometre. Additionally, we are continuously increasing the CO₂ efficiency of our transport logistics > [Chapter 3.2](#).

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INTEGRATING ENVIRONMENTAL PROTECTION INTO OUR PLANNING

During the planning of a new production facility, we conduct a detailed site assessment with input from internal environmental experts and from the Shenyang Environmental Science Institute. This practice allows us to consider any potential environmental impacts at the outset of a project, and to implement any actions or further improvements as necessary. It also allows us to continuously improve our performance and implement best practices from across BMW Group plants.

For both our High Voltage Battery Centre, as well as the Research and Development Centre Phase 2 where construction started in 2015, environmental impact assessments were carried out and impacts were reduced to a minimum from each project's outset. To further increase the energy efficiency of the building throughout its life cycle, the Research and Development Centre Phase 2 will be equipped with a well water cooling system and a building automation system that will allow for better control of room temperature, ventilation and lighting.

SHARING BEST PRACTICES

We aim to reduce the environmental impacts of all our production plant locations. BMW Brilliance's environmental management system is based on relevant legislation, international standards and BMW Group-related guidelines, as well as best practices. We are thus following the principles of the United Nations Environment Programme (UNEP) Cleaner Production Declaration. TÜV Rheinland has certified all of our operating plant locations in accordance with ISO 14001. To ensure continuous improvement, we conduct annual internal and external audits of our environmental management system.

We have established Centres of Competence for energy, water, waste and emissions that are managed by environmental experts from our different plants. Working groups meet regularly to discuss best-practice solutions for issues that may arise.

Our Environmental Policy and management system are fully aligned and integrated with BMW Group-wide environmental policies, guidelines and management systems. As we are part of the BMW Group's international environmental protection network, our experts exchange ideas and approaches with environmental protection specialists from other BMW Group plants. The aim is to build the competence of local teams and employees, and to share best practices globally.



Our energy-savings project team implementing a pilot project at our Tiexi Main Office Building.



3.2

Energy consumption and emissions

OUR STRATEGIC DIRECTION

BMW Brilliance contributes to the BMW Group's environmental target. The BMW Group will reduce its resource consumption (energy, water, waste, solvents) per vehicle produced by 45% by 2020 (base year 2006).

Climate change and air pollution are highly relevant topics in China. In view of the planned introduction of a national carbon trading system by 2017, and of potentially stricter CO₂ regulations in the future, we continuously strive to minimise our environmental impact by increasing our energy efficiency and decreasing emissions throughout our entire value chain.

To reduce CO₂ emissions related to our production, we focus on increasing the energy efficiency of our plants. We are also continuously improving the CO₂ efficiency of our transport logistics. Additionally, we reduce VOC emissions per vehicle produced – one of the major environmental impacts associated with paint processes for automotive companies.

INCREASING OUR ENERGY EFFICIENCY

The energy production in Shenyang, where our production plants are located, is mainly coal-based. This means that more CO₂ and other pollutants are emitted than in regions with more renewable energy resources. Nevertheless, we make every effort to buy cleaner energy wherever possible. Since 2015, for example, we have been using water from a thermal station, heated by a gas furnace, for heating in the North Extension project of our Dadong plant. Additionally, to reduce our energy

consumption and CO₂ emissions, we focus on improving the energy efficiency of our buildings and production processes.

We rely on state-of-the-art technologies to help us achieve our efficiency targets. For example, at the Dadong plant we implemented a “steam to gas” project in 2015. At the paint shop, we collect condensed water from the heat recovery system and use it to preheat water for the boilers, thus reducing overall gas consumption.

Furthermore, at the paint shop in the North Extension project of the Dadong plant, we have developed an integrated paint process that will utilise the latest generation of welding robots. Applying the newest technology allows us to implement high energy efficiency throughout our expanding operations.

At our Tiexi plant, we have achieved additional energy savings in the paint shop by enabling the switch-off of equipment during non-production periods and by optimising the shop's process lighting. We also implemented a heat recovery system at the body shop, which allows us to use the energy from cooling the welding robots to heat up the building during wintertime. Our Energy Saving Initiative implemented first measures to optimise energy efficiency, for example by making use of daylight whenever possible. In the face of rising energy prices, these innovations have allowed BMW Brilliance to reduce our total energy costs and improve our profitability and competitive position.

We use the BMW Group's Building Energy Consumption Standard for Sustainable Construction when building new projects and for any building conversions. This standard establishes principles and concepts for buildings and enables ongoing project monitoring. The aim is to minimise energy and resource consumption, as well as environmental impacts, during all phases of a building's life cycle.

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Celebrating a green building award for our main office

In 2015, our main office building in Shenyang was awarded Gold level LEED (Leadership in Energy and Environmental Design) status, a green building certification programme that recognises best-in-class building strategies and practices.



The main office building's design follows the concepts of green building and energy savings. These include:

- 📍 location choice ⚡ energy and atmosphere 🏠 indoor environmental quality
- 💧 water efficiency 🌿 resources and materials

Our main office building is considered a high-performance green building that is saving energy throughout its life cycle and contributes to BMW Brilliance's energy targets.

Monitoring energy consumption and carbon footprint

Following a 31% increase in electricity consumption between 2013 and 2014, we reduced our electricity consumption by 6.5% in 2015, compared to 2014, by introducing LED lights at our Dadong plant and a building automation system at the Tiexi plant. We also further decreased our heating consumption with the introduction of the "steam to gas" project at our Dadong plant. We were able to reduce our overall energy consumption and energy consumption per unit in 2015. This was achieved despite higher production volumes, which required a longer runtime of our production facilities, as well as the start-up of new operations and buildings, including the new logistics centre at our Tiexi plant.

We have set targets for energy consumption, per unit produced, for our plants (Tiexi, Dadong and our Powertrain plant) and for different production processes (i.e. the press shop, body shop, paint shop and assembly). We have installed metering systems to obtain accurate data on our energy consumption. These systems help us to closely monitor, target, address irregularities and implement any necessary measures to ensure our performance is on track.

Improved energy efficiency and the use of cleaner energy sources have enabled us to reduce our carbon footprint for every vehicle we produce. In 2015, we further reduced the CO₂ levels, per unit produced, by 9.3% compared to 2014, and achieved a CO₂ efficiency of 0.88 tonnes of CO₂ per unit produced.

Energy consumption at all plant locations F.08

in MWh	2013	2014	2015	Change to previous year
Total fuel consumption from non-renewable resources	115,477	109,895	132,326	20.4%
Total electricity consumption	165,396	216,674	202,558	-6.5%
Total heating consumption	162,627	153,660	143,539	-6.6%
Total energy consumption	443,500	480,229	478,424	-0.4%

Energy consumption per unit produced at all plant locations F.09

in MWh/unit	2013	2014	2015	Change to previous year
	2.06	1.67	1.66	-0.6%

CO₂ emissions per unit produced at all plant locations F.10

in t/unit	2013	2014	2015	Change to previous year
	1.10	0.97	0.88	-9.3%

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INCREASING TRANSPORT EFFICIENCY

BMW Brilliance produces and supplies premium products and services that require the transport of large volumes of goods. Transport logistics are not only important to our business success, but also to how we are perceived by society. We are increasingly using low-carbon modes of transport and we are continuously improving our logistical efficiency. This strategy reduces overall costs to the business and minimises our environmental impact.

Our low-emissions strategy is twofold. We are increasingly using short sea shipment main-haul transport via the ports of Shanghai and Yingkou for high-volume suppliers from the Greater Shanghai area. For long-distance transport we have implemented our full truck load strategy to ensure trucks are filled to capacity. This enables us to decrease carbon emissions during transport by using fewer trucks and minimising wasted container space, as cargo is directly collected from suppliers based on production orders.

Furthermore, BMW Brilliance has launched a number of pilot projects to evaluate to what extent standard-fuel truck transport can be substituted by liquefied natural gas and/or compressed natural gas technology. By doing so, we anticipate reducing CO₂ emissions, as well as noise and other emissions.

A further transport improvement was the opening of a railway connection to our Tiexi plant in late 2014. Finished cars can now be dispatched by train to different hubs, replacing truck shipments, and thereby increasing efficiency and reducing emissions. The train connection is also used for incoming containers, facilitating the transport of goods and reducing our dependence on trucks that are impacted by weather and road conditions, especially in wintertime.

For our employees, we provide shuttle buses linking our plants and the city of Shenyang to reduce the use of private cars and, consequently, CO₂ emissions generated during the commute.



Diversified transport methods: Inbound train with imported materials at our Tiexi plant.

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REDUCING OUR VOC EMISSIONS

We are committed to reducing our VOC emissions from our production processes to mitigate any risks and impacts on society. Due to technology improvements at both our Tiexi and Dadong plants, we were able to drastically reduce our VOC emissions between 2012 and 2014.

Our continuous improvement efforts led to a further 5.3% reduction in VOC emissions per unit produced, from 0.48 kg of VOCs in 2014 to 0.45 kg of VOCs in 2015.

Volatile organic compounds (VOC) per unit produced at all plant locations F.11				
in kg/unit	2013	2014	2015	Change to previous year
	3.52	0.48	0.45	-5.3%

FORECAST 2016

As our operations grow, we continue to expand the scope of our environmental certifications. We are planning to include the new engine plant, which is starting production in January 2016, in our certification scope by year-end 2016. We are continuing to test and assess the potential of a cleaning solvent without VOC emissions. If proven successful, it will have replaced the previously used product well before the end of the year, thus contributing to a further reduction in VOC emissions. Furthermore, we are implementing energy efficient technology in the North Extension project, which will begin production in 2017. The new plant will benefit from the use of LED lights, which will contribute to its overall energy savings.





3.3

Waste reduction

OUR STRATEGIC DIRECTION

BMW Brilliance contributes to the BMW Group's target. By 2020, we aim to reduce waste by 45% per vehicle produced, compared to 2006. Our goal is to reduce all waste for disposal to a minimum.

One of the major sustainability issues society faces is the global depletion of natural resources. Raw materials are becoming increasingly scarce, and as demand increases, so too do business costs. In this context, we engage in recycling management throughout our product life cycles. We focus on continuously optimising our processes and reducing our waste volumes. This approach allows us to consider waste as a valuable resource, which might be successfully incorporated back into our production processes. It also reduces our costs, as well as environmental impacts, and is essential to maintaining compliance with the Waste Pollution Prevention and Control Law of China.

To achieve our objectives, we focus on managing the waste generated from our production processes and collaborating with our vendors on waste disposal.

MANAGING OUR WASTE

We have implemented the BMW Group's waste information system – ABIS – to help us record and reuse the waste we produce. BMW Brilliance has customised ABIS to meet requirements within China. We apply ABIS to determine the best disposal method for a particular type of waste.

We also use ABIS to help us document individual waste flows and to categorise waste as hazardous or non-hazardous, in accordance with the Waste Pollution Prevention and Control Law and the Hazardous Waste Catalogue of China. During 2015, there were no incidents of illegal transport or disposal of hazardous waste.

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Implementing best practices

When we recycle materials or waste, we comply with the same five-step hierarchical model used by the BMW Group, and as laid down by the European Union as best practice:

-  **Prevention:** Where possible, we avoid creating waste in the first place. This is the best solution both in economic and environmental terms.
-  **Reuse:** We reuse any viable waste material immediately. Otherwise, we prepare it for reuse in its original area of application.
-  **Recycling:** If reuse is not an option, we recycle the material in such a way that we can reintroduce it to the cycle. It can then replace primary raw materials.
-  **Recovery:** We deliver non-recyclable waste materials to vendors with incineration facilities for heat recovery, whenever it is technically feasible and legally permitted. Other methods of disposal are also used.
-  **Disposal:** Only the small volume of non-recyclable waste that is then left over is earmarked as waste for disposal.

Minimising packaging waste

To reduce waste and to minimise our impact on the environment, we use recycled packaging for both imported and local parts during our vehicle production processes. We also use returnable packaging for local parts whenever possible, which has drastically reduced our packaging waste.

Raising awareness among our employees

Disposable food packaging creates a considerable amount of waste and is also a cost factor for BMW Brilliance. In 2015, we therefore implemented a campaign to reduce the food packaging waste generated in our canteens. The campaign included hanging banners in the canteen and break areas to raise employee awareness, reusable public mugs and a coupon system for paper coffee cups, as well as a takeaway box as a gift for our employees.

The campaign achieved a positive response from our workforce and had an immediate visible effect: within less than a month, food packaging consumption was reduced by nearly 80%, from close to 35,000 units in March down to less than 8,000 units in April 2015.

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Paint shop press filter for waste sludge reduction.

Dewatering sludge from wastewater treatment

In order to reduce the waste generated in our wastewater treatment plant, we installed new compact machines for the sludge dewatering process. With this new technology, the water content in the waste can be reduced by about 30%, which results in a reduced volume of waste for disposal.

Controlling waste management data

Despite our efforts to reduce our waste to a minimum, the total quantities of waste for disposal and waste for recycling have increased since 2014, as the table below illustrates. These increases are mainly due to:

- + an increase in sanitary waste due to a larger workforce at Tiexi plant;
- + more frequent deep cleaning activities at Dadong paint shop; and
- + an addition of wastewater sludge from the construction of the new engine plant treated at the Tiexi wastewater treatment plant.

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Total non-hazardous and hazardous waste at BMW Brilliance

F.12

in t	2013	2014	2015	Change to previous year
Hazardous waste for recycling	1,940	4,060	3,999	-1.5%
Hazardous waste for disposal	384	1,034	2,000	93.4%
Total hazardous waste	2,324	5,094	5,999	17.8%
Non-hazardous waste for recycling	13,113	22,312	26,659	19.5%
Non-hazardous waste for disposal	563	597	641	7.4%
Total waste for recycling	15,052	26,374	30,658	16.2%
Total waste for disposal	947	1,631	2,641	61.9%
Total waste	15,999	28,005	33,299	18.9%

As is the case for total quantities, the waste for disposal per vehicle produced has also increased since 2014, mainly due to the reasons described above.

Waste for disposal per unit produced at all plant locations

F.13

in kg/unit	2013	2014	2015	Change to previous year
	4.41	5.67	9.17	61.8%



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COLLABORATING WITH OUR VENDORS

We work closely with several vendors on waste disposal to help ensure their performance complies with national and local laws and regulations. In addition, we conduct duty of care audits in order to review the management process of each vendor. We conduct such audits during our vendor selection phase. Furthermore, we audit the hazardous waste management systems of all our contracted vendors every three years.



FORECAST 2016

In 2016, we are continuing to focus on minimising waste for disposal and on devoting the necessary resources to recycling management. Our project to recycle the limestone used for our eco-dry scrubber system in the Tiexi plant paint shop, for example, is ongoing. If successful, used limestone will not be treated as waste for disposal, but rather as a raw material for cement production. At our new engine plant, which is starting production in January 2016, we are aiming to recycle 90% of the sand used in the foundry for the sand core process. With this new approach, up to 30 tonnes of sand per day can be recycled instead of being sent to the disposal company.



3.4

Water

OUR STRATEGIC DIRECTION

BMW Brilliance contributes to the BMW Group's target. By 2020, we will have reduced water consumption and process wastewater by 45% per vehicle produced, compared to 2006. Our vision is to achieve wastewater-free production processes.

Water is becoming increasingly scarce and more valuable as the world's population and consumption rise. In Shenyang, Liaoning Province, where our production plants are located, reduced availability of water creates challenges. We understand that careful use of this natural resource is increasingly important today, and for the future. We focus on reducing our water consumption in our daily activities, in order to reduce our business costs and to minimise our impact on the environment, as well as on society.

Our water consumption is mainly related to the sanitary facilities for our workforce, evaporation from the cooling towers in our production processes, and the water used at our paint shops. We therefore focus on continuously improving our water efficiency in all of these areas. Additionally, we continuously improve our treatment of wastewater. A management system monitors consumption targets and levels at each of our plants. We also regularly exchange best practices in water management between representatives of all plants within the BMW Group's international environmental protection network.

REDUCING WATER CONSUMPTION

At our Tiexi plant, the use of state-of-the-art technologies contributes significantly to the plant's water savings. They include:

- closed-cycle water systems and the introduction of waterless processes at the paint shops;
- water-saving sanitary fittings that conserve 21,800 m³ per year compared to the traditional fittings;
- hybrid air-cooling towers rather than evaporative-cooling towers; and
- recirculation of demineralised water in the paint shop's paint-fume capture system.

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At our Dadong plant, we have introduced water recycling into our newly refurbished car washing system. Additionally, the recirculation of demineralised water in the paint booths at the Dadong paint shop supports our ongoing efforts to reduce the amount of water consumed during the process.

Monitoring our water use

Thanks to measures to limit our water consumption, we stabilised the amount of water consumed per unit produced. We achieved this despite the opening of new buildings and an increased workforce with higher water consumption needs at our Tiexi plant. Our measures also counterbalanced increased water consumption in the paint shop at our Dadong plant where process changes were required to adapt to new materials. At the same time, we reduced the amount of process wastewater per unit produced to 0.46 m³.

Water consumption per unit produced at all plant locations F.14

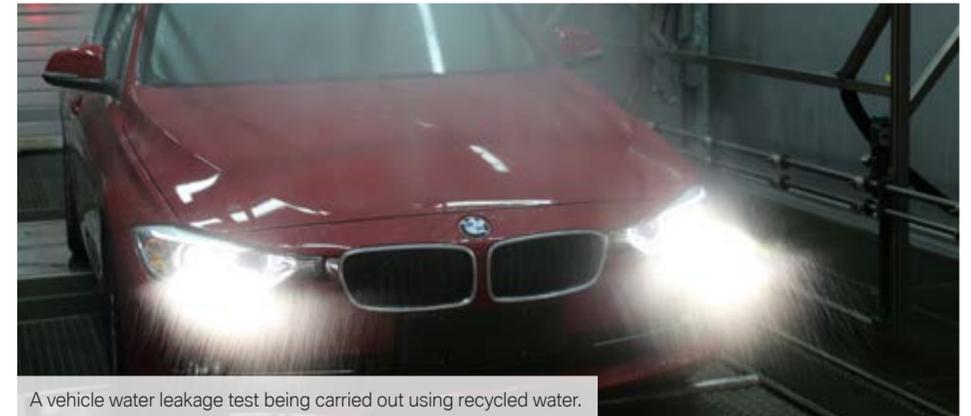
in m ³ /unit	2013	2014	2015	Change to previous year
	2.72	2.18	2.18	-0.2%

Process wastewater per unit produced at all plant locations F.15

in m ³ /unit	2013	2014	2015	Change to previous year
	0.50	0.47	0.46	-1.9%

TREATING OUR WASTEWATER

In 2015, we introduced a wastewater recycling system at the Tiexi plant, where process water treated in the plant is used for gardening during summer months. This system can save approximately 200,000 m³ of potable water annually.



A vehicle water leakage test being carried out using recycled water.



Our pretreatment water reuse system reduces water consumption and wastewater discharge.



Our electrocoating ultrafilter system reduces wastewater discharge.



FORECAST 2016

In 2016, we are introducing closed-loop well water cooling systems in both our Tiexi and new engine plants. We anticipate that this will reduce the amount of water evaporated in the process as the use of the cooling tower can be minimised. Additionally, we are planning to treat the wastewater from our laboratory. Throughout the year we will be monitoring and tracking the full impact of the Tiexi plant's new water recycling system. We also anticipate that the foundry process at the new engine plant will consume substantial amounts of water. To lower consumption to a minimum, the foundry will use a water recycling system that allows the treatment and reuse of nearly all the process water.



4

SUPPLIER MANAGEMENT

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- 4.3 Utilising supplier opportunities



STAKEHOLDER STATEMENT:

Sustainability in the supply chain



Christian Kopp

General Manager, Yanfeng Plastic Omnium
(Shenyang) Automotive Exteriors Systems Co., Ltd.

What is your understanding of sustainability?

For us at YFPO, sustainable value creation is at the core of what we do. As we are working in a business-to-business environment, our first priority is always to meet our customers' needs and requirements. With respect to environmental and social performance, this means that we work closely with BMW Brilliance to maintain and further improve the sustainability of our activities. Throughout our operations, we seek to minimise our impact on the environment by reducing energy consumption and waste production. We are committed to providing safe working conditions, valuable career development opportunities and fair remuneration to all of our employees. Sustainability is also about taking a long-term view of our customer relationships. This is reflected in our decision to locate our second plant in immediate proximity to the new BMW Brilliance plant. This allows us to support BMW Brilliance in the best possible way.

How does the collaboration with BMW Brilliance help you optimise your business operations in general and especially your sustainability performance, e.g. through eco-efficiency or responsible human resources measures?

BMW Brilliance is a demanding customer with very high standards for both the production process and end products. Our collaboration with BMW Brilliance is a constant learning process as they always push us to become better and better. With BMW Brilliance employees frequently visiting our plant, we can share experiences, further improve our understanding of their requirements and work together on implementing these requirements on-site. Over the years, we have invested in our lab equipment to allow for product performance learning, faster product qualification

and full "design to just-in-time delivery" customer service. Today, we are proud to be a leader in our field in China. While challenging at times, BMW Brilliance's regularly evolving standards have been a blessing for us. I say without hesitation that without them, we would not be as strong and competitive as we are now.

How do you integrate sustainability into your everyday operations?

An example is our paint process, for which we introduced a KPI to help us manage the amount of paint transferred to the actual product. This results in the elimination of paint waste and reduction of volatile organic compound emissions. For our plastic injections, we have replaced our previous centralised cooling tower with individual energy-efficient coolers that we only use when necessary. This reduces our energy consumption. We have also insourced the cleaning of support frames used in the painting process, which allows us to optimise cleaning frequency, reduce unnecessary travel and minimise waste.

Do you have suggestions on how to improve collaboration with BMW Brilliance even further with respect to sustainable development in the future?

We see an opportunity for future new product testing to be conducted locally rather than in Germany. This would not only result in lower delivery costs and a reduction in CO₂ emissions, it could also save time as well as internal resources. Our design capabilities and our know-how of lightweight solutions (e.g. plastic fenders and tailgates) could also be used to improve the sustainability of vehicles. At YFPO, we are prepared to put the breadth of our resources and skills at BMW Brilliance's disposal to chart the course to a more sustainable future.



4.1

Our management approach

Our global supply chain network makes a major contribution to value creation, quality and innovation at BMW Brilliance. Our suppliers play a significant role in helping us achieve our sustainability goals and in the sustainable development of society as a whole. As our business grows, so does the complexity of our supply chain and our potential impact on the environment and society. Our supply chain includes a wide network of suppliers and sub-suppliers, which presents considerable challenges for us to maintain sustainability standards. However, it also provides us with opportunities to leverage the sustainability performance in our supply chain. We believe that by strengthening this performance we will achieve our long-term goals, deliver a premium experience to our customers and contribute to sustainable development. We know that these goals can only be achieved in close collaboration with our suppliers.

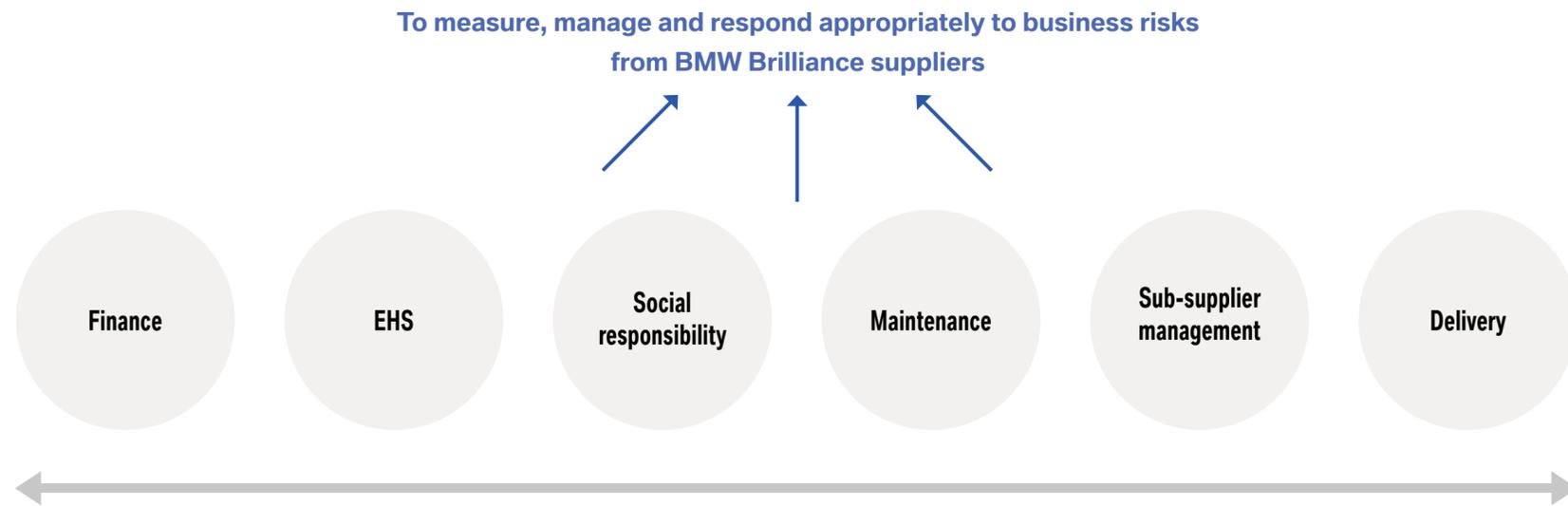
LEVERAGING OUR SUPPLIER RELATIONSHIPS

There are significant opportunities to add value to our processes and products throughout our supply chain. We work closely with our suppliers to continuously improve product and production quality, ensure security of supply, enhance price credibility and enable innovation. We develop long-term partnerships with our suppliers in order to leverage our combined potential. By integrating sustainability standards into our supply chain we are aiming to achieve our sustainability goals and improve the sustainability performance of our suppliers as well.

By developing shared objectives and targets, we can continuously improve product quality, logistics processes, production procedures and sustainability standards. We also discuss the challenges and opportunities we face, and together develop in-depth analyses on key issues as well as solutions to them.

Sustainability in our supply chain is incorporated into our overall approach to Supplier Risk Management (SRM). In addition to finance, maintenance and delivery, we have defined three specific sustainability areas:

- ▶ environment, health and safety (EHS)
- ▶ social responsibility
- ▶ sub-supplier management



With our SRM approach we effectively identify and manage the sustainability risks in our supply chain. With our various supplier initiatives we work hand-in-hand with our suppliers to build sustainability capacity in our supply chain.

Description of BMW Brilliance’s supply chain

BMW Brilliance’s supply chain is complex, multi-tiered and highly diversified as we source not only huge quantities but also an enormous variety of products, ranging from very simple parts, like screws, to high-technology electronic system components.

As we align our sourcing activities more closely with the BMW Group’s global strategy, we are currently shifting value creation along the supply chain towards our main sales market – China. We believe local sourcing provides numerous benefits for our business and for society. In addition to reducing our currency risks, this approach allows us to support our operating communities and regions. Local sourcing also improves our logistics by reducing our transport footprint, resulting in lower greenhouse gas emissions.

For example, for several years now, all local automobiles produced by BMW Brilliance have had a localisation rate of more than 40%. That means we have been sourcing

locally significantly more than 40% of the total costs for goods and services needed to manufacture vehicles at our Shenyang production plants.

By year-end 2015, we worked with 319 suppliers based in mainland China. That is an increase of more than 12% compared to 2014. Our suppliers are located across 16 Chinese provinces. The number of suppliers located in Liaoning Province, where our plants are also located, increased from 53 in 2014 to 70 in 2015. On a year-on-year comparison, this is a disproportionate increase of 32% compared with the total increase of more than 12%. This increase is a clear result of our intention to bring our suppliers closer to our plants.



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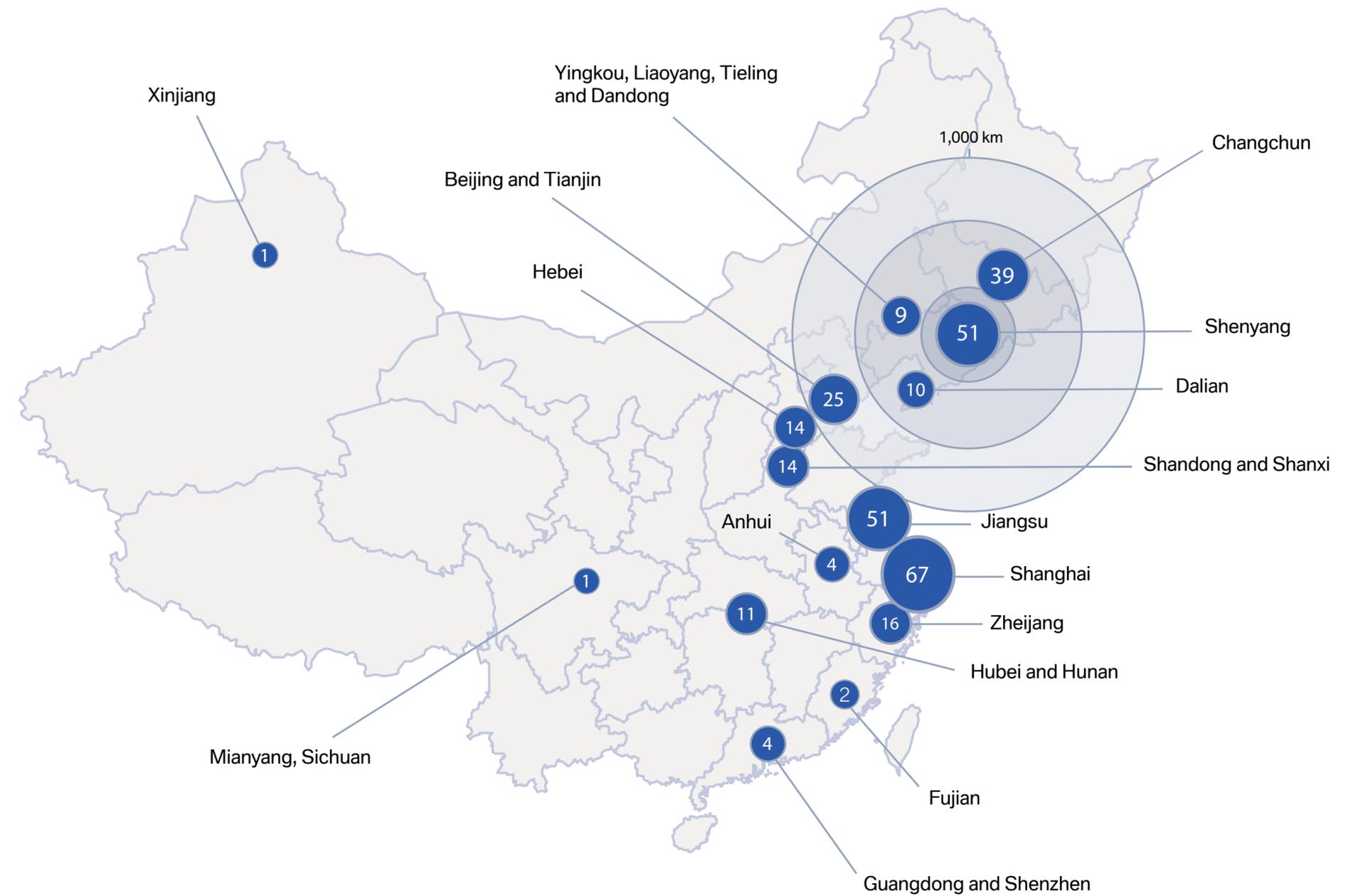
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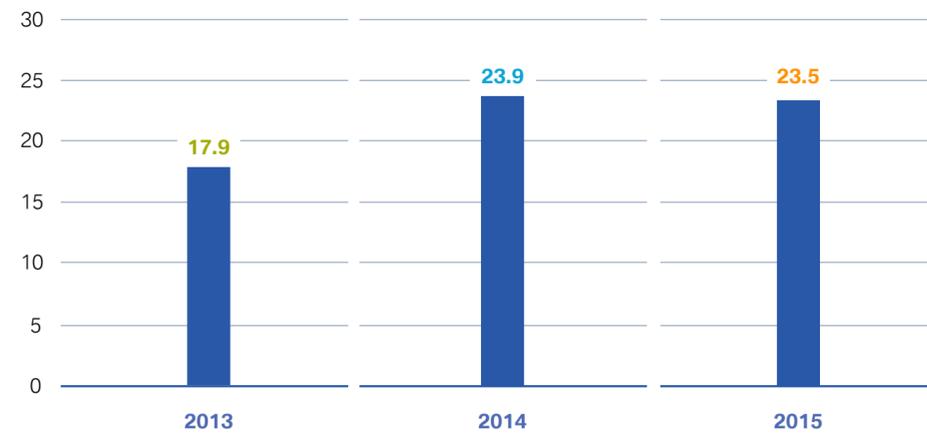
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Purchasing volume in China

F.18

in billion RMB



The parts purchasing volume of local suppliers has increased continuously over the past several years and remained at a high level in 2015. By locally sourcing parts for our production, we contribute to the development of the local economy.

We apply several criteria and considerations to the supplier selection process for China. One criteria is the size of automotive parts. We aim to source all major large parts from China, in order to significantly reduce international shipping costs and related emissions. In most cases, BMW Brilliance works directly with the manufacturers and without the involvement of contractors, brokers, wholesalers, agents and others.

OUR SUPPLIER PRINCIPLES AND STANDARDS

We have developed and implemented several company-specific guidelines, procedures and policies to ensure our employees are aware of all local environmental, health, safety and labour laws, as well as legal requirements and international sustainability principles. These guidelines and policies enable our employees to drive forward the sustainability goals of our supply chain. For example, in the BMW Brilliance Environment, Health and Safety Purchasing Management Procedure, we have defined the purpose and applicability, relevant terms, definitions, abbreviations,

responsibilities and accountabilities, as well as detailed procedures within BMW Brilliance, for the integration of sustainability criteria into our supply chain.

BMW Brilliance abides by the principles of the UN Global Compact and the ILO. The BMW Group Supplier Sustainability Standard summarises the BMW Group's core principles and standards for our suppliers in accordance with globally recognised principles. It includes a commitment to environmental and social responsibility, as well as to compliance with all internationally recognised human rights, local labour and environmental laws.

OUR SUPPLIER CONTRACTS INCLUDE SUSTAINABILITY CLAUSES

BMW Brilliance's supplier network overlaps with the BMW Group's supplier network. During 2015, we finalised the harmonisation of contracts between the two supplier networks and established the same high-quality global processes for all of our local suppliers.

We therefore adhere to the BMW Group's International Terms and Conditions for the Purchase of Production Materials and Automotive Components. These include specific provisions regarding environmental protection and social responsibility. All of our supplier agreements contain clauses based on the principles of the UN Global Compact and the ILO. These provisions require resource-efficient consumption of raw material, energy, water and chemicals – as well as reduced greenhouse gas emissions. Furthermore, there is a ban on child and forced labour, bribery, as well as requirements for health, safety and environmental protection. Suppliers are expected to contractually bind their sub-contractors and suppliers to comply with the sustainability terms of the BMW Group as well, in order to ensure a comprehensive approach throughout the whole value chain.

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MANAGING OUR SUPPLY CHAIN

All relevant departments at BMW Brilliance, including Research and Development, Purchasing, Quality Management and Logistics, are jointly responsible for ensuring sustainable supply chain management. We focus on managing and minimising supplier risks and leveraging supplier potential, in order to ensure sustainability and continuous improvement throughout our entire supplier network.



OUR PROCESSES ALIGN WITH THE BMW GROUP PROCESSES

The BMW Group's sustainability risk management process helps ensure that we meet our sustainability standards. The process consists of a sustainability risk filter specifically designed for the BMW Group, a voluntary self-assessment questionnaire and sustainability on-site assessments. Based on these assessments – which include logistics, quality, technical, cost and sustainability criteria – BMW Brilliance receives a clear recommendation on supplier choice and selection. As a result, the BMW Group's comprehensive sustainability performance and risk assessments are considered as preconditions of our own supplier management and reviews.

Responsibilities

The SRM process was established by the BMW Brilliance Purchasing and Supplier Quality Management (QMT) Department and Logistics Quality Management (LQS). QMT leads the implementation of the cross-functional SRM process. Currently, there are almost 120 people involved in ensuring the implementation of sustainability standards throughout our supply chain. The QMT Department maintains overall responsibility for the SRM.



Dr. Klaus Draeger, BMW AG Board of Management Member for Purchasing and Supplier Network, visits our Tiexi plant (second from right).



4.2

Minimising supplier risk

OUR STRATEGIC DIRECTION

Our goal is to ensure compliance with the ten UN Global Compact Principles across our whole supply chain. We plan to achieve this goal in close collaboration with our suppliers.

Our supplier risk management process is critical to ensuring that our sustainability standards are met across our supply chain. We focus on identifying not only product risks, but also sustainability risks related to workers and communities, as well as to environmental impacts. BMW Brilliance is committed to addressing these sustainability risks, as we continue to increase the amount of goods and services we procure from local Chinese suppliers. Additionally, sustainable supply chain topics are gaining more public attention as stakeholder expectations evolve over time.

We focus on understanding and addressing local conditions, as well as any specific industry or related product risks, to ensure compliance with our sustainability standards. Our priority is to ensure that all of our suppliers maintain the highest standards of operation and comply with any associated legal requirements.

Because sustainability covers several areas spanning different departments, we have created an internal team responsible for integrating sustainability into our supply chain. As three major departments are involved – QMT, Purchasing and Logistics – this team was internally named the “clover-leaf” team. The clover-leaf team continuously reviews our suppliers’ sustainability performance to ensure we are working with the right suppliers. If necessary, we help our current suppliers by providing support to ensure our sustainability standards are met.

OUR APPROACH TO MINIMISING SUPPLIER RISK

We developed BMW Brilliance’s own SRM process to promote greater corporate responsibility among our suppliers and help them adapt to BMW Brilliance’s China-specific circumstances. Following a pilot project in 2013, we officially launched our SRM process in April 2014, and continued its implementation in 2015. In addition to the BMW Group processes, which apply to all BMW Brilliance suppliers, we had already assessed a total of 161 suppliers on-site by year-end. Additionally, we adapted our internal procedures to manage our suppliers in accordance with the standards required in the ISO 14001 Environment Management System and in the OHSAS 18001 Occupational Health and Safety Management Standards.

BMW Group process**1. Identity risk****1a.**

Identify high-risk supplier locations based on sustainability risk filter

1b.

Identify and analyse high-risk suppliers based on media screening

BMW Group process**2. Retrieve self-assessment****2a.**

Obtain self-assessment sustainability questionnaire

2b.

Develop supplier-specific corrective action plan

BMW Brilliance-specific SRM process**3. Supplier risk management on-site assessment****3a.**

Supplier risk management on-site assessment internally by clover-leaf team

3b.

Corrective action plan based on assessment result

IDENTIFYING RISKS THROUGH SUSTAINABILITY RISK FILTER

Through our proprietary sustainability risk filter, we evaluate the environmental, social and governance risk potential of all existing and new suppliers. The filter takes into account both location-specific and product-specific risks. This includes, for instance, an assessment of social risks in certain countries, such as child labour or forced labour.

We also consider environmental risks such as damage to nature, emissions and process materials containing substances that can be hazardous to health. In such cases, we assess the production facility of the supplier, rather than its head office. If sub-suppliers are repeatedly in breach of our sustainability standards, the supply chain is also evaluated using the sustainability risk filter.



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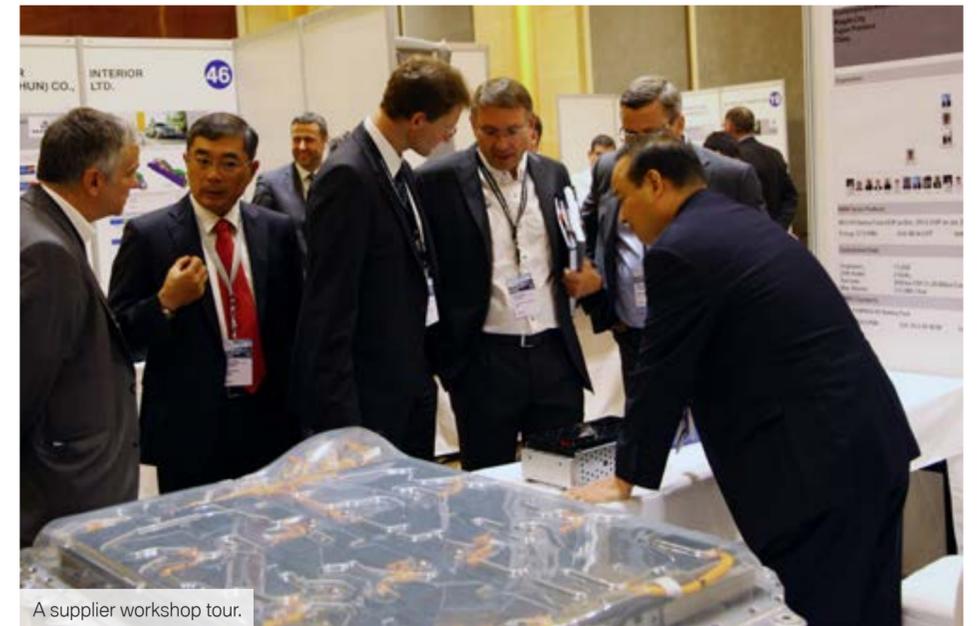


ENSURING SUSTAINABILITY STANDARDS VIA SELF-ASSESSMENT QUESTIONNAIRES

Based on the results from the risk filter, the next step of our supplier sustainability management process is to implement the supplier self-assessment via a questionnaire.

BMW Brilliance uses the same questionnaire as the BMW Group. This is an industry-wide questionnaire based on guiding principles that apply to all original equipment manufacturers (OEMs) > **OEM Questionnaire**. It ensures compliance with minimum standards throughout the industry. We have also introduced modular online assessments in order to ensure compliance with BMW Brilliance-specific and other additional requirements.

When new suppliers offer us their services, they must make a clear commitment in their self-assessment to social standards, such as compliance with international human rights. Sustainable use of materials, such as secondary aluminium, is also verified at the “request for proposal” stage. The OEM questionnaire asks whether the environmental management system in place is in accordance with ISO 14001, and whether recycling is integrated into the product development phase. It also requests details on the supplier’s overall approach to recycling. After the proposal has been submitted, these details are included as key decision-making indicators in the procurement process.



A supplier workshop tour.



A supplier workshop on quality assurance.



CONDUCTING SUPPLIER ON-SITE ASSESSMENTS

We manage potential risks by assessing our suppliers according to our SRM process on-site at the supplier's plants. In doing so, we ensure our suppliers respect the standards we require of them. The SRM assessment process is divided into five major steps.



1 An individual kick-off meeting with each supplier will be held after the supplier sends the supplier check list and self-assessment. The supplier will be asked to provide check-list-relevant documents, such as business certification, financial statements and EHS documents (environmental impact assessment, occupational health and safety report and fire inspection certificate report).

2 Clover-leaf team implements on-site assessment, included QMT, Purchasing and Logistics. A written assessment report will be developed with findings, gaps and areas requiring improvements, and a corresponding corrective action plan.

3 Within 14 working days, offer check list, list of open issues (LOP list) and corrective action plan will be sent to central management. The findings will be reviewed with management team from Purchasing and QMT Department on a monthly basis.

4 Follow-up the remaining open points with the supplier by clover-leaf team.

5 Close the LOP list, change the supplier status and ensure yearly review.

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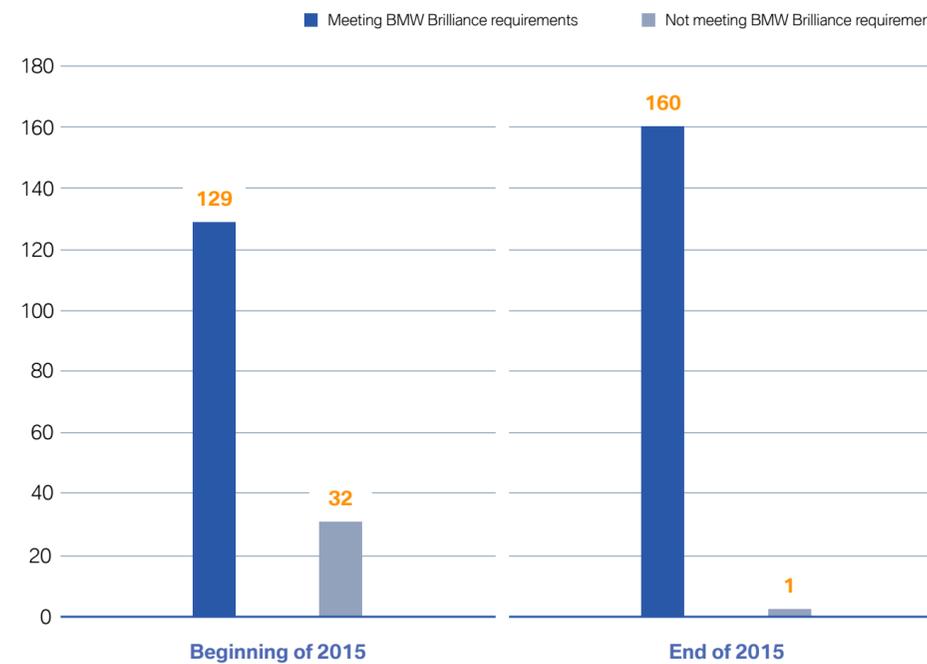
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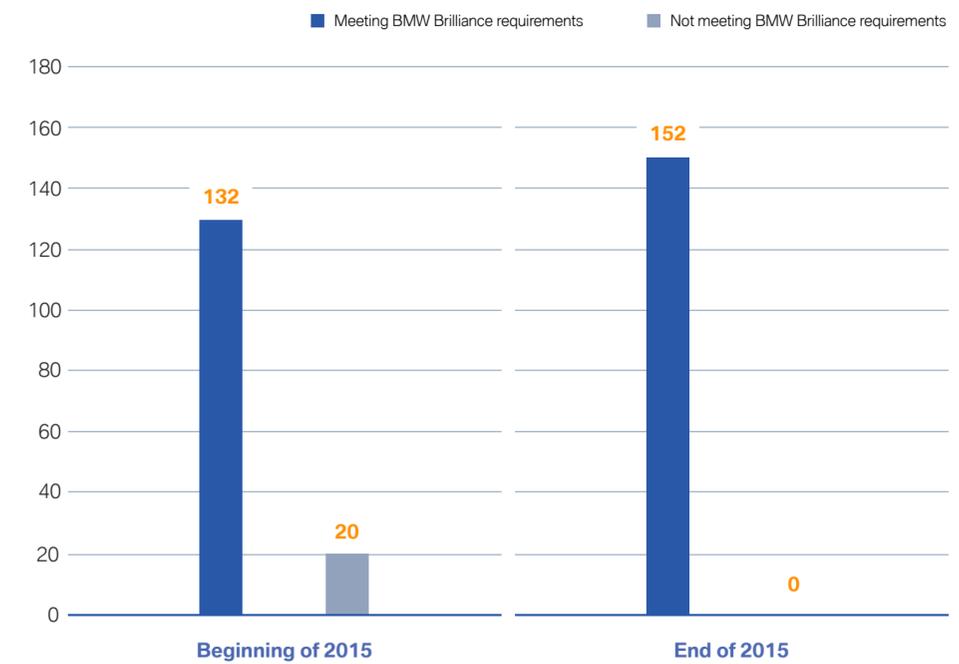
In 2015, we worked with 193 suppliers, out of a total of 319 suppliers, on our current production requirements. However, of those 319 suppliers, 126 are identified as parts suppliers for future automobile models that are not yet in production at BMW Brilliance. Therefore these suppliers have not been integrated into the SRM process yet.

In addition to the screening of all 193 suppliers for the current production through the OEM Questionnaire, we conducted on-site assessments at 83 suppliers in 2015 covering environment, health and safety issues. As a result, at least 78% of our current suppliers have been involved in the full SRM process.

On-site assessment results: Impacts on the environment F.20



On-site assessment results: Labour practices F.21



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As a result of our SRM process, we reduced the number of identified suppliers with high risks in their environmental practices from 32 to 1 and labour practices from 20 to 0 by working together with the suppliers to develop and execute appropriate action plans to meet our requirements. We are currently working with the remaining high-risk supplier in order to guide and support them to achieve an acceptable level.

The overall evaluation results of our SRM process are both quantitative measures and qualitative judgements. Suppliers are given a green, yellow or red traffic light based on their results in the above-mentioned six areas.



Green stands for low risk: suppliers are in good standing.



Yellow stands for middle risk: suppliers need to close open points.



Red stands for high risk: suppliers need to close open points. On-site reassessment by BMW Brilliance.

Based on the audit results, we provide direction and introduce performance requirements to suppliers based on legal, ISO 14001 and OHSAS 18001 standards. In general, if the results of an audit show non-compliance or potential for improvement, we work with the supplier to develop a specific corrective action plan and provide assistance with its implementation. We require follow up on the action plan in a reasonable but timely manner.



FORECAST 2016

In 2015, we continued to roll out our SRM process, which to date covers at least 78% of our suppliers for the areas of environment and labour practices. We will continue to identify supplier sustainability risks and evaluate their performance, implement countermeasures and enable continuous improvement. In 2016, we are reassessing all critical suppliers who were identified as high-risk during the 2015 audit in order to guide them towards compliance with our sustainability standards. We aim to cover most of the entry-level class product line (LU) suppliers with our SRM process by the end of 2016.



4.3

Utilising supplier opportunities

BMW Brilliance sees long-term and close collaboration with its suppliers as an opportunity to integrate sustainability into our entire value chain. We harness this potential by promoting employee and supplier training, by encouraging greater resource efficiency, and by sponsoring supplier education initiatives.

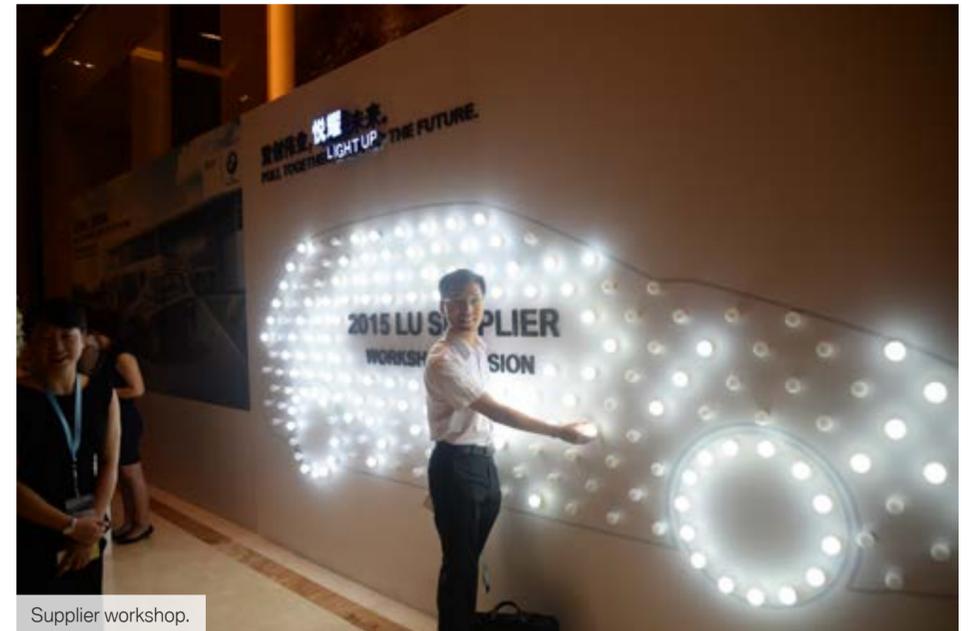
We accomplish this by constantly aligning and improving our internal capacity to drive sustainability forward in our value chain. We also help our suppliers become more sustainable by encouraging them to create innovative and sustainable solutions.

IMPLEMENTING INTERNAL INITIATIVES

We deliver key training opportunities to support the implementation of our supplier initiatives:

 In 2015, we offered SRM training to our buyers and quality experts. The aim was to raise their awareness of sustainable supply chain management. All supply-chain-related topics are now covered through this training. We held training sessions in our training centre covering all six SRM aspects, as well as on-site training for approximately 90 employees.

 In 2016, with new car model projects developing, we will deepen our SRM communication and cooperation with new and relocated suppliers.



Supplier workshop.



New model status day.

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IMPLEMENTING SUPPLIER INITIATIVES

We aim to monitor and guide all of our suppliers towards achieving green traffic lights in all areas. Suppliers who underperform are reviewed on a monthly basis by the clover-leaf team. We provide individual coaching and communication support for suppliers to answer their questions regarding our sustainability requirements or the SRM process in general.

In cases where a supplier does not take effective action to counter its under-performance, we escalate the issue within BMW Brilliance. We use the assessment results to optimise our value chain and sourcing stream, as well as to evaluate environmental impacts and human rights risks, such as child labour.

Each year, we begin with a re-qualification of all suppliers to ensure their performance meets our high standards. This approach guarantees there is always a high availability of good-quality parts, combined with a reasonable cost structure and optimised value stream. Furthermore, the SRM process helps to maintain greater awareness for issues such as social responsibility, health, safety and the environment.

COMMUNICATING OPENLY WITH OUR SUPPLIERS

Since 2013, we have hosted three BMW Brilliance Supplier Days. In 2015, our event focused on our new car model projects, bringing together suppliers and management for an open discussion forum. For new projects, over 70 suppliers from across China took the opportunity to share their information, expectations and challenges with other members of our network. We discussed our future business plans and opportunities to work together, as well as logistics and quality-related matters.

In particular, we discussed the challenge of addressing sustainability issues, such as environmental and social responsibility. Our goal is to bring our suppliers geographically closer to the BMW Brilliance plants in order to save logistics and energy costs.

Our Supplier Days have been very successful in building, as well as deepening, important relationships with key suppliers and our own business partners. We have received positive feedback from our suppliers and from the government on this initiative.



FORECAST 2016

In 2016, we are continuing to integrate sustainability into our supply chain and training our suppliers, as well as hosting regular events for our supplier network. For suppliers that did not pass our SRM audit process, we will provide training and guidance on how to achieve our sustainability standards in the future.



5

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STAKEHOLDER STATEMENT:

Opportunities for personal growth as the key to successful human resources management



Ms. Yan Song (centre).

Yan Song
Section Leader, Dadong Assembly Shop, BMW Brilliance

I had the fortune of joining BMW Brilliance in 2003. I was very excited about becoming a member of such a prestigious enterprise right after my graduation, and proud to participate in the manufacturing of these world-class automobiles. The 13 years I have worked here have elapsed so quickly. During this time, my skills and career have grown along with BMW Brilliance. While I witnessed the production expansion from only one vehicle model to currently four models, I have personally grown from a production associate into a section leader. My engagement has been guided by our work ethic of diligence and accountability, and by the goal of improving the quality of our products to guarantee client satisfaction. Driven by a strong sense of responsibility and mission, I strive to enhance our products through proactive planning and by improving our workforce's production skills and awareness of quality assurance. I have been trying to set a good example for my team, and encourage them to get involved in quality control and technical improvements on the spot. These initiatives aim to bring into full play the enthusiasm and creativity of our personnel and enable them to contribute to the sustainable growth of the whole company.



5.1

Our management approach

BMW Brilliance’s business has expanded at a rapid pace, also due to our commitment to local production and procurement. This expansion emphasises the importance of skilled employees to the company. We make every effort to attract and engage the best talent by developing a long-term strategy and by employing innovative human resources solutions. We have made it our goal to offer our employees a variety of benefits and training opportunities, and a high level of job satisfaction. All these factors position us as one of the most attractive employers in the Chinese automotive industry. Our increasingly diverse workforce is motivated, competent and highly effective. This is a core competitive advantage and helps to sustain our business success.

Despite the slower pace of China’s economy, the Chinese automotive industry is growing continuously. Our challenge within this context is twofold: we want to ensure that our employees’ professional career development matches the pace of our business growth and help them develop to their full potential. This means our need for effective talent management is growing and the cost thereof is increasing. Furthermore, attracting and retaining talent remains demanding in the face of increased competition. We believe that human resources will be a proactive change agent for success and in enhancing our ability to manage these challenges, which is why we further developed our management approach during 2015.

HUMAN RESOURCES STRATEGY

In 2014, we developed a new corporate vision, goal and strategy road map for BMW Brilliance: the BMW Brilliance STARS strategy. The “A” in STARS stands for Associates, and it describes the ambition to “develop our people, organisation and enablers, ensuring we have the competencies for future growth”. We believe this is the foundation that will allow us to achieve the goals set out in the other four strategic dimensions (Satisfaction, Top quality, Return and Sustainability > [Chapter 1.1](#)).

Since 2015, we have been updating our Human Resources Strategy, which will advance our strategic approach to talent management while taking into account the “New Normal” pace of economic development. The development of this long-term guiding framework, based on our STARS strategy, is a collaborative effort with BMW China. During the initial planning phase in 2015, six strategic projects were identified, including projects to: strengthen our employee brand and further develop human resources through innovative solutions; continuously develop our talent and performance reward mechanisms; and strengthen our leadership by establishing a more professional human resources image. The new Human Resources Strategy will be rolled out and implemented from 2016 to 2020.

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At the annual employees' meeting.

MANAGING OUR HUMAN RESOURCES

The importance of human resources management at BMW Brilliance is emphasised by our executive team. Our Senior Vice President of Human Resources, as a member of the Board of Management and reporting directly to the CEO, is responsible for implementing BMW Brilliance's Human Resources Strategy and reports on our progress toward achieving the company's long-term business direction.

We implement human resources management practices through our human resources guidelines and the accompanying Associate Handbook, which are binding on every employee. BMW Brilliance fully complies with China's Labour Law, its health and safety laws and relevant regulations that prohibit forced, compulsory and child labour. We are committed to the observance of fair working conditions and respect for human rights, as they are set out in the ten principles of the UN Global Compact and the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization > [Chapter 1.3](#). Any violation of our human resource guidelines or the Legal Compliance Code is filed with the Human Resources Department and the Compliance Committee. Both our internal and shareholder audit teams conduct annual audits to ensure full compliance.

As part of our talent management, we regularly review the performance of our employees, based on business target agreements and regular performance requirements. The performance appraisal criteria are based on our company strategy, BMW Brilliance's core values and the job requirements. The results of the review are closely linked with compensation and benefits practices.

EMPLOYEE PARTICIPATION

A relevant component of managing our human resources is BMW Brilliance's Labour Union, which was established in 2007 to protect employees' rights and interests. Today the Labour Union represents all local employees. It mediates disputes between employees and the company. Over the past five years, management and the Labour Union have achieved a more than 50% cumulative increase in the salary rate. The Labour Union and Board of Management meet annually and decide collectively which topics will be discussed. These topics include key areas such as health and safety, compensation, benefits and employee support. After the meeting, a plan with agreed measures is implemented.

BMW Brilliance Associate Representatives Congress and Union Member Representatives Congress 2015

The BMW Brilliance Associate Representatives Congress and Union Member Representatives Congress were held in Shenyang in April 2015. Both are important forums for employees to participate in democratic resolution, democratic management and democratic supervision.

The BMW Brilliance President and CEO and BMW Brilliance Labour Union Chairman, along with senior company and union officials, met with 365 employee representatives to review the achievements of 2014 and goals for 2015.

The Labour Union Chairman, Mr. Byron Han, released the collective consultation achievements and presented the work report of the Union on the past five years, spanning topics such as organisational building, Union activities, safeguarding employees' rights, social responsibilities and employee care. During the meeting, the Collective Contract on Labour Remuneration and the new Special Collective Contract on Protection of Female Employees' Rights and Interests were approved and signed. Furthermore, the Congress elected new Union and Union Audit Committees, and Mr. Han was re-elected as the Union Chairman for another term. The meeting concluded by presenting awards to the 2015 Excellent Employees, the Shenyang Vocational Skills Competition winners and external prize winners.

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At the annual Associate Representatives Congress and Union Member Representatives Congress.

We receive employee feedback through an employee survey, which we conduct every other year as part of the global BMW Group employee survey. The results allow us to derive specific measures to improve our performance. The 2015 survey focused on questions regarding strategy, leadership, processes, team, culture, employer attractiveness and diversity. It provided an opportunity for a status check and to identify potential risks and development fields for the company. During this year's survey, 92% of employees agreed that BMW Brilliance has an excellent reputation and 91% fully support our targets and are satisfied to work for the company.

To ensure our future viability and to retain the best talent, we emphasise the three main pillars of human resources:

- ▶ being an attractive employer and ensuring employee satisfaction > [Chapter 5.2](#)
- ▶ promoting employee well-being and preventing accidents > [Chapter 5.3](#)
- ▶ realising our employees' full potential through talent development > [Chapter 5.4](#)



5.2

Attractive employer

OUR STRATEGIC DIRECTION

Our goal is to be the most attractive employer in the Chinese automotive industry.

As a leading employer, we want to attract, recruit and retain the best talent in the marketplace. We develop our highly skilled employees by providing ongoing training and development opportunities. We believe this is critical to our goal of retaining our employees, who are the most valuable resource of our business. Our ability to provide unique opportunities, such as an English-speaking and internationally diverse work environment, helps us attract a high calibre of talented professionals. It also differentiates us from other automotive companies.

In China, we face talent acquisition challenges due to strong competition in the marketplace and our requirement for higher skill sets. We are addressing this by communicating our Employer Value Proposition and by highlighting the excellent development opportunities we offer at BMW Brilliance.



Dadong plant employees on a visit to BMW Group's Spartanburg plant in the USA.

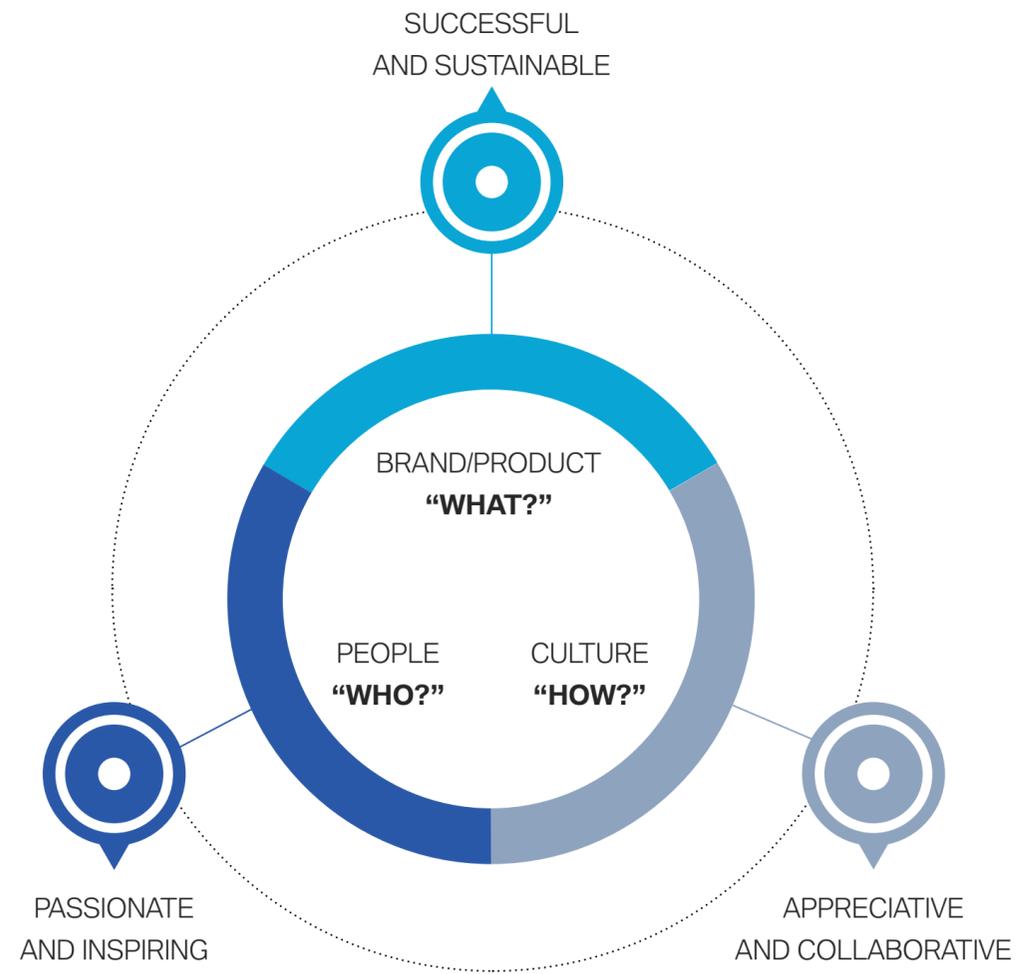


COMMUNICATING OUR EMPLOYER VALUE PROPOSITION

Our goal is to remain the most attractive employer in the Chinese automotive industry, and to become one of the top ten employers in China. To realise this ambition, we emphasise our Employer Value Proposition when addressing new or potential talent. The Proposition demonstrates our employer-branding concept and illustrates our attractiveness in three dimensions: People, Brand/Product and Culture. We believe BMW Brilliance stands out from the competition in these areas.

The BMW Brilliance Employer Value Proposition

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Human resources awards received in 2015



🏆 Best Employer in Auto Industry by Chinahr.com

🏆 Best HRM Company in All Industries by 51job.com

🏆 Best Talent Recruitment & Retention Strategy by 51job.com

🏆 Best Employer Top 30 by Dajie.com

🏆 Best Employer Award by LinkedIn

🏆 Annual Extraordinary Employer Top 10 by Liepin.com

Strengthening our employer brand

We inspire our employees to achieve top performance by providing them with a clear vision of our business strategy and goals for the future. Since 2014 we have introduced “Charge Passion” as the theme for our internal associates and new candidates. With the aim of motivating our employees and strengthening their link with the company, our main message was: “Passion is all you need to explore what drives you in your life and learning with BMW”. Simultaneously, we introduced an internal campaign called “Share your passion about BMW” and encouraged our current employees to express why they like working at BMW Brilliance.

Meeting recruitment demands

As a socially responsible company, BMW Brilliance provided more than 16,000 working opportunities in 2015, thus fulfilling our recruiting needs, which were particularly high for the new engine plant. Meanwhile, we also provided an internship programme and the Future Talent Programmes to help young talent complete their transition from students to qualified employees > [Chapter 5.4](#). In 2015, BMW Brilliance also established the BMW Joy Club, which provides activities and training for students to learn more about our company and to advance their career development.

To engage and retain our employees, BMW Brilliance provides the following initiatives to enhance our market competitiveness and to ensure we are a leader in the Chinese automotive industry:



An employee who received a recognition for outstanding work goes on a test drive with a car produced by his unit.



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Recognising and rewarding excellence

At BMW Brilliance, we are committed not only to manufacturing the ultimate driving machine, but also to developing our employees to perform at their personal best. We encourage a culture of mutual appreciation and dedication to BMW Brilliance's core values – a culture infused with passion, purpose and prosperity in our day-to-day work.

Offering attractive compensation and employee benefits

One way to express appreciation for our workforce is to offer attractive employee benefits. BMW Brilliance's compensation and benefits philosophy is aligned with our company vision and mission and aims to retain and motivate our key workforce. The compensation and benefits system acknowledges that different individuals contribute to the business success in different ways. Performance, compensation and benefits are closely linked. All employees are entitled to rewards oriented towards performance, success and commitment of service to BMW Brilliance's long-term performance:

Remuneration

We reward our employees with total remuneration that is above average, parallel with that of the BMW Group, and aligned with the upper-third of the respective labour market in China. In addition to a fixed base salary and overtime payment, our employees receive allowances and a variable bonus. We conduct an annual customised salary survey to ensure our competitiveness as a leading employer. Differences in salary exist according to the level of responsibility, position and performance. Remuneration is not dependent on seniority.

Holidays

To foster work-life balance for our employees, we provide statutory annual leave as legally required and extensive vacation leave, such as corporate leave, in addition to national statutory holidays. Further, maternity/paternity leave, sick leave and compassionate leave satisfy our employees' personal needs.

Flexible benefits

We also provide employees with a highly competitive flexible benefits programme featuring a full range of insurance options, comprehensive medical coverage and a pension savings plan that can be customised to best suit the employee's individual needs.

Car purchase and transport

All BMW Brilliance regular local employees are entitled to participate in the Associate Car Programme, which grants certain discounts and special purchase models. We also provide free shuttle bus service between plants and public transport centres around Shenyang.



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Embracing flexible work-time

BMW Brilliance has implemented three different work-time models. This enables us to deal with fluctuations in the market and to ensure stable monthly salary payments. We offer three types of work-time contracts:

-  **Standard work-time for non-production employees**
These contracts entitle the employee to a 40-hour work week, which complies with China's Labour Law. This work-time model applies to approximately 7% of our employees.
-  **Work-time accounts for production employees**
This is a tool that facilitates our annual production volume fluctuations, while guaranteeing stable payment for our production employees. This work-time model applies to approximately 75% of our employees.
-  **Flexible work-time for non-production employees**
Employees from a certain pay-grade level are entitled to flexible work-time. For some specific roles such as drivers, flexible work time is assigned according to job and functional requirements. This work-time model applies to approximately 18% of our employees.



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MONITORING WORKFORCE GROWTH AND ATTRITION RATES

At the end of 2015, our total workforce reached 16,573 (excluding employees from dispatched contracts and the Future Talent Programmes > [Chapter 5.4](#)), growing by 8.6% compared to 2014. Women comprised 11.8% of our total workforce and 27.5% of our management team. Thus, the total share of female employees remained relatively stable over the last three years, while there were 3% more women in management positions in 2015 compared to 2014. Due to our continuous efforts to develop local talent, Chinese employees accounted for 78.1% of our management group, representing an increase of 2.4%. All employees are employed in full-time contracts.

BMW Brilliance workforce					F.23
Year	2013	2014	2015	Change to previous year	
Workforce at year-end	13,024	15,257	16,573	8.6%	
Share of female employees	11.9%	12.3%	11.8%	-4.1%	
Share of female employees in management positions	-	26.7%	27%	3.0%	
Share of production employees	75%	73%	71%	-2.7%	
Share of Chinese employees within management group	-	76.3%	78.1%	2.4%	

We closely monitor our employee attrition rate on a monthly basis. BMW Brilliance's voluntary attrition rate decreased from 6% in 2014 to 2.9% in 2015. The overall attrition rate (voluntary and non-voluntary) decreased from 6.8% in 2014 to 3.8% in 2015. BMW Brilliance continues to succeed in retaining talent and creating high loyalty within its workforce.

BMW Brilliance workforce

F.24

Year	2013		2014		2015	
	%	total	%	total	%	total
Rate of new employee hires	11%	-	23%	-	11%	-
New employees in Shenyang	11%	1,371	19%	2,920	11%	1,801
New employees in Beijing	1%	113	1%	186	1%	128
New employee hires, ages <30	8%	1,062	16%	2,425	8%	1,384
New employee hires, ages 30-50	3%	405	4%	655	3%	523
New employee hires, ages >50	0%	17	0%	26	0%	22
Female new employee hires	2%	227	3%	407	2%	329
Male employee hires	9%	1,207	18%	2,699	10%	1,600
Voluntary attrition rate	-	-	6%	-	2.9%	-
Attrition rate at BMW Brilliance	6.8%	-	6.8%	-	3.8%	-



FORECAST 2016

We have always adhered to the principle of "hiring the best within the industry". But as we face growing competition from other industries for new talent and tech-savvy employees, we understand that it is no longer business as usual in recruiting the best talent to our company. Therefore, we are continuing to develop a diversified and innovative approach to build up our employer brand so that we can achieve our goal of being the most attractive employer in the Chinese automotive industry.



5.3

Occupational health and safety

OUR STRATEGIC DIRECTION

Through the effective management of health and safety risks in the workplace, we prevent accidents and promote well-being. We aim to reduce the accident frequency rate in our business by minimising the risks of workplace accidents.

BMW Brilliance's health management is based on the five international medical standards of the BMW Group, which are primary health care, occupational health management, expatriate health management, health prevention and promotion, and medical crisis management. It is our goal to promote responsible behaviour and the corresponding work environment to foster the long term health and performance of our associates.



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MANAGING OCCUPATIONAL HEALTH AND SAFETY

We act in accordance with the international best-practice guidelines of the BMW Group Health and Safety Policy and implement health and safety practices in accordance with relevant Chinese legislation. All production locations of BMW Brilliance are certified according to the OHSAS 18001 standard by TÜV Rheinland. This helps to control and reduce our health and safety risks. We have also established company-wide procedural and working instructions for employees based on the OHSAS 18001 requirements and best practices.

We have centralised safety management within our business and developed key performance indicators to measure our safety performance.

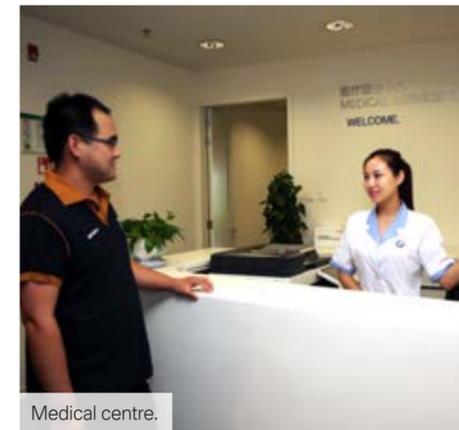
Occupational health and safety					F.25
Year	2013	2014	2015	Change to previous year	
Accident frequency rate	0.92	0.82	1.06	29.3%	
Absentee rate	0.97%	0.98%	0.93%	-5.1%	

There were no work-related fatal accidents and 29 work-related injuries in 2015. Minor (first-aid level) injuries are excluded from the accident frequency rate. The accident frequency rate is calculated by the number of accidents with one day lost time or more, multiplied by one million hours worked, divided by total working hours of the month. The accident frequency rate for 2015 was 1.06, which is slightly higher than in 2014. This could be a result of the increased number of new employees who are still unfamiliar with the working environment, as well as the implementation of new processes and the start-up of new facilities. The absentee rate only includes sickness leave. In 2015, it decreased to 0.93%.

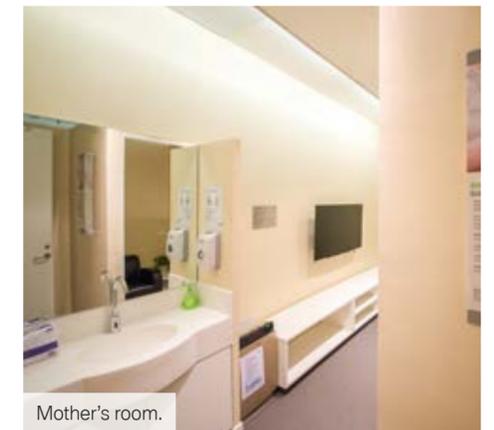
We focus on reducing accident frequency and sickness among our employees by concentrating on four main areas: health and safety training, the promotion of health checks, improving workplace ergonomics and implementing health initiatives.

Health and safety training

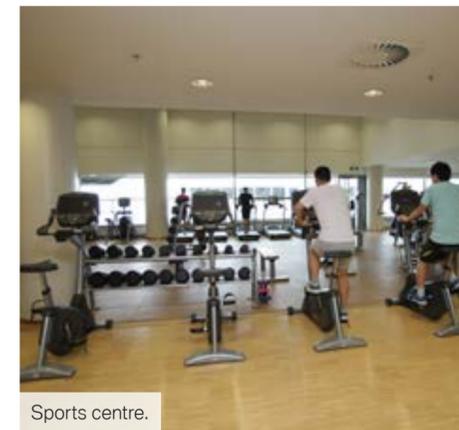
Training and information are the key to preventing accidents and illness. We provide health and safety training to all new employees, refresher training to long-standing employees and special safety training to high-risk groups. We also convey safety management knowledge to our process and equipment planning specialists, making sure safety and occupational health requirements are considered as early as possible. By year-end, 6,345 employees – including new employees – had received such training.



Medical centre.



Mother's room.



Sports centre.



Canteen.

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Promoting health checks

In 2015, 13,384 of our employees participated in the annual health check programme, which is offered at all seven of our locations. The health check is not limited to the legal requirements of occupational health; it is a comprehensive health screening that enables early diagnosis and treatment of any medical condition. This initiative supports employees in making informed decisions about managing their current health status. We also offer the health check-up to family members who are able to take advantage of the BMW Brilliance discount. In addition, annual seasonal flu vaccinations are offered to all employees. During the 2015 winter season, 3,423 employees (20%) participated in this offer. Hepatitis B vaccinations are also provided to employees after the annual health check.

Contributing to ergonomic workplaces

In 2015, we conducted 75 ergonomic assessments at our production sites to improve overall workplace design. At non-production sites, we conducted office ergonomic assessments for 739 employees to improve the ergonomics within the office environment. Employees are encouraged to raise ideas for ergonomic improvements at their workstations.

Furthermore, a total of 4,963 employees participated in the pilot programme Fit for Future, a physical capacity test which aims to reduce the risk of injuries among employees. We established that for 45% of the group, the risk of back problems was increased. The findings led us to include the flexibility test in the Health Management 2020 programme > [Forecast 2016](#).

FORECAST 2016

For further improvement, we are integrating BMW Brilliance's new engine plant into our occupational health management and are pursuing its certification based on the OHSAS 18001 standard. Our training programmes focus on helping managers identify employees who are experiencing stress and on creating employee awareness about how to cope with such stress. We are also planning to implement an anti-smoking campaign and cessation programme, as well as a healthy beverages campaign and a safe walking campaign to prevent accidents. We are also establishing three Physical Assessment and Rehabilitation Centres as an integral part of our health services to support our efforts to improve the overall well-being of our employees. Furthermore, we are implementing the Health Management 2020 programme, which aims to promote the best possible performance by focused health measures and by encouraging healthy employee behaviour.

Contributing to employee health through health initiatives

Mental resilience campaign

This programme is designed to raise awareness of how fundamental mental resilience is to coping with lifestyle and mental well-being. In total, 13,650 employees, or 85% of our workforce, participated in this project in 2015. As a result, 77% of the participants reported low stress levels and 23% reported moderate/high stress levels.

Expatriate health management

This service forms part of the international medical standards we provide to support expatriates and their spouses, which include basic medical services, health promotion and specialist services. These services also include hospital consultations, translation services, hospital orientation tours and home visits. First aid training for teachers at school and kindergarten is also provided.

Equipment safety approval

To ensure safety standards are adhered to when purchasing equipment, we follow BMW Group safety best practices by conducting safety pre-acceptance to ensure all equipment meets our safety requirements and approval before it leaves the supplier site. After the equipment is installed on-site, we conduct a final acceptance to make sure the equipment is safe for handover to users.



5.4

Training and development

OUR STRATEGIC DIRECTION

Through training and clear leadership, we develop and realise the potential of our people.

The training and education of our employees is fundamental to the sustainable success of our company. In order to keep pace with technological advancements, we provide state-of-the-art learning and development opportunities to suit the individual strengths of our trainees, skilled workers and leaders.

In 2014, BMW Brilliance launched “The Academy”, bringing together all training departments of BMW Group subsidiaries in China. The Academy’s vision is to enable our sustainable business success by advancing the careers of our leaders and employees through a passion for excellence. The philosophy of The Academy is based on a 70:20:10 formula. We foster a culture of life-long learning, where 70% of learning comes from on-the-job practice, 20% from peer feedback, and 10% from classroom training. In 2016, we plan to launch an improved process to track trainer quality and its impact on student learning, with more focus on assessing effectiveness.

Our strategy for training and development focuses on three areas: further qualifying our employees; strengthening our leadership culture; and developing future talent. In 2015, we focused our resources on one of our core ambitions, which is to develop the next generation of skilled leaders through several new leadership programmes.



At the launch of “The Academy”.



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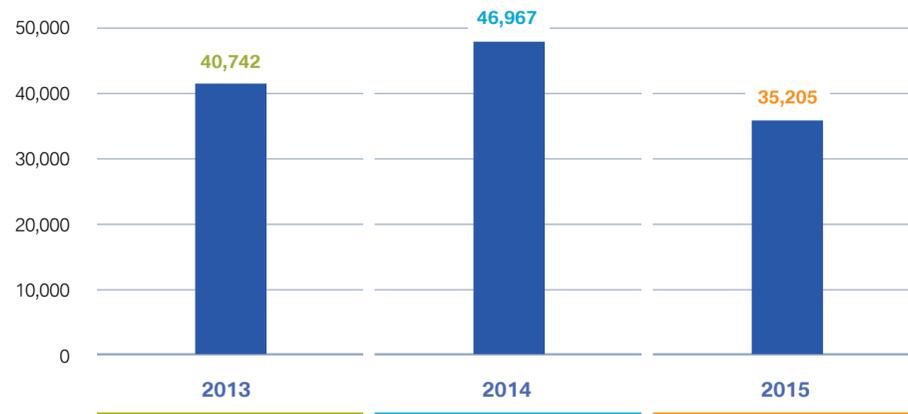
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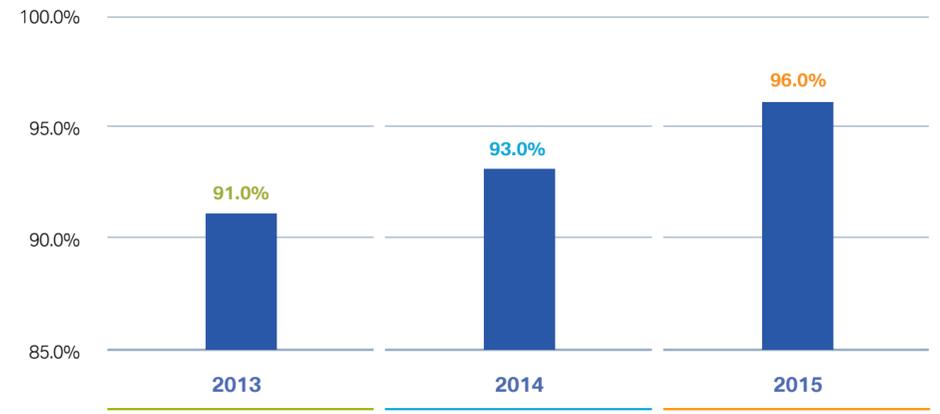
TRAINING OUR EMPLOYEES

We focus on continuous improvement by measuring and evaluating our training and development performance each year. In 2015, we concentrated on quality improvements instead of expansions, and were able to raise the employee training satisfaction rate from 93% to 96% > Figure 28. The number of employee training days organised by human resources decreased to 35,205 in 2015 > Figure 26 and Figure 27.

Training days organised by Human Resources Department F.26



Training attendee satisfaction rate F.28



Average training days F.27

Year	2013	2014	2015
Average days of further training per employee*	3.2	3.4	2.2
Employees in production	1.9	1.3	1.1
Employees in non-production	7.1	9.7	4.7
Employees in management positions	5.4	6.7	3.1
Employees in non-management positions	3.1	3.4	2.1

* One man-day corresponds to 7 hours.

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Driving transformation towards excellence

The “Journey to Excellence (JtE)” programme is transforming BMW Brilliance by optimising our processes and by changing our mindset towards collaboration and continuous improvement > [Chapter 1.1](#). By the end of 2015, we delivered 23 sessions to 465 employees from 22 departments in “Do It the JtE Way”, a tailor-made training programme to deepen participants’ understanding of JtE. Our goal is to encourage employees to overcome obstacles to change. We want to enhance the collaborative mindset of participants and help them positively influence others by taking ownership of the optimisation process in order to achieve business excellence. In 2015, we began delivering “Do It the JtE Way” training with internal trainers. The after-course satisfaction score for the 2015 sessions was 96%, which is four points higher than the target.

Strengthening our leadership culture

We recognise that leadership development is a critical factor of our ongoing success. We believe that by focusing on the strengths of each individual employee, we can create a solid foundation for a company culture based on our Five Elements: Trust, Inspire, Open, Care, and Go Beyond. These Five Elements represent the values and leadership style we want to nurture in BMW Brilliance.



In the centre of our assembly shop in Tiexi, a powertrain and an exhibition on our “Five Elements” motto greet plant visitors.

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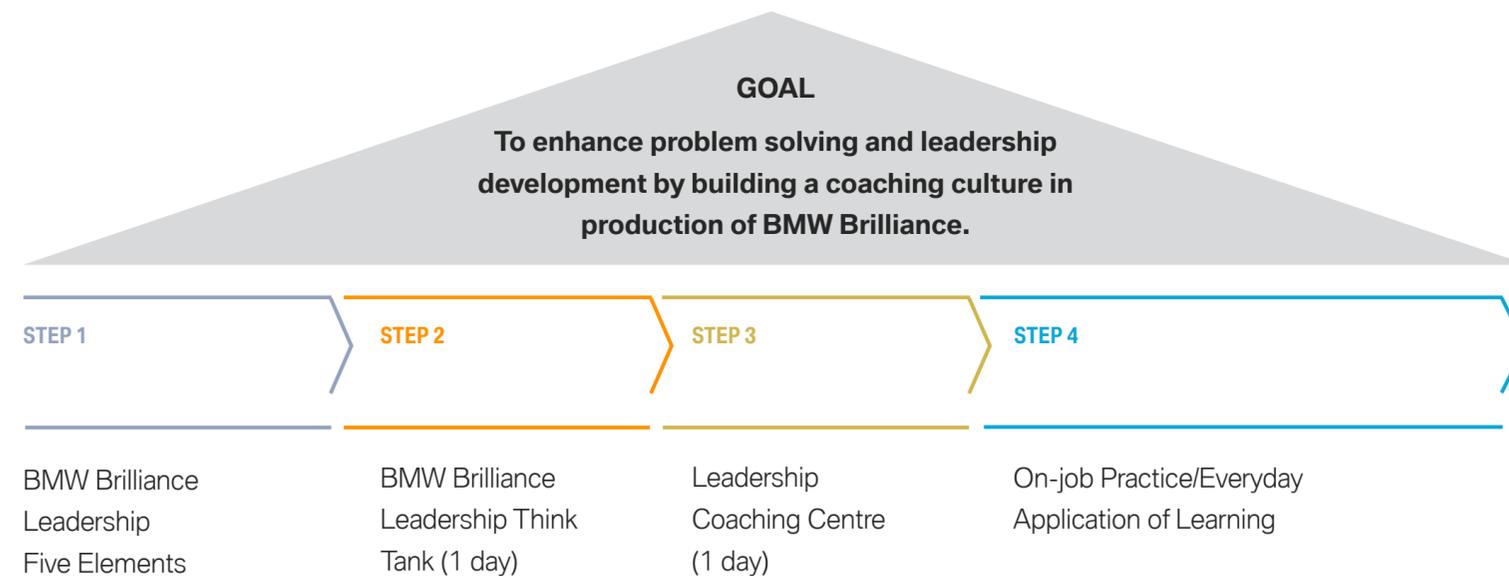
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Our Standard Work Programme pursues the goal of enhancing problem solving and leadership through a culture of coaching and continuous improvement. We aim to ensure that our young production managers benefit from the experience of their training coaches. The programme consists of four steps: enhanced understanding of the Five Elements of BMW Brilliance's Leadership Core Values; our Leadership Think Tank, which focuses on leadership reflection, manager development, and individual and team leadership development; the Leadership Coaching Centre, which provides training on how to develop BMW Brilliance's unique coaching mindset; and on-the-job practice. By establishing a coaching culture, our managers will naturally seek to improve the individual performances of their team members and encourage continuous improvement throughout the organisation.

Standard Work Programme: Overview

F.29



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Developing future talent

As part of the BMW Group's global strategy to develop young people, we provide programmes for vocational education and specialist traineeships. We began these Future Talent Programmes in 2010 to develop and prepare young talent to assume different positions within the company. From manufacturing to business departments, these programmes are widely supported by our senior executives and are seen as a valuable contributor to our pipeline of qualified talent.

ProMotion

This doctoral programme was launched in 2014 with four students studying research and development, production planning, and process optimisation. In 2015, we were able to commit a further six PhD students to this three-year-long programme. Through their practical thesis work, these young talents are transforming their academic values into productivity improvements. To foster the young spirit of innovation, we plan to commit to a further four doctorate student placements to ProMotion in 2016.

Fostering innovative university partnerships

Strategic university partnerships are one way in which we can provide exciting and innovative training opportunities to BMW Brilliance employees. For example, we have a sound relationship with Northeast University in Shenyang. Our close collaboration on the PhD programme ProMotion allows students to engage in cutting-edge research, such as Industry 4.0 and Intelligent Manufacturing.



At a joint technology forum with Northeast University.



In 2015, we celebrated five years of the Future Talent Programmes at BMW Brilliance. During this time, the Future Talent Programmes have expanded from three programmes to six and they have been instrumental in developing the talents of 1,857 qualified young students. Currently they work in different positions and departments across the four entities of the BMW Group in China. In 2015, 184 young people took part in the ongoing, practice-oriented programmes we offer at the doctoral, master, bachelor and vocational education levels.

Global Leader Development Programme

In 2015, we also launched the Global Leader Development Programme. This initiative is a joint effort with the BMW Group, and was created through the integration and harmonisation of two existing training programmes. In this leadership programme, candidates complete four different rotations in various parts of the company and complete two international assignments, one of which is at the BMW Headquarters in Munich. At BMW Brilliance, three candidates were selected for the Global Leader Development Programme in 2015.

New Vocational Education Programme

In BMW Brilliance's new training approach, we have learned from the successful vocational training method in Germany, but have adapted the training to make it suitable for the Chinese education system. After passing a series of systematic assessments conducted by their school and by the company, the apprentices in the New Vocational Education Programme learn theoretical foundations at school, strengthen their practical skills at the BMW Brilliance Training Centre, and in their third year they rotate among various shop floors to practice their skills with the guidance of experienced employees.

In 2015, 38 apprentices graduated from the Vocational Education Programme and became BMW Brilliance employees, while 173 students are still finishing their three-year programme.

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New Vocational Education Programme: Changing attitudes on vocational training in China

BMW Brilliance's reputation for quality engineering and safety performance is built, in part, on the technical skills and capacity of our workforce. BMW AG is a long-time supporter of Germany's apprenticeship and vocational training schools, as they provide senior high-school students with the opportunity to build the skills and capacities they will need to secure well-paying jobs in the future.

BMW Brilliance is working hard to instil the same appreciation for vocational training to Chinese students. Traditionally, most Chinese parents want their children to enrol in famous universities and senior high schools, expressing concern about the lack of future opportunities at the vocational level. Changing those attitudes is part of the challenge facing BMW Brilliance.

We launched the New Vocational Education Programme in 2012, in conjunction with the Shenyang Equipment Manufacturing Engineering School. The students spend the first year in the classroom, acquiring basic knowledge of the automotive industry; in the second year, they gain access to the BMW Brilliance Training Centre to enhance, for example, their electrical and machine tooling skills; and in their final year, the apprentices work at BMW Brilliance plants to practice their skills on a rotational basis. This way, a strong focus is put on on-the-job skill-building. In contrast to their peers in regular high schools who spend only two or three weeks in skill-building lessons within one semester, students of this programme benefit from up to 36 weeks practical training during the programme.

Upon graduation, these apprentices become regular BMW Brilliance employees working at such key posts as technical maintenance, quality inspection and production operations. To date, over 83 students have graduated from the New Vocational Education Programme and are now working at BMW Brilliance plants.



Apprentices of our New Vocational Education Programme in training.



FORECAST 2016

In 2016, The Academy is focusing on building up its team structure and on playing a more proactive role in the business. It is also developing an internal trainer programme to keep up training momentum. As a result of the 2015 employee survey, The Academy is also further contributing to BMW Brilliance's high-performance culture by developing new and innovative approaches to corporate and leadership development. In the coming years, there will be an increase in the demand for well-trained workers. This is particularly relevant in Shenyang, where potential future talents often leave university with little practical work experience. Meanwhile, strategic university partnerships can help us provide the right training to develop passionate employees who are able to deliver top-quality performance in the workplace.



6

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STAKEHOLDER STATEMENT:

A unique network of volunteering clubs in China



Mr. Zeng Li (left).

Zeng Li
BMW car owner, founder of
Chengdu BMW Warm Heart Customer Club

What makes the BMW China Social Activities so special, and where do you see the most relevant impacts?

In my view, the BMW Warm Heart Fund's (WHF) public welfare activities, e.g. the BMW Culture Journey, have affected society in a positive way. Now, the WHF family has grown to encompass 12 BMW Warm Heart Customer Clubs, resulting in a unique network of volunteering clubs in China. As an example, many BMW Warm Heart Customer Clubs worked together to offer hygiene-guaranteed lunches for four elementary schools in Yushu that has seen donations total RMB 200,000 in 2015 alone.

Why did you decide to found the Chengdu BMW Warm Heart Customer Club?

The Chengdu BMW Warm Heart Customer Club is named "Chengdu Love & Joy Club" and was launched in 2013 in the context of an appeal for public donations for a girl named Zhang Ting, who had been struck by leukaemia. Today, the Chengdu Love & Joy Club helps donate books and sets up libraries in underprivileged mountainous areas. Thus far, 11 Book Centres have been set up, benefitting 6,000 students. We also offer financial assistance to elderly people and orphans.

What are the results of the Family Heirloom Programme?

The Family Heirloom Programme was started in the wake of the 2015 BMW China Culture Journey visiting Shaanxi, and aims to conserve and protect intangible cultural

heritage (ICH). It brings together people from all walks of life including entrepreneurs, artists, designers and scholars. Their valuable contributions enable us to infuse new vigour into ICH products in a creative manner. We promote texts aimed at describing ICH products in terms that are more vivid and concrete; encourage artists to innovate and refine their products further to make them more attractive to current generations; and assist them in marketing the products by focusing on product descriptions and packaging.

China's ICH has been tremendously underrated. We are suggesting blending the wisdom of modernity with the charm of conventional culture so as to bring forth a greater value in cultural terms. We are now in a position to help build up the confidence of those ICH inheritors, which we like to think is an effective way of offering assistance.

What are your suggestions for future BMW China Social Activities?

First, we hope that BMW's various social responsibility programmes are here to stay, and more and more customers join the BMW Warm Heart Customer Clubs and shoulder a greater load of social responsibilities. Second, efforts to preserve ICH should be further strengthened. We are compiling an exhaustive list of the ICH projects that we have supported thus far and are seeking to pool resources to infuse even more energy into these projects.



6.1

Our management approach

Corporate citizenship is integral to our vision. BMW Brilliance is working jointly with other BMW entities in China to ensure that we fulfil our social responsibilities. This chapter on Corporate Citizenship describes our joint initiatives and the results of our common approach. Together, we believe we can inspire our stakeholders to join us in making a positive contribution to society and in fostering sustainable development in China.

Our roots in China have grown since BMW Group first entered the market. The roll-out in 2013 of the BMW China Corporate Citizenship Strategy has been a milestone on our journey. Our strategy focuses on three areas – resources, intercultural innovation and social inclusion, and education – and follows the three principles of long-term commitment, efficiency and all-party engagement.

Our corporate citizenship strategy enables us to address social challenges and trends in partnership with Chinese society, and to become more influential as an automotive manufacturer and a corporate citizen. Through our long-term commitment, we have brought together our stakeholders – BMW employees, dealers, customers and the public – to help us fulfil our social responsibilities.

Our management approach is explained in the present section > [Chapter 6.1](#). Our various corporate citizenship activities are described in > [Chapter 6.2](#).



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OUR CORPORATE CITIZENSHIP PRINCIPLES

Our corporate citizenship practice follows three principles:

First, we believe in making long-term commitments. Every programme is designed with a long-term view and delivered in a multi-year horizon, in order to provide real benefits to recipients. For example, in 2005, we launched one of our first corporate citizenship programmes, BMW Children's Traffic Safety Education (CTSE), which was one of the first such programmes by an automotive company. It has now been running successfully for over 11 years.

Second, we are committed to programme efficiency. We are concerned about China's current social challenges that demand prompt solutions, such as the need to provide traffic safety education for children; to protect and pass down intangible cultural heritage; to care for children who have been left behind by parents; and the need to protect the environment. All of our corporate citizenship programmes are based on these needs of Chinese society, combined with our own resources and competencies.

Third, we support all-party engagement. The BMW Warm Heart Fund, which was established in 2008, has developed into an integrated platform covering the full spectrum of the BMW family in China, from employees to dealers and customers. Each member plays an important role in ensuring wide-ranging involvement of stakeholders in our corporate citizenship activities and in liaising with communities.



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TAKING RESPONSIBILITY

We aim to strengthen our profile as a responsible corporate citizen by taking an efficient, professional and humanistic approach to caring for people, the community and the environment.

Our corporate citizenship strategy has been designed to reflect the realities of Chinese society. Our areas of strategic focus – resources, intercultural innovation and social inclusion, and education – enable us to implement social initiatives that align with our industry, while further promoting sustainable development in China.

The foundation of our corporate citizenship efforts is the CCF-BMW Warm Heart Fund, established jointly with the China Charity Federation (CCF), which supports a wide variety of programmes and partners. We encourage our employees, dealers and customer representatives to contribute to our corporate citizenship efforts. The Warm Heart Fund is focused on delivering results, and remains committed to operating in a collaborative, transparent and sustainable manner.

By the end of 2015, the BMW Warm Heart Fund had received a total of RMB 96 million in contributions from BMW entities in China, its stakeholders and the public. To date, more than 250 BMW dealers and 80,000 customers and employees have participated in a variety of public campaigns that help address social issues in Chinese communities.



Employees are posing to form the number seven in celebration of the BMW Warm Heart Fund's seventh birthday.

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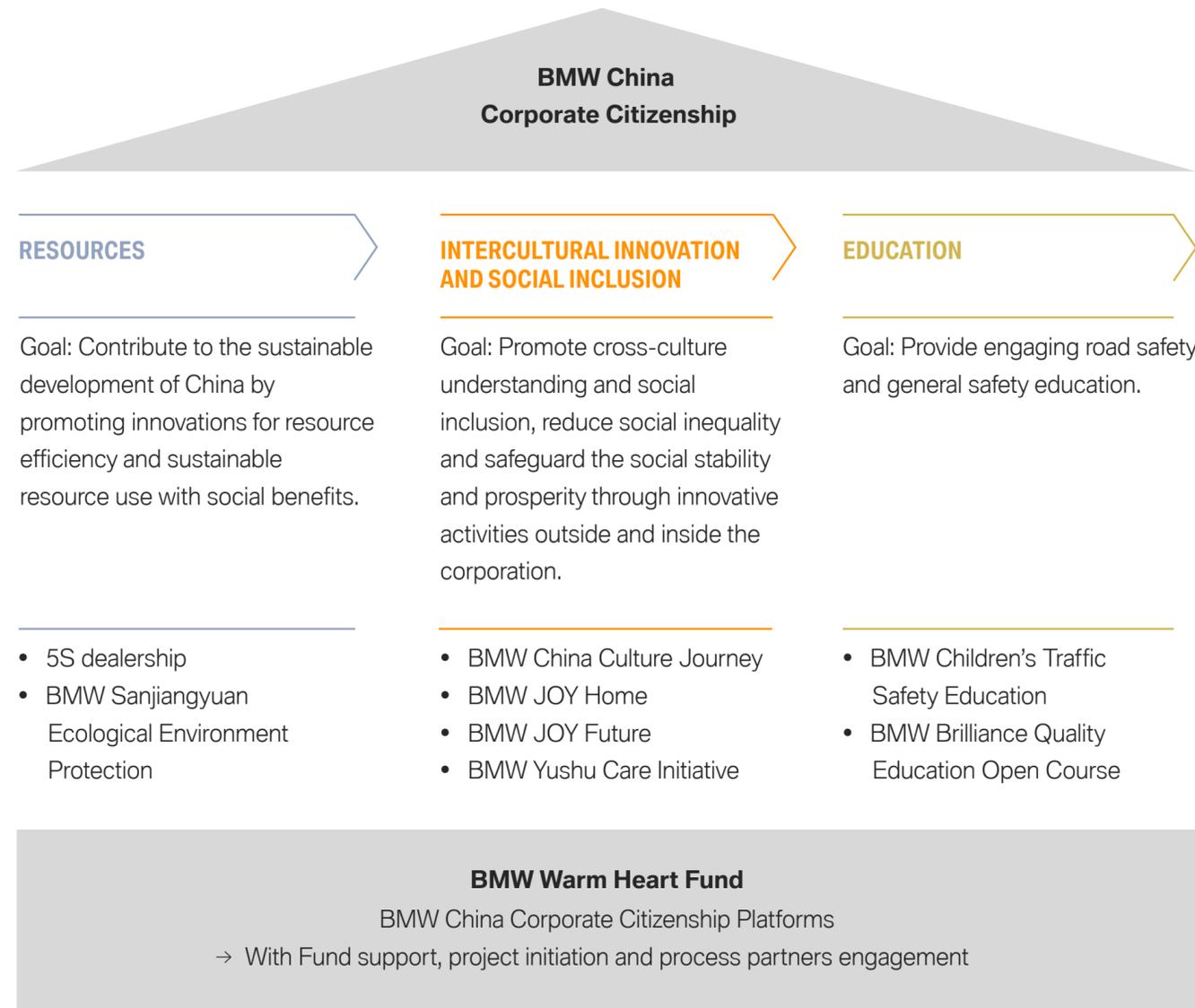
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Led by the Vice President of Public Relations and CSR, our CSR team works with the BMW Warm Heart Fund and Government Affairs teams to implement our corporate citizenship programmes and report to senior management on the progress made toward our corporate citizenship strategy and long-term business direction.

In addition, our Board of Management provides crucial support and guidance to many of our corporate citizenship initiatives, and makes all the necessary planning and resource decisions.



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OUR AWARD-WINNING CORPORATE CITIZENSHIP PROGRAMMES

In 2015, we received several awards and honours for our charitable and CSR programmes, as well as for our overall corporate citizenship performance. These included:

- 🏆 In January 2015, the “BMW JOY Home Children Companion Programme” received the “Best CSR Innovation Prize of 2014 CSR China Education Award” from CSR China Education Award Committee initiated by *China Philanthropist* and China College Students’ Social Practice Promotion Committee of Chinese Communist Youth League.
- 🏆 In January 2015, “BMW China Culture Journey” was awarded the “2014 CSR China Culture Award” by *National Humanity History*.
- 🏆 In July 2015, the “2014 BMW Children’s Traffic Safety Education” programme was awarded the “2015 Excellent CSR Project” by *Southern Weekly*.
- 🏆 In July 2015, BMW Brilliance Automotive Ltd. was honoured for “2015 Best Corporate Social Responsibility” by *Southern Weekly*.
- 🏆 In July 2015, BMW China Automotive Trading Ltd. and BMW Brilliance Automotive Ltd. received the “2014–2015 Most Respected Company” award by *The Economic Observer*.
- 🏆 In November 2015, BMW China Automotive Trading Ltd. and BMW Brilliance Automotive Ltd. received the “2015 Most Responsible Corporate” award by *China Newsweek*.
- 🏆 In November 2015, BMW China Automotive Trading Ltd. and BMW Brilliance Automotive Ltd. received the “Best Corporate Citizen” award by *21st Century Business Herald*.
- 🏆 In December 2015, BMW China Automotive Trading Ltd. and BMW Brilliance Automotive Ltd. were awarded the “Annual CSR Innovation Award of China Automotive Industry” by *Auto Business Review*.
- 🏆 In December 2015, BMW Brilliance Automotive was honoured with a “CSR Annual Award” by *China Auto News*.



During the BMW JOY Home “Paint for the Future” campaign.





6.2

Corporate citizenship

OUR STRATEGIC DIRECTION

Due to our core areas of expertise, we believe that we have a leading role to play in the area of corporate citizenship.

China's economic development and environmental status has transformed into what is being called the "New Normal". Performance is no longer only measured by speed, it is also measured by the capacity to deliver higher-quality products and contribute to sustainable economic development. In order to address the wide range of social issues present in the New Normal, and to contribute to achieving sustainable development in China, we endeavour to act as a responsible corporate citizen and to help drive progress on social issues. In our efforts, we seek to effectively integrate innovation and corporate social responsibility. We continue to work with our partners to contribute to environmental protection, to preserve traditional Chinese culture, and to support disadvantaged children and students in our society.

Our corporate citizenship strategy focuses on three main areas:



Resources

Environmental responsibility is integral to our business. We promote initiatives that contribute to an efficient and sustainable use of natural resources for the benefit of society and local communities.



Intercultural innovation and social inclusion

We promote intercultural innovation and social inclusion in a holistic fashion. Our goal is to reduce social inequality and to safeguard social stability and prosperity in China. We are committed to preserving traditional Chinese culture.



Education

As part of our commitment to sustainable development, we support the education of future generations. We seek to do our part in helping society move forward and achieve prosperity for all.

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RESOURCES

Supporting ecosystem protection in Sanjiangyuan

In August 2013, BMW Warm Heart Fund joined hands with the China Green Foundation and the Shanshui Conservation Centre to launch a new ecosystem protection programme in Yushu district's Sanjiangyuan Nature Reserve. In July 2014, BMW China announced that its cooperation with Shanshui Conservation Centre would extend to 2016, investing RMB 3 million in total over three years for the eco-protection of the Sanjiangyuan area, and to support the sustainable development of the Yushu area. The programme includes a series of studies on the grasslands' ecological system, community protection practices and training classes for local green talent, as well as the active exploration and establishment of a community protection and resource management model that fits local needs and promotes Yushu's long-term development. In 2015, an extensive site visit was organised, with BMW Warm Heart Fund's support, for volunteers including our customers, employees, dealers and the media in China.



Employees on site visit at the Sanjiangyuan Nature Reserve.

INTERCULTURAL INNOVATION AND SOCIAL INCLUSION

Protecting China's cultural heritage

We are dedicated to protecting traditional Chinese culture and promoting cross-cultural understanding and social inclusion. In 2007, we launched the BMW China Culture Journey, a cultural odyssey, to raise public awareness about the preservation and inheritance of traditional Chinese culture.

In 2015, we made innovative efforts to promote the revitalisation and sustainable development of China's intangible cultural heritage. Experts, artists, entrepreneurs and our stakeholders were invited to join the fleet and help raise public awareness about the preservation of intangible cultural heritage; increase public recognition by leveraging their online experience; and by engaging innovative forces, such as entrepreneurs, to actively participate in the Journey and help future generations sustain the existence of these heritage items.

As the first long-term corporate citizenship programme focused on protecting China's intangible cultural heritage, BMW China Culture Journey has visited more than 250 intangible cultural heritage items in 21 provinces and municipalities across China over the past nine years. In total, RMB 16.3 million have been donated to 90 heritage items in urgent need of protection as well as to related research programmes.



2015 BMW China Culture Journey: intangible cultural heritage visit in Shaanxi Province.



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Supporting disadvantaged children and students

BMW JOY Home Children Companion Programme is the first long-term public aid programme aimed at creating equal growth opportunities for disadvantaged children in rural areas of China. Launched in 2011 by the BMW Warm Heart Fund, BMW JOY Homes – along with our dealers and customers – has to date built 56 homes in 28 provinces, benefiting more than 50,000 children.

In 2015, the newly launched BMW JOY Home events included a “Paint for Future” painting theme campaign, which saw over 500 BMW warm-hearted customers and employees volunteer their time to introduce long-term art education to children in 42 BMW JOY Homes. Additionally, a Teacher Training Programme was introduced, in which 50 headmasters and teachers from 28 BMW JOY Homes received a three-day training session in Beijing on five core topics about educational improvement.

Providing opportunities to students from low-income families

Launched in 2008, the BMW JOY Future Students Grant Programme provides financial assistance, educational opportunities and spiritual support to outstanding students from financially challenged families. In 2015, this programme continued its three-year financial assistance for disadvantaged college students with the support of our fully engaged employees and dealers. We organised presentation skills training, English classes, career instruction and public courses that can assist college students in planning their future and adapting to modern social life. To date, we have provided nearly RMB 22 million in aid to nearly 7,800 students in 16 provinces.

Emergency aid and long-term support to disaster-affected areas

Since launching the emergency disaster aid programme – known as BMW Yushu Care Initiative – in 2010, BMW Warm Heart Fund has arranged nine visits to Yushu, the site of a devastating earthquake in April 2010. Our last visit was in July 2015, when 60 volunteers, including our customers, employees, dealers and media, met with local pasturing families to learn more about how best to help them improve their situation. In total, by year-end 2015, we had distributed RMB 7.54 million in winter supplies and educational materials throughout the region, helping a total of 29,000 students and local herdsman.



Yushu Care Initiative.



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EDUCATION

Ensuring children's road safety

BMW Children's Traffic Safety Education (CTSE) was introduced in 2005 as a pioneering programme in the Chinese automotive industry dedicated to children's safety education. In the 11 years since, we have leveraged a range of approaches, rather than just "dry" textbooks or lectures, to guide children in spontaneous exploration and learning, including situational experiences, role playing, interactive education and new media platforms. The goal is to turn "knowledge learning" into "good habit cultivation" and to achieve practical "education through entertainment".

Since 2005, the CTSE programme has reached 63 cities, benefited 390,000 people and resulted in the dissemination of 300,000 copies of the BMW Traffic Safety Textbook for Schoolchildren, released in conjunction with the Ministry of Education. We also shared this material with BMW JOY Homes in 2015.

In 2015, CTSE continued to explore and innovate in the field of safety education. We launched the new Train the Trainers (TTT) programme, which aims to train more professional volunteers and provide traffic safety knowledge to more children and families. In 2015, we trained over 1,200 people in our TTT classrooms.

Additionally, 2015 saw the launch of the all-new CTSE application for Android-based handheld mobile devices to provide a larger and broader platform to engage stakeholders and help raise children's interest in traffic safety. We also redoubled our efforts to spread the 3D CTSE road safety film to children in remote areas.



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Providing quality management education

In 2013, we officially launched our BMW Brilliance Quality Education Open Course. The course places a focus on a “Quality Comes First” production philosophy. We help middle and primary school students to better understand the importance of quality safety by teaching lessons through fun activities and by setting up a “Knowledge as Action” extracurricular study platform.

In 2015, BMW Brilliance continued to improve the training programme and expand its reach. The activities were diversified to include content specifically designed for teenagers, such as automotive lectures, site visits and interactive programmes. During their on-site visits, students obtained first-hand experience of BMW Brilliance’s leading position on environmental protection, quality assurance and technology. They were impressed by the high-tech demonstrations in BMW Brilliance’s key quality control labs, the acoustics, meteorology and vibration laboratories, and the functioning of fully automated robots on site. The programme also provided opportunities for students to participate in the automotive mould assembly. It is hoped that these activities will help foster students’ awareness for the importance of quality as a value guiding their daily lives.



Quality Education Open Course.

Supporting talent cultivation in the Chinese automotive industry

To further the local use of German “dual education” principles, BMW China Training Academy initiated the BMW Education of Service Technology Programme (BEST). Established in 2006, BEST aims to cooperate with local vocational schools to launch primary and secondary education accreditation programmes for students. The programme focuses on the joint application of theoretical and practical knowledge and has attracted a large number of high-level talents, with product knowledge and professional skills, to China’s automotive industry. This programme is also dedicated to cultivating teachers with professional training capacity, international ideas on training, and the most advanced automotive technologies. Throughout the ten years of its existence, BEST has contributed to creating win-win outcomes for schools, enterprises, students, dealers and society as a whole, and is a model for vocational education in China.

To date, we have set up 15 training bases across 13 provinces in cooperation with over 300 dealers nationwide. The programme witnessed over 6,000 graduates, 30% of whom joined BMW dealerships as reliable forces for high-quality sales and aftersales services.

Encouraging student innovation

2015 marked the 10th anniversary of the annual Shanghai Tongji University “BMW Day”, which over the past decade has been attended by a total of over 200,000 college students. This event is aimed at inspiring young people to develop innovative ideas and to have the courage to pursue their dreams. The 2015 BMW Day, held in October, was an opportunity for students to get to know BMW better and take part in a multimedia design competition for ConnectedDrive. In the future, we will further our cooperation with China’s higher education institutions and contribute to the cultivation of talent.



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BMW stakeholder volunteering

In addition to our corporate citizenship programmes, all BMW stakeholders are encouraged to take part in various social responsibility initiatives.

BMW Warm Heart Customer Clubs

The BMW Warm Heart Customer Clubs not only play an active role in organising BMW customers to participate in our corporate citizenship activities, but they also mobilise and engage local charity forces to initiate various public service programmes to address local social issues.

By the end of 2015, there were 12 BMW Warm Heart Customer Clubs across the nation, with more than 2,500 members. These clubs have organised more than 150 public welfare activities each year, benefitting over 15,000 people.

Associate Social Responsibility (ASR) project

Our employees also contribute to addressing social issues. Launched in 2008, the Associate Social Responsibility (ASR) project is a voluntary employee charity project designed to “devote love and care for others”, with a slogan of “helping each other with one RMB per person every month”. ASR is committed to providing financial support and spiritual care to elders, orphans, handicapped and ill children, as well as to employees in difficult circumstances.

By year-end 2015, volunteers organised by ASR have helped 250 homeless and disadvantaged elders in social welfare homes, 30 disabled orphans in the Happy Dream Orphanage, twins with cerebral palsy, over 30 handicapped children and primary students. In addition, over 100 poverty-stricken patients with eye diseases were provided assistance to receive eye surgery.



Delivery of donated books to a primary school by a local Warm Heart Customer Club.

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To promote stakeholder communication and engagement, the BMW Sustainability and Corporate Social Responsibility (CSR) Forum was launched in 2013, providing an open platform for all stakeholders to discuss sustainability and CSR issues and for BMW entities to share our perspective on future trends. Under the theme of “Innovation+, Joyful Future Powered by Responsibility”, the 2015 BMW Sustainability and CSR Forum was successfully held in Shenyang on 9th December 2015. BMW executives and representatives from government, academia and media gathered and shared their philosophies and practices on the use of technological and social innovation to promote sustainability and corporate citizenship. They also explored ideas to advance the sustainable development of companies and communities in China’s New Normal environment. We also officially released BMW Brilliance’s 2014 Sustainability Report at the forum.

FORECAST 2016

We have accomplished the goals we set for ourselves in 2015 by taking a long-term and systematic approach to developing our corporate citizenship strategy and programmes. In 2016, we are taking further steps to align our corporate citizenship strategy and activities with the vision of “creating shared value”. Our strategy will be adjusted to new social trends and we are committed to constructively promoting social progress in an innovative approach. In addition, we are further upgrading our flagship programmes by providing more resources and by increasing our engagement with the public.



At the BMW Sustainability and CSR Forum.



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7.1

About this report

The BMW Brilliance Sustainability Report 2015 has been published to provide stakeholders with comprehensive information about the company's sustainability ambitions and the progress made. Topics have been selected and weighted in accordance with the findings of a systematic materiality process. The report is based on the requirements of the UN Global Compact Communication on Progress and has been developed in accordance with GRI G4 core.

Reporting period

The reporting period is the 2015 calendar year. This report covers the period from 1st January 2015 to 31st December 2015. It is BMW Brilliance's third Sustainability Report. The last BMW Brilliance Sustainability Report was released in December 2015 covering the financial year 2014. The next Sustainability Report will be published in mid-2017. BMW Brilliance reports on a yearly basis.

Reporting scope

The sustainability figures include the following production and operation sites of BMW Brilliance: the Shenyang plants, as well as the branch company in Beijing and its regional offices. The content and data of the report relate primarily to BMW Brilliance. Joint initiatives with BMW China Automotive Trading Ltd. are included in the areas of customer relationship management and corporate citizenship. There were no significant changes to the size of BMW Brilliance's business or to the scope and aspect boundaries of the report during the reporting period.

Third-party verification

External auditors and experts audited indicators from the areas of environmental protection and occupational health and safety in accordance with ISO 14001 and OHSAS 18001.



7.2

UN Global Compact index

BMW Brilliance is committed to the ten principles of the UN Global Compact, and is continuously integrating sustainability criteria into all corporate processes. We actively promote compliance with internationally adopted standards and regulations in the fields of human rights, labour standards, environmental protection and the fight against corruption. In this report, BMW Brilliance comments on the progress we have achieved in complying with these principles.

The following tables list examples of established BMW Brilliance guidelines and management systems that support our compliance with the ten UN Global Compact principles, as well as progress made.

Principle 1: Support and respect the protection of internationally proclaimed human rights

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
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BMW BRILLIANCE

▶ Commitment to the UN Global Compact Initiative	▶ Further elaboration of our most salient human rights issues	> 1.1
▶ Commitment to the ILO Declaration on Fundamental Principles and Rights at Work	▶ Company-wide communication of the relevant instruments and related documents	> 1.3
▶ Human Resources Policy consisting of Associates Handbook and Human Resources Guidelines which are binding for every employee, include health, safety and environment practices, handling of hazardous substances as well as anti-discrimination and anti-harassment measures	▶ Company-wide communication about the BMW Brilliance SpeakUp Line	
▶ BMW Brilliance SpeakUP Line		
▶ BMW Brilliance Legal Compliance		
▶ Code		

SUPPLIERS

▶ BMW Group Supplier Sustainability Standard	▶ Management (SRM) process	> 1.1
▶ Purchasing conditions and sustainability contract clauses	▶ Yearly supplier audits to ensure suppliers are not complicit in human rights abuses and to avoid child labour	> 4.1-4.3
▶ Supplier management		

DEALERS

▶ Fostering sustainability among dealers	> 1.2
	> 2.3



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Principle 2: Make sure there is no complicity in human rights abuses

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principle 1	> See principle 1	> See principle 1
SUPPLIERS		
> See principle 1	> See principle 1	

Principle 3: Uphold the freedom of association and recognition of the right to collective bargaining

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principle 1	<ul style="list-style-type: none">▶ The Labour Union represents all local employees▶ Over the past five years, management and the Labour Union have achieved a more than 50% cumulative increase in the salary rate	> See principle 1
SUPPLIERS		
> See principle 1	> See principle 1	

Principle 4: Elimination of all forms of forced and compulsory labour

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principle 1	> See principle 1	> See principle 1
▶ Human Resource Guidelines in compliance with China's Labour Law and relevant regulations in relation to forbidden, forced, compulsory and child labour		
SUPPLIERS		
> See principle 1	> See principle 1	

Principle 5: Effective abolition of child labour

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principles 1 and 4	> See principle 1	> See principle 1
SUPPLIERS		
> See principle 1	> See principle 1	



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Principle 6: Elimination of discrimination in respect to employment and occupation

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principle 1	> See principle 1	> See principle 1
SUPPLIERS		
> See principle 1	> See principle 1	

Principle 7: Support precautionary approach to environmental challenges

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
<ul style="list-style-type: none"> ▶ ISO 14001 certification for all plant locations ▶ BMW Group internal Centres of Competence (CoCs) for water, process wastewater, energy, waste for disposal and VOC emissions ▶ Consideration of environmental impacts in investment decisions ▶ Application of Cleaner Production Strategy of the United Nations Environment Programme (UNEP) ▶ Implementation of the BMW Group Efficient Dynamics strategy ▶ Strategy to develop and promote electric vehicles ▶ Certification of all products according to ISO 14020, ISO 14024 and the Chinese standard HJ 2532 ▶ Guidelines on interior emissions in vehicles 	<ul style="list-style-type: none"> ▶ BMW Brilliance contributes to the BMW Group environmental goals: to achieve a 45% reduction in energy consumption as well as water, wastewater, waste and solvents per vehicle produced between 2006 and 2020 	<ul style="list-style-type: none"> > 2.1–2.4 > 3.1–3.4

SUPPLIERS

> See principle 1	▶ Supplier Risk Management (SRM) process	> 4.1–4.3
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DEALERS

▶ 5S certification of dealers including ecological criteria	▶ Promoted the 5S dealer concept by encouraging the voluntary involvement of authorised dealers nationwide to improve sustainability standards	> 2.3
	▶ Fostering sustainability among dealers	

Principle 8: Undertake initiatives to promote greater environmental responsibility

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	MOST RELEVANT MEASURES	REFERENCES
BMW BRILLIANCE		
> See principle 7	> See principle 7	> See principle 7
SUPPLIERS		
> See principle 7	> See principle 7	
DEALERS		
> See principle 7	> See principle 7	



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Principle 9: Development and diffusion of environmentally friendly technologies

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

MOST RELEVANT MEASURES

REFERENCES

BMW BRILLIANCE

> [See principle 7](#)

- ▶ Relied on the latest state-of-the-art technologies to achieve our efficiency targets
- ▶ Further developed New Energy Vehicles including infrastructure in China

> [See principle 7](#)

SUPPLIERS

> [See principle 7](#)

Principle 10: Work against corruption in all its forms, including extortion and bribery

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

MOST RELEVANT MEASURES

REFERENCES

BMW BRILLIANCE

- ▶ Associate Handbook including an Ethics & Code of Conduct section
- ▶ Legal Compliance Code
- ▶ Corruption and Prevention Guideline
- ▶ Corporate Hospitality and Gifts Instruction
- ▶ Anti-Fraud Policy and Fraud Response Guideline
- ▶ BMW Brilliance Compliance Management System

- ▶ BMW Brilliance Compliance Committee (BCC) further strengthened
- ▶ Established a comprehensive legal and compliance monitoring network to help ensure continuous monitoring and impact analysis of ongoing legal changes and developments
- ▶ Rolled-out mandatory online training modules on anti-corruption and anti-fraud policies as well as IT security and data privacy
- ▶ Further promoted the SpeakUp Line

> [1.3](#)

SUPPLIERS

> [See principle 1](#)



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GRI G4 content index

The following table lists the GRI Standard Disclosures and their location in BMW Brilliance’s report. This sustainability report was prepared in accordance with the Core option of the Global Reporting Initiative (GRI) G4 guidelines.

General Standard Disclosures			
GENERAL STANDARD DISCLOSURE	PAGE	COMMENTS	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS			
G4-1	p. 3		-
ORGANISATIONAL PROFILE			
G4-3	p. 128		-
G4-4	p. 8		-
G4-5	p. 128		-
G4-6	p. 6		-
G4-7	p. 9		-
G4-8	p. 6		-
G4-9	p. 6–7		-
G4-10	p. 95	14% of employees are working on a permanent contract. Due to a different calculation method, the data in 2015 is not comparable with data from 2014 or earlier. Self-employed workers and seasonal variations are not relevant in the context of BMW Brilliance's work.	-
G4-11	p. 88		-

GENERAL STANDARD DISCLOSURE	PAGE	COMMENTS	EXTERNAL ASSURANCE
G4-12	p. 73–75		-
G4-13	p. 120		-
G4-14	p. 16–18		-
G4-15	p. 20		-
G4-16	-	CAAM (China Association of Automobile Manufacturers) CAEFI (China Association of Enterprises with Foreign Investment) IAC (The Investment Association of China) LNAEFI (Liaoning Association of Enterprises with Foreign Investment) SYAEFI (Shenyang Association of Enterprises with Foreign Investment) BAEFI (Beijing Association of Enterprises with Foreign Investment) ABNEA (Association of Beijing New Energy Automotives)	-

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	p. 120		-
G4-18	p. 16–18		-
G4-19	p. 18		-
G4-20	p. 18		-
G4-21	p. 18		-
G4-22	-	Where necessary and possible, restatements are explained in footnotes to the respective graphs.	-
G4-23	p. 120		-

STAKEHOLDER ENGAGEMENT

G4-24	p. 25		-
G4-25	p. 24		-
G4-26	p. 20		-
G4-27	p. 20		-



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REPORT PROFILE			
G4-28	p. 120		-
G4-29	p. 120		-
G4-30	p. 120		-
G4-31	p. 128		-
G4-32	p. 125–127		-
G4-33	p. 120		-
GOVERNANCE			
G4-34	p. 16–17	According to the Articles of Association of BMW Brilliance, the highest authority of BMW Brilliance is the Board of Directors (the “BoD”). The BoD has the power to make decisions on all major and important matters of BMW Brilliance as provided in the Articles of Association. A management organisation, the Board of Management (the “BoM”), is established under the BoD, which is responsible for and in charge of the day-to-day operation and management of BMW Brilliance.	-
ETHICS AND INTEGRITY			
G4-56	-	The 12 Basic Principles at BMW Brilliance are: Customer Orientation, Peak Performance, Responsibility, Effectiveness, Adaptability, Dissent (Frankness), Respect & Trust & Fairness, Associates, Leading By Example, Sustainability, Society, Independence. Core Values: Trust, Inspire, Open, Care, Go Beyond. Norms of Behaviour: ▶ Associate Handbook including an Ethics & Code of Conduct section ▶ Legal Compliance Code ▶ Corruption and Prevention Guideline ▶ Corporate Hospitality and Gifts Instruction ▶ Anti-Fraud Policy and Fraud Response Guideline	-



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Specific Standard Disclosures

MATERIAL ASPECTS	DMA AND INDICATORS	OMISSIONS AND COMMENTS	EXTERNAL ASSURANCE
Energy	DMA: p. 44–47, 59–62 G4-EN3: p. 60	Conversion factors: steam-consumption measured in GJ*0.277 = MWh, gas-consumption in cubic meters *10.82/1000 = MWh	-
Emissions	DMA: p. 44–47, 59–62 G4-EN3: p. 45	-	-
Products and Services	DMA: p. 39–47 , G4-EN27: p. 39–47	-	-
Employment	DMA: p. 90–95 G4-LA6: p. 95	Total number of new employee hires not reported. Total number of employee turnover, as well as breakdown by age group, gender and region not reported.	-
Occupational Health and Safety	DMA: p. 96–98 G4-LA6: p. 97	Data is not reported by gender. Occupational diseases rate (ODR), lost day rate (LDR) and injuries/occupational diseases for independent contractors working on-site are not reported. There are no occupational disease cases in the company. We monitor accident frequency rate instead of LDR.	-
Training and Education	DMA: p. 99–104 G4-LA9: p. 100	Training days by gender not reported.	-
Anti-corruption	DMA: p. 27–35 G4-SO4: p. 29–30	Total number of employees and number of business partners that policies and procedures have been communicated to are not reported.	-
Public Policy	-	BMW Brilliance does not support political parties, their representatives or candidates for office with financial or in-kind political contributions.	-

MATERIAL ASPECTS	DMA AND INDICATORS	OMISSIONS AND COMMENTS	EXTERNAL ASSURANCE
Anti-competitive Behaviour	DMA: p. 27–35 G4-SO7: -	In 2015, there were no legal actions regarding anti-competitive behaviour or violations of anti-trust and monopoly legislation.	-
Customer Health and Safety	DMA: p. 48–50 G4-PR1: p. 49	-	-
Supplier Environmental Assessment	DMA: p. 77–82 G4-EN33: p. 81	-	-
Supplier Assessment for Labour Practices	DMA: p. 77–82 G4-LA15: p. 81	-	-
Supplier Assessment for Impacts on Society	DMA: - G4-SO10: -	In 2015, no suppliers were assessed for impacts on society.	-



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We look forward to hearing from you.

FURTHER INFORMATION AND PUBLICATIONS ARE AVAILABLE AT:

www.bmw-brilliance.cn/cn/en/csr/download.html

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