



Sheer
Driving Pleasure



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Driving Pleasure



2016 SUSTAINABILITY REPORT.

BMW BRILLIANCE AUTOMOTIVE LTD.





Dr. Johann Wieland

President and CEO
BMW Brilliance Automotive Ltd.

PREFACE

At BMW Brilliance, we are committed to sustainability – for the long-term success of our company and for China.

We take a holistic approach to sustainability, considering economic, environmental and social aspects across our value chain and throughout the life cycle of our products. Sustainability is integral to our business strategy. It is part of our corporate culture and defines the way we engage with our stakeholders.

BMW Brilliance is deeply rooted in China. Following the ratification of the Paris Agreement in 2016, we are proud to contribute to the efforts of the Chinese government in its global leadership role of fighting climate change. We also remain committed to the principles of the United Nations Global Compact, which we joined in 2014 to systematically pursue sustainable development in China and contribute to the local economy, environment and society.

Our continued localization efforts demonstrate our commitment to the country. In 2016, we began production at our new engine plant. The plant is the first in the BMW Group's worldwide production network to combine the entire engine production process in a single location and is a benchmark of environmentally friendly production. We also inaugurated our new Data Center at the northern extension of Dadong plant and new research facilities in Tiexi. The expansion of our local research and development efforts, as well as our IT capacities, is essential for our continuous innovation and digitalization efforts. It enables us to maintain our leadership position within Chinese industry and make new and valuable contributions to the sector.

We position BMW Brilliance as a pioneer in shaping future mobility. We view new energy vehicles as

“At BMW Brilliance, we are committed to sustainability – for the long-term success of our company and for China.”

the fundamental solution for sustainable mobility. Already today, we are at the forefront of China's electric future. In 2016, we presented the all-new ZINORO 60H, the second new energy vehicle of our Chinese brand, developed exclusively for the Chinese market. Moreover, we launched the all-new BMW X1 plug-in hybrid, which we produce at Tiexi plant.

Our contribution to the development of the new energy vehicle segment is not limited to the design and production of new automobiles. We respond to the challenges of the sector by supporting the creation and growth of an ecosystem for new energy vehicles. BMW Brilliance invests heavily in charging infrastructure and collaborates with other companies and stakeholders to foster sustainable solutions. We have established strong relationships across the battery value chain, for instance, from battery production to recycling.

Our long-term business success and sustainability performance is determined by our employees. In 2016, we were honored with the Best Employer in the Industry Award by linkedin.com, and were positioned among the top 30 best employers in the country as ranked by dajie.com. We view this as a recognition of our approach and will continue our investments in employee development and human resources management in order to offer exciting opportunities for local and international talent.

2016 was the centenary year of the BMW Group. It was a year to reflect on the past, but most importantly to reflect on the future and on what we

seek to achieve. With our past successes in mind, we will continue to play an active role in creating future mobility. We will expand our portfolio of sustainable products and services, develop our value chains, foster our internal processes and strengthen cooperation with our partners. We see this as an important investment in the continued success of our company and in the sustainable development of China.

Dr. Johann Wieland
President and CEO
BMW Brilliance Automotive Ltd.

CONTENTS

INTRODUCTION

Preface	2
Our point of view	6
Highlights 2016	8
An overview of BMW Brilliance	10

3

ENVIRONMENTAL PROTECTION

3.1 Our management approach	74
3.2 Energy consumption and emissions	76
3.3 Waste reduction	82
3.4 Water	86

6

CORPORATE SOCIAL RESPONSIBILITY

6.1 Our management approach	142
6.2 Our initiatives	146

1

SUSTAINABILITY MANAGEMENT

1.1 Our management approach	22
1.2 Stakeholder engagement	28
1.3 Compliance, anti-corruption and human rights	34

4

SUPPLIER MANAGEMENT

4.1 Our management approach	94
4.2 Implementing our approach	101

7

APPENDIX

7.1 About this report	157
7.2 GRI content index	158

2

PRODUCT RESPONSIBILITY

2.1 Our management approach	48
2.2 Efficient mobility	52
2.3 Product safety	60
2.4 Customer satisfaction	64

5

EMPLOYEES

5.1 Our management approach	110
5.2 Attractive employer	114
5.3 Training and development	124
5.4 Occupational health and safety	132

OUR POINT OF VIEW



Dr. Robert Engelhorn
Senior Vice President
Technology and Manufacturing

A key milestone for 2016 was the start of production at our new engine plant. The plant is a great example of how we consider sustainability as we expand our production in China. It combines highly advanced technologies and processes that allow us to minimize the environmental impacts of engine production. Benefiting from best practice examples in the BMW Group network, we designed the manufacturing process to be wastewater-free. Moreover, we use innovative methods in the foundry that enable nearly emission-free production and we recycle 90% of the sand used for casting.



Lei Xiaoyang
Senior Vice President
Finance

Sustainability is highly relevant from the financial perspective. By making our production as resource-efficient as possible and avoiding negative impacts, we can achieve considerable cost savings and reduce risks. Furthermore, our long-term perspective and responsible approach to doing business allow us to make a direct contribution to the local economy. BMW Brilliance is the top taxpayer in Shenyang. In 2016, we paid over RMB 21 billion in taxes. We also play an important role in employment creation, directly at our facilities and indirectly across our local supply chain.



Jochen Goller
Senior Vice President
Sales and Marketing

Incorporating sustainability into both our BMW and local ZINORO brands has been essential to our success. In addition to our selection of highly efficient vehicles, we have a unique range of new energy vehicle models. In line with the Chinese central and local governments, we are planning to expand our portfolio of new energy vehicles. We know that these vehicles will only be successful if they meet the needs of our customers. That is why we expanded BMW Group's ChargeNow™ charging network to 10 cities in 2016, providing our customers with easier access to the charging infrastructure. For our customers with private parking spaces, we offer the installation of private charging wall boxes. Additionally, we are expanding our dealer network for new energy vehicles.



David Shangguan
Senior Vice President
Human Resources

Our employees' passion and efforts are decisive for BMW Brilliance's success. We provide over 16,000 high-quality jobs and attach great importance to maintaining an inspiring work environment and good relationships between our workforce and management, while offering attractive development opportunities and employee benefits. The positive results of our approach are showing: in 2016, we were honored with top employer awards, and our last employee survey indicated that 91% of our employees fully support BMW Brilliance's targets and are satisfied to work here. This is particularly important in the context of sustainability: our employees benefit from, and contribute to, BMW Brilliance's sustainability performance.

HIGHLIGHTS 2016

MARCH

- BMW Group 100th anniversary celebrated in China
- IT Center opened at Tiexi plant
- First-ever BMW 2 Series Tourer launched

MAY

- All-new BMW X1 entered the market

JANUARY

- New engine plant opened

APRIL

- ChargeNow™ service of the BMW Group launched in Shenyang

JUNE

- Data Center opened at the northern extension of Dadong plant
- German Chancellor Angela Merkel visited Tiexi plant

JULY

- Tsinghua BMW Innovation Center for Intangible Cultural Heritage Safeguarding launched
- First Chinese company to join the European Foundation for Quality Management (EFQM) in Brussels
- ChargeNow™ service of the BMW Group launched in Chengdu
- All-new ZINORO 60H revealed for the first time

SEPTEMBER

- ChargeNow™ Wechat went live
- Cooperative framework agreement with Shenyang Education Bureau signed

NOVEMBER

- World debut of the all-new BMW 1 Series Sedan
- Best Employer in the Industry Award received from linkedin.com

OCTOBER

- 5th Regional Distribution Center opened

DECEMBER

- Sustainability and CSR Forum held
- 1,000,000th engine produced
- Awarded 2016 Public Welfare Enterprise of the Liaoning Area

AUGUST

- New paint shop opened at northern extension of Dadong plant
- First permanent BMW Children's Traffic Safety Education Experience Center opened in Shenyang

AN OVERVIEW OF BMW BRILLIANCE

OUR HISTORY

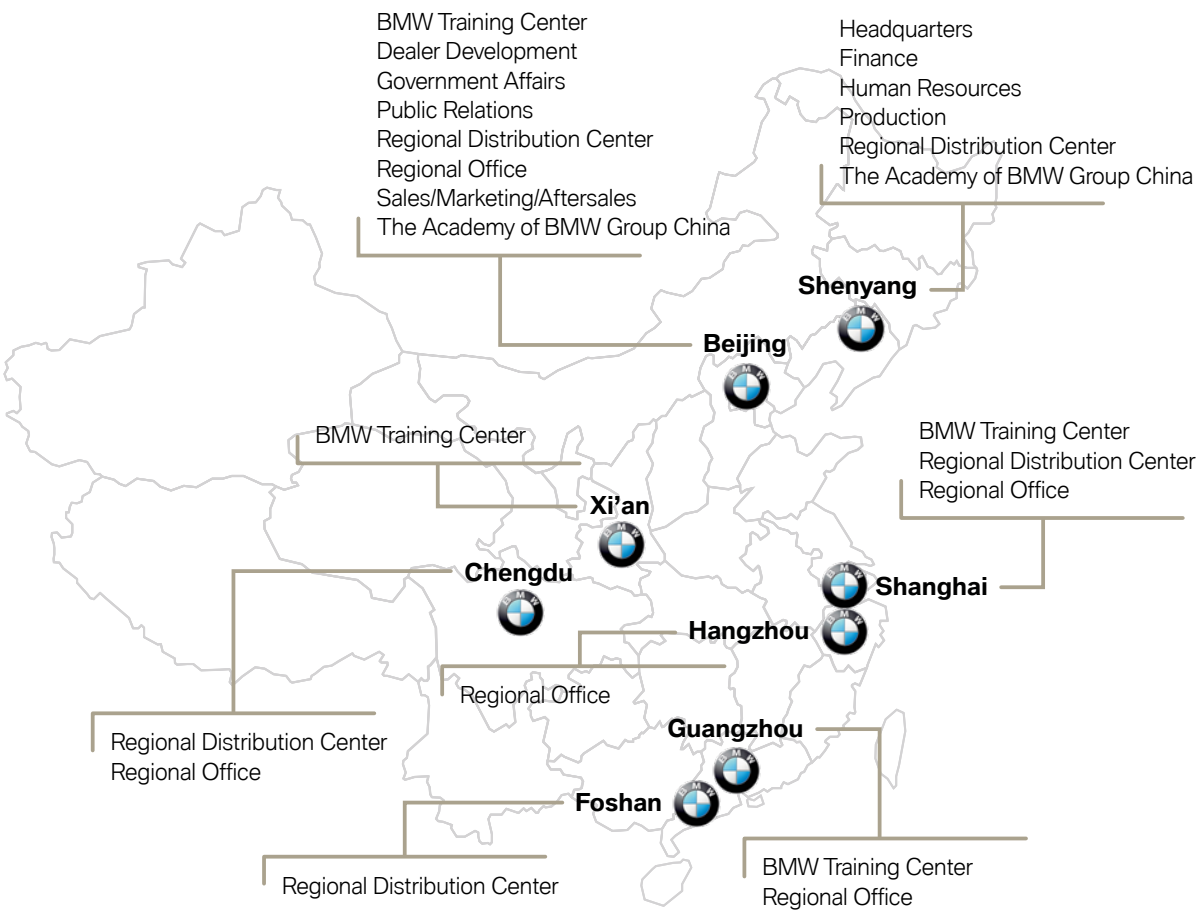
2003: founding of the company, a joint venture of the final parent companies Bayerische Motoren Werke Aktiengesellschaft and Brilliance China Automotive Holdings Limited.

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.



As of 31st December 2016

2

Complete vehicle plants in Dadong and Tiexi

1

New engine plant in Tiexi

558

Authorized dealer outlets nationwide

5

BMW parts distribution centers

4

BMW training centers

15

Training bases

12

Training spots

OUR PRODUCTS



BMW 1 SERIES
Sedan (start of production 2017)



BMW 2 SERIES
Tourer



BMW 3 SERIES
Long Wheelbase and Standard Version



BMW 5 SERIES
Long Wheelbase



BMW X1
Long Wheelbase



ZINORO 60H
(National launch 2017)



BMW 3-CYLINDER ENGINE



BMW 4-CYLINDER ENGINE

VEHICLES PRODUCED



2016: **305,845**
2015: **288,055**

FLEET CO₂ EMISSIONS



2016: **159.2 g/km**
2015: **165.4 g/km**

FLEET FUEL CONSUMPTION



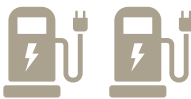
2016: **6.69 l/100 km**
2015: **6.95 l/100 km**

EMPLOYEES



2016: **16,286**
2015: **16,573**

PUBLIC CHARGING PILLARS INSTALLED



2016: **1,718**
2015: **500**

BMW BRILLIANCE KEY PERFORMANCE INDICATORS

BMW BRILLIANCE ACTIVITIES	2014	2015	2016	Change to previous year
Automobiles produced (units)	287,780	288,055	305,845	6.2%
Automobiles delivered (units)	278,637	287,448	310,041	7.9%
Number of authorized dealer outlets nationwide	460	515	558	8.3%
Number of dealers with 5S certification	35	39	42	7.7%
PRODUCT RESPONSIBILITY				
CO ₂ emissions of BMW Brilliance automobiles (in g/km)	168.0	165.4	159.2	−3.7%
Fleet fuel consumption (in l/100 km)	7.06	6.95	6.69	−3.7%
ENVIRONMENTAL PROTECTION				
Energy consumption per unit produced (in MWh/unit)	1.67	1.66	2.05	23.5%
CO ₂ emissions per unit produced (in t/unit)	0.97	0.88	1.13	28.4%
Water consumption per unit produced (in m ³ /unit)	2.18	2.18	2.58	18.3%
Process wastewater per unit produced (in m ³ /unit)	0.47	0.46	0.46	0.0%
Waste for disposal per unit produced (in kg/unit)	5.67	9.17	6.42	−30.0%
VOC* per unit produced (in kg/unit)	0.48	0.45	0.40	−11.1%
* Volatile organic compounds.				

SUPPLIERS	2014	2015	2016	Change to previous year
Purchasing volume in China (in billion RMB)	23.9	23.5	23.9	1.7%
EMPLOYEES				
Workforce at year-end	15,257	16,573	16,286	−1.7%
Attrition rate (% of workforce)	6.8%	3.8%	3.3%	−13.2%
Share of female employees (in %)	12.3%	11.8%	12.9%	9.3%
Average days of further training per employee	3.4	2.2	1.7	−22.7%
Accident frequency rate	0.82	1.06	0.54	−49.1%
CORPORATE SOCIAL RESPONSIBILITY				
Number of employees and customers that participated in Warm Heart initiatives*	65,000	80,000	84,700	5.9%
Beneficiaries from Warm Heart initiatives*	91,000	100,400	136,600	36.1%
* Warm Heart initiatives include activities organized 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. Beneficiaries are calculated as number of times people have benefited from activities.				

BMW BRILLIANCE VALUE CHAIN

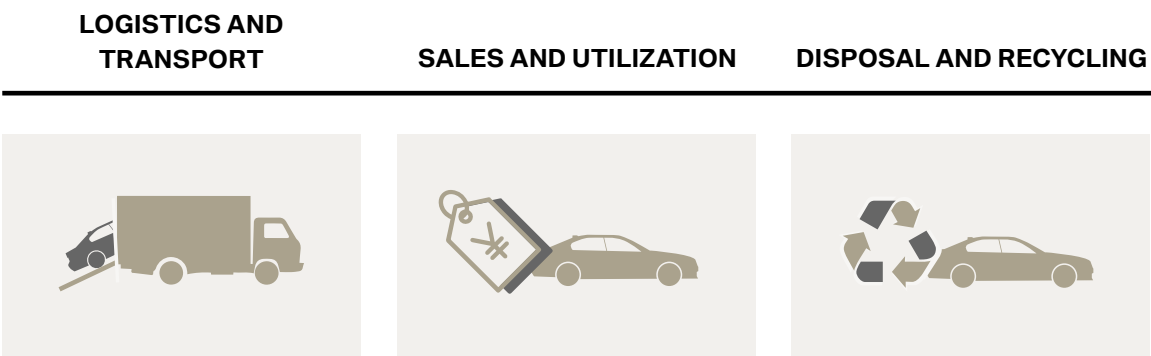


Main activities

Development of innovative, fascinating cars and services: • Vehicle design • Series development • Production planning	Cooperation with suppliers to create: • Modules/systems • Components • Parts • Raw materials	Manufacturing of cars by a highly expert and diverse workforce: • Engine construction • Bodywork • Paintwork • Assembly • Quality control
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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	• 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 aluminum	Improving resource efficiency (energy, water, waste): • Reduction in environmentally damaging wastewater and emissions • Use of recycling 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
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Main activities

Securing customer-oriented transport logistics in the network of: • Suppliers • Plants • Dealerships through the seamless combination of various modes of transport	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	Recovery and dismantling of vehicles for: • Reuse • Recycling and disposal of vehicle components and materials
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Areas of action (integration of sustainability)

• Increase in the share of modes of transport with low emissions • Optimization of capacity utilization of transport modes	Promotion of sustainable mobility behavior patterns based on: • Connected Drive • Mobility services in the area of electromobility • Car-sharing products • Mobility assistance services • Dealers with 5S certification	• Expansion and management of a network for vehicle recovery and recycling • Research on recycling and second life use of components (e.g. carbon-fiber-reinforced plastic and batteries)
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1 | SUSTAINABILITY MANAGEMENT

- 1.1 Our management approach
- 1.2 Stakeholder engagement
- 1.3 Compliance, anti-corruption and human rights

STAKEHOLDER STATEMENT

Sustainability in BMW Brilliance’s production and beyond



Zhang Tao
Plant Director,
Dadong plant, BMW Brilliance

How is sustainability taken into consideration in Dadong plant and in its northern extension?

BMW Brilliance is underscoring its responsibilities toward Chinese society by implementing the highest technological standards in all our production facilities.

The new extension of Dadong plant features one of the most advanced production systems within the BMW Group network and in China. Painting technologies alone decreased energy consumption by 30% compared to previous installations and at the same time, lifted quality standards up to the highest levels in the industry.

With Industry 4.0, IT solutions are seamlessly woven into the production system. Nearly every machine is integrated into the plant's infrastructure and proactively safeguards

premium quality using for example laser, radar and automatic torque tracking.

“New painting technologies put in place at Dadong plant decreased energy consumption by 30% compared to previous installations.”

Our employees are the most important pillar of our new plant. That is why we also use innovative technologies to ensure an ergonomic work environment and advanced employee-machine cooperation models.

What impact does Dadong plant have on its surroundings?

We have been producing the BMW 5 Series at Dadong plant for almost 14 years. The plant enjoys strong acceptance amongst the Chinese population, as it contributes to the increasing number of stable workforces and workplaces in the country. Our employees appreciate the numerous opportunities to earn both professional and international qualifications. With a positive mindset, the opportunities to advance their career at BMW Brilliance are limitless – whether locally, in Dadong, or on international assignments in different BMW Group production locations.

Like every major company, BMW Brilliance faces the daily challenge of maintaining momentum in this growing market. We remain confident, however, that our strong cooperation with local authorities and our commitment to local business development will enable us to maintain our growth targets and contribute to Made in China 2025.

What are your most important projects for the coming years and how do they reflect BMW Brilliance’s sustainability engagement?

In 2018, we will begin local production of the all-new BMW X3, which will expand our product offering, as we have never previously produced this model in China.

We have already begun refurbishing the Dadong South Production Line. This will benefit our supplier base and create more jobs. Since 2010, we have increased the amount of local suppliers by 70% and we are expecting that the production system for this new product line will create demand for even more diverse suppliers and employees.

1.1 OUR MANAGEMENT APPROACH

At BMW Brilliance, we are convinced that doing business in a sustainable manner is a precondition for our long-term success. We therefore embrace sustainability as an integral part of our corporate strategy and strive to act responsibly in all business activities. Our contribution is not limited to developing innovative products and continuously improving the environmental and social impacts of our operations. We also foster sustainable development outside of our business, and constantly engage with our stakeholders to shape the mobility of the future.

Sustainability is one of the five pillars of our business strategy and an integral part of our vision and business principles. For all our business activities, we consider potential impacts and continuously seek to improve our performance.

Our compliance management system is a key component of our sustainability engagement. We work toward our targets by implementing several initiatives. The BMW Brilliance Compliance Committee monitors the results and evaluates the effectiveness of the system and concrete activities.

We engage with a variety of stakeholders in ongoing dialogue. This enables us to build trusting relationships and to take different perspectives into consideration in the development of our business.

VISION AND GOALS OF BMW BRILLIANCE

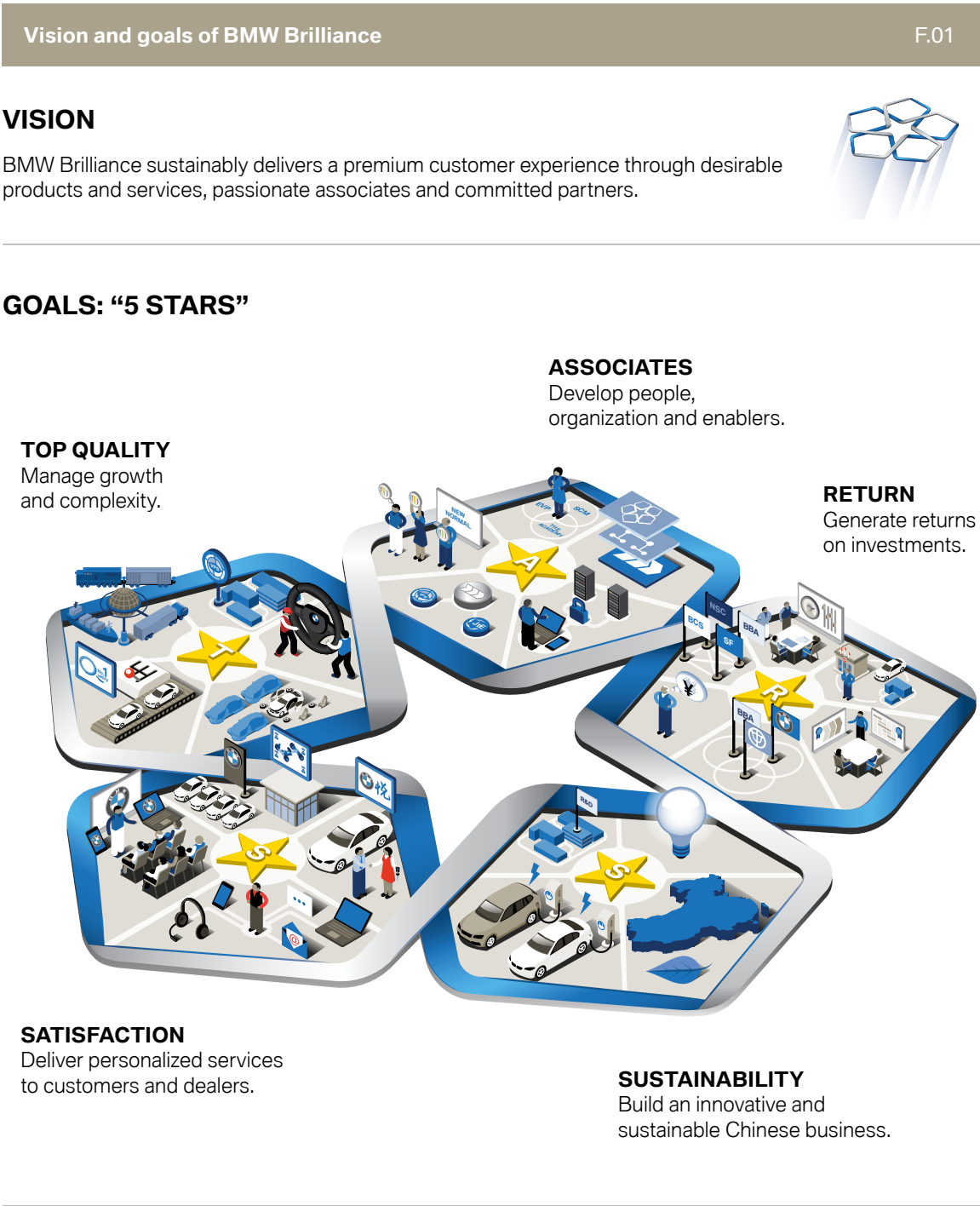
Our sustainability efforts encompass our entire value chain. We constantly invest in green production and logistics, while carrying out local

research and development activities. Our goal is to provide our Chinese customers with mobility solutions that include a wide range of products and services. We also place special emphasis on implementing our ZINORO brand and on engaging in various Corporate Social Responsibility initiatives. We are committed to driving the sustainable development of our company and of wider society in China.

In 2016, the BMW Group unveiled its new corporate Strategy NUMBER ONE > NEXT with sustainability as a key component. The continuous integration of sustainability into our activities therefore aligns with the strategic direction of the BMW Group.

MANAGING SUSTAINABILITY

We incorporate sustainability targets in our Balanced Scorecard as part of our overall long-term business objectives. These targets include environmental indicators that aim to reduce our resource consumption, as well as indicators that seek to improve our social performance.



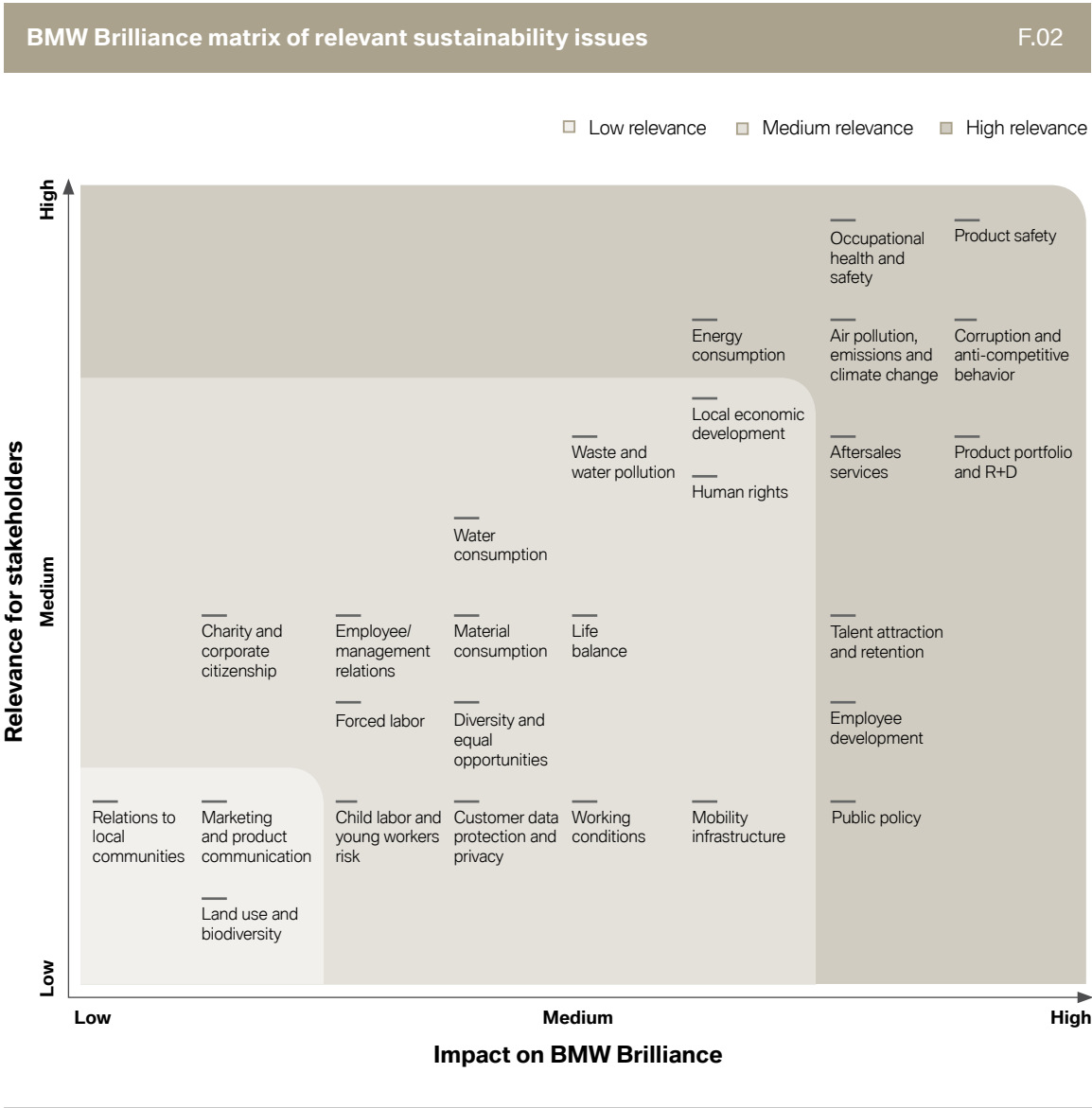
In 2016, a compliance target was defined as a mandatory target for all business divisions.

Identifying sustainability issues

To develop a solid basis for managing sustainability, we reviewed our sustainability issues with key stakeholders in the context of a comprehensive materiality analysis in 2015. We invited 16 representatives of stakeholder groups to share their ideas and concerns in individual, detailed interviews. Key topics raised during the interviews included product safety, occupational health and safety, and fuel consumption.

In an internal workshop with participants from the BMW Group and different BMW Brilliance divisions, we prioritized sustainability issues according to their business impact on BMW Brilliance. We considered the global context of these issues as well as where the most relevant impacts occur across the value chain.

As a result, we identified sustainability issues that are highly relevant for BMW Brilliance and its stakeholders. They are our priorities and this Sustainability Report reflects how we manage them > Figure 03.



We tackle these issues where they occur in our value chain and implement management measures accordingly. All 10 key sustainability issues are related to impacts at our own operations. Some of the impacts occur outside of BMW Brilliance’s operations, for instance through our business relationship with suppliers and customers. Energy consumption, emissions, occupational health and safety, and corruption are not only important in our own activities, but also in the activities of our suppliers and dealers. Our localization and supplier risk management strategies help us to improve the sustainability impacts in our supply chain > Chapter 4.

Any impacts related to product safety, energy and fuel consumption, as well as emissions are strongly related to our customers’ driving habits. Nevertheless, we understand that we are directly linked to these impacts through the sales of our products. We therefore view the continuous improvement of our vehicle efficiency as a priority. We also offer driver safety training to improve the sustainability impacts of our products in their use phase > Chapter 2.

Our dealers play a key role in informing customers about our sustainable product portfolio and showcasing sustainability in their buildings and surrounding communities. As a result, we promote the 5S dealer certification program and train our dealers on the sustainability aspects of our products > Chapter 2.4.

Driving strategic thinking in key sustainability areas

In 2016, we carried out a project to define a strategy framework for sustainability and to identify key priorities that we plan to pursue in the coming years. We conducted a context analysis, as well as a benchmark study on national and global sustainability strategy trends. Based on the study findings, we grouped and prioritized our key sustainability areas. In a sustainability strategy workshop, we developed an action plan for each of our prioritized sustainability areas.



► Participants discuss sustainability strategies at an interdepartmental workshop.

processes inside BMW Brilliance by setting up process models and a dedicated platform, the BMW Brilliance Process Portal, for sharing processes across all functions. The project also clarified cross-functional, process-oriented ownership at each level of the process hierarchy. This allowed us to drive continuous process improvements and to foster collaboration among departments, so as to increase overall efficiency.

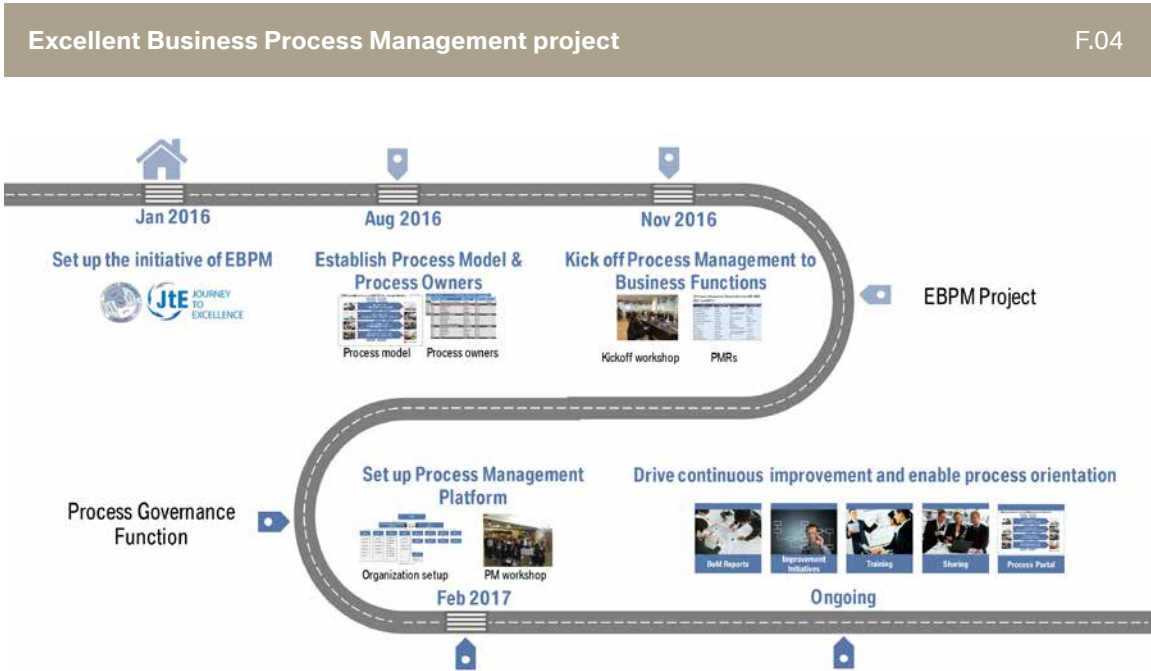
Furthermore, BMW Brilliance was the first Chinese company to join the European Foundation for Quality Management in Brussels. The foundation is a network of organizations that achieve superior levels of performance by consistently meeting or exceeding the expectations of their stakeholders. With our membership, we aim to achieve sustainable growth by continuously improving our performance in line with stakeholder expectations.

As the first automotive joint venture in China to join the United Nations Global Compact Initiative, we are committed to its ten principles as well as to the principles of fundamental rights as set out in the International Labour Organization's Declaration on Fundamental Principles and Rights of Work.

INITIATIVES AND RESPONSIBILITIES

Our flagship initiatives, Journey to Excellence (JtE) and Value-added Production System (VPS), help us advance toward our targets. JtE is our continuous self-improvement program with which we enhance internal processes across departments and functions. VPS applies lean management thinking and aims to eliminate waste and increase value-added work.

In support of process optimization, we initiated the Excellent Business Process Management project in 2016. The project increased transparency of



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 2016 documents our progress toward achieving the ten principles of the United Nations Global Compact*.

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



* www.unglobalcompact.org

1.2 STAKEHOLDER ENGAGEMENT

OUR STRATEGIC DIRECTION

We build long-term trust with our stakeholders.

Sustainability requires continuous alignment with our key stakeholders. Their opinions, decisions and actions are decisive for our business success. We therefore engage in ongoing dialogues with a variety of stakeholders. This allows us to identify trends and important topics, better understand one another's position, build trust and deepen partnerships. This approach reflects our commitment to society.

We align our stakeholder engagement efforts with our business strategy. This enables us to generate value for both our key stakeholders and for BMW Brilliance. Furthermore, we choose different methods of engaging with our stakeholders, depending on their specific backgrounds and communication needs.

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. We engage with the relevant stakeholders along our value chain in the most appropriate format, including dialogues, presentations, surveys and training initiatives. We focus on issues that are of interest to the specific stakeholder groups and do our best to address their concerns and questions.

Our membership in the European Foundation for Quality Management, in which the alignment of business development with stakeholder expectations is key, further underlines our commitment to including stakeholders in our decision-making.

► BMW Warm Heart Customer Club representatives.



CHANCELLOR'S VISIT

In June 2016, BMW Brilliance had the honor of hosting German Chancellor Angela Merkel during a visit to Tiexi plant. This event represented a great opportunity to connect both our German and Chinese stakeholders. Present were representatives of national and regional governments, board members of both the BMW and Brilliance Groups, as well as members of the media and local community. As an innovative manufacturing and sustainable production site in China, our Tiexi plant represents the continuous integration of Made in China 2025 and Germany's Industry 4.0 strategies, as well as the progressive nature of the Chinese-German industrial joint venture.



Academic institutions

The continuous cooperation and exchange with academic institutions is an integral part of the sustainable development of our business. In 2016, we held the first ProMotion China Dialogue Day, during which PhD students from Northeast University (NEU) in Shenyang presented their research projects and exchanged ideas with representatives of BMW Brilliance. We also held the 11th BMW Day at Tongji University, during which we encouraged students to explore visions for mobility over the next 100 years related to automated driving, connectivity, zero-emissions and car sharing.

Chinese students

We realize the importance of inspiring young talent and supporting students in their study and career paths. In 2016, 103 young people took part in the ongoing, practice-oriented programs we offer at the doctoral, master, bachelor and vocational education levels > **Chapter 5**. We also hold events to exchange with students.

Communist Party of China

In 2016, the BMW Brilliance Party Committee was honored as an Advanced Primary-level Organization by the Central/Provincial Enterprise Work Committee of the Shenyang Communist Party of China for the various activities carried out on behalf of over 1,000 party members within BMW Brilliance. We also established the Beijing Communist Party branch. During the Congress in Beijing, our management confirmed their support and emphasized the importance of the branch for the development of BMW Brilliance.

Customers

Our customers are at the heart of our business. We conduct regular talks and surveys to collect their feedback to improve our services in line with their needs and expectations > **Chapter 2.4**. In 2016, we introduced a new feedback collection mechanism. Moreover, we opened Tiexi plant to visitors, who can now gain insights into our manufacturing processes, as well as into the sustainability features of our production.

Dealers

During training events and conferences with our dealers, we regularly exchange information on the latest technologies and how to enhance the customer experience. For example, in 2016, at our annual BMW Dealer IT Manager Conference, we exchanged ideas with 284 participants on the increasingly important role of digitalization in vehicle retail, aftersales and customer relations management. Moreover, we actively promote our 5S dealer certification program and support the expansion of our new energy vehicle dealership network > **Chapter 2.4**.

BMW BRILLIANCE STAKEHOLDERS

Employees

We foster communication between our employees and senior management. All employees are invited to participate in the Employee Representatives Congress and Union Representatives Congress that we hold once a year. At the Associate Conferences, all employees of specific departments or plants come together for a day of discussions. We also gather employee feedback through an employee survey conducted every two years > **Chapter 5**.

Local communities

As part of our long-term commitment to China and local communities, we have been hosting and collaborating on a series of industry-leading Corporate Social Responsibility projects. One example is the Tsinghua BMW Innovation Center for Intangible Cultural Heritage Safeguarding, which was launched in collaboration with Tsinghua University in 2016 > **Chapter 6**.

Political decision-makers

BMW Brilliance engages in regular and open discussions with politicians to support the decision-making process. Important topics of discussion include emission standards, the advancement of new energy vehicles and supporting infrastructure, and the promotion of innovation. This continuous dialogue has allowed us to establish relationships of mutual trust between our shareholders, BMW Group and Brilliance Group, and the Chinese government.

Regulatory authorities

We are in regular contact with local authorities to inform them about our activities and to remain up to date on any developments in regulations and procedures. In 2016, we held several events with representatives from different authorities, such as the BMW High-end Products and Technologies Orientation to Government Event that was attended by representatives of the Shenyang Customs and Quarantine Bureau (CIQ), and the Customs Policy Forum.

Shareholders

Representatives of our shareholders – BMW Group and Brilliance Group – form our Board of Directors and are in regular contact with our Board of Management. We collaborate closely with our shareholders, who support us in a variety of areas, including the integration of sustainability into our activities and business strategy. In 2016, the first Board of Directors meeting was held in Shenyang.

Suppliers

We are in continuous dialogue with our suppliers. In addition to project-based day-to-day communication, we host a BMW Brilliance Supplier Event every year. In 2016, the event focused on quality in production and on the joint contribution of suppliers and BMW Brilliance to Made in China 2025. The event provided a framework for exchange between our suppliers and our management > **Chapter 4**.



► Wang Menghui, former Party Secretary of Shenyang, and Chairman Qi Yumin, Brilliance Group, visiting Tiexi plant in Shenyang.



► Lecture delivered at the centenary celebration event in Beijing.

BMW GROUP CELEBRATES 100 YEARS IN BUSINESS

The BMW Group celebrated its 100th anniversary on 7th March 2016. Festivities and events were organized at BMW Group locations around the

globe. We broadcasted the centenary event held in Munich and celebrated the historic event with our employees in Beijing and Shenyang.

Following the event, the BMW Group World Tour was launched. The traveling exhibition featured the newly revealed BMW Vision Vehicle – an inspiration for the next 100 years – and made its Asian premiere in Beijing. The exhibition explored various future trends with a significant influence not only on the automotive industry but on society as a whole. It also acted as a catalyst for further conversations with our stakeholders. The exhibition addressed topics such as digitalization and connectivity, the increasing role of technology in our lives, the BMW Group's vision of a sustainable future and commitment to Corporate Social Responsibility.



FORECAST 2017



We are continuously deepening our relationships with key stakeholders by engaging with them on a regular basis and through different channels.

To ensure we continue to operate with our stakeholders' priorities in mind, we are planning to update our materiality matrix. We will conduct a comprehensive analysis of the most important issues for our stakeholders and our main impacts.

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 individuals impacted by our operations. As a responsible company, we take resolute action to combat bribery and corruption.

Lawful and responsible conduct is the basis for fair competition and long-term business success. At BMW Brilliance, we have embedded these values in our corporate culture. We highly value and prioritize ethical behavior and respect for human rights in all our activities. This allows us to build trust in our brands and to strengthen our image among the general public.

To assure compliance, we have established a comprehensive compliance management system and we implement and monitor compliance initiatives systematically. Additionally, we take the necessary measures to ensure that human rights are respected throughout our value chain.

MANAGING COMPLIANCE

We have introduced tools and measures to ensure that everyone at BMW Brilliance acts in accordance with all applicable laws and regulations, and to protect our business reputation.

The Legal Compliance Code explains the central importance of lawful conduct and provides an overview of the legal areas relevant to our business. Each manager receives a copy of the Legal Compliance Code and it is published on the intranet. We have also published an Anti-Fraud Policy and Fraud Response Procedure, a Corruption Prevention Guideline and Corporate

Hospitality and Gift Instructions on the intranet for all employees, which contain specific anti-corruption and anti-fraud rules and requirements. This set of documents is the basis of our compliance management system.

As an important component of our corporate governance framework, the compliance management system focuses on antitrust and competition law, anti-corruption and anti-fraud measures, the prevention of bribery, defalcation and theft, data protection, as well as 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 programs, 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.

The BMW Brilliance Compliance Committee manages and monitors the overall effectiveness of the compliance management system. It consists of representatives of the departments for Legal Affairs and Compliance, Controlling and Risk Management, Corporate Audit and Human Resources. The committee is chaired by the CEO of BMW Brilliance. 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 by applying the system described in > Figure 05. Additionally, we have 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.

IMPLEMENTING AND MONITORING COMPLIANCE INITIATIVES

We address compliance risks through various compliance tools and programs under the compliance management system set out in the graph in > Figure 05. The BMW Brilliance Compliance Committee Office keeps up regularly with best practices via the BMW Group compliance network and exchanges with the local compliance community. In 2016, we prioritized the following compliance initiatives:

Legal and compliance monitoring and reporting

After successfully establishing a comprehensive legal and compliance monitoring network, we implemented a systematic reporting structure in 2016. This structure is designed to ensure regular analysis of all relevant developments in major legal fields, as well as in compliance areas. The

monitoring system draws on specialist functions within BMW Brilliance to form a centralized and cross-departmental exchange of information coordinated by the BMW Brilliance Compliance Committee Office.

Anti-fraud policy update

In 2016, we complemented the chop management policy introduced in 2015 with a comprehensive update to the Signature and Approval Power Guideline. The update further strengthens transparency in approval flows and signature requirements across BMW Brilliance. Central chop offices are run by chop administrators in Shenyang and Beijing to avoid misuse of our company seal, the chop, which is legally binding in China without a signature.

Furthermore, we rolled out a company-wide communication initiative to all employees to explain the risks and dangers of a conflict-of-interest situation. To support better understanding and increase transparency, we drew up a standard declaration form with questions on typical scenarios for our employees.

Comprehensive communication measures and training on essential compliance fields

Managers throughout BMW Brilliance must demonstrate responsibility by setting a good example for their staff, using the Legal Compliance Code as their standard of behavior. Every employee must also be familiar with our Associate Handbook, which contains compliance-related topics. In order to avoid legal and compliance risks, all employees are required to be fully aware of all compliance regulations, and to make a commitment to adhere to these internal regulations. We support this commitment through yearly communication campaigns and up-to-date training programs.



1. Compliance strategy

Definition and regular update of compliance strategy including observation of trends and best practices in compliance management.

3. Compliance risk assessment

Regular compliance risk assessment.

4. Internal rules and regulations

Management of internal rules and regulations (compliance as well as other areas).



2. Monitoring legal compliance requirements

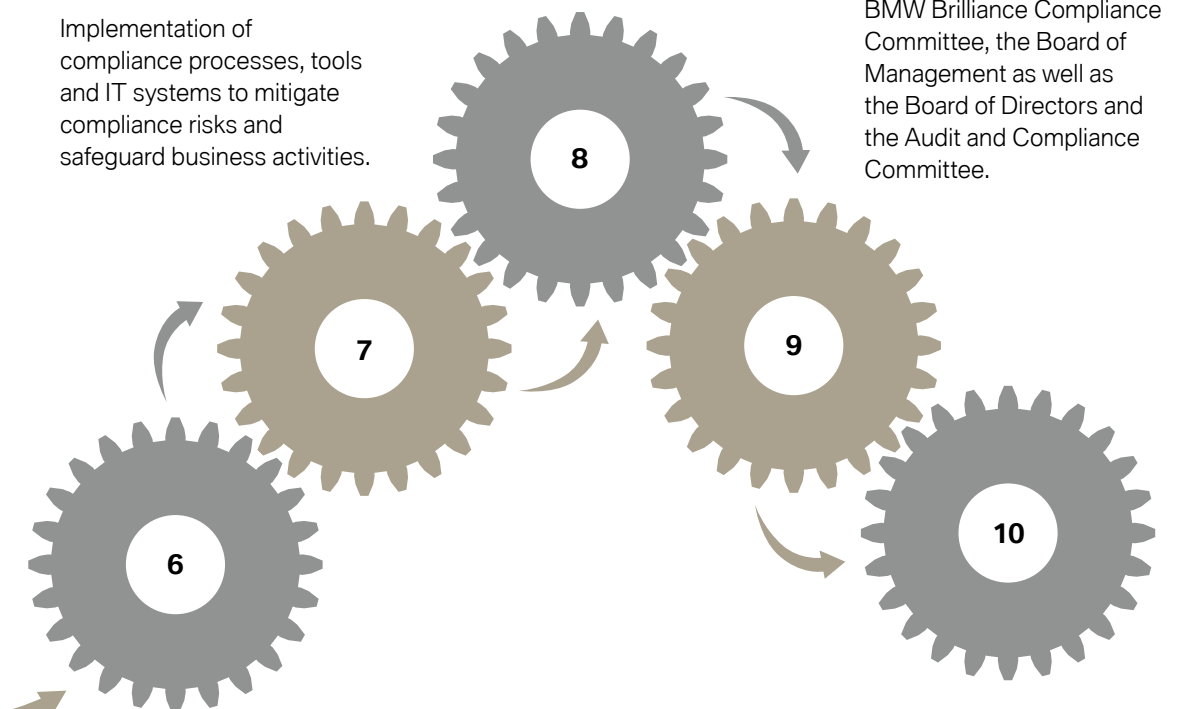
Management of monitoring of relevant legal requirements for compliance.

5. Compliance communication

Regular compliance communication toward all employees.

7. Compliance processes, tools and IT systems

Implementation of compliance processes, tools and IT systems to mitigate compliance risks and safeguard business activities.



6. Compliance training

Regular compliance training for all non-production employees.

8. Compliance case management

Compliance case management including measures mitigating identified incidents.

9. Compliance reporting

Regular and ad-hoc compliance reporting to the BMW Brilliance Compliance Committee, the Board of Management as well as the Board of Directors and the Audit and Compliance Committee.

10. Compliance monitoring and spot checks

Compliance monitoring and spot checks to ensure effectiveness of internal compliance instruments and measures.

Increasing overall awareness

A central element of our compliance communication is the implementation of mandatory online training modules – on anti-corruption and anti-fraud policies, as well as on IT security and data privacy – for all non-production BMW Brilliance employees. We rolled out the program in 2015 and maintained a completion rate of almost 100%. A renewal requirement for all modules will be introduced in 2018.

Special emphasis is given to classroom training on compliance for new employees who have joined the company and for managers (including production section leaders) who have been newly promoted into a leadership function. We introduced special learning paths for these groups in 2016.

BMW Brilliance's senior management addressed the importance of compliance on several occasions throughout 2016 and specifically during the Annual Manager Conference.

To raise awareness of key compliance areas – namely anti-corruption, anti-fraud, anti-monopoly law, data privacy and IT security – a poster campaign was launched at the beginning of 2016. This was followed by a series of articles in the internal newspaper of BMW Brilliance and BMW Group. A special campaign on WeJoy, our internal

WeChat channel for both production and non-production employees, used short cartoon films to highlight important compliance messages. An extensive campaign created awareness for conflict-of-interest situations, which are often the underlying cause for fraud or corruption. Regular pop-up messages on our intranet promoted newly updated and enhanced compliance intranet websites, with information on gift handling and BMW Brilliance's antitrust policies.

Training on anti-monopoly law and policies for exposed departments

The National Development and Reform Commission published a first draft of the new Anti-Monopoly Law Guideline for the Automotive Industry in 2016. To sensitize all relevant departments, especially all sales functions, the Compliance and Legal teams scheduled extensive classroom training sessions. We place special importance on full compliance with all relevant anti-monopoly regulations. Before the guideline came into force, we delivered training to ensure all particularly exposed employees were familiar with the impending new laws and to discuss timely compliance in all aspects.

Protecting information and confidentiality

In 2016, we highlighted the importance of information protection and communicated our updated confidentiality requirements to all

non-production employees. This initiative is part of our ongoing efforts to raise awareness regarding the importance of intellectual property, trade secrets and personal information protection.

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 also regularly employ standard vehicle provision forms with compliance clauses, which we use when we provide automobiles to external parties.

Conferences and events with both our suppliers and dealers are regularly used by senior management to address compliance topics. During our 2016 Supplier Day sessions in Shenyang, we emphasized sustainability and the importance of maintaining compliance throughout BMW Brilliance's supply chain. At the annual Partner Conference for our dealer network in Beijing, the importance of anti-monopoly compliance was stressed in a presentation by our General Counsel.

Responding to compliance-related enquiries and notifications

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 upon together with the departments concerned. All investigations are conducted in accordance with the applicable laws, documented and reported 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. A compliance consultation and notification instruction was published in 2016 to provide clear and transparent rules for employees.

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 2016. We also distributed special table cards and phone stickers in all Shenyang and Beijing offices. We will continue this effort in the future to ensure the SpeakUP Line becomes more widely known, but also to encourage personal discussions with Compliance Officers and line managers.

In 2016, BMW Brilliance responded to cases of employee misconduct based on internal regulations. We apply and enforce a zero-tolerance policy for all compliance violations.

Compliance implementation

To ensure compliance with internal rules and external regulations, internal audits are conducted by the Audit and Shareholder Audit departments. Selected internal audit projects will be supported by the BMW Brilliance Compliance Committee Office in the future, with a first joint audit conducted in 2016 and further specific compliance spot checks planned.

RESPECTING HUMAN RIGHTS

We are committed to respecting the human rights of all individuals impacted by our operations. The BMW Brilliance Joint Venture Equity Contract includes a requirement to establish policies and procedures at BMW Brilliance to avoid human rights infringements and to address adverse human rights impacts that might involve our company, as core foundations of our business. We expect all employees, as well as business partners, to respect human rights in their daily actions.

Human rights governance

Human rights issues are managed in the relevant business functions of BMW Brilliance. The Human Resources department is responsible for assuring human rights within our operations. The Purchasing and Supplier Quality Management department takes the necessary steps to ensure that suppliers respect human rights.



► Dr. Stefan Schroecker, Head of Legal Affairs BMW China, and Michael Meng, General Counsel of BMW Brilliance.



► Award ceremony following an internal compliance training course and online quiz competition.

We base our respect for human rights on internationally agreed principles, including the principles set out in the International Bill of Human Rights and the International Labour Organization's 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:



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.

Issues addressed: our commitment to the United Nation's Global Compact and the respect of International Labour Organization's labor law is explicitly stated therein.



Associate Handbook

Objective: the objective of the Associate Handbook, which includes our Ethics and Code of Conduct as well as our Business Principles, is to detail and communicate to all employees their rights and responsibilities, as well as our corporate values.

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.

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



General Terms and Conditions for the Purchase of Goods and Services and 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.

Issues addressed: environmental criteria as well as recognized human rights and labor standards are included.

Managing human rights issues

We take particular care to monitor human rights issues in our own operations and along our supply chain. We manage them in the following ways:

Occupational health and safety

It is our priority to protect the health and safety of our employees. We carry out health and safety training, promote health checks, and implement needs-based health initiatives > **Chapter 5.4**. In our Associate Handbook, we inform our employees of their rights and responsibilities with respect to occupational health and safety. The handbook also includes information about where to access our environment, health and safety policies. We expect the same care for employee health and safety from our suppliers.

Forced, compulsory or child labor

The complexity of the automotive supply chain requires particular care regarding the risk of forced, compulsory or child labor. We expect full compliance with Chinese Labor Law and relevant regulations in these matters and we enforce a zero-tolerance policy. With a ban on forced, compulsory and child labor in all supplier contracts, we ensure that our suppliers uphold

the same standards that we set for ourselves > **Chapter 4**.

Freedom of association

We recognize the right of all workers to engage in collective bargaining to agree upon working conditions by joining a legally recognized trade union, or any other body representing their collective interest. The BMW Brilliance Labor Union was therefore established in 2007. The union represents all local employees and works to protect employees' rights and interests and to mediate disputes between employees and the company. At the Union Representatives Congress in 2016, the updated Collective Contract on Labor Remuneration was presented, approved, and signed > **Chapter 5.1**.

Discrimination and harassment

BMW Brilliance is committed to providing a work environment free from any discriminatory behavior and harassment, as is stated in our Associate Handbook. All employment decisions are to be taken without regard to ethnic origin, skin color, 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.

Working hours and remuneration

We are committed to providing fair compensation and to respecting legal working hours, 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. We apply three different work time models to keep the worked hours and monthly salaries stable, despite market fluctuations. We reward our employees with total remuneration that is above average and aligned with the upper-third of the respective labor market in China > **Chapter 5.2.**

Welfare of local communities

Our business is deeply rooted in China and we take our social and environmental responsibilities seriously. In order to minimize the impact on local communities, we consider potential social and environmental consequences in the earliest stage of product development and infrastructure planning. All BMW Brilliance infrastructure construction activities are pre-examined and go through a national Environmental Impact Assessment. We also commit to minimizing the environmental impacts of our business activities by continuously reducing our resource consumption, emissions and waste for disposal > **Chapters 2 and 3.** Moreover, we take all necessary measures to fight corruption in order to prevent personal gain or preferential treatment.

Human rights in the value chain

Risks for human rights infringements are particularly high in complex supply chains with extensive division of labor, as is the case in the automotive industry. We therefore require our direct suppliers to meet the same social and environmental standards that are applied by BMW Brilliance. Compliance with internationally recognized human rights, as well as with labor and social standards, is part of our General Terms and Conditions for all purchases and as such, are included in

all supplier contracts. We continuously review our corporate policies and initiatives regarding their effectiveness in avoiding human rights infringements in our supply chain. Additionally, the supplier risk management process that is applied throughout the BMW Group network enables us to identify and analyze potential sustainability and human rights risks along our supply chain. In our regular supplier review we consider issues such as operational health and safety, child labor risks and environmental impacts > **Chapter 4.**

Addressing human rights violations

Employees can submit information about possible human rights violations within the company via the BMW Brilliance SpeakUP Line – anonymously and confidentially. In 2016, we investigated a notification of an alleged incident of child labor in the supply chain. The investigation showed that BMW Brilliance did not rely on any implicated sub-supplier in our production chain.

As part of our efforts to prevent human rights violations, we provide employee information and training, particularly on the SpeakUP program. We also conduct risk analyses and human rights impact assessments, and we maintain internal monitoring and reporting structures. Our cooperation with business partners and our dialogue with stakeholders also allow us to identify and address risks quickly.

FORECAST 2017



Our Compliance team is planning to concentrate on anti-corruption and data privacy in 2017. We are also maintaining strong training activities on anti-monopoly law specifically targeted at relevant business departments.

Furthermore, the Risk Management and Compliance teams are jointly setting up a new special training course on risk management to foster enhanced understanding of compliance risks.

2

PRODUCT RESPONSIBILITY



- 2.1 Our management approach
- 2.2 Efficient mobility
- 2.3 Product safety
- 2.4 Customer satisfaction

STAKEHOLDER STATEMENT

Taking the lead in developing a new energy vehicle ecosystem



Martijn Oremus

Head of Brand Management New Energy Vehicles,
BMW Brilliance

What are the challenges for new energy vehicles in China today?

These vehicles are still a new area of business within the overall automotive industry. This means that a lot of groundwork still needs to be done and customers need to be made more aware of the benefits and possibilities of our new energy vehicles. Currently, the market is strongly driven by government incentives and policies. This will have to change in the coming years and then natural customer demand will develop. As a provider of premium products and services for individual mobility, we must adjust and tailor our offerings and processes to meet the changing demands of our customers for electromobility. We understand the significance of this and remain on the right track.

“As a provider of premium products and services, we understand the need to adjust to meet the changing demands of our customers.”

How does BMW Brilliance support the development of the new energy vehicle segment?

BMW Brilliance is making great progress in developing the new energy vehicle ecosystem. This starts with strong local research, development, and production capabilities. BMW Brilliance is, for example, the first premium car manufacturer to establish the indigenous new energy vehicle brand ZINORO. And, within a short period of time, we have brought two premium new energy vehicle models to the market. Under the BMW brand we offer five different new energy vehicle models with nine different variants. This is an unequalled portfolio, and these models feature the latest eDrive technology, including intelligent energy management and three different electric drive modes.

“BMW Brilliance has been the first premium car manufacturer in China to establish an indigenous new energy vehicle brand.”

Additionally, we are making strong progress in high-voltage battery technology. BMW Brilliance played a key role in establishing the local high-voltage battery supply chain, and we will be the first premium automotive manufacturer to open our own battery assembly line in Tiexi plant.

Under the ChargeNow™ brand of the BMW Group, the public charging infrastructure is being built up, and in 2017 we will qualify and assist service providers in 100 cities to support the installation of private charging pillars. These endeavors will lower the purchase barrier significantly by increasing the accessibility and convenience of charging. And, last but not least, we are developing new services and applications specifically for new energy vehicles, which respond to changing customer demands.

How does this affect BMW Brilliance’s sustainability performance?

BMW Brilliance takes a holistic approach to electromobility. We also take our role as a leading force in the development toward more sustainable mobility very seriously. Our involvement goes far beyond our products themselves. We see a changing mindset within our own company, which helps us better serve customer needs and requirements. We are innovating in our products, services, and processes to further improve our sustainability performance.

“In 2017, we will qualify and assist service providers in 100 cities to support the installation of private charging pillars.”



► At an awards ceremony recognizing the most popular new energy vehicles in China. The BMW X1 plug-in hybrid model was among the awardees.

2.1 OUR MANAGEMENT APPROACH

Growing cities and an expanding middle class, with increasingly exigent mobility needs, put pressure on urban systems, people, and the environment. As a premium mobility provider, BMW Brilliance takes a comprehensive approach to product responsibility. We are committed to offering sustainable mobility solutions by increasing the fuel efficiency of our products, expanding our portfolio of new energy vehicles, and providing innovative mobility services. Our customers' safety and satisfaction are of utmost importance. We equip our products with advanced safety features and develop our aftersales services according to customer feedback. Our efforts form the basis of our long-term business success by improving our impacts on society and the environment, and by contributing to more sustainable mobility in the future.

We are committed to continuously expanding our business in China and to providing our customers with a diversified selection of products. With the BMW Group Efficient Dynamics Strategy, we aim to continuously reduce the fuel consumption and emissions for each of our models. In the new energy vehicle segment, we offer a wide range of models and drivetrain types unique in China. Our ZINORO brand is an indigenous brand – designed and produced in China for the Chinese market.

Next to the development and production of new energy vehicles, we also contribute to the advancement of electromobility at large: developing the charging infrastructure and necessary complementary services. In this way, we aim to support the further development of electromobility in China.

With respect to the safety of our customers and other road users, BMW Brilliance follows the approach of the BMW Group and combines

safety features in our products with driver safety training.

Additionally, we keep expanding our sales and service network. By year-end, we had 558 BMW sales and service outlets in operation across China. In order to continuously improve customer satisfaction, we encourage customer feedback and train our dealers to ensure the best possible services.

EXPANDING OUR BUSINESS IN CHINA

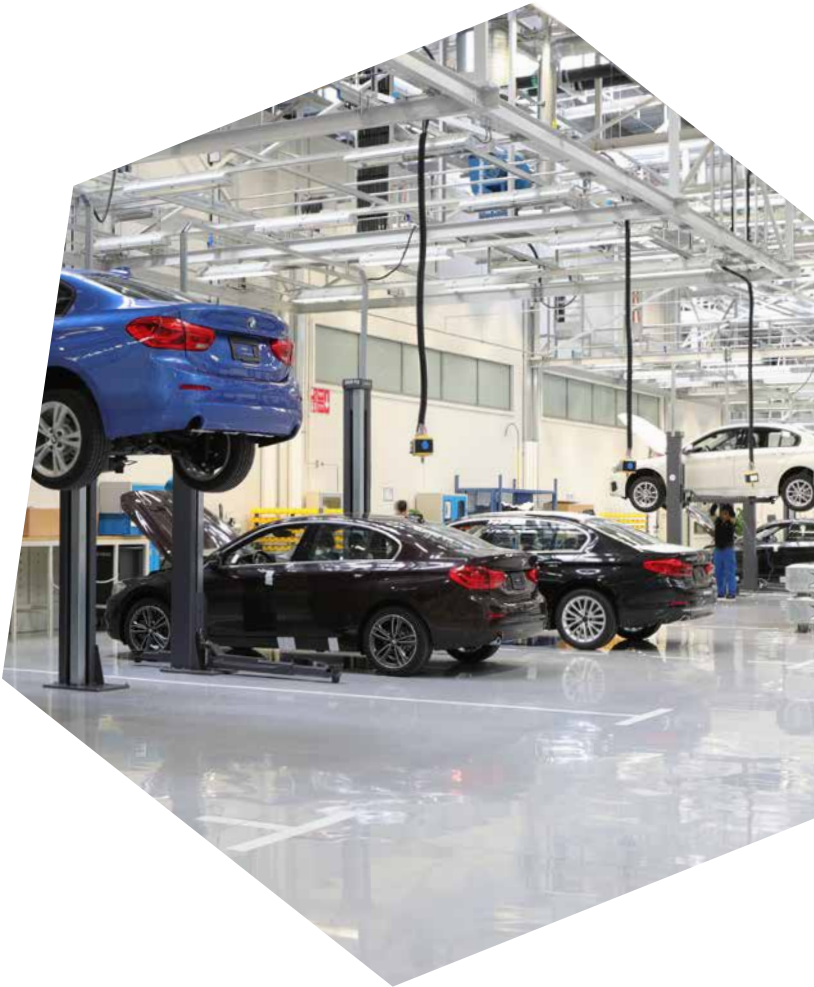
Since BMW Brilliance's inception in 2003, we have focused on developing our business in China. Our pace of expansion has been rapid and comprises local research and development, procurement, and production. We are committed to introducing the latest products and technologies into the

Chinese market. We currently produce over 30 model options of BMW and ZINORO vehicles, BMW 3- and 4-cylinder engines. In 2016, we successfully launched the first-ever BMW 2 Series Tourer, the all-new BMW X1, revealed the all-new ZINORO 60H and celebrated the world premiere of the all-new BMW 1 Series Sedan. In 2016, sales of our locally produced vehicle models accounted for 65.6% of the total sales of the BMW brand in mainland China.

2016 was an exciting year for BMW Brilliance. In January, production started at our new engine plant. The plant, where we produce BMW's latest turbo-charged 3- and 4-cylinder gasoline engines, is one of the most advanced and sustainable engine plants in the world. It is the first one in the BMW Group production network to combine the complete engine production process in a single location and includes a light metal foundry that allows us to process aluminum on-site. The plant's production is aligned with our vehicle production output to satisfy the demand of our Tiexi and Dadong plants.

We also completed the structure of the northern extension of Dadong plant in early 2016. Over the course of the year, we inaugurated the new Data Center that supports all production systems for Dadong plant and all of BMW Brilliance's business systems for data storage, transmission, computing, and data security. The center plays an important role in implementing further digitalization measures > **Textbox**. We also opened the paint shop and assembly line at the northern extension to prepare for production of the all-new BMW 5 Series Li, as well as a new laboratory for quality assurance.

Moreover, we began operations in the Engineering Workshop at our Research and Development Center Phase 2 in September 2016. Two more buildings will be handed over to the project team in 2017. The Research and Development Center Phase 2 will greatly expand the capacity of our research



► Engineering Workshop at the Research and Development Center.

facilities and allow us to test and validate the components and vehicles that we produce locally, as well as components from our Chinese suppliers.

Our engineers work closely with the BMW Group's Research and Development team. These local research activities enable us to develop products and components specifically for the needs of Chinese customers and in line with

Chinese regulations. They are therefore essential for our long-term business success.

The flexibility of our production system is a competitive advantage. It allows us to make capacity adjustments according to market needs and adapt production comparatively quickly to new trends or requirements. This is particularly important in the context of electromobility development in China.

DIGITALIZATION

BMW Brilliance's business success depends increasingly on the implementation of digital innovations. We aim to use digital services to improve the quality of our products and to provide highly efficient mobility solutions. Additionally, by employing digital innovations and technologies, we create a healthier work environment for our employees, increase our operating efficiency, and reduce environmental impacts.

An important aspect of our digitalization efforts in 2016 was big data analysis. In Shanghai, for example, we evaluated parking information about new energy vehicles in order to determine the best locations for charging stations to be built.

On the production side, big data analysis bears huge potential for efficiency improvements. We used data analysis of color sequences – and the resulting painting quality at our paint shop – to determine which sequences result in the best quality paint job. With this knowledge, we can easily avoid sequences that frequently affect quality and thereby increase our production efficiency and product quality. We also carry out data analysis of energy consumption in our production and office facilities as a basis for further energy efficiency measures.

Additionally, we are driving the transformation of our company culture to increase open-mindedness toward digitalization and innovation. Everyone at BMW Brilliance is encouraged to submit their ideas on our innovation platform. The most promising suggestions are then selected and developed in our IT innovation laboratory.



At the innovation workshop.

MANAGING THE ADVANCEMENT OF ELECTROMOBILITY

In 2016, we centralized all new energy vehicle activities related to both our BMW and ZINORO brands, including the development of charging infrastructure. This new management structure is in line with our comprehensive view of electromobility. For us, it is not sufficient to produce new energy vehicles. We also strive to promote the development of electromobility at large.

In September 2016, the BMW Group established a separate department for mobility services in China. It includes a business development, implementation, and technical support unit and is dedicated to bringing additional mobility services to China.

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. We passed the 2016 China Compulsory Certificate external audit with zero findings. The audit includes an inspection of the production processes, materials, and equipment, as well as a conformity check of all series products. Generally, 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.

More detailed information about our focus areas can be found in the following subchapters:

- Providing efficient mobility solutions
 > Chapter 2.2
- Ensuring product safety
 > Chapter 2.3
- Improving customer satisfaction
 > Chapter 2.4

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.

Climate change and the burdens placed on air quality have become key challenges for our society. In China, large cities in particular struggle with issues related to air pollution. As a premium mobility provider, BMW Brilliance views it as its responsibility to innovate and develop our product portfolio to continuously increase the efficiency of conventional drivetrains. Our expanding range of new energy vehicles further reduces the fuel consumption and emissions of our fleet. Additionally, we contribute to creating the mobility of the future with innovative mobility services. By offering better mobility solutions, we respond to public concerns

and related regulations, contribute to the protection of the environment and human health, and improve the competitive position of our business.

We focus on reducing fuel consumption and CO₂ emissions through efficient technologies, expanding our offering of new energy vehicles, and developing and promoting mobility services.



► BMW eDrive, the electrical drive component of BMW iPerformance models, not only delivers maximum driving pleasure, but does so almost silently and without emissions.

REDUCING FUEL CONSUMPTION

Fuel efficiency and impacts on society and environment are factors that we consider closely as we develop a new vehicle. Choices regarding materials, production technologies, suppliers, drivetrain types, as well as recyclability of the vehicle's components, largely determine the product's sustainability performance throughout its life cycle. We reduce the energy requirements of our vehicles by implementing the BMW Group Efficient Dynamics Strategy. Specific measures include lightweight design, efficient engines and gearboxes, and optimized aerodynamics.

These measures, along with continuous research and development efforts, enable us to contribute to the national target of corporate average fuel consumption of 5.0 liters per 100 kilometers by 2020. We follow and participate in discussions about fuel efficiency and emissions targets in China and internationally > Textbox. Our goal is to align our research capacities as soon as possible

with any new targets in order to meet the latest emissions standards and regulations worldwide.

The increasing number of new energy vehicles in our product portfolio contribute to the objective of reducing our corporate average fuel consumption further. In 2016, the all-new BMW X1 plug-in hybrid vehicle, which is produced at our Tiexi plant, made its global debut.

Our locally produced new energy vehicles are included in the recommendation catalogues of the central government and local authorities. This makes them eligible for benefits such as purchase tax exemptions, central and local subsidies, as well as free license plates, depending on the respective implementation rules.

In 2016, BMW Brilliance's corporate average fuel consumption was 6.69 liters per 100 kilometers, 3.7% less than in 2015 > Figure 06. According to the 2016 corporate average fuel consumption report of the Chinese authorities, which used an updated calculation method, we remained 1st in the national ranking of the fleet fuel consumption

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 liters per 100 kilometers has been set. This regulation is valid for all automotive manufacturers in China. In addition, weight-based consumption limits have been set for individual vehicles.

Discussions about subsequent regulations in China are well advanced. A policy that combines the corporate average fuel consumption with new energy vehicle credits is being developed. This means that a certain quota of new energy vehicles will be defined for automotive manufacturers, proportionate to their total vehicle production volume.

Fleet fuel consumption (l/100 km)

F.06

2014	2015	2016	Change to previous year
7.06	6.95	6.69	-3.7%

achievement rate among all joint ventures in China.

-3.7%

Year-on-year reduction of CO₂ emissions of our newly sold vehicles in China in 2016.

LOWERING CO₂ EMISSIONS

As a result of our efforts and advanced technologies, we were able to further reduce the CO₂ emissions of our newly sold vehicles in China to 159.2 grams per kilometer > Figure 07.

Indirect CO₂ emissions (Scope 3) are caused by the use and disposal of our products, in our supply chain, in transport logistics, and by employees

commuting to and from work. The majority of these indirect emissions are generated during the use of our products (corporate level, not including upstream fuel).

The Scope 3 emissions of our vehicles sold in 2016 increased compared to 2015 because of the growth of our sales volume > Figure 08. Nevertheless, the successful reduction of our fleet fuel consumption and CO₂ emissions of newly sold vehicles resulted in a smaller increase in the indirect CO₂ emissions caused during the utilization phase than in the other phases. We view this as a confirmation of our efforts to limit CO₂ emissions.

In order to decrease the indirect CO₂ emissions of our vehicles in the coming years, we are reinforcing our efforts to boost new energy vehicle sales, increasing the efficiency of our vehicles and of our transport logistics > Chapter 3.2, and continuing to collaborate with our suppliers to reduce CO₂ emissions in the supply chain > Chapter 4.

CO₂ emissions of BMW Brilliance automobiles* (g/km)

F.07

2014	2015	2016	Change to previous year
168.0	165.4	159.2	-3.7%

* The CO₂ emissions value reported for China in the Sustainable Value Report 2016 of the BMW Group includes both locally produced and imported vehicles, while the value in the present report includes locally produced vehicles only.

Indirect CO₂ emissions (Scope 3) of BMW Brilliance automobiles (in t)

F.08

	2014	2015	2016	Change to previous year
Total emissions	9,392,718	9,285,353	9,558,817	2.9%
Upstream chain ¹	1,989,978	1,989,117	2,099,198	5.5%
Utilization phase ²	7,244,557	7,138,095	7,292,407	2.2%
Disposal ³	158,183	158,141	167,212	5.7%

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 kilometers.

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



► The BMW 2 Series Tourer.

LEVERAGING THE POTENTIAL OF ELECTROMOBILITY

Although absolute numbers are still limited, China's overall new energy vehicle production and sales volume maintained the first place globally in both 2015 and 2016. The over one million new energy vehicles driven in China represent more than 50% of the global market share of new energy vehicles. We are proud that the sales volume of BMW and ZINORO new energy vehicles increased considerably between 2015 and 2016. Also, national market research on automotive brands positions BMW as the leading brand of electric drive vehicles. Building on our brand strength, we are continuously expanding our range of new energy vehicles.

Offering a premium plug-in hybrid model

In 2016, we began production of the all-new BMW X1 plug-in hybrid. The first vehicle rolled off our production line during the plant visit of German Chancellor Angela Merkel in June.

We designed the new version of the X1 model specifically for the Chinese market, taking customer feedback and research carried out over the last four years into consideration. From the outset, our engineers developed the all-new BMW X1 plug-in hybrid as a vehicle that combines an electric drivetrain with a highly efficient gasoline engine, reducing all constraints that are usually associated with new energy vehicles. The new version has a range of 60 kilometers in all-electric drive and 630 kilometers drive range in total.

Thanks to local research and development, as well as production, our all-new BMW X1 is the only plug-in hybrid vehicle from a foreign brand that was included in the New Energy Vehicles Recommendation Catalogue in 2016. This inclusion makes it eligible for a national subsidy.

1

Number of foreign-branded plug-in hybrid vehicles eligible for subsidy in China (the BMW X1).

Moving ZINORO to the next level

In 2016, we revealed our all-new ZINORO 60H, which we are launching in March 2017. Its "Flow of Strength" appeals to contemporary Chinese design, and the new model further emphasizes ZINORO's new energy vehicle technology and

quality. We designed this new generation of the ZINORO brand as a plug-in hybrid model to perfectly meet the needs of modern city life. Our customers can easily cover their daily commutes and all in-city driving in the 60H's all-electric mode thanks to its 60-kilometer electric range. The hybrid drivetrain allows them to use the same vehicle to travel further without worries about limited charging infrastructure.

We also upgraded the sales model for the new ZINORO. It can be purchased at one of our ZINORO showrooms, from dealers, or from the new energy vehicle supermarkets in Shanghai, Shenyang, Beijing, and Guangzhou. It can also be purchased online with delivery to the customer's preferred location.

PARTNERING TO SUPPORT NEW ENERGY VEHICLE DEVELOPMENT

ZINORO is not only a brand focusing on new energy vehicles, but a platform for BMW Brilliance to establish a complete ecosystem for new energy vehicles. Based on our "in China, for China" approach, we have been cultivating local partners since we established the ZINORO brand.

One example is our support for the development of new energy vehicle batteries. We played an important role in the creation of the start-up Contemporary Ampex Technology Co. Ltd. through our knowledge transfer and financial support. The company is now

one of the world's leading lithium battery producers for new energy vehicles.

We also work with Brunp, a company that specializes in battery recycling. This collaboration allows us to recycle 98.5% of our new energy vehicles' batteries. This exceeds the national regulation that requires 95% of each battery to be recycled. Brunp extracts elements of nickel, cobalt, manganese, and lithium from the used batteries, so these materials can be reused, reducing the need for mining for raw materials.



► The new BMW X1 plug-in hybrid and ZINORO 60H plug-in hybrid models.

OFFERING SUSTAINABLE MOBILITY SERVICES

In alignment with the BMW Innovative Mobility Service China Strategy, we introduced the BMW Group charging service ChargeNow™ in September 2015. By the end of 2016 we had installed a total of 1,718 charging pillars in selected districts and shopping malls where BMW customers visit frequently, in order to satisfy our customers' increasing demand for public charging. The charging network covers a total of 10 cities. ChargeNow™ charging pillars are available in Beijing, Shanghai, Guangzhou, Shenzhen, Shenyang, Chengdu, Qingdao, Hangzhou, Tianjin, and Xi'an. Also, we have charging infrastructure available for employees and visitors at our own locations.

For BMW customers, the ChargeNow™ card provides access to the charging pillars, and BMW Connected Drive gives the driver updated information about charging stations in their immediate vicinity. We also launched the ChargeNow™ WeChat account in 2016. This provides another platform for our customers to receive real-time information about charging pillar locations, charging services, and related events.

1,718
Number of ChargeNow™ pillars we had installed in 10 Chinese cities by year-end 2016.

The public ChargeNow™ charging pillars can also be used by customers of other brands with vehicles conforming to the China GB standard by purchasing a charging card from our partners Potevio and EV Power. 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, including installation services. We expanded our network of certified installers in 2016 and now provide free installation in 54 cities across the country. For customers who do not have their own parking space in Beijing, Shanghai, Guangzhou, or Shenzhen, a special charging card package provides access to semi-public charging stations in their residential compounds.

Furthermore, we continue to contribute to 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.

Offering flexible mobility solutions with BMW's ReachNow services

In November 2016, we launched a pilot project for the BMW Group car-sharing service ReachNow in Beijing. ReachNow is an application-based service

that allows customers to book a premium vehicle for on-demand mobility. The vehicles provided include the BMW i3 and MINI models, and can be picked up and returned to designated stations.



Advanced e-mobility services for customers.

FORECAST 2017



For May 2017, we are planning the grand opening of the northern extension of Dadong plant, where we are producing the new generation of the BMW 5 Series Long Wheelbase. Furthermore, we are launching the new ZINORO 60H nationwide.

We are preparing to further electrify and expand our fleet of new energy vehicles in order to respond to new Chinese and BMW Group targets. Moreover, we are further integrating our value chain and introducing battery assembly at BMW Brilliance in 2017.

We are building 100 charging pillars at CapitaLand properties in 12 cities in China in 2017, as per our 2016 collaboration agreement with this real estate firm. We are also further expanding our ChargeNow™ network.

In line with the BMW Group's announcement to transform from a traditional vehicle manufacturer to a mobility service provider, we are planning to introduce additional mobility services in China in the coming years. The BMW Group's ReachNow service, for instance, is being launched in Chengdu in 2017.



The ChargeNow™ public charging service.

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.

Road safety and the use of hazard-free materials are crucial from both social and environmental perspectives. BMW Brilliance has adopted an integrated approach to product safety in line with the global safety standards of the BMW Group. This includes advanced safety systems, the avoidance of potentially harmful materials and emissions inside our vehicles, adequate product

information, and safety training for drivers. Keeping our customers and other road users safe is an integral part of our product responsibility.

Our objective is to prevent risks for road users and any adverse health consequences in the event of an accident. In order to achieve this, we equip our products with active and passive safety features.



► Assembly shop adapting advanced technologies and facilities, ensuring top quality.

Our technologies and strategies for the safety of all road users are based on over 30 years of research by the BMW Group, as well as on the research and development activities of BMW Brilliance. For example, during the product development phase, we work to identify and avoid potentially dangerous materials. With the health and well-being of our customers in mind, we focus on ensuring the air quality inside our vehicles. Furthermore, we provide customers with product information and driver safety training.

We monitor our products on the market and examine all feedback on the topic of safety. If necessary, the responsible authorities are informed without delay and all measures that serve customer safety are initiated. We have established the relevant implementation processes and organizations for this purpose.

SAVING LIVES WITH SAFETY SYSTEMS

Our vehicles are designed to keep passengers and other road users safe. They include active safety systems that help prevent accidents as well as passive safety systems, which seek to mitigate the consequences should an accident occur.

Active safety includes perfect chassis tuning, optimal traction and effective brakes. Electronic chassis control systems as well as a range of driver assistance systems also contribute toward preventing accidents.

Should an accident occur, all BMW Group vehicles as well as our ZINORO models 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. Moreover, the vehicle front has various devices installed to protect pedestrians.

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. 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



1,230

Number of participants in our driver safety training courses in 2016.

We also provide driver safety training to help prepare our customers for potentially dangerous situations and to increase overall road safety. BMW Brilliance offers 14 different training courses, and in 2016 1,230 participants learned how to identify critical driving situations and how to properly respond to them. These courses also include important road safety information that can help avoid such situations in the first place.

USING SAFE MATERIALS IN OUR VEHICLES

From product development, through to use and disposal, we ensure compliance with worldwide

legal requirements on 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. All series-model parts, auxiliary production substances and process materials, such as paint and adhesives, undergo rigorous qualification processes.

We fully document all chemical substances used in our production processes. These substances first undergo a safety inspection and are 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.

IMPROVING AIR QUALITY WITH FILTER SYSTEMS

In response to the high level of air pollution in many Chinese cities, all newly sold BMW Brilliance vehicles now include an additional air filter system. The PM2.5 highly-efficient filter has an important effect on passenger health protection and well-being: it can process 95% of harmful particles and improve the odor inside a vehicle, substantially improving overall air quality.

All new ZINORO and BMW models are fitted with this high-performance filter. In addition, BMW dealers can provide



filters for all current and selected previous models. In order to assure customers that they can take full advantage of the improved air quality, BMW Brilliance launched a training application to guide them on how to optimize the air-conditioning setup.

SECURING AIR QUALITY IN OUR VEHICLES

Air quality is important to assure the health and well-being of our customers and their passengers, as well as to protect our employees during the production process. We focus on the materials and substances used in production and apply necessary filter systems to ensure the quality of the air that enters the vehicle from outside while driving > Textbox.

We continuously improve the materials we use, and replace materials with products and technologies

that can further reduce 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. Additionally, we conduct inspections along the supply chain to avoid contamination by auxiliary materials.

Before market launch and at various intervals during a product's lifespan, we test and evaluate complete vehicles according to the relevant Chinese and international standards.

FORECAST 2017



Product safety remains our priority going forward. We are continuously working on improving our active and passive safety features, and on expanding our range of driver assistance systems. We are also continuing to provide driver safety training.

2.4 CUSTOMER SATISFACTION

OUR STRATEGIC DIRECTION

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

Sustainability issues are becoming more and more important to our Chinese customers. Environmental, social, and economic performance – from production through to aftersales services – now influence how the public perceives a company. For BMW Brilliance, sustainability is an integral part of our brands and customer interaction. We take the needs of our customers into consideration as we design products and improve our services, knowing that satisfied customers are key to our long-term business success.

Ensuring customer satisfaction is our priority. In order to deliver premium customer services, we interact with our customers through various channels, collect their feedback and ensure their data is kept safe. Aftersales services are particularly important for our customers and for us. We therefore consider customer feedback and



train our employees to deliver the best possible service. We also support the expansion of our 5S dealership network, as our dealers reflect our sustainability values directly with our customers.

IMPROVING CUSTOMER INTERACTION

We aim to optimize our customer interaction and support. To do so, we continuously integrate our multiple communication channels and provide increasingly individualized information to our customers.

The BMW Customer Interaction Center is the core of our communication with current and prospective customers. Our agents call current and prospective customers to gather information about their satisfaction with our dealers’ sales and aftersales services. Moreover, we receive over 60,000 inbound calls monthly, a majority of which are customer inquiries. In 2016, we introduced a

We provide increasingly customized information in our online newsletters. Our Direct Communication Circle defines which content and campaigns are of interest to which customer group. The relevant information is then included in the individualized newsletters that are sent to eight million customers, users, and prospects each month with ad hoc newsletters for specific occasions.

We use the 360-degree customer view tool to make proactive, needs-based suggestions to our customers and to harmonize customer communication across different departments and communication channels. The tool analyzes customer data and informs our dealers regularly about the current situation and needs of each customer. In response, we send each of our customers the information they require – for example, a service reminder, information about insurance renewal or end of warranty, sales promotions, or a birthday greeting. We also use the 360-degree customer view tool in our Customer Interaction Center. The tool allows us to increase the efficiency of our communication and results in higher customer satisfaction.

Improving through customer feedback

We invite our customers to give feedback at various opportunities. Their answers are the basis for the continuous improvement of our products and services. In 2016, over 70,000 aftersales customers participated in interviews conducted by our Customer Interaction Center. Overall, satisfaction was high, with a customer recommendation rate of 86.7%.

Additionally, in 2016, we introduced a new tool for customer feedback collection. We contacted our customers after each interaction with one of our dealers, via text message. This proactive approach allows us to considerably increase the amount

60,000
Number of inbound calls our
BMW Customer Interaction
Center handles every month.

self-service function that allows customers to receive information faster. It also provides the option to receive information as a text message. An additional channel for customer inquiries is the BMW Online Chat, which we launched as a pilot in 2016.

86.7%

Percentage of customers
satisfied with our aftersales
services.

of responses we receive. In the case of negative feedback, we call the customer to get more detailed information about the issue. Customer inquiries, suggestions, and comments are then sent to the relevant departments or dealers for follow-up. We assess customer feedback and resolution rates on a monthly basis, to be able to act on particularly common issues and improve response and resolution times. To date, 165 dealers are involved in this new process and the results show a positive impact on customer satisfaction.

Ensuring comprehensive data protection

Customer data security is the highest priority for all our activities. We established a Data Privacy Protection Office to protect customer data and its usage through technical security. Additionally, BMW Brilliance implemented a standardized data privacy protection process, which adheres to the customer data privacy protection process of the BMW Group. Our dealers apply the same processes to ensure our customers' personal information is kept safe. We continuously improve our systems and processes in line with developments in customer data protection requirements. We offer various channels for customers to change the opt-in status based on their wishes.

SUPPORTING DEALER IMPROVEMENT

We monitor our dealers' performance in sales and aftersales services with our Joy Index. In 2016, we conducted customer surveys to collect information about customer satisfaction with the provided services. Additionally, we analyze customer

feedback on a monthly basis and share the results with our dealers. The information serves as a basis to better align services with customer needs and expectations and allows for us to jointly track improvements over time.

To help our dealers offer premium customer service, we encourage ongoing exchanges among dealers. In 2016, we set up a platform on which our dealers can share experiences and lessons learned. Moreover, we conducted three workshops, which provided an opportunity for learning and discussion about best practices in customer service.

On-site coaching in customer treatment

We prepare our dealers to better serve their customers with a specific on-site coaching program. The program aims to create a consistent premium experience for all customers and prospects who visit our dealerships. The goal is to make the customer experience more personal, emotional, and inspiring. To achieve this, we provide on-site training for all our new dealerships and carry out individualized coaching for dealerships with low customer feedback scores. Additionally, information and advice is available in our dealer handbook and on our online training platform.

In 2016, we focused our customer treatment on-site coaching program mainly on new dealerships and on 42 existing dealers with low customer satisfaction results. Customer feedback shows that the program successfully improves the overall experience, with strong gains in satisfaction regarding sales and service promotion.

Preparing dealers for the new energy vehicle segment

We are continuously expanding our dealer network for new energy vehicles. By the end of 2016, 173 of our dealerships were offering new energy vehicles and related services. In order to ensure our dealers can provide the best possible service to new energy vehicle customers and prospects, we conduct specific on-site training at our dealerships. We also train sales advisors, area managers, and call center agents to complement the service at our dealerships and support sales.



► A 5S dealership.

173

Number of our dealerships
offering new energy vehicles
and related services by year-
end 2016.

Over 230

Our target figure for year-end
2017.

To stimulate demand and further expand the share of new energy vehicles in our fleet, we are implementing a strong marketing and public relations campaign. In experiential events, potential

customers get the opportunity to experience our new vehicles first-hand and can satisfy themselves as to their outstanding abilities and driving dynamics.

Fostering sustainability in our dealerships

We apply the 5S dealer certification program of the BMW Group to promote sustainability among our dealers. The 5S program incorporates the concept of sustainability in the traditional 4S (sales, services, survey, and spare parts) concept and requires dealers to 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 2016, we added three new 5S dealers, bringing the total 5S network to 42. Moreover, 19 dealers were successfully recertified according to the 5S certification model, for which renewal is required every two years. We held 340 person-days of training, based on the 5S model, which focused on environmental protection and work safety.

FORECAST 2017



For 2017, we are planning to launch the BMW Online Chat on our official website and to further personalize customer communication in our online newsletters and with our 360-degree customer view tool. We are also continuing to expand our customer feedback collection and are investigating potential new ways to combine the customer satisfaction index with the data gathered using the new customer feedback collection tool.

We are continuing to support our dealers in improving their services according to customer needs. Specifically, we are planning to engage the BMW China Training Academy to conduct on-site coaching in customer treatment.

We are expanding our dealer network for new energy vehicles to over 230 dealerships, covering all major Chinese cities, as well as some smaller cities, where the sales potential for new energy vehicles is increasing. Additionally, we are extending our traditional dealer network and developing small and swift customer touch points and digitalized experiences to further increase customer convenience in line with trends in customer behavior.





3

ENVIRONMENTAL PROTECTION

- 3.1 Our management approach
- 3.2 Energy consumption and emissions
- 3.3 Waste reduction
- 3.4 Water

STAKEHOLDER STATEMENT

Fostering sustainability through energy efficiency and renewable energies



Yu Yuelong

Energy Engineer, Building, Facility Management, Environment and Administration, BMW Brilliance

Where do you see the connection between your day-to-day work and BMW Brilliance’s sustainability engagement?

Energy consumption and CO₂ emissions are two of the most important issues we face at BMW Brilliance. In my work, I deal with energy supply and energy efficiency measures every day. One of my tasks is, for example, to evaluate what type of energy is most suitable to cover BMW Brilliance’s energy needs today and in the future, and how that energy should be procured. In my evaluations, I consider environmental aspects systematically. I am also involved in monitoring energy efficiency and – related to that – investigating how we can improve system technology and process management. With my work, I contribute directly to BMW Brilliance’s sustainability engagement.

What are the challenges in continuing to increase energy efficiency and the use of renewable energies for BMW Brilliance?

We face internal and external challenges in increasing energy efficiency and the share of renewable energy. We base decisions about energy efficiency measures on their economic and environmental impacts. As our production volume varies throughout the year according to customer demand, it is difficult to determine how effective an energy efficiency measure will be. For example, when we try to calculate how much heat can be recovered in a specific process, the results depend on how long the machines will run every day. If there is a lot of production in winter months, we will recover more heat and save considerable energy for heating, reducing CO₂ emissions at the same time. But the contrary can also be true. It is therefore challenging to make decisions about efficiency measures, as we cannot always accurately predict the economic and environmental impacts of these measures.

“Energy consumption and CO₂ emissions are two of the most important issues we face at BMW Brilliance. In my work, I deal with energy supply and energy efficiency measures every day.”

On the other hand, external conditions are also changing. The Chinese energy market is transforming. We are moving from a system with only one national energy provider to a competitive market. Existing subsidies for renewable energies will also be reduced in the coming years. Given this situation, it is important for us to identify the best solutions to increase the percentage of renewable sources in our total energy use.

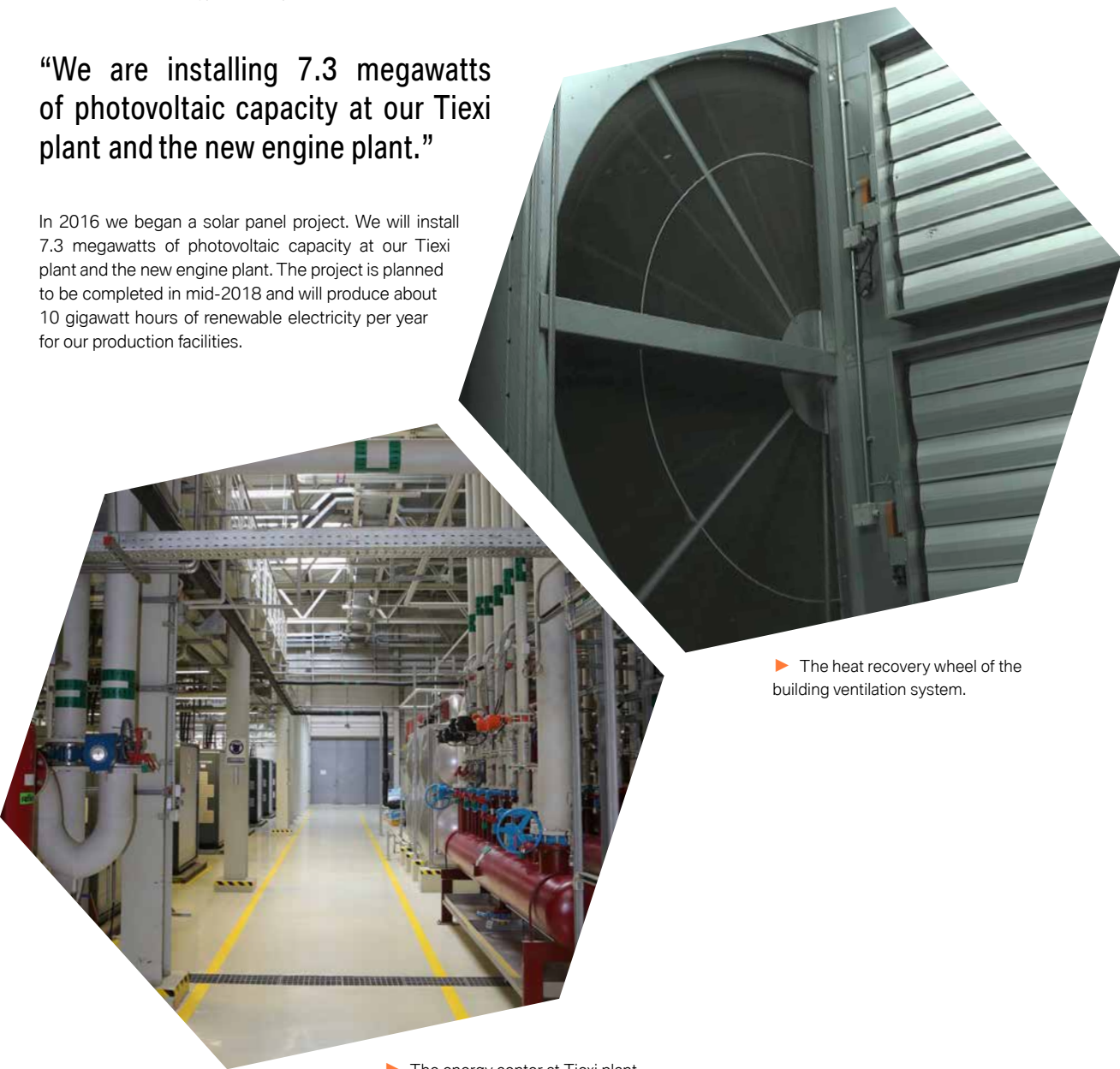
What are your most important future projects to tackle these challenges?

First, we are setting up an energy data management system. This data platform is part of our digitalization strategy. It will enable us to have more transparency about our energy consumption. Data analysis will be our basis for identifying

opportunities and innovating to increase energy efficiency in the future. As a second step, we will implement an energy management system in accordance with ISO 50001, which also focuses on energy efficiency improvements.

“We are installing 7.3 megawatts of photovoltaic capacity at our Tiexi plant and the new engine plant.”

In 2016 we began a solar panel project. We will install 7.3 megawatts of photovoltaic capacity at our Tiexi plant and the new engine plant. The project is planned to be completed in mid-2018 and will produce about 10 gigawatt hours of renewable electricity per year for our production facilities.



▶ The heat recovery wheel of the building ventilation system.

▶ The energy center at Tiexi plant.

3.1 OUR MANAGEMENT APPROACH

In light of global challenges such as climate change, air pollution, and resource scarcity, BMW Brilliance aims to be the most resource-efficient premium mobility provider in China. Our focus lies on increasing the energy and resource efficiency of our production processes and on reducing emissions. These measures allow us to minimize our impacts on the environment, make a contribution to the ambitious environmental goals of China, and reduce our costs.

Environmental protection is fundamental to our sustainability strategy. Our environmental policy is in accordance with international standards and BMW Group-wide environmental policies and guidelines, as is our environmental management system. Energy consumption, emissions, waste production, process wastewater, and water use are managed by our Environmental Sustainability Circle, which defines and implements the necessary measures to achieve our targets. We continuously monitor the efficiency of our environmental management system.

TARGETS, POLICIES, AND COMMITMENTS

We aim to reduce our energy and resource consumption and contribute to the BMW Group target for 2020, which is to reduce group-wide resource consumption per vehicle produced by 45% compared to 2006.

BMW Brilliance's environmental management system is based on relevant legislation such as the Chinese Environmental Protection Law, international standards, and BMW Group-related

guidelines, as well as best practices. We follow the principles of the United Nations Environment Program (UNEP) Cleaner Production Declaration. Our environmental policy and management system are fully aligned and integrated with BMW Group-wide environmental policies, guidelines, and management systems.

We are committed to reducing our environmental impacts to a minimum. Considering potential risks, we set targets at the earliest phase of product development and define concrete measures for their achievement. Using life-cycle engineering and active targeting, we develop products with their total life span in mind. This approach allows us to reduce environmental impacts during both the production and utilization phase. It also helps ensure that at the end-of-life phase, vehicle components can be reused or recycled. We monitor our impacts throughout the value chain. Additionally, we conduct detailed site assessments during the planning phase of any new production facilities. This practice allows us to consider any potential environmental impacts at the outset of a project, and to adjust our planning accordingly. It also allows us to continuously improve our performance and implement best practices from across BMW Group plants.

RESPONSIBILITIES

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.

After we established our Environmental Sustainability Circle in 2015, we further clarified responsibilities in our internal management structure in 2016, in order to increase efficiency in defining and achieving specific environmental targets. The circle is a multilayer entity with a mandate to continuously improve our environmental performance. We set up two working groups that meet regularly to discuss best-practice solutions for issues that may arise. 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.

We conduct annual internal and external audits of our environmental management system and strive to improve it further. All of our operating plant locations are certified in accordance with ISO 14001. In 2016, our new engine plant, which began production in January of the same year, was certified for the first time.

Integrating environmental protection into our corporate culture

We aim to incorporate environmental protection further into our organizational culture. In order to raise awareness among our employees and motivate them to help us reduce our environmental impacts, we introduced a new long-term environmental campaign strategy. Each annual campaign focuses on one specific topic. For example, in the fourth quarter of 2016 our first campaign focused on energy savings. As part of the campaign, we honor employees who show exceptional commitment to our environmental targets with the Environment Protection Star Award.

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



► LED lighting was implemented as an energy-saving measure in the in-plant warehouses.

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. This was highlighted once more by China’s 2016 ratification of the Paris Agreement and its commitment to act decisively on climate protection. At BMW Brilliance, we view it as our responsibility to support the government’s agenda and improve our environmental impacts. We implement energy and transport efficiency measures, as well as other initiatives, to reduce CO₂ and volatile organic compound emissions. Our efforts allow us to mitigate our environmental impacts and lead to cost reductions for our business.

To reduce CO₂ emissions and energy consumption 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 volatile organic compound (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. Moreover, in 2016 we decided to install solar panels at Tiexi plant in the coming year, which will reduce the CO₂ emissions of our energy consumption.

In order to reduce our energy consumption and CO₂ emissions, we implement energy efficiency measures in our buildings and production processes. In 2016, we achieved efficiency improvements by decreasing lighting density during break times and shutdown times at all plants. In our office buildings, lights automatically switch off every hour to avoid empty rooms being unnecessarily lit. By optimizing room temperatures, we reduced the energy needs for heating in wintertime. This allowed us to keep our total heating consumption nearly stable compared to the previous year, despite the start-up of new facilities > Figure 09.

Furthermore, our production lines are equipped with state-of-the-art technologies that help us achieve our energy efficiency targets. At our new engine plant, for instance, the foundry has the world’s most advanced smelter, which considerably reduces energy consumption. At the northern extension of Dadong plant, lighting is provided by efficient LED technology. In the face of rising energy prices, these innovations have allowed BMW Brilliance to limit our expenditures

on energy and improve our profitability and competitive position.

Monitoring energy consumption and carbon footprint

Compared to 2015, our total energy consumption increased by 30.3% in 2016 > Figure 09. This is mostly due to the launch of the new engine plant and increased vehicle production at Tiexi plant, which resulted in higher electricity consumption that could not be offset by the above-mentioned energy efficiency measures. For the same reasons, the energy consumption per vehicle produced increased to 2.05 megawatt hours (2015: 1.66) accordingly > Figure 10.

We have set targets for energy consumption, per unit produced, for our Tiexi, Dadong, and new engine plants. We have also set them for different



► The world’s most advanced smelter at the foundry of the new engine plant.

Energy consumption at all plant locations (in MWh)				F.09
	2014	2015	2016*	Change to previous year
Total fuel consumption from non-renewable resources	109,895	132,326	183,422	38.6%
Total electricity consumption	216,674	202,558	295,867	46.1%
Total heating consumption	153,660	143,539	144,130	0.4%
Total energy consumption	480,229	478,424	623,419	30.3%
* Includes energy consumption of new facilities, such as the new engine plant.				

Energy consumption per unit produced at all plant locations (in MWh/unit)

F.10

2014	2015	2016	Change to previous year
1.67	1.66	2.05	23.5%

activities, such as the press shop, body shop, paint shop, assembly shop, logistics, canteen, and facility management. We carry out energy audits regularly to identify and share best practices, and to improve our energy management. We obtain accurate data on our energy consumption with our building management systems. This enables us to monitor consumption of individual processes on a daily basis, address irregularities and implement any necessary measures to ensure our performance is on track. Collecting more comprehensive data helps us understand not only

the energy savings, but also the economic benefits that can be achieved through specific measures.

With the increase in our energy consumption, the carbon footprint of our vehicles also increased in 2016. The CO₂ efficiency per vehicle produced was 1.13 tons of CO₂ (2015: 0.88) > **Figure 11**. In the coming years, we are planning to expand our energy efficiency measures and to use increasingly cleaner energy sources in order to reduce our energy consumption and the related carbon footprint from the production of our vehicles.

CO₂ emissions per unit produced at all plants (in t/unit)

F.11

2014	2015	2016	Change to previous year
0.97	0.88	1.13	28.4%

INCREASING TRANSPORT EFFICIENCY

Our business activities require the transport of large volumes of goods, both inbound and outbound. We are increasing the share of low-carbon modes of transport as well as the efficiency of our logistics to reduce overall costs and minimize our environmental impact.

On the supply side, we use 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 road transport, we ensure that trucks are filled to capacity with our

Full Truck Load strategy. By minimizing wasted container space, we use fewer trucks and decrease carbon emissions during transport.

For outbound logistics, we are increasing the use of rail and sea shipments to reduce the emissions caused by road transportation. We use vessel shipment from the port of Dalian to deliver finished vehicles to Shanghai and Guangzhou. On the mainland, we are enhancing train transportation to Chengdu and Xi'an. This enables us to reduce the CO₂ emissions of our outbound logistics, despite steady increases in delivered vehicles.

In 2016, we held several information sessions with logistics providers and suppliers to discuss

BMW Brilliance's logistics strategy, present new innovative concepts and strengthen cooperation throughout the value chain.

For our employees, we provide shuttle buses linking our plants and the city of Shenyang. An average of 16,000 employees use the shuttle

buses to get to and from work every day. In this way, BMW Brilliance considerably reduces the number of private vehicles on the roads, and consequently the amount of CO₂ emissions generated during the commute.

► The facilities in Shenyang have a dedicated, purpose-built railway terminal.



► The Full Truck Load strategy optimizes cargo load and reduces emissions.

REDUCING OUR VOC EMISSIONS

We are committed to reducing the VOC emissions from our production processes to mitigate any risks and impacts on society. With continuous improvement efforts, we further reduced the VOC emissions per vehicle produced from 0.45 kilograms of VOCs in 2015 to 0.40 kilograms of VOCs in 2016 > Figure 12.



Volatile organic compounds (VOC) per unit produced at all plant locations (in kg/unit)
 F.12

2014	2015	2016	Change to previous year
0.48	0.45	0.40	-11.1%

FORECAST 2017



Currently, we are planning to install solar panels at our Tiexi and new engine plants. The renewable energy produced will cover approximately 36% of the plants' electrical base load calculated according to the average value in 2016. This will contribute considerably to the reduction of CO₂ emissions from our production.

Furthermore, BMW Brilliance is starting the Green Plant project for our three plants in March 2017. The project is part of the implementation of the government's Made in China 2025 strategy. In support of the Green Plant project, we are planning to obtain certification for our energy management system in accordance with ISO 50001 and to carry out greenhouse gas emissions quantification and reporting in accordance with ISO 14064.

36%
 Percentage of our plants' current electrical base load to be covered by renewable energy produced on-site.

We are also planning to advance our energy savings campaign launched in 2016. The campaign includes the Environment Protection Star Award competition for environmental savings measures, efforts to reduce energy consumption at the office, and awareness-raising measures about energy use at home, for which our employees and their families are invited.



3.3 WASTE REDUCTION

OUR STRATEGIC DIRECTION

BMW Brilliance contributes to the BMW Group’s environmental 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.

Resource scarcity and the accumulation of waste are global sustainability challenges. As a manufacturing business, BMW Brilliance is affected by the reduced availability of resources. In order to use materials as efficiently as possible and to minimize the amount of waste for disposal, we continuously optimize our recycling processes. We also make an effort to avoid waste and reuse materials whenever possible. By treating waste as a valuable resource, we assure compliance with Chinese legislation, while reducing our environmental impact and business costs.

To achieve our objectives, managing waste in our production processes is a priority. Additionally, we make sure the generated waste is treated correctly.



► Packaging waste being recycled at Dadong plant.

MANAGING OUR WASTE

We use an adapted version of the BMW Group’s waste information system to record the waste we produce. The system allows us to optimize the handling of waste – especially in terms of reuse and recycling – and assure compliance with Chinese legislation. We document individual waste flows and categorize waste as hazardous or non-

hazardous, in accordance with the Waste Pollution Prevention and Control Law and the Hazardous Waste Catalogue of China.

In 2016, we introduced additional segregation measures for general waste. In all our plant locations and offices, all non-hazardous waste, such as plastic bottles, cans, and paper, are collected separately for recycling.

ENABLING THE REUSE OF LIMESTONE WASTE

We use a limestone eco-dry scrubber system in the paint shop at Tiexi plant. The waste limestone that results from the paint fumes purification process contains small amounts of paint and is automatically classified as hazardous waste. After consulting experts from other BMW Group plants and in consultation with local organizations, a qualified independent institution conducted tests on limestone waste samples to help evaluate the waste material. The results showed that the material can be reclassified as non-hazardous waste.

The Liaoning Environmental Protection Bureau has approved the reclassification of limestone from the Tiexi plant painting process as non-hazardous waste. As a result, we are now able to use the waste limestone from Tiexi plant in the production of bricks and concrete. And, starting in 2017, we will also be able to repurpose the limestone waste generated at the northern extension of Dadong plant.

► The limestone eco-dry scrubber system in the paint shop.





► Aluminum recycling at Dadong plant.

In our new engine plant, the sand core process in the foundry generates a considerable amount of waste sand. In order to reduce the amount of sand that must be sent for disposal, we process about 90% of the sand into mineral powder. This powder is then used by the Shenyang city construction department for roadbed paving. Monthly, about 450 tons of waste sand are repurposed and reused in this way.

Minimizing packaging waste

In our production processes, we use recycled packaging for both imported and local parts to reduce waste and minimize our impact on the environment. The use of returnable packaging for local parts whenever possible has drastically reduced our packaging waste.

Controlling waste management data

As a result of our efforts to increase waste segregation and the reclassification of limestone waste to non-hazardous waste, we decreased

our waste for disposal by 26.5% > Figure 13. Similarly, the waste for disposal per vehicle produced was decreased to 6.42 kilograms per unit produced (2015: 9.17) > Figure 14.

Nevertheless, our total waste increased in 2016. This was due to increased production volumes as well as the start-up of operations at our new engine plant.

ENSURING CORRECT WASTE TREATMENT

We select our waste management service providers carefully, in order to assure that our waste is processed correctly and that legal requirements are satisfied. All service providers are audited regularly in accordance with the BMW Group's waste management procedures. Only suppliers that satisfy the audit criteria are permitted to perform waste management activities. Service providers who handle hazardous waste are audited on-site every two years. For non-hazardous waste, we conduct a document check every second year and an on-site audit every four years. In 2016, we carried out 11 waste audits covering five waste management service suppliers to ensure they fulfill national and local regulations.

–26.5%

Year-on-year reduction of waste for disposal at our plants.

–63.9%

Year-on-year reduction of hazardous waste for disposal at our plants.

Total non-hazardous and hazardous waste at BMW Brilliance (in t)

F.13

	2014	2015	2016	Change to previous year
Hazardous waste for recycling	4,060	3,999	5,024	25.6%
Hazardous waste for disposal	1,034	2,000	723	–63.9%
Total hazardous waste	5,094	5,999	5,747	–4.2%
Non-hazardous waste for recycling	22,312	26,659	39,067	46.9%
Non-hazardous waste for disposal	597	641	1,219	90.2%
Total waste for recycling	26,374	30,658	40,286	31.4%
Total waste for disposal	1,631	2,641	1,942	–26.5%
Total waste	28,005	33,299	44,091	32.4%

Waste for disposal per vehicle produced at all plants (in kg/unit)

F.14

2014	2015	2016	Change to previous year
5.67	9.17	6.42	–30.0%

FORECAST 2017



In 2017, we are planning to launch our second annual environmental campaign with a focus on waste reduction. The campaign allows us to discuss and implement additional measures to reduce waste and enhance employee awareness.

We are also continuing the audits of our waste management service providers to ensure the correct handling of our waste. Furthermore, we are intending to find more potential suppliers for recycling services to further increase the proportion of waste we recycle.

3.4 WATER

OUR STRATEGIC DIRECTION

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

The world’s water resources are under pressure due to continuous consumption and population growth. Our production sites are located in Shenyang, Liaoning province, where there is reduced water availability. This makes responsible water use fundamental for BMW Brilliance. We continuously reduce our water consumption through technology improvements and thoughtful water use and reuse. In this way, we have a positive impact

on the environment and on society, and ultimately reduce our business costs.

Our main areas of action are the reduction of water consumption and the efficient reuse and safe disposal of treated wastewater.

REDUCING WATER CONSUMPTION

The majority of our water use can be attributed to our production processes, cooling, and water consumed by our employees. We therefore focus on continuously improving our water efficiency in all of these areas.

To reduce water consumption in our production processes, we increasingly reuse water at our plants. In 2016, we also began using well water cooling to supplement the cooling towers in Tiexi plant. This allowed us to save an estimated 17,000 cubic meters of potable water. In our sanitary facilities, we installed taps with sensors to conserve the use of running water and we added foaming devices in the taps to reduce water volume.



► Paint shop at Tiexi plant.

Monitoring our water use

A management system monitors consumption levels and targets at each of our plants. Despite our continued efforts to limit our consumption, the expansion of our facilities resulted in an 18.3% increase in water consumed per vehicle produced

in 2016 compared to the previous year > Figure 15. However, we were able to stabilize the amount of process wastewater per vehicle produced at 0.46 cubic meters in 2016, for a second consecutive year > Figure 16.

Water consumption per unit produced at all plant locations (in m³/unit)				F.15
2014	2015	2016	Change to previous year	
2.18	2.18	2.58	18.3%	

Process wastewater per unit produced at all plant locations (in m³/unit)				F.16
2014	2015	2016	Change to previous year	
0.47	0.46	0.46	0.0%	

► Part of the on-site water treatment facility at Tiexi plant.



TREATING OUR WASTEWATER

At Tiexi plant, the wastewater recycling system introduced in 2015 was used throughout 2016. The system has a treatment capacity of 1,200 cubic meters of wastewater per day, which allows us to treat the sanitary water from both the Tiexi and new engine plants. The treated water is used for gardening and to supply our outdoor fountain.



► On-site wastewater treatment facility at Tiexi plant.

FORECAST 2017



In 2017, we are continuing to improve our water-saving initiatives for our production plants and offices. We are also investigating whether the treated water from our wastewater recycling system can be used to complement the water in the cooling tower. We would then use this treated water for cooling at Tiexi plant.

In addition, the BMW Group is developing a Water Roadmap 2020 to guide water consumption reduction efforts for all BMW plants, including our BMW Brilliance plants.



NEX: SEPTEMBER 2016.



2016 BBA SUPPLIER DAY 1 OCT 2016

Page 21



2016 BBA SUPPLIER DAY

NEX: SEPTEMBER 2016.



2016 BBA SUPPLIER DAY 1 OCT 2016

4

SUPPLIER MANAGEMENT

- 4.1 Our management approach
- 4.2 Implementing our approach

STAKEHOLDER STATEMENT

Working together to improve processes



Andrew Lacey
General Manager,
Autoliv China Steering Wheel

What is your understanding of sustainable development?

At Autoliv, the foundation for our sustainability is our vision of “Saving More Lives.” Our products, which include steering wheels, air bags, and safety belts – as well as our focus on innovation – are the most significant contributions Autoliv can make to society. Of equal consequence is how we operate our company. We understand that how we do business is as important as the business we do.

“Proactive customers such as BMW Brilliance continually push for more sustainable solutions.”

Our global approach to corporate sustainability is framed around four pillars. These include reducing our impact on the environment, developing sustainable products, operating ethically, and being an employer of choice for our employees across all the 27 countries in which we operate. At the plant level, including here in China, we place a particular focus on reducing energy use and improving waste management.

In addition, we must ensure that our entire supply chain includes sustainable, responsive global partners. We are helped in this endeavor by proactive customers such as BMW Brilliance, who themselves continually push for more sustainable solutions.

In your view, what challenges does sustainable development present to your industry? And to your company?

Issues specific to our industry notably include significant waste generation from production processes, a lack of common recycling systems, as well as low regulatory pressure on management of the produced waste.

At Autoliv in China, one particular challenge we face is lead time and transportation of raw materials. Our target is always to source locally instead of purchasing from international suppliers for local projects. When components are customer-nominated from overseas, this increases the carbon footprint of every product we supply. Our solution is to consciously develop local alternatives.

How does your company address these challenges? How do you integrate sustainability concerns into your everyday operations?

In 2016, we took the step of conducting a global GRI-based materiality analysis of the Autoliv sustainability pillars. The objective was to gain an enterprise-level perspective of the current Autoliv sustainability initiatives, our current maturity level, determine our future ambition levels, identify potential sustainability gaps, and to develop a future-fit sustainability strategy around key focus areas. Within our China operations, our efforts relating to our production processes are mainly in the areas of energy and waste management. Beyond that, we are active in our supply chain by auditing suppliers to ensure compliance with Autoliv sustainability policies, and we work with BMW entities and other Autoliv customers to further improve our processes.

Could you provide specific examples highlighting sustainable change in your operations in China?

Let me highlight three areas where we have made improvements in our China operations:

With respect to workplace quality, we have recently reviewed and remodeled all our leather wrapping and assembly lines to improve ergonomics. We are also using water-based products wherever possible. For example, in our daily operations glue is used to stick the leather loop to the steering wheel body. While it is easier for us to use solvent-based products, we choose to use water-based products instead to further protect our employees' health.

Another area is energy use. Among other improvements, we have remodeled our assembly lines and warehouse illumination with LED lighting and adopted a protocol for end-of-shift and break times to shut down lights to maximize energy savings. We have also reclaimed heating and cooling from compressed air equipment and cooling systems. Finally, we have preset minimum and maximum temperatures for air-conditioning that provides different levels of comfort appropriate to the season.

Finally, waste management is an area where we are continuously seeking ways to improve our performance further.

“BMW Brilliance’s project audits in China always place a strong emphasis on the working environment and environmental protection.”



Presently, we place an emphasis on minimizing wastewater to avoid treating “clean” water with excessive chemicals and processing. Furthermore, we are engaged in efforts to recycle the total amount of glues and chemicals we use. We segregate waste on the shop floor between recyclable, inert industrial waste, and hazardous industrial waste. Finally, we drive toward minimizing the waste volumes we must treat and dispose of, in an effort to limit waste handling, energy use, as well as transportation.

Can you give us a concrete example of how cooperation with BMW Brilliance helps you improve processes on a day-to-day basis?

BMW Brilliance’s project audits in China always place a strong emphasis on the working environment and environmental protection. It is a natural part of the BMW Brilliance visit to give suggestions for the industrial air exhaust system and chemical room improvements.

During a recent project launch phase, our operations team took this opportunity to review existing practices and then implement improvement actions. Specifically, we combined glue mixing and chemical preparation into a single improved room and added an HVAC control system to switch on and off automatically, based on the environmental conditions. This improved the energy efficiency of these processes while maintaining optimal workplace conditions for our employees.

4.1 OUR MANAGEMENT APPROACH

BMW Brilliance’s supply chain network is both global and local and continues to grow at a significant pace. Our engagement with our suppliers is a major source of value creation and innovation for us. It also presents challenges from a sustainability perspective. Our supply chain includes a vast network of suppliers and sub-suppliers, and we recognize the complexity of maintaining sustainability standards within it. At the same time, we see great opportunities in leveraging our own expertise and know-how to help suppliers improve their own sustainability performance beyond applicable standards. We are convinced that working closely with suppliers on sustainability issues will be key to achieving our own long-term goals, underscoring our position as a responsible mobility provider, and delivering an overall premium experience to our customers.

MINIMIZING RISKS, MAXIMIZING OPPORTUNITIES

Our approach to sustainable supply chain management is embedded in our general approach to supplier relationships. We put a premium on close and long-term partnerships in an effort to continuously improve product and production quality, ensure security of supply, enhance price credibility, and enable innovation. As we integrate sustainability management into our supply chain, our objective is to minimize risks, maximize opportunities, and achieve our overall sustainability goals.

BMW Brilliance recognizes that it is the creation of shared objectives and targets that will drive continuous improvements in product quality, logistics processes, production procedures, and sustainability standards. In our engagement with suppliers, we constantly discuss the challenges and opportunities we face, and develop in-depth

analyses on, and solutions to, key issues in a collaborative manner.

Our overall approach to Supplier Risk Management (SRM) incorporates sustainability. In addition to finance, maintenance, and delivery, we have defined three specific sustainability areas:



MANAGEMENT INTERVIEW

Andreas Schuster-Woldan
Vice President, Purchasing and Supplier Quality Management

Jürgen Müller
Head of Purchasing, Plant Project Leader and Steering

What are some of the major sustainability issues automotive manufacturers in China face in their supply chain, and how does BMW Brilliance seek to address them?

With roughly 70% of the value-added of our automobiles coming from our supply chain, the sustainability issues we face there are extremely diverse. First, there is the issue of financial sustainability or financial health of the suppliers. This is important to us, as bad financials can impede a supplier's ability to produce and deliver the parts we need in the timeframe and the quality we require. The social sustainability of a supplier is key as well – workers' rights and occupational health and safety issues are covered in this category. Finally, environmental sustainability is an issue that continues to grow in prominence and which we take very seriously.



Andreas Schuster-Woldan

Our general approach is to review potential and current suppliers' sustainability performance, require them to maintain high standards, and to cascade these to their own suppliers. We also help our suppliers build up their own capacities further. We are quite confident in our approach to managing sustainability in our supply chain, but we are constantly striving to improve it. We make sure to use multiple sources rather than just relying

on one method, for example by tracking suppliers listed in the Chinese government's online database of companies whose facilities have been audited with regard to environmental violations.

BMW Brilliance's Supplier Risk Management (SRM) process was first launched in 2014. How does it work, and how do you evaluate the progress you have made since?

We view our current approach as being characterized by three core strengths: clear management requirements to maintain high standards of sustainability, a series of tools and processes to minimize the supply chain risk via in-house on-site assessments, and an emphasis on educating suppliers further to promote sustainable practices.

The BMW Group has implemented several risk management tools and approaches throughout its supply chain. These include the sustainability risk filter, an industry-wide self-assessment questionnaire, as well as active media screening, on-site sustainability assessments by BMW Group experts, and third-party sustainability audits.

"Our approach has three core strengths: clear management requirements, strong risk minimization tools and processes, and an emphasis on supplier education."

At BMW Brilliance, our China-based SRM process complements the existing mechanisms with on-site assessments by our own staff, upon which we can terminate the relationship or impose a corrective action plan if necessary. These visits have proved

very successful in identifying issues and risks in advance and improving performance for selected suppliers. Our progress on implementing the SRM process is measured by our coverage rate, which has increased to more than 88% in 2016.

“We are heartened to see that many of our suppliers are not just complying with, but also embracing the SRM process.”

We are heartened to see that many of our suppliers are not just complying with, but also embracing, the SRM process. They understand that meeting our requirements can make them more competitive in a marketplace where sustainability is increasingly synonymous with quality. We encourage them in this process by strengthening our relationships further and helping them to improve their capacities, both at a bilateral level and beyond.

How do you plan to further improve your approach to sustainable supply chain management in the years to come?

We are continually exploring ways to improve the sustainability of our supply chain as a whole. For

example, we have started a pilot project to collect and check major sub-suppliers presenting specific environmental risks, such as e-coating suppliers and seats structure suppliers, to identify the issues



Jürgen Müller

and work on countermeasures. The results of these pilot projects will inform and improve the standard processes already in place. So, while we take good measure of how far we have come, we remain fully committed to further improvements in the years ahead.

It is through our SRM approach that 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 across the board.

An enormously varied and increasingly local supply chain

Our supply chain is complex, multitiered and highly diversified. This is reflected in both the huge quantities and enormous variety of products, which range from very simple parts, like screws, to high-tech electronic system components.

Aligning our sourcing closely with the BMW Group's global strategy has meant an increasing shift of value creation along the supply chain toward China, which today constitutes the Group's main sales market. Local sourcing provides numerous benefits for our business and

>40%

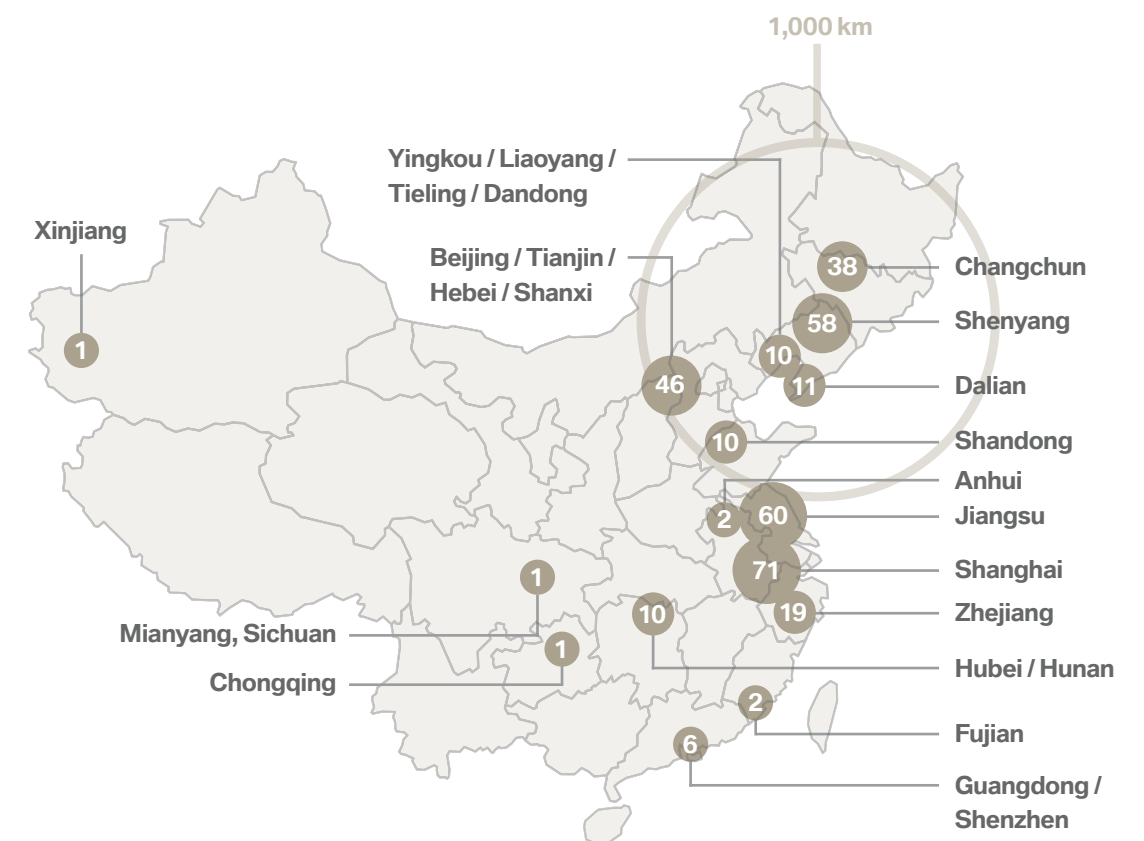
Our localization rate.

for society, including lowered currency risks, the ability to support the communities and regions in which we operate, and a smaller transport footprint resulting in lower greenhouse gas emissions.

BMW Brilliance's localization rate has been in excess of 40% for several years now – meaning we have been sourcing locally more than 40% of the total costs for goods and services needed to manufacture vehicles at our Shenyang production plants.

Our 346 suppliers (by year-end 2016)

F.19



Supplier risk management (SRM) areas

F.18

To measure, manage and respond appropriately to business risks from BMW Brilliance suppliers



The number of our local suppliers is growing continuously. By year-end 2016, we worked with 346 suppliers based in mainland China. This constitutes an increase of more than 8% compared to 2015. Our suppliers are located across 18 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 and 79 in 2016. This continuous increase is a clear result of our intention to bring our suppliers closer to our plants.

The parts purchasing volume of local suppliers, which increased significantly over previous years, has stabilized at a high level since 2014.

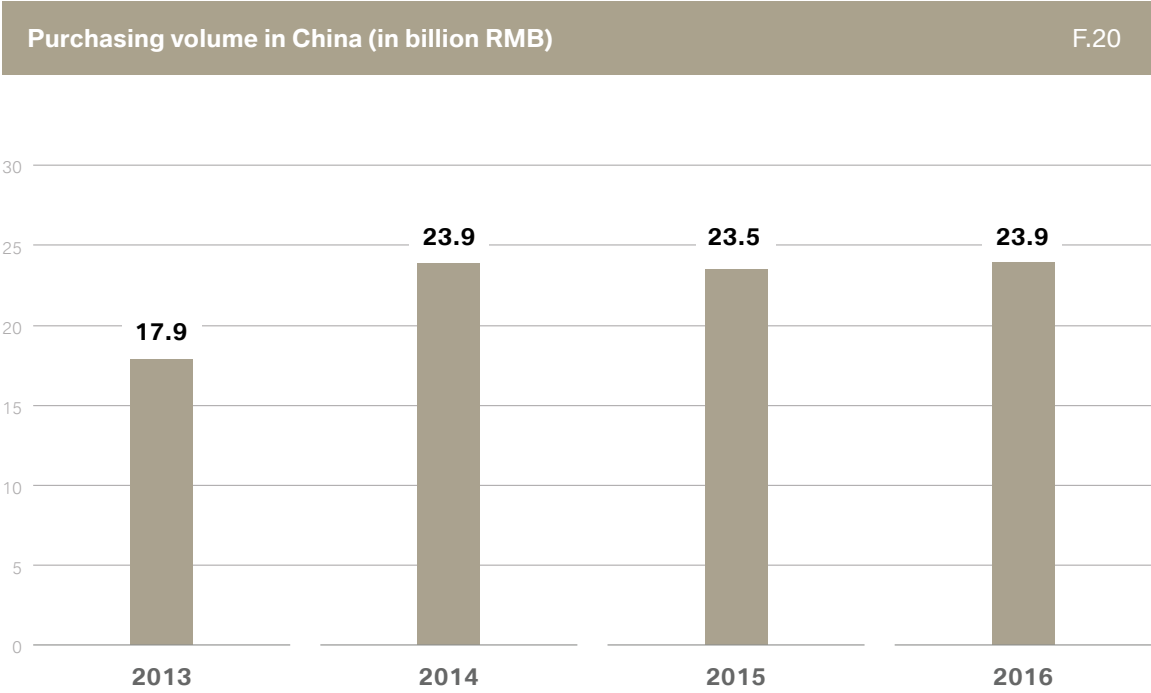
Our supplier selection process for China is shaped by a number of criteria and considerations. One criterion is the size of automotive parts. We aim to source all major large parts from China, in order to significantly reduce international shipping costs and related emissions. In most cases, rather than involving contractors, brokers, wholesalers, agents, and others, we seek direct engagement with the manufacturers.

53 in 2014
70 in 2015
79 in 2016

Our suppliers in Liaoning Province.



► BMW Brilliance employees and suppliers work hand-in-hand at Tiexi plant.



OUR SUPPLIER PRINCIPLES AND STANDARDS

The number of company-specific guidelines, procedures, and policies we have implemented help ensure that our employees are aware of local environmental, health, safety, and labor 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. An example of this is the integration of sustainability criteria in the BMW Brilliance Environment, Health and Safety Purchasing Management Procedure, which defines the purpose and applicability, relevant terms, definitions, abbreviations, responsibilities, and accountabilities, as well as detailed procedures to be followed within BMW Brilliance.

As a company, we abide by the principles of the United Nations Global Compact and the International Labour Organization. The BMW Group Supplier Sustainability Policy summarizes the BMW Group's core principles and standards for our suppliers in accordance with globally recognized principles. It includes a commitment to

environmental and social responsibility, as well as to compliance with all internationally recognized human rights, local labor, and environmental laws.

OUR SUPPLIER SUSTAINABILITY CLAUSES

BMW Brilliance's supplier network connects to the BMW Group's supplier network. A harmonization of the contracts in the two supplier networks and the introduction of the same high-quality global processes for all of our local suppliers were carried out in 2015.

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 United Nations Global Compact and the International Labour Organization. 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 labor, bribery, as well as requirements for health, safety, and environmental protection. Suppliers are also expected to contractually bind their subcontractors and suppliers to comply with the sustainability terms of the BMW Group, in order to ensure a comprehensive approach throughout the whole supply chain.

OUR INTERNAL PROCESSES

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 minimizing supplier risks and leveraging supplier potential, in order to ensure sustainability and continuous improvement throughout our entire supplier network.

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 and audits. Based on these assessments, BMW Brilliance receives a clear recommendation on supplier choice and selection. The BMW Group's comprehensive sustainability performance and risk assessments are thus considered as preconditions of our own supplier management and reviews.

The SRM process within BMW Brilliance was established by the Parts Purchasing, Supplier Quality Management (QMT), and Logistics Quality Management (LQS) departments. 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 process.

The following subchapter describes the implementation of our management approach > Chapter 4.2.



► Groundbreaking ceremony at a supplier plant adjacent to BMW Brilliance's production facilities.

4.2 IMPLEMENTING OUR APPROACH

OUR STRATEGIC DIRECTION

At BMW Brilliance, we strive to ensure compliance with the ten United Nations Global Compact Principles across our entire supply chain. We understand that meeting this standard requires continued and close collaboration with our suppliers.

Having a robust supplier risk management process in place is instrumental in ensuring that our sustainability standards are met across our supply chain. We aim to achieve this by identifying product risks, impacts on workers and communities,

and any environmental impacts. We factor in local conditions and place the utmost importance on suppliers complying with all legal requirements. Our commitment to addressing these sustainability risks remains unchanged as we continue to increase the amount of goods and services we procure from local Chinese suppliers. We are also cognizant that sustainable supply chain topics are gaining more public attention as stakeholder expectations evolve over time.



► At a supplier training workshop.

At BMW Brilliance, sustainability covers several areas that span the responsibilities of different departments. Our answer to this challenge has been the creation of a cross-functional team responsible for integrating sustainability into our supply chain. As three major departments are involved – Parts Purchasing, Supplier Quality Management (QMT), and Logistics Quality Management (LQS) – this team has internally been named the “clover-leaf” team. The clover-leaf team continuously reviews our suppliers’ sustainability performance and, when necessary, channels support to our existing suppliers to ensure our sustainability standards are met.

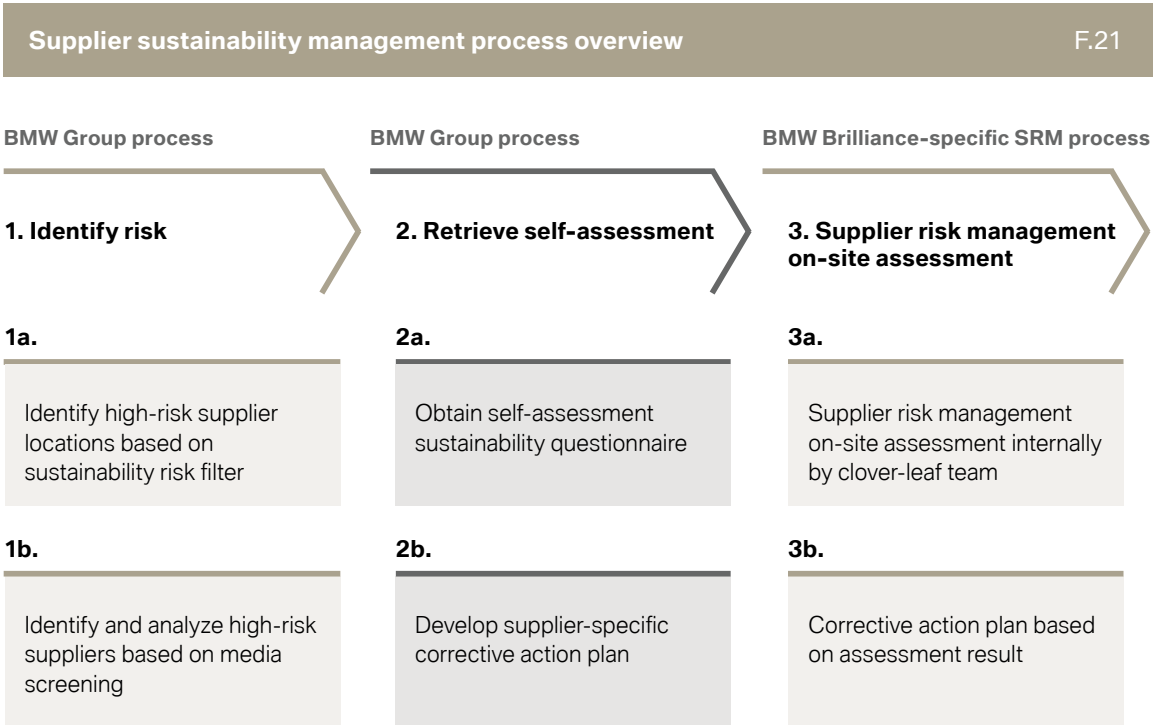
OUR APPROACH TO MINIMIZING SUPPLIER RISK

In an effort to promote greater corporate responsibility among our suppliers and help them adapt to BMW Brilliance’s China-specific circumstances, we have developed a dedicated BMW Brilliance Supplier Risk Management (SRM) process. Following a pilot project in 2013, we

officially launched our SRM process in April 2014, and continued its implementation in 2015 and 2016. In addition to the BMW Group processes, which apply to all BMW Brilliance suppliers, we had already assessed a total of 227 suppliers on-site by year-end 2016. 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.

STEP 1: SUSTAINABILITY RISK FILTER

BMW Group’s proprietary sustainability risk filter evaluates 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. In countries where certain social risks are particularly prevalent, such as child or forced labor, a dedicated assessment of these risks is also carried out.



At the 2016 Supplier Event.

Further considered are 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. The suppliers’ supply chains are also evaluated whenever sub-suppliers are repeatedly in breach of our sustainability standards.

Sustainable use of materials, such as secondary aluminum, is also verified at the “request for proposal” stage. The OEM questionnaire then asks, for example, whether the environmental management system in place is in accordance with ISO 14001. After the proposal has been submitted, these details are included as key decision-making indicators in the procurement process.

STEP 2: SUPPLIER SELF-ASSESSMENT QUESTIONNAIRE

In a second step, we use the supplier self-assessment questionnaire method developed jointly in the European Automotive Working Group on Supply Chain Sustainability for use by all major European original equipment manufacturers*. 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.

Before we engage with new suppliers, we require that they make a clear commitment in their self-assessment to social standards, such as compliance with international human rights.

STEP 3: SUPPLIER ON-SITE ASSESSMENTS

In a final step, BMW Brilliance manages the remaining 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 five major steps of the SRM assessment process are described in the graphic that follows.

In 2016, we worked with 257 suppliers, out of a total of 346 suppliers, on our current production requirements. All of them passed the screenings established by BMW Group processes. In addition, we conducted on-site assessments at 68 suppliers in 2016 covering environment, health and safety issues, bringing the total number of

* OEM Questionnaire: <http://www.csreurope.org/sites/default/files/CSR%20SAQ%20automotive%20sector.pdf>

SRM process

F.22



- 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 report).
- 2 Clover-leaf team implements on-site assessment, including 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 the 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.

current suppliers that have undergone on-site assessments to 227. This means that more than 88% of our current suppliers have been involved in all three steps of the joint BMW Group and BMW Brilliance process.

As a result of our SRM process, we reduced the number of identified suppliers with high risks in their environmental practices from 56 to 14 and labor practices from 41 to 17 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 suppliers in order to guide and support them to achieve an acceptable level. In 2016, no supplier relationships were terminated as a result of our environmental and labor assessments.

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 medium risk:

Suppliers need to close open points.



Red stands for high risk:

Suppliers need to close open points.

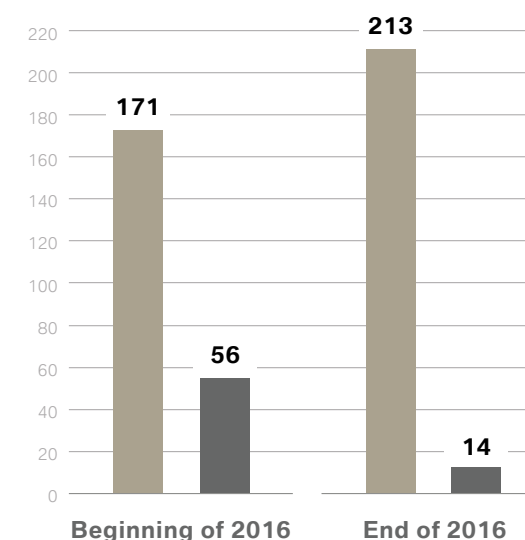
On-site reassessment by BMW Brilliance.

Based on the audit results, we provide direction and introduce performance requirements to suppliers

On-site assessment results: Impacts on the environment

F.23

- Meeting BMW Brilliance requirements
- Not meeting BMW Brilliance requirements



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.

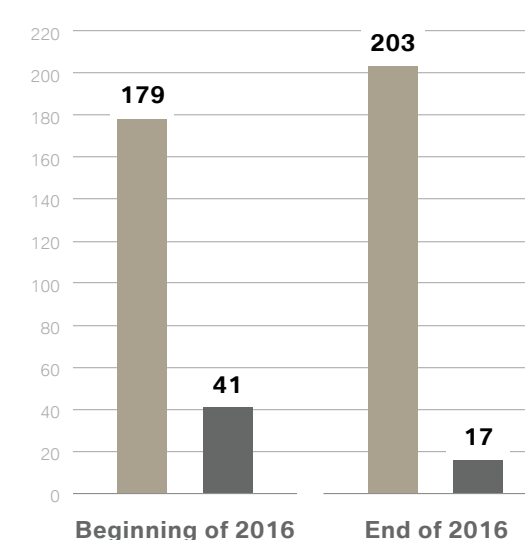
STRENGTHENING DIALOGUE WITH OUR SUPPLIERS

We have organized four BMW Brilliance Supplier Events since 2013. Every year, this conference allows us to bring together suppliers and management for an open discussion forum. This year, 287 suppliers attended the Supplier Event. Overall, this form of engagement has been very successful in building and deepening our relationships with suppliers and business partners and in improving our common approach to key issues including sustainability.

On-site assessment results: Labor practices

F.24

- Meeting BMW Brilliance requirements
- Not meeting BMW Brilliance requirements



FORECAST 2017



In 2016, we continued to roll out our SRM process, which by year-end covered more than 88% of our suppliers in the area of sustainability. We achieved our goal of covering most of the entry-level class product line (LU) suppliers with our SRM process by the end of 2016. We will continue to identify supplier sustainability risks and evaluate their performance, implement countermeasures, and enable continuous improvement. In 2017, we are reassessing all critical suppliers who were identified as high-risk during the 2016 audit in order to guide them toward compliance with our sustainability standards. Our objective for year-end 2017 is to cover all new suppliers to our BMW 5 Series in our SRM process.



5

EMPLOYEES

- 5.1 Our management approach
- 5.2 Attractive employer
- 5.3 Training and development
- 5.4 Occupational health and safety

STAKEHOLDER STATEMENT

GLDP – an opportunity for professional and personal growth



▶ Liu Yue (first from the left) and other GLDP participants.

Liu Yue
Participant of the Global Leader Development
Program (GLDP) 2015–2017

What motivated you to apply for BMW Brilliance’s Global Leader Development Program (GLDP)?

I applied for the program in my hometown of Shenyang in 2015. I had been working for an international corporation, but with my PhD in mechanical engineering I began looking for a new opportunity. When I read the description of the opening, I could already tell that BMW Brilliance takes this program very seriously and that this would be a unique opportunity for my career development. After advancing through the long and competitive application process, I was excited to be offered a

“I gained experience both in China and abroad – exactly what I was looking for.”

position in Technical Planning at BMW Brilliance. Since then, I have gained experience in different departments, both in China and abroad – exactly what I was looking for.

What have been the highlights of your time in the GLDP so far?

The international setup of this program is really great, and one of the best aspects of the GLDP are the four rotations that trainees complete during its course. After six months in Shenyang, I moved on to my second rotation at the headquarters in Munich, Germany – a real highlight! During my three months in Germany, I worked at the BMW Group Research and Innovation Center and was involved in the very early development stage of a new automotive model. This was a very interesting and new experience for me. The work

in Munich allowed me to broaden my understanding of the value chain of our products.

Another highlight was meeting my GLDP peers from all over the world, who always spend their second rotation together at the Munich headquarters. By spending time with the group and sharing experiences, I learned about the different markets in which the BMW Group operates, and about its different working environments. We were all learning from each other. The trainees work not only in technical areas, but in various different functions such as Finance, Sales, and Marketing, which was fascinating for me. The exchange with them also allowed me to build up a global network.

What are your next steps and dreams after you graduate from the GLDP?

In the meantime, I have gone back to China for my third rotation and am ending my GLDP with an exchange in the BMW Spartanburg plant in South Carolina, USA, in spring

2017. Even though my traineeship was at times challenging, I profited tremendously, not only in terms of my technical skills – learning about production planning from various different angles – but also in terms of my interpersonal and intercultural communication skills. Equipped with these experiences, I am looking forward to starting my permanent

“I am excited to apply the knowledge I have acquired and make a contribution to the company’s success.”

position at the Technical Planning department of BMW Brilliance in Shenyang in 2017. It's a new job with new challenges, but I am excited to apply the knowledge I have acquired, and to make a contribution to the success of the company in the long run.

5.1 OUR MANAGEMENT APPROACH

China's economy is currently undergoing an important change. More technologically advanced industries are replacing low value-added sectors. As China emerges as one of the world's largest high-tech exporters, BMW Brilliance finds itself in competition for talent not only from the automotive sector, but also from other mature industries. It is our ambition to attract, retain, and develop the best talent in order to execute BMW Brilliance's business strategy. We achieve this by offering attractive working conditions, by continuously investing in employee training opportunities, and by ensuring a safe and healthy work environment. Our workforce is motivated, competent, and highly effective. This is a core competitive advantage and helps us sustain our business success.

In order to be the most attractive employer in the Chinese automotive industry, we are continuously improving the management of our human resources. We are currently aiming to develop and retain our highly skilled workforce. We are

employing innovative solutions and enhancing our approach to human resources management in order to achieve our goals.

MANAGING OUR HUMAN RESOURCES

In 2016, we continued to put into practice our Human Resources Strategy. Its main goal is to advance our strategic approach to talent

management while taking into account the challenges of the economic and industrial climate. We aim to unlock the potential of human resources management to add business value by:

- ✦ Boosting and sustaining business growth by means of a competitive advantage
- ✦ Developing and enriching a corporate culture of high efficiency, teamwork, innovation, social responsibility, and sustainable development
- ✦ Establishing a lifelong learning environment with systematic and innovative development programs
- ✦ Upgrading our human resources expertise, practices, systems, and service quality

The importance of human resources management at BMW Brilliance is emphasized by our executive team. Our Senior Vice President of Human Resources, a member of the Board of Management and reporting directly to the CEO, is responsible for implementing BMW Brilliance's Human Resources Strategy. He regularly reports on our progress toward achieving the strategic goals of human resources management.

Operationally, the Associate Handbook is one of the cornerstones of managing the employer-employee relationship. It communicates our employees' rights and responsibilities, includes the BMW Brilliance Legal Compliance Code, and is binding on all members of staff. The Associate Handbook is being updated in 2017.

BMW Brilliance fully complies with Chinese labor law, applicable health and safety laws, and relevant regulations that prohibit forced, compulsory, and child labor. We are committed to the observance of fair working conditions and human rights, as they are set out in the ten principles of the United

Nations Global Compact and the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization > **Chapter 1.3**. Any violation of 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 with internal and external rules and regulations.

As part of our talent management, we regularly review the performance of our employees based on our business performance targets. In 2016, we introduced the Competency Model to advance the professional development of our employees. The model consists of a structured framework of employee competencies and clear appraisal criteria. It helps managers objectively unlock both individual and team potentials. For employees, the model helps them understand their own competencies, receive clear feedback, and find their individual development path. Meanwhile, this helps to develop a common corporate language regarding the competencies required to support our business development.

EMPLOYEE PARTICIPATION AND FEEDBACK

Social dialogue is a relevant component of managing our human resources. The BMW Brilliance Labor Union was established in 2007 as a vehicle for such dialogue. Today, the Labor Union represents all local employees, and its aim is to protect employees' rights and interests through mediation. The Labor Union and the Board of Management meet annually and decide collectively which topics need to be addressed – in areas such as health and safety, compensation,



benefits, and employee support. After the annual meeting, a plan with agreed-upon measures is

More than 50%
Our employees' cumulative rate of salary increase over the last six years.

implemented, and the achieved results are presented to employees at the annual Employee Representatives Congress and Union Representatives Congress > **Textbox**.

Through this process, a cumulative increase of more than 50% in salaries has been achieved over the last six years. In 2016, the Union set up a WeChat account, through which useful and timely information is provided to BMW Brilliance employees.

BMW BRILLIANCE EMPLOYEE REPRESENTATIVES CONGRESS AND UNION REPRESENTATIVES CONGRESS 2016

The annual BMW Brilliance Employee Representatives Congress and Union Representatives Congress were held in Shenyang in April 2016. Both are important forums for employees to participate in democratic resolution, management, and supervision. Dr. Anton Heiss, President and CEO, and Byron Han, Chairman of the Labor Union, along with senior company and union officials, met with 355 employee representatives to review the achievements of 2015 and to discuss the outlook for 2016.

At the meeting, the 2016 Collective Contract on Labor Remuneration was presented, approved,

and signed by Dr. Heiss representing the company, and Byron Han representing the employees. The contract, which covers all local employees of BMW Brilliance, includes adjustments such as an average salary increase of 5% for 2016, and longer lunch breaks. The Congress also elected new Union and Union Audit Committees, and Byron Han was reelected as the Union Chairman for another term. The meeting concluded by presenting awards to outstanding employees who excelled in areas such as skill competitions, union work, teamwork, and production.



Another way we engage our employees is by regularly collecting their feedback. Every other year, BMW Brilliance carries out an employee survey. The last survey was carried out in 2015, and showed that 91% of employees fully support our targets and are satisfied to work for BMW Brilliance. The next full survey will be carried out in 2017. However, we collected employee feedback in 2016 through several smaller-scale enquiries, which focused on topics such as the move to the new engine plant and how well staff identifies with the company strategy.

Further opportunities to give feedback are provided during Associate Conferences, when all

encouraged to express their wishes, needs and concerns during open-door meetings. In 2016, three plant Associate Conferences and several open-door meetings were carried out, which provided valuable information for strengthening our approach to managing human resources.

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

- Being an attractive employer and ensuring employee satisfaction > **Chapter 5.2**
- Realizing our employees' full potential through training and development > **Chapter 5.3**
- Promoting employee well-being and preventing accidents > **Chapter 5.4**

91%
Percentage of our employees satisfied to work for us.

employees of specific departments or plants come together for a day of dialogue with management. High-level members of management and associates are also



5.2 ATTRACTIVE EMPLOYER

OUR STRATEGIC DIRECTION

Our goal is to be the most attractive employer in the Chinese automotive industry, and among the top 10 most attractive employers in China.

Our employees are the most valuable resource of our business. As competition to acquire a skilled workforce increases, we believe it is crucial to be positioned as an attractive employer. To maintain our status as the leading premium automotive brand and to keep pace with technological developments, our goal is to attract, recruit, and retain the best talent. Our ability to provide unique opportunities, such as an English-speaking and internationally diverse work environment, helps differentiate BMW Brilliance from other employers and attract a high caliber of talented professionals.

Our goal is to remain the most attractive employer in the Chinese automotive industry, and among the top 10 employers in China. To achieve this goal, we emphasize our Employer Value Proposition when addressing new or potential talent. We also offer attractive working conditions and benefits, and diligently monitor our workforce growth and attrition rates.

OUR EMPLOYER VALUE PROPOSITION

Our Employer Value Proposition demonstrates our employer-branding concept and illustrates three attractive features of our company: our people, brand, and culture. We believe that BMW Brilliance stands out from the competition in these areas.

As a socially responsible company, BMW Brilliance provided 16,286 working opportunities in 2016. We also continued to offer several programs which help us recruit future talent while simultaneously providing training and educational opportunities for university graduates, students, and vocational school students > Chapter 5.3. Additionally, BMW Brilliance runs the BMW Joy Club, which provides activities and training for students to learn more about our company and to advance their career development.

16,286

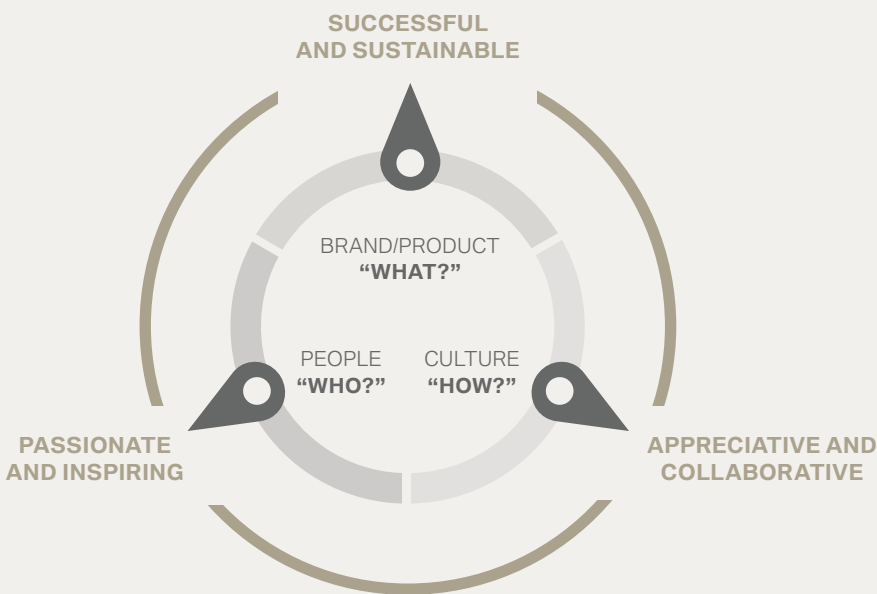
Number of BMW Brilliance employees by year-end 2016.

We have long emphasized both talent attraction and talent retention to meet our business development needs. Our goal is to inspire our employees to remain committed to BMW Brilliance by providing them with a clear vision of our business strategy. We also 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.

Various programs and initiatives support this culture. Our internal theme “Charge Passion”

The BMW Brilliance Employer Value Proposition

F.25



delivers the message that “Passion is all you need to explore what drives you in your life and learning with BMW.” In 2016, the BMW Group and BMW Brilliance employer branding campaign “All for Passion, All with Appreciation” was carried out, in which nearly 4,000 appreciation cards were delivered between colleagues within BMW Brilliance and to the public.

Finally, our Best You program supports our efforts to show mutual appreciation. It provides visible recognition and awards to employees with great behavior and performance. The “Best of the Year” and “Best of the Quarter” awards are part of this program, but an important aspect is also the “Best in My Eyes” instant recognition from managers to staff. Under the Best You program, colleagues also continue to distribute appreciation cards to

each other in mutual recognition – a tool that has become quite popular among BMW Brilliance employees.

ATTRACTIVE WORKING CONDITIONS

An important way to express appreciation for our workforce is to offer attractive working conditions and employee benefits. BMW Brilliance's compensation and benefits philosophy aims to retain and motivate our key workforce. It acknowledges that different individuals contribute to our business success in different ways. Performance, compensation, and benefits are closely linked under the philosophy “reward for performance.”

All employees are entitled to rewards oriented toward performance, success, and commitment of service to BMW Brilliance’s long-term goals:

¥

Remuneration
We reward our employees with total remuneration that is above average and aligned with the upper-third of the respective labor market in China. We conduct an annual benchmark within the automotive industry to ensure our competitiveness as an attractive employer. In addition to a fixed base salary and overtime payments, our employees receive allowances and a variable bonus, thus linking total remuneration to performance. Differences in salary also exist according to the level of responsibility and position. Remuneration is not dependent on seniority.

🌴

Holidays
To foster a good 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 program featuring a full range of insurance options, comprehensive medical coverage, and a pension savings plan that can be customized to best suit employees’ individual needs.

🚗

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

Job satisfaction is also closely linked to the design of an interesting and gratifying career path. Supported by the Competency Model > **Chapter 5.1**, we encourage our employees to develop themselves and find a career path that is suitable and motivating for them. We try to provide challenging and meaningful assignments, and promote the rotation of employees between departments, enabling them to experience different work environments.

Finally, BMW Brilliance has implemented three different contract models for higher work time flexibility. They enable us to deal with fluctuations in the market and to ensure stable monthly salary payments:



- 🕒

Standard work time for non-production employees
These contracts entitle the employee to a 40-hour workweek, which complies with China’s Labor Law. This work time model applies to approximately 6% 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 71% 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 23% of our employees.

MONITORING WORKFORCE GROWTH AND ATTRITION RATES

In order to evaluate whether we are reaching our goal of being an attractive employer, we monitor key performance indicators related to our position in the employer market, and to our internal employee figures.

82%

Proportion of Chinese employees in our management group.

At the end of 2016, our total workforce reached 16,286 (excluding employees from dispatched contracts and the Future Talent Programs > **Chapter 5.3**), decreasing by 1.7% compared to 2015. Women made up 12.9% of our total workforce and 28.4% of our management team. Thus, the total share of female employees remained relatively stable over the last three years, while there were 5.2% more women in management positions in 2016 compared to 2015. Due to our continuous efforts to develop local talent, Chinese employees accounted for 82% of our management group, representing an increase of 5%. All employees are employed in full-time contracts.

Total workforce at year-end

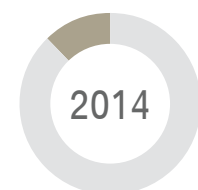
15,257
in 2014

16,573
in 2015

16,286
in 2016
Change to previous year: **-1.7%**

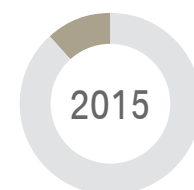
Share of female/male employees

12.3%
female employees



87.7%
male employees

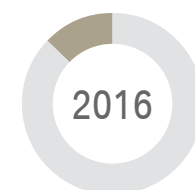
11.8%
female employees



88.2%
male employees

Change to previous year: **9.3%**

12.9%
female employees

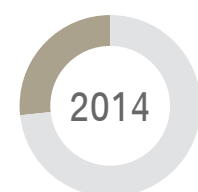


87.1%
male employees

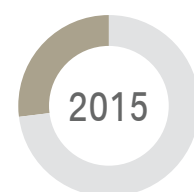
Change to previous year: **-1.2%**

Share of female employees in management positions

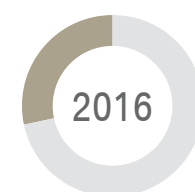
26.7%
female employees
in management



27.0%
female employees
in management

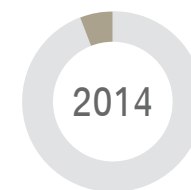


28.4%
female employees
in management

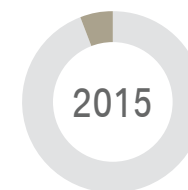
Change to previous year: **5.2%**

Share of employees in management positions

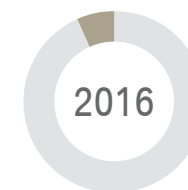
5.9%
Share of employees in
management positions



6.0%
Share of employees in
management positions



6.7%
Share of employees in
management positions

Change to previous year: **11.7%**

Share of Chinese employees within management group

76.3%
Chinese employees
within management



78.1%
Chinese employees
within management

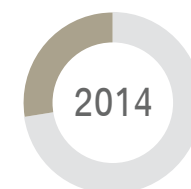


82.0%
Chinese employees
within management

Change to previous year: **5.0%**

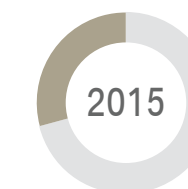
Share of production/non-production employees

27.3%
non-production
employees



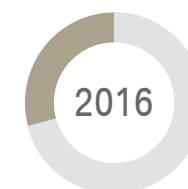
72.7%
production
employees

29.0%
non-production
employees



71.0%
production
employees

29.1%
non-production
employees



70.9%
production
employees

Change to previous year: **0.3%**Change to previous year: **-0.1%**

Employees by employment contract

F.27

		2014	2015	2016	Change to previous year
OPEN-END CONTRACTS	Overall share	13.4%	14.4%	19.0%	31.9%
	Female employees	1,692	392	489	24.7%
	Male employees	334	1,992	2,609	31.0%
	Employees in Shenyang	1,931	2,258	2,954	30.8%
	Employees in Beijing	95	126	153	21.4%
FIXED-TERM CONTRACTS	Female employees	1,550	1,725	1,605	-7.0%
	Male employees	11,681	12,464	11,583	-7.1%
	Employees in Shenyang	12,700	13,641	12,656	-7.2%
	Employees in Beijing	531	548	532	-2.9%

Employees by employment type

F.28

		2014	2015	2016	Change to previous year
FULL-TIME	Overall share	100%	100%	100%	0.0%
	Female employees	1,883	2,117	2,101	-0.8%
	Male employees	13,373	14,456	14,185	-1.9%
PART-TIME	Female employees	1	0	0	0.0%
	Male employees	0	0	0	0.0%

New hires and attrition rates

F.29

	2014		2015		2016	
NEW HIRES	%	total	%	total	%	total
Total new employee hires	23.3%	-	11.6%	-	2.2%	-

BY REGION

New employees in Shenyang	19.1%	2,920	10.9%	1,801	1.7%	270
New employees in Beijing	1.2%	186	0.8%	128	0.6%	93

BY AGE

New employee hires, ages <30	15.9%	2,425	8.4%	1,384	1.3%	212
New employee hires, ages 30-50	4.3%	655	3.2%	523	0.9%	141
New employee hires, ages >50	0.2%	26	0.1%	22	0.1%	10

BY GENDER

Female new employee hires	2.7%	407	2.0%	329	0.7%	113
Male new employee hires	17.7%	2,699	9.7%	1,600	1.5%	250

ATTRITION RATES

	%	total	%	total	%	total
Voluntary attrition rate	6.0%	-	2.9%	-	2.6%	-
Overall attrition rate (turnover)	6.8%	-	3.8%	-	3.3%	-

In line with our stable business development, the rate of new hires decreased from 12% in 2015 to 2% in 2016. We initiate employee transfers among our different production plants to ensure that each plant constantly has the right workforce balance and skill sets on the ground. These transfers help us attain higher levels of efficiency across our facilities.

BMW Brilliance continues to succeed in retaining talent and creating high loyalty within our workforce. To track this, we closely monitor our employee

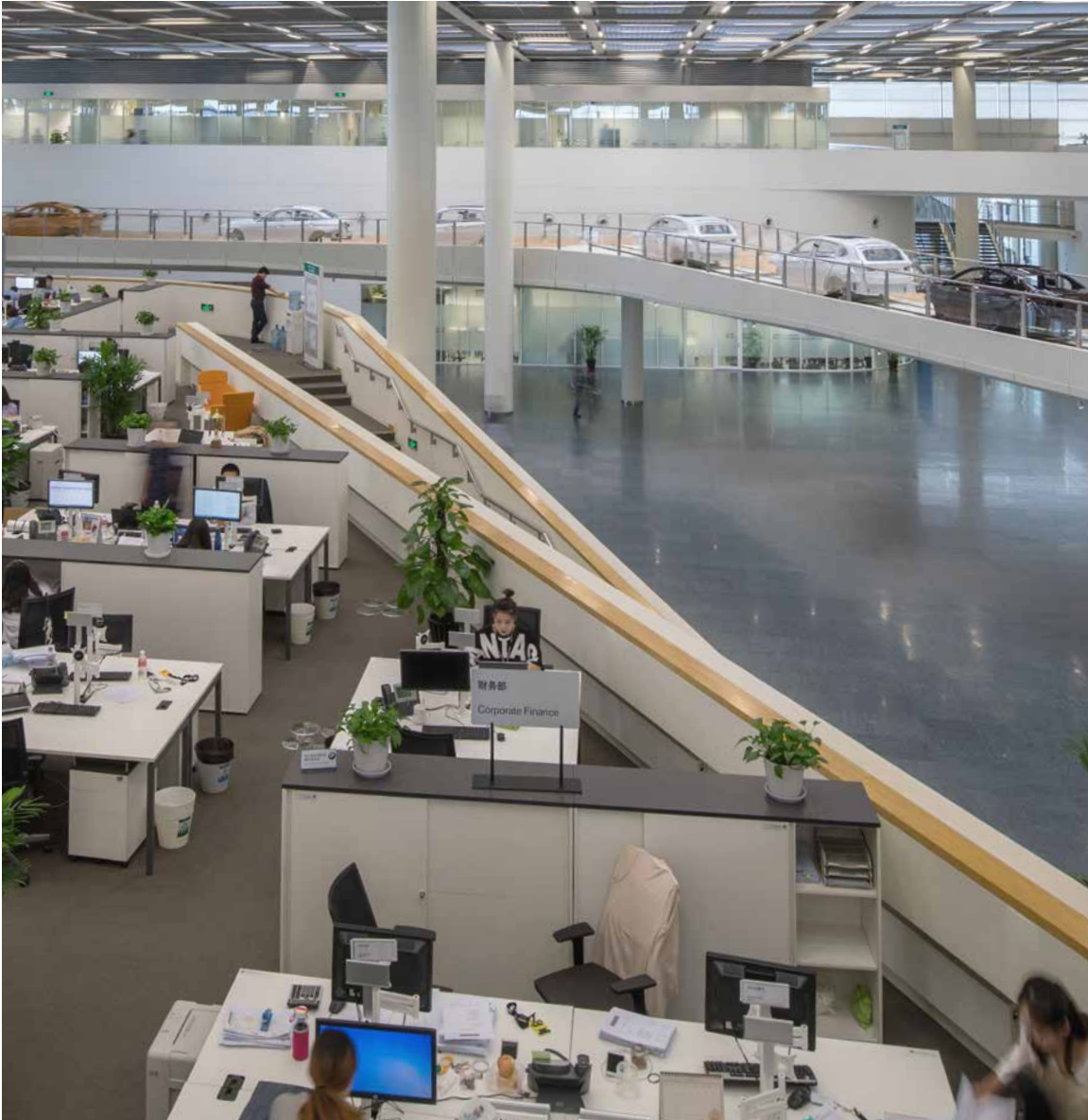
attrition rate on a monthly basis. BMW Brilliance's voluntary attrition rate further decreased from 2.9% in 2015 to 2.6% in 2016. The overall attrition rate (voluntary and non-voluntary) decreased from 3.8% in 2015 to 3.3% in 2016.

Finally, the various human resources awards accorded to BMW Brilliance attest that we are achieving our goal of being the most attractive employer in the Chinese automotive industry, and among the top 10 employers in China.

HUMAN RESOURCES AWARDS RECEIVED IN 2016



- Best Employer in the Industry Award by linkedin.com (Automotive: #1, All Industry: Top 10)
- Employer Excellence Award by 51job.com
- Annual Extraordinary Employer Award by liepin.com
- Among top 30 in the China Best Employers Award by dajie.com



FORECAST 2017



In 2017, as the BMW Group is launching its new Employer Value Proposition, BMW Brilliance is working with the Group and external expert advisors on developing a matrix of key performance indicators to evaluate our own Employer Value Proposition. While reviewing our past value proposition performance, we are also developing a road map to strengthen it over the next three years. We are confident that with this road map, we can keep fulfilling our goal of being the most attractive employer in the Chinese automotive industry.

5.3 TRAINING AND DEVELOPMENT

OUR STRATEGIC DIRECTION

Through leadership and training, we enable our employees to realize their potential, develop themselves, and drive the business forward. It is our aim to offer high-quality training opportunities, with an overall participant satisfaction rate of at least 92%.

The training and development of our employees is fundamental to the sustainable growth of the company. We provide high quality, up-to-date, customized learning opportunities for our employees. Our programs are designed to support talent retention and remain updated with new methods, technologies, and skills. They focus on the holistic development of our employees.

To achieve our goals in this area, we provide a broad spectrum of training through the Academy, which is the BMW Group's central coordination unit for training programs in China. We focus on strengthening our leadership culture and developing the skills of our future talent. We also measure our performance through key performance indicators.

TRAINING OUR EMPLOYEES

In 2014, BMW China and BMW Brilliance launched the Academy as a joint structure, bringing together all training departments of BMW Group subsidiaries in China. The Academy's vision is to create a passion for excellence and enable our sustainable business growth by advancing the careers of our leaders and employees. 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, two topics dominated the training and development work of the Academy and BMW Brilliance's Human Resources department. First, talent development was further enhanced as various tools and training programs were synchronized and rolled out across different departments. Additionally, developing internal trainers was an important focus throughout the year.

Internal Trainer Development Program

With the launch of the Internal Trainer Development Program, the Academy implemented an initiative that leverages internal resources by developing interested employees into professional BMW-certified trainers. In 2016, 39 internally certified trainers delivered 15 different courses, both technical and non-technical. They covered topics such as the seven habits of highly effective people, time management, the Standard Work Program and various technical subjects. In total, 96 training sessions were delivered at BMW Brilliance with an average satisfaction rate of 4.7 out of 5.

Area Manager Development Program

The Area Manager Development Program is a fundamental qualification program for area managers in sales. It is a program of the BMW



► Business department internal training on specific procedures and technologies.



► Area manager training workshop.

Group which BMW Brilliance joined, and adheres to the philosophy “lay the foundation, improve performance, and drive the business.” The benefits of this qualification have been demonstrated over the years, and include an improved steering of business performance, the creation of sustainable results, and mutual benefits between the BMW Group and its dealers. This training is mandatory for all area managers. By the end of 2016, 82 area managers of BMW Brilliance have joined the program, and 59 have been awarded the title “Certified BMW Group Area Manager.”

Language courses

In an increasingly intercultural working environment, one competency requirement at BMW Brilliance is good language skills. We offer English, German, and Chinese language courses for local employees and expatriates, including both online and offline training modules. In 2016, 733 BMW Brilliance employees attended language courses for a total of 2,300 training days. Through

75%
Percentage of our language
class participants graduating to
the next level.

these courses, 75% of participants were promoted to the next language proficiency level, and 10% were awarded top student recognition. In addition to the classic language lessons, we held an English contest and various lectures to motivate employees to learn a foreign language.

STRENGTHENING OUR
LEADERSHIP CULTURE

We recognize that leadership development is a critical factor in our ongoing success. The leadership style we want to nurture is based on the Five Elements of the BMW Brilliance culture:

Trust, Inspire, Open, Care, and Go Beyond. Through targeted training, we are developing leaders who can carry this culture forward based on their individual strengths.

An important cornerstone of leadership at our production units is the Standard Work Program of the Academy. It 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. By establishing a coaching culture, based on BMW Brilliance’s Leadership Core Values, our managers will naturally seek to improve the individual performances of their team members and encourage continuous improvement throughout the organization.

In 2015, we launched the Leadership Coaching Center as an important element of the Standard Work Program. This one-day training session, combined with on-the-job practice, aims to develop the unique coaching mindset of BMW Brilliance, by teaching managers how they can shift behavior from “instructing” to “leading by coaching.” This module of the Standard Work Program was gradually rolled out. By year-end 2016, more than 400 Department Heads, Senior Managers, Production Area Managers and Section Leaders from BMW Brilliance production joined the Leadership Coaching Center.

Building upon this, we are carrying out a pilot in 2017 to analyze how this coaching mindset impacts our daily production. We plan to then expand the pilot in order to support continuous improvement, and also to broaden the Standard Work Program to cover non-production functions. This way, leaders from different areas can learn and practice coaching techniques and contribute to a continuous self-improvement organization.

DEVELOPING FUTURE
TALENT

As part of the BMW Group’s global strategy to

develop young people and attract tomorrow’s passionate talents, we provide programs for specialist traineeships and vocational education. We began these Future Talent Programs in 2010 to develop and prepare young talent to assume different positions within the company. From manufacturing to business departments, these programs are widely supported by our senior executives and are seen as a valuable contributor to our pipeline of qualified talent.

1,944
Number of high-potential
students and graduates who
have benefited from the Future
Talent Programs.

Since their inception, the Future Talent Programs have grown from three to six, and have been instrumental in developing the talents of 1,944 qualified young students within the BMW Group in China. In 2016, 103 young people joined BMW Brilliance through the ongoing, practice-oriented

programs offered at the doctoral, master, bachelor, and vocational education levels by the Academy.

Global Leader Development Program

The Global Leader Development Program was launched in 2015. This initiative is a joint effort with the BMW Group, and was created through the integration and harmonization of two existing training programs. In this leadership program, 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, six new candidates were selected for the Global Leader Development Program in 2016.

ProMotion

This doctoral program was launched in 2014 with four students studying research and development, production planning, and process optimization. Since then, 13 students have taken part in this four-year program. In 2016, Industry 4.0 and China Manufacturing 2025 were important topics in their thesis work. To foster the young spirit of innovation, we plan to support six additional doctoral students to ProMotion in 2017.



► At the ProMotion program’s Dialogue Day Event.



► Future Talent Program participants.

FastLane, SpeedUp China, and local intern programs

The FastLane and SpeedUp China in Production Programs – of which the first targets non-production and the second targets production functions – are updates of the Specialist Trainee and Production Management Trainee Programs, which originated in 2010. In these curriculums, the participants are developed using key elements such as systematic training, rotations, and buddy coaching. At BMW Brilliance, 20 and 49 candidates were selected respectively for FastLane and SpeedUp in 2016.

For non-production functions, our local intern group is an important talent pool for the company. In 2016, 50% of FastLane trainees were hired from the intern group of BMW Brilliance.

New Vocational Education Program

BMW Brilliance's approach to vocational education has been adapted from the successful dual education system in Germany, but modified to suit the Chinese context. The New Vocational

Education Program (NVEP), launched in 2012, is dedicated to building the technical skills of our production employees and to helping high-school students build the capacities they need to secure well-paid jobs in the future. We offer three majors to apprentices: Mechatronics, Industrial Machinery, and Car Mechatronics. After passing a series of systematic assessments conducted by their school and by the company, the apprentices learn theoretical foundations at school and strengthen their practical skills at the BMW Brilliance Foresight Training Center. In their third year, they rotate among various shop floors to practice their skills with the guidance of experienced employees. Upon graduation, apprentices who pass the periodical and final assessments become regular BMW Brilliance employees, working at such key posts as technical maintenance, quality inspection, and production operations.

To date, over 124 students have graduated from the NVEP, 41 of whom finished their program in 2016.

APPRENTICE LI JIAQI EXPLAINS WHAT SHE APPRECIATES ABOUT THE NEW VOCATIONAL EDUCATION PROGRAM (NVEP)

What has been your favorite experience as a student in the New Vocational Education Program?

I will never forget the time I was chosen as the NVEP representative to visit BMW AG in Munich, Germany, for their 100th anniversary celebration. It was really a wonderful experience for me – communicating with and learning from apprentices who were joining from BMW plants all over the world. After coming back, I shared what I had experienced with my classmates.

Why have you chosen BMW Brilliance's vocational program as your entry into professional life?

In contrast to traditional vocational education in China, where most of the time is spent in classic lectures, BMW Brilliance's NVEP makes use of workflow-oriented and project-based learning to foster students' thinking capabilities and ability to

work independently. This requires students to set up a work plan, for example, taking into account the whole work process, necessary tools and equipment, and quality and safety requirements, and then carry out the project accordingly.

What do you like about working for BMW Brilliance?

After my 38-week training course in the BMW Brilliance training center in Shenyang, I am now working in the Press Shop, where all technicians, section leaders, and managers care about us apprentices and help us improve. They train us according to specific training plans, fostering our abilities.

Furthermore, BMW Brilliance provides everyone with opportunities for continuous learning, which indicates that it attaches great importance to talent development. It is an enterprise worth working for, which really motivates me!



► Li Jiaqi (bottom right) and other apprentices during the training in Germany.

LOCAL TALENT DEVELOPMENT THROUGH INSTITUTIONAL COOPERATION

As a company committed to sustainability, BMW Brilliance not only delivers a premium customer experience, we are also dedicated to promoting local talent to help upgrade China's manufacturing sector. For example, in September 2016 BMW Brilliance and the Shenyang Education Bureau signed a cooperative framework agreement for vocational education at Tiexi plant. Both parties committed themselves to boosting their cooperation on talent development in the area of vocational education.

At the signing event, we also renewed our cooperation contract with the Shenyang Equipment Manufacturing Engineering School, which became the NVEP's first partner school in 2012 and has greatly contributed to the pilot phase of the program. BMW Brilliance also signed a cooperation agreement with the Shenyang Polytechnic College for setting up the new Car Mechatronics program.

MONITORING OUR PERFORMANCE

We focus on continuous improvement by measuring and evaluating our training and development performance each year. In 2016, we again concentrated on quality improvements,

and were able to raise the employee training satisfaction rate of BMW Brilliance participants from 96% to 97% > Figure 32, which exceeds our internal goal of 92%. The number of employee training days organized by human resources decreased from 35,205 in 2015 to 27,851 in 2016 > Figure 30 and Figure 31.

Average training days at BMW Brilliance*

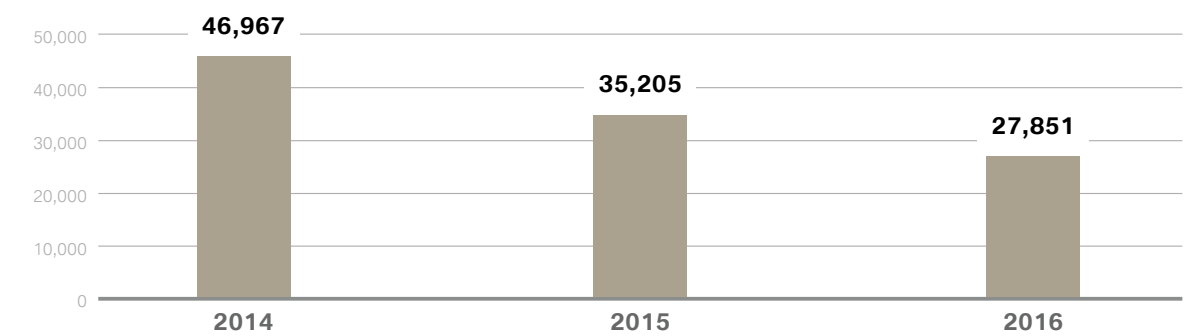
F.30

	2014	2015	2016
Average training days per employee	3.4	2.2	1.7
Employees in production	1.3	1.1	1.1
Employees in non-production	9.7	4.7	3.2
Employees in management positions	6.7	3.1	3.2
Employees in non-management positions	3.4	2.1	1.6

* One training day corresponds to seven hours.

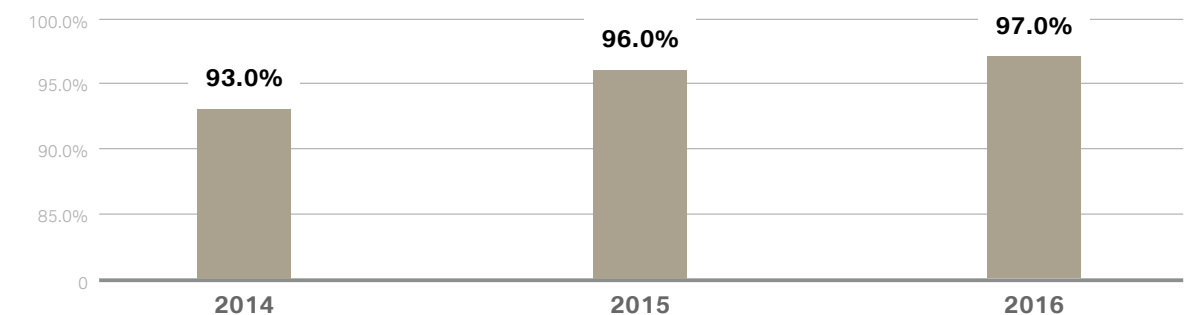
Training days organized by the Human Resources department

F.31



Training attendee satisfaction rate

F.32



FORECAST 2017



In 2017, the Academy is continuing its success by:

- Regularly upgrading and systematically reviewing approaches to learning and development, and monitoring their effectiveness
- Partnering with business departments to identify training needs and development plans that will build capabilities for the changing requirements of future roles and offer employees opportunities for personal growth
- Constantly monitoring the effectiveness of our training programs
- Identifying innovative ways of development and utilizing technology to provide cost-efficient and effective learning opportunities
- Further utilizing and developing the internal trainers

Meanwhile, the Foresight Training Center, which is currently under renovation, is being opened in 2017, and the plan for a long-term training center is being developed. We are also defining new training offerings to match the new Competency Model > Chapter 5.1, and are planning to launch a new mobile learning project.

5.4 OCCUPATIONAL HEALTH AND SAFETY

OUR STRATEGIC DIRECTION

It is our goal to promote responsible behavior and the corresponding work environment to foster the long-term health and performance of our employees.

As a responsible employer, occupational health and safety is of key importance to BMW Brilliance. We want to protect our employees from any potential negative health and safety impacts related to their work environment. We therefore implement an integrated health and safety management system in order to manage potential risks and contribute to the long-term health and performance of our workforce.

To protect our employees' safety, and contribute to their long-term well-being, we implement an integrated safety management system and various programs and initiatives under the health initiative following the motto "Stay active – we support you." These activities focus on health and safety training, improving workplace safety and ergonomics, running thematic health and safety initiatives, and on implementing our Health Management 2020 program.

INTEGRATED SAFETY MANAGEMENT SYSTEM

Based on the existing integrated safety management system, we act in accordance with international standards, such as OHSAS 18001 and ISO 14001, and best-practice guidelines of the BMW Group, as well as relevant Chinese legislation. Our safety management systems

– which include a policy, the necessary procedures, and work instructions – are certified as good practice. The system is implemented by the Health, Safety, Security, Mobility & Food Service department of BMW Brilliance. All production locations of BMW Brilliance now hold an OHSAS 18001 certification – the last plant to be certified in November 2016 was the BMW Brilliance new engine plant.

As part of our safety management system, and to measure our health and safety performance, we monitor key performance indicators: the number of injuries, the absentee rate and our accident frequency rate. The latter 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 time period of statistics (e.g. one month).

In 2016, we reduced the accident frequency rate from 1.06 to 0.54. This was mainly achieved by improving the work environment and safety conditions through continuous improvement measures. These measures include implementing pre-acceptance and acceptance procedures for newly installed equipment, the promotion of safety awareness, and regular inspections. The absentee rate, however, increased slightly. Overall, there were no work-related fatal accidents, and the number of work-related injuries with lost time declined from 29 in 2015 to 17 in 2016.

Occupational health and safety				F.33
	2014	2015	2016	Change to previous year
Accident frequency rate*	0.82	1.06	0.54	–49.1%
Absentee rate	0.98%	0.93%	0.99%	6.5%
Total number of injuries with lost time (excluding minor first-aid level injuries)	17	29	17	–41.4%
* 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 time period of statistics (e.g. one month).				

EXAMPLE OF AN ERGONOMIC IMPROVEMENT IMPLEMENTED AT OUR PRODUCTION PLANTS



BEFORE
Workers had to bend down to lift the hood by hand. As this movement is repeated with every automobile, this can cause wrist pain over time.



AFTER
The improvement consisted of equipping workers with a vacuum tool, which they can use to open the hood. This provides an automated lift, and makes it unnecessary for the worker to bend down, thus improving their work ergonomics dramatically.

IMPROVING WORKPLACE SAFETY AND ERGONOMICS

Training is 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. By year-end 2016, a total of 12,696 employees had received such training.

We regularly implement and continuously improve health and safety measures at our plants. Occupational health and safety management has been well-integrated into Value-added Production System (VPS) initiatives, ensuring that when we implement production improvements, we are taking health and safety concerns into account at the same time. BMW Brilliance employees are encouraged to raise ideas and suggestions to promote safe working conditions, including ergonomic improvements, on-site.

IMPLEMENTING HEALTH AND SAFETY INITIATIVES

Beyond making our working environment safer for our employees, we are also implementing various initiatives to contribute to the overall health and well-being of employees, both in production and non-production working environments:

Safety campaign

In 2016, BMW Brilliance for the first time implemented a safety campaign as part of an international effort within the BMW Group. The campaign goal was to raise awareness of “safe walking” within our plants, in order to reduce the number of injuries caused by slipping, tripping, or falling. Employees are trained, for example, to stabilize their body when facing a critical situation, and they are taught different breaking and balancing moves to avoid injuries. This campaign is being extended in 2017.

Pro blood pressure pilot program

The Pro blood pressure pilot program, which was initiated in 2016, is focused on improving physical performance during six months of cardiovascular, muscular, and coordination training. The goal is to achieve an improvement in both blood pressure and pulse rate.

Mental resilience campaign

This program is designed to raise awareness of how fundamental mental resilience is to coping with the many challenges of life. In 2016, different target groups were identified, and we launched the Mental Resilience 2.0 training plan for both production and non-production employees. We conducted 36 training sessions for 956 participants on topics such as stress management, interpersonal relationships, and effective communication.

Expatriate health management

BMW Brilliance wants to offer the best health services to our 800 expatriate employees and their family members. These services include 24 hours a day/365 days a year medical care in plants, home visits, and direct channels with different hospitals and clinics (“green channels”). A monthly health newsletter is distributed via the public WeChat account, and is updated on a regular basis to allow expatriates and their families to easily access health information.



Medical center.

AN OFFICE STAFF MEMBER SUFFERING FROM HYPERTENSION SHARES THEIR EXPERIENCE WITH THE PRO BLOOD PRESSURE PILOT PROGRAM

Did you experience a change in your blood pressure after you joined the program?

I am pleased to see that my blood pressure has reduced to a healthy level based on regular exercise and monitoring. I was able to reduce my medication and lose 6 kilograms in weight.

How did you learn about the program?

I was referred by the clinic doctor when I was feeling unwell.

Is there any improvement in your daily life?

After joining the program, the nutrition training helped me to adjust my diet. With advice from our clinic doctor, I started consuming less salty food, smaller meals, and more tea instead of soft drinks.

I also received guidance from our physical therapist. I think some of the exercises really helped me to reduce my blood pressure. Finally, I consulted with an expert from the Employee Assistant Program, who gave me helpful advice on how to reduce pressure in daily life and at work, which also helps bring down the risk of high blood pressure.

Will you recommend this program to your colleagues?

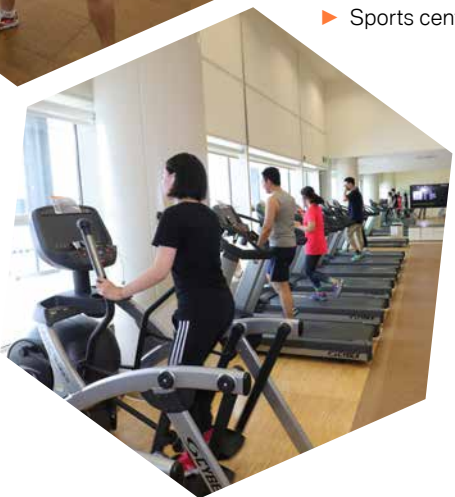
I will. I wanted to give up several times, but the program leader kept patiently explaining to me the importance of reducing high blood pressure. This program helped me to improve my health, which allows me to live an overall healthier life.

HEALTH MANAGEMENT 2020

Health Management 2020 is a new initiative which supports BMW Brilliance employees in making informed decisions about managing their current health status. An important component of the initiative is the annual health check program. In 2016, approximately 14,600 employees participated in the health check program. The health check is not limited to the legal requirements of occupational health, but is a comprehensive health screening. New items such as a thyroid check, a dental primary check and back problem screenings were included in this holistic program. It enables early diagnosis and treatment of any medical condition, and is designed to ensure work-readiness, low blood sugar, and fewer cases of high blood pressure. We also offer the health checkup to family members, who are able to take advantage of the BMW Brilliance discount.



Sports center.



In addition, annual seasonal flu vaccinations are offered under the Health Management 2020 program, and during the 2016 winter season 3,427 employees participated in this offer. Hepatitis B vaccinations are also provided to employees after the annual health check.

As part of the Health Management 2020 initiative, BMW Brilliance opened several new clinics to provide professional and convenient services. In 2016, we opened Physical Assessment and Rehabilitation Centers, with gyms, in the new engine plant and Tiexi plant, and at a clinic in the northern extension of Dadong plant.

FORECAST 2017



For 2017, we are further strengthening our efforts to improve the overall well-being of our employees. We are extending the gym hours at our Physical Assessment and Rehabilitation Centers, from 12½ to 15½ hours per day, in order to provide more time flexibility. We are planning to offer six training videos on environment, health and safety (EHS training) in the second half of 2017, with the aim of increasing training flexibility and convenience. Furthermore, we are planning to implement new health and safety risk management tools toward the end of 2017, for both production and non-production working environments. The goal is to streamline our management practices in this area.

As an important improvement in our management of work-related injuries, we are planning to work closely with two selected hospitals to streamline the payment and reimbursement processes for treatments related to work-related injuries of BMW Brilliance employees.

We are also continuing to implement various health initiatives, such as an anti-smoking campaign and cessation program, a healthy beverages campaign, and a dental care awareness initiative. Additionally, a musculoskeletal disorder campaign is aiming to raise awareness of how to prevent back problems.

Finally, we are looking for more alternatives for external partnerships with the aim of providing more professional and convenient health services to employees in Beijing.



THE NEXT
100 YEARS



THE NEXT
100 YEARS



6

CORPORATE SOCIAL RESPONSIBILITY

6.1 Our management approach

6.2 Our initiatives

STAKEHOLDER STATEMENT

A long-term approach to stakeholder volunteering



▶ BMW Jingbaohui Warm Heart Customer Club members at a volunteering event.

BMW Jiangbaohui Warm Heart Customer Club, Beijing

Club representatives: He Xiang / Sun Yan / Yi Jin / Zhao Hai

What were your volunteering experiences prior to creating the Jingbaohui Warm Heart Customer Club?

We all had our individual experiences with volunteering before creating our current club. We had participated in volunteering initiatives, such as marathons or greening actions, on a one-off basis. However, we felt that we could usually not see

“We became involved in BMW volunteering for various reasons. Most importantly, we wanted to give back to society.”

much impact from those activities. Also, there was rarely any follow-up. We felt it would be more impactful to be engaged in longer-term approaches instead, but could not find structures implementing such a philosophy rigorously.

We then became involved in BMW volunteering initiatives for a variety of reasons, but, most importantly, it was the idea of having been quite fortunate in life and wanting to give back to society. For some of us, it was not having had many opportunities growing up that compelled us to act now that we were in a position to do so. Most of us also felt strongly about the objectives underpinning specific BMW Warm Heart volunteering programs, such as the BMW Children’s Traffic Safety Education program or BMW China Culture Journey. We felt that BMW’s approach was different – consistent and sustained, without ever being monotonous.

How did you create the Jingbaohui Club and how has it evolved since its creation?

BMW China had established an annual stakeholder workshop to facilitate information-sharing among volunteers to maximize the impact of all Corporate Social Responsibility projects. Zhao Hai, who had joined this workshop as an individual volunteer, felt encouraged by the example of other volunteers working in teams to set up a new club in Beijing – the Jingbaohui Club. We were the 12th club created in the country, and the first one in the national capital.

It took us a while to set up a direction. But everyone was really friendly and collaborative and we just naturally ended up moving in the right direction. Finally, we decided to focus on supporting children, and to work with others who could help us achieve our goals. For example, we worked with a BMW dealer in organizing BMW Joy Home activities, and with another dealer to help a school for children with special needs. We have organized a variety of joyful and exciting activities for the children, including painting, mini-marathons, and other games. It is just heartening to see smiles on their faces and know that they are enjoying their time in our programs.

“We feel that BMW’s approach is different – consistent and sustained, without ever being monotonous.”

What are your suggestions on how to improve BMW stakeholder volunteering even further?

All the well-known automotive brands have volunteering initiatives, but we feel that BMW’s volunteering programs stand out from the crowd. As the BMW Warm Heart Fund has been going through a transformation phase, we are excited about the direction in which our initiatives will be heading in the future. The renewed focus on certain key programs seems very promising. At the same time, we also hope we can keep the connections we have established to local communities through programs that have been completed.

Above all, we feel that impact on the ground should always be our main issue of concern. The BMW China Culture Journey, for example, has been really helpful in advancing the protection of intangible cultural heritage – an important cause that is not so well-known. We should also consider ways to

engage even more customers to maximize our impact. In addition, we have found that a lot of BMW customers who join our activities bring along friends who are not BMW customers yet. Maybe this can also be an opportunity for BMW to connect with these people.

“It is heartening to see smiles on children’s faces and know that they are enjoying their time in our programs.”

6.1 OUR MANAGEMENT APPROACH

We believe there are significant opportunities for BMW Brilliance to contribute to Chinese society in meaningful and lasting ways that go beyond regulatory compliance, embedding sustainability into our production and processes, and directly engaging with our employees. Our newly upgraded BMW China Corporate Social Responsibility (CSR) Strategy, specific to our strategic charity and volunteering efforts and implemented across all BMW entities in China, feeds into BMW Brilliance's larger sustainability vision

> Chapter 1.1. It allows us to seize these opportunities by drawing on our strengths and placing the creation of "shared value" at the core of our approach. This chapter introduces our approach to CSR and presents both the key features and results of our initiatives.

The first milestone in our approach to CSR in China was the BMW China Corporate Citizenship Strategy, which we adopted in 2013. Centering on three areas – resources, intercultural innovation and social inclusion, and education – it instituted our three guiding principles of long-term commitment, efficiency, and stakeholder engagement.

In 2016, in line with BMW Group's new Strategy NUMBER ONE > NEXT and the latest BMW Group CSR strategy, we updated our approach by shifting our emphasis from charitable donations to strategic CSR. We took stock of the significant progress, recognition, and impact our programs made, and decided to adjust the focus of certain initiatives while redoubling efforts overall. Our vision is to use our core competencies and potential to create shared value through our initiatives.

Our updated strategy – which leverages our resources and core competencies – places a dual focus on Social Mobility as well as Safe and

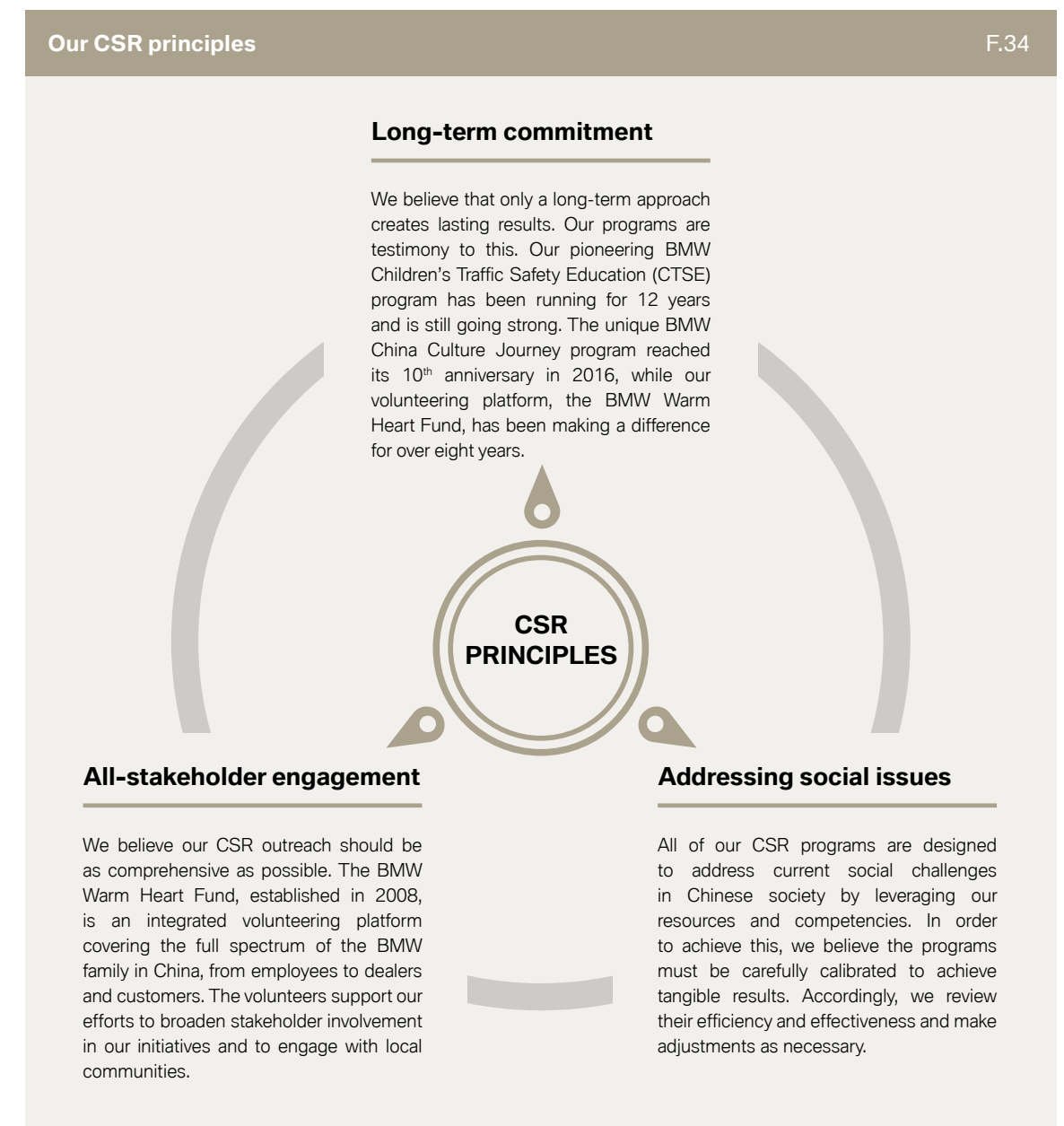
Sustainable Mobility. The Social Mobility banner covers initiatives that help disadvantaged groups in Chinese society progress and integrate into the modern economy through education, skills development, and partnerships. The Safe and Sustainable Mobility banner regroups our efforts in increasing road safety, rethinking urban mobility of the future, and environmental restoration.

In parallel, we continued to engage our stakeholders through the BMW Warm Heart Fund, our comprehensive volunteering platform established jointly with the China Charity Federation (CCF) in 2008. Along with the continuously expanding network of BMW Warm Heart Customer Clubs, the fund constitutes one of the widest-ranging volunteering initiatives of its kind in the country.

Our management approach is explained in the present section > **Chapter 6.1**.
Our various CSR initiatives are described in > **Chapter 6.2**.

OUR PRINCIPLES

Our approach to CSR follows three guiding principles:



THE CCF-BMW WARM
HEART FUND

Heart Fund has benefited individuals 136,600
times through these initiatives.

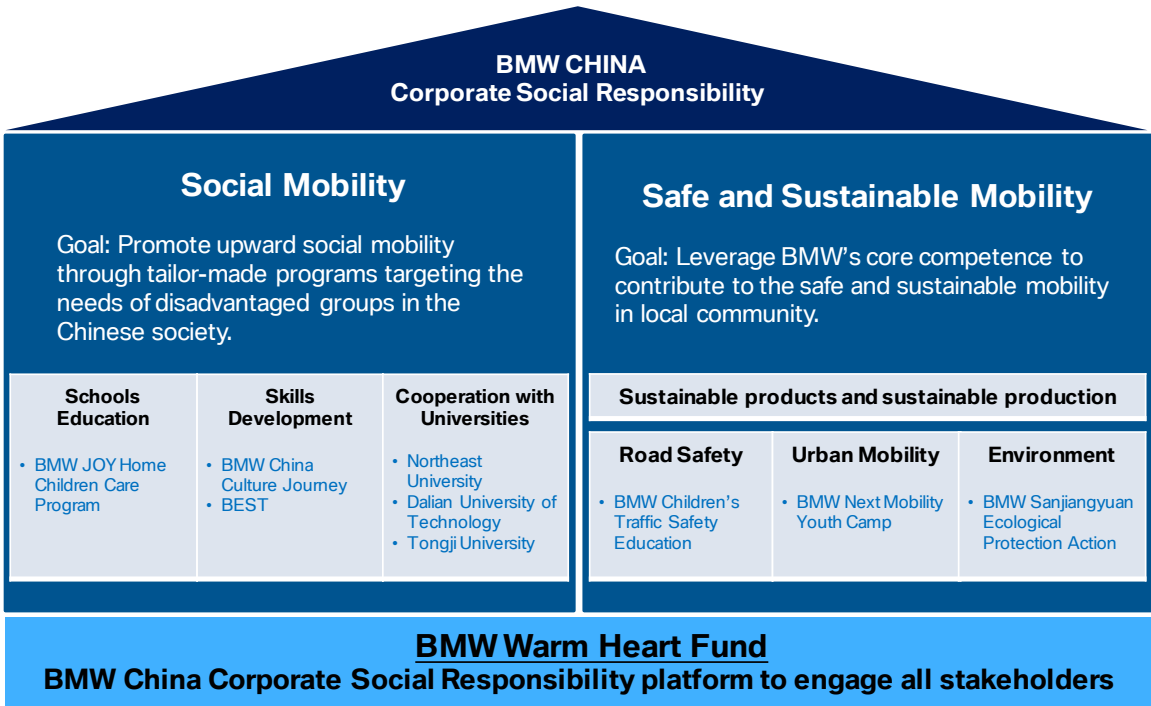
The foundation of our CSR efforts is the CCF-BMW Warm Heart Fund, which we established jointly with the China Charity Federation (CCF) in 2008. As a platform for all-stakeholder engagement, it supports a wide array of programs and partners across the country. For our employees, dealers, and customer representatives, the BMW Warm Heart Fund constitutes a dedicated channel through which to contribute to our CSR efforts. Focused on delivering results, it operates in a collaborative, transparent, and sustainable manner.

By the end of 2016, more than 250 BMW dealers, as well as 84,700 customers and employees, have participated in a variety of public campaigns that help address social issues in Chinese communities. It is estimated that the BMW Warm

Under the leadership of the BMW Brilliance Vice President of Public Relations and CSR, the combined CSR functions of all BMW entities in China work with the BMW Warm Heart Fund and Government Affairs teams to implement CSR programs. They further report to senior management on the progress made toward fulfilling strategic milestones. Key support and guidance for our initiatives is provided by our Board of Management, which makes all the necessary planning and resource decisions.

BMW China Corporate Social Responsibility Strategy and structure

F.35



6.2 OUR INITIATIVES

OUR STRATEGIC DIRECTION

We seek to promote progress on key social and environmental issues in China through targeted, well-monitored, and innovative CSR programs.

After decades of unprecedented economic growth, China is witnessing a transition period in which a renewed emphasis is placed on addressing social imbalances as well as on achieving a safe and environmentally sound standard of living. We seek to promote progress on these issues through CSR programs revolving around caring for disadvantaged youth, ensuring access to education, introducing dual-education approaches, incubating businesses that preserve traditional Chinese culture, increasing road safety, and furthering designs of urban mobility in the future.

Our CSR strategy places a dual focus on the following areas:



Social Mobility

We promote upward social mobility for disadvantaged groups in Chinese society through education, skills development, and academic partnerships. This includes efforts to promote the preservation of intangible cultural heritage in China.



Safe and Sustainable Mobility

We leverage BMW's core competence through a range of efforts to increase road safety through education, to rethink urban mobility to meet the demands of the future, and to rehabilitate the environment.

SOCIAL MOBILITY

BMW JOY Home Children Care

SCHOOLS EDUCATION

Our BMW JOY Home Children Care program, launched in 2011, was halted in 2016 in order to evaluate, reorient, and maximize its impact in the future. Joining hands with dealers and customers across China, our objective is to reinvigorate the program to best serve the needs of impoverished children in rural areas of the country. By year-end 2015, the program had built 56 homes in 28 provinces, benefiting more than 50,000 children.

BMW China Culture Journey

SKILLS DEVELOPMENT

Intangible Cultural Heritage (ICH) is defined by the United Nations Educational, Scientific and Cultural Organization (UNESCO)* as "traditions or living expressions inherited from ancestors and passed on to descendants, such as oral traditions, performing arts, social practices, rituals, festive events, knowledge and practices concerning nature and the universe, or the knowledge and skills to produce traditional crafts."

In 2016, for its 10th anniversary, we began upgrading our award-winning BMW China Culture Journey program from funding support to resource support by consolidating social resources. The transition is an illustration of our commitment to the "shared development" of Chinese society, as well as to the

Chinese conventional wisdom of "teaching people how to fish instead of giving them a fish." Through this approach, BMW China Culture Journey is exploring new and innovative models to safeguard ICH and bring it into modern life.

Our objective is to identify those ICH owners with innovation needs and potential and engage stakeholders from all walks of life to contribute to ICH preservation – from ICH experts and scholars through to designers, artists, entrepreneurs, and investors – as well as to the media, our dealers, and customers. These stakeholders can work together to help inheritors access educational resources and gain greater media and public exposure in today's society, thereby successfully promoting the long-term inheritance of traditional knowledge.

In June 2016, we joined hands with Tsinghua University's Academy of Arts and Design to establish the Tsinghua BMW Innovation Center for ICH Safeguarding. Building a professional support and assistance platform for ICH owners, we hope the center will be a catalyst for developing

innovative models of ICH safeguarding and promotion. The cooperative initiative enables ICH owners to pursue one month of training to strengthen inheritors' cultural awareness, self-confidence, and innovation skills. Held at the center in 2016, the first course trained over 100 ICH inheritors, including 10 inheritors with particular potential selected during the program's 2016 visit in Sichuan province.

We are proud to say that in its previous format, the program has visited more than 270 ICH items in

► BMW China Culture Journey.



* www.unesco.org/culture/ich/en/what-is-intangible-heritage-00003

21 provinces and municipalities nationwide. So far, BMW entities have provided donations exceeding RMB 16 million to 90 ICH items in urgent need of safeguarding and relevant research projects.

BMW Education of Service Technology (BEST)

SKILLS DEVELOPMENT

In April 2016, the BMW Education of Service Technology (BEST) program celebrated its 10th anniversary in Nanjing. The BEST program was developed by the BMW China Training Academy and is our response to the national call for the development of vocational training. It promotes the concept of dual education vocational training, an approach widely used in Germany, and largely credited with reinforcing and sustaining the rapid development of the country's economy.

In cooperation with local vocational schools, BEST runs primary and secondary education accreditation programs for students. BEST 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. BEST also cultivates teachers with professional training capacity, international training ideas, and the most advanced automotive technologies.

To date, we have set up 15 training bases across 13 provinces in cooperation with over 300 dealers nationwide. Of the 6,000 graduates the program has witnessed, 60% have now joined BMW dealerships as reliable forces for high-quality aftersales services. By creating multi-win outcomes for schools, enterprises, students, dealers, and society as a whole, BEST is a model for vocational education in China.

Cooperation with universities

COOPERATION WITH UNIVERSITIES

We continue to actively cooperate with Tongji University in Shanghai, Northeastern University in Shenyang, and the Dalian University of Technology. For example, in 2016, Shanghai Tongji University hosted its BMW Day for the 11th consecutive year. Coinciding with the celebration of BMW



► At the BMW Education of Service Technology (BEST) 10-year anniversary ceremony.



► At the permanent BMW CTSE Experience Center in Shenyang.

► At a mobile CTSE training event.

Group's centenary, the event focused on mobility in the "Next 100 Years" and the prospects for automation, interconnection, and zero-emissions travel. The 2016 creative design contest-winning team won a trip to BMW Group headquarters in Munich, Germany.

In August 2016, the first permanent BMW Children's Traffic Safety Education Experience Center was established at Shenyang Science Palace. This reflects our commitment to traffic safety education and to the Northeast region in general. The center will provide its services free of charge to the local community.

SAFE AND SUSTAINABLE MOBILITY

BMW Children's Traffic Safety Education (CTSE)

ROAD SAFETY

In 2005, we launched the nationwide BMW Children's Traffic Safety Education (CTSE) program. In 2016, CTSE witnessed both programming and content innovations. With a more focused and interactive design, the new CTSE provided specific modules for parents and children. It also placed a spotlight on key issues such as child safety seats and driver safety knowledge, identifying parental education as a priority to ensure children's safety.

Our CTSE program:

- 64 cities reached
- 8,000 trainers trained
- 300,000 educational textbooks disseminated
- 400,000 children and adults benefited since 2005.

Since its inception, the CTSE program has reached 64 cities, benefited 400,000 people, generated 9.5 million views of animated videos on social platforms, and disseminated 300,000 copies of the BMW Traffic Safety Textbook for Schoolchildren, released in conjunction with the Ministry of Education. Furthermore, our Train the Trainers program has trained approximately 8,000 people in our classrooms.

BMW Next Mobility Youth Camp

URBAN MOBILITY

In the face of challenges brought by accelerating urbanization, traffic congestion, and environmental pollution, we are building a platform to discuss issues related to future mobility and sustainable development. In 2016, we launched the BMW Next Mobility Youth Camp program, a new three-year initiative aiming to provide a learning, communication, and practice platform for the next generation of youth and to stimulate discussion around the issues of responsibility and innovation as they relate to future mobility.

In December 2016, the first three-month session of the BMW Next Mobility Youth Camp concluded in Beijing. After rigorous expert review, the students of the School of Architecture at Southeast University won the Young Practice Award and

made a trip to Germany for a week-long exchange visit. Their project focused on looking for mobility solutions for Beijing’s Sanlitun area through an innovative shared-mobility concept.

BMW Sanjiangyuan Ecological Protection Action

ENVIRONMENT

2016 saw the completion of the last phase of our ecosystem protection program in the Sanjiangyuan Nature Reserve. Sanjiangyuan, located on the Qinghai-Tibet Plateau, is also known as “China’s water tower” as it hosts the sources of the Yangtze River, the Yellow River, and the Lancang River. The program, which we launched with the China Green Foundation and the Shanshui Conservation Center, included a series of studies on the grasslands’ ecological system, community protection practices, and training classes for local green talent. It also supported the active exploration and establishment of a community protection and resource management model that fits local needs and promotes the area’s long-term development.

In total, over RMB 3 million was invested in the eco-protection of an area roughly 20,000 square kilometers in size, benefiting up to 70,000 people and 20 local communities. Community protection measures saw the erection of 60 anti-bear fences.

Several dozen waste-sorting facilities were also installed. As part of a snow leopard monitoring study, 60 professionally trained watchers monitored a 1,400-square-kilometer area and were able to

capture snow leopards mating through infrared cameras for the first time in global history. In 2015, an extensive site visit was organized, with the BMW Warm Heart Fund’s support, for volunteers including our customers, employees, dealers, and the media in China. With the establishment of the Qinghai Sanjiangyuan National Park in 2016, this project has achieved its goals and has now been wound down.



On 29th January 2016, an infrared camera set up as part of our ecosystem protection project in the Sanjiangyuan area captured snow leopards mating for the first time in history.



Ecological protection program at the Sanjiangyuan Nature Reserve, Qinghai province.



STAKEHOLDER ENGAGEMENT

In addition to CSR initiatives we implement ourselves, we also engage stakeholders under the umbrella of the BMW Warm Heart Customer Clubs and the Associate Social Responsibility (ASR) project.

BMW Warm Heart Customer Clubs

BMW Warm Heart Customer Clubs are member-driven groups through which customers volunteer their time and resources to contribute to their local communities. Forming the largest stakeholder network of its kind in China, the clubs also work with local charities to initiate new initiatives. From 12 clubs with 2,500 members at the end of 2015, the network has now grown to 16 clubs encompassing 2,700 members. New clubs opened in Xiamen, Wuhan, Nanning, and Hangzhou in 2016, bringing the total number of cities with clubs to 14 across the country.

16 clubs across the nation
2,700 volunteer members.

In total, the clubs have organized over 310 public welfare events benefiting more than 18,000 people around China. This stakeholder volunteering platform is the only one of its kind across China's automotive sector.



► The Chengdu and Guangzhou Warm Heart Customer Clubs helped build this rural JOY Bookstore.

Associate Social Responsibility (ASR) project

A voluntary employee charity project launched in 2008, the Associate Social Responsibility (ASR) project is designed to "devote love and care for others," with a slogan of "helping each other with one RMB per person every month." It implements this vision by providing financial support and spiritual care to elders, orphans, handicapped and ill children, as well as to employees in difficult circumstances.

By year-end 2016, volunteers organized by ASR had helped 250 homeless and disadvantaged elders in social welfare homes, 50 disabled orphans in the Happy Dream Orphanage, twins with cerebral palsy, and over 30 handicapped children and primary students. In addition, over 100 poverty-stricken patients with eye diseases were provided assistance to receive eye surgery.



► A display on the Associate Social Responsibility project inside Dadong plant.

2016 BMW SUSTAINABILITY AND CSR FORUM

Under the motto "Shape a Joyful Future with Responsibility," the 2016 BMW Sustainability and Corporate Social Responsibility Forum was held in Shenyang on 13th December 2016. An annual

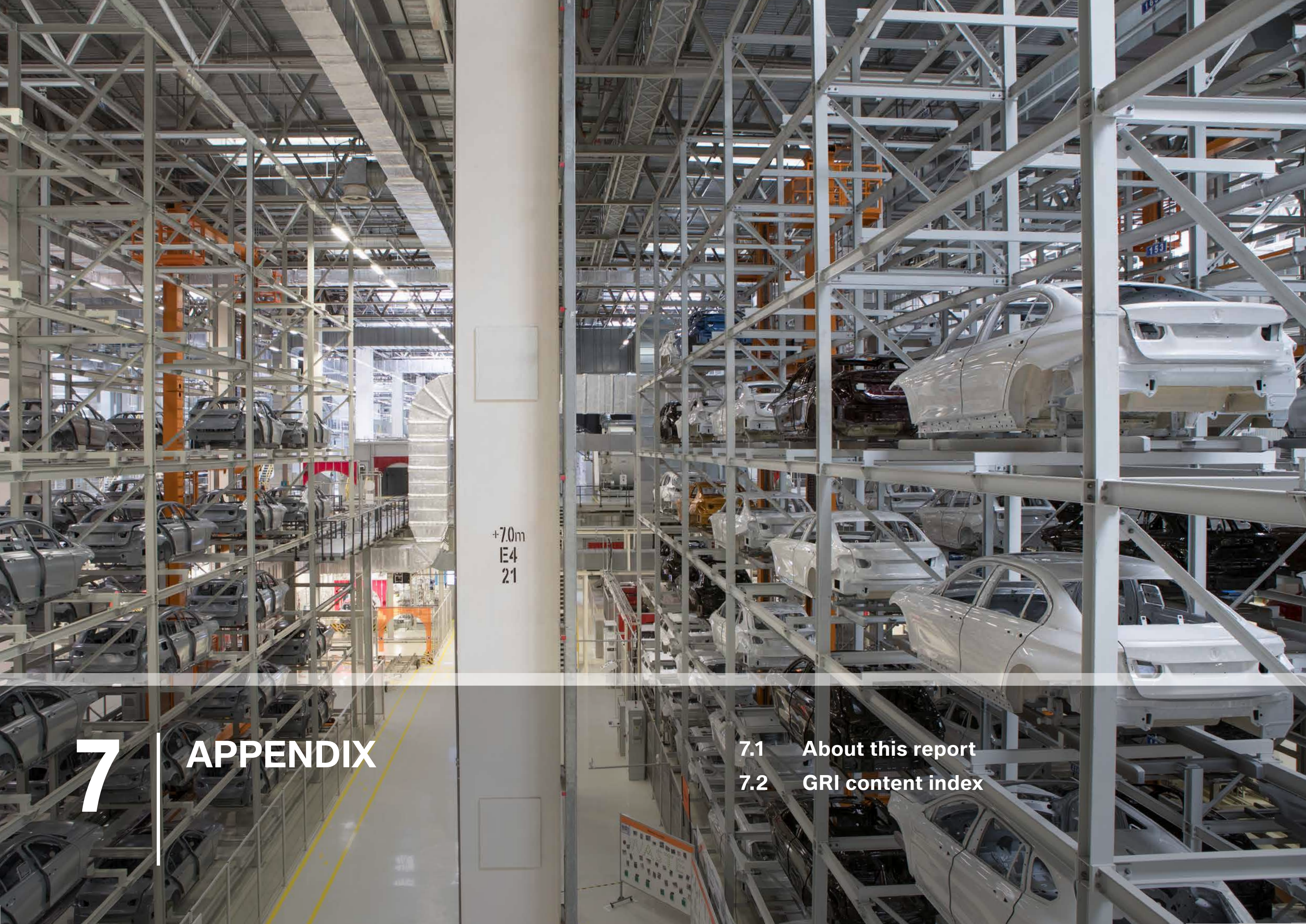
event first held in 2013, the forum again provided an open platform for stakeholders to discuss sustainability and CSR issues and for BMW entities to share our perspectives on future trends. The forum was also the release event for our Sustainability Report 2015, which highlighted our performance on a variety of sustainability issues.



FORECAST 2017



In 2016, we achieved our objectives to upgrade our CSR strategy and to further develop our flagship projects, the BMW China Culture Journey and BMW Children's Traffic Safety Education. For 2017, we are continuing to foster crossover and innovative approaches based on the principle of creating shared value. For our educational and skill-development initiatives, our objective is to place an additional emphasis on "enabling" rather than simply "supporting" activities. We are planning to upgrade and relaunch BMW JOY Home, and to provide platforms for Intangible Cultural Heritage owners to display and spread Intangible Cultural Heritage-related products for stakeholders and the public through the BMW Brand Experience Center in Shanghai. Across our programs, we are continuing to maximize synergies with other organizations and institutions and to promote close coordination with all stakeholders.



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7 | APPENDIX

- 7.1 About this report
- 7.2 GRI content index

7.1 ABOUT THIS REPORT

The BMW Brilliance Sustainability Report 2016 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 United Nations Global Compact Communication on Progress and has been developed in accordance with the GRI Standards: Core option.

Reporting period

The reporting period is the 2016 calendar year. This report covers the period 1st January 2016 to 31st December 2016. It is BMW Brilliance's fourth Sustainability Report. The last BMW Brilliance Sustainability Report was released in December 2016 covering the calendar year 2015. The next Sustainability Report will be published in mid-2018. 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 five regional offices. The content and data of the report relate primarily to BMW Brilliance. Joint initiatives with BMW China Automotive Trading Ltd. or the BMW Group are included in the areas of customer relationship management, employee training and development, and Corporate Social Responsibility. During the reporting period, two new facilities were opened within BMW Brilliance: the Regional Parts Distribution Center and the new engine plant in Shenyang. There were no significant changes to the list of material topics and topic 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 GRI CONTENT INDEX

The following table lists the GRI Standard Disclosures and their location in BMW Brilliance's Sustainability Report. This report was prepared in accordance with the GRI Standards: Core option. The compliance with the GRI Standards has not been externally assured.

General Disclosures				
GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
GRI 102: General Disclosures 2016	Organizational profile			
	102-1 Name of the organization	pp. 2, 3, 167		
	102-2 Activities, brands, products, and services	pp. 10-17		
	102-3 Location of headquarters	p. 167		
	102-4 Location of operations	p. 10		
	102-5 Ownership and legal form	p. 10		
	102-6 Markets served	p. 10		
	102-7 Scale of the organization	pp. 10-11, 13-15		
	102-8 Information on employees and other workers	p. 120	d: Not included in the total number of employees are interns. They perform administrative work and support in the departments, but not to a significant effect. There are no self-employed workers. e: There are no significant variations (such as seasonal variations) in the employment numbers of BMW Brilliance.	Principle 6

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
GRI 102: General Disclosures 2016 (continued)	Organizational profile (continued)			
	102-8 Information on employees and other workers (continued)	p. 120	f: The small number of employees in other regional locations next to Shenyang and Beijing are integrated into the Beijing figures, as those locations legally belong to the Beijing offices.	Principle 6
	102-9 Supply chain	pp. 94-100		
	102-10 Significant changes to the organization and its supply chain	p. 157		
	102-11 Precautionary Principle or approach	pp. 22-27		Principle 7
	102-12 External initiatives	pp. 26-27		
	102-13 Membership of associations	–	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) AHK (German Chamber of Commerce in China) EFQM (European Foundation for Quality Management)	
	Strategy			
	102-14 Statement from senior decision-maker	pp. 2-3		

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
GRI 102: General Disclosures 2016 (continued)	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	–	The 12 Basic Principles are: Customer Orientation, Peak Performance, Responsibility, Effectiveness, Adaptability, Dissent (Frankness), Respect and Trust and Fairness, Associates, Leading by example, Sustainability, Society, and Independence. Core Values: Trust, Inspire, Open, Care, Go Beyond Norms of Behavior: - Associate Handbook including an Ethics and Code of Conduct section - Legal Compliance Code - Corruption and Prevention Guideline - Corporate Hospitality and Gift Instruction - Anti-Fraud Policy and Fraud Response Guideline	Principles 6, 10
	Governance			
	102-18 Governance structure	p. 22	According to the Articles of Association of BMW Brilliance, the highest authority of BMW Brilliance is the Board of Directors (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 organization, the Board of Management (BoM), is established under the BoD, and is responsible for and in charge of the day-to-day operation and management of BMW Brilliance.	
	Stakeholder engagement			
	102-40 List of stakeholder groups	pp. 30-31		
	102-41 Collective bargaining agreements	p. 41	100% of local employees are members of the Labor Union, and all Union members are covered by the Collective Contract on Labor Remuneration. This excludes expatriates, who are not eligible for the Labor Union.	Principle 3

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
GRI 102: General Disclosures 2016 (continued)	Stakeholder engagement (continued)			
	102-42 Identifying and selecting stakeholders	p. 28		
	102-43 Approach to stakeholder engagement	pp. 28-31		
	102-44 Key topics and concerns raised	pp. 28-31		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	p. 157		
	102-46 Defining report content and topic Boundaries	pp. 24-25		
	102-47 List of material topics	pp. 24-25		Principles 7, 8, 9, 10
	102-48 Restatements of information	–	Where necessary and possible, restatements are explained in footnotes to the respective graphs.	
	102-49 Changes in reporting	p. 157		
	102-50 Reporting period	p. 157		
	102-51 Date of most recent report	p. 157		
	102-52 Reporting cycle	p. 157		
	102-53 Contact point for questions regarding the report	p. 167		
	102-54 Claims of reporting in accordance with the GRI Standards	p. 158		
	102-55 GRI content index	pp. 158-166		
	102-56 External assurance	p. 158		

Specific Disclosures for Material Topics				
GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
Corruption and anti-competitive behavior				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 34		Principle 10
	103-2 The management approach and its components	pp. 34-39		
	103-3 Evaluation of the management approach	p. 39		
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	pp. 34-39	We define governance bodies as those committees which receive active regular reports by the compliance function. All committee members are informed about BMW Brilliance's anti-corruption policies and procedures. All committee members who are BMW Brilliance employees have also received training on anti-corruption. Committee members representing our shareholders are not covered by the training program of BMW Brilliance, but are covered by the compliance programs of BMW Group and Brilliance Group respectively. Our compliance training includes mandatory online training for all non-production employees, additional classroom training for new employees and managers, and special workshops and training for specific target groups (e.g. Sales, Purchasing, and Finance). c: Information unavailable: The number of business partners that policies and procedures have been communicated to is not reported.	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	–	In 2016, there were no legal actions regarding anti-competitive behavior or violations of anti-trust and monopoly legislation.	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	pp. 95-96, 102-105		Principles 1, 2, 3, 4, 5, 6, 10

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
Product safety				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 48, 60		
	103-2 The management approach and its components	pp. 51, 60-63		
	103-3 Evaluation of the management approach	pp. 61-63		
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of products and services	pp. 62-63		
Energy consumption				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 74, 76		Principles 7, 8, 9
	103-2 The management approach and its components	pp. 76-80		
	103-3 Evaluation of the management approach	pp. 77-78		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 77	Conversion factors: steam consumption measured in GJ*0.277 = MWh, gas consumption in cubic meters*10.82/1000 = MWh.	
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	pp. 95-96, 102-105		Principles 7, 8
Air pollution, emissions and climate change				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 48, 52, 74, 76		Principles 7, 8, 9
	103-2 The management approach and its components	pp. 52-59, 76-80		
	103-3 Evaluation of the management approach	pp. 53-55, 77-78, 80		
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	p. 55		

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
Air pollution, emissions and climate change (continued)				
GRI 305: Emissions 2016 (continued)	305-4 GHG emissions intensity	p. 78	Efficiency indicator = CO ₂ emissions (from vehicle production) from Scope 1 (CO ₂) and Scope 2 (CO ₂) divided by the total number of BMW Brilliance vehicles produced.	Principles 7, 8, 9 (continued)
	305-5 Reduction of GHG emissions	p. 54		
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	pp. 95-96, 102-105		Principles 7, 8
Talent attraction and retention				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 110, 114		Principle 6
	103-2 The management approach and its components	pp. 114-122		
	103-3 Evaluation of the management approach	pp. 117-122		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	p. 121	a: Total number of new employee hires: 363. b: Confidentiality constraints: The total number of employee turnover, as well as the breakdown by age group, gender and region (total numbers and rates) are not reported.	
Employee development				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 110, 124		
	103-2 The management approach and its components	pp. 124-131		
	103-3 Evaluation of the management approach	pp. 130-131		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 130	a: Information unavailable: Average training days by gender are not reported.	

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
Occupational health and safety				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 110, 132		Principles 1, 2
	103-2 The management approach and its components	pp. 132-136		
	103-3 Evaluation of the management approach	pp. 132-134		
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	pp. 132-133	a: Information unavailable: Data is not reported by gender. There are no occupational disease cases in the company. We monitor the accident frequency rate instead of the lost day rate. b: Information unavailable: No data on types of injury, injury rate and work-related fatalities is reported for contracted workers , as it is currently impossible to get solid data on this from contractors. c: The scope of this health and safety data only covers the production plants of BMW Brilliance. As they are all in the same region, no regional breakdown is necessary. Minor (first-aid level) injuries are excluded from the number of work-related injuries and 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 the total working hours of the month. The absentee rate only includes sickness leave.	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	pp. 95-96, 102-105		Principles 1, 2, 3, 4, 5, 6, 10
Public policy				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 28-31		
	103-2 The management approach and its components	pp. 28-31, 53		

GRI Standard	Disclosure	Page number	Comments or omissions	UN Global Compact
Public policy (continued)				
GRI 103: Management Approach 2016 (continued)	103-3 Evaluation of the management approach	pp. 30-31		
GRI 415: Public Policy 2016	415-1 Political contributions	–	BMW Brilliance operates within the commercial and legal framework and pays taxes accordingly. However, BMW Brilliance does not support political parties, their representatives or candidates for office with financial or in-kind political contributions.	
Aftersales services				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 48, 64		
	103-2 The management approach and its components	pp. 64-66, 148		
	103-3 Evaluation of the management approach	pp. 64-66		
Product portfolio and research and development				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	pp. 25, 46-48		Principles 7, 8, 9
	103-2 The management approach and its components	pp. 46-59		
	103-3 Evaluation of the management approach	pp. 64-66		
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	p. 54		

WE LOOK FORWARD TO HEARING FROM YOU

FURTHER INFORMATION AND PUBLICATIONS ARE AVAILABLE AT:

<http://www.bmw-brilliance.cn/cn/en/csr/download.html>

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