

IPC-UPDATE 2018.

BACKGROUND AND KEY CHANGES.



MZ-12 Contract Management | March 2018



IPC-UPDATE 2018. BACKGROUND.

History

- 2001: first publication of International Purchasing Terms and Conditions (IPTC); applicable only in case of cross-border purchasing processes.
- 2010: consolidation with national BMW purchase conditions into BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components (IPC); applicable worldwide.
- 2011: editorial revision.
- 2014: content revision.



IPC-Update 2018

Why is it necessary to update the IPC now?

- Last update four years ago (status: 31.03.2014).
- The world has changed since 2014. Many change requests from BMW specialist departments, especially due to daily business practice and feedback from suppliers.
- Further need for amendments due to changes of laws, regulations and framework conditions (e.g. IATF 16949) and BMW processes; new business areas (databased services) and international plants (Mexico).

Which goals shall be achieved with the update?

- Reinforcement of contractual basis for series supply by implementing identified requirements for change.
- Consideration of recurring supplier feedback and clarification of misunderstood/overreaching clauses.
- Many editorial changes.

IPC-UPDATE 2018. KEY CHANGES.

Clause	Issue	What's new for the supplier?	Why?
1.5 NEW	Change of Control, Name changes	Supplier has to inform BMW about changes of legal form, name or other significant changes of the ownership or shareholder structure.	Better risk identification. Information obligation ensures that supplier data base and contractual basis is based on current information.
2.5	Amended consent requirement for changes	Clarification that supplier may not implement additional functions or software changes without BMW's prior written consent.	Changes of any type must already be approved but added explicit enumeration of additional functions and software changes for transparency reasons.
3.4 - 3.8	Supply shortages, Delay in delivery	Clarified provisions on supplier's information obligation in case of critical supply situations ("concrete risk") and liability; moreover, BMW is entitled to request specific information on "abstract" risks.	Increased focus on supply stability. Consideration of supplier feedback.
4.3 NEW, 4.5, 4.6, 4.7, 4.8	Shipping	Shipment notification has to be given via the CSC-Portal. Supplier must provide access to the dispatch area to the freight forwarder.	Implementing requirements of BMW project „Connected Supply Chain“ as part of program „Logistics 2020“.
7	Settlement of accounts, Terms of payment	Clarification of, among others, mandatory invoice data for Mexico, payment deadlines, group set-off clause.	Clarification desirable from process-/ business perspective, new BMW plant in Mexico.

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Clause	Issue	What's new for the supplier?	Why?
8.1	Product conformity	Clarification that supplier must provide the necessary documents for type approval/ product conformity (e.g. CCC, InMetro) in the relevant markets at no additional costs.	Clarification. Already required pursuant to Service Level Agreement (LSV). Certifications necessary for the agreed intended use of the goods.
8.2, 8.3, 8.6	Customs, Origin, Export control	Clarification and obligation to adhere to US Foreign Trade Zone or MX IMMEX programs . Opening for (future) further BMW customs applications besides OPAL. Revised section on export control.	OPAL will be partly replaced by different BMW programs/platforms in the future; generalization of the export control clause in accordance with BMW Standard.
9.2	Quality	Supplier has to complete Series Process Quality Evaluation (again) if adding additional customers to the BMW production line and this (also) affects BMW process. Reference to GS 98001 and 90018. Clarifications re. special characteristics in accordance with VDA standards.	Amended for current requirements.
9.9 NEW	Product safety	Supplier must have a qualified product safety representative for each production site and designate that person in the B2B portal.	Safeguarding product safety and prevention of product liability cases; this is a known requirement and has been part of the request for quotation for some time.
11.8	Cartel damages	Clarification that supplier has to pay liquidated damages only if there is a legally binding official/judicial determination of a cartel infringement.	Frequent supplier feedback; BMW already only asserts cartel damage claims following official/judicial infringement decisions.

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Clause	Issue	What's new for the supplier?	Why?
13.3 deleted, 13.4	Tooling	Clause 13.3 deleted; clause 13.4 provides that supplier has to take out sufficient insurance for tooling (already standard in property insurance).	Deletion reasonable because 13.3 was misread by some suppliers. Frequent supplier feedback and recent practical case.
13.7,14.1 at the end	Tooling	Clarification, that BMW owned Tooling may only be scrapped with prior written approval of BMW. Timely information before scrapping of supplier-owned Tooling.	Explicit provision for transparency. Safeguarding of Classic supply, which BMW ultimately guarantees vis-a-vis the end customer.
14.1	Aftersales	More stringent requirements for BMW Classic supply.	Safeguarding of BMW Classic-supply in the interest of end customer.
17	Information security	New clause to provide minimum standards for information security (e.g. against hacking attacks).	Necessary due to digitalization. Already part of other BMW standard contracts.
18	Confidentiality	Major revision: mutual transfer of information to affiliated companies now also possible for series production (as far as necessary and if receiving party is not a competitor).	Adoption of new cooperative NDA-standard which has been established and proven at BMW since mid 2015.
20.7	Hazardous substances	Supplier has to ensure that supply of materials (raw material) is free from radioactivity.	Relevant especially if BMW sells scrap because BMW needs to meet these requirements as well.
21.2 and 22.8 NEW	Sustainability	Supplier has to provide evidence of a certified occupational safety management system before SOP and provide information on non-financial performance indicators upon request.	New requirements because of statutory obligations (§ 289b and c HGB) of BMW in line with occupational safety management and sustainability report.