

SUSTAINABLE VALUE REPORT

2014



**BMW
GROUP**



Rolls-Royce
Motor Cars Limited

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Fuel consumption and CO₂ emissions ratings for the vehicles referred to in this report can be found on page 156.

PREFACE



Norbert Reithofer
Chairman of the Board of Management of BMWAG

At the BMW Group, we believe that sustainability means investing in our future.

Our approach is holistic, focused on implementing sustainability throughout the value chain and ensuring that sustainability is firmly entrenched within our company structures and practised by our employees. To achieve this, we are gradually refining our sustainability strategy and setting long-term objectives in clearly defined areas of activity.

We have steadily reduced fleet CO₂ emissions with our Efficient Dynamics technology strategy over the years. Average emissions for our European fleet currently stand at 130 grams of CO₂ per kilometre. With BMW i, we have made sustainable mobility a reality. Our customers now have a choice: with the BMW i3 and BMW i8, they can enjoy sheer driving pleasure with either an electric or plug-in hybrid vehicle. We will continue to electrify our vehicle fleet – and this will help us reach our 2020 goal of reducing European fleet emissions to half the levels recorded in 1995.

Our understanding of sustainability includes efficient use of resources, as well as lower CO₂ emissions. We achieved a major breakthrough in power consumption in 2014 and now obtain more than half our electrical energy worldwide from renewable sources.

By including sustainability considerations in all our business decisions, we create added value for the company. At the same time, we are demonstrating our commitment to international conventions such as the ten principles of the UN Global Compact. Beyond that – and this is crucial – we create innovations with tangible benefits for society.

Consistent action clearly pays dividends. The BMW Group has been one of the top-rated companies in major sustainability rankings for many years: we are the industry leader in both the Dow Jones Sustainability Index and the Carbon Disclosure Project.

We believe that sustainable action makes our business model more competitive and secures our company's future growth.

A handwritten signature in black ink, appearing to read 'N. Reithofer', written over a light blue horizontal line.

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer
Chairman of the Board of Management of BMWAG

OUR POINT OF VIEW



Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer



Dr. Friedrich Eichiner

"It is our goal to engage in sustainable operations. Among other things, this means designing new products to master the global challenges of our times. Our innovations should be designed to serve our customers and society. As such they contribute towards the long-term success of our business model."

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer
Chairman of the Board of Management of BMW AG

"Before deciding to implement a project, we first analyse its potential profitability. Our sustainability activities should also be designed to make a positive contribution to the business. We want to attract new customers by offering low-emissions vehicles. We invest in resource efficiency because it reduces our energy and disposal costs in the medium term."

Dr. Friedrich Eichiner
Member of the Board of Management of BMW AG — Finance



Milagros Caiña Carreiro-Andree



Harald Krüger

"Our highly skilled and motivated workforce creates real benefit for the company. After all, the only way for a sustainability strategy to be successful is if it is lived and implemented each and every day – in Germany, China, the USA and every other country we do business in."

Milagros Caiña Carreiro-Andree
Member of the Board of Management of BMW AG — Human Resources and Labour Relations

"For us, Clean Production means consistently investing in resource-efficient technologies and our vision of long-term emissions-free production at every one of our production facilities worldwide. By 2020, we aim to almost halve our energy requirements per vehicle produced compared to 2006."

Harald Krüger
Member of the Board of Management of BMW AG — Production



Klaus Fröhlich



Dr. Ian Robertson (HonDSc)

"We aim to increase the efficiency and reduce emissions of our vehicles, while at the same time making them safer and more comfortable. With Efficient Dynamics technologies, the innovations of BMW ConnectedDrive and BMW i, we have laid the groundwork for a sustainable future."

Klaus Fröhlich
Member of the Board of Management of BMW AG — Development

"Our customers are at the heart of everything we do. Their satisfaction with our products and services is a prerequisite for our sustainable future. Under the banner of "Future Retail" we are constantly evolving the customer retail experience, with the aim to be the benchmark in our industry and beyond."

Dr. Ian Robertson (HonDSc)
Member of the Board of Management of BMW AG — Sales and Marketing BMW, Sales Channels BMW Group



Peter Schwarzenbauer



Dr.-Ing. Klaus Draeger

"We will continue to expand our successful car-sharing system, intensifying our focus on adding more electric vehicles. Car-sharing provides relief in terms of traffic and the environment, especially in dense urban areas. We also work with innovative start-up companies to develop tomorrow's sustainable mobility concepts."

Peter Schwarzenbauer
Member of the Board of Management of BMW AG — MINI, BMW Motorrad, Rolls-Royce, Aftersales BMW Group

"Hand in hand with our partners in the supply chain, we are making our supplier network more sustainable. Saving resources, raising awareness of sustainability and fostering innovative ideas – these are all opportunities to leverage potential."

Dr.-Ing. Klaus Draeger
Member of the Board of Management of BMW AG — Purchasing and Supplier Network

AN OVERVIEW OF THE BMW GROUP

OUR PRODUCTION NETWORK

30 PRODUCTION AND ASSEMBLY PLANTS IN 14 COUNTRIES

OUR SALES NETWORK

APPROXIMATELY 6,000 DEALERSHIPS IN MORE THAN 140 COUNTRIES

OUR SUPPLIERS

APPROXIMATELY 13,000 SUPPLIERS

INVESTMENT IN TRAINING AND FURTHER EDUCATION 2014

— in € million

335

2822012

2882013

↗

EMPLOYEES OF THE BMW GROUP 2014

— as of 31.12.2014

116,324

of which

4,595apprentices

105,8762012

110,3512013

↗

AUTOMOBILES DELIVERED IN 2014

— units

2,117,965

of which

1,811,719BMW

302,183MINI

4,063Rolls-Royce

1,845,1862012

1,963,7982013

↗

RESEARCH AND DEVELOPMENT EXPENDITURE 2014

— in € million

4,566

3,9522012

4,7932013

↗

CO₂ EMISSIONS OF BMW GROUP AUTOMOBILES 2014

— in g/km*

130

* Fleet consumption of newly registered vehicles in Europe (EU-28)

138 g/km2012

133 g/km2013

↘

PROFIT BEFORE TAX 2014

— in € million

8,707

7,8032012

7,8932013

↗

VALUE CHAIN

RESEARCH AND DEVELOPMENT	SUPPLY CHAIN	PRODUCTION	LOGISTICS AND TRANSPORT	SALES AND UTILISATION	DISPOSAL AND RECYCLING
					
HIGHLIGHTS					
WORLDWIDE RESEARCH AND DEVELOPMENT NETWORK IN TWELVE LOCATIONS IN FIVE COUNTRIES	WORLDWIDE SUPPLIER NETWORK WITH APPROXIMATELY 13,000 SUPPLIERS	CAR AND MOTORCYCLE PRODUCTION IN 30 PLANTS AND ASSEMBLY FACILITIES IN 14 COUNTRIES (INCLUDING CONTRACT PRODUCTION)	TRANSPORT BY RAIL/AIR/ROAD	GLOBAL SALES NETWORK IN OVER 140 COUNTRIES	WORLDWIDE RECYCLING AND REUSE OF BMW GROUP VEHICLES
MAIN ACTIVITIES					
Development of innovative, fascinating cars and motorcycles: – Vehicle design – Series development – Production planning	Global cooperation with suppliers to create: – Modules/systems – Components – Parts – Raw materials	Manufacturing of cars and motorcycles by a highly expert and diverse workforce: – Engine construction – Bodywork – Paintwork – Assembly – Quality control	Securing customer-oriented transport logistics in the network of: – Suppliers – Plants – Dealerships worldwide through the seamless combination of various modes of transport	Range of premium products and services for individual mobility through: – Coordination of a worldwide 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
AREAS OF ACTION					
– Environmentally friendly product design – Design for recycling – Development of even more efficient and alternative drivetrains such as electric, hydrogen or hybrid vehicles (Efficient Dynamics strategy) – ConnectedDrive, 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 aluminium	– Reduction in resource consumption (energy, water, process waste water, waste) – Reduction in environmentally damaging waste water and emissions – Use of recycling material – Promotion of lifelong learning and the development of key skills among employees – Promotion of diversity within the company – Creation of a working environment that fosters long-term health and high performance	– Production in the sales markets – Increase in the share of modes of transport with low emissions – Optimisation of capacity utilisation of modes of transport	Promotion of sustainable mobility behaviour patterns based on: – Information (e.g. vehicle fuel consumption data and training in fuel-efficient driving) – ConnectedDrive – Mobility services in the area of electromobility, e.g. 360° ELECTRIC – Car-sharing products (DriveNow) – Mobility assistance services – Mobility services to promote intermodal mobility	– Expansion and management of a network for vehicle recovery and recycling – Research on recycling and Second Life use of components (e.g. carbon-fibre-reinforced plastic, batteries, etc.)

BUSINESS MODEL

Bayerische Motoren Werke Aktiengesellschaft (BMW AG) has its headquarters in Munich (Germany). Bayerische Motoren Werke GmbH began operations in 1917, having been founded in 1916 as Bayerische Flugzeugwerke AG (BFW). The firm became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918.

The BMW Group is one of the most successful manufacturers of cars and motorcycles in the world and its BMW, MINI and Rolls-Royce premium brands are three of the strongest in the automotive industry today. In addition to its car brands, the BMW Group also has a strong market position in the motorcycle industry and is a successful financial services provider. In recent years, the company has also become one of the leading providers of premium services for individual mobility. One example of this is DriveNow, the car-sharing programme the company offers in collaboration with Sixt SE.

The BMW Group is an international company, represented in over 140 countries around the globe. At the end of the year it employed 116,324 people (2013: 110,351). The company has a large research and innovation network, with 12 locations in five countries around the world. Currently, its production network comprises 30 locations in 14 countries. The worldwide vehicle sales network is made up

of approximately 3,250 BMW, 1,550 MINI and 130 Rolls-Royce car dealerships. The company also has approximately 1,000 BMW Motorcycle dealerships around the globe.

With these brands, the BMW Group offers its customers a wide range of products for individual mobility in the premium segment. In addition, the BMW i brand is further expanding the concept of what “premium” actually means. BMW i is even more strongly characterised by the idea of sustainability; it stands for vehicles that lead the way in terms of electric drive, revolutionary lightweight construction, exceptional design, and mobility services that have been designed from the ground up.

BMW Motorcycles also focuses on the premium segment, offering a wide range of products which since the beginning of the current financial year have also included the C Evolution e-scooter for urban mobility. Innovative technologies and a large number of driving apparel options contribute towards increasing customer safety and comfort.

The financial services segment is a partner to the sales organisation, and is represented in over 50 countries. The largest business area in this segment is loan financing and leasing of BMW brand cars and motorcycles for private customers. Under the brand

name Alphabet, the BMW Group has an international multi-brand vehicle fleet business that offers loans to large customers to finance their car fleets. It also provides comprehensive management of company vehicle fleets in 19 countries. This also includes full-service solutions such as the corporate car-sharing programme AlphaCity, as well as AlphaElectric, a comprehensive e-mobility solution.

Long-term thinking and responsible action have always been the basis for our business success. In addition to business aspects, other integral parts of the BMW Group’s strategy are environmental and social criteria along the entire value chain, product responsibility in all areas as well as a clear commitment to resource efficiency.

PLEASE FIND FURTHER INFORMATION ABOUT THE BMW GROUP AND ITS BRANDS AT:

- www.bmwgroup.com
- www.mini.com
- www.bmw.com
- www.rolls-roycemotorcars.com



STRATEGY

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1.2 > [Stakeholder engagement](#) p. 18

Read more at > www.bmwgroup.com



MUNICH, GERMANY

BMW WORLD

How can a company be sustainable if it continues to build dynamic sports cars?

Sustainability exhibition at the visitors' centre

1 — STRATEGY

PROGRESS IN 2014

RECOGNITION FOR SUSTAINABILITY PERFORMANCE

In 2014, the BMW Group was able to retain its position as the most sustainable premium manufacturer in the automotive industry and ranked top on renowned rating lists.

SUSTAINABILITY AMBITION REVIEWED

In 2013 and 2014, we reviewed our sustainability ambition with regard to the main challenges facing the automotive industry.

BMW GROUP DIALOGUES HELD WORLDWIDE

In 2014, we conducted Stakeholder Dialogues in Washington, Toronto, Incheon and Berlin, among others. Some of the topics discussed were electromobility, mobility services, digitalisation and the BMW Group's sustainability strategy.

INDICATORS

RANKING IN SUSTAINABILITY RATINGS

2014



Industry leader



First place



Listed

2013

Top 3

First place

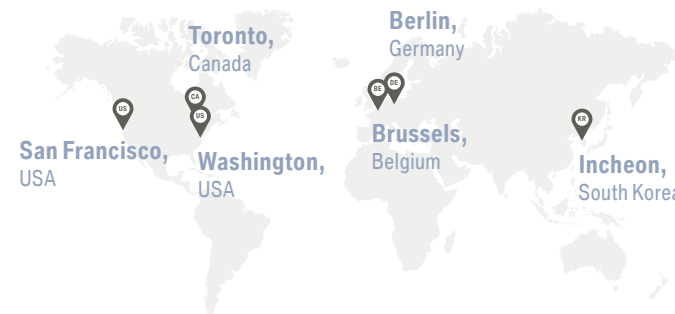
Listed

FOUR PRINCIPLES OF OUR SUSTAINABILITY AMBITION

- Business innovation
- Social impact
- Alliances
- Scaling

STAKEHOLDER DIALOGUES IN:

2014



2015+ FORECAST AND OBJECTIVES

PROMOTE INTEGRATION

We will continue to promote integration of sustainability into all areas of the company and will focus on implementing our revised sustainability strategy.

INTEGRATION OF SUSTAINABILITY INTO OUR BUSINESS MODEL

In the coming years, we will focus on consistently integrating sustainability into our business model. The main areas we will address are climate change and its consequences, resource availability, urban mobility and social impact along the entire value chain.

EXTENDING DIALOGUE

We will foster further dialogue with stakeholders and continue to expand it internationally.



STRATEGY

1.1 > [Our management approach](#)

1.2 > [Stakeholder engagement](#)

Our management approach

For us, constant integration of sustainability into our business model is an investment in our future. By acting sustainably, we leverage new business opportunities, minimise risk and seek to overcome social and business challenges at an early stage.

At the same time from our perspective, sustainability is capable of making a positive contribution to the long-term business success of the company. Taking social and environmental responsibility for everything we do is an integral part of how we perceive ourselves as a company.

We are convinced that the lasting economic success of any enterprise these days is based increasingly on acting responsibly and ensuring social acceptance. Efficient and resource-friendly production processes and state-of-the-art solutions for sustainable individual mobility offer a clear competitive advantage.

CONSISTENT IMPLEMENTATION OF CORPORATE STRATEGY NUMBER ONE

Our Corporate Strategy Number ONE was established in 2007, and we have been consistently implementing it ever since. It has defined targets to 2020 and is clearly defined: the BMW Group aims to be the leading supplier of premium products and premium services for individual mobility.

To achieve this goal, we focus on four areas of action and their key objectives:

- **Growth:** Develop products and services that lead the way and tap into new markets and customer groups.
- **Shaping the future:** Design new concepts for individual mobility and develop new business fields along the entire value chain.
- **Profitability:** Be a leader in innovation in the area of individual mobility and leverage potential efficiencies along the entire value chain.
- **Access to technologies and customers:** Access new technologies and enable customers to experience the company as well as its products and services.

These core action areas form the four pillars of our corporate strategy. Sustainability is an integral part of each of the four pillars and is one of our core principles. Strategy Number ONE thus makes an essential contribution towards achieving a competitive advantage > [see Figure 01](#).



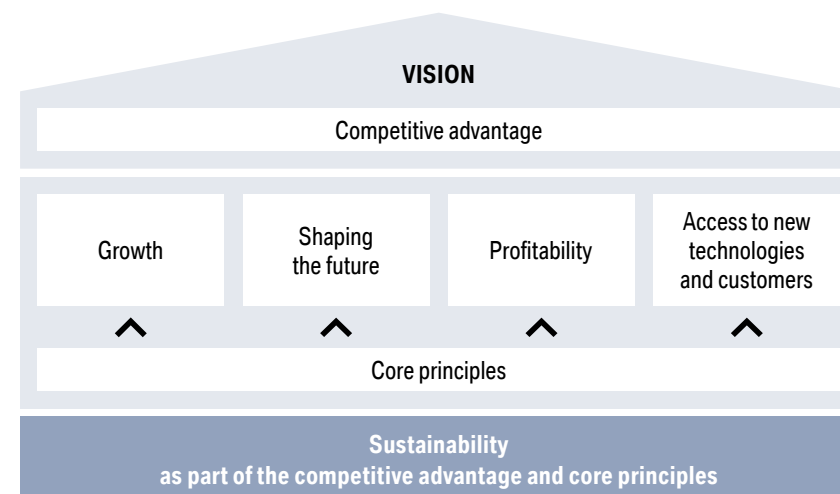


STRATEGY

1.1 > Our management approach

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F.01 Corporate Strategy Number ONE



Our sustainability vision is in line with the Action 2020 programme that we developed in collaboration with other companies on the World Business Council of Sustainable Development (WBCSD). It provides the basis for our sustainability goals and our efforts to integrate sustainability along the entire value chain as well as in all underlying processes – thus creating added value for the company, the environment and society.

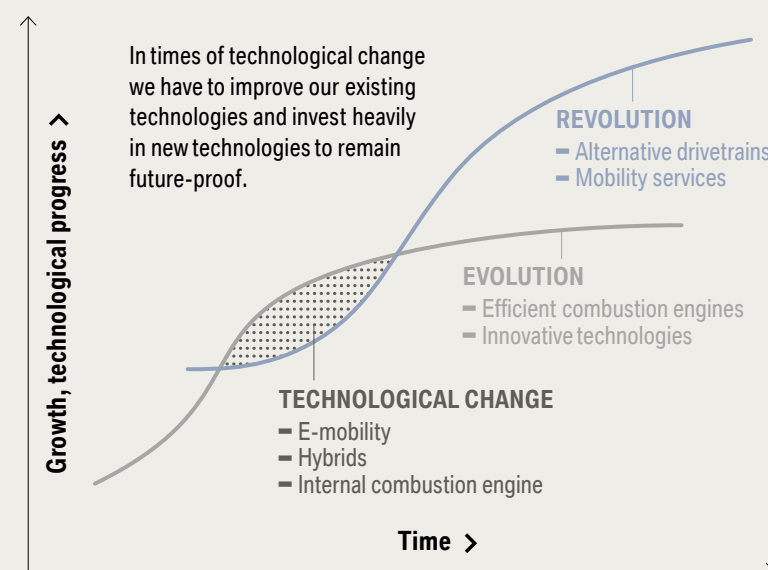
In 2013 and 2014, we reviewed our sustainability vision as well as our targets and measures with regard to the main challenges facing the automotive industry. In terms of sustainability, climate change and its consequences, as well as air pollution, availability of resources, urban mobility and road safety are of particular relevance. However, it is just as important to remain aware of effects on society along the entire value chain. Our Sustainability Leadership goals are characterised by four principles.

- **Entrepreneurial innovation:** We see social challenges as an opportunity to provide new products and services.
- **Impact on society:** Our actions and innovations benefit society as well as our customers.

- **Alliances:** We enter into alliances with policymakers, businesses and decision-makers in society in order to have an impact above and beyond our direct sphere of influence.
- **Scale effects:** Our capacity is limited. That's why we focus our investments and activities on consistently shaping core areas of action.

SEEING TECHNOLOGICAL CHANGE AS AN OPPORTUNITY

The automotive industry is currently going through a process of technological transformation. We want to be pioneers and drivers of this transformation process. We base our efforts on two complementary approaches: evolution and revolution. The further development of technologies such as highly efficient combustion engines, lightweight construction and hybrid drivetrains – that is what we call evolution. We see revolution, on the other hand, as being zero-emissions mobility with new drivetrain technologies, combined with new materials and innovative mobility services. Both the evolutionary and the revolutionary approaches of the BMW Group are designed to make a long-term contribution towards further reducing the CO₂ emissions of our products.



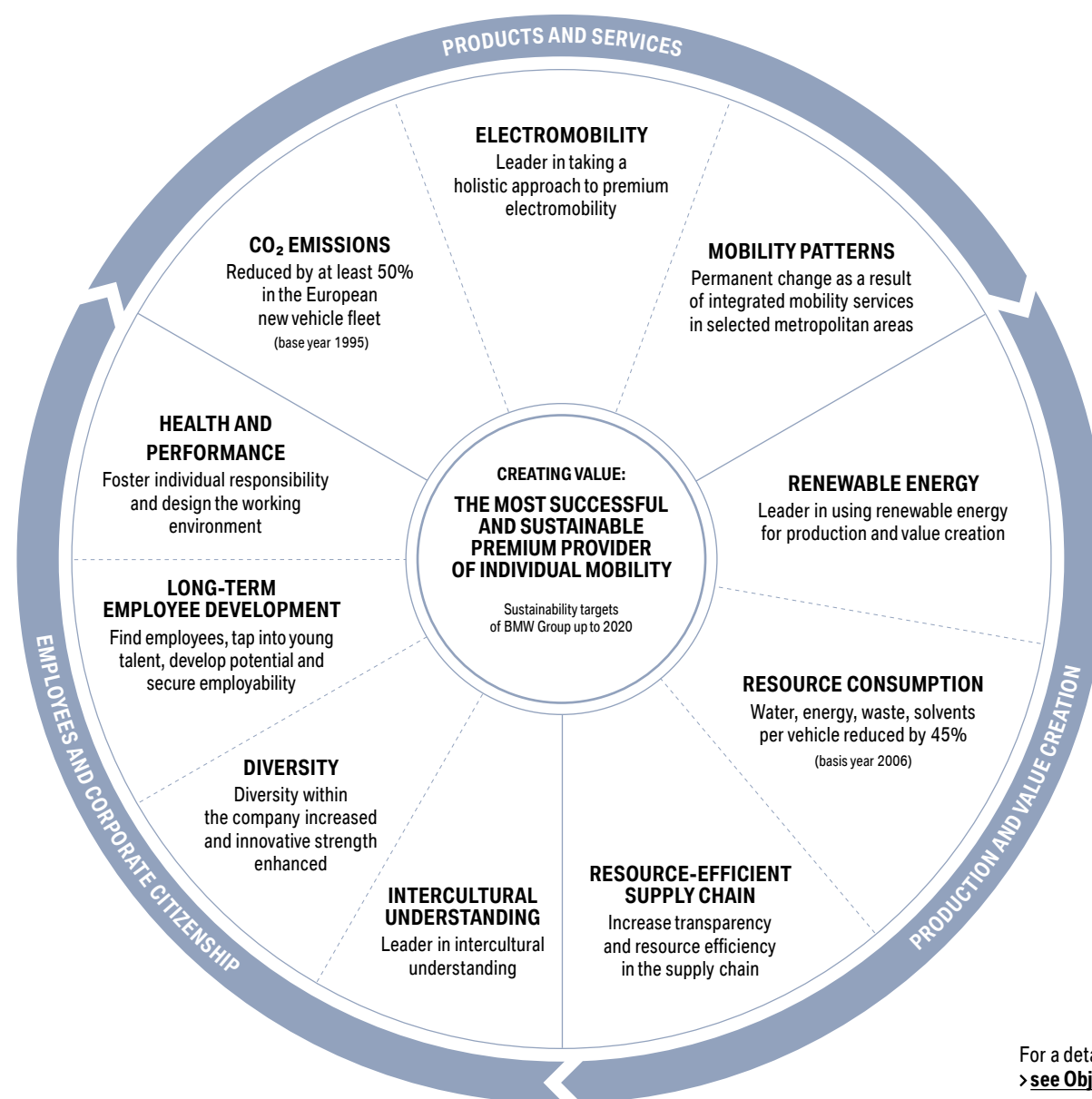


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F.02 Long-term sustainability targets



Pursuing long-term sustainability goals

Our current strategic long-term goals, which have defined targets to 2020, have been set in the areas of Products and Services, Production and Value Creation as well as Employees and Corporate Citizenship. As a result of the 2014 Strategy Review, we added two new goals to our sustainability goals for 2020: we want to support intercultural understanding in the area of Employees and

Corporate Citizenship, and in terms of Production and Value Creation we want to improve transparency and resource efficiency in the supply chain. This goal complements our objectives with respect to renewable energies along the entire value chain. In this way, we are also emphasising the great importance of the supply chain when it comes to risks and opportunities.





STRATEGY

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MANAGING SUSTAINABILITY

Sustainability is a component of our corporate strategy. For this reason, our Sustainability and Environmental Protection department has been directly incorporated into our Corporate Planning and Product Strategy unit since 2007, under the mandate of the Chairman of the Board. This unit is responsible for the sustainability strategy and sustainability management worldwide. Some of the department's tasks are:

- To identify and take an internal approach to addressing core challenges.
- To develop and monitor sustainability goals.
- To further develop, specify and integrate our sustainability initiatives into individual divisions, taking account of the entire value chain.
- To provide a central corporate function for environmental protection (Group Representative) and manage the environmental protection network.
- To manage global centres of competence on a range of environmental issues.

The entire Board of Management is represented on the Sustainability Board, which makes decisions on the long-term alignment of the sustainability-related areas of action of Strategy Number ONE. The heads of central Corporate Communications and Sustainability and Environmental Protection are also members of the Sustainability Board, which convenes twice a year to assess the company's progress. The topics are prepared for presentation to the Sustainability Board by the Sustainability Circle, which comprises department heads from all divisions > [see Figure 03](#). A dual management system is in place – the Board of Management of the company is responsible for management tasks, with the Supervisory Board providing advice and monitoring > [see Chapter 2.1](#).

F.03 Organisation of sustainability in the BMW Group



Integrating sustainability as a strategic corporate objective

Sustainability has been established at the BMW Group since 2009 as a strategic corporate objective based on specific targets and key performance indicators. Sustainability is therefore an explicit component of the BMW Group's management system. This means on the one hand that every major project must be measurable in terms of "Sustainability" as a corporate objective, ensuring that, in addition to economic factors, environmental and social aspects are also accounted for in the decision-making process.

It also means that sustainability as a corporate objective is broken down to the level of business areas and divisions. As a result, the personal targets set for managers include sustainability aspects and criteria which have an effect on their performance-based remuneration.





STRATEGY

1.1 > Our management approach

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F.04 Key performance indicators (KPI) five-year review

	10	11	12	13	14	Change to previous year in %
Ordinary activities						
Revenues (in € million)	60,477	68,821	76,848	76,059 ³	80,401	5.7
Profit before tax (in € million)	4,853	7,383	7,803	7,893 ³	8,707	10.3
Sales volume automobiles (in thousand units)	1,461.2	1,669.0	1,845.2	1,963.8	2,118.0	7.9
Product responsibility						
CO ₂ emissions of BMW Group vehicles (EU-28) (in g/km)	148.0	145.0	138.0	133.0	130.0	-2.3
Research and development expenditure (in € million)	2,773	3,373	3,952	4,793	4,566	-4.7
Group-wide environmental protection¹						
Energy consumption per vehicle produced (in MWh/vehicle)	2.72	2.43	2.41	2.36	2.25	-4.7
Water consumption per vehicle produced (in m ³ /vehicle)	2.4	2.25	2.22	2.18	2.18	0.0
Process wastewater per vehicle produced (in m ³ /vehicle)	0.6	0.57	0.51	0.47	0.47	0.0
CO ₂ emissions per vehicle produced (in t/vehicle)	0.89	0.75	0.72	0.68	0.66	-2.9
Waste for disposal per vehicle produced (in kg/vehicle)	10.49	8.49	6.47	5.73	4.93	-14.0
Volatile organic compounds (VOC) per vehicle produced (in kg/vehicle)	1.66	1.75	1.78	1.59	1.29	-18.9
Employees						
BMW Group workforce at the end of the year	95,453	100,306	105,876	110,351	116,324	5.4
Attrition rate at BMW AG (as a percentage of workforce)	2.74	2.16	3.87	3.47	1.41	-59.4
Share of women in total workforce of BMW AG (in %) ²	15.2	16.1	16.8	17.4	17.8	2.3
Share of women in management positions at BMW Group (in %) ²	-	11.8	12.7	13.8	14.2	2.9
Average days of further training per BMW Group employee	2.4	3.3	3.7	3.5	3.9	11.4
Accident frequency at BMW Group (per one million hours worked)	3.6	7.1	5.8	4.8	5.1	6.3
Corporate Citizenship						
Expenditure on donations in 2012 by the BMW Group (in € thousand)	10,242	12,873	9,638	8,485	10,199	20.0
Expenditure on Corporate Citizenship by the BMW Group in 2012 (in € thousand)	26,591	36,846	31,979	28,944	34,524	19.3

¹ Due to a change in the calculation method, these figures cannot be compared with the 2012 figures. For more details see Key facts and figures section.

² Figures for 2012 adapted due to data cleansing.

³ The previous year's figures were adjusted in accordance with IAS 8; see note number [9] in the Notes to the Group Financial Statements in the BMW Group Annual Report 2014.

The key performance indicators (KPIs) form a complete management system at the various levels, thus ensuring that the BMW Group will achieve its sustainability objectives. At regular intervals, we measure and evaluate our level of achievement of these objectives and take corrective steps where necessary.

See the > **Key facts and figures** section for a detailed list of the indicators.



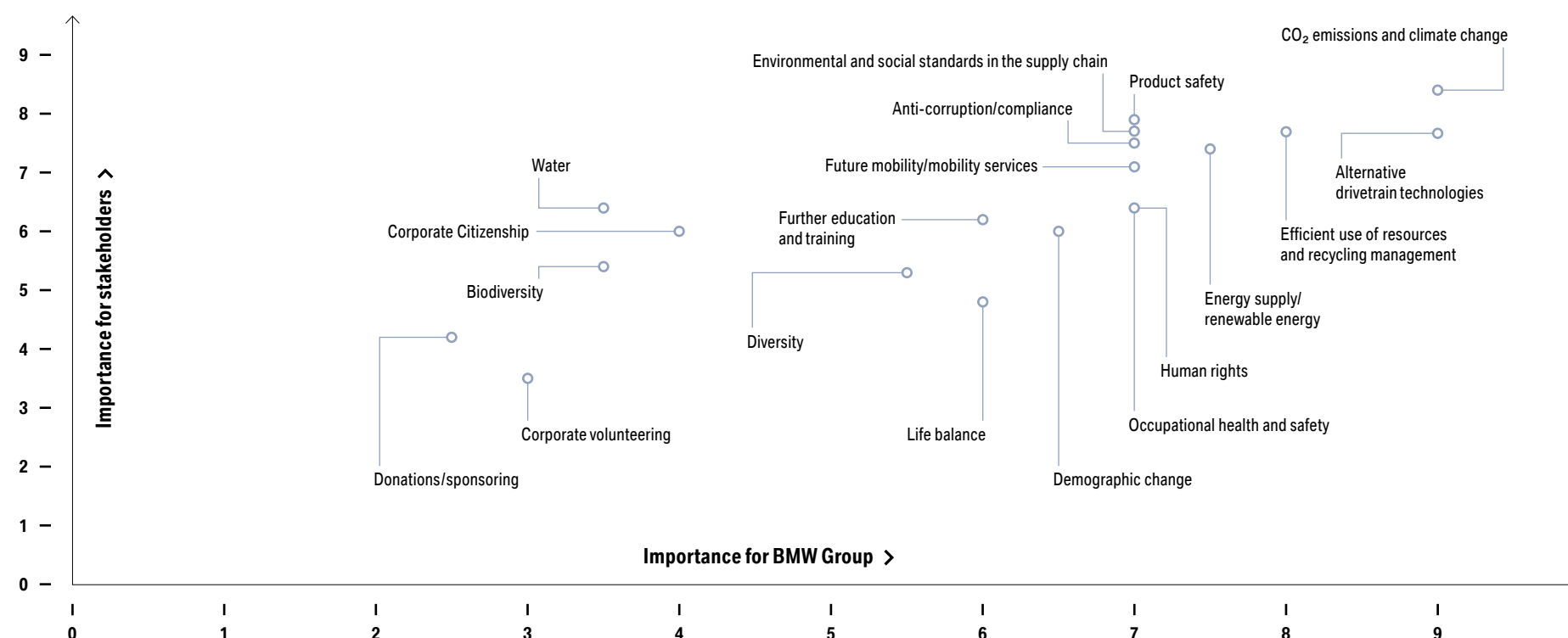


STRATEGY

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F.05 Materiality analysis



From the materiality matrix it is evident that the topics of CO₂ emissions and climate change continue to be the most relevant for both stakeholders and the BMW Group. The topics of environmental and social standards in the supply chain, product safety as well as alternative drivetrain technologies are also top priorities.

IDENTIFYING KEY ISSUES

We carry out a materiality process in order to identify in good time which topics may bring opportunities and risks to our business today or in the future. To do this, we regularly analyse the importance of current sustainability topics, both from the perspective of different stakeholder groups as well as that of the company.

The materiality analysis results in the materiality matrix, which is used to verify the direction our sustainability objectives and indicators are taking. We judge a core area to be particularly significant if it is categorised as very important by both our stakeholders and the BMW Group > see Figure 05.

The list of topics on the materiality matrix itself is also reviewed on a regular basis, the last time in 2013. In 2013, the review process involved telephone interviews with 12 representative stakeholders, including customers, suppliers, investors, authorities, NGOs and scientists from different regions of the world.

We then combined the interview results from 2013 with the results of the stakeholder survey and analysis from 2012. This provides us with an updated rating of the issues from an external perspective. To update the internal perspective, we conducted a materiality workshop with 18 representatives from the relevant company divisions (including their strategy offices). Our experts from Corporate Strategy then collated the results.





STRATEGY

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F.06 Sustainability ratings 2014

Ratings	Evaluation and result
	The BMW Group is industry leader in the Dow Jones Sustainability Index (DJSI). This makes the BMW Group the only company in the automotive industry to be listed every year since the Index was established.
	On the Global 500 rating of the Carbon Disclosure Project (CDP), the BMW Group again achieved 100 out of a possible 100 points for transparent reporting. It also received top marks for climate protection measures, taking first place again in 2014. As a result, the BMW Group is listed on the worldwide Climate Performance Leadership Index (CPLI) of companies with Performance Score A – the only company in the automotive industry to achieve this top ranking for five consecutive years.
	The BMW Group was again listed on FTSE4Good in 2014, an index of the British index family on sustainability and corporate governance provided by FTSE in London.

In addition, we maintain continuous dialogue with our stakeholder groups > [see Chapter 1.2](#) and look for solutions to the challenges society is facing. Current topics include expansion of sustainable mobility concepts and challenges resulting from the rapid spread of digitalisation. This concerns new functions and services as well as all areas of data security.

Our ranking in sustainability ratings

The BMW Group's position on the various sustainability ratings documents our sustainability performance from an external perspective. In 2014, the BMW Group ranked high in several sustainability indices and received a number of awards > [see Figure 06](#).



STRATEGY

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Stakeholder engagement

The BMW Group engages in ongoing dialogue with its stakeholders at all its locations and in relevant markets. We aim to identify trends early on, and integrate them into our strategy process. Although not all differences of opinion can be resolved in dialogue with our stakeholders, each party can gain an understanding of the other side's position.

As a global corporation with a complex value chain, both our manufacturing activities and our products have an effect on the environment and society. Knowing the position of our stakeholders and at the same having the opportunity to explain the extent of our room for influence in terms of social and environmental issues enables us to increase the level of acceptance of the actions we take and the decisions we make. In spite of this, there remains a certain amount of potential for conflict. The dialogues show that on certain questions of mobility the position of individual stakeholders and that of the BMW Group remains divided. Stakeholder dialogue also allows us to analyse the market situation with regard to market-relevant topics such as the introduction of electromobility, and to communicate key messages to information multipliers in advance.

Strategically aligning our engagement with stakeholders

We want to understand the different perspectives of our stakeholders and to respond in an adequate manner. At

the same time, we explain clearly and transparently what can be expected of us. By fostering dialogue with our stakeholders, we want to build trust and consolidate partnerships. This is why it is important to have one strategy for stakeholder engagement worldwide. Our Stakeholder Engagement Policy forms the basis for continuous dialogue. It defines the goals of the dialogue, sets the criteria for identifying and prioritising our stakeholders and provides a template for a range of suitable formats and communication channels > [see Figure 07](#).

EXCHANGING VIEWS WITH STAKEHOLDERS

One of the cornerstones of this dialogue is our ongoing and systematic identification and prioritisation of stakeholders. To this end, we regularly map out stakeholder groups that are involved in strategically important topics at all relevant locations. We foster our dialogue with stakeholders by developing different formats.

Our subsidiaries, our political offices in the different markets as well as our plants engage in regular dialogue with local stakeholders on relevant topics. A range of committees and channels allow our different corporate departments to contact relevant stakeholder groups directly.

Our basic goal is to host at least one multi-stakeholder dialogue per year in Europe, Asia and North America respectively. We set the themes for these stakeholder dialogues according to how currently relevant they are. In 2014, for example, we conducted stakeholder dialogues on the topics of electromobility, mobility services and the BMW Group's ambitions in the area of sustainability leadership.

In addition to these events, we also have direct contact with individual stakeholders on specific occasions when special topics arise. For example, in 2014, a number of non-governmental organisations contacted us to request information on social and environmental standards in the value chain. Connectivity is another topic we have





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F.07 Stakeholder groups and forms of dialogue





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DISCUSSING SUSTAINABILITY WITH STUDENTS —
BMW Group Dialogue for Students 2014 in Berlin

taken up in dialogue with our stakeholders, and it has been a point of discussion at several events in different countries.

All of our stakeholder dialogue formats are based on one principle: the views of our stakeholders feed back into the company. The participants from the BMW Group ensure that the results of the discussions and their personal impressions flow back into the organisation and our decision-making committees. This is how they contribute towards making sure that external perspectives on relevant topics continue to be discussed within the company.

On the other hand, the stakeholder organisations that take part in the dialogues become familiar with the BMW Group's views and positions on certain topics and can take account of this in their day-to-day work.

YOU CAN FIND FURTHER INFORMATION ON SPECIFIC EVENTS OF THE BMW GROUP DIALOGUE FORMAT ON THE BMW GROUP WEBSITE UNDER:

➤ www.bmwgroup.com

FOR DETAILED INFORMATION ON STAKEHOLDER EXPECTATIONS AND THE BMW GROUP'S RESPONSE, SEE:

> [Stakeholder expectations chart](#)

IN DIALOGUE WITH POLITICAL DECISION-MAKERS

By engaging in regular, active and open dialogue with political decision-makers, union representatives and associations as well as non-governmental organisations (NGOs), we are fulfilling the task of playing a constructive role in shaping the general political framework for our business activities. We offer our expertise to help promote fair competition for all involved and find sustainable solutions.

The political offices concern themselves with public affairs as they affect environmental, financial and socio-political topics and deal with relevant economic policy and industry-specific issues. In the period under report, the main topics in this regard were how to put CO₂ regulation into practice, how to deal with trade barriers, fair taxation legislation as well as social challenges such as demographic change.

CO₂ regulation in Europe

Legal regulations on emissions are becoming increasingly stringent worldwide, continually posing new challenges to the automotive industry. As early as in the year 2000, the BMW Group set the course for reducing fuel consumption and emissions.

The European Union (EU) has set the target for all new vehicles at 130 g of CO₂/km by 2015. The EU defines targets for CO₂ emissions based on vehicle weight. Based on this, the BMW Group has set itself the goal of decreasing levels to under 140 g of CO₂/km. Between 1995 and 2014, we reduced the CO₂ emissions of our newly sold vehicles in Europe (EU-28) by 38%. Average CO₂ emissions were 130 g/km in 2014. The BMW Group had already achieved the EU target by 2012.





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All manufacturers will be required to reduce emissions of their new vehicle fleet in Europe to an average of 95 g/km by 2020. From the outset, the BMW Group made a clear commitment to this target. By 2020, we want to cut the CO₂ emissions of our vehicle fleet at least in half compared to 1995.

The BMW Group would like to see countries throughout the EU take similar measures to those already in place in other countries and regions when it comes to promoting electromobility. In Japan, China and the USA in particular, alternative drivetrains are receiving stronger governmental support.

Promoting the transatlantic free trade agreement

As a global enterprise, the BMW Group supports the further opening of worldwide markets as well as the continuous reduction of tariff and non-tariff trade barriers. Thus, the BMW Group is also in favour of consolidating transatlantic relations and welcomes the bilateral negotiations on a comprehensive and far-reaching economic and trade pact between the EU and the USA (Transatlantic Trade and Investment Partnership, TTIP). Reducing trade barriers should lead to considerable benefits for corporations and will therefore also have positive effects for consumers on both sides of the Atlantic. The BMW Group is calling for gradual elimination of tariffs in the automotive industry as well as the elimination of non-tariff-related trade barriers and closer regulatory cooperation, in particular with regard to harmonising technical standards.

Shaping our urban future with electromobility

The global social, economic and environmental changes we are facing call for new solutions that are specifically designed for urban spaces. Electromobility is an important step in this direction. However, in future we need to introduce additional effective measures that support the success of this technology.

The BMW Group also plays a active role in the National Platform for Electric Mobility (NPE), a German govern-



EXPANDING DIALOGUE — First BMW Group Dialogue in Korea

ment advisory committee on electromobility founded by Chancellor Angela Merkel in May 2010. This platform aims to push for progress on electromobility, create a lead market for e-mobility in Germany and speed up the market launch of innovative electric vehicles. Here again, the BMW Group provides the government with its knowledge and research results and actively helps shape political discussion of framework conditions via input from established political networks internationally.

Supporting democratic parties

The BMW Group supports the work on social policy carried out by the democratic parties in Germany (CDU, CSU, SPD, FDP and Bündnis 90/Die Grünen). The company places high value on transparency in this regard and complies with the relevant legislation. In 2013, the BMW Group began to change its procedure for supporting political parties. Since 2014, it has supported the work on social policy carried out by the democratic parties in Germany solely through content-based partnerships. The BMW Group has made this change in order to focus its engagement on content, for example, by providing financial support for public discussion forums and dialogue formats. All partnerships are subject to the clear sponsorship guidelines of the BMW Group.



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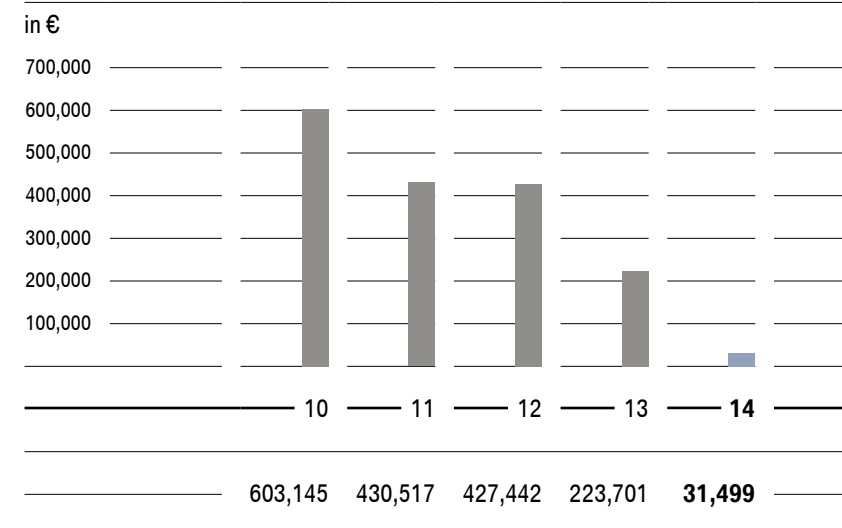
In the past, the BMW Group primarily donated vehicles for use. The parties provided the BMW Group with confirmation of receipt of a donation by stating the corresponding value or rental rate. In 2013, this procedure was temporarily continued for the CSU. This led to a final settlement for vehicle transfer of €5,881 > see Figure 08. All BMW Group donations above €10,000 for each year are published by name in the accounts included in the party financing report of the President of the German Federal Parliament.

F.08 Donations made to political parties in Germany in 2014 (vehicle donations only)

	in €
	€ rental rate incl. VAT according to BMW Rent's price list for private customers
CSU	5,881
CDU	0
FDP	0
SPD	0
Bündnis 90/Die Grünen	0
Total	5,881

International political donations by the BMW Group are only made in clearly defined and exceptional cases which are subject to the respective legal framework conditions. Expenditure on international political donations in 2014 amounted to approximately 0.6% (previous year: 0.9%) of total expenditure on international donations. These donations were made by the BMW plant in Spartanburg (USA). The BMW Group participates in the general political process in the US Federal State of South Carolina by funding activities of the two leading political parties – the Democrats and the Republicans. However, no support is provided for election campaigns or individual candidates.

F.09 Donations in the field of politics



FORECAST

The BMW Group aims to further expand its dialogue with stakeholders internationally. We will continue to hold at least one annual Stakeholder Dialogue event in Europe, North America and Asia. In addition, we plan to hold international Stakeholder Dialogues on current topics such as digitalisation, data security and charging infrastructure for electromobility. We will also place even stronger focus on urgent topics as they come up. Only in a constructive dialogue can viable solutions be developed to successfully meet the challenges of the future.





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Read more at > www.bmwgroup.com



TORONTO, CANADA

EVERGREEN BRICK WORKS

How is the Sustainability Strategy implemented in day-to-day business?

BMW Group Multi-Stakeholder Dialogue, May 2014

2 — SUSTAINABLE CORPORATE MANAGEMENT

PROGRESS IN 2014

NET VALUE ADDED INCREASED

Net value added increased by 7.3% in 2014. The majority of the net value added (47.4%) was again applied to employees.

COSTS REDUCED THANKS TO RESOURCE EFFICIENCY

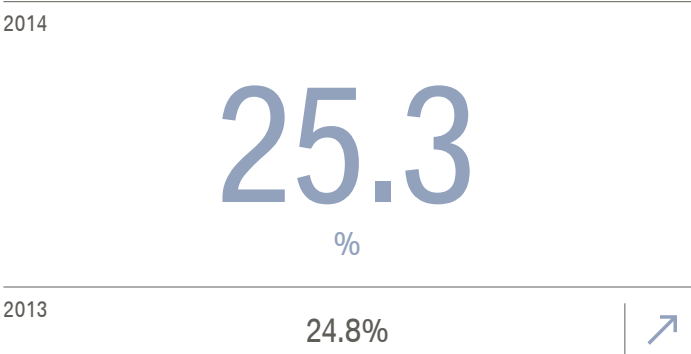
Resource efficiency reduces the risk of availability bottlenecks and price fluctuations. It also makes a direct contribution to earnings as it reduces costs. Resource efficiency measures led to cost savings of €15.8 million in 2014.

ANTI-CORRUPTION TRAINING FOR EMPLOYEES

By the end of 2014, we had trained over 25,000 managers and employees in compliance and anti-corruption. The BMW Group ensures full training coverage for its managers in compliance matters.

INDICATORS

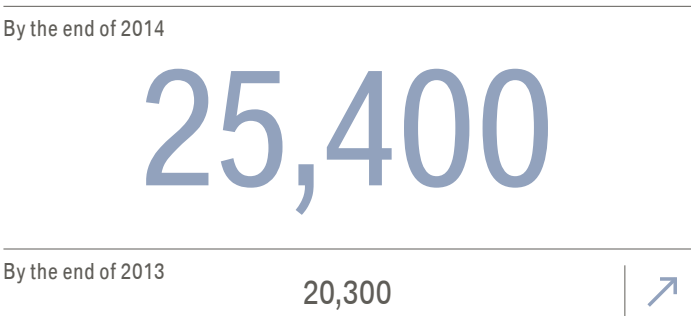
NET VALUE ADDED



COST SAVINGS DUE TO RESOURCE-EFFICIENT PRODUCTION



NUMBER OF EMPLOYEES WHO RECEIVED ANTI-CORRUPTION TRAINING, since 2008



2015+ FORECAST AND OBJECTIVES

CONTINUE TO GROW PROFITABLY

In 2015, we will continue to pursue our path of profitable growth. Our vision is to achieve a further increase in sales figures in the Automotive and Motorcycles segment. Further plug-in hybrid offerings will contribute towards this.

ACHIEVE ADDED VALUE FOR THE BUSINESS

We are convinced that by taking farsighted action now and by integrating environmental principles into all business processes we can achieve added value both in terms of the environment and our business.

CONTINUE TO DEVELOP TRAINING

We will continue to train our employees in compliance and anti-corruption matters as well as to further develop our online courses on compliance.



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Our management approach

The BMW Group manages its business in accordance with responsible corporate governance principles geared to long-term value creation.

Foresighted investments in future-ready products and services form the basis for profitable growth. Production sites in different markets help to balance this growth between the various regions of the world. We strive for long-term engagement in these areas, promoting employment and growth in the local economies > [see Chapter 2.2](#).

The BMW Group regards lawful conduct and respect for human rights as fundamental prerequisites for fair competition and social prosperity. We also expect this conduct from our business partners along the entire value chain > [see Chapter 2.3](#) and > [see Chapter 2.5](#).

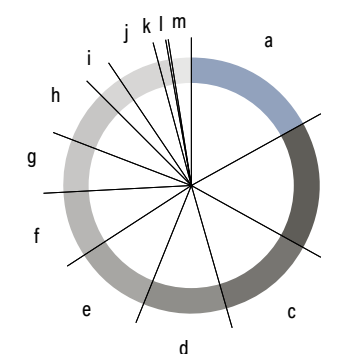
Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management, the Supervisory Board and employees and compliance with the law.

Rewarding sustainable business success

The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable

F.10 Vehicle production of the BMW Group by plant in 2014

in units



a) Dingolfing	369,027	h) Tiexi ¹	144,076
b) Spartanburg	349,949	i) Rosslyn	68,771
c) Regensburg	272,015	j) Graz (Magna Steyr) ²	113,401
d) Munich	228,126	k) Born (VDL Nedcar bv) ²	29,196
e) Leipzig	211,434	l) Goodwood	4,495
f) Oxford	179,318	m) Assembly plants	52,368
g) Dadong ¹	143,390		

¹ BMW Brilliance Automotive Ltd., Shenyang, China (joint venture).

² Contract production.

growth in value. It thus determines the strategic orientation of the enterprise and ensures its implementation. The Board of Management is furthermore responsible for compliance with all provisions of law and internal regulations as well as for adequate risk management and risk controlling > [see Chapter 2.4](#). The Supervisory Board advises and supervises the Board of Management in conducting its duties (dual management system).

The Supervisory Board decides on the level of compensation received by members of the Board of Management, orienting its decisions on the sustainable development of the BMW Group. Bonuses are also based in part on personal performance, evaluated primarily according to qualitative criteria. The contribution made by each Board of Management member to sustainable long-term and business development and the future viability of the enterprise is thus measured, for example, based on ecological innovation (e.g. reduction of carbon emissions),





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DISCUSSING THE BMW GROUP'S SUSTAINABILITY STRATEGY —
BMW Group Dialogue 2014 in Toronto (Canada)

ability to adapt, customer focus, leadership accomplishments and contribution to the company's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility ➤ Compensation report in the Annual Report 2014.

Upholding and enforcing international conventions and principles

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent ➤ BMW Group basic principles 2014.

Our models for ensuring compliance with environmental and social standards along the value chain are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the Organisation for Economic Co-operation and Development

guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development, as well as the United Nations Environment Programme Cleaner Production Declaration.

By signing the United Nations Global Compact in 2001 and, together with employee representatives, issuing a ➤ Joint Declaration on Human Rights and Working Conditions in the BMW Group, the Board of Management gave its commitment to abide worldwide by internationally recognised human rights and with the fundamental working standards of the International Labour Organization (ILO) ➤ see Chapter 2.5.





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Economic impacts

STRATEGIC ALIGNMENT

The BMW Group's vision for 2020 is to be the world's most successful and sustainable provider of premium products and premium services for individual mobility. The responsible use of resources and the assumption of social responsibility are prerequisites for achieving this vision.

Key objectives of the BMW Group are to achieve sustainable, profitable growth, increase the value of the business, safeguard jobs and maintain corporate autonomy.

These objectives can only be achieved if available equity and debt capital is employed profitably and if the profit generated sustainably exceeds the costs of capital employed. The achievement of this central business management objective is measured in terms of "value added", or the contribution made to business value growth during the financial year¹. In 2014, value added was €3,839 million (2013²: €3,639 million).

¹ Value added corresponds to the amount of earnings over and above the cost of capital. For an exact definition > see General Information on the BMW Group in the Annual Report 2014.
² The previous year's figures were adjusted in accordance with IAS 8; see note number [9] in the Notes to the Group Financial Statements in the BMW Group Annual Report 2014.

Corporate autonomy gives us the scope to continue working toward realising our vision and to make targeted investments in our future in all areas of individual mobility.

PURSUING BOTH SHORT-TERM AND LONG-TERM GOALS

Decisions made in favour of new products or technologies lead to cash flows lasting many years. Such decisions therefore have a considerable influence on the long-term development of the business. The enterprise is, however, evaluated based on its annual results. Strategic management and financial planning ensure that we achieve our annual profitability targets. This in turn forms the basis for continuing to invest in the future viability of the business.

Aligning investments with sustainability goals

In order to ensure sustainable, profitable growth, the BMW Group continually invests in its employees, in new products and production structures, in systems and processes. Despite the increasing number of models and variations, the application of uniform standards worldwide and the use of modular products and processes allow us to efficiently develop and profitably manufacture new products of the highest quality standard, including vehicle types that have so far been produced only in small numbers, such as electric-battery-driven vehicles and plug-in hybrids.

Addressing the challenges faced by the automotive industry in the context of sustainability > [see Chapter 1](#) is a key driver for our investment decisions. Important examples of our integrated investment approach in the Automotive, Mobility Services, Employee, Sales and Production Sites segments are:

- Measures to further improve the efficiency of conventional vehicles and to reduce air pollutants.
- The expansion of our range of (plug-in) hybrids and electric vehicles.



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- The development of new technologies such as high-performance battery cells, hydrogen technology and materials for lightweight construction, both on our own and in collaboration with others.
- The further development of intermodal solutions by combining private vehicles with mobility services to promote urban mobility with and without cars.
- The extension of existing driver assistance systems by electronically linking vehicles and traffic infrastructure (for example to avoid accidents at intersections), which also contributes to the development of highly automated and autonomous driving.
- Measures in the Future Retail initiative, for example training highly specialised customer service staff in retail outlets to focus more on the options offered by BMW products and technologies (including the explanation of fuel efficiency, safety and networked mobility features) rather than just sales.
- The establishment and expansion of employee expertise in the area of e-mobility as well as education and training on the subjects of healthcare and work safety.
- The expansion of our international production network, including measures for achieving our resource efficiency targets in production.

Accordingly, our research and development costs rose again slightly in 2014 to approximately €4.6 billion (2013: around €4.8 billion) and our investments¹ increased to approximately €6.1 billion (2013: around €6.7 billion).

¹ Incl. active development costs.

Achieving financial success with our Efficient Dynamics strategy

Foresighted corporate planning leads to sustainable success. The competitive advantage offered by the Efficient Dynamics strategy we adopted in 2000 is one reason why the BMW Group had its fifth record year in a row in 2014, despite continuing high investments, in particular in future-oriented products and production structures as well as in processes and skills.

With its products and services, the BMW Group was able to increase its Group revenues to €80,401 million (2013²: €76,059 million). Sales figures were up for all three Group brands, BMW, Mini and Rolls-Royce, with a total of 2,117,965 vehicles delivered to customers (2013: 1,963,798). The same goes for motorcycles, with 123,495 delivered in 2014 (2013²: 115,215).

A significant financial indicator at Group level is the Group profit before tax. In 2014 it totalled €8,707 million (2013: €7,893 million) and was thus 10.3% above the previous year's figure. Operating performance is managed at segment level (Automotive, Motorcycles, Financial Services) on the basis of the capital rates of return RoCEs and RoEs ↗ [for details on the BMW Group management system see General Information on the BMW Group in the Annual Report 2014.](#)

Due to the central importance of the Automotive segment for the Group as a whole, consideration is also given to additional key value drivers which have a significant impact on RoCE and hence on segment performance. This is the EBIT margin³, which at 9.6% was within the target range of 8–10%, despite extensive investments. Another indicator is the level of EU fleet emissions, which thanks to increasingly efficient drivetrain systems and more electric vehicles declined by 2.3% in 2014 to 130.0 g CO₂/km (2013: 133.0 g CO₂/km).

² The previous year's figures were adjusted in accordance with IAS 8; see note number [9] in the Notes to the Group Financial Statements in the BMW Group Annual Report 2014.

³ Earnings before interest and taxes divided by revenues in the Automotive segment.



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FUTURE BUSINESS VIABILITY THROUGH SUSTAINABLE MANAGEMENT

The future viability of any enterprise is closely tied to its success as a business. Global megatrends such as urbanisation and climate change are leading to modifications in the regulatory framework and to changing customer demands and business models. For example, premium customers from the retail and fleet business increasingly expect a carmaker to demonstrate a comprehensive understanding of product responsibility and to implement the corresponding measures. Mobility services and networked mobility are new business fields to be mastered > [see Chapter 3](#).

With its Efficient Dynamics strategy > [see Chapter 3](#) and overall performance in the area of sustainability, the BMW Group has developed a true competitive advantage. Please see the following for a few examples of how sustainability contributes to the financial success of the BMW Group.

Boosting sales through innovative models and mobility services

Investments in innovative mobility concepts contributed to the success of the BMW Group in 2014. Examples: in financial year 2014, 16,052 [BMW i3](#) and 1,741 [BMW i8](#) models were sold. By the end of 2014, over 390,000 customers had registered for our DriveNow car-sharing scheme, thus almost doubling user numbers compared to the previous year. In addition, the company has been running the scheme at an operational profit since early 2014. At corporate level, full-service solutions such as the corporate car-sharing scheme AlphaCity as well as the e-mobility solution AlphaElectric are ensuring the success of our fleet service provider Alphabet. With its products and solutions, the BMW Group helps also fleet customers achieve their CO₂ targets.

F.11 Current business ratings

	Moody's	Standard & Poor's
Long-term liabilities	A2	A+
Short-term liabilities	P-1	A-1
Outlook	stable	stable

The ratings reflect the solid financial profile and the very high level of creditworthiness of the BMW Group. This gives the company good access to the international capital markets as well as opportunities to take advantage of attractive refinancing conditions that are of particular benefit to the Financial Services business.

Maintaining the confidence of the capital market through future viability

The confidence of the capital market in the future viability of the BMW Group business model once again led to top scores in capital market ratings and hence to low refinancing costs in 2014.

Reducing risks and increasing efficiency potential through sustainability in supplier management

Active management of sustainability risks along the supply chain reduces compliance and image risks, among others. We have established a comprehensive supplier management system for this purpose > [see Chapter 5](#).

We work with our suppliers to continuously improve resource efficiency. Since 2013 we have therefore been participating in the supply chain programme of the Carbon Disclosure Project (CDP). The transparent reporting of strategy and efficiencies achieved in energy and water consumption as well as reductions in CO₂ emissions reveals potential for working together to further improve resource consumption and hence reduce manufacturing costs and environmental impact. For example, the suppliers surveyed reported savings of over 21 million tonnes in CO₂ equivalents in 2014, representing significant savings on energy costs across the corresponding manufacturing processes.



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Reducing costs through resource efficiency

Resource efficiency reduces the risk of availability bottlenecks and price fluctuations, thus contributing directly to higher earnings by reducing costs. Between 2006 and 2014, energy and water consumption and waste and VOC emissions per vehicle produced in the worldwide BMW Group production network were reduced significantly. This allowed us to achieve €15.8 million in cost savings in 2014. Increasing resource efficiency and minimising waste as well as the continuous optimisation of our environmental management processes, which are ISO 14001-certified at all BMW Group production plants, lead to lower investment needs on environmental protection.

Staying competitive through sustainable human resources policies

The BMW Group ranked as one of the most attractive employers worldwide in 2014. Our leading role in the area of sustainability means that our employees tend to identify with the company and its products. This is one of the reasons for our low employee turnover rate, which in turn reduces hiring costs. In order to live up to our claim of technology and innovation leadership, we try to attract the best talent and promote each individual's special skills. The diversity of our customers should also be reflected in the workforce of the BMW Group.

A variety of health education offerings promote the health of our workforce. Healthcare measures also help to counteract employees' age-related physical limitations. Work safety measures reduce accident risks. These initiatives promote better performance on the job and the avoidance of illness- and injury-related absenteeism. They thus also contribute to the achievement of competitive human resources expenditure.

IDEA MANAGEMENT

Idea management at the BMW Group is a worldwide tool to involve and empower employees, giving them the opportunity to contribute their ideas and have an impact on change within the company. This is done through a process that is transparent for all those involved, from idea submission through the forwarding of the idea to the relevant departments for evaluation all the way to a bonus paid to the employee if the idea receives a positive assessment.

Idea management improves the company's competitiveness and promotes employees' loyalty to the company as well as their motivation and entrepreneurial thinking and action. The ideas submitted lead to improvements in products and processes as well as to significant savings. In 2014, a total of approximately 7,700 ideas were put into practice, resulting in savings of €31.0 million¹.

In order to further strengthen idea management, the upgraded IT system used since 2012 by BMW AG will be introduced incrementally at the international company locations. In 2014, the company sites in the UK and our plant in Steyr (Austria) were integrated into the idea management system. The international rollout will continue in 2015 with the plants in Spartanburg (USA) and Rosslyn (South Africa).

This system is accompanied by ongoing internal measures to further encourage employee participation. One example is the Idea Management Award launched in 2014.

¹ In general, strong fluctuation is possible as certain ideas may make a larger contribution to the savings achieved in some years more than others.



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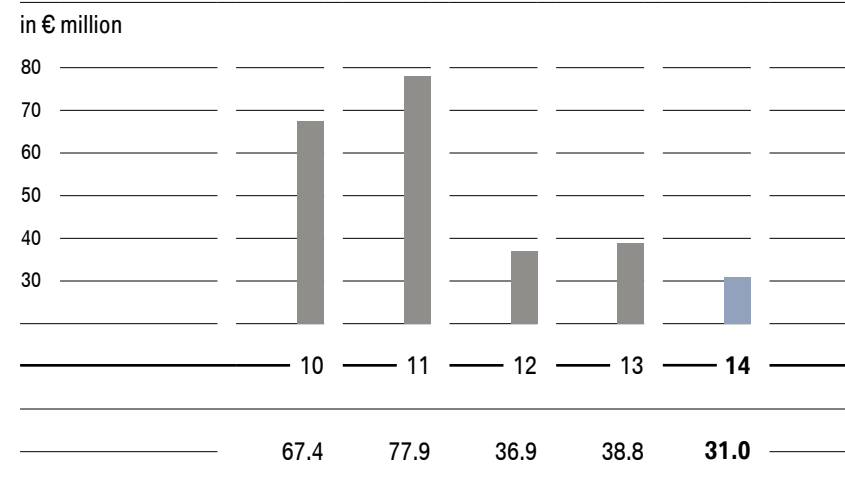
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F.12 Savings for BMW Group resulting from suggestions for improvement



CREATING VALUE FOR OUR STAKEHOLDERS THROUGH SUSTAINABLE, PROFITABLE GROWTH

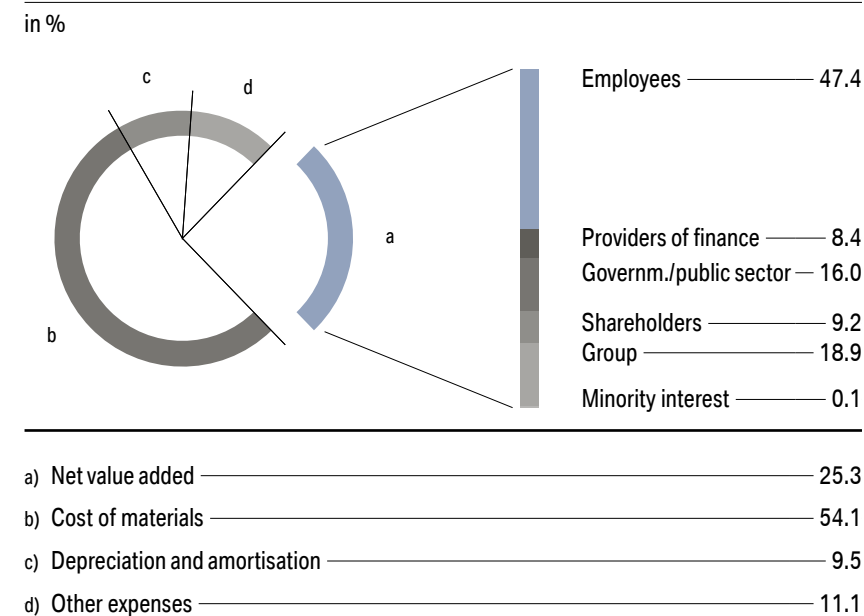
The sustainable, profitable growth of the BMW Group creates value. Direct positive economic benefits are risk-commensurate returns for capital providers, attractive salaries for employees as well as a social contribution through income tax payments. These are quantified in the allocation statement for net value added.

The net value added results from the value of work performed less the value of work bought in during the financial year including depreciation. At €20,620 million (2013¹: €19,217 million) it has remained at a constant high level. The bulk of the net value added, 47.4%, is applied to employees (2013¹: 46.9%).

In addition to an attractive salary, company benefits and pensions are also important components of employee remuneration. These mainly consist of defined-benefit pension plans, which include old-age pensions, invalidity and survivor's benefits, and medical care (only in the USA and South Africa) after reaching retirement age.

¹ The previous year's figures were adjusted in accordance with IAS 8; see note number [9] in the Notes to the Group Financial Statements in the BMW Group Annual Report 2014.

F.13 BMW Group value added 2014



The majority of employees hired after 1 January 2014 receive defined-benefit pension commitments with a minimum interest rate.

The benefits granted are covered for the most part by funded benefit plans as well by pension provisions².

In 2014, pension fund assets rose to €15,861 million (2013: €13,461 million). Pension provisions increased to €4,604 million (2013: €2,303 million). The main reason for this increase is the drop in the discount rate used for actuarial calculations in Germany from 3.50% to 2.10%. The assets of pension plans in the BMW Group are administered by trusts and are thus legally separate from the company's assets. The company's need to draw on the operational business to fund pension payments will be substantially reduced in future as these payments will come primarily from the assets of the pension funds or trusts.

² In financial accounting for pension provisions, the defined-benefit obligations are offset against the plan assets measured at their fair value > for details see note number [36] in the Notes to the Group Financial Statements in the BMW Group Annual Report 2014.



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Driving economic development

As a global enterprise, the BMW Group contributes to positive economic developments and prosperity worldwide. It currently employs 116,324 people in attractive jobs. The purchase of intermediate products secures jobs in our supply chains. Attractive products and services are the basis for an economically viable dealership network.

The BMW Group strives to achieve balanced growth in all markets and on all continents by following the principle of “Production follows the market”. In 2014, we expanded our production network to encompass 30 production sites. Joining the network are the Araquari plant in the Brazilian state of Santa Catarina as well as the contract manufacturing of MINI models at VDL Nedcar in the town of Born in the Netherlands.

The BMW plants in the international markets make a contribution to market development there. Shifting part of the value chain to the respective sales markets leads to a reduction in currency risks through natural hedging. At the same time, a locally based automotive industry is also a driver for growth and employment at each plant location, for example through employee salaries, taxes paid to cities and municipalities, as well as through the suppliers who open businesses around the plant sites.

By implementing innovations and opening up new business fields, the BMW Group fosters the creation of new value chains and jobs. Examples:

- In 2014, the BMW Group continued to build on its capabilities in the field of e-mobility and alternative drivetrains.
- In the joint venture SGL Automotive Carbon Fibers with the SGL Group, we are currently expanding production capacity for carbon fibres in Moses Lake (USA), creating 120 additional jobs.

- BMW i Ventures, based in New York City, is investing in start-ups in the field of mobility services and aspires to enter into long-term strategic partnerships in the areas of e-mobility, flexible use, parking and intermodality.
- Many new business fields are emerging in the area of electromobility, such as the operation or expansion of the charging infrastructure and decentralised energy production systems (for example the partnership between the BMW Group and Solarwatt for solar carports).

FORECAST

In 2015, we will continue to consistently pursue our path of profitable growth.

In terms of business management, we will strive to further boost sales in the Automotive and Motorcycle segments and to further increase our profit before tax.

A wider range of plug-in hybrids in future models will contribute towards this. Building on the success of the BMW i8, we will introduce the BMW X5 PHEV in 2015.

In order to help shape the technological transformation that is currently taking place in the automotive industry, in 2015 we will continue to invest in the development of innovative vehicle concepts and mobility services.



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Compliance and anti-corruption

STRATEGIC DIRECTION

The BMW Group is unconditionally committed to lawful and responsible conduct.

Current legislation provides the binding framework for the BMW Group's wide range of activities around the world. It is therefore essential that the Board of Management and all employees are aware of their relevant legal obligations and comply with them with complete conviction. This shapes the public image of the BMW Group and creates confidence in our products and brands. Earning this confidence is in turn the basis for our business success.

INTEGRATING COMPLIANCE IN THE ORGANISATION

In order to protect the company systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee several years ago, mandated to establish a Compliance Management System throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law (legal compliance) and reports regularly to the Board of Management and the Supervisory Board on all compliance-related issues.

The BMW Group Compliance Management System includes training and communication measures, individual counselling, consistent follow-up on cases of non-compliance as well as the management of compliance-relevant processes and controls.

The extent and intensity of compliance activities are based on an annually updated Group-wide compliance risk assessment covering all 331 BMW Group business units and functions worldwide.

COACHING AND COMMUNICATING COMPLIANCE

The [BMW Group Legal Compliance Code](#), which was updated in 2014, is the cornerstone of the Group's Compliance Management System, spelling out the Board of Management's acknowledgement of the fact that compliance is a joint responsibility (Tone from the Top). This document, which explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group, is available on the intranet in German and English as well as 11 other languages for the convenience of all employees.

Since 2014, new employees receive a welcome e-mail about compliance when they join the company to demonstrate the special commitment of the BMW Group to compliance matters.

Managers in particular bear a high degree of responsibility and must set a good example in the process of preventing infringements. Managers throughout the BMW Group accept this principle by signing a written



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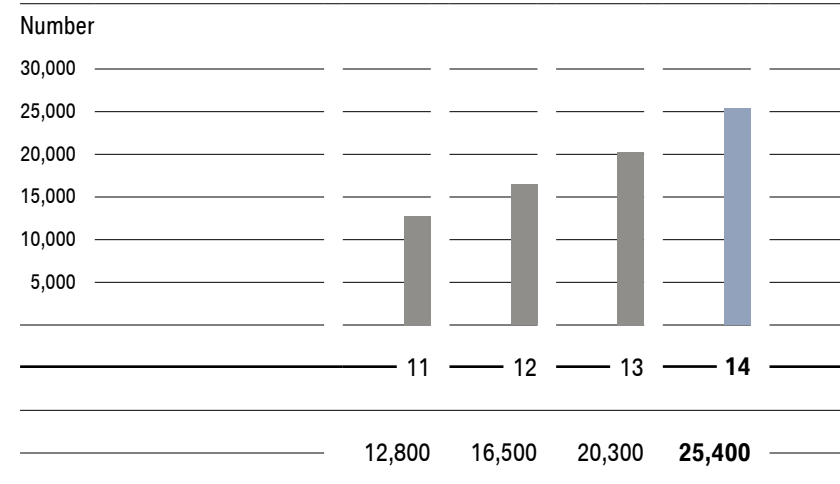
2.5 > [Human rights](#)

declaration in which they also undertake to inform staff working for them of the content and significance of the Legal Compliance Code and to make them aware of legal risks.

More than 25,400 managers and staff (2013: 20,300) worldwide have received training in compliance and anti-corruption basics since the introduction of the BMW Group Compliance Management System. Successful participation in the training programme is mandatory for all BMW Group managers and is ensured through corresponding personnel processes. In this way, the BMW Group achieves full training coverage for its managers in compliance matters. In addition to this basic training, in-depth training is also provided to certain groups of staff on specific compliance issues. Advanced training on competition and antitrust law was introduced in 2013 and already completed the same year by 3,900 employees.

Additional Compliance Market Coachings have been implemented in local markets since 2012. These seminars strengthen the understanding of compliance in selected units and enhance cooperation between the central BMW Group Compliance Committee Office and decentralised compliance offices. In 2014, market coaching was

F.14 Total number of employees trained in anti-corruption



performed for national sales companies and in the Financial Services segment in China, UK and Canada.

RESPONDING TO COMPLIANCE-RELATED QUERIES

In order to avoid legal risks, all members of staff are expected to discuss compliance matters with their managers and with the relevant departments within the BMW Group, in particular Legal Affairs, Corporate Audit and Corporate Security. The BMW Group Compliance Contact serves as a further point of contact for both employees and non-employees for any questions regarding compliance.

Employees also have the opportunity to submit information – anonymously and confidentially – via the BMW Group SpeakUP Line about possible breaches of the law within the company. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local toll-free numbers in all countries in which BMW Group employees carry out activities.

Compliance-related queries and concerns are documented and followed up by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the Works Council and Legal Affairs may be called upon to assist in the investigation process.

MONITORING AND AUDITING COMPLIANCE

Compliance with and the implementation of the Legal Compliance Code are audited regularly by Corporate Audit and subjected to control checks by Corporate Security and the BMW Group Compliance Committee Office. As part of its regular activities, Corporate Audit carries out on-site audits. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks. In addition, random checks (BMW Group Compliance Spot Checks) specifically





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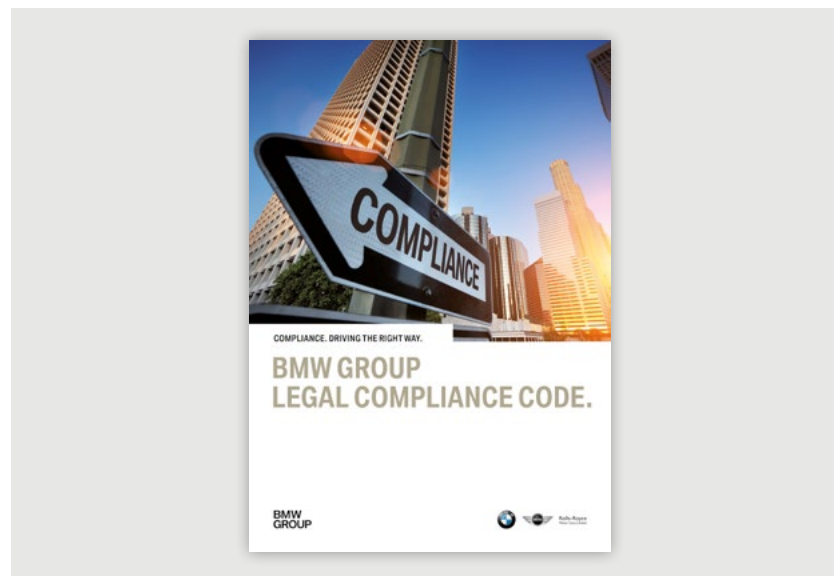
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INFORMATION FOR THE ENTIRE WORKFORCE —
The BMW Group's Compliance publication

designed to identify potential corruption risks are carried out. In 2014, one Compliance Spot Check was performed.

To ensure compliance in the BMW Group, it is essential that employees are aware of and comply with applicable regulations. The BMW Group does not tolerate violations of law by its employees. Culpable violations of the law result in employment contract sanctions and may involve personal liability consequences for the employee involved.

The BMW Group reports on legal infringements in its Annual Report if the events in question could be of interest for shareholders, analysts and other stakeholders due to economic consequences. We are not aware of any such infringements having occurred in 2014.

ENSURING COMPLIANCE BY BUSINESS PARTNERS

In the same way that the BMW Group is committed to lawful and responsible conduct, it also expects no less from its business partners. In 2012, the BMW Group developed a new Business Relations Compliance programme aimed at ensuring the reliability of its business relations. Relevant business partners are checked and evaluated with a view to identifying potential compliance

risks. These procedures are particularly relevant for relations with sales partners and service providers such as agencies and consultants.

Depending on the results of the evaluation, appropriate measures – such as communication measures, training and possible monitoring – are implemented to manage compliance risks. The Business Relations Compliance programme has already been launched in 32 units (from a total of 70) since 2012 and will be rolled out successively over the coming years throughout the BMW Group's worldwide sales organisation. We will also continue in 2014 to include compliance clauses in dealer and importer contracts to protect contractual relationships.

FORECAST

In addition to rolling out the Business Relations Compliance programme in further units, the BMW Group plans to conduct three Compliance Spot Checks in the coming year as well as continuing to develop its online compliance training.



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Risk management

STRATEGIC DIRECTION

The BMW Group has a company-wide decentralised risk management system in place in order to identify, analyse and actively manage any risks within or outside the company that could endanger the achievement of our business objectives.

The BMW Group operates in a dynamic environment where it is constantly confronted with new opportunities and risks. Professional risk management is a fundamental prerequisite for being able to deal successfully with changes in prevailing political, legal, technical, social or economic conditions. In order to achieve growth, profitability, efficiency and sustainable levels of business in the future, the BMW Group deliberately exposes itself to certain risks.

Risk management at the BMW Group is based on a company-wide decentralised network, which is supervised by central risk management. The risk management process is geared towards meeting the criteria of effectiveness, usefulness and comprehensiveness. The design of the BMW Group risk management network is regularly checked against the internationally recognised COSO framework (COSO: Committee of Sponsoring Organiza-

tions of the Treadway Commission). Corporate Risk Management also works in close cooperation with the Compliance Committee, the internal control system and the Corporate Audit department. Integral components of the risk management process are identifying risks early on, comprehensive analysis and risk assessment, the coordinated deployment of appropriate control tools, and the monitoring and evaluation of measures taken.

Opportunities and risks in the area of sustainability are discussed by the Sustainability Circle. The strategic options and measures that result for the BMW Group are presented to the Sustainability Board. Risk aspects discussed are integrated into the Group-wide risk network. The close ties between the Risk Management and Sustainability Circles ensure that risk and sustainability management are closely coordinated.

DEALING WITH POLITICAL, SOCIAL AND GLOBAL ECONOMIC RISKS

As one of the world's leading providers of premium products and premium services, the BMW Group faces some major challenges. In many countries, individual mobility is subject to political regulations and national industrial policy. Changing values in society and fast-growing urbanisation call for new mobility solutions. At the same time, the ongoing sovereign debt crisis in the euro area and volatile economic conditions continue to unsettle markets and consumers. The slowdown of economic momentum in China, one of the BMW Group's main markets, poses further risks.

The escalation of political conflicts and terrorist activities as well as natural disasters or possible pandemics could all have a negative impact on the global economy and international capital markets. The BMW Group counters these risks primarily by internationalising its sales and production structures in order to reduce the potential impact of risk exposures in individual countries.



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TURNING STRATEGIC AND INDUSTRY-SPECIFIC RISKS INTO OPPORTUNITIES

The automotive industry worldwide is faced with increasingly strict requirements for reducing fuel consumption and emissions.

Government intervention into activities that have an impact on climate change is intensifying, the aim being to reduce air pollution in densely populated areas. Resulting regulatory changes (e.g. city tolls or CO₂-based taxes), trends in fuel prices as well as environmental influences and a higher degree of environmental awareness among the public all have an impact on customer behaviour. The BMW Group is facing these changes with our Efficient Dynamics strategy, which includes improving the efficiency of conventional drivetrains, future electrification of the drivetrain and e-mobility as well as mobility services. We are also working on solutions for sustainable mobility in densely populated areas. Our Efficient Dynamics strategy gives us an edge on the competition. These improvements result in tangible benefits for the customer, increasing the attractiveness of our products and strengthening the brand image of the BMW Group.

Continuing on our present growth course depends above all on our ability to develop innovative products and services and to bring them to market. With the introduction of the BMW i brand, new target groups are being addressed and the company is consolidating its reputation as a sustainable and future-oriented enterprise. The existing product portfolio in the area of mobility services was expanded through the rollout of DriveNow, ChargeNow and ParkNow > [see Chapter 3.5](#). The BMW Group is keeping close watch over the long-term trend towards greater sustainability, which opens up sales opportunities for sustainable products with possibly stronger pricing. With the introduction of new business models and the use of its growing partner network, the BMW Group is taking full advantage of these opportunities. This includes for example the implementation of the 360° ELECTRIC portfolio in the field of electromobility, a partnership

with Sixt SE for mobility services as well as a cooperation with Toyota in the field of hydrogen.

The market introduction of alternative drivetrain technologies means new challenges and additional investments are in store for the automotive industry. At the same time, the BMW Group views this development as a chance to put its engineering expertise and innovative strength to use. Issues such as greater fuel economy and the reduction of emissions are fundamental parameters that we automatically include when designing new products. The BMW Group generates carbon footprints for selected vehicles so that it can capture data on CO₂ emissions throughout the entire life cycle from the development stage.

AVOIDING ENVIRONMENTAL AND NATURAL RISKS

The BMW Group minimises its exposure to natural and environmental risks by implementing a number of technical and organisational measures. Particularly relevant in this respect are climatic changes as well as the increased incidence of environmental events such as flooding or hurricanes. Production interruptions and breakdowns pose risks that the BMW Group tries to circumvent by taking corresponding precautionary measures. Such measures are incorporated into the production and logistics structures at the initial planning stage to make provision for such eventualities, both in terms of likelihood of occurrence and loss impact. In addition to technical fire prevention, these measures include preventive maintenance, protecting company sites from potential risks such as flooding, spare parts management coordinated between plants as well as the planning of alternative transport routes.

To avoid negative ground impact and groundwater pollution, we develop appropriate preventive strategies and initiatives at our company sites. When choosing a new site for a facility, we analyse and take into account the effects of climate change in the region and the risk factors associated with it.



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We also use this information as a decision-making criterion when choosing suppliers. In order to identify and counteract any risks to our supply of parts and materials early on, we assess the extent to which supplier sites are exposed to natural hazards such as floods or earthquakes.

FOR MORE ON THE BMW GROUP'S RISK MANAGEMENT SYSTEM AS WELL AS OTHER RISK CATEGORIES, INCLUDING RISKS ARISING FROM OPERATIONAL AREAS (PRODUCTION, PURCHASING, SALES), LEGAL AND FINANCIAL RISKS, AND INFORMATION, DATA PROTECTION AND IT RISKS, SEE THE RISK REPORT IN THE 2014 COMBINED MANAGEMENT REPORT:

➤ www.bmwgroup.com

FORECAST

In order to achieve growth, profitability, efficiency and sustainable levels of business in the future, the BMW Group deliberately exposes itself to risks. In the future, both the world economy and our business processes are going to become even more complex. We must therefore further optimise the interplay between risk management, strategy and dialogue with external partners. Central offices of the BMW Group keep close watch over changes in the legal framework. We evaluate the resulting opportunities and risks to derive possible concrete measures or alternative implementation scenarios. We then present our proposals to the Board of Management for its decision.

ENSURING COMPREHENSIVE DATA PROTECTION

The BMW Group meets all data protection requirements when handling personal data from its customers, prospects, employees and business partners. The protection of information and data is an integral component of our business processes and is based on the International Security Standard. In the field of vehicle communication as well (Connected Drive), data security and prevention of misuse are a key concern.

We view data protection not only as the fulfilment of statutory requirements, but also as a way of promoting customer and employee trust in the BMW Group.

In 2014, the BMW Group successfully complete the validation process for the Binding Corporate Rules (BCR) scheme. The BCR guarantee a data protection standard that is to be upheld and maintained by BMWAG and all its subsidiaries. This ensures that in the BMW Group personal data is always handled at a uniformly high security level, regardless of whether the data are processed for example in Europe, Asia or America.

With the introduction of the BCR, the BMW Group established a Group-wide committee for ensuring a uniform level of data privacy worldwide. Personal data is only collected, processed or used if this is legally permissible, or with the consent of the interested party.

The board or management team in each BMW Group company is responsible for data protection at that company. Each group company has its own local Data Privacy Protection Officers.



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Human rights

STRATEGIC DIRECTION

The BMW Group is committed to respecting and observing human rights within its sphere of corporate influence and action. It models its conduct on the UN Guiding Principles on Business and Human Rights.

The BMW Group's philosophy and core principles include a commitment to respecting human rights within the company's sphere of influence and action. We consider it an integral part of sustainable management to fulfil this responsibility both within the company as well as along the value chain. As an international enterprise with highly complex supply chains, the BMW Group is exposed to increased risk of being confronted directly or indirectly with human rights violations. We therefore treat the protection of human rights as a top priority and require our business partners to do the same.

Assuming social responsibility is an integral part of the BMW Group's perception of itself as a business enterprise. In 2001 it was therefore one of the first German companies to sign the UN Global Compact. With the [Joint Declaration on Human Rights and Working Conditions at the BMW Group](#), the Board of Management together with employee representatives reconfirmed this commitment to respecting human rights.

ENSURING DUE DILIGENCE

Our due diligence process for human rights is modelled on the UN Guiding Principles on Business and Human Rights. We use these principles to critically reflect on our processes and to ensure the observance of human rights within the company and along the value chain throughout our sphere of action and influence. In particular, we require our employees to respect human rights and protect them in their daily actions. We also oblige our business partners to comply with human rights. One focus here is the integration of human rights aspects into the risk management process for suppliers.

We constantly monitor current developments in the international human rights debate and we analyse potential need for action to be taken by the BMW Group. In 2012, we performed a systematic analysis of the rights cited in the Universal Declaration of Human Rights with regard to their relevance and implications for different business units. Based on the results, we reviewed our strategic alignment and used what we learned to continuously develop our due diligence process for the company and in relation to our business partners. We regularly report on our progress to the Sustainability Circle and the Sustainability Board.

TRAINING EMPLOYEES

We educate our employees on the position taken by the BMW Group and on the specific requirements with regard to human rights in business operations. The topic is a fixed part of our sustainability training, which is



SUSTAINABLE CORPORATE MANAGEMENT

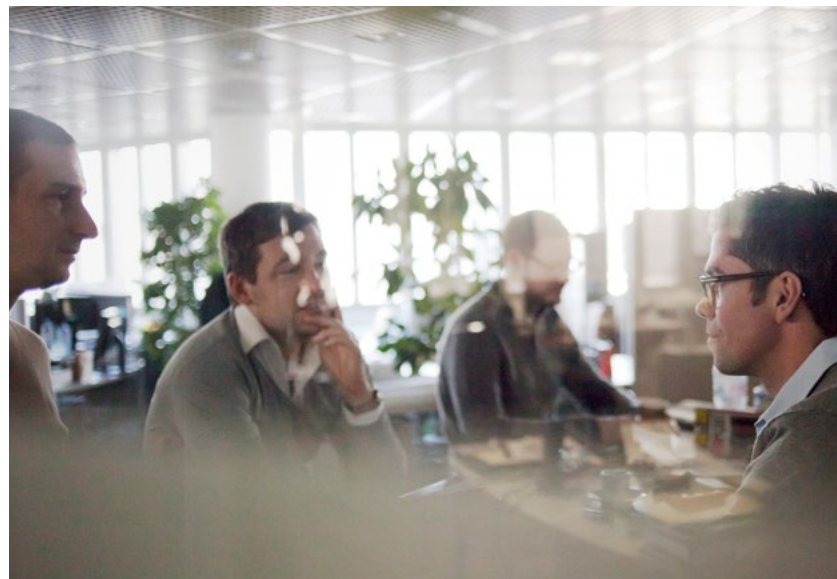
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RAISING AWARENESS OF IMPORTANT TOPICS —
Employee training at the BMW Group

aimed in particular at new employees and trainees, as well as our Web-based training on sustainability for all employees. Information and course materials are available online at all times for our managers and employees. The goal of the training is to raise employee awareness of human rights and the approach taken by the BMW Group and to inform them on what they have to be alert to in their daily actions and whom they can turn to for questions.

For purchasers and commodity managers, we offer a dialogue event on sustainability in the supply chain that also deals with the issue of human rights. In 2013, we achieved our Balanced Scorecard goal of training over 80% of our purchasers in sustainability. To maintain this level, we conducted further training courses in 2014 for new purchasers and those who had not yet received training, and will continue to do so in 2015. You can read more in the chapter on Supplier Management > [see Chapter 5](#).



CARRYING HUMAN RIGHTS A STEP FURTHER —
Getting business partners and suppliers on board

MAKING SURE PARTNERS HAVE HUMAN RIGHTS CLAUSES

The Board of Management of BMW AG is committed to consistently respecting human rights. We expect the same from our business partners and take this issue into consideration when making investment decisions.

Obliging business partners and suppliers to observe human rights

We expect our business partners to consistently observe human rights and see this as an important criterion for long-term business relations. The commitment to human rights is included in the General Terms and Conditions of Business and the international purchasing conditions of BMW AG. In practice it is ensured, among other things, with the help of our risk management process for suppliers > [see Chapter 5](#).

Starting in 2015, all dealership contracts in Europe as well as all contracts with importers worldwide will contain a binding human rights clause, including a requirement to comply with the core labour standards of the International Labour Organization (ILO). Our goal is to integrate this clause into all dealership contracts worldwide by 2016.



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By joining the UN Global Compact at the beginning of 2014, our joint venture BMW Brilliance Automotive Ltd. in China also explicitly committed to observing human rights.

Taking human rights criteria into account in investment decisions

Human rights requirements are part of our risk management process and are also taken into account in investment decisions and the choice of company sites. When subcontracting to local business partners for investment projects, we make sure they are committed to observing human rights.

In 2014, approximately 100% of the order volume for all our material investments in property, plant and equipment (including production equipment and buildings) were covered by human rights clauses.

ADDRESSING HUMAN RIGHTS VIOLATIONS

If employees have any questions regarding human rights, they can ask their line managers or the BMW Group Human Rights Contact helpline. Employees also have the opportunity to submit information about possible human rights violations within the company via the BMW Group SpeakUP Line – anonymously and confidentially. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via the Internet in 47 countries. The Human Rights Response Team, which includes one representative from the Works Council, handles the reports by employees and initiates measures as required to remedy possible violations. In 2014, no violations of human rights within the company were reported via internal channels. Two relevant reports were, however, received on possible violations in the supplier network. These were checked and could not be confirmed.

FORECAST

Together with internal process partners and in dialogue with external stakeholders, we will continue to develop our due diligence process further in 2015. We also plan to integrate a human rights clause into all dealership contracts not only in Europe but all over the world by 2016.



3



PRODUCT RESPONSIBILITY

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Read more at > www.bmwgroup.com



WASHINGTON D.C., USA

GEORGETOWN UNIVERSITY

Why is the BMW Group
focusing on electromobility?

BMW Group Student Dialogue, May 2014

3 — PRODUCT RESPONSIBILITY

PROGRESS IN 2014

REDUCTION IN CO₂ EMISSIONS

With our efficiency technologies and electric vehicles, we were able to reduce CO₂ emissions of our newly sold vehicles in Europe (EU-28) by 38% between 1995 and 2014.

FURTHER REDUCTION IN AVERAGE FUEL CONSUMPTION

Thanks to the introduction of efficient vehicles, we were able to reduce the average fuel consumption of our vehicle fleet once again.

EXPANSION OF CAR-SHARING

In 2014, we further expanded the number of users of DriveNow. And now the new roaming function allows German customers to use the service in other countries.

INDICATORS

CO₂ EMISSIONS OF BMW GROUP AUTOMOBILES (EU-28)



AVERAGE FUEL CONSUMPTION (EU-28)



NUMBER OF DRIVENOW USERS



2015+ FORECAST AND OBJECTIVES

PROMOTING SUSTAINABLE MOBILITY

In the coming years, we will continue to apply efficiency measures to conventional drivetrains, with a focus on reducing CO₂ emissions, and we will further develop drivetrain electrification. Another area of focus is the expansion of innovative mobility services.

DEVELOP NEW TECHNOLOGIES WITH EFFICIENT DYNAMICS

We aim to continue to reduce fuel consumption of our vehicles. With our EfficientDynamics Strategy, we will be exploring a diverse range of technological options to ensure that we can offer customised solutions for future requirements worldwide.

ELECTRIFY CAR-SHARING

In the coming years, we intend to further expand our car-sharing service both nationally and internationally, increasingly integrating electric cars.



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Our management approach

As a leading provider of premium products and services for individual mobility, the BMW Group takes a comprehensive approach to product responsibility and its implementation throughout the product life cycle. For us, sustainability starts with the development of fuel-efficient vehicles that are safe for drivers and other road users. Product responsibility also covers resource-efficient development and production processes as well as integrated and high-quality customer care. Recycling concepts ensure that our vehicles provide valuable raw materials after they reach the end of their life cycle. We are also developing intelligent services to shape the mobility of the future.

We strive every day to meet our customers' requirements, to comply with legislation and to retain our competitive edge. To achieve this we combine product innovation with the highest quality possible. Our management approach in this regard takes a broad, life-cycle-oriented perspective on product responsibility.

REDUCING EMISSIONS – PROMOTING MORE SUSTAINABLE MOBILITY

Governments are increasingly taking measures to combat climate change and reduce urban air pollution caused by hazardous substances. Worldwide, requirements are becoming more stringent to increase fuel efficiency of car fleets and to reduce vehicle emissions (e.g. particles, CO, HC, NO_x). 94% of the vehicles we sell are subject to corresponding regulations and legislation. For example, certain countries have introduced CO₂ taxes or limited vehicle registrations by placing restrictions on the number of plates issued. We are also aware that air quality in the cities presents a challenge for urban mobility in terms of NO_x and particles.

Customer behaviour is also affected by increasing regulation, fuel price trends, environmental impact and rising awareness of climate change. Low-emissions vehicles, alternative drivetrain systems as well as mobility services are becoming more and more important to our customers.

We are facing these changes with our Efficient Dynamics development strategy. First, this strategy aims to make vehicles with conventional petrol and diesel engines more efficient through engine optimisation, lightweight design, aerodynamics and energy management. The next step is then to tap into the new potential that electric vehicles generate in terms of sustainable mobility. BMW's philosophy includes implementing Efficient Dynamics not only in niche models, but also as a standard component in our high-volume vehicles. In this way, we can have a greater effect in terms of environmental protection > [see Chapter 3.2](#).

Our visionary BMW i electric vehicles are spearheading our long-term efforts to produce entirely emissions-free vehicles. BMW i also offers innovative services for individual mobility > [see Chapter 3.5](#) and represents a new understanding of the "premium" concept, defined chiefly in terms of sustainability.





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TAKING A BROADER VIEW OF PRODUCT RESPONSIBILITY

Our product responsibility is, however, not limited to producing eco-friendly vehicles. As a provider of premium products and premium services for individual mobility, safety is fundamental to our sense of product responsibility. This goes for our customers' safety as well as the safety of other road users. Through active safety features we try to prevent accidents, and we use passive safety systems to mitigate their effects > [see Chapter 3.3](#).

Other elements in our approach to product responsibility are increasing resource efficiency in the supply chain > [see Chapter 5](#), resource-efficient production > [see Chapter 4](#) and high recycling and reuse standards that make the materials cycle as complete as possible > [see Chapter 3.4](#).

Finally, we aim for a high degree of customer satisfaction. We conduct studies and customer interviews and constantly analyse customer feedback to find out how we can improve even further from our customers' perspective > [see Chapter 3.6](#).

ENSURING SUSTAINABILITY THROUGHOUT THE VEHICLE LIFE CYCLE

A large part of the environmental and social impact caused by a vehicle throughout its life cycle is determined during the initial development stage. Some of the main influencing factors are material selection, production technologies, supplier selection, engine type, as well as the recyclability of the vehicle's components.

For us, high sustainability levels have the same significance as, for example, cost or weight criteria in the development process of the vehicle. This is based on an integrated accounting method that assesses the environmental, economic and social impact of our products throughout their life cycle. The method includes, for example, data from the purchasers' sustainability risk filter > [see Chapter 5](#) as well as a business assessment > [see Chapter 2](#).

We use Life Cycle Engineering to increasingly integrate environmental aspects into the design and development of our products. With regard to existing vehicles, we aim to achieve a significant improvement in environmental impact from one vehicle generation to the next. The checks and balances for this process are oriented towards ambitious targets, and we apply the Life Cycle Assessment in accordance with ISO 14040/44 to evaluate the progress made in the development process.

Life Cycle Engineering was used in the development of the [BMW i8](#) as well as in the [BMW i3](#) before it. The result of the Life Cycle Assessment in accordance with ISO 14040/44 for the [BMW i8](#) series vehicle as well as for the [BMW i3](#) was certified externally by the German automobile certification body TÜV SÜD. Life Cycle Engineering is also carried out on BMW Group vehicles with combustion engines.

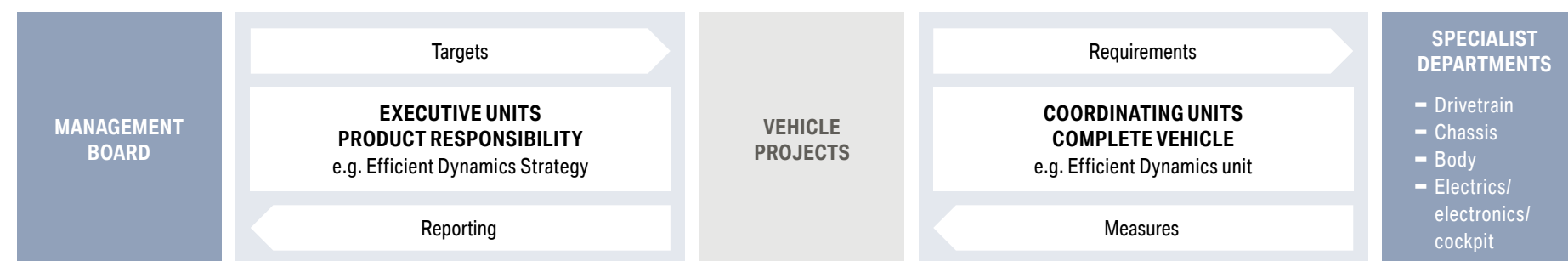


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F.15 Product responsibility in BMW Group vehicle projects



MANAGING PRODUCT RESPONSIBILITY WITHIN THE COMPANY

The above-mentioned aspects of product responsibility are an integral part of the target systems and organisational processes of our vehicle development > [see Figure 15](#).

One important example is the management process we use to achieve global CO₂ vehicle fleet targets. This process entails the BMW Group defining specific CO₂ targets for each product line and each new vehicle project. A department within the Strategy unit is responsible for monitoring and further developing these targets. The Complete Vehicle Architecture unit coordinates the development and implementation of fuel-saving technologies in the individual vehicle projects. This ensures that the market-specific fleet requirements are taken into consideration in the very early stages of vehicle project development and are subject to Efficient Dynamics measures during the development process.

FORECAST

In the coming years, we will continue to apply efficiency measures to conventional drivetrains, with a focus on reducing CO₂ emissions, and we will further develop drivetrain electrification in hybrid (HEV), plug-in hybrid (PHEV) and fully electric (BEV) vehicles. Another focus of our work will be on expanding innovative mobility services.

We have set ourselves ambitious targets in this area. By 2020, we plan to have reduced CO₂ emissions in the European new vehicle fleet (EU-28) by at least 50% compared to the base year 1995.

After the successful introduction of the battery-powered BMW i3 and the plug-in hybrid BMW i8, the BMW X5 plug-in hybrid with eDrive technology will follow in 2015.



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Efficient mobility

STRATEGIC DIRECTION

The BMW Group will have reduced CO₂ emissions of the European new vehicle fleet (EU-28) by at least 50% by 2020 (base year 1995).

By 2020, the BMW Group will be the leader in taking a holistic approach to premium electromobility.

The BMW Group is getting closer and closer to its vision of sustainable mobility. We use innovative efficiency technologies in all vehicle models. In addition, we are adding electrically powered cars to our model range. In view of climate change and scarce resources, we want to further reduce the CO₂ emissions of our vehicles.

The automotive industry is also facing new challenges worldwide due to intensified emissions legislation for vehicles. 94% of the vehicles we sell are subject to corresponding legislation. As early as 2000, even before regulations were passed, the BMW Group was already setting the course for reducing fuel consumption and emissions. By 2020, we will reduce the CO₂ emissions of our vehicle fleet by 50% compared to the base year 1995.

REDUCING CO₂ EMISSIONS – OUR EFFICIENT DYNAMICS STRATEGY

Based on our Efficient Dynamics development strategy, the BMW Group reduces the energy requirements of every vehicle through intelligent lightweight construction, innovations in energy management and consistently optimised aerodynamics. Furthermore, the efficiency technologies are constantly being expanded and further developed.

At the same time, we are successively offering more electrified drivetrains based on the BMW i drive technologies, including for models of the core BMW brand. After the successful introduction of the battery-driven electric model (BEV) [BMW i3](#) and the plug-in hybrid (PHEV) [BMW i8](#), the [BMW X5](#) plug-in hybrid with eDrive technology will be launched in 2015.

Between 1995 and 2014, we were able to reduce CO₂ emissions of our newly sold vehicles in Europe (EU-28) by over 38% > [see Figure 16](#). Average fuel consumption in 2014 was 6.0 litres of petrol per 100 kilometres or 4.9 litres of diesel per 100 kilometres. In Europe (EU-28), average CO₂ emissions were 130 g of CO₂/km.

At the end of 2014, 53 of our models had maximum CO₂ emissions of 120 g/km. This means that we have similar fuel consumption and CO₂ emissions to a number of other large carmakers in Europe.

The average fleet CO₂ emissions per kilometre worldwide decreased in 2014 by 4.4% to 152 g of CO₂/km (2013: 159 g of CO₂/km). Average CO₂ emissions in the USA were 168 g of CO₂/km and 176 g of CO₂/km in China. The regional differences in fleet consumption result from differences in customer purchasing patterns.



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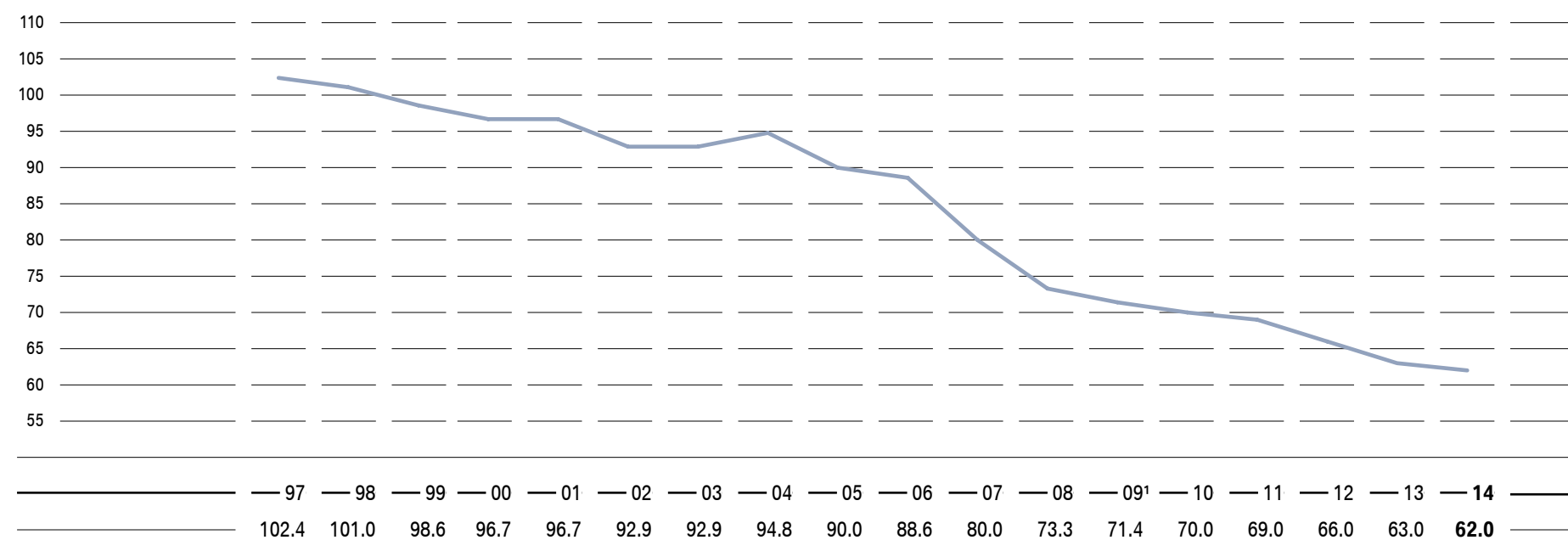
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F.16 Development of CO₂ emissions of BMW Group cars in Europe

(Index: 1995 = 100; Basis: Fleet consumption of newly registered cars in Europe [EU-15] measured on the basis of the New European Driving Cycle in accordance with the ACEA self-commitment)



¹ Measured only on EU-27 basis from 2009 onwards and on EU-28 basis from 2014 onwards.

SAVING FUEL IN SERIES MODELS THROUGH EFFICIENCY TECHNOLOGIES

Our range of efficiency technologies represent the first and currently most effective components in emissions reduction. These include efficient engines, optimised aerodynamics, intelligent energy management, light-weight design, forward-looking drive control, the Auto Start Stop function, brake energy regeneration, tyres with reduced rolling resistance or air flap control. These are not optional extras for niche or special models but have been standard in every new vehicle since March 2007.

For example, driving in ECO PRO mode will reduce fuel consumption by up to 15% depending on the individual's driving behaviour. As soon as ECO PRO mode is activated, it optimises the drivetrain systems management as well as the heating and air-conditioning functions to ensure maximum efficiency. ECO PRO mode also gives the driver specific hints on how to drive more efficiently, for example by displaying the most efficient gear to drive in for each

driving situation. In addition, vehicles with automatic transmission can cruise at between 50 and 160 km/h: as soon as the driver releases the gas pedal, the drivetrain is decoupled and the vehicle is controlled by rolling and wind resistance exclusively, thus running at minimum consumption. The Proactive Driving Assistant uses data from the navigation system to tell the driver about speed limits, tight bends and roundabouts or turns ahead, and gives tips on the most efficient way to drive.



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NAVIGATION SYSTEM IN PRACTICE — BMW ConnectedDrive

To complement our efficiency technologies, BMW ConnectedDrive uses the BMW navigation systems to map out the traffic situation on main roads almost in real time. This enables the driver to avoid congested areas and save on fuel.

BMW ConnectedDrive is a package of intelligent technologies that interconnect the driver, vehicle occupants, the vehicle itself and the environment. The system is based on the two pillars of driver assistance systems (comfort and safety functions) and services (infotainment and mobility products).

As well as reducing the carbon emissions of our cars, we are constantly working to bring down other emissions. We are playing a pioneering role in meeting the Euro 6 standards, which call for a significant reduction in nitrogen oxide (NO_x) levels, in particular for diesel vehicles. Thanks to BMW BluePerformance technology, since 2008 customers in some markets can choose from a large range of models with particularly clean diesel engines that comply with Euro 6 standards or other strict regulations that apply outside the EU.



PLUG-IN HYBRIDS — BMW X5 xDrive40e

LEVERAGING FURTHER POTENTIAL WITH HYBRID DRIVETRAINS

The electrification of the drivetrain by way of various hybrid solutions is another vital component of our Efficient Dynamics strategy. This enables us to realise further fuel-saving potential.

Since autumn 2012, the BMW Group has been marketing the models [BMW ActiveHybrid 3](#), [BMW ActiveHybrid 5](#) and [BMW ActiveHybrid 7](#). In 2014, we introduced the plug-in hybrid [BMW i8](#), with an electric range of approximately 37 kilometres and CO₂ levels of 49 g/km in the EU cycle.

In 2015 and 2016, further plug-in hybrids will be added to our portfolio. Plug-in hybrid models use up to 50% less fuel than their combustion-powered equivalents.



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F.17 Fuel consumption and CO₂ emissions of the most efficient and best-selling models in 2014¹

	l/100 km Manual transmission (combined)	l/100 km Automatic transmission (combined)	g CO ₂ /km Manual transmission	g CO ₂ /km Automatic transmission	kWh/100 km
Most efficient models worldwide					
MINI One D	3.4–3.5	–	89–92	–	–
MINI Cooper D	3.5–3.6	3.7–3.8	92–95	98–99	–
BMW i8	–	2.1	–	49	11.9 ²
BMW i3 (with range extender)	–	0 (0.6)	–	0 (13)	12.9 (13.5) ³
Best-selling models in Germany					
BMW 116i	5.4–5.6	5.6–5.8	125–131	129–134	–
BMW 320d Touring	4.7–4.8	4.7	124–125	123–124	–
Best-selling models in EU-28					
BMW X3 xDrive20d	5.2–5.6	5.0–5.4	136–146	131–141	–
BMW X1 sDrive18d	4.9	5.0	128	132	–

As at December 2014. Further, regularly updated information on the vehicles referred to in this publication can be found at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

¹ Fuel consumption is determined in accordance with the ECE driving cycle.

² Combined electricity consumption (in addition fuel consumption).

³ Average total energy consumption.

ZERO-EMISSIONS LOCAL DRIVING WITH ELECTRIC DRIVETRAINS

An important component of our Efficient Dynamics Strategy are our electromobility activities. On the basis of these activities we introduced the BMW i brand in 2013 and are successively implementing electromobility in our core brand models.

Since 2007, our project i has been developing completely new concepts for individual mobility as well as vehicle architecture and production that integrate sustainable solutions in an even more innovative fashion along the entire value chain.

The resulting models of the BMW i sub-brand do not simply replace the combustion engine with an electric

one or add an electric engine (conversion approach). What we did from the very beginning was to plan new and independent vehicle concepts (purpose-built approach) in order to exploit the full potential of the new drivetrain technology and make it practicable for customers. This includes intelligent lightweight design – using carbon-fibre-reinforced plastic (CFRP) and a host of new, more environmentally friendly materials and highly resource-efficient production. The result is visionary vehicles that represent an ideal balance between vehicle weight, range and driving enjoyment. BMW i is thus creating the basis for a substantial reduction in CO₂ emissions > [see Figure 17](#).



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CHARGING ELECTRIC VEHICLES — Solar carport concept from DesignworksUSA

Charging electric vehicles with renewable energy

An electric car can only reach its full potential when it runs on electricity that is as carbon-neutral as possible. We estimate that around three-quarters of all electric vehicle owners in Germany recharge their vehicles at home from renewable energy sources.

BMW i customers can benefit in this regard from the BMW Group's strategic partnership with Naturstrom AG. This gives BMW i customers the option of purchasing a suitable renewable electricity package for charging their electric vehicles. We also have a partnership with Solarwatt, a company that manufactures solar modules for surfaces like carports and house roofs. This allows customers themselves to produce green power to recharge their **BMW i3** or **BMW i8** in their own homes. In other international markets, for example in France, the UK, the Netherlands and the USA, we offer our BMW i customers similar solutions with local partners. Further markets will follow in 2015.

Getting around town on electric scooters

In 2014, we launched our electric scooter. The fully electrically powered scooter has 47.5 hp and a range of 100 km. It has been designed as a commuting vehicle

expressly for travel between the outskirts and the city centre. The main focus here is on two requirements: firstly, that performance is comparable to that of a combustion-powered maxi-scooter, and secondly that it has a high range in practice.

Increasing range with hydrogen and fuel cells

As an alternative to developing purely electric drivetrains, we are also doing research into hydrogen and fuel cell technology as further solutions for local emissions-free driving with a greater range. Hydrogen is used here as an energy source that is converted by the fuel cell into electricity and water.

The BMW Group is collaborating with the Toyota Motor Corporation (TMC) in this field. Together, we aim to develop series-ready components by 2020. The partnership is working on tank technologies, fuel cells, an electric engine and a battery, among other things. Both companies are also cooperating on the development of technologies for producing lightweight bodies.

FORECAST

We will continue to offer innovative solutions for the diverse mobility needs of our customers. We are deliberately focusing our efforts on building a broad technology base so that in the coming years we can offer tailored solutions worldwide for wide-ranging individual mobility needs. We will also expand our range of vehicles that meet the Euro 6 standard.



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AWARD-WINNING SOLUTIONS FOR SUSTAINABLE MOBILITY

We have received several awards for our technological solutions for sustainable mobility, some of which are listed below:

– **2014 WORLD CAR AWARDS:**

First place for the BMW i3 in the category “World Green Car” and “World Car Design of the Year”.

– **AUTOMOTIVE INTERIORS EXPO 2014 AWARDS,**

AUTOMOTIVE INTERIORS EXPO:

First place for the BMW i3 in the category “Production Interior Vehicle Design of the Year”.

– **AUTO TROPHY 2014,**

AUTO ZEITUNG: First place for the BMW i8 in the categories “Beste Neuerscheinung” (best new launch) and “Bestes Elektro-/Hybridauto” (best electric/hybrid vehicle).

– **BEST CARS 2014,**

AUTO, MOTOR UND SPORT: First place for the BMW i3 in the category “Kleinwagen” (compact car).

– **DAS GOLDENE KLASSIK-LENKRAD 2014,**

AUTO BILD KLASSIK: First place for the BMW i8 in the category “Sportwagen und Coupés” (sports cars and coupés).

– **DESIGN TROPHY 2014,**

AUTO ZEITUNG: First place for the BMW i3 in the category “Kleinwagen/City Cars” (compact cars/city cars), first place for the BMW i8 in the category “Sportwagen” (sports cars).

– **GERMAN DESIGN AWARD 2014,**

GERMAN DESIGN COUNCIL: First place for the BMW i3 in the category “Transportation and Public Space”.

– **GREEN CAR OF THE YEAR AWARD 2015,**

GREEN CAR JOURNAL: First place for the BMW i3.

– **GREEN MOBILITY TROPHY 2014,**

AUTO ZEITUNG: First place for the BMW i3 in the categories “Bestes Elektroauto” (best electric car) and “Bestes Leichtbauauto” (best lightweight car), first place for the BMW i8 in the category “Bestes Hybridauto” (best hybrid car).

– **IF PRODUCT DESIGN AWARD, 2014,**

IF INDUSTRIE FORUM DESIGN E.V.: “iF gold product design award” for the BMW i3.

– **INTERNET AUTO AWARD 2014,**

AUTOSCOOUT24 MAGAZIN: First place for the BMW i8 in the category “Elektrofahrzeuge” (electric vehicles).

– **INTERNATIONAL PAUL PIETSCH AWARD 2014,**

AUTO, MOTOR UND SPORT: First place for the BMW i3.

– **RED DOT DESIGN AWARD 2014,**

DESIGN ZENTRUM NORDRHEIN WESTFALEN: BMW i3 in the “Best of Best” category.

– **SCHWEIZER AUTO DES JAHRES 2015,**

SCHWEIZER ILLUSTRIERTE: First place for the BMW i8 in the category “Das Lieblingsauto der Schweizer” (Switzerland’s favourite car).

– **TOP GEAR MAGAZINE’S CAR OF THE YEAR, 2014,**

TOP GEAR UK: First place for the BMW i8.

– **TROPHÉES DE L’ARGUS 2014,**

L’ARGUS FRANCE: First place for the BMW i3 in the category “Voiture Écologique” (green car).



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Product safety

STRATEGIC DIRECTION

The BMW Group protects its customers and other road users from injury by creating networks of active and passive safety systems.

As a provider of premium products and premium services for individual mobility, safety is fundamental to our sense of product responsibility. This goes for our customers' safety as well as that of other road users. We take an integrated approach to mastering this challenge, which encompasses not only passive and active safety systems, but also aspects such as product information, safety training, the avoidance of potentially critical materials as well as minimising emissions in the vehicle interior.

In addition to new legislation on the reduction of fuel consumption and emissions, carmakers are also facing increasingly stringent safety regulations. These include criteria for testing active and passive vehicle safety. This changes the requirements placed on vehicles, and new safety technologies have to be developed as a result.

For more than 30 years, we have been carrying out systematic research into the causes of accidents and developing technologies and strategies to improve the safety of all road users. We take an integrated approach to this task, which means we analyse the entire process chain, from accident prevention to post-crash applications. Based on these analyses, we integrate active safety features into all vehicles to try to prevent accidents from happening in the first place, and apply passive safety features to mitigate their consequences.

In addition, the BMW Group is working with partners from the industry and research in order to develop a method of evaluating primarily active safety in a real-life environment.

Preventing accidents through active and passive safety systems

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

One of the main ways we increase safety is through driver assistance systems, which are now being increasingly integrated into our model ranges. They play an important role in making driving safer by providing a second set of eyes to observe what is happening on the road in order to warn and support the driver.

One example of this is the warning system with city braking – a driver assistance system that uses camera images to analyse the urban traffic situation and warn the driver of potential collisions with pedestrians. The system received the Euro NCAP Advanced Award in 2014. As well as for other models, it can also be ordered for the [BMW i3](#), [MINI Cooper](#) and BMW 2 series Active Tourer and should be available for all of our vehicles in the future.

The traffic jam assistant is another support function: in long and monotonous driving situations, for example in traffic congestion, the vehicle helps to keep the car



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INNOVATIVE SAFETY TECHNOLOGIES IN MOTORCYCLES —
The new BMW R 1200 R with standard ABS and automatic stability control

longitudinally and laterally positioned in the lane, easing the strain on the driver.

A number of other passive safety systems in our vehicles also protect the health and safety of road users and save lives on a daily basis. These include energy-absorbing crumple zones, safe passenger cells, restraint systems and air bags.

Setting safety standards with BMW motorcycles

BMW Motorcycles has firmly established safety as part of its corporate strategy and has developed the integrated Sicherheit 360° (Safety 360°) concept. The concept is based on three complementary modules: innovative safety technologies in the motorcycle, high-quality, functional driver apparel, and training courses for every driving level and every terrain.

Since 2013, all BMW Motorcycle models are equipped with ABS as a standard component. The company is acting early to implement ABS in motorcycles. This will become mandatory in the euro area from 2016 onwards. According to EU law, all newly registered motorcycles above 125 ccm must be equipped with ABS from 2016 and all newly homologated motorcycles must have this

feature from 2017. In addition, our range of safety technology products is undergoing rapid expansion, for example through innovations in chassis control systems and lighting technology.

Guaranteeing product and service information for customers

Information on the safety of our vehicles and on protecting the health and safety of our customers can be found in the in-vehicle operating manuals, in printed form or as an app, and they are also available on the Internet. This is complemented by vehicle labelling and additional background information on service, accessories, components and BMW ConnectedRide.

The BMW Group is obliged by the applicable legislation to inform customers about the proper use of its products and services as well as any potential risks and hazards. In the European Union, for example, we report on the fuel economy of our vehicles based on the NEDC (New European Driving Cycle). We also publish information on fuel consumption and CO₂ emissions for each vehicle model on the websites of the individual brands.

Training courses in safe driving

Since 1977, the BMW Group has also been offering training courses in driving safety in order to help protect road users. Today, we offer some 50 different training courses in 30 countries worldwide for BMW and MINI cars and BMW motorcycles. BMW is the first manufacturer of premium automobiles to offer a training course with an electric vehicle – the **BMW i3** eDrive Experience. Drivers learn about the special product features and receive comprehensive safety training. In the year 2014, more than 25,000 participants in driving safety courses learned how to identify critical driving situations and respond properly, and how to avoid such situations in the first place if possible. Over the next few years, these professional Driving Experience courses will be made available in further markets as part of our internationalisation strategy, so that an even greater number of participants can benefit from them.



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Using safe materials

In the early development phase, we evaluate the potential materials to be used in a product or process to determine their risk potential and eliminate any problematic materials from the outset. This ensures that all legislation with regard to product safety, health and the environment is complied with worldwide for every phase of the vehicle life cycle (from development to utilisation, and right through to the recycling stage).

We apply our high BMW Group standards to all current and future supply materials. Material mixes are analysed, evaluated and after approval stored in a dedicated BMW database. As well as all series parts, all auxiliary production substances and process materials such as paint and adhesives also undergo rigorous qualification processes that eliminate undesirable materials and specify measures to be taken in the area of occupational health and safety and environmental protection.

Avoiding emissions inside the vehicle

Due to our internal commitment to Responsible Care, the BMW Group has been collaborating with independent toxicologists since the 1990s in order to ensure that the targets set by the experts are met in all new vehicles.

By consistently avoiding the integration of substances that people may be sensitive or allergic to into vehicle components, the risk of an allergic reaction within the vehicle interior is reduced to a minimum. The use of special interior air filters also significantly reduces the introduction of allergenic substances such as pollen from the air outside into the vehicle.

FORECAST

In the coming years, we want to further strengthen both active and passive safety features. We will focus here on the consistent introduction of warning and emergency brake systems for all vehicle categories.

We are also expanding our competencies in the areas of technologies and methodology. This is in line with our vision of creating highly automated driving experiences. It will enable us to offer a range of modern driver assistance systems and to come another step closer to the ideal of accident-free mobility.

OUTSTANDING VEHICLE SAFETY

We have received numerous awards for the safety of our vehicles, including:

- **BMW 2 Series Active Tourer** – Euro NCAP 5 Stars
- **BMW 2 Series** – Top Safety Pick+, July 2014 (AEB Advanced)
- **BMW X5** – IIHS Test AEB Superior, March 2014
- **BMW 3 Series** – IIHS Test AEB Advanced, March 2014
- **BMW 5 Series** – IIHS Test AEB Superior, April 2014
- **BMW X3** – IIHS AEB Basic award
- **MINI** – US NCAP 4 Stars June 2014, China NCAP 5 Stars November 2014
- BMW China Services Ltd. received the United Nations 2014 China Auto Safety Achievements Contribution Award as part of the United Nations Decade of Action for Road Safety and the UK's Global New Car Assessment Programme (NCAP)



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Resource efficiency and recycling management

STRATEGIC DIRECTION

The BMW Group integrates sustainability throughout the entire life cycle of its vehicles. It completes materials cycles in order to grow the business in spite of scarce resources.

Intelligent design and the use of secondary and renewable raw materials enable us to minimise our consumption of valuable resources. When optimising our recycling structures, we are now preparing for increasing volumes of electric vehicles in the future.

Resource efficiency and life cycle management are the main pillars of our sustainability agenda. There are two good reasons for this. Firstly, we see global scarcity of resources (e.g. food, water, land, energy and raw materials) as a risk to economic and political stability.

And secondly, efficient use of resources also gives us a direct competitive advantage. For example, it helps reduce dependencies on external suppliers and thus mitigate the negative effects of price fluctuations and supply bottlenecks. This means we have a vital business-based interest in resource efficiency above and beyond simply

complying with legislation such as the end-of-life vehicles directive.

USING RAW MATERIALS AND RESOURCES INTELLIGENTLY

For us, intelligent use of raw materials and resources begins long before the time comes to dispose of them. In the initial development and architecture phase, we already design our vehicles and processes with a view to minimising the use of valuable resources.

Making recycling part of the process from the outset

In the early stages of vehicle development, the decisions our designers and engineers make, including the materials and components they select, will determine the reusability of our vehicles decades into the future. In line with our Design for Recycling principle, we create our vehicles in such a way that their components can largely be reused or recycled efficiently once the vehicle reaches the end of its life cycle.

Reducing use of rare earths

How we use rare earths can contribute towards reducing fuel consumption, for example by increasing the efficiency of electrical systems.

When employing these valuable raw materials, a careful balance is drawn between weight, function and costs. The further development of magnetic materials by BMW's materials developers led to a considerable reduction in the use of rare earths, without any negative functional impact. For other components, too, it has been possible to find alternatives to rare earth elements which may become scarce.

End-of-life vehicle recovery and recycling

Established recovery systems for end-of-life vehicles, components and materials ensure that they are reintegrated into the raw materials cycle. So we do not consider end-of-life vehicles as waste to be disposed of, but rather as a secondary source of raw materials. We recycle 95% of materials in our current vehicle models.



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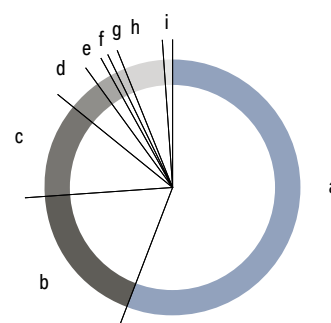
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F.18 Average distribution of materials in BMW Group vehicles¹

in %



a) Steel and iron	56	f) Textile	1
b) Non-ferrous metals	18	g) M.O.N. ³	1
c) Thermoplastic resins	12	h) Other	5
d) Elastomers ²	4	i) Operating fluids	1
e) Duromers	2		

¹ Calculation of representative vehicles includes: BMW 1 Series, BMW 3 Series, BMW 5 Series, BMW 7 Series, BMW X1, BMW X5, MINI Hatchback, MINI Countryman, RR, i3, i8.

² Such as tyres and seals.

³ Modified organic natural materials.

Steel and iron still make up the largest proportion by weight of materials used in BMW Group vehicles. The percentage share of each material is not comparable with the figures for 2013 due to a refinement of the calculation method. Weighting of the representative vehicles by number of units began this year. We also increased the number of representative vehicles, e.g. by adding MINI and BMW i models. The influence of materials used in Project i is not yet measurable due to the small number of units produced so far.

In the early 1990s – long before the legislation came into effect – the BMW Group began to build an extensive network within the European Union for the recovery and recycling of end-of-life vehicles (ELV). Each BMW Group ELV that is returned complete within this network is recycled at no charge to the last owner. In cooperation with its national sales companies, the BMW Group has installed recovery systems for end-of-life vehicles in 30 countries so far, offering vehicle owners environmentally friendly recycling and disposal at dedicated recovery centres. Our European dealerships are contractually obligated to meet the BMW Old Parts Recycling Retail Standard.

Our global system for returning used components is helping us to protect resources and make more efficient use of raw materials.

In 2015, the legally required recycling rate for end-of-life vehicles, components and materials will be raised to 85% reuse and recycling of materials and 95% overall recovery. We laid the groundwork for this early on: all vehicles brought to market since 2008 already meet the requirements set for 2015.

New drivetrain concepts, new challenges

The incremental introduction of new drivetrains and the modified vehicle concepts that result are presenting new challenges in terms of how we use resources. One example is the increased use of components made of innovative, lightweight carbon-fibre-reinforced plastic (CFRP). This is the material used in the passenger compartments of the **BMW i3** and **BMW i8**. BMW also plans to use CFRP in other models.

CFRP could potentially also be used in mats, rear window shelves, pillar trims, etc.

At our recycling and dismantling centre, we continuously test recycling concepts for new vehicle components that are used in hybrid models and electric vehicles. Batteries from hybrid and electric vehicles can either be integrated into existing recycling networks or used in 2nd Life applications.

Using secondary and renewable raw materials

Secondary raw materials are finding more and more applications in our vehicles. Up to 20% of the thermoplastic materials in our automobiles are already made from recyclates. One example is the substrate used for the centre console and the door armrest. By increasing the use of recyclates in our vehicles, we need less crude oil for the manufacture of polymer materials. This saves energy and resources.



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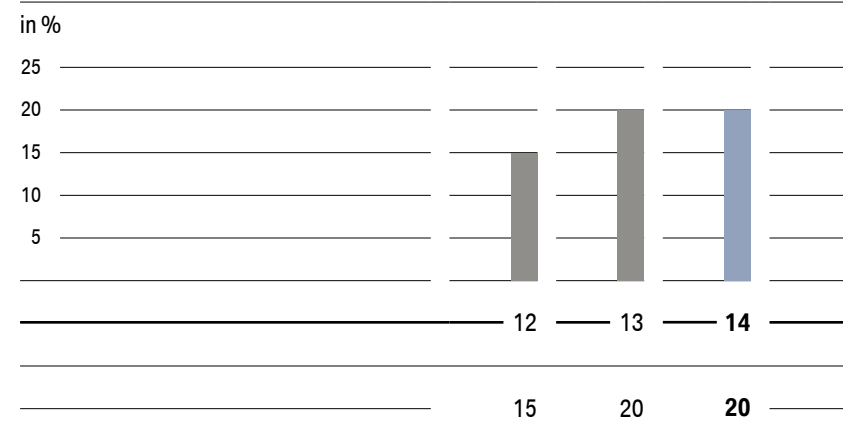
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Wherever it makes technical, business and environmental sense and is socially acceptable, we replace artificial primary materials with natural, renewable materials. The focus here is on naturally cured leather for the vehicle interior and biopolymers in technical areas. Alternative natural fibre materials are also used as a substitute for the plastics used in the past. Examples of this are the wool used in seat upholstery, flax, kenaf and sisal fibres in substrate materials for door panels and rear window shelves as well as wood fibre in seat recliner coverings.

Example: renewable materials and recyclates in the BMW i3

The interior of the **BMW i3** offers door and instrument panels based on a natural fibre structure, naturally cured leather and open-pored eucalyptus wood from 100% FSC®-certified forestry. Up to 25% of the thermoplastic material in the **BMW i3** has been substituted by renewable materials and recyclates. High-quality PET recycle is used for the polyester materials of the seat covers.

F.19 Share of plastic recyclates in vehicles¹



¹ Recyclate share in thermoplastic materials. The vehicle with the highest share of recyclates is shown.

FORECAST

In the coming years, we want to further improve our resource efficiency and increasingly complete our material cycles.

We are also looking into innovative solutions for the reuse of old batteries from electric cars. The aim is to extend as far as possible the life cycle of lithium-ion batteries developed specifically for use in the **BMW i3. To achieve this, we are developing a number of concepts for reusing batteries after they have been removed from the vehicle. Used batteries can be employed, for example, as stationary energy storage units. This allows them to help optimise use of renewable energy or reliable energy supply to buildings.**

A recycling and dismantling centre modelled on the centre in Munich (Germany) will be opened in Shenyang (China) in early 2016.





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Future mobility

STRATEGIC DIRECTION

The BMW Group will have permanently changed mobility patterns in selected metropolitan areas by 2020 by introducing integrated mobility services.

The company will be the leading supplier of premium products and premium services for individual mobility.

We want to shape tomorrow's mobility. With this in mind, the BMW Group has introduced the BMW i brand, offering visionary vehicles and providing innovative services for individual mobility. BMW i represents a new understanding of the "premium" concept, defined chiefly in terms of sustainability.

The BMW Group today faces the challenge of recognising changing global mobility trends early on and meeting them successfully. Several questions need to be addressed in this regard: What is the future of individual mobility in cities with increasingly dense populations? What concepts are needed in order to make mobility climate-friendly and easy on resources?



SHAPING THE MOBILITY OF THE FUTURE — Focus on digitalisation

The BMW Group aims to make the entire value chain of future mobility as sustainable as possible. Environmental sustainability is a focus here, along with social impact and economic viability. The challenges of urban mobility in particular demand change – not only in terms of the vehicles offered on the market but also with regard to brand-new mobility services.

DEVELOPING AND IMPLEMENTING SUSTAINABLE MOBILITY SERVICES

BMW i offers innovative services that enhance urban mobility – both with and without a car. In our efforts to help shape the cities of the future, we provide intelligent and integrated services for existing and new customers.

For example, we focus on mobility services in the areas of car-sharing (e.g. DriveNow), finding parking (e.g. ParkNow), recharging (e.g. ChargeNow) and mobility for business customers (e.g. AlphaCity). We also carry out continuous research into mobility concepts for the future.

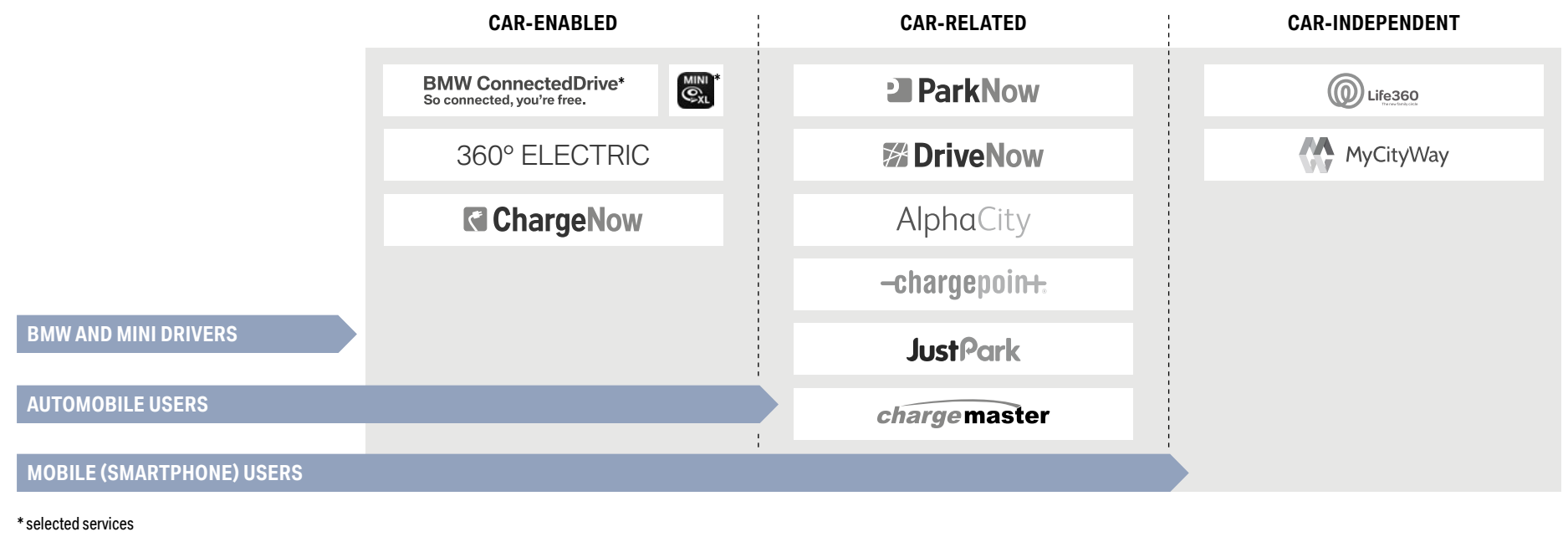


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F.20 Innovative mobility services



BMW i offers the following mobility services:

Premium car-sharing with DriveNow

In 2011, the BMW Group and Sixt SE launched their joint venture car-sharing service DriveNow. It is the first car-sharing concept to build exclusively on efficient premium automobiles and comprehensive service. Cars can be rented immediately and spontaneously anywhere within the defined urban area. When they are finished with the DriveNow vehicle, customers can simply leave them at any public parking space. We are also integrating electric vehicles into the DriveNow concept in order to give customers easy access to emissions-free mobility.

So far, DriveNow is available in Munich, Berlin, Düsseldorf, Cologne, Hamburg, Vienna, London and San Francisco. In October 2014, we introduced a roaming function which allows DriveNow customers who are already registered in Germany to use our car-sharing service abroad, too.

By 31 December 2014, DriveNow had more than 360,000 customers in Germany and over 390,000 worldwide.

FURTHER INFORMATION:

➤ www.drive-now.com



CAR-SHARING AT VIENNA AIRPORT — DriveNow



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Car-sharing for business customers with AlphaCity

With the innovative car-sharing product AlphaCity, companies can offer their employees an additional alternative to other modes of transport, for either business or private use. While DriveNow is specifically aimed at private customers, AlphaCity is a sustainable solution for businesses and their employees. As the vehicles can be used by a number of employees, the company benefits from the opportunity to reduce the size of its vehicle fleet and thus to save on costs. For employees, AlphaCity is an attractive additional perk as they can use the vehicles outside office hours and at the weekend at very reasonable conditions.

AlphaCity is currently available in nine countries: Germany, Austria, France, the Netherlands, England, Denmark, Belgium, Spain and Italy.

Creating sustainable parking patterns with ParkNow

ParkNow is an app and Web-based service that is fundamentally changing parking patterns. First, it makes the urban parking situation more transparent. And it also allows users to book their parking space in advance and then be guided directly to their selected space. So ParkNow users are also protecting the environment as the traffic caused by drivers searching for parking spaces, which accounts for a significant share of traffic volume in some cities, is no longer an issue.

Convenient electromobility with BMW i 360° ELECTRIC

One example of our holistic approach to electromobility is our 360° ELECTRIC product and service package. It includes recharging both at home with the BMW i wall-box and on the go at public charging points that accept ChargeNow – a recharge card that enables access and payment at a large number of charging points installed by various providers. 360° ELECTRIC also includes Assistance Services with ConnectedDrive services designed specifically for electromobility as well as further service and repair offers. In addition, BMW Add-on Mobility gives customers access to conventional BMW vehicles for long-distance travel as well as the car-sharing service



ALWAYS IN CONTACT WITH YOUR VEHICLE —
BMW i 360° ELECTRIC assistance services

DriveNow. 360° ELECTRIC thus provides easy and convenient electromobility in virtually any situation.

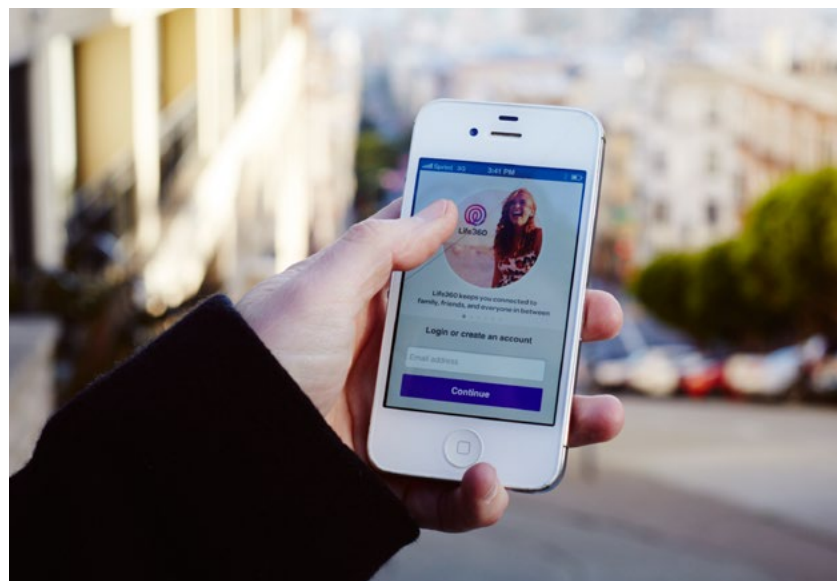
ChargeNow: Cross-border and multi-provider access to a network of partner charging points

ChargeNow is an important component that is paving the way to sustainable electromobility. It makes recharging at public charging points as simple and transparent as possible. With ChargeNow, BMW i drivers can quickly find one of 24,000 public charging points in a large and constantly growing partnership network. Drivers can locate ChargeNow charging points via the BMW i ConnectedDrive services in the navigation unit, using a smartphone, or on the website. Locating and using public charging points couldn't be easier. Since November 2014, for example, BMW i customers from Germany, Austria and Belgium have been able to use their ChargeNow card to gain cross-border roaming access to the entire charging infrastructure of all three countries.



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STAY CONNECTED WITH YOUR FAMILY — Life360

PROMOTING INNOVATIVE MOBILITY CONCEPTS

In order to promote and utilise the innovative potential of start-up companies, the BMW Group founded BMW i Ventures, headquartered in New York City. BMW i Ventures invests in start-up companies with high potential in the area of mobility services and looks for long-term strategic partnerships in the areas of e-mobility, flexible use, parking and intermodality (mobility with several modes of transport).

Expanding the charging infrastructure with ChargePoint and Chargemaster

BMW i Ventures has made strategic investments in Coulomb Technologies and Chargemaster, among others. Coulomb Technologies is a US company with a large network of charging stations for electric vehicles (over 18,700 charging points). Chargemaster is a leading infrastructure provider for electric vehicle recharging in the UK. The company's charging stations are also available and undergoing expansion in other countries in Europe. Both providers are partners in the BMW i ChargeNow network.

Find the perfect parking space with JustPark

JustPark is an online market place for parking spaces that connects owners of unoccupied spaces with those searching for one. The service was launched in London and is now available throughout the UK. This reduces traffic volume caused by drivers searching for parking spaces, leading to lower CO₂ emissions and less time wasted, as the driver can navigate directly to the reserved parking space.

Connecting family members with Life360

Life360 is an innovative smartphone app that connects families and other groups within urban spaces. With the help of location-based technology and a check-in feature, users can see on a map where various family members happen to be at a certain time. This social networking method enables people to meet up easily. There is also a chat function for direct contact. A navigation system guides you to the desired location and an emergency button brings help fast in an emergency.

MyCityWay

MyCityWay is a mobile city guide that provides up-to-date information on local events, services and tickets. The app is available for over 70 cities worldwide and has been downloaded over 5 million times so far.

RESEARCHING FUTURE MOBILITY

Analysing scenarios

Our traffic researchers and engineers are hard at work on finding solutions for the mobility of tomorrow. For example, since 1998, the [Institute for Mobility Research \(ifmo\)](#), a research organisation that is part of the BMW Group, has been studying the mobility challenges that various means of transport will be facing in the future. The institute's research findings are incorporated into the strategy process of the BMW Group.

In 2001, ifmo started drafting future scenarios of various means of transporting people and goods in Germany. These research-based forecasts have since been extended



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to the USA and China. The Germany scenarios, which are currently being updated for the year 2035, will be completed in 2015. The present study attempts to project key developments in the areas of demographics, economy, transport policy, technology and energy into the future and assess their impact on tomorrow's mobility.

In many cases, the BMW Group collaborates nationally and internationally with a number of different local, regional and pan-regional partners in order to test, for example, electromobility in day-to-day life and to improve its application in practice.

Research focus on mobility in the world's megacities

The research project Mobility Trends in Cutting Edge Cities analyses mobility trends in Paris, Vienna, Singapore, Santiago de Chile and Tokyo. The majority of the people in these cities still own a car, but also use other modes of transport, deciding on a day-to-day basis which one they will choose.

Another research project, new utilisation concepts for individual mobility, looks at the market potential of mobility services in the sharing economy. Who is willing in principle to share a car, and what sustainable mobility strategies can be developed for the future based on this?

A further project examines the effect of information and communications technologies (ICT) on physical mobility. It has become clear as a result of this research that ICT cannot replace physical mobility. People do not travel less due to new virtual technology, but they travel differently.

Sustainable Mobility Project – shaping urbanity together

The BMW Group is participating in the three-year Sustainable Mobility Project II initiated by the World Business Council for Sustainable Development (WBCSD). The project brings together a global, cross-industry group of mobility-related companies that are interested in working together with selected city administrations to promote sustainable urban mobility. The goal is to collaborate with the cities on road maps for expanding access to safe,

reliable, convenient and intermodal mobility – without losing sight of issues such as affordability, traffic safety and minimal environmental impact. In 2014, the BMW Group was involved chiefly in urban projects in Hamburg (Germany), Chengdu (China) and Indore (India).

FORECAST

The BMW Group sees itself as a driving force in terms of mobility research and would like to continue to take a leading role in shaping sustainable urban mobility. For this reason, we have set up the Center of Competence Urban Mobility. Together with cities and other stakeholders, the Center will work towards solving urban traffic issues with the help of our products and mobility services. With this in mind we continually strive to identify new trends at an early stage and to translate the most promising research findings into practical applications.

In the coming years, we intend to further expand our car-sharing service both in Germany and internationally, increasingly integrating electric cars.

Online applications and networking opportunities will change the face of future urban mobility. We will continue to work on intelligent networking of mobility services (DriveNow, ChargeNow, ParkNow) in order to make urban mobility more flexible, convenient and sustainable.



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Customer satisfaction

STRATEGIC DIRECTION

Compared with our competition, the BMW Group is top in terms of customer satisfaction in the respective market segments when it comes to vehicle concepts and reliability as well as the sales and support experience we offer.

We provide our customers with all the information necessary to make a careful and deliberated decision when purchasing a vehicle.

Our corporate Strategy Number ONE puts customers at the centre of all we do. Their satisfaction with the products and services of the BMW Group is key to our current and future business success.

High levels of customer satisfaction offer the BMW Group a number of opportunities. Satisfied customers are more loyal, upgrade their vehicle purchases over time and are more likely to recommend the dealership, the model or the service they have used (upselling potential). They also tend to avail of other BMW Group services (cross-selling potential). Consolidating and increasing customer satisfaction is therefore very important for our long-term business success.



FOCUS ON THE CUSTOMER — Consultation at the BMW Welt

And we are aware of the fact that customer satisfaction is not only created while customers are using our vehicles and services, but that the services that come before and after purchase also play a decisive role. So the general brand image of the BMW Group is also very important when it comes to customer satisfaction. In many markets, in addition to the classical factors such as product and service quality, the overall image of companies is becoming increasingly dependent on their image as a sustainable company.

Achieving a high degree of customer satisfaction is the responsibility both of our corporate headquarters and of our international subsidiaries. The sales organisations in our largest markets (such as the USA, China and Germany) report regularly to a specially established committee which deals exclusively with customer satisfaction. Since 2011, the CustomerFirst initiative has been focusing on increasing customer focus in all areas of the company. The initiative's activities aim to align all processes and decisions towards customer benefit.

We are aware of the fact that the product recalls by a number of carmakers last year led to a considerable amount of public attention. As in previous years, the BMW Group took voluntary, immediate and consistent



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action in such cases in 2014. Whenever necessary or advisable from a customer perspective, we called back all affected vehicles to the workshops as a precautionary measure and repaired any existing defects.

INCREASING CUSTOMER SATISFACTION WITH DEALERSHIPS

Since 2010, we have been gathering transparent feedback from our BMW and MINI customers on the performance of our dealerships in several important markets. This is based on an ongoing customer satisfaction survey which we carry out by telephone, in writing and online. We publish the results of this survey by way of a 5-star rating system and short customer statements on the website of the respective dealership. This level of transparency reflects the BMW Group's customer focus strategy.

Experiencing sustainability in sales and services

The BMW Group wants its customers to experience what sustainability means to us. Selected sales facilities have therefore been constructed as Green Buildings with low energy consumption, high levels of energy efficiency as well as natural light and air conditioning. We have also ensured that Green Building requirements are being met for new builds by integrating them into the Europe-wide Retail Standards for our retail partners.

Sustainability is also an integral part of our sales training. Our goal is for the sales staff at our dealerships to be so well informed that they are able to answer any questions customers may have on the BMW Group's sustainability activities.

ETHICALLY CORRECT ADVERTISING

The BMW Group develops central advertising campaigns for its brands. The campaigns are then adapted by those responsible for the respective country markets, ensuring that local and national circumstances and requirements are complied with. We are careful to ensure that our advertising complies with all relevant legislation and that no social groups are discriminated against. The BMW Group has its own standards and behaviour guidelines with regard to advertising, which are subject to continuous review. Internal committees help us to ensure that our advertising complies with these principles and other ethical criteria.

The BMW Group does not offer any products whose sale is prohibited in specific markets. We provide our customers with all the information necessary to make a careful and deliberated decision. No essential information is concealed or presented in a misleading manner.

Our principles also include incorporating sustainability as a theme in advertising. This is done both by means of stand-alone campaigns as well as through continuous vehicle-integrated communication. Some examples of stand-alone campaigns are advertising for the Efficient Dynamics models and the online CO₂ Finder.

Our local marketing specialists are responsible for implementing our advertising campaigns in each country. The BMW Group is not aware of having violated any regulations pertaining to advertising during the reporting period.

IMPROVING EVEN FURTHER THROUGH CUSTOMER SURVEYS

In 2014, we surveyed approximately 2.3 million customers in 90 markets to find out about their needs and experiences. This feedback is then incorporated into the development and optimisation of our products and services.



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Our surveys show that our customers' needs vary considerably from country to country. We must take these national and cultural differences into account. To do this, we constantly carry out customer surveys. In 2012, we implemented stricter standardisation requirements for the customer satisfaction surveys carried out in our subsidiaries in order to ensure the completeness and comparability of the results.

ESTABLISHING FUTURE RETAIL

We have launched the Future Retail programme in over 40 markets in order to fulfil the wishes expressed by our customers. Dealerships were remodelled and our "Product Genius" was introduced. In the year under review, there were approximately 1,700 of these product experts in over 1,000 dealerships worldwide. The Product Genius' task is not to sell vehicles but to offer the customer comprehensive advice – with no pressure to purchase. The first new Brand and Retail Stores have now been established on shopping strips in cities like Rome and Brussels. And Future Retail also provides professional HR management to help dealerships find and train the right employees.

FORECAST

The BMW Group wants to further enhance the satisfaction of its customers in the coming years and to expand our direct contact to them. In order to achieve this, we will gradually extend our customer surveys and our Future Retail programme to more countries.



FROM CAPE TOWN TO MUNICH

The BMW 318i – affectionately nicknamed "Percy" – has been going for more than 20 years, clocking up over 400,000 kilometres. And it still managed the journey from Cape Town to Munich without major incident.

This was especially important to its owner Mike Lomberg, a test driver from South Africa. After all, Percy was the reason why Lomberg regained a sense of mobility and independence again when he was confined to a wheelchair after suffering a car accident 25 years ago. Out of sheer gratitude, Lomberg decided to return the old BMW 318i to its manufacturer to have it recycled. His friends Rowan Jelley, Ian Scrimgeour and Max Cromarty instantly agreed to help him. It took the three South Africans at least three months to complete the 17,000-kilometre trip, during the course of which they met all sorts of wonderful people from their continent. "Percy's an engineering masterpiece. The car didn't just have a positive impact on Mike Lomberg's life, it made a dream come true for us in many ways," said Scrimgeour when the group arrived in Munich on 13 July 2014.

The three have documented their trip [in a blog](#) with photos and stories.

4



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Read more at > www.bmwgroup.com



LANDSHUT, GERMANY

BMW GROUP PLANT LANDSHUT

How does the BMW Group
save resources at its plants?

Plant tour for visitors, September 2014

4 — GROUP-WIDE ENVIRONMENTAL PROTECTION

PROGRESS IN 2014

FURTHER INCREASE IN ENERGY EFFICIENCY

In 2014, we further reduced energy consumption per vehicle produced by 4.7%. One of the measures that contributed towards this improvement in efficiency is the use of intelligent energy data management.

IMPROVEMENT IN PROCESSES

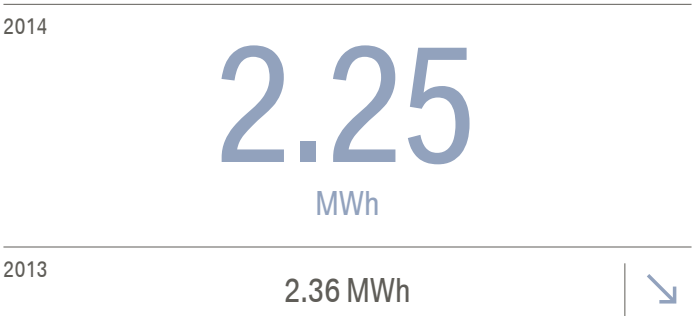
A number of process improvements enabled us to further improve the efficiency of the materials used on our production lines. This led to a decrease in waste for disposal of 14% per vehicle produced.

INCREASE IN USE OF RENEWABLE ENERGY SOURCES

We increased the share of renewable energy as a percentage of total power consumed by the BMW Group to 51% in 2014 (2013: 48%).

INDICATORS

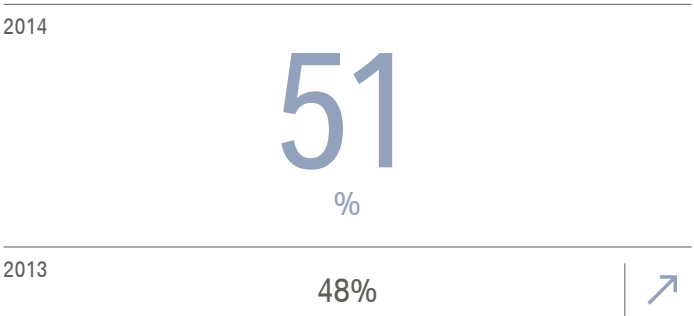
ENERGY CONSUMPTION PER VEHICLE PRODUCED



WASTE FOR DISPOSAL PER VEHICLE PRODUCED



SHARE OF RENEWABLE ENERGY AS A PERCENTAGE OF TOTAL CONSUMPTION



2015+ FORECAST AND OBJECTIVES

EXPAND SHARE OF RENEWABLE ENERGY SOURCES

By 2020, we plan to reduce energy consumption per vehicle produced by 45% compared with 2006.

FURTHER REDUCE WASTE FOR DISPOSAL

We will continue to minimise the share of waste for disposal in 2015, and will integrate as many residual materials as possible into a complete life cycle management system.

INCREASE USE OF RENEWABLE ENERGY

In addition to the intelligent use of energy, we will be placing particular focus on renewable energy expansion. Our vision is to draw 100% of our energy requirements from renewable sources.



GROUP-WIDE ENVIRONMENTAL PROTECTION

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CONSOLIDATING ENVIRONMENTAL PROTECTION WITHIN THE ORGANISATION

Environmental protection is part of our sustainability management system. The steering committee of our international environmental protection network controls environmental management under the direction of the Group Representative for Environmental Protection. Every machine, every building and every area at each production site is assigned to an operator. That operator is responsible for the products, processes, machines and technical systems in his or her allocated area as well as their environmental impact.

Sharing best practices

In line with our Clean Production philosophy, we design our manufacturing processes for minimum environmental impact and resource consumption. We underscored this commitment in 2001 when we signed the International Declaration on Cleaner Production of the United Nations Environment Programme.

Environmental improvements that have been effective at one location are implemented at other locations wherever possible. Our six competence centres (for water, waste, energy, emissions, training and the environmental management system) are staffed by environmental experts from the different plants and by specialists from Corporate Environmental Protection. They discuss legal requirements and best-practice solutions with technology experts from the production plants and develop reference systems on which to base future planning and process improvements.

Considering environmental issues when making investments

One main method of enhancing resource efficiency is to take account of environmental aspects when planning any new investments. This allows potential improvements in efficiency to be identified and implemented at an early stage. If they are found to be insufficient, we seek out more environmentally friendly alternatives.

Establishing environmental management systems

The BMW Group has established environmental management systems at all of its production plants and plans to install them at all future facilities. These encompass both the corporate planning departments (e.g. Production and Development) as well as the network of international locations. With the exception of the motorcycle plant in Manaus, Brazil (which is certified according to the Brazilian national standard), these systems are certified in accordance with ISO 14001. The systems at the German and Austrian sites have undergone additional external audits and meet European Eco-Management and Audit Scheme (EMAS) standards. The BMW Group thus has environmental management systems in place at 100% of its production plants. We have also installed environmental management systems at our dealerships in Germany, Austria and Switzerland. All German dealerships, as well as six others in Europe (in Vienna, Zurich, Rome, Milan, Madrid and Barcelona) are already certified in accordance with ISO 14001 and OHSAS 18001.

Requiring environmental protection from partners and suppliers

As well as ensuring that environmental standards are complied with and improved at its own production plants, the BMW Group expects its partners and suppliers to do the same. We require proof from our main suppliers that they have an environmental management system in place > [see Chapter 5](#).

We also work closely with our joint venture partners SGL Group and Brilliance Automotive Ltd. to implement continuous improvement in the area of environmental protection. For example, our joint venture with SGL Automotive Carbon Fibers in Moses Lake (USA) uses renewable hydropower to produce its carbon fibres.





GROUP-WIDE ENVIRONMENTAL PROTECTION

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RECOGNISING AND PROTECTING BIODIVERSITY

The BMW Group takes ownership of the environmental impact of its activities. Part of this responsibility involves researching the impact of our production processes on the animal and plant world. At certain locations, for example at our testing centre in Aschheim close to Munich, we have gathered evidence of this impact. As a result we gained knowledge about the existing animal and plant species and were able to preserve or even improve the biodiversity at that location. In Aschheim, we identified, for example, the butterfly species *Polyommatus bellargus* and *Colias hyale/alfacariensis* as well as the grasshopper *Oedipoda caerulescens* – all of which are on Germany's red list of endangered species – and we are taking measures to protect the stocks of these species.

We use a biodiversity indicator to regularly identify the environmental status of selected facilities. We use this to gain an understanding of the flora and fauna there.

In the coming year, this kind of biodiversity research will also be introduced at selected international production plants. The research will be based on a set of BMW Group biodiversity guidelines.

Minimising environmental damage from volatile organic compounds (VOC)

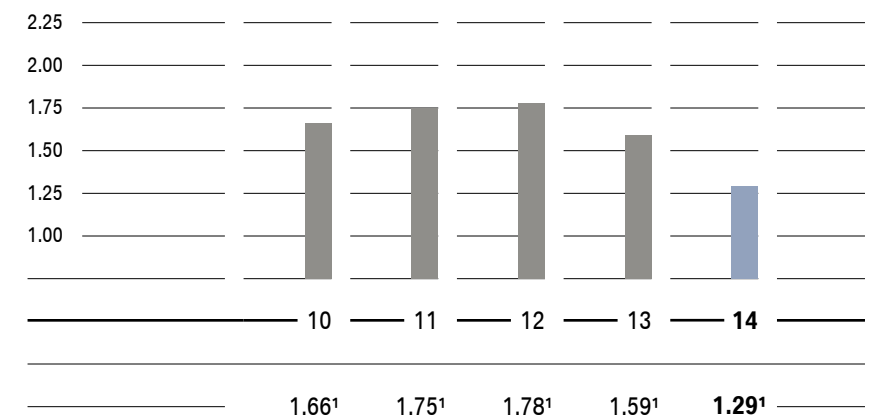
In our Group-wide environmental efforts, we also aim to minimise the impact on the environment of our VOC emissions. By the year 2020, we aim to reduce VOC emissions by 45% compared to the reference year 2006.

At the end of 2014, we had reduced VOC emissions by 48.6% compared to 2006. This means that we have already more than achieved the target we set ourselves. However, we will continue to reduce emissions through to 2020.

With an average of 1.29 kg of VOC emissions per vehicle produced, we are also below the strict maximum levels stipulated in Germany which we apply to all plants worldwide. There is only one exception, a plant at which the national maximum levels are of course complied with and for which we are already preparing further VOC reductions. Emissions per vehicle produced dropped by 18.9% in 2014. This is mainly due to the fact that the retrofitting of the paint shop at the Dadong plant in China with an exhaust air purification system had a full-year effect for the first time. These are some of the ways we made a significant contribution towards lower environmental impact.

F.22 Solvent emissions per vehicle produced

in kg/vehicle



¹ This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = VOC emissions divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr and Nedcar contract production plants.

FORECAST

The BMW Group will continue to pursue its Clean Production philosophy and is transferring best practices of particularly successful plants across the Group. In the coming years, we also plan to transfer our successful efficiency measures to the entire value chain, the intention being to leverage potential for more resource efficiency in the supply chain. We will also intensify our efforts to achieve CO₂-free energy supply > see Chapter 4.2.



GROUP-WIDE ENVIRONMENTAL PROTECTION

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Energy

STRATEGIC DIRECTION

Our vision is to achieve a completely carbon-neutral energy supply for the BMW Group. One of the main levers we use to do this is energy efficiency. By 2020, we plan to reduce energy consumption per vehicle produced by 45% compared with 2006.

The BMW Group is continually reducing its energy consumption and is intensifying its efforts to produce more power in-house and to use energy from local renewable sources. The company also actively supports the expansion of renewable energy. This enables us to increase our autonomy and profitability and ensure that our production is not impacted by energy bottlenecks. At the same time we are reducing our environmental impact and making sure that we work as efficiently as possible with scarce raw materials.

The BMW Group uses the most environmentally friendly and sustainably profitable energy source at each production plant. Security of supply also plays a role here.

IMPLEMENTING STRATEGIC AREAS OF ACTION

In order to further enhance our energy efficiency and to move forward with the use of renewable energy, we have defined the following strategic areas of action:

- **Improve energy efficiency:**
Further development of an integrated energy management system;
Continuous improvement of ongoing operations;
Planning and implementation of energy-efficient real estate, plants and technologies.
- **Use renewable energy sources.**
- **Raise employee and manager awareness of how to deal with energy.**

IMPROVING EFFICIENCY OF PROCESSES AND BUILDINGS

We monitor and optimise our energy consumption on an ongoing basis. For this purpose, we use an energy management system based on the environmental management systems ISO 14001 and EMAS. In addition, we are also continually improving the environmental management systems on the basis of internal and external audits.

We set ourselves ambitious goals that we aim to achieve with the aid of the latest technologies and continuous optimisation of vehicle production processes.

These are some examples of our process improvements:

- **Waste heat utilisation at the Landshut plant**
At our Landshut (Germany) facility, heat exchangers enable us to reuse the waste heat from the foundry for heating and cooling. The waste heat provides hot water for the plant and is also fed into special machines that cool the production process. This saves us over €1 million annually and also helps us to achieve a positive effect for the environment. In future, 10,000 tonnes of



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CO₂ will be saved per year and energy consumption will sink by 15,000 MWh.

— Sustainable production through intelligent energy data management

The introduction of the intelligent energy data management (iEDMS) system, which is part of the BMW Group production concept “Industrie 4.0”, has enabled us to optimise energy consumption of building and supply structures at selected facilities. This system captures and evaluates all relevant data. Worldwide, the BMW Group aims to reduce its energy consumption by up to 7% by applying iEDMS at our production plants.

The resulting reduction in energy costs in the face of rising medium-term energy prices makes a significant contribution towards the BMW Group becoming more profitable and more competitive.

We now use combined heat and power systems (CHP) at a total of eight locations and are continuing to expand the CHP system at the Landshut plant. These systems allow us to utilise both the electricity generated as well as the resulting waste heat.

F.23 Energy consumption in detail

in MWh

	10	11	12	13	14
Total energy consumption (upper heating value in case of fossil fuels)					
Total energy consumption	4,072,217	4,278,582	4,549,788	4,721,174	4,867,094
Total energy consumption in detail (upper heating value in case of fossil fuels)					
Electricity (external source)	1,654,956	1,702,157	1,790,534	1,910,065	2,141,222
Community heating	319,270	200,808	249,123	316,532	281,216
from renewable energy sources in % ¹	18	28	36	48	51
Fossil fuels					
Fuel oil	43,828	12,176	12,622	14,023	7,459
Natural gas	1,756,760	2,034,529	2,169,059	2,165,362	2,198,202
— of which CHP losses	110,511	211,680	210,514	191,840	210,740
Non-fossil fuels					
Biogas (landfill gas)	288,402	328,912	328,450	315,192	238,654
— of which CHP losses	86,100	91,600	103,422	94,486	73,638
Regenerative fuels					
Solar energy (photovoltaics)	3	0 ²	114 ³	142	341

¹ Conservative calculation from the country-specific shares. Method adapted for Germany and Austria by using the transparency data in supplier invoices since 2012.

² No contribution to energy supply due to maintenance work.

³ Commissioning of a new system in 2012. Further systems planned.





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AQUIFER PROJECT IN DINGOLFING

In 2013, in collaboration with the Technical University of Munich, the BMW Group launched a research project on innovative temporary storage of thermal energy in a high-temperature “aquifer” store. The basic idea of aquifer storage is to temporarily store superfluous thermal energy that is not immediately needed (for example in summer months when thermal energy is generated in combined heat and power systems) 500 to 700 metres below the earth’s surface and to draw it back for use in winter. This is a unique project worldwide and is making an important contribution towards fundamental research in the area of thermal storage. If it is successful, new opportunities for decentralised energy production and storage will be opened up, and this could lead to significant CO₂ savings. The Bavarian Ministry of Economics, Infrastructure, Transport and Technology is providing approximately €4.5 million in funding for the project, as it could make an important contribution towards the transformation of the energy industry in Bavaria.

DESIGNING SUSTAINABLE BUILDINGS

The reference system for sustainable construction is the basis for new-building projects and building conversions at the BMW Group. It sets down principles and concepts for buildings throughout the BMW Group and enables us to monitor the measures taken during the individual project phases. The aim is to minimise consumption of energy and resources during all phases of a buildings life cycle – from planning, construction, use and renovation right up to renaturation. This is not only a cost-saving measure – we also aim to have as little impact on the environment as possible. Based on this reference system, we were able, for example, to receive LEED (Leadership in Energy and Environmental Design) certification for all buildings erected for the production of the **BMW i3** at our Leipzig plant.



CLEAN ENERGY FOR BMW i PRODUCTION —
The wind farm at the BMW plant in Leipzig (Germany)

TAKING ADVANTAGE OF RENEWABLE ENERGY

In addition to the intelligent use of energy, we are also focusing on renewable energy expansion. Our vision is to draw 100% of our energy requirements from renewable sources. Instead of relying on energy from one specific source, we will take a look at local conditions and decide which concept makes most sense at each location. In 2010, we implemented a development plan to assess the potential of each production facility and we are now putting it into practice step by step.



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RENEWABLE ENERGY FOR PRODUCTION OF THE MINI — Solar panel system at the plant in Oxford (UK)

Here are some specific examples of how we use renewable energy:

— **Photovoltaic system at the BMW Group plant in Oxford**

At our MINI plant in Oxford (UK) over 11,500 solar modules spread across an area of 20,000 square meters supply the facility with renewable energy. It is one of the largest solar energy systems installed on a roof in the UK and can generate over 3 MWh – enough to supply 850 households a year with electricity.

— **Computer centre in Iceland**

A huge amount of computer capacity is needed for vehicle development at the BMW Group. Currently, we require 6,300 MWh of electricity per year. We have moved a number of computing applications from Germany to Iceland in order to exploit the potential of the colder climate there. The computer centre in

Iceland is powered entirely by two autonomous renewable energy sources: geothermal and hydro. As a result, operation of the computer centre is completely environmentally neutral.

— **Biogas for twin-unit power station**

In Rosslyn (South Africa), installation of a biogas-powered twin-unit power station, to be operated by the new independent provider Bio2Watt, began in 2014. The biogas used will come from recycled waste from cattle ranches and chicken farms as well as food waste.

We increased the share of renewable energy as a percentage of total power consumed by the BMW Group to 51% in 2014 (2013: 48%). It is one of our primary targets to further increase this share in the future.





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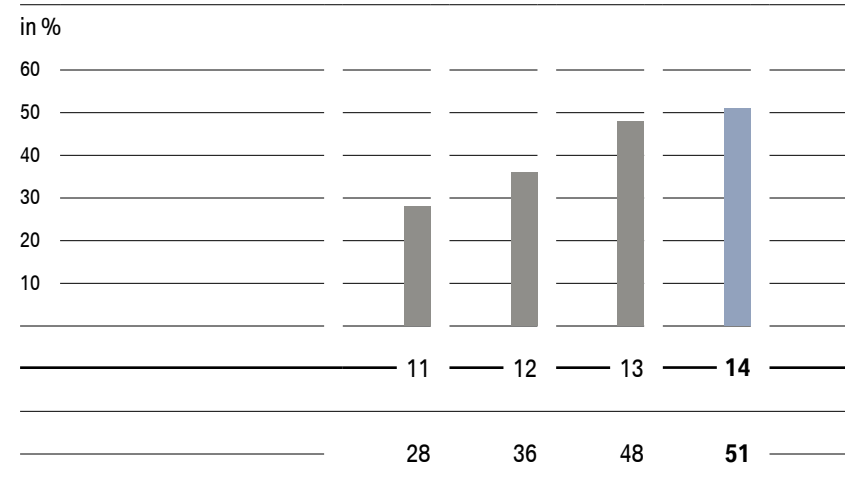
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F.24 Share of renewable power in total power purchased by the BMW Group



RAISING EMPLOYEE AND MANAGER AWARENESS OF HOW TO DEAL WITH ENERGY

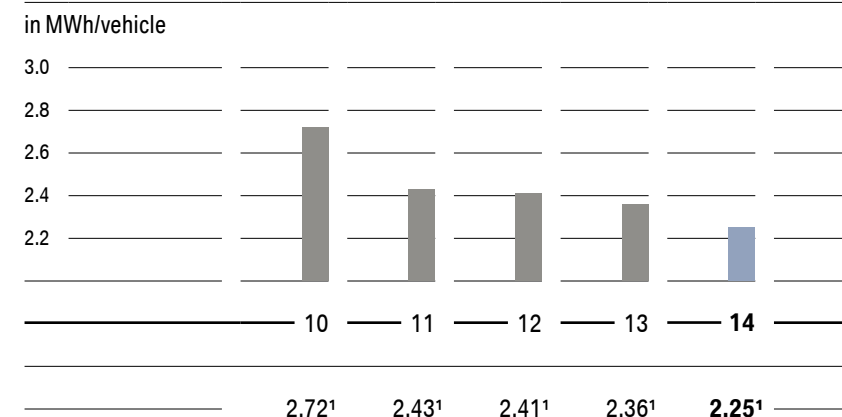
Teaching trainees how to deal with energy efficiently is an integral part of vocational training at the BMW Group. In addition, we offer courses on value-creating production systems, a systematic approach to improving efficiency in technical and administrative processes that addresses the entire workforce. Using a training demonstrator, employees can actively learn how to use energy efficiently.

In summer 2014, we also published an interactive online training module for all employees in Germany and Austria on the subject of energy efficiency in the BMW Group. We now have an English version for our international locations.

FURTHER REDUCING ENERGY CONSUMPTION PER VEHICLE

Our efforts to continually improve energy efficiency pay off. For example, in 2014 we were able to further reduce our energy consumption per vehicle to 2.25 MWh (–4.7% compared to the previous year > see Figure 25). This represents an improvement of 34.2% over the base

F.25 Energy consumption per vehicle produced



¹ This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = energy consumption minus CHP losses divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr contract production plant.

year 2006, bringing us considerably closer to our goal of reducing energy consumption per vehicle by 45% compared with 2006.

FORECAST

The BMW Group will continue to successfully pursue its energy targets in the coming years. We will continue to expand the use of renewable energy and, from 2015 onwards, we will participate in the energy market with tried and tested combined heat and power systems. This will be our contribution towards securing a stable energy supply. In addition, we are collaborating with a number of universities to develop new approaches and methods. Two current activities that we will continue to pursue in the coming years are the Aquifer project in Dingolfing (Germany) that explores the possibility of underground thermal storage and a research project into how to find ways to use spent batteries from BMW i vehicles as Second Life batteries for flexible stationary storage of renewable energy.



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CO₂ emissions

STRATEGIC DIRECTION

The BMW Group aims to be the leader in using renewable energy for production and value creation. Our vision is to achieve CO₂-free energy supply.

The consequences of climate change are highly relevant for the BMW Group. Global climate change affects the behavioural patterns of our customers. At the same time, in order to counteract climate change, many governments are creating new framework conditions through fleet emissions targets, new fuel taxes, efficiency labels and other measures such as emissions trading systems. And climate change can lead to extreme weather conditions, resulting in bottlenecks in the supply chain and on the production line.

Reducing CO₂ emissions along the entire value chain makes sense for the BMW Group, both from an environmental and from a business perspective (due to lower energy consumption, avoidance of CO₂ charges as well as attractive offers that fulfil the requirements of many of our fleet customers' green car policies). With this in mind, we are taking action along our entire value chain:

– Minimising CO₂ emissions at company locations

We are pursuing our vision of CO₂-free energy supply at our own locations. This includes emissions that are generated directly from burning fossil fuels (Scope 1) and indirectly through the company's electricity and heat consumption (Scope 2). Our production locations generate approximately 90% of these emissions. This is why the strategic area of action we focus on is to reduce CO₂ emissions on the production line.

– Reducing CO₂ emissions upstream and downstream from the value chain

In this area we continually reduce emissions caused by the use and disposal of our products, in our supply chain, in transport logistics and by employees commuting to and from work (Scope 3). 70% of these Scope 3 emissions are generated during the utilisation phase (not including upstream fuel). With our Efficient Dynamics strategy > [see Chapter 3.2](#) we are continually reducing the average fleet emissions of CO₂ per kilometre worldwide – in 2014 by 4.4% to 152 g of CO₂/km (2013: 159 g of CO₂/km). The average CO₂ emissions of the three main regions were 130 g of CO₂/km (EU-28), 168 g of CO₂/km (USA) and 176 g of CO₂/km (China).

Another 20% of the Scope 3 emissions were generated in the upstream supply chain. We constantly work with our suppliers to look for further possibilities to use resources more efficiently > [see Chapter 5.3](#). With Design for Recycling, we ensure that as many of the components as possible flow back into the materials cycle once the vehicle has reached the end of its life cycle. This leads to lower CO₂ emissions in the value chain > [see Chapter 3.4](#). And finally, we increase the CO₂ efficiency of our transport logistics on an ongoing basis.



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F.26 BMW Group CO₂ footprint

in t CO₂

	10	11	12	13	14
Total emissions ¹	1,961,348	2,715,364	61,603,503	64,019,874	66,913,264
Scope 1: Direct greenhouse gas emissions					
Total emissions	409,911	450,828	484,612	492,798	494,931
— Emissions of company-owned production sites	340,131	370,241	395,012	399,473 ²	403,810 ²
— Company vehicles	65,974	76,120	84,633	88,695	85,695
— Company-owned planes	3,806	4,468	4,966	4,630	5,426
Scope 2: Indirect greenhouse gas emissions					
Total emissions	933,097	858,785	862,214	922,843 ²	966,067 ²
— Electricity/heat purchased by company-owned production sites	933,097	858,785	862,214	922,843 ²	966,067 ²
Scope 3: Indirect greenhouse gas emissions					
Total emissions	618,340	1,405,751	60,256,678	62,604,233	65,452,266
— Logistics ³	466,027	1,195,887	1,247,100	1,383,774	1,518,304
— Business trips ³	48,450	108,492	111,971	113,388	137,601
— Employees' commuter traffic ⁴	103,863	101,372	113,505	122,584	121,428
— Upstream chain ⁵	—	—	12,592,090	13,274,865	14,331,118
— Utilisation phase ⁶	—	—	45,251,958	46,696,786	48,239,470
— Disposal ⁵	—	—	940,054	1,012,836	1,104,345

¹ Addition of emissions from employee's commuter traffic as well as from 2012 onwards emissions from supply chain, utilisation phase and disposal.

² Currently applicable VDA emissions factors applied.

³ Emissions figures from 2011 onwards are not directly comparable to previous years due to refinement of the calculation method.

⁴ Extrapolation from the table "Means of transport used by BMW employees and indirect CO₂ emissions from employees' commuter traffic".

⁵ Emissions from supply chain and disposal processes are calculated based on the carbon footprints of representative vehicles from the product lines.

⁶ The fleet emissions are extrapolated from the average fleet emissions of the main sales markets of the BMW Group. The calculation was based on an average mileage of 150,000 km.

REDUCING CO₂ EMISSIONS AT OUR PRODUCTION PLANTS

For many years now, the BMW Group has been working to use resources more efficiently and reduce CO₂ emissions at its production facilities. And we will continue along this road.

In order to realise our vision of CO₂-free energy supply, we follow a road map that includes medium to long-term targets as well as specific action that has to be taken in the short term > [see Chapter 4.2](#). At the same time, invest-

ment in medium and long-term measures has to make economic sense. For this reason, we monitor and analyse regulatory requirements worldwide as well as future trends in the energy sector, and we take this into consideration when making decisions.

Some of the main points on our road map are the continuous improvement of energy efficiency, use and expansion of energy and CO₂-efficient combined heat and power systems, focused expansion of renewable



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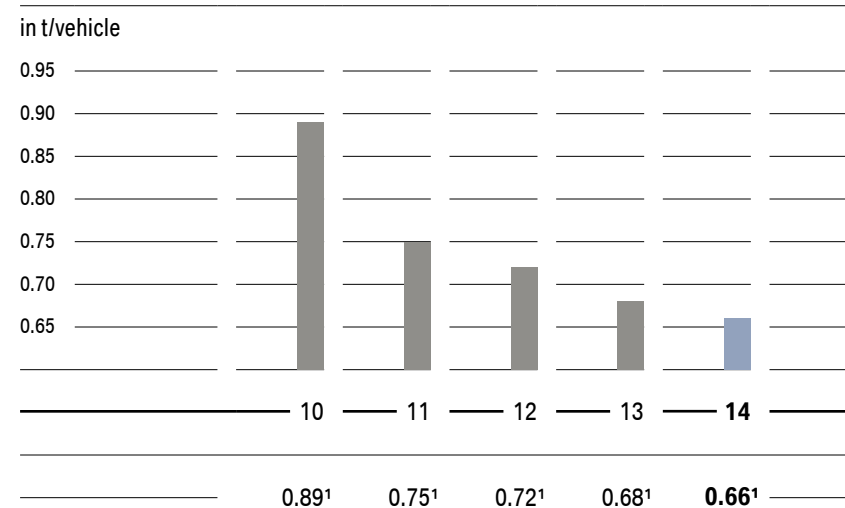
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energy supply capacity and the purchase of certificates of origin for parts of our energy supply.

In 2014, total emissions in our production network amounted to 1,369,877 tonnes of CO₂ (2013: 1,322,316 tonnes). This is only a slight increase of 3.6%, in spite of a significant increase of 7.6% in production volume. The ongoing reduction in CO₂ emissions per vehicle produced demonstrates that we have already made considerable progress along this road. Emissions per vehicle produced decreased by 2.9% to 0.66 tonnes of CO₂ (2013: 0.68 tonnes of CO₂ per vehicle produced). We were also able to increase the share of green energy to 48% of energy purchased in 2013 and to 51% in 2014.

F.27 CO₂ emissions per vehicle produced



¹ This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = CO₂ emissions minus combined heat and power (CHP) losses divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr and Nedcar contract production plants.

Improved energy efficiency, the use of highly efficient and environmentally sustainable combined heat and power systems (CHP) as well as renewable energy led to a reduction in CO₂ emissions per vehicle produced in the reporting period of 2.9% to 0.66 tonnes (2013: 0.68).

CHOOSING LOW EMISSIONS OPTIONS IN LOGISTICS

The global transport volume required to supply our production plants with materials, to deliver our vehicles and to supply spare parts to the markets has grown considerably in the past few years. This is primarily due to an increase in global production and sales volume, combined with regional shifts in these volumes. Above-average growth in North America and Asia means that long transport distances must be covered.

The increase in transport volume in recent years has also led to more CO₂ emissions caused by transport logistics. To keep these emissions as low as possible, we are optimising our logistics based on the following principles:

- Production follows the market.
- We are continually increasing the percentage of low-carbon modes of transport.
- We enable sustainable mobility for our employees.

An overview of our transport capacity

In 2014, the BMW Group had a total transport volume of approximately 37.2 billion tonne-kilometres, emitting around 1.52 million tonnes of CO₂ in the process.

Compared to 2013, transport volume increased by 10.2%. This is due on the one hand to an increase of approximately 7.9% in the number of BMW and MINI vehicles produced and shipped. On the other hand, system limits for the collection of data to encompass additional transport volume were extended. Total CO₂ emissions rose by 9.7% compared to the previous year; excluding new volumes the increase was 5.6%. Shifts in the ratios of modes of transport used can likewise be attributed mainly to the extension of the system limits for data acquisition

> see Figure 28.





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F.28 Logistics: Carriers and CO₂ emissions¹

	10	11	12	13	14					
Inbound (material provision of the plants and spare parts delivery)										
Transport capacity in million tkm	3,810	9,072	10,703	11,560	12,682					
CO ₂ emissions in t	320,526	518,157	547,049	580,616	630,215					
Outbound (distribution vehicles and spare parts)										
Transport capacity in million tkm	15,088	18,854	20,195	22,226	24,537					
CO ₂ emissions in t	145,501	677,730	700,051	803,158	888,089					
Total (inbound and outbound)										
Transport capacity in million tkm	18,898	27,926	30,898	33,786	37,219					
CO ₂ emissions in t	466,027	1,195,887	1,247,100	1,383,774	1,518,304					
Percentage share of carriers in total (inbound and outbound) in terms of transport volume and CO₂ emissions										
	tkm	g CO ₂	tkm	g CO ₂	tkm	g CO ₂	tkm	g CO ₂	tkm	g CO ₂
Sea	79.9	14.1	78.9	51.3	79.2	53.1	78.9	51.6	77.8	50.1
Road	13.3	61.2	11.9	24.2	10.7	20.2	12.4	23.1	13.5	24.3
Rail	6.3	7.3	8.2	5.5	8.9	4.6	7.5	3.8	7.3	2.7
Air	0.5	17.4	1.0	19.0	1.2	22.1	1.2	21.5	1.4	22.9

¹ Figures refer to BMW and MINI, excluding Rolls-Royce automobiles. CO₂ emissions calculated in accordance with DIN EN 16258. Since the 2011 financial year, the scope has expanded significantly and currently comprises: inbound volumes (material supplies to plants and spare parts delivery) for BMW and MINI vehicles in Germany, the UK, the USA, South Africa, China, Thailand, India and CKD/SKD locations as well as for delivery of spare parts to the parts supply centre ZTA in Dingolfing (Germany). Outbound volumes (distribution of vehicles and spare parts) are included up to arrival at the distribution centres in the markets worldwide as well as for some markets up to arrival at the dealerships.

Expanding the use of low-carbon modes of transport

We are continually increasing the share of low-carbon modes of transport. We give rail transport preference over road transport wherever possible.

For example, we have for years been using a daily train from the greater urban areas of Hanover, Wuppertal and Frankfurt to supply each of our Bavarian plants. This strategy enables us to avoid some 30,000 truck trips per year, saving more than 13,000 tonnes of carbon emissions in the process. We also make a significant contribution to relieving the congestion on traffic routes. Since 2014,

all three of these railway connections have been running entirely on electricity from renewable sources.

Applying a rail strategy in order to secure capacities

We developed a rail strategy to secure sufficient rail capacity for our vehicle distribution. By applying this strategy we were able to secure for the long term approximately 75% of the relevant covered-wagon rail freight capacity available in Central Europe. For this purpose, two of our transportation service providers are investing in additional covered railcars. By 2015, we will have at our disposal over 300 new, state-of-the-art covered wagons –





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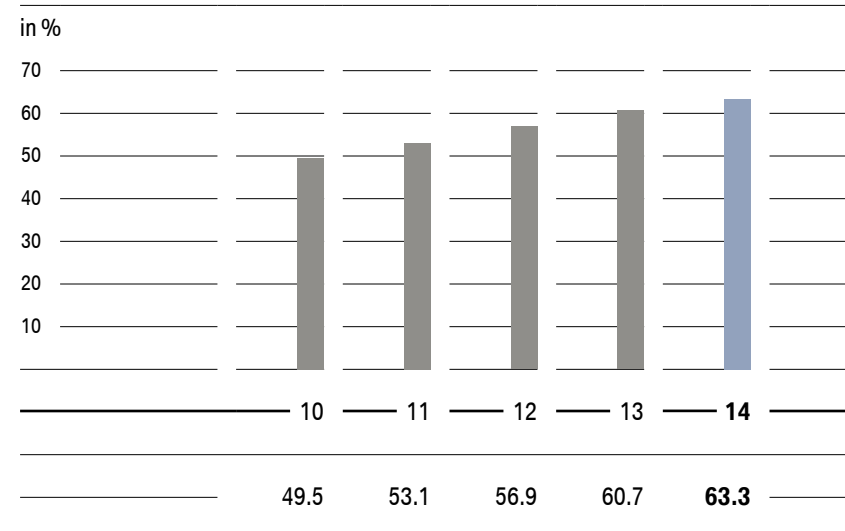
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all new wagons will be equipped with “whisper brakes” that significantly reduce noise emissions from the trains.

We increased the average volume of rail transport of BMW Group vehicles from the plants to 63.3% in 2014. This was up from 60.7% the previous year > [see Figure 29](#).

F.29 Share of vehicles shipped by rail from BMW Group plants¹



¹ Excluding Rolls-Royce automobiles.

In cases where rail transport is not possible, we require that our carriers use environmentally friendly vehicles (at a minimum, compliance with the Euro 5 standard and for newly acquired vehicles compliance with the latest statutory Euro standard is required).

Promoting sustainable mobility for our employees

Staff commuting is a major item on the BMW Group's logistics balance sheet. Here, too, we try to keep our impact on the environment as low as possible. Among the measures that are in place are our plant buses which reduce the number of individual drives to work.

In Germany, 42% of all employees travelled to work by plant bus or public transport in 2014, and another 7% by bicycle or on foot. The carbon footprint for employees at our German locations was 4.5 kg of CO₂ per employee and day in 2014 (2013: 4.6 kg).

FORECAST

At our production plants, we will continue in the coming year to work on our vision of a CO₂-free energy supply for our locations. One example of how we are reducing CO₂ emissions in 2015 is the commissioning of a biogas-fired combined heat and power system to supply energy to our plant in South Africa. We will also further reduce CO₂ emissions upstream and downstream from the value chain. With our Efficient Dynamics Strategy > [see Chapter 3.2](#) we are continually reducing the average fleet emissions of CO₂ per kilometre worldwide. In the area of logistics, we will further increase the share of low-carbon modes of transport. We also work with our suppliers to look for further possibilities to use resources such as energy more efficiently > [see Chapter 5.3](#).



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Waste management

STRATEGIC DIRECTION

By 2020, the BMW Group aims to reduce waste per vehicle produced by 45% compared to 2006.

We want to reduce all waste for disposal to a minimum, to the extent that this is technically and legally possible. We will achieve this by improving our waste separation processes and working hard to find further recycling and reuse options for the individual waste types.

With raw materials becoming increasingly scarce world-wide, the BMW Group engages in recycling management throughout material life cycles. Part of this entails continuously optimising our processes and reducing waste volume. Because what we think of as waste is often a valuable resource, which we try to use intelligently.

AVOIDING AND RECYCLING WASTE

When we recycle materials or residual materials, we comply with the five-step hierarchical model set down by the European Union.



GLOBAL CHALLENGE — waste avoidance at the BMW Group plant in Spartanburg (USA)

- 1. Prevention:** Where possible, we avoid creating waste in the first place. This is the best solution, both in economic and environmental terms.
- 2. Reuse:** We reuse any viable waste material immediately. Otherwise we prepare it for reuse in its original area of application.
- 3. Recycle:** If reuse is not an option, we recycle the material in such a way that we can reintroduce it to the cycle. It can then replace primary raw materials.
- 4. Recovery:** We incinerate most non-recyclable waste materials. We also use other recovery options such as filling caverns in salt mines.
- 5. Disposal:** Only the small volume of non-recyclable waste that is then left over is earmarked as waste for disposal.





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In order to comply with this target hierarchy we focus on the following areas of action:

■ Complete utilisation cycles at our plants

We try to either immediately reuse any viable residual materials on the same machine (closed loop) or to first prepare them and then reuse them (post-industry loop). For example, we send sheet metal scraps from our press line back to the same steelworks the coils for vehicle production came from. Old plastic containers go through a recycling process that produces new containers.

■ Actively managing waste

We manage and gather data on all waste and materials at BMW Group production plants worldwide. To do this, we use our central waste information system “Abfallinformationssystem” (ABIS), which is installed at all BMW Group production plants.

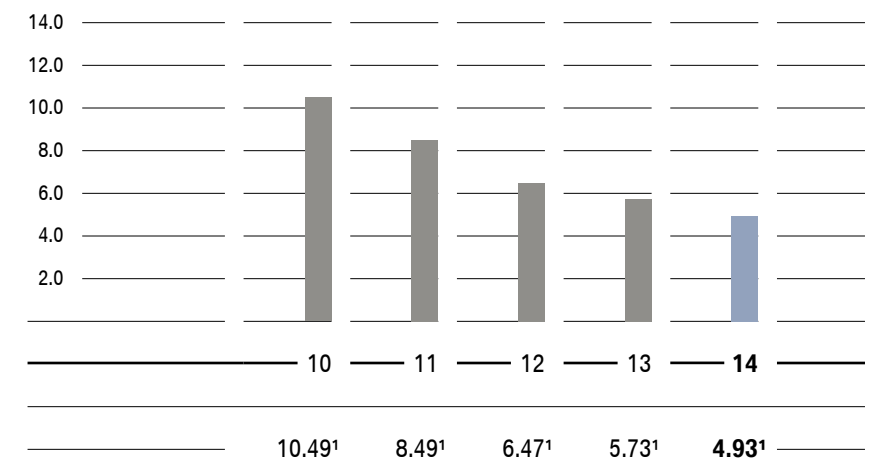
APPLYING BEST PRACTICES TO AVOID WASTE

Materials use and waste management are two areas in which we apply best-practice solutions that we have gradually rolled out across our production network. These are some examples of our activities in 2014:

- We changed the processing method for washing water on the vehicle production line for brake discs at our Berlin plant. This led to a reduction in waste for disposal of approximately 14% compared to the previous year.
- Waste for disposal in our plant Landshut has been reduced by more than 100 tonnes in 2014 compared to 2013. Main activities for this improvement has been an adjustment of the waste water treatment plant in the paint shop of the bumpers as well as the recycling of the demolition rubble of the lining of the smelting furnaces as raw material for road construction.

F.30 Waste for disposal per vehicle produced

in kg/vehicle



¹ This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = waste for disposal divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr contract production plant.

Non-recyclable production waste was further reduced in 2014, to 4.93 kg per vehicle produced (–14% compared to 2013).

RECYCLING OF NEW MATERIALS

Our innovations in the area of electromobility and light-weight construction go hand in hand with new recycling processes for materials from vehicle production or recycling.

For waste from carbon-fibre-reinforced plastics (CFRP), we use new recycling processes such as the manufacture of granulate as a filler material for thermoplastic applications (e.g. plastic components in vehicles).



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F.31 Waste

in t

	10	11	12	13	14
Total waste	564,117	594,791	664,752	680,299	727,079
— Hazardous waste for recovery	14,987	18,413	19,979	21,884	28,503
— Hazardous waste for disposal	9,772	8,720	8,127	7,668	7,439
— Non-hazardous waste for recovery	534,188	562,482	633,394	647,725	688,237
— Non-hazardous waste for disposal	5,171	5,176	3,252	3,022	2,900
Materials for recycling	549,175	580,895	653,373	669,609	716,740
— Metals for recycling (scrap)	428,175	449,900	494,894	500,589	525,812
Waste for disposal	14,943	13,896	11,379	10,690	10,339

MANAGING WASTE VOLUMES

The BMW Group's own waste information system (ABIS) is used to decide which disposal procedure is most suitable for each type of residual material. The method specified is then implemented at all plants, provided that there is a suitable disposal provider in the respective country. ABIS was introduced at our new plant in Araquari (Brazil) in 2014.

ABIS is also used to document the individual waste flows and categorises waste as hazardous or safe in accordance with country-specific regulations. There were no incidences of the import or export of treated or untreated hazardous waste in the reporting period.

FORECAST

We already achieved our aim of reducing waste volume by 45% by 2020 compared to the base year 2006. In spite of this, we will continue to minimise the share of waste for disposal in 2015, and will integrate as many residual materials as possible into a complete life cycle management system.

Due to local legislation in Shenyang (China), the BMW Group operates a wastewater treatment system for all wastewater generated by its Tiexi plant. In the past, the filter cake from this wastewater treatment system has been disposed of in a landfill. In future, we will try to find other recycling possibilities in the Chinese province of Liaoning, where the plant is located.



GROUP-WIDE ENVIRONMENTAL PROTECTION

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- 4.3 > [CO₂ emissions](#)
- 4.4 > [Waste management](#)
- 4.5 > [Water](#)



Water

STRATEGIC DIRECTION

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

Water is becoming an ever scarcer resource: over one-third of the global population live in countries with inadequate water supply. At the same time, access to clean drinking water is a basic human need. As a result, careful use of this resource is becoming more and more important. We are working hard to reduce our water consumption and are developing wastewater-free processes for our production lines.

Currently, there is no risk to water supply at the BMW Group's production plants, even though we are active in countries with high water risk, such as South Africa, the USA and China. However, in these countries in particular, we are continuing to reduce our water consumption in order to help preserve a resource that is very scarce in these regions. In the USA, for example, we reduced water consumption by 60% between 2006 and 2014. We try to use drinking water only when it is neces-



REDUCING USE OF DRINKING WATER AT PRODUCTION PLANTS —
BMW Brilliance Automotive plant in Tiexi (China)

sary for reasons of hygiene. We aim to gradually increase use of process water (industrial water) and hence reduce our consumption of drinking water. We want our wastewater to contain only as many substances as can be broken down naturally.

86% of the water used by the BMW Group comes from the public drinking water system. 14% is groundwater. We are planning in general to reduce use of drinking water at our production plants. There was no consumption of water from sensitive sources (i.e. water from conservation areas) during the reporting period.

Due to legal requirements the limits are regularly controlled. BMW Group water guidelines provide worldwide standards on how to handle substances that could be hazardous to the water supply. These standards usually exceed the local requirements.



GROUP-WIDE ENVIRONMENTAL PROTECTION

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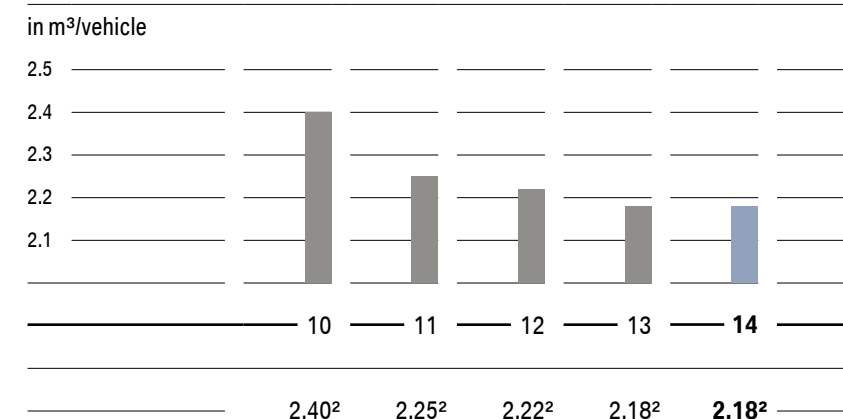
SAVING RESOURCES THROUGH STATE-OF-THE-ART TECHNOLOGY —
Paint shop at BMW Brilliance Automotive plant in Tiexi (China)

REDUCING WATER CONSUMPTION

We use the environmental management system ISO 14001 to manage our water consumption. The three largest water consumers at the BMW Group are the sanitary facilities for our workforce (45%), evaporation mainly at cooling towers (around 33%) and the production processes, in particular at the paint shops (21%). We are continuously improving our resource efficiency in all three areas by:

- Replacing sanitary fittings with water-efficient versions.
- Gradually replacing open cooling towers with closed ones and using groundwater for cooling. This allows used water to be reintroduced into the system.
- Completing water cycles at the paint shops and introducing waterless processes (for example dry separation at the paint plants).

F.32 Water consumption per vehicle produced¹



¹ These figures refer to the production sites of the BMW Group.

² This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = water consumption divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr contract production plant.

One specific example is the recycling system we retrofitted to improve wastewater processing from the paint shop at our plant in Dingolfing (Germany). Up to 18,000 m³ of fresh water per year is now saved at the plant.

Water consumption per vehicle was 2.18 m³ in 2014. This represents a reduction of 33.1% compared to the base year 2006 > [see Figure 32](#).

Finding individual solutions to conflicts in meeting targets

In the reporting period, although we faced a number of challenges such as large construction projects and unscheduled maintenance work with washing and cleaning losses, we were able to maintain the previous year's level of consumption. However, we did run into some conflicts when it came to meeting our targets, so individual solutions had to be found. For example, although changing the paint process from wet to dry (dry separation) does reduce water consumption, it also creates stone powder, which must be disposed of. Our Leipzig plant developed a solution to this conflict by making the stone powder available for use by a cement plant.





GROUP-WIDE ENVIRONMENTAL PROTECTION

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4.2 > [Energy](#)

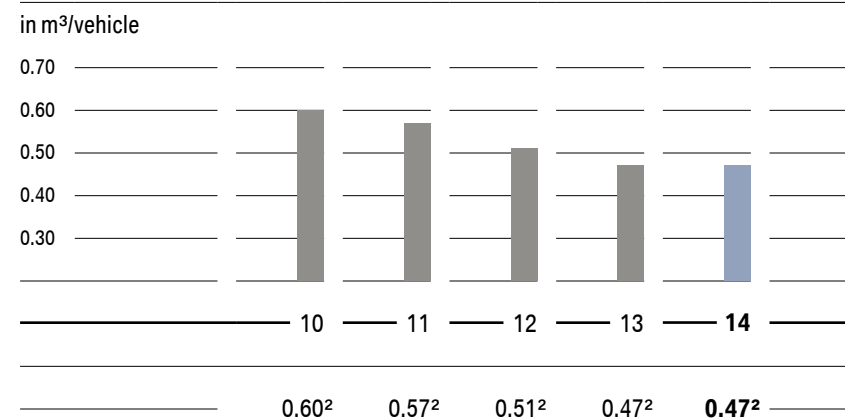
4.3 > [CO₂ emissions](#)

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F.33 Process wastewater per vehicle produced¹



¹ The indicators refer to production wastewater.

² This row of numbers is not directly comparable with those published in 2012. Efficiency indicator = process wastewater divided by the total number of vehicles produced, not including the vehicles from the Magna Steyr contract production plant.

REUSING PROCESS WASTEWATER

Recycling systems process this kind of wastewater so that it can be reused in the same or other process steps:

Two specific examples:

- At the Dingolfing plant in Germany, an old ion exchanger was replaced by a more efficient one. The number of regenerations that consume water and chemicals was significantly reduced as a result. In addition, the wastewater produced during regeneration is reused in another process.
- At the Regensburg plant in Germany, the new procedure to reduce wastewater in cathodic dip painting had a full year effect for the first time. Using membrane technology, the anolyte wastewater is purified and returned to the production cycle.

In 2014, the water consumption per vehicle produced was 0.47 m³ > [see Figure 33](#). This was the same volume as in the previous year and represents a drop of 43% compared to 2006. We have therefore already almost reached our goal of reducing consumption by 45% by 2020.

FORECAST

We plan to further reduce our water consumption in the coming years. To achieve this, we will continue to close the water cycles in the paint shops and in engine production as well as replace old sanitary facilities and open cooling towers when they have reached the end of their life cycles.

In specific terms, we are planning a project to save drinking water at the paint shop of our plant in Spartanburg (USA). Technical processing in a recycling system will in future feed the process wastewater back into the cooling towers.

5



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Read more at > www.bmwgroup.com



SHENYANG, CHINA

TIEXI PLANT, JOINT VENTURE
BMW BRILLIANCE AUTOMOTIVE LTD.

Can the BMW Group
also ensure sustainability
in its supply chain?

Sustainability Forum, October 2014

5 — SUPPLIER MANAGEMENT

PROGRESS IN 2014

EXPANSION OF LOCAL SOURCING

In 2014, we moved our value creation even further along the supply chain towards the respective sales markets. This enables us to reduce both transport volumes and CO₂ emissions.

FURTHER DEVELOPMENT OF RISK MANAGEMENT

In 2014 we improved our management system in order to ensure that suppliers who are nominated to receive contracts from the BMW Group comply with our sustainability expectations. We also introduced new modular online supplier assessments.

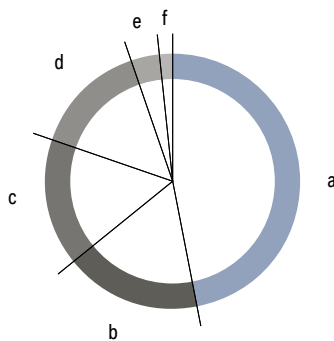
IMPROVEMENT IN RESOURCE EFFICIENCY

Since 2014, we have been participating in the Supply Chain Programme of the Carbon Disclosure Project. Savings of over 21 million tonnes of CO₂ equivalents have been reported to us from the supplier network for 2014.

INDICATORS

REGIONAL DISTRIBUTION OF PURCHASING VOLUME

2014
in %, basis: production material



a) Germany	47.2
b) Eastern Europe	17.2
c) Rest of Western Europe	15.9
d) NAFTA	14.5
e) Asia/Australia	3.7
f) Africa	1.5

PURCHASING VOLUME IN THE CDP SUPPLY CHAIN

2014

45%

2015+ FORECAST AND OBJECTIVES

SUSTAINABILITY ALONG THE ENTIRE VALUE CHAIN

We will work even more closely with our suppliers in order to achieve greater transparency in the supply chain for critical components and raw materials.

IMPROVE RISK IDENTIFICATION

We want to be even more proactive in our risk management activities. In addition, the OEM questionnaire (an industry-wide sustainability questionnaire) will enable us to establish sustainability requirements even more firmly in the request for proposal process.

EXPAND SUPPLIER PROGRAMME

We will further expand our resource efficiency programme. To do this, we will derive specific measures from the knowledge already gained from our participation in the CDP Supply Chain Programme.



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Our management approach

Our global supply chain network makes a major contribution to value creation and innovative strength, and hence to the success of the BMW Group. Our suppliers therefore play a significant role in helping us to achieve our sustainability goals and in the contribution the BMW Group makes towards the sustainable development of society as a whole.

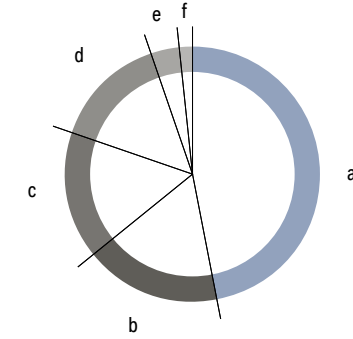
Our collaboration with our suppliers is based on common visions and convictions. This entails a mutual understanding of product and production quality, innovative strength, security of supply and competitive prices as well as the continuous integration of our sustainability goals into all production and business processes. In times of complex global supply chains, involving a large number of suppliers and sub-suppliers, these goals present a considerable challenge but also a great opportunity.

As part of our global growth, the BMW Group is shifting its value creation along the supply chain even more strongly towards respective sales markets. Besides reducing currency risks, local sourcing offers numerous additional benefits. It both helps us support communities and regions and also improves our logistics, resulting in lower CO₂ emissions. For example, we locally source approximately 60% of the goods and services needed to manufacture vehicles at our largest production plant in Germany. At other production plants as well, we make sure that we create value locally.

Our procurement volume is distributed worldwide as follows:

F.34 Regional mix of BMW Group purchase volumes in 2014

in %, basis: production material



a) Germany	47.2	d) NAFTA	14.5
b) Eastern Europe	17.2	e) Asia/Australia	3.7
c) Rest of Western Europe	15.9	f) Africa	1.5

In order to ensure sustainability and continuous improvement throughout the entire supplier network, we concentrate mainly on two areas:

– Managing and minimising risk > see Chapter 5.2

Comprehensive risk management enables us to ensure that all BMW AG suppliers, both of direct and indirect goods and services, comply with sustainability standards. In addition, we analyse specific, particularly relevant or critical raw and other materials along the supply chain.

We have developed our own method of carrying out this comprehensive risk analysis of relevant supply chains: we model the supply chains, gather the data of the relevant suppliers and evaluate the sustainability of the suppliers right back to the raw material extraction stage. If we identify any issues, we define the appropriate countermeasures in collaboration with the supplier concerned. The results of the supply chain analyses are





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integrated into future product development; we also use them internally to fine-tune our sustainability, procurement and material strategies.

- **Exploiting opportunities and leveraging potential**
 > [see Chapter 5.3](#): Together with our suppliers, we are working towards ever-increasing efficiency in the way we use resources. We also focus on fostering innovation in the area of sustainable technologies and processes and provide training in sustainable operations both to our own employees as well as those of our suppliers.

For example, the BMW Group has set itself the goal of significantly increasing transparency and resource efficiency in the supply chain by 2020. We measure our progress along concrete parameters such as our suppliers' CO₂ emissions, water and energy consumption. In order to ensure transparency of resource consumption in the supplier network, BMW AG was the first German carmaker to join the CDP Supply Chain Programme.

INTEGRATION WITHIN THE ORGANISATION AND INTERNAL COOPERATION

Within the company, three specialist divisions work closely together: Sustainability in the Purchasing and Supplier Network, Sustainability and Environmental Protection, and Raw Materials Management. They assume joint responsibility for ensuring sustainability in our supply chains.

DEFINING PRINCIPLES AND STANDARDS FOR SUPPLIERS

For the BMW Group, it is essential that our business partners meet the same environmental and social standards we set for ourselves. The BMW Group Supplier Sustainability Standards are the foundation on which this process is based. The standards establish basic principles that are to be adhered to by all BMW Group suppliers. This includes compliance with all internationally recognised human rights as well as environmental,

labour and social standards. The BMW Group Sustainability Standard is an integral part of the request for proposal documentation for new suppliers and is thus a key tool in the integration of sustainability aspects into the procurement process.

Each potential new supplier must take into consideration the BMW Group sustainability requirements when submitting a proposal. When the decision for a particular supplier is being made, a standard template provides the committees responsible with all relevant information. Sustainability is one of the decision-making criteria, alongside product and production quality, security of supply, innovative strength and competitive pricing.

ENGAGING WITH STAKEHOLDERS

Engaging with our stakeholders is an additional important tool in our continuous efforts to improve our measures and activities and to identify and discuss external trends.

It has become evident from our dialogue that stakeholders expect companies like the BMW Group to assume more responsibility along the supply chain. Key recommendations that resulted from a Stakeholder Dialogue 2013 included applying solutions from other industries to the automotive industry, and systematically focusing and prioritising the company's own activities (for example with respect to certain raw materials or supply chains). In addition, the stakeholders advised industry-wide and cross-industry cooperation to develop joint approaches.



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COLLABORATING IN INDUSTRY INITIATIVES AND NETWORKS

Engagement in initiatives, networks and associations and the resulting dialogue beyond the boundaries of our company are essential for us to continuously improve our sustainability strategy > [see Figure 35](#).

At the European level, for example, we have been collaborating since 2012 with ten other carmakers in the European Automotive Working Group on Supply Chain Sustainability, which is coordinated by CSR Europe. Within this workgroup, we jointly develop measures to minimise risk and work on projects to increase sustain-

ability in supply chains and to establish standard minimum requirements for suppliers. One result this group has produced is the first industry-wide Self-Assessment Questionnaire on CSR/Sustainability for Automotive Sector Suppliers, which was published in April 2014. In autumn 2014, the BMW Group started applying this questionnaire.

Furthermore, as a member of econsense, the Forum for Sustainable Development of German Business, we promote cross-industry auditing systems to evaluate sustainability at supplier companies.

F.35 Industry-wide initiatives and networks with BMW Group participation

Collaborative initiative with BMW engagement	Across industries	Industry-wide	International	Country-specific	Product/material-specific	Across products, materials and services	Objectives
	✓			✓		✓	Implement sustainability standards along the value chain
	✓		✓			✓	Harmonisation of the methodology for social assessment of products
	✓		✓		✓		Develop a global standard for aluminium sustainability
		✓	✓			✓	Work together on common projects in order to improve sustainability in supply chains
 Verband der Automobilindustrie		✓		✓		✓	Adopt LCA (Life Cycle Assessment) data collection format
	✓		✓			✓	Exchange best practice cases and experiences, identify sustainability trends, participate in specific working groups and initiatives
	✓		✓			✓	Exchange best practice cases and experiences, identify sustainability trends, participate in specific working groups and initiatives
	✓		✓			✓	CDP recommendations and results are used in Supplier Performance Review (SPR) meetings to set location-specific environmental targets for top 100 suppliers





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EFFICIENT USE OF RAW MATERIALS — Carbon, lightweight construction material

SUSTAINABLE EXTRACTION AND PROCUREMENT OF RAW MATERIALS

Raw materials are the basis for every industrial production process. However, with today's multi-layered and dynamic global supply chains, actually tracing the route of a raw material from the mine to the end product is an extremely complex undertaking. This is mainly due to the intermediate trade and processing stages and commodities trading on the stock exchange. It is therefore quite a challenge to implement sustainability standards as early as the raw materials extraction stage.

In view of this, the BMW Group focuses on selected relevant or critical raw materials and supply chains. We analyse and evaluate the supply chains as well as the action required and then derive measures that we implement in conjunction with our suppliers.

For this purpose, we also participate in cross-industry initiatives for sustainable use of raw materials. For example, we joined the Aluminium Stewardship Initiative (ASI) in December 2012. Aluminium plays a major role in lightweight construction, because it weighs significantly less than steel. The ASI aims to establish a standard for

responsibly produced aluminium along the entire value chain – from responsible corporate governance to compliance with environmental and social standards. The standard was developed in a multi-stakeholder process involving companies and NGOs. The ASI Performance Standard was finalised on schedule at the end of 2014 and represents a key milestone in the initiative's efforts to establish ASI-certified products. It is one of the first comprehensive sustainability standards for the entire value chain of metal as a raw material.

FORECAST

Ensuring sustainability along the entire supply chain requires joint effort and long-term action. The BMW Group will therefore continue to expand its collaboration with other carmakers to promote sustainability in supply chains. We will also work even more closely with our suppliers in order to achieve greater transparency in the supply chain for critical components and raw materials. In addition to aluminium, we will be focusing on conflict minerals as well as selected renewable materials in 2015.





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Minimising risk

STRATEGIC DIRECTION

We are convinced that sustainability in the supply chain can only be achieved if we work hand in hand with our suppliers. We therefore aim to collaborate with our partners in order to make the entire supplier network sustainable.

As a global enterprise, the BMW Group faces the challenge of using sustainability management to find the right solutions under very diverse local conditions. Increasing internationalisation of procurement in regions such as Eastern Europe, Asia and Latin America has led to new and bigger sustainability risks. We therefore continuously improve our sustainability risk management system in order to become familiar with the respective country, industry and product risks and to ensure compliance with our sustainability standards.

All agreements made by BMW AG with its suppliers contain clauses based on the principles of the UN Global Compact and the International Labour Organization (ILO). These principles also specify that a contractual commitment must be made to comply with human rights, labour and social standards as well as to implement environmental management systems. When they sign the

contract, our suppliers also commit to ensuring that their suppliers in turn comply with these agreements.

The main instrument we use to ensure implementation of our sustainability standards is our sustainability risk management process. It is made up of the following three steps > [see Figure 36](#):

- **Identify risks:** Application of a BMW Group-specific sustainability risk filter.
- **Self-assessment questionnaire:** Use of a self-assessment questionnaire developed for the automotive industry (since autumn 2014; previously the BMW Group applied its own self-assessment questionnaire).
- **Conduct audits:** Sustainability audits by external auditors.

As part of the continuous improvement of our risk management process, we introduced two new aspects in 2014. One was the “nomination process”, an upstream step before the procurement process to ensure that nominated potential suppliers comply with our sustainability requirements. We also carried out modular online assessments of suppliers in addition to our sustainability audits.





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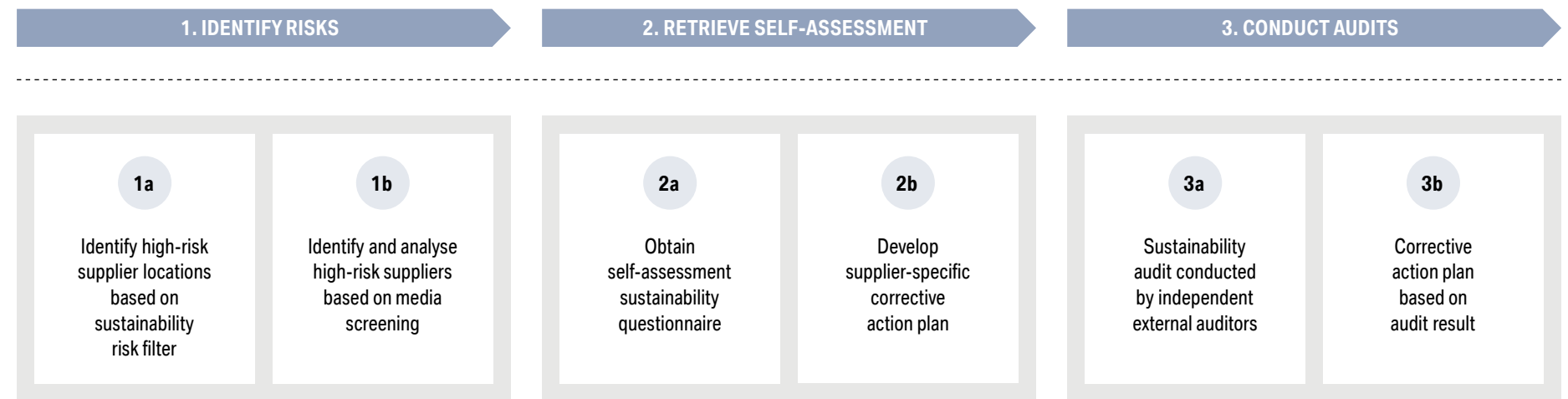
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F.36 Risk management process of the BMW Group



STEP 1: IDENTIFY RISKS

Using special filters to identify risks

In the first step of our risk management process, our 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. This includes, for instance, an assessment of social risks in certain countries, such as child labour or forced labour. We also consider environmental risks such as damage to nature, emissions and process materials containing substances that can be hazardous to health. The respective production facility of the supplier, rather than its head office, is assessed in each case. If sub-suppliers are thought to be repeatedly in breach of sustainability standards, the supply chain is also evaluated using the sustainability risk filter. We continuously improve the system used for the risk filter.

Using the media to identify potentially risky suppliers

We also use media screening to identify potentially critical suppliers. Through systematic observation and analysis of supplier-specific media coverage and social media posts, we can identify potential risks at an early stage.

STEP 2: SELF-ASSESSMENT QUESTIONNAIRE

Ensuring sustainability standards via self-assessment questionnaires

The risk filter forms the basis for the next step, i.e. supplier self-assessment via questionnaire. Since 2009, we have been asking suppliers to complete this questionnaire to provide a self-evaluation of their sustainability management and related activities. Until 2014, we used a self-assessment questionnaire developed by BMW, based on our sustainability standards. Since autumn 2014, we have been using an industry-wide questionnaire based on Guiding Principles that apply to all OEMs (original equipment manufacturer). This questionnaire ensures that minimum standards are complied with throughout the industry. We introduced modular online assessments in order to ensure compliance with BMW-specific and other additional requirements.

When new suppliers offer us their services, they must make a clear commitment in their self-assessment to social standards such as compliance with human rights. Sustainable use of materials such as secondary aluminium is also verified at the request for proposal stage. The OEM questionnaire also asks for information on whether



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the environmental management system in accordance with ISO 14001 is in place, integration of recycling aspects in product development as well as on recycling concepts. After the proposal has been submitted, these details are included as key decision-making indicators in the procurement process. In 2014, approximately 3,000 suppliers submitted the information we requested.

Correcting sustainability deficits

If a low sustainability level is identified on the supplier's self-assessment questionnaire, we communicate the industry-wide standard recommendations to them. Additional BMW Group-specific measures are agreed between the supplier and our Sustainability in the Purchasing and Supplier Network division. For suppliers with known sustainability deficits, we supplement the supply contracts with corrective action plans and clauses. We can thus ensure that all sustainability requirements will be met by start of production or provision of services.

This approach reflects our conviction that sustainability in supply chains can only be achieved if we work hand in hand with our suppliers. Our goal is for compliance with these standards to be viewed as a matter of course. This applies not only to our suppliers, but also to their sub-suppliers. We only have indirect influence on sub-suppliers. However, we oblige our direct suppliers to ensure that our sustainability requirements are also met by their sub-suppliers. We also develop individual action plans for specific supply chains.

STEP 3: CONDUCT AUDITS

Sustainability standards verified by external auditors

Supplier production facilities that are at high risk of breaching sustainability requirements and facilities suspected of such a breach are subject to independent audits. The first step is a detailed examination of sustainability performance at the supplier's production facility using a specially designed catalogue of criteria. Based on this, verifications and certifications are carried out by external auditors. If we conclude at some point that further validation of the supplier is necessary, we then initiate a complete on-site sustainability audit. This audit includes, for example, plant inspections and interviews with management and employees, as well as a review of the management system.

Corrective action plan based on audit result

If the results of an audit show non-compliance or potential for improvement, we work with the supplier to develop a specific plan of action and provide assistance with implementing this plan. If the supplier is uncooperative or in breach of a fundamental BMW Group sustainability clause, termination of business relations may follow. Our goal, however, is to determine the majority of risks during the first two steps, to manage these risks and to help suppliers raise their sustainability standards. Audits represent the final stage of our risk management process and are carried out only in exceptional cases.

When we become aware of individual cases of non-compliance with our sustainability principles, our Supply Chain Response Team handles them, applying a defined three-step process:

1. The management of the supplier company is asked to respond to the specific issue or case.
2. If the management responds and if the supplier is cooperative, we visit their company in order to ensure that the non-compliance will not be repeated.



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3. If non-compliance is confirmed and the supplier is not cooperative or shows no improvement, termination of the current business relations with the supplier may result as a final step.

The Supply Chain Response Team is made up of one respective representative from Operational and Strategic Purchasing, Corporate Strategy (a sustainability expert), Corporate Communications and the Works Council. The team had to take action in three cases in 2014. In one case, the accusation was a breach of environmental standards, another was a Health and Safety issue and the third related to a number of breaches of basic labour standards. In the Health and Safety case, a careful audit showed that no BMW location was affected. In the case of breach of basic labour standards, the supplier was asked to respond and the location was inspected. No evidence that would lend merit to the accusations was found. In the environmental standards case, measures were developed to ensure that no limits would be exceeded in future. Some of these measures have already been implemented and audited. Others are still in the implementation phase.

FORECAST

Based on what we have learned, we want to be even more proactive in our risk management activities. In addition, the OEM questionnaire will enable us to establish sustainability requirements even more firmly within the request for proposal process. And finally, BMW employees will additionally implement social audits in order to secure the social sustainability performance of our suppliers.





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Seizing opportunities

STRATEGIC DIRECTION

The BMW Group sees collaboration with its suppliers as an opportunity to integrate sustainability into the entire value chain. A long-term, close cooperation with our partners allows us to tap into new potential for sustainable operations in the supplier network.

We can achieve a lot if we work together with our suppliers. We promote innovative ideas, increase awareness of sustainability along supply chains and protect valuable resources by increasing efficiency.

We cooperate with our suppliers to turn the challenges presented by sustainability into an opportunity and to leverage potential.

The action we take here focuses on three areas:

1. We improve efficient use of resources by creating transparency and agreeing on corresponding goals and action to be taken.

2. We train purchasers and suppliers. We enable them to identify potential for sustainable operations and we use case studies to convince them to take the initiative and implement it in practice.
3. We foster innovation on all levels within the BMW Group and with our suppliers.

CREATING TRANSPARENCY, IMPROVING EFFICIENT USE OF RESOURCES

For many years now, the BMW Group has been working to use innovative technologies and processes to reduce resource consumption and to increase energy efficiency on the production line. Because much of the value-added is created by our suppliers, it is not enough for us to only set sustainability standards for our own production. The BMW Group's Sustainability Standards are valid worldwide and their integration is mandatory along the entire supply chain.

For this reason, we joined the Supply Chain Programme of the Carbon Disclosure Project (CDP) in 2014. CDP is a non-governmental organisation that aims to reduce energy and resource consumption and thus counteract climate change. By participating in this programme, suppliers can record their resource consumption on a generally accepted platform and derive cost-saving potential as a result. Within the CDP Supply Chain Programme we annually monitor and analyse resource consumption and CO₂ emissions and identify improvement potential for suppliers, who we select according to turnover volume, emissions and consumption aspects. Based on this, we currently achieve coverage of over 45% of production-relevant procurement volume for BMW AG. The resulting transparency is further disseminated in terms of quality and quantity through the agreements made in supplier development interviews as well as the contracts granted each year.





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COLLABORATING WITH SUPPLIERS WORLDWIDE — Suppliers in China

These measures help us to assess suppliers' efficiency and to work together to uncover ways of saving energy and resources and to develop over time. 81% of the BMW suppliers taking part in the CDP have integrated climate change into their corporate strategy, 77% took the initiative to reduce emissions in 2014 and 69% set themselves specific targets to achieve this. Savings of over 21 million tonnes of CO₂ equivalent were reported to us from our supplier network for the year 2014. These savings mainly resulted from an increase in energy efficiency in production processes and from optimisation of transport processes. As a rule, investment by suppliers for these measures pays off within three years.

TRAINING FOR EMPLOYEES AND SUPPLIERS

We offer a wide range of training courses for purchasers, internal process partners and suppliers. This makes them more aware of the topic and they learn about cause and effect. We also clearly communicate our expectations to them. In this way, we enable participants to make decisions that contribute towards greater sustainability in the supply chain. These are the training courses we offer:

- A basic training course for new purchasing employees, with a module on sustainability. 156 employees participated in this training in 2014.
- A basic training course designed specifically for new purchasers of non-production-related material such as services.
- A dialogue event on sustainability in the supply chain for purchasers and commodity managers. In 2013, we aimed to provide sustainability training to at least 80% of our more than 800 purchasers. To achieve this aim, we carried out mandatory training courses in 2013 and reported the number of participants as a target value on the balanced scorecard to the top management level. In order to continue to ensure we have a high number of trained purchasers, training courses were offered again in 2014.
- A two-day course to become a certified sustainability officer for the purchasing and supplier network. In cooperation with the University of Ulm, we offer this course to employees and suppliers. In 2014, a total of 38 people participated in the certification training.
- A Web-based sustainability training course at the BMW Group that includes case studies on sustainability in the supplier network. This training is available to both employees of the BMW Group and its suppliers.
- Presentations at external events as well as participation in round tables and panel discussions. These include, for example, conferences and meetings for medium-sized German businesses, as well as colloquiums on research studies.





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RECOGNISING INNOVATION — BMW Supplier Innovation Award 2014

PROMOTING INNOVATION

We incentivise our suppliers to develop innovative solutions to the challenges presented by sustainability.

The Learning from Suppliers forum

In 2012, the Learning from Suppliers forum was established to give our suppliers the opportunity to showcase best-practice case studies on innovative and sustainable solutions for products, materials and production processes. At this monthly series of events, suppliers can present sustainable product and process innovations at the BMW Group Research and Innovation Centre in Munich. The aim of the event is to encourage an exchange of information on the topics of innovation and sustainability, while closely interlinking these two issues in strategy, product and process development from the very beginning.

Supplier Innovation Award

The BMW Supplier Innovation Award was presented for the third time in 2014. It went to a total of eight supplier companies for outstanding innovation and development performance, among other things in the area of sustainability.

At the awards ceremony in October 2014, the winner of the Supplier Innovation Award in the Sustainability category was ASK Chemicals GmbH. The company's innovative anorganic core binder has enabled the BMW Group to set up an emissions-free foundry and further improve employee working conditions. At the same time productivity and component quality improved.

FORECAST

In 2015, we will expand our resource efficiency programme by taking concrete action based on the knowledge gained from our participation in the CDP Supply Chain Programme. In addition, we will continue to develop our sustainability training formats for suppliers and employees. In addition we continue to promote and reward innovations initiated by our suppliers.

6



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Read more at > www.bmwgroup.com



INCHEON, SOUTH KOREA

BMW GROUP DRIVING EXPERIENCE

Does the BMW Group
pay above average wages
to its employees abroad?

BMW Group Multi-Stakeholder Dialogue,
October 2014

6 — EMPLOYEES

PROGRESS IN 2014

INCREASE IN HEADCOUNT

Our workforce grew again in 2014. This was mainly due to the expansion of our international production network as well as our increasing focus on innovation and future technologies. Additional engineers and experts were recruited for this purpose.

INVESTMENT IN EMPLOYEE TRAINING

Expenditure on training and further education increased in the reporting period (€335 million/ +16.3% year on year). Key areas of further training were electromobility and modern production technologies.

MORE PROMOTION OF FEMALE MANAGERS

The share of women participating in our Global Leadership Development Programme was over 50% in 2014. This enables us to lay the groundwork for a new generation of female managers who are more technically competent, networked and highly aware of cultural and societal issues.

INDICATORS

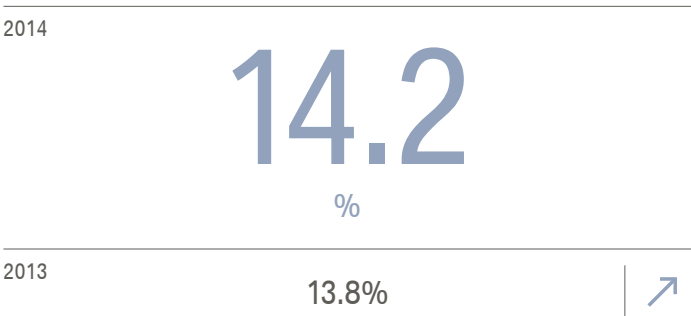
EMPLOYEES AT THE BMW GROUP



EXPENDITURE ON TRAINING AND FURTHER EDUCATION



SHARE OF WOMEN IN MANAGEMENT POSITIONS AT THE BMW GROUP



2015+ FORECAST AND OBJECTIVES

SECURE FUTURE COMPETENCY REQUIREMENTS

Strategic HR planning will ensure that next year again we can identify the competencies we need to pursue our corporate strategy and recruit personnel accordingly.

PROMOTE COMPREHENSIVE TRAINING AND FURTHER EDUCATION

To keep up with the development of new technologies in the automotive industry, we will continue to invest in the training and further education of our workforce.

FURTHER EXPAND DIVERSITY

By engaging in focused diversity management, we will continue to promote diversity in the workforce. After all, diversity makes an important contribution towards our competitiveness.



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Our management approach

The success of the BMW Group is based on the dedication and technical expertise of our employees. We make every effort to attract and keep the best people. To achieve this, we offer them attractive and secure jobs, comprehensive development and training opportunities, and good long-term prospects. We also offer above-average pay and give our employees a number of options to help them balance work and private life.

The increasing average age of the world population as well as changing job profiles and a shortage of skilled workers in Germany call for flexibility and foresight in human resources planning. We therefore aim to position ourselves even more consistently as an attractive employer on all relevant labour markets, for all target and age groups > [see Chapter 6.2](#).

International and intercultural alignment of our human resources strategy

Based on our Strategy Number ONE, the BMW Group Human Resources Strategy was passed in 2008 and has been continuously developed since then, keeping close watch over regional trends.



ATTRACTIVE EMPLOYER — A dedicated and skilled workforce enhances our competitiveness

The main strategic cornerstones of our HR policy are:

- **Leadership qualification and development:** Advanced training and personal development for managers to equip them to lead effectively and thus competently support employees in achieving personal and company objectives > [see Chapter 6.4](#).
- **Future Talent programme:** Early recruitment and development of university graduates and future managers to build up a long-term and diverse global talent pool > [see Chapter 6.4](#).
- **Diversity & Inclusion:** Continuous development of our existing Diversity Concept into a Diversity & Inclusion Strategy suitable for global application. Definition of objectives and performance indicators at global, national and regional level to derive and implement suitable measures > [see Chapter 6.5](#).
- **Health and work environment:** Safeguarding our employees' health and best possible performance through demand-oriented measures in the area of health and working environment > [see Chapter 6.3](#).





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OBJECTIVES OF OUR HUMAN RESOURCES STRATEGY

Our specific objectives for our workforce are summarised by these strategic pillars:

F.37 Targets in the area of employees

Diversity in the workforce

A diverse workforce enhances our competitiveness and innovative strength.

- Maintaining the 15–17% share of women in our general workforce and also achieving this ratio in management positions by 2020, both in Germany and worldwide

Long-term employee development

By finding the right people, ensuring their employability, making the most of their skills and fostering their development, our HR strategy makes a significant contribution to the success of the company.

- Maintaining employer attractiveness at a permanent high level
- Average number of training days per employee/year (target: at least 2.5 days)
- Needs-oriented qualification of managers (target: at least 70% of managers by 2016)

Health and performance

To preserve the health and the performance of our employees in the long term, we promote personal responsibility and an appropriately designed work environment.

- Number of employees taking part up to the year 2020 in the Health Management 2020 programme (target: 25%)
- Accident frequency rate (target: –40% by the year 2020; base year: 2010)
- Incorporating the targets for ergonomic workstation design in all new vehicle projects as of 2015

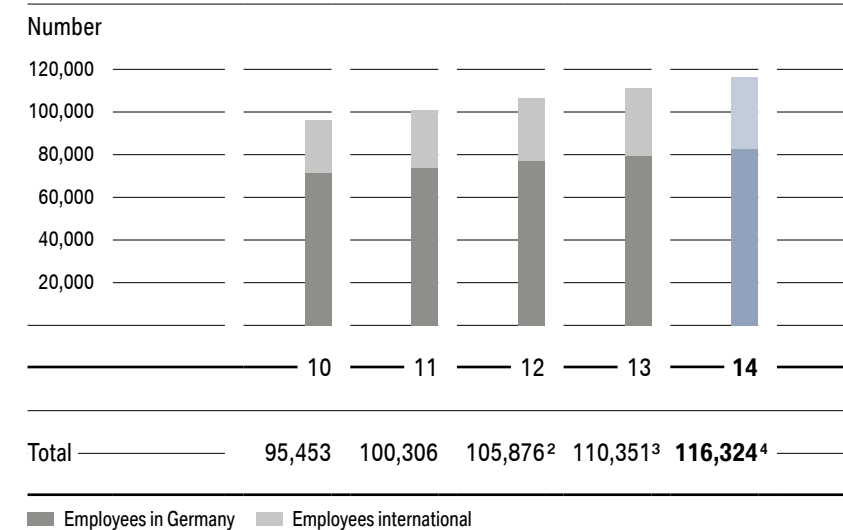
All targets are anchored in the internal target system, with regular performance monitoring.

One of the key parameters applied in our **HR policy** is the number of employees working for the BMW Group. This number increased worldwide by 5.4% to a total of 116,324 employees by the end of 2014 as a result of high demand for our vehicles > [see Figure 38](#).

INTERNAL RESPONSIBILITY AND INCENTIVES

BMW AG Human Resources is responsible for the various aspects of employment. Key decisions that affect employment are taken by the entire Board of Management. Progress on the implementation of the Human Resources Strategy is regularly reported to the Board of Management. Human Resources and the specialist divisions bear equal responsibility for successful implementation.

F.38 BMW Group employees at end of year¹



- ¹ Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement arrangements and low income earners.
- ² Of whom 35.2% are tariff-bound production employees of the BMW Group.
- ³ Of whom 35.1% are tariff-bound production employees of the BMW Group.
- ⁴ Of whom 36.1% are tariff-bound production employees of the BMW Group.





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COMPREHENSIVE EMPLOYEE REPRESENTATION

The timely and comprehensive involvement of employee representatives, in particular when major operational changes are planned, is an integral part of our corporate culture. The BMW Group therefore undertakes the following to make sure this happens.

In accordance with the German law on co-determination, BMW AG has a Supervisory Board with equal representation of all parties, including external representatives of the competent trade union as well as company representatives from the works councils formed at the BMW AG company locations.

At the German BMW AG locations and the subsidiaries within Germany, works councils are formed according to the German Works Constitution Act. The local works councils also delegate representatives to the Group Works Council of BMW AG.

For the European locations of the BMW Group, there is a European Works Council composed of employee representatives from European production sites of the BMW Group.

Employee representation at the other international locations of the BMW Group follows the respective national regulations, with employee representation most recently established in India (Chennai plant) and in the sales and financial service companies in China.

Freedom of association is one of the principles set down in the [Joint Declaration on Human Rights and Working Conditions at the BMW Group](#). The BMW Group complies with conventions 87 and 98 of the ILO (International Labour Organization), which guarantee workers freedom of association and the right to collective bargaining. This also includes, for example, the right to establish and to join independent trade unions and other advocacy organisations as well as protection against discrimination on grounds of membership in a trade union or employee representative body.

F.39 Share of employees represented by a trade union or falling under collective agreements¹

in %

	10	11	12	13	14
Germany ³	100	100	100	100	100
UK ²	75	94	86	86	86
China (plant)	100	100	100	100	100
Austria ³	100	100	100	100	100
South Africa	46	51	61	61	60
USA (no collective agreements exist)	0	0	0	0	0

¹ Figures from the UK, China and South Africa only available from 2010 onwards.

² In 2012, all employees from central functions as well as the Goodwood plant were included in the calculation. The figure for the UK is therefore not directly comparable with those of previous years.
If the same method were applied, the share would also be 86% in 2011.

³ Excluding executives.

At the BMW Group, institutionalised operational co-determination is implemented Group-wide according to the applicable national regulations.

At all BMW AG plants and branches as well as in Austria and the UK, elected works councils observe co-determination for the employees.

In China and South Africa, employees are represented by local workers' representatives, while at the company locations in the USA no collective agreements exist.





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EMPLOYEE REPRESENTATIVES — Chennai plant (India)

Safeguarding employment in the long term

Long-term job security is one of the priorities of our human resource policy. Our company agreements on BMW working time accounts and strategic flexibility, which enable us to deal with fluctuations in demand, help us to achieve this goal.

- **BMW working time account:** The BMW working time account makes the relation between working time and remuneration more flexible. This enables us to adapt working time to the respective project and order situation without changing employees' pay.
- **Strategic flexibility:** We use a range of instruments to ensure flexibility, enabling us to adapt working hours to fluctuations in demand. These include standard shift models and modular capacity systems, such as defined extensions and reductions in shift hours, working through breaks and collective breaks. We also ensure flexibility by utilising temporary work contracts and by using the services of temping agencies.

FORECAST

To meet human resources challenges and take advantage of opportunities, we have defined various fields of action for 2015. We will, for example, continue to pursue and further expand concepts and measures in the area of diversity management. We also plan to step up international cooperation on strategic HR matters with and in the regions where we do business. Our training and health offerings will be adjusted, expanded and internationalised as required.



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Attractive employer

STRATEGIC DIRECTION

The BMW Group is regarded as an attractive employer and has a common management understanding of the importance of employee focus.

The BMW Group promotes flexible working hours and gives employees a range of options to help them find the right work-life balance.

As of one of the world's most attractive employers, the BMW Group has a decisive advantage in the competition for skilled workers. We intend to build further on this advantage by offering employees attractive additional benefits and helping them to develop their personal strengths.

But at the same time, we face many challenges. For example, as the BMW Group becomes more international, there is an increasing need to work across different time zones, which is not always easy to reconcile with employees' personal lives. Needs and requirements can also differ quite significantly from country to country as society becomes more individualised and the range of different lifestyles increases.



BUILDING SKILLS FOR THE FUTURE — Further training at the BMW Group

Securing skills for the future

We therefore try to set the course at an early stage. As part of strategic human resources planning, we determine annually the skill sets we need based on our corporate and departmental strategies and we align our young talent and further training programmes as well as our hiring plans accordingly.

Demographic effects on the structure of the workforce and thus on future staffing requirements are highly relevant for human resources planning. In 2013, BMW AG therefore introduced an IT-based strategic human resources planning system, and in 2014 extended its scope to cover our large international plants as well.

ABOVE-AVERAGE REMUNERATION AND SOCIAL BENEFITS

The BMW Group policies for remuneration and additional benefits apply for all of our companies. We pursue a total remuneration approach in which salaries as well as our extensive range of benefits are considered part of a total package. The main guiding principle is fair pay. For every location worldwide, the total remuneration package must be above the average for the respective labour market.



EMPLOYEES

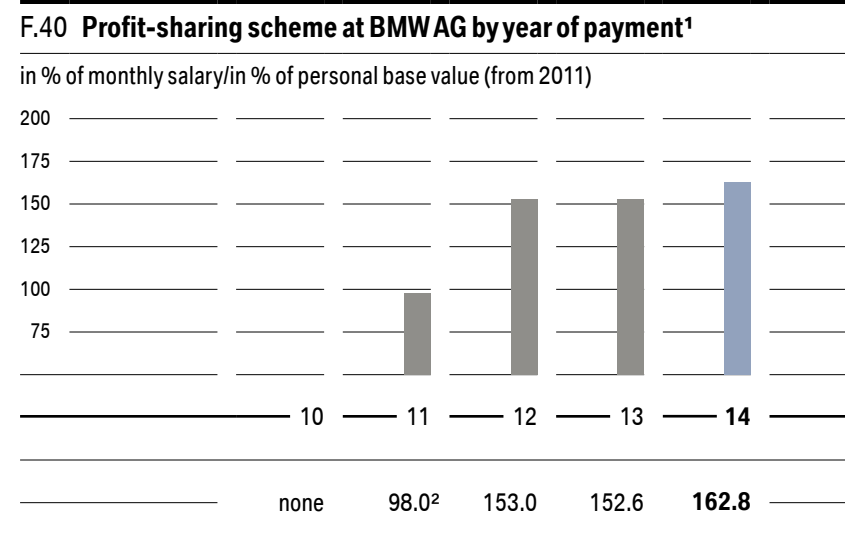
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Due to the significant decline in profits, in 2009 and 2010 BMW AG employees did not receive any bonuses for 2008 and 2009.

¹ New employees receive full bonuses after four years of employment.

² New bonus system from 2011 based on personal base value.

In addition to a fixed salary, our employees receive a variable share in the company's profits. Due to the positive business development in 2013, employees took home a record-breaking profit share in 2014.

Our remuneration system is gender-neutral. To make sure that this is the case all over the world, all our companies are interviewed regularly. In 2014, a multidimensional monitoring process was established within BMW Group in Germany to annually check the gender-neutrality of remuneration. Data from more than 60,000 employees were analysed. Analysis results confirm that our gender-neutral compensation system has been successfully established. Carrying out this analysis annually will enable us to detect any counter-trends at an early stage.

Based on a voluntary commitment, the compensation received by temporary workers employed by BMW AG is oriented on the collective agreements applicable to our core employees in the automotive industry and not the collective agreements in the temporary work sector.

Offering additional social benefits

Apart from the fixed and variable salary components, the BMW Group also offers its employees a wide range of social benefits, such as a company pension.

The employees at our international sites are similarly offered numerous social benefits geared toward supplementing the social services available in their country. In the USA, for example, we offer above-average health insurance coverage for employees and their families.

Employee pension plans

The BMW Group supports its employees in Germany and internationally with attractive pension programmes to safeguard their standard of living when they reach retirement.

The pension benefits focus on three fields:

- Financial provisions for retirement;
- Survivors' benefits in case of death of the employee (spouse and children who are still in education);
- Insurance against a reduction in earning capacity due to occupational disability.

In Germany, the BMW Group offers members of management (approx. 2% of the workforce) and all those who joined the company after 1 January 2014 a defined-contribution pension plan. The money is invested in the capital market and generates an attractive return throughout its entire period. All other employees in Germany are paid a fixed pension depending on their years of service and their level.

At the international locations of the BMW Group, there are many different types of pension arrangements. In Mexico, as soon as we open a new plant we set up a company pension scheme for our employees and also offer them further options for accumulating assets through social benefits. An attractive pension plan was also introduced at the production location we opened in Brazil



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in 2014. Overall, 90% of our workforce has access to a pension plan.

IMPROVEMENTS THROUGH FEEDBACK

Employee surveys (e.g. on satisfaction, health or customer focus) and other feedback systems are key management tools at the BMW Group.

A Group-wide employee survey is conducted every two years, most recently in 2013. 89% of those surveyed were satisfied on the whole with the BMW Group. Very positive ratings were also given to attractiveness as an employer (91%), social benefits (85%) and job security (87%) > [see Figure 41](#).

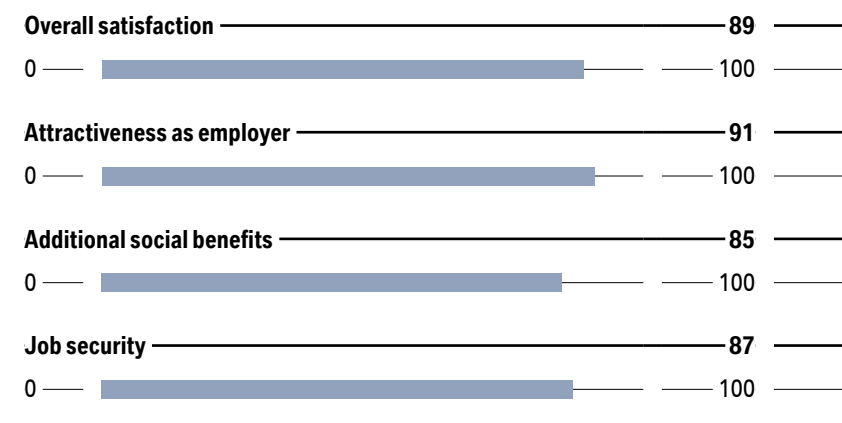
We complement the employee survey with IT-supported feedback systems for managers: Feedback for Managers (outside Germany) and 360+ Feedback in Germany, the USA, the UK and Austria (Steyr plant). This feedback system will be successively introduced in other countries as well. With the aid of these tools, managers can compare the feedback provided by their staff, colleagues and superiors with their self-assessment.

The thoroughness of our feedback systems becomes apparent in the fact that we also regularly survey the participants in our young talent programmes as well as students on internships with the BMW Group. These surveys enable us to obtain a realistic picture from young people of how they perceive the BMW Group, enabling us to derive any necessary measures for improvement.

In addition to the many positive results, the surveys also show us where we need to take action, especially with regard to processes and structures as well as customer focus. For instance, we can improve how we define responsibilities. The aim is to place even more focus on the requirements and desires of our customers in our day-to-day activities. We will measure the effect of these follow-up measures derived from the 2013 employee survey with the next survey in 2015.

F.41 Group-wide BMW Group employee survey in 2013

in %



Retaining satisfied employees

In 2014, the employee attrition rate fell to 1.41% > [see Figure 42](#). This was mainly due to fewer people retiring during the year. If retirement figures are excluded, the attrition rate remains very low, demonstrating the effectiveness of the proven programmes and measures of the BMW Group geared toward positioning the company as an attractive employer.



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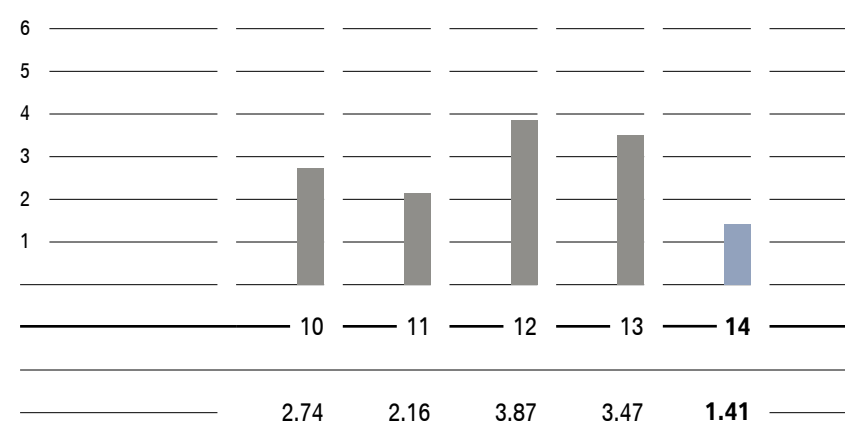
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F.42 Employee attrition rate BMW AG¹

as a % of the workforce



¹ Number of employees on unlimited employment contracts leaving the company.

ENCOURAGING LIFE BALANCE

In today's world, work and private lives are becoming increasingly intertwined and should ideally complement each other. To make this ideal a reality, the BMW Group tries to help its employees achieve a harmonious work-life balance. The main way we do so is by making their work-

ing hours and work locations more flexible. In 2014, more employees made use of options such as "Vollzeit Select" (Fulltime Select), mobile working and parental leave than ever before. In addition, each BMW Group location develops individual measures with a view to country-specific conditions.

Offering flexible working hours

Our "Vollzeit Select" (Fulltime Select) working time tool allows employees in Germany and Austria to take 20 additional days of leave each year with corresponding adjustments to their salaries, without any complicated red tape. Meanwhile, BMW Group employees in Germany, Austria, the USA and the UK can also take sabbaticals of up to six months (in the UK this initiative is open to our managers only). In the UK, up to 40 weeks parental leave can be taken on full pay, well in excess of the statutory allowance.

We facilitate individually tailored working times and promote work-life balance by not obliging employees to be present during certain core periods.

F.43 Alternative work forms at BMW AG¹

Number of employees

	10	11	12	13	14
Part-time employees	3,709	3,825	3,948	3,966	3,739
— in % of total number of employees	5.3	6.0	5.8	5.7	5.1
Teleworking positions ³	9,209	11,717	15,235	18,094	22,297 ²
— in % of total number of employees	13.2	16.4	22.5	25.9	49.9
Sabbaticals	498	450	514	511	516
— in % of total number of employees	0.7	0.6	0.8	0.7	0.7
Parental leave	1,600	1,513	1,674	1,968	2,271
— in % of total number of employees	2.3	2.1	2.5	2.8	3.1

¹ Figures refer to employees with permanent and part-time contracts.

² Reporting logic was adapted when teleworking was introduced in 2014. In the past, reporting was based on the technical possibility of teleworking; since 2014, the number of employees is reported who actually engaged in teleworking.

³ Administrative positions.





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FLEXIBLE WORKING HOURS — Teleworking at the BMW Group

Enabling mobile working

The option of working without being tied to a specific location also helps to ensure a positive work-life balance. On the basis of a successful two-year pilot project for mobile working, a new company agreement was signed, which came into force on 1 January 2014. The new mobile working instrument gives both employees and the company greater flexibility. Mobile working does not mean a bigger volume of work, but rather a more flexible organisation of existing working time to gain more personal freedom and flexibility. Childcare and caring for dependents can then be better integrated into the everyday work routine and thus gain greater acceptance as an important part of life.

The campaign motto “Flexibel arbeiten, bewusst abschalten” (Work flexibly but know how to switch off) illustrates that optimal performance at work depends on genuine regeneration in an employee’s free time. Outside of agreed work time, employees have the right to switch off and not be available. BMW is a pioneer in this respect and its concept of mobile working was duly recognised this year by the German Association of Human Resources Managers with its BPM Award for outstanding achievements in human resources management. Dialogue between employees and their superiors promotes target-focused, flexible working as well as the long-term health and employability of our staff. Less than a year after the introduction of mobile working, the response has been extremely positive, with some 20,000 employees taking advantage of this option.





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ATTRACTIVE EMPLOYER AWARDS IN 2014

- **TRENDENCE GRADUATE BAROMETER GERMANY 2014:**
number 1 in business, number 2 in engineering, number 3 in IT.
- **UNIVERSUM GRADUATE SURVEY GERMANY 2014:**
number 2 in business and engineering, number 7 in IT.
- **GLOBAL REPUTATION INSTITUTE 2014 (GLOBAL REPTRACK 100):**
number 3 (thus the top automotive company and top German company).
- **TRENDENCE EUROPE'S TOP 500 EMPLOYERS 2014:**
number 5 in business, number 4 in engineering.
- **UNIVERSUM WORLD'S MOST ADMIRABLE EMPLOYERS 2014:**
number 14 in business, number 3 in engineering (thus the top automotive company and top German company).
- **TRENDENCE PUPIL BAROMETER GERMANY 2014:**
number 3 (thus the top automotive company).
- **TRENDENCE YOUNG PROFESSIONAL BAROMETER GERMANY 2014:**
1st place in the categories business, engineering and IT.
- **UNIVERSUM PROFESSIONAL SURVEY GERMANY 2014:**
number 2 in business and engineering, number 3 in IT.
- **HUMAN RESOURCES MANAGEMENT AWARD 2014 FROM THE GERMAN ASSOCIATION OF HUMAN RESOURCES MANAGERS:**
1st place in the large enterprise category for the concept "Flexibel arbeiten, bewusst abschalten: Mobilarbeit bei BMW" (Work flexibly but know how to switch off: mobile working at BMW).

Supporting parents with childcare

We have established childcare services at many of our German and international locations. With the support of parents' initiatives, we were able to accommodate over 300 children aged zero to six years at our German sites as of the end of 2014.

At BMW Group facilities around the world, childcare services meet local and regional requirements. We also offer a special working time model (Home and Elder Care) for employees who care for sick or elderly family members.

FORECAST

The long-term establishment of mobile working is an innovative step towards self-determined working hours, more focus on results and greater flexibility in tailoring working environments to individual requirements. It is supported and communicated as a joint effort by top management and the works council. The BMW Group is taking a pioneering role in fostering the necessary dialogue between employees and managers, in particular on the topic of availability.

The employee survey in 2015 will measure the success of the action taken since the last survey and highlight any new areas that may need to be addressed.



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Occupational health and safety

STRATEGIC DIRECTION

To preserve the health and the performance of our employees in the long term, we promote personal responsibility and an appropriately designed work environment.

The BMW Group attaches great importance to the health and performance capability of its employees. This is even more the case in these times of demographic change, when especially in Germany an ageing workforce must meet increasing demands at work. Our main measures in the area of occupational health and safety are integrated health management, working initiatives to suit an ageing workforce and a high degree of safety at work. We also offer extensive prevention, rehabilitation and exercise programmes.

Our employees are our most important success factor. To make sure they can perform at the highest level, we try to raise awareness among our workforce that it is worthwhile to cultivate a healthy lifestyle. Our managers know that their leadership behaviour can have an impact on the health of their staff and they therefore do their best to create a healthy work environment. Dealing with

new technologies presents the company with additional challenges in the area of occupational health and safety.

INTEGRATED HEALTH AND SAFETY MANAGEMENT

In Germany, special committees on occupational health and safety are in place at every plant. These committees convene once every quarter to consult on occupational health and safety issues as well as accident prevention. Each committee consists of employer representatives, experts in occupational health and safety, company physicians, safety officers and additional experts. Occupational health and safety committees are also in place at all international locations. Up to 90% of BMW Group employees are represented by committees on occupational health and safety and environmental protection.

At present, occupational health and safety management systems certified according to the OHRIS (Occupational Health and Risk Management System) and OHSAS (Occupation Health and Safety Assessment Series) are in place at 19 of our 30 production plants; the other facilities work with systems that meet national standards. The new production site in Brazil will be certified according to the international standard in the spring of 2016.

The accident frequency rate at the BMW Group, including subsidiaries, was 5.1 accidents per million working hours in 2014. There have been no fatal accidents at the BMW Group for the last nine years.



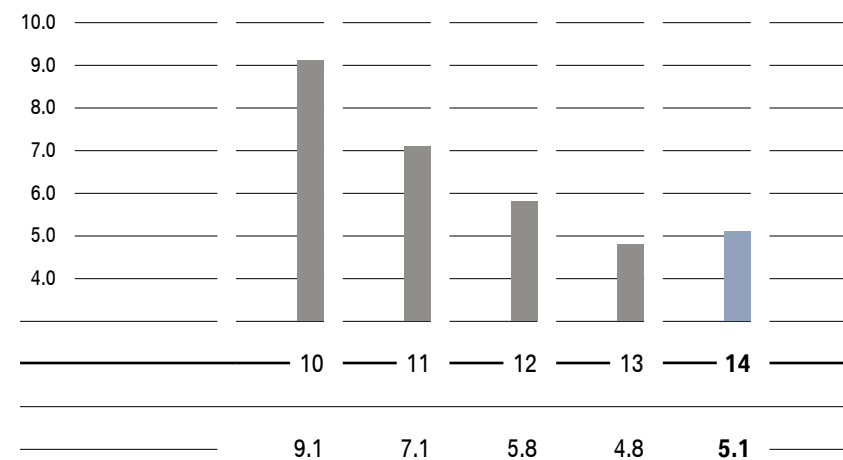
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F.44 Accident frequency rate at BMW Group¹

per one million hours worked



¹ Number of occupational accidents per one million hours worked with at least one day of absence from work.

Within the new system limits (around 88% of BMW Group employees captured in data), the accident frequency rate is 5.1; based on the system limits of the 2013 financial year, the figure is 4.4 (improvement of 8.3%).

TAKING PREVENTIVE MEASURES

The BMW Group takes an integrated approach to health management in accordance with its Health Initiative, which is applied internationally.

Prevention is a core element in our health management system. The BMW Group complies with international standards in prevention, adapting them to national circumstances. We implement prevention campaigns internationally, setting common goals and standards.

For example, every employee at our German locations is entitled to use our company-owned gyms and take special courses there. And our ProBike initiative allows employees at our Munich locations to cycle from one meeting to the next for free.

ERGONOMICS IN PRODUCTION

The foundation for ergonomic working conditions on the production line is already laid during the product development process. To further improve the ergonomic quality of workstations and render it measurable, a continuous process has been established to exploit every potential for optimisation right up to the start of production.

This process already begins in the early stages of product development. We then continuously monitor workstations during series production to further optimise ergonomics with a view to ensuring ageing-appropriate conditions on the BMW production lines. Job rotation, workplace physiotherapy and the involvement of production staff in the ergonomic improvement process are integral elements in our production system. A seminar developed in 2014, called introduction to ergonomics and the use of the ABAtch method (requirement and capacity analysis) in ergonomic assessment, will serve as a basis for further improvements in working conditions.

In addition to motivating our employees to get more exercise through a variety of offerings, the cafeterias at the BMW locations conduct numerous campaigns and measures to promote healthy nutrition. The traffic-light system of food labelling in all company restaurants is one example of how guidance is provided for a healthy and balanced diet.

To promote ergonomic workplace design for employees who are primarily office-based, the BMW Group developed the seminar “Gesundes Arbeiten im Büro” (Health at the Office) and implemented it successfully in 2014.



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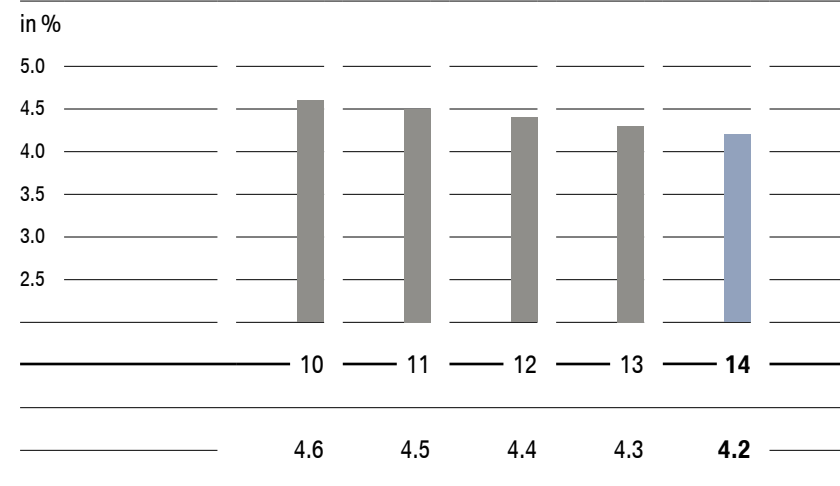


Providing health check-ups

The BMW Group offers its employees annual check-ups, which are tailored to the local needs at our international locations. Comparable with the check-ups covered by statutory health insurance in Germany, these examinations include the recording of vital signs.

Employees on deployment to other countries and their families receive country-specific health advice, check-ups and all other necessary preventive care.

F.45 **Sickness rate at BMW AG**



The sickness rate at BMW AG (4.2%) is again lower than the previous year's level (4.3%). The sickness rate was thus reduced for the fourth consecutive time.

SUPPORTING AN AGEING WORKFORCE

The BMW Group sees demographic change in Germany as a challenge we are actively addressing. In a society in which the average age is increasing, we can only be successful in the long run if we strengthen the health and performance of our employees and consistently take advantage of their wealth of experience. In our Today for Tomorrow programme, we have been developing a variety of constructive responses to demographic change for several years now.



AGEING-APPROPRIATE WORK — Ageing-appropriate working environment – designing an ergonomic workstation in Dingolfing (Germany)

As our workforce ages, we aim to create working conditions worldwide in which young employees can remain healthy as they grow older and older employees can contribute their particular strengths. The BMW Group therefore speaks not of age-appropriate but of ageing-appropriate working conditions that preserve employee health and performance. Nearly 50,000 employees will benefit worldwide by the end of 2014 from the Today for Tomorrow programme and the resulting measures.

INTEGRATING PEOPLE WITH DISABILITIES AND SUPPORTING REHABILITATION

At our plants, we make every effort to safeguard the jobs of employees with debilitating health issues in the long term. All social partners work together to ensure that employees who are no longer able to carry out the work they once did as well as severely disabled employees are provided with adequate working conditions and fully integrated into working life.

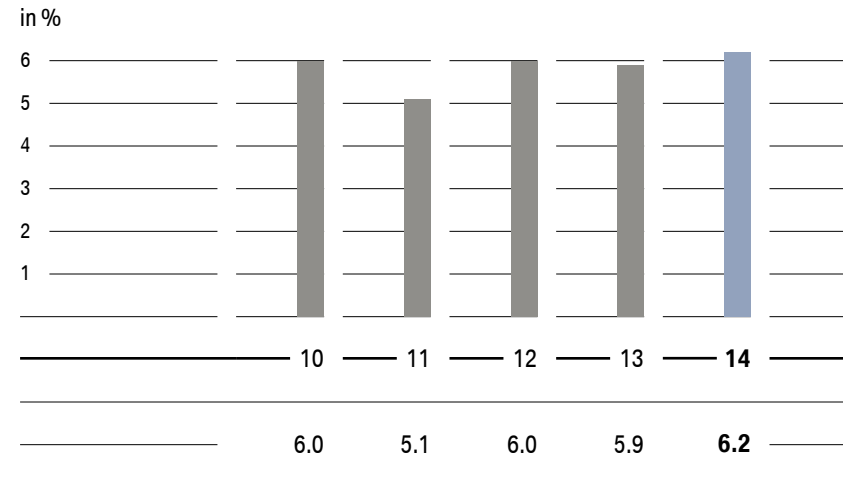


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F.46 Share of employees with severe disabilities at BMW AG



The figure for severely disabled employees is based on the statutory requirements in accordance with the German Social Insurance Code (SGB IX). In addition, the BMW Group awarded contracts amounting to around €30 million to workshops for the severely disabled in 2014. Around €7 million of this figure can be written off in accordance with the compensatory levy act. The order volume increased by around 1 million compared to the previous year.

The BMW Group supports employees in Germany who want to go to rehab after a long period of illness, both through its reintegration management programme and its Netzwerk Reha rehabilitation programme.

FORECAST

The Health Management 2020 programme will continue in 2015 as planned and will also be expanded internationally. BMW's own office workplace analysis, conducted successfully for 15 years, will be overhauled this year. The rollout of the new programme will take place in the spring of 2015 in Germany, Austria and the USA. Accident frequency rate calculations, which due to system restrictions currently include only 88% of the BMW Group workforce, will be expanded further. The programme Today for Tomorrow will be reviewed in 2015 to verify its adequacy for future requirements.



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Training and further education

STRATEGIC DIRECTION

Finding the right employees, making the most of their skills and ensuring their employability makes a significant contribution to the success of the company.

The education and further training of our employees is of growing importance. It is essential to keeping pace with technological advances in the automotive industry. Through advanced training courses, the BMW Group promotes the individual strengths of our trainees, skilled workers and managers.

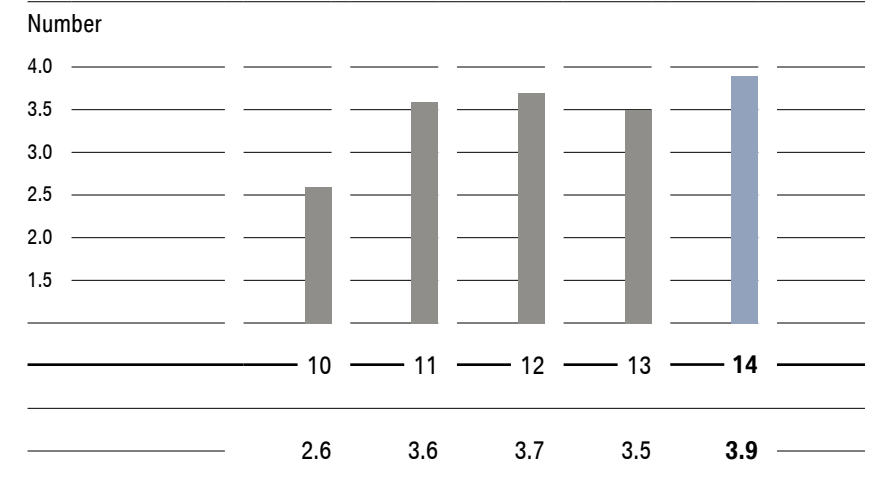
In the coming years, there will be a significant increase in the demand for well-trained skilled workers. This is particularly true in the case of innovations such as drivetrain electrification and the use of hydrogen technology and fuel cells. To meet our demand for qualified employees, we try to detect talent at an early stage and develop it in full through the right education and training. We also offer our employees a large number of development and certification programmes. The BMW Group thus consistently fosters the concept of life-long learning.

ATTRACTING AND FOSTERING TALENT

We invest in attracting and promoting talent on an on-going basis. This enables us to fill our staffing requirements in the long term in a dynamic, fast-changing environment. The BMW Group's global package of measures ranges from vocational training to young talent programmes for student target groups to high-potential programmes for future managers.

BMW Group expenditure on training and further education programmes increased in 2014 to €335 million (+16.3% year on year). On average, our employees participated in 3.9 days of further training in 2014 > [see Figure 47](#).

F.47 Average days of further training per BMW Group employee¹



¹ Data retrieved by direct capture of the number of participants as well as a small share by qualified extrapolation.



EMPLOYEES

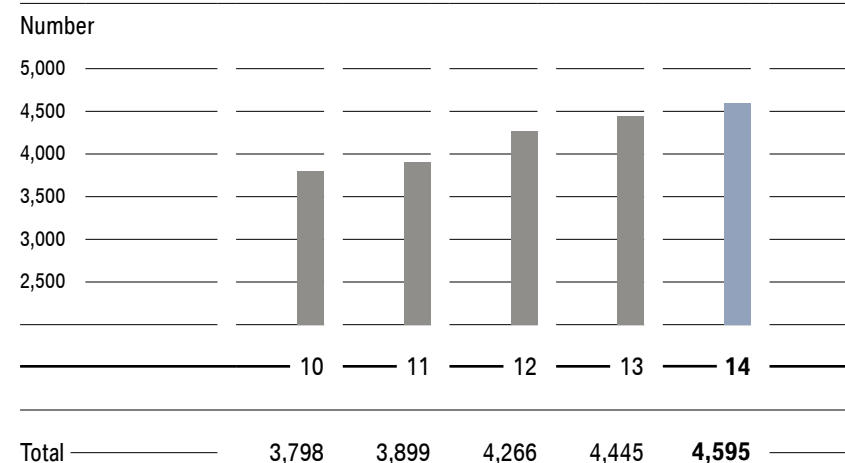
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Implementing young talent programmes worldwide

In 2014, we had approximately 1,500 apprentices worldwide. There are currently around 4,500 young people taking part in vocational and young talent programmes in the BMW Group, over 3,800 of them in Germany. Expanding our vocational training internationally will be a key focus in the coming years.

F.48 BMW Group apprentices as at 31 December



Around 1,500 young people began their vocational training at the BMW Group in 2014, 1,200 of whom were located in Germany. The company has thus expanded its training activities worldwide (2013: 1,363 vocational trainees worldwide).

On the reporting date, the company employed a total of 4,595 young people in vocational training and young talent programmes worldwide.

Establishing dual vocational training worldwide

We believe in the dual vocational training system. For this reason, we are extending the proven German system to our international locations as well. Our production locations in China, the USA, South Africa and the UK are already working with the dual system and are setting national standards in their countries. For 2015 and 2016, we plan to launch training courses according to the dual system in Brazil, Mexico, Thailand and India.



THE BMW GROUP'S STRATEGIC PARTNERSHIPS WITH UNIVERSITIES

Expanding international student programmes

In keeping with the BMW Group's global corporate philosophy, participants in our young talent programmes are provided with both financial support and focused training in their areas of expertise as well as other additional skills.

In 2014, approximately 250 young talents took part in the ongoing, practice-oriented bachelor's and master's programmes funded by the company in Germany. Around 230 doctoral candidates are currently studying for their PhDs with the BMW Group. Their research and innovative spirit benefits departments in all areas of the company. Some 50 young people from all over the world are taking part in the international bachelor's, master's and doctoral programmes introduced in 2014.

Through strategic partnerships with selected universities, we promote and support activities in the target fields of young talent retention, management training as well as research and innovation worldwide.



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TRAINING MANAGERS AND EMPLOYEES

We base the further education and training of our employees and managers on a leadership principle that focuses on people's strengths. Team workshops also give managers the opportunity to work on developing strength-focused collaboration.

Optimising the effectiveness of leadership

The BMW Group inaugurated a worldwide Corporate Leadership Programme in 2010 that imparts clear messages on leadership derived from the company's corporate and human resources strategy. In 2014, we further expanded this programme internationally to ensure that it is also applied to the lower hierarchy levels throughout the BMW Group. To foster international young talent, the BMW Group developed the Global Leader Development Programme. Integral components of the programme are various practical phases in Germany and abroad, targeted training measures, and diverse networking and exchange opportunities. Special emphasis is placed on developing intercultural competence.

Topic-specific training

BMW Group employees can gain state-of-the-art expertise by taking part in funded study courses outside working hours. We continuously adapt the topics to the company's requirements, for example by offering courses in electromobility, lightweight construction, composite materials and hydrogen/fuel cells.

Web-based sustainability training

Since 2013, an interactive Web-based training course has been available to all employees worldwide that was specially developed to familiarise them with the principles of sustainable management and its relevance to day-to-day practice.

F.49 Average training hours at the BMW AG Academy, by employee category¹

Number of employees	12	13	14
Non-tariff employees	27.1	31.2	30.5
"Meister" (master craftsmen)	32.5	40.7	35.0
Tariff ²	16.2	17.0	17.5
Days of further training for managers in the BMW Group			
Number	16,123	18,843	18,920

¹ Until 2008: BMW AG Performance Centres.

² (w/o "Meister") + vocational trainees + other.

Targeted health training

We continued to expand our health training courses in 2014, trying to gear them more closely to our employees' current needs. A special coaching programme helps employees to identify personal health concerns and to find appropriate ways of dealing with them.

FORECAST

A further expansion in our Corporate Leadership Programme and international young talent programmes for student target groups is planned for 2015. The selection of in-house further training courses will also be expanded, including at our international locations. To this end, we plan to set up international education and training networks on specific topics. This will create transparency and help us to identify where further action is required. Standard or newly conceived education and training products can then be offered worldwide.



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Diversity & Inclusion

STRATEGIC DIRECTION

We want to maintain the 15–17% share of women in our general workforce and also achieve this ratio in management positions by 2020, both in Germany and worldwide.

Modern society is characterised by a variety of different lifestyles. The diversity of the population as a whole has increased in the wake of globalisation, demographic developments and changing values in society. As an international company, the BMW Group regards an intercultural workforce, an appropriate gender balance and a good age mix as beneficial to our business. We are convinced that a diverse workforce enhances our innovative strength and further increases our competitiveness.

In all their diversity, each and every one of our employees is accorded equal levels of appreciation, respect and opportunity. To further promote diversity among our workforce, the Board of Management passed a targeted Diversity Concept in 2010, with a definition of three areas where diversity is to be strengthened throughout the company, taking due consideration for local conditions:



ENHANCING INNOVATIVE SPIRIT THROUGH DIVERSITY —
The BMW Group's Diversity Concept

- Gender;
- Cultural background;
- Age and experience.

Special attention is paid to these three diversity dimensions throughout the BMW Group. At all of our locations, we seek to prevent discrimination on the grounds of gender, sexual orientation, religion, disability, age or origin. The BMW Group SpeakUP Line offers all employees worldwide the possibility to anonymously and confidentially report breaches of this principle. Employees can also address their queries to their own managers, the relevant offices of the BMW Group, the HR department, the works council or the Diversity & Inclusion Office.



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PROMOTING DIVERSITY AND INCLUSION —
Training courses for BMW Group managers

RAISING MANAGERS' AWARENESS OF DIVERSITY AND INCLUSION ISSUES

Diversity and inclusion are central themes in the compulsory further training programmes for managers. Participants in these programmes reflect on these issues by trying to see things from different perspectives. In the process, they learn to take advantage of the specific potential of teams that are particularly diverse in terms of gender, age and the cultural backgrounds of their members. Over 2,000 managers were trained on this theme in 2014.

PROMOTING FEMALE EMPLOYEES AND MANAGERS

The BMW Group's Diversity Concept aims to bring the share of women in management positions into line with the overall employee structure. This also means that we are complying with the recommendations of the German Corporate Governance Code. In 2011, together with the other DAX-30 companies, we made a commitment to increase the share of females in management positions. We want to maintain the 15–17% share of women in our

general workforce and also achieve this ratio in management positions by 2020, both in Germany and worldwide.

The ratio of female managers in the BMW Group worldwide was 14.2% as of 31 December 2014 (share of women in the entire workforce: 17.8%). In Germany, the proportion of women in the total workforce reached 14.8%, and in the Board of Management 12.5%.

F.50 Share of female employees in management positions at BMW AG/BMW Group

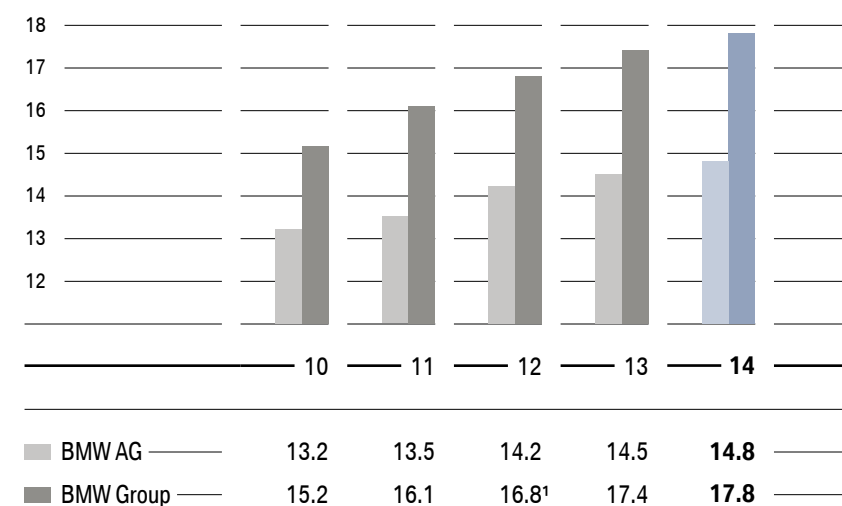
in %

	12	13	14
Supervisory Board	20.0	20.0	25.0
Board of Management	12.5	12.5	12.5
Non-tariff employees			
BMW AG	10.0	10.9	11.4
BMW Group	12.7 ¹	13.8	14.2

¹ Figures for 2012 adjusted due to data cleansing.

F.51 Share of female employees in total workforce of BMW AG/BMW Group

in %



¹ Figures for 2012 adjusted due to data cleansing.



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GETTING YOUNG WOMEN INTERESTED IN TECHNICAL PROFESSIONS —
Fostering young talent at the BMW Group

Getting women interested in technical occupations

We place a special emphasis on women in both our academic young talent programmes and our vocational training programmes in an effort to recruit more female employees in the long term. The proportion of women in the Global Leader Development Programme was over 50% at the end of December 2014. This creates the basis for a new generation of leadership that is more feminine, technically competent, well-networked, and sensitive to cultural and social issues.

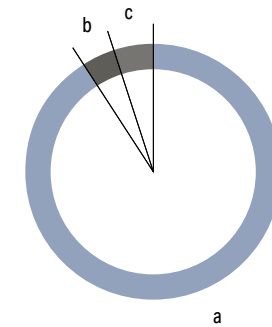
ENHANCING INNOVATIVE STRENGTH THROUGH CULTURAL DIVERSITY

As a company that is currently active in over 150 countries, we see diversity among our workforce as a major opportunity. In Germany, we currently have employees from 108 different countries working together very successfully. The diversity of our employees helps us to understand the specific needs of our customers worldwide.

We foster cultural diversity by focusing on recruiting new employees locally at our facilities in the growth markets and by recruiting employees from other countries to

F.52 Share of employees at BMW AG from Europe (not including Germany) and from non-EU countries

in %



a) From Germany	91.1
b) Europe (not including Germany)	4.0
c) Non-EU countries	4.9

As at 31 December 2014, employees from 108 different countries worked for BMW AG.

work in Germany. To enhance cooperation, we also promote employee exchanges between companies of the BMW Group worldwide.

To further promote an international perspective and intercultural understanding among our new employees, we designed our BMW vocational training as well as the Global Leader Development Programme with the needs of international participants in mind.

As an international company with an intercultural workforce, we focus on recruiting managers with international experience and are also working to increase the share of international top managers. The international character of the Board of Management and the Supervisory Board of BMW AG also reflects the global scope of the company's business.



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F.53 BMWAG employees according to age group divided into functions and gender¹

in %

	< 30 years old	30 – 50 years old	> 50 years old
2012 total	10.9	65.3	23.8
2013 total	12.5	64.1	23.5
2014 total	12.5	62.0	25.5
— direct ²	15.1	58.8	26.1
— indirect ³	10.8	64.2	25.1
— male	11.3	62.1	26.6
— female	20.4	61.6	18.0

¹ Figures refer to employees with permanent contracts.

² Clock-controlled production employees.

³ All employees without clock control.

Demographic change in an aging workforce is also reflected in the age structure at BMW AG. While the share of employees under 30 remained constant year on year and the share of employees between 30 and 50 slightly decreased, the share of over 50-year-old employees increased.

TAKING ACCOUNT OF AGE DIVERSITY

When setting up new locations or divisions we recruit people from a range of age groups. For example, at our new BMW locations in Brazil and Mexico we are recruiting a mixed-age workforce from the start. This will allow us to avoid age structure issues and to focus on tapping into the specific strengths of different age groups.

The number of years each employee works for the BMW Group is increasing. This is a result of earlier entry into the company and later exit, due for example to rising retirement ages. In order to benefit from the special strengths and experience of employees of different ages, we have introduced extensive programmes for flexible and mobile working > [see Chapter 6.2](#). To maintain employees' performance as the workforce ages, we introduced the Today for Tomorrow programme, for which we have received a number of awards, including the International

Innovative Employer Award for Best Practice in Age Management (AARP). In addition, the wide range of support offered by our Health Initiative helps employees stay healthy in the long term. To complement this, we raise awareness among managers of the challenges posed by mixed-age teams.

FORECAST

The BMW Group will continue to promote a diverse workforce through targeted Diversity Management. In 2015, we plan to pursue and further expand existing measures in this area. For example, with our ProGesundheit 2015 (Pro-health 2015) campaign we will hold trade fair events at BMW locations to raise awareness among staff for the topic of age/experience. When setting up our plant in Mexico, we will engage in specific human resources marketing that addresses and recruits candidates from target groups of different ages. Additional targets will be set in the coming years to further develop our Diversity Strategy, not only for gender but also for the dimensions of cultural diversity and age/experience.



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Read more at > www.bmwgroup.com



BALI, INDONESIA

BALI NUSA DUA CONVENTION CENTER

How serious is BMW about being a Corporate Citizen?

Intercultural Innovation Awards ceremony,
August 2014

7 — CORPORATE CITIZENSHIP

PROGRESS IN 2014

FOCUS ON SOCIAL IMPACT

In 2014, we continued to implement our Corporate Citizenship strategy, focusing on projects that have a measurable impact on society.

EXTENSION OF INTERCULTURAL INNOVATION AWARD

We increased the scope of the Intercultural Innovation Award. In addition to providing financial support, we now also offer award winners the opportunity to benefit from any BMW Group competencies that may serve their purpose.

EFFECTIVE CONTRIBUTION MADE BY OUR FOUNDATIONS

With their programmes and projects, our foundations again made a significant contribution in 2014 towards shaping a society characterised by cohesion and innovation.

INDICATORS

EXPENDITURE ON CORPORATE CITIZENSHIP



NUMBER OF PEOPLE BENEFITING FROM THE INTERCULTURAL INNOVATION AWARD, since 2011



EXPENDITURE OF FOUNDATIONS ON NON-PROFIT PROJECTS



2015+ FORECAST AND OBJECTIVES

IMPLEMENT STRATEGY WORLDWIDE

In 2015, we will continue to implement our Corporate Citizenship strategy at our facilities worldwide, with a focus on our markets in the USA, Brazil and India.

REACH ONE MILLION PEOPLE

In the area of intercultural innovation and social inclusion, we aim to meet in 2018 our target of having one million people benefit by 2020. In 2015, we will focus on the UK and China.

FIND SOLUTIONS TO SOCIETAL ISSUES

The two BMW foundations will continue to bring people from different contexts and cultures together to drive social innovations, promote global dialogue and encourage decision-makers to act responsibly.



CORPORATE CITIZENSHIP

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Our management approach

Corporate Citizenship forms an integral part of the BMW Group's vision of itself as a business enterprise. With this in mind, we address current challenges in society and focus on those areas in which we can apply our core expertise to achieve specific and measureable improvements. We believe that our corporate citizenship activities contribute towards mastering challenges in society, while at the same time bringing economic benefit to the company. Thus we can utilise the experience and expertise we gain to the benefit of our core business.

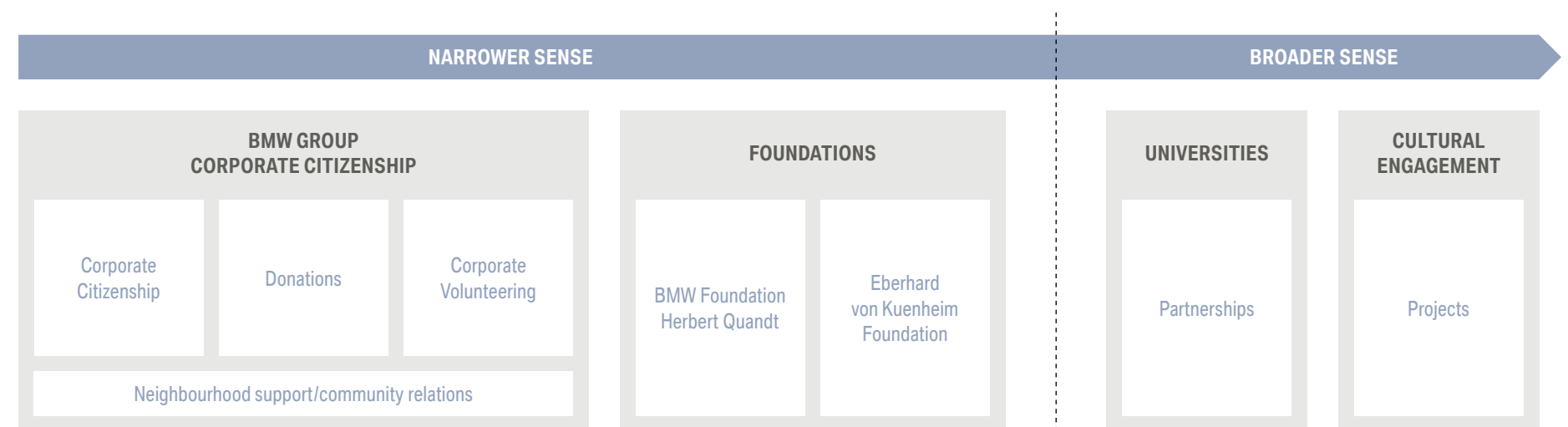
Intercultural innovation and social inclusion as well as responsible use of resources are some of the main focal areas of our strategy. Knowledge transfer is a particular area of focus. We offer educational projects to promote understanding for these topics. In addition, road safety measures and social projects play an important role at a local level.

All of our activities as a corporate citizen are based on one main goal – to provide long-term benefit to each society we are engaged with. In exceptional cases, such as (natural) catastrophes, we also provide support spontaneously and independently of our main focus areas.

TAKING RESPONSIBILITY AS A CORPORATE CITIZEN AT A LOCAL LEVEL

For us it is important to scale up our corporate citizenship activities on an international level and to help people to help themselves in the long term. In addition to our global focus areas of intercultural innovation and social inclusion as well as responsible use of resources, we also support neighbourhoods in the vicinity of our plants and thus contribute to local development.

F.54 Corporate Citizenship at the BMW Group





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COMMITMENT TO COMBATING HIV/AIDS — BMW Group plant in Rosslyn (South Africa)

It is both our objective and duty to be a dependable partner to society. We mainly focus on topics that are relevant for us, and on regions in which we have manufacturing activities. Our aim is to integrate the company into society and to create mutual acceptance and a positive image at and around our locations. In the UK and South Africa, for example, we carry out a local analysis in the proximity of our production plants, and implement a variety of projects as a result. In Oxford (UK), for instance, we place a special focus on intercultural communication, and in Rosslyn (South Africa) we are committed to the fight against HIV/AIDS.

REWARDING VOLUNTARY WORK BY EMPLOYEES

To complement our Corporate Citizenship measures, we bestow awards on those employees worldwide who deserve recognition for what they have given back to society. This is the company's way of thanking those employees who do voluntary work in their free time. In 2014, employees from ten countries applied, and four projects were presented with the award. Each project focused on different aspects of social responsibility. The winning projects range from training programmes for mentally and physically disabled sportspeople in the USA, to providing support for mentally disabled children and their mothers in Bangladesh, to development projects in southern India and support for farmers in isolated regions of China in the planting and sale of their products.





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SHAPING THE FUTURE THROUGH FOUNDATIONS

We believe it is possible to successfully shape a society that is based on social cohesion and innovation if the competencies and skills of each individual are harnessed for the general good and used to implement social change. Our foundations contribute towards making this happen.

EBERHARD VON KUENHEIM FOUNDATION

BMW's [Eberhard von Kuenheim Foundation](#) sees itself as a creator of forums within which social responsibility can be fostered in Germany. Its mandate is to promote entrepreneurial thinking and action above and beyond the economic context. Under the motto *freude am neu:wagen* (try something new), it develops and tests new solution models for today's social issues. Projects with selected partners create forums for social innovation and responsibility. When the projects reach completion they become independent entities that have their effect in day-to-day life.

Some examples of Eberhard von Kuenheim Foundation projects are [Lehr:werkstatt](#) (teaching workshop), [Junge Vor!Denker](#) (youth thinking ahead) and [Sinnvestition](#) (sensible investment). The teaching workshop, a further education project for teachers and teaching diploma students, posted its highest ever number of participants for the school year 2014/15, with 550 applicants and 183 tandems. In addition, the JOBLINGE project, initiated by the Boston Consulting Group in collaboration with the foundation, was named Integration Project of the Year 2014, receiving the Goldene Victoria award from the Deutschlandstiftung (Germany Foundation) under the aegis of German Chancellor Angela Merkel. Since 2007, over 2,000 young people have found vocational training or work positions via JOBLINGE – 70% of whom come from an immigrant family background.

BMW FOUNDATION HERBERT QUANDT

The [BMW Foundation Herbert Quandt](#) brings people from different cultures, nations and sectors together to drive social innovations, promote global dialogue and encourage decision-makers to act responsibly. We take this approach in order to break down barriers between policymakers, industry and civil society, so that the community can benefit from the creative diversity that results from cross-border collaboration.

The political format [BMW Foundation Global Table](#), introduced in 2014, has enabled the BMW Foundation Herbert Quandt to create unconventional, strategic dialogue between decision-makers from Europe and from the developing economies in Asia, Africa and Latin America. The topics for the first two-year event cycle are resources and security.

Another example is the further development and global distribution of the concept of [Social Intrapreneurship](#). With this concept, we aim to support those employees in corporations and administrations who drive innovations that equally benefit the organisation and society.

The BMW Foundation Herbert Quandt and the Eberhard von Kuenheim Foundation plan and manage their programmes themselves. Both foundations are independent, both legally and with respect to their content. In some areas, the foundations collaborate with the BMW Group in order to make their commitment effective on a larger scale. In 2014, they invested a total of €5.4 million (2013: €5.22 million) in non-profit programmes and projects.

ESTABLISHING PARTNERSHIPS WITH UNIVERSITIES WORLDWIDE

Since 2011, we have been realigning our partnerships with universities worldwide. Eight strategic university partnerships and collaborations have now been set up or expanded in Europe, the USA and Asia. Each strategic



CORPORATE CITIZENSHIP

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university partnership focuses on the areas of research and promotion of young talent.

EXPANDING CULTURAL ENGAGEMENT INTERNATIONALLY

The BMW Group has been promoting art and culture for over 40 years. Our focus in this area is on classical music and jazz, contemporary and modern art, as well as architecture and design.

Our cultural activities enable us to increasingly be seen as a corporate citizen, to stand out from the competition and to enhance our reputation. In addition, they transfer an image that contributes towards a positive perception of the BMW Group among the general public. The unrestricted creative freedom of our cultural partners is guaranteed at all times. The aim is to support international projects in markets that are of particular relevance to the BMW Group, such as China and the USA.

In 2014, we successfully expanded our cultural activities at international level. For example, we published a book on the BMW Art Cars in three languages, established the Open for All format in China and initiated the BMW Art Journey as well as a global cultural partnership with Soho House. The feedback we receive, for example from creative artists, customer surveys and in the form of positive media reports, demonstrates the high level of public acceptance of our cultural activities.

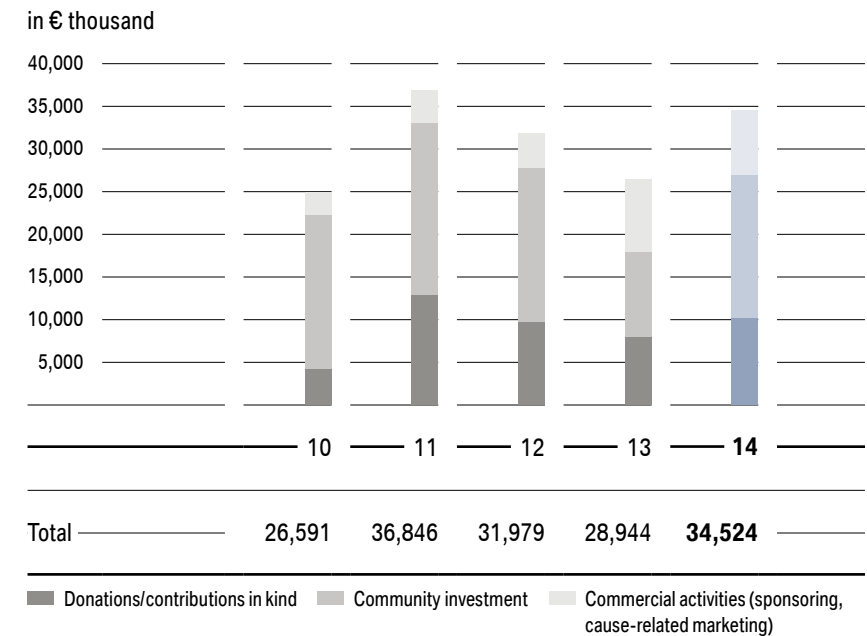
MANAGING AND COORDINATING CORPORATE CITIZENSHIP

Within the company, the Sustainability Board is responsible for corporate citizenship. The Corporate Communications Department, in close collaboration with the department for sustainability strategy and environmental protection, is responsible for managing our corporate citizenship activities. In cooperation with Group Corporate Communications at headquarters, local initiatives are taken care of by local production and sales organisations.

MEASURING THE EFFECTS OF OUR ACTIVITIES

Corporate citizenship should have a measurable effect. For this reason measurability is high on our list of priorities. Since 2010, we have been measuring the effects of our corporate citizenship activities using the iooi (Input Output Outcome Impact) method, which was developed in cooperation with other DAX-listed corporations in a working group established by the Bertelsmann Foundation. This method provides guidance for the systematic tracking of expenditure on and impact of corporate citizenship activities.

F.55 Amount of expenditure on corporate citizenship, by type of activity



The activities of the BMW Group in the area of corporate citizenship are divided into three main areas. Firstly: monetary donations and donations in kind. Secondly: community investment. Community investment refers to investment in project initiatives conceived in-house, cooperative endeavours and partnerships as well as corporate volunteering by BMW Group employees. And thirdly: commercial activities, i.e. sponsorship and cause-related marketing.





CORPORATE CITIZENSHIP

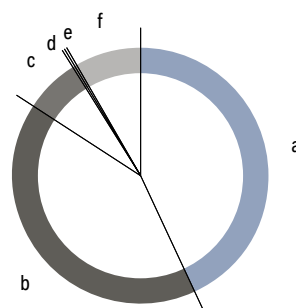
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F.56 BMW Group donations worldwide in 2014

in %, total amount €10,199,438¹



a) Science/education	43.1	d) Politics	0.3
b) Society/community	41.3	e) Environment/sustainability	0.3
c) Culture	6.9	f) Sport	8.1

¹ The sum indicated here does not include either cause-related marketing or sponsorship and does not contain the projects and activities carried out in the context of the company's social and cultural commitment.

The BMW Group focuses its activities in the area of donations on society and the community as well as science and education, providing targeted support of projects connected with the company's core competencies and activities. Donations made by the BMW Group in 2014 were approximately 20% higher than in 2013.

Before we start a corporate citizenship project, we examine the social challenges faced at local level. The key question we ask ourselves is whether and how the expertise we provide can actually improve local conditions.

In 2014, we spent a total of €34,523,920 (2013: €28,944,466), of which €10,199,438 took the form of donations (2013: €8,485,289). To see how these funds were allocated to our various areas > see Figure 55 and > see Figure 56. Total expenditure on corporate citizenship activities of the BMW Group increased compared to the 2013 financial year. The main reasons for this were individual lighthouse projects that were expanded in the 2014 financial year, for example the Intercultural Innovation Award and Junior Campus. In addition, due to new legislation, expenditure on CSR activities in certain markets were increased in order to comply with regulations.

FORECAST

The BMW Group plans to further raise the profile of its core competencies in the area of corporate citizenship. Therefore, we will continue to expand on the content and structure in the focal areas of intercultural innovation and social inclusion as well as efficient use of resources, with a particular focus on the topic of knowledge transfer. Our aim in 2015 is to further implement this strategy at our locations worldwide and thus to better leverage synergies. We will be placing particular focus on our markets in the USA, Brazil, India and South Africa.



CORPORATE CITIZENSHIP

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Corporate Citizenship

STRATEGIC DIRECTION

Due to its core areas of expertise, the BMW Group is a leader in intercultural communication. In the areas of intercultural innovation and social inclusion, we plan to reach out to a total of one million people by 2020.

Through our activities as a corporate citizen, we contribute towards mastering social challenges together and promoting understanding between different cultures. We also benefit as a company from our corporate citizenship activities. For example, we become more familiar with local social structures, reach new target groups and learn to see things from an alternative perspective. Our corporate citizenship activities also enhance the reputation of the company and lead to closer dialogue with our stakeholders.

In 2014, our focal areas were intercultural communication and social inclusion as well as knowledge transfer on sustainable use of resources. In addition, road safety measures and social projects play an important role at a local level.

PROMOTING INTERCULTURAL COMMUNICATION AND SOCIAL INCLUSION

As a global corporation with a multinational workforce, the BMW Group has been working for many years now to promote understanding between different nations, religions and ethnic groups. One of our core areas of expertise is professional diversity management.

Between 1997 and 2010, the BMW Group Award for Intercultural Learning went to a large number of innovative projects and individuals worldwide. In 2011, we further developed this award to establish the Intercultural Innovation Award in collaboration with the United Nations Alliance of Civilizations (UNAOC). The award recognises innovative concepts that are designed to solve intercultural tensions and conflict. In addition to providing financial support, we also offer the award winners the opportunity to benefit from any BMW Group competencies that may serve their purpose.

For a period of one year, a pool of experts offers project-related support and provides advice on organisational development. We also carry out workshops with the award winners and BMW employees, where participants receive training in how, for example, to deal with investors, develop a business plan and manage human resources, as well as gaining expertise in communications, marketing and the use of social media.

Since its establishment in 2011, more than 420,000 people worldwide benefited from the award.

YOU WILL FIND MORE INFORMATION ON THE AWARD AT:

➤ www.interculturalinnovation.org





CORPORATE CITIZENSHIP

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RAISING ENVIRONMENTAL AWARENESS — BMW SEED in South Africa

RAISING AWARENESS FOR RESPONSIBLE USE OF RESOURCES

Responsible use of resources is a major challenge in society today. We want to raise awareness of the need to protect the environment and resources. Particular focus is placed here on children and disadvantaged groups in society. The SEED project in South Africa, our waste separation project in Thailand and the Green Future Camp in South Korea are just some of the examples of our range of activities.

SEED – ENVIRONMENTAL EDUCATION IN SCHOOLS IN SOUTH AFRICA

The Schools Environmental Education Development Project (SEED) aims to raise young people's awareness of environmental issues and encourage social responsibility. The SEED programme was launched in 1996 at 15 schools in the vicinity of the BMW plant in Rosslyn and has since expanded to 60 schools.



GETTING CHILDREN INTERESTED IN SUSTAINABLE MOBILITY — Junior Campus in South Korea

EXPERIENCING MOBILITY AND SUSTAINABILITY

Promoting understanding and enthusiasm for technology and sustainable mobility among children and adolescents is another aspect of our corporate citizenship activities. One example is the BMW Group's Junior Campus. Together with renowned educators and scientists, the company developed a concept that enables people to use all their senses to discover mobility and sustainability. The first Junior Campus was opened in autumn 2007 at the BMW Welt in Munich.

Here, children can carry out interactive research as well as tests and experiments that allow them to experience the life cycle of a car from a mobility perspective. In 2014, 13,149 children and adolescents took part in the workshops.

Junior Campuses have now also been established in Berlin (Germany), Incheon (South Korea) and Moscow (Russia). The concept has been adapted to local conditions in each country.





CORPORATE CITIZENSHIP

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SUPPORTING THE DEVELOPMENT OF LOCAL COMMUNITIES

The BMW Group has 30 manufacturing and assembly plants in 14 countries. Its sales network has 42 subsidiaries. Wherever we are represented in the world, we are committed to social responsibility.

Helping to improve society

Two good examples of our activities in this area are the BMW Warm Heart Fund and the BMW Korea Future Fund. Both funds offer a platform that enables the BMW Group, its workforce, dealerships and customers to make a contribution towards improving society in the respective countries.

BMW WARM HEART FUND

The BMW Warm Heart Fund was established in 2008 by BMW China and BMW Brilliance Automotive in collaboration with the China Charity Federation (CCF). Since the foundation was established, donations totalling over CNY 90 million (approximately €12 million) have been made, around half of which benefited the local population. In the past six years, over 65,000 customers and employees have contributed to the BMW Warm Heart Fund, and over 85,000 people across the country received support.

The fund financed, for example, the BMW Joy Home Children Care programme, which provides both material and psychological support to children in underdeveloped regions in China. By the end of 2014, 53 BMW Joy Home Centers had reached out to over 40,000 children in 28 provinces.

The BMW Joy Future programme offers financial and educational support to outstanding students from less privileged families. By the end of 2014, just under 6,200 students had received financial support totalling approximately CNY 1.5 million (around €200,000).

BMW KOREA FUTURE FUND

The BMW Korea Future Fund was established by the BMW Group Korea in 2011, and has since been making a valuable contribution to Korean society under the motto Responsible Leadership for Future. This fund supports various projects to promote child development.

The BMW Driving Center in Incheon (South Korea) opened in 2014. The Center also offers a Junior Campus. Here primary school children can discover a diverse educational programme on the topics of mobility and road safety. A mobile Junior Campus had already been opened in 2012.

In the Young Engineer Dream Project mentoring programme, technically minded young people receive special support from BMW and MINI experts. The first year was brought to successful completion in September 2014 with a visit to the BMW plant in Shenyang (China).

In addition, the BMW Korea Future Fund supports the Hope Sharing School programme, which offers meals and schooling to disadvantaged children during the school holidays. Over 20,000 children have participated in the programme since 2012. The fund's activities are rounded off by its support of the business plan competition From Idea to Startup, which is targeted at students and graduates. Almost 3,500 students have participated in this competition since 2012.

FORECAST

The BMW Group will continue to expand its corporate citizenship activities in line with its core areas of expertise, i.e. intercultural innovation, social inclusion and resource efficiency. In the area of intercultural innovation and social inclusion, we now aim to achieve in 2018 our original goal of providing benefits to a total of one million people by 2020. We will continue to expand Junior Campus internationally. Our focus markets for 2015 are the UK and China.

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Read more at › www.bmwgroup.com

Stakeholder expectations (from our worldwide dialogue events in 2014)

E-mobility		Sustainability Leadership	
Improve infrastructure for electromobility	We can only achieve this by entering into partnerships with other companies. With ChargeNow, BMW i drivers can quickly find one of 24,000 public charging points in a large and constantly growing partnership network worldwide.	Implement sustainability along the entire value chain	Our sustainability ambition is in line with the Action 2020 programme that we developed in collaboration with other companies on the World Business Council of Sustainable Development (WBCSD). It provides the basis for our goals and activities: The BMW Group integrates sustainability along the entire value chain and in all underlying processes – thus creating added value for the company, the environment and society.
Reduce cost of electric vehicles	As with any technical innovation, the initial series models are quite expensive. Once batteries go into mass production, prices will fall. So we are dependent here on our suppliers as well as market developments.		
Secure green energy sources	In Germany, BMW i customers can purchase an accompanying Naturstrom AG green energy package directly from us. In the international markets, we will offer our customers similar solutions with local partners.	Set ambitious CO ₂ targets for our fleets	The BMW Group is getting closer and closer to its vision of sustainable mobility. We use innovative efficiency technologies in all vehicle models. In addition, we are adding electrically powered cars to our model range. Due to climate change issues and scarce resources, we want to further reduce the CO ₂ emissions of our vehicles. We have set ourselves an ambitious new target: by 2020, we will reduce the CO ₂ emissions of our vehicle fleet (EU-28) by 50% compared to the base year 1995.
Improve battery recycling	We are developing a variety of Second Life concepts for batteries. Used batteries can be employed for example as stationary energy storage units. This allows them to optimise use of renewable energy supply in buildings.	Transparent lobby work	We participate in the political debate in a constructive and transparent manner. Some of our key positions can be found in this report, e.g. with regard to the practicability of the CO ₂ regulations in Europe or how to deal with trade barriers. There are extremely strict transparency requirements regarding support for political parties. All partnerships are subject to the clear sponsorship guidelines of the BMW Group.
Increase number of electric vehicles in our fleet	In the year under review, 16,052 BMW i3s and 1,741 BMW i8s were sold. Development of this market going forward is strongly dependent on external conditions such as battery, crude oil and electricity prices. In the coming years, we will also be adding plug-in hybrid vehicles to our range.	Improve prevailing conditions that promote sustainability	We deliberately enter into alliances with policymakers, businesspeople and decision-makers in society in order to have an impact along our entire value chain above and beyond our direct sphere of influence. For example, the BMW Group participates in a number of multi-stakeholder platforms, e.g. the World Business Council for Sustainable Development (WBCSD) as part of the Sustainable Mobility project, the National Platform on Electromobility (NPE) in Germany and the Aluminium Stewardship Initiative, which defines sustainability standards in the international value chain.
Mobility services			
Further develop services to promote e-mobility	One example of our holistic approach to electromobility is our 360° ELECTRIC service package. It covers everything from recharging at home and at public charging points to range of different assistance systems. BMW Add-on Mobility gives customers access to conventional BMW vehicles for long-distance travel as well as the car-sharing service DriveNow.		
Improve access to mobility services	For example, DriveNow is now available in Munich, Berlin, Düsseldorf, Cologne, Hamburg, Vienna, London and San Francisco. In October 2014, we introduced a roaming function which allows over 360,000 DriveNow customers who are already registered in Germany to use our car-sharing service abroad, too.	Integrate sustainability into the marketing strategy	Sustainability is an integral part of our sales training. We aim to ensure that sales personnel can provide information to the customer on all BMW Group sustainability activities and the sustainability performance of the various products. Sustainability aspects are also the focus of both brand communication of the BMW i as well as our What's next campaign.
Promoting intermodality	In the near future, BMW i ConnectedDrive Services will use the Intermodal Routing service to include public transport, current schedules and to guide drivers to a free parking space close to the respective station or stop.		
Facilitate the search for parking spaces	Our ParkNow app will permanently change the way people find parking spaces. It makes the urban parking situation transparent and spaces can be booked in advance.		
Comply with data protection regulations in all areas	In Germany, our Group-wide data protection guideline Binding Corporate Rules (BCR) was official recognised by the state office for data protection in 2014. The BMW Group successfully complete the application procedure for this kind of recognition.		

Sustainability targets in the area of strategy

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Strategy and governance	The BMW Group bases its actions on the principles of responsible corporate governance, oriented towards sustainable value creation. The BMW Group is the most successful and sustainable premium provider of individual mobility worldwide.	- Consistently integrating sustainability into our business model - Take account of sustainability when making business decisions, integrate in agreed targets and reward them based on performance		> see Chapter 1.1
Stakeholder engagement	The BMW Group engages in ongoing dialogue with its stakeholders at all its locations and in relevant markets.	- Continuous and systematic dialogue with relevant stakeholders - Feed results of dialogue back into company and derive concrete measures - Integrate knowledge gained from dialogue into our strategy development processes		> see Chapter 1.2

Sustainability targets in the area of sustainable corporate management

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Economic effects	Our vision is that the BMW Group as the leading provider of premium products and premium services for individual mobility will also set standards for sustainability management.	- Investment in sustainable and profitable growth - Achieve business success through sustainable management (sustainability business cases) - Create value for our stakeholders by engaging in sustainable management (external effects of our business activities)	Profit before tax	> see Chapter 2.1 > see Chapter 2.2
Anti-corruption/compliance, integrity	The BMW Group commits fully to lawful and responsible action.	- Teach and monitor compliance, penalise breaches - Respond to compliance enquiries and reports - Ensure compliance at business partner and supplier companies	Total number of employees trained	> see Chapter 2.3
Human rights	The BMW Group has committed to respecting and maintaining human rights in its business activities and actions within its area of influence and complies with the UN Guiding Principles on Business and Human Rights.	- Integrate human rights clauses into contracts with production partners as well as with dealerships and importers - Train employees - BMW Group SpeakUP Line		> see Chapter 2.5

Sustainability targets in the area of product responsibility

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Future mobility	The BMW Group will have permanently changed mobility patterns in selected metropolitan areas by 2020 by introducing integrated mobility services.	- Integrated mobility services, e.g. car-sharing, BMW i Ventures, ParkNow, ELECTRIC 360°, etc. - Research on the future of mobility	Research and development expenditure (in € million) Number of DriveNow users	> see Chapter 3.5
CO₂ emissions (product) and climate change	The BMW Group will have reduced CO₂ emissions of the European new vehicle fleet by at least 50% by 2020 (base year: 1995). By 2020, the BMW Group will be the leader in taking a holistic approach to premium electromobility.	- Development of even more efficient and alternative drivetrains such as electric, hydrogen or hybrid vehicles (Efficient Dynamics strategy)	CO ₂ emissions of BMW Group vehicles (in g/km) Average fuel consumption (EU-28) Number of BMW i vehicles sold	> see Chapter 3.2

Sustainability targets in the area of Group-wide environmental protection

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Energy	By 2020, the BMW Group will have reduced energy consumption per vehicle produced by 45% compared to 2006. By 2020, the BMW Group will be the leader in the use of renewable energy in production and value creation.	- Improve energy efficiency in processes and buildings - Increasingly use and raise share of renewable energy - Raise awareness among employees and managers about how to manage energy	Energy consumption per vehicle produced Power from renewable sources as a share of total power supplied to the BMW Group	> see Chapter 4.2
Emissions (production)	By 2020, the BMW Group will have reduced VOC emissions per vehicle produced by 45% compared to 2006. The BMW Group will optimise transport volumes and increase the share of low-emissions modes of transport and capacity utilisation in new vehicle transport.	- Reduction in energy consumption and increasing use of renewable energy - Process improvements in selected plants to reduce VOC emissions - Production follows the market - Continuous increase in share of modes of transport with low CO₂ emissions - Sustainable mobility for BMW Group employees	CO ₂ emissions per vehicle produced (in tonnes/vehicle) VOC emissions per vehicle produced Share of rail transport	> see Chapter 4.3

Sustainability targets in the area of Group-wide environmental protection

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Waste	By 2020, the BMW Group will have reduced waste volumes per vehicle produced by 45% compared to 2006.	- Reduction in waste for disposal - Establish a complete life cycle management system at our locations by incrementally applying best practices	Waste for disposal per vehicle produced	> see Chapter 4.4
Water	By 2020, the BMW Group will have reduced water consumption (including process wastewater) by 45% per vehicle produced compared to 2006.	- Complete water life, e.g. at the paint shops and in engine construction - Replace old sanitary facilities and open cooling towers	Water consumption per vehicle produced	> see Chapter 4.5

Sustainability targets in the area of supplier management

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Environmental and social standards in the supply chain	The BMW Group is convinced that sustainability in the supply chain can only be achieved if we work hand in hand with our suppliers. We therefore aim to collaborate with our partners in order to make the entire supplier network sustainable.	- Three-step process to minimise risk - Leverage opportunities and potential - Foster industry partnerships for sustainability in the supply chain	Regional purchasing distribution	> see Chapter 5.2 > see Chapter 5.3
Resource efficiency in the supply chain	The BMW Group will increase transparency and resource efficiency in the supply chain by 2020.	- Participation in the CDP Supply Chain Programme	Degree of coverage of volumes purchased from suppliers who participate in the CDP Supply Chain	> see Chapter 5.2 > see Chapter 5.3

Sustainability targets in the area of employees

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Occupational health and safety	To maintain the long-term health and performance of our employees, we foster individual responsibility and improve the working environment. The BMW Group will reduce the long-term accident frequency rate with days absent from work at BMW Group worldwide to under 5.0 accidents per one million hours worked by 2020.	- Group-wide coverage of occupational health and safety management systems in accordance with OHRIS and OHSAS - Preventive measures (fitness courses, ergonomic workplace design, etc.) - Securing and maintaining performance and employability: focus on demographic change/ageing-appropriate working	Accident frequency at BMW Group per one million hours worked	> see Chapter 6.3
Long-term employee development	By finding the right employees, deploying them as effectively as possible, fostering their skills and securing their employability, we make an essential contribution to our business success.	- Attracting and fostering talent: attractive young talent programmes (dual vocational trainees, students) - Manager training Corporate Leadership Programme - Topic-specific training courses and international exchange	Average days of further education and training per BMW Group employee Vocational trainees at BMW Group BMW Group investment in education and further training	> see Chapter 6.4
Diversity and equal opportunities	With its diverse workforce, the BMW Group is internationally successful and is increasing its innovative strength. Our vision is for women to make up 15–17% of our workforce by 2020, both in the general workforce and in management positions within the BMW Group, in Germany and worldwide.	- Promoting female employees and managers - Taking account of age diversity - Increasing cultural diversity	Share of female employees in total workforce of BMW Group Share of women in management positions at BMW Group	> see Chapter 6.5

Sustainability targets in the area of corporate citizenship

Sustainability area	Strategic direction/vision 2020	General direction/areas of action	Indicators	Further information
Corporate citizenship	Based on its core competencies, the BMW Group is a leader in intercultural understanding. In the areas of intercultural innovation and social inclusion, the BMW Group plans to reach a total of one million people by 2020.	- Expansion of the two focal areas of intercultural innovation and social inclusion as well as resource efficiency - Implementation of Corporate Citizenship strategy at our locations - Commitment in the form of the Intercultural Innovation Award (IIA)	Total expenditure on corporate citizenship Number of people benefiting from Intercultural Innovation Award (IIA)	> see Chapter 7.1 > see Chapter 7.2

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The BMW Group Sustainable Value Report (SVR) 2014 has been published to provide stakeholders with comprehensive information about the company's sustainability strategy and the progress made in integrating sustainability into its corporate processes. This year, the Sustainable Value Report is being published on the same date as the BMW Group Annual Report for the first time.

Topics have been selected and weighted in accordance with the findings of a systematic materiality process > [see Chapter 1](#). Where appropriate, references are also provided to supplementary information in the Annual Report or on other BMW Group websites.

Each chapter starts with a one-page overview of the main facts. In 2014, these included progress made as well as a forecast of future objectives. In addition, the report contains the key performance indicators that control and monitor the BMW Group's sustainability performance.

The "Key facts and figures" section > [see separate PDF document](#) provides a transparent list of all of the key sustainability indicators, together with explanatory texts.

The report is published in German and English.

The underlying idea for the graphical design of this report is the worldwide dialogue with our stakeholders. Accordingly, the images presented on the front page as well as at the beginning of each chapter portray dialogue situations with our stakeholders. We would like to thank our stakeholders for their willingness to engage in dialogue with us.

REPORTING PERIOD

The reporting period is the 2014 calendar year. The effective date for all facts and figures is 31 December 2014. The "Key facts and figures" section generally maps the figures for 2009–2014 (with the exception of newly added key figures). They refer to the entire BMW Group with its three brands BMW, MINI and Rolls-Royce. There are, however, some exceptions concerning site-specific topics and local sustainability programmes. Wherever this is the case, the entity the figures apply to is specified accordingly, e.g. BMW AG. Where necessary and possible, calculation methods are explained in footnotes to the respective graphical figures.

The Sustainable Value Report (SVR) is published annually. The last SVR was released in May 2014 as an interactive PDF covering financial year 2013. The SVR is available on www.bmwgroup.com/sustainability. The next Sustainable Value Report (SVR) will be published in early 2016.



GRI A+

The BMW Group's Sustainable Value Report 2014 has been compiled in accordance with the Global Reporting Initiative (GRI G3.1) guidelines. To what extent GRI indicators are met is shown in the GRI Index. At GRI level A+ (GRI checked), this SVR 2014 meets the maximum requirements detailed in the GRI guidelines. Sector-specific aspects have also been considered on the basis of the GRI Automotive Sector Supplement (Pilot Version 1.0).

THE COMPREHENSIVE GRI INDEX IS AVAILABLE FOR DOWNLOADING FROM THE INTERNET AT:

➤ www.bmwgroup.com/svr

UN GLOBAL COMPACT – COMMUNICATION ON PROGRESS

The BMW Group committed to implement the principles of the United Nations Global Compact in 2001, and in this report once again reports on progress achieved in complying with these principles. References to the Global Compact principles have been integrated into the > [GRI Index](#).

THIRD-PARTY VERIFICATION

The entire report (the texts of all chapters as well as Key facts and figures) were audited by PricewaterhouseCoopers > [see Assurance Report](#). In addition, indicators from the areas of environmental protection and occupational health and safety were audited by external auditors and experts in accordance with ISO 14001, EMAS and OHSAS.

FORWARD-LOOKING STATEMENTS

The BMW Group SVR contains various forward-looking statements about future developments which are based on the current status of the BMW Group's assumptions and forecasts. They are thus subject to a variety of predictable and unpredictable risks, uncertainties and other factors, so that the actual outcome, including the company's financial and assets position, its development or performance could differ considerably. The BMW Group makes no commitment to update such forward-looking statements or to adapt them to future events or developments.

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Independent Assurance Report

TO BMW AG, MUNICH

We have been engaged to perform a limited assurance engagement on the information in the Sustainable Value Report of BMW AG, Munich (hereinafter: the Company), for the business year from 1 January to 31 December 2014 (hereinafter: the Report).¹

MANAGEMENT'S RESPONSIBILITY

The Company's Board of Managing Directors is responsible for the proper preparation of the Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the Global Reporting Initiative (GRI):

- Materiality,
- Stakeholder Inclusiveness,
- Sustainability Context,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability and
- Reliability.

This responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report.

¹ Our engagement applied to the German version of the Sustainable Value Report. This text is a translation of the Independent Assurance Report issued in the German language – the German text is authoritative.

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OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The company applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the information in the Report of the Company for the business year 2014 has not been prepared, in all material respects, in accordance with the above-mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI. We also have been engaged to make recommendations for the further development of sustainability management and sustainability reporting based on the results of our assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgement.

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of personnel responsible for the preparation of the Report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the sustainability strategy as well as understanding the sustainability management structure, the stakeholder dialogue and the development process of the Company's sustainability programme;
- Inquiries of personnel in the corporate functions that are responsible for the individual chapters of the Report;
- Recording of the systems and processes for collection, analysis, validation and aggregation of sustainability data and its documentation on a sample basis;

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- Performance of site visits as part of the inspection of processes for collecting, analysing and aggregating selected data:
 - in the corporate headquarters in Munich (Germany),
 - in the production plant in Oxford (UK),
 - in the production plant in Regensburg (Germany),
 - in the production plant in Rosslyn (South Africa),
 - in the production plant in Steyr (Austria);
- Analytical procedures on sustainability data of the report;
- Gaining further evidence for selected data of the report due to inspection of internal documents, contracts and invoices/reports from external service providers.

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the information in the Report of the Company for the business year 2014 has not been prepared, in all material respects, in accordance with the above-mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI.

EMPHASIS OF MATTER – RECOMMENDATIONS

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and sustainability reporting:

- Further formalisation of the internal control system for sustainability information especially regarding earlier reporting;
- Further harmonisation of worldwide reporting systems to facilitate sustainability information collection;
- Stronger focus of the Report content based on the results of the materiality analysis, especially with regard to the new G4 Guidelines of the GRI.

Munich, 17 March 2015

PricewaterhouseCoopers

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Fell

Wirtschaftsprüfer
(German Public Auditor)

Hendrik Fink

Wirtschaftsprüfer
(German Public Auditor)

GRI Index

The following GRI Index is an abbreviated version. Please go to bmwgroup.com/svr to access the complete GRI Index including comments in the version that was referred to by GRI for auditing purposes.



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	3.9 Data measurement techniques and bases of calculations	--	C
	3.10 Restatements of information	--	C
	3.11 Changes from previous reporting periods in the scope, boundary or measurement methods	--	146
	3.12 GRI Content Index	--	151–155
	3.13 External assurance for the report	--	148–150

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UNGC Principles	Profile	Reported	Reference
4. Governance, commitments and engagement			
1–10	4.1 Governance structure of the organisation	--	126, AR2013 168–179
	4.2 Independence of the Chairman of the Supervisory Board	--	AR2013 168–171
	4.3 Number of independent members in the highest governance body	--	AR2013 168–171
	4.4 Co-determination right of employees and shareholders	--	110, 35, 110, 113, AR2013 86
	4.5 Linkage between executive compensation and achievement of sustainability goals	--	14, 26–27, AR2013 185–194
	4.6 Process in place to avoid conflicts of interest	--	34, AR2013 166 ff., 172–175
1–10	4.7 Qualifications and expertise of the highest governance body regarding economic, environmental and social topics	--	AR2013 155–157, AR2013 164–165
1–10	4.8 Values, mission statements, principles and codes of conduct of the organisation relevant to sustainability	--	11–17, 34, 95, 73, 12, AR2013 179, C
	4.9 Oversight of the sustainability performance and relevant risks by the Board of Management	--	14
	4.10 Assessment of the performance of the Board of Management regarding sustainability	--	14, 26–27
7	4.11 Precautionary approach	--	11–14, 34–39, 46–48, 72–74, 94–97, 118–121, 137
1–10	4.12 Support for external economic, environmental and social activities	--	27
	4.13 Memberships in associations and advocacy organisations	--	23
1–10	4.14 Stakeholder groups engaged by the organisation	--	19
	4.15 Basis for identification and selection of stakeholders	--	18–20
	4.16 Approaches to stakeholder engagement	--	19
1–10	4.17 Key stakeholder topics	--	16, 141, KF 7, C

UNGC Principles	Indicator	Reported	Reference
Economic			
1, 6, 7	Management approach	--	4, 7, 11–12, 26–39, 94
	EC1 Direct economic value generated and distributed	--	32, 136, KF 3, C
7	EC2 Financial implications due to climate change	--	38, 49–53, C
1, 6	EC3 Organisation's defined benefit plan obligations	--	113–114, KF 5
	EC4 Significant financial assistance received from government	--	KF 5–6, C
1	EC5 Range of ratios of standard entry level compared to local minimum wage	--	112–114, C
	EC6 Policy, practices and proportion of locally based suppliers	--	94, KF 23
6	EC7 Procedures for local hiring and local senior management	--	109, KF 27, C
	EC8 Development/impact of infrastructure investments and services	--	132–136
	EC9 Indirect economic impacts	--	33, 94, 137

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UNGC Principles	Indicator	Reported	Reference
Environmental protection			
7, 8, 9	Management approach	--	13, 34–39, 46–53, 58–61, 72–90, 102–103, KF 12–22
8, 9	EN1 Materials used by weight or volume	--	59, KF 11–12
8, 9	EN2 Percentage of used materials that are recycled materials	--	60, KF 11, C
8	EN3 Direct energy consumption	--	76, KF 15
8	EN4 Indirect energy consumption	--	77, KF 14, C
7, 9	EN5 Energy savings	--	75–77, KF 14, C
8, 9	EN6 Energy-efficient products and services	--	49–53, KF 9–10
8, 9	EN7 Reduction of indirect energy consumption	--	50–52, 75–79, 83–84, 84, 102–103
8	EN8 Total water withdrawal	--	89, KF 15
8	EN9 Water sources affected by withdrawal of water	--	88
8, 9	EN10 Percentage of water recycled and reused	--	90
8	EN11 Production plants in protected areas	--	74, C
8	EN12 Significant impacts upon biodiversity in protected areas	--	74, C
8	EN13 Habitats protected and restored	--	74, C
8	EN14 Strategies for managing impacts on biodiversity	--	74, C
8	EN15 Endangered species in areas affected by operations of the organisation	/	C
8, 9	EN16 Direct and indirect greenhouse gas emissions	--	81, KF 16–18, C
8	EN17 Other relevant greenhouse gas emissions	--	81, 103, KF 8, 10, 17
7, 8, 9	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	--	50–52, 75–79, 83–84, 84, 102–103, KF 20–22
8	EN19 Emissions of ozone-depleting substances	--	C
8	EN20 NO_x, SO_x and other significant emissions	--	KF 17
8	EN21 Total water discharge	--	90, KF 19, C
8	EN22 Total weight of waste by type and disposal method	--	86–87, KF 19, C
8	EN23 Significant spills	-	C
8	EN24 Cross-border transport or treatment of hazardous waste	--	87, KF 19
8	EN25 Areas impacted by the organisation's discharges of water and run-off	--	C
7, 8, 9	EN26 Initiatives to mitigate harmful environmental impacts of products	--	47, 49, 58, C
8, 9	EN27 Percentage of products sold and their packaging materials that are reclaimed by category	--	59, C
8	EN28 Significant fines and sanctions for non-compliance with environmental laws	--	C
8	EN29 Significant environmental impacts of transporting products, goods, materials and members of the workforce	--	82–84
7–9	EN30 Environmental protection expenditures and investments	--	KF 22

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UNGC Principles		Indicator	Reported	Reference
Employees				
1, 3, 6		Management approach	--	13, 27, 108–128
	LA1	Breakdown of workforce by employment type, contract and region and gender	-	109, 121, KF 24–27, C
6	LA2	Number and rate of employee turnover	-	114–115, KF 28–29, C
	LA3	Benefits provided only to full-time employees	--	112–114
1, 6	LA15	Parental leave	-	115, KF 30, C
1, 3	LA4	Percentage of employees covered by collective bargaining agreements	--	110, KF 29
1, 3	LA5	Minimum notice period(s) regarding significant operational changes	--	C
1	LA6	Percentage of total workforce represented in occupational health and safety committees	--	118, C
1	LA7	Injuries, occupational diseases, working days lost, absentee rate and work-related fatalities	-	119–120, KF 35–38, C
1	LA8	Preventive healthcare, counselling and training regarding serious diseases	--	119–121
1	LA9	Health and safety topics covered in agreements with trade unions	--	118, C
	LA10	Education and further training measures	-	122, KF 31, C
	LA11	Skills management and lifelong learning that support the continued employability of employees	--	122–124
	LA12	Employee performance and career development reviews	--	C
1, 6	LA13	Diversity in senior management and employee structure	--	126, KF 26
1, 6	LA14	Ratio of basic salary of male and female employees	--	112–113, C
Human rights				
1–6		Management approach	--	26–27, 37–42, 95, 99, 110–111, 125–128, C
1–6	HR1	Investment agreements that include human rights clauses	--	42, C
1–6	HR2	Percentage of suppliers that have undergone screening on human rights	--	98
1–6	HR3	Employee training on human rights	-	41, 103, C
1, 2, 6	HR4	Incidents of discrimination and actions taken	--	125, C
1–5	HR5	Operations with significant risk concerning the freedom of association and collective bargaining	-	41–42, 98–101, 110, C
1–5	HR6	Operations with significant risk for incidents of child labour	--	98–101, C
1–5	HR7	Operations with significant risk for incidents of forced and compulsory labour	--	41–42, 98–101, C
1, 2	HR8	Percentage of security personnel trained on aspects of human rights that are relevant to operations	-	C
1, 2	HR9	Incidents of violations involving rights of indigenous people	--	C
1, 2	HR10	Impact assessments/reviews on human rights	--	40
1, 2	HR11	Grievances related to human rights	--	42

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UNGC Principles	Indicator	Reported	Reference
Society			
10	Management approach	--	5, 20–22, 34–39, 131–139
	S01 Impacts of operations on local communities and regions	--	18–19, 73, 118–119, 137–139, C
10	S02 Number of business units analysed for corruption-related risks	--	34
10	S03 Employee training regarding anti-corruption	-	35
10	S04 Anti-corruption measures	-	34, C
10	S05 Public policy positions and participation in public policy development and lobbying	--	20–22, C
10	S06 Financial and in-kind contributions to political parties and politicians	--	22, KF 38, C
	S07 Number of legal actions for anti-competitive behaviour	--	36, C
	S08 Number of fines for non-compliance with laws	--	C
	S09 Operational activities with negative impact on local community	--	26–27, 37–39, 46–48, 72–74, 94–97, 108–111, 132–136
	S010 Avoidance and mechanisms to reduce negative impact on local community	--	18–19, 34–36, 35, 42, 125
Product responsibility			
1, 8	Management approach	--	37–39, 45–68
1, 8	PR1 Life cycle stages in which health and safety impacts of products and services are assessed	--	48, 55–57
1	PR2 Incidents of non-compliance with regulations concerning health and of safety of products	--	55–57, C
8	PR3 Principles and measures related to product and service information and labelling	--	56, C
8	PR4 Incidents of non-compliance with regulations and voluntary codes concerning product information and labelling	--	C
	PR5 Customer satisfaction	--	66–68
10	PR6 Programmes for compliance with laws, standards and voluntary codes related to marketing communications	--	67
	PR7 Incidents of non-compliance with regulations and voluntary codes related to marketing communications	--	67
1	PR8 Number of substantiated customer data protection complaints	--	39, C
	PR9 Significant fines for non-compliance with laws and regulations concerning the provision and use of products	-	76, C
Sector supplement¹			
	A1 Stipulated work hours per week and average hours worked overtime in production	--	KF 30
	A2 Percentage of employees not managed with overtime compensation schemes	--	C
	A3 Percentage of major first tier supplier facilities with independent trade union organisations	--	C
	A4 Numbers of vehicles sold, broken down by type, fuels, power train technologies and region	--	52, KF 10
	A5 Compliance of vehicles sold with the respective existing and next defined emissions standards	--	52
	A6 Average fuel economy by type of vehicle	--	52, 156, KF 10
	A7 Average carbon dioxide emissions by type of vehicle	--	156, KF 10
	A8 Compliance of vehicles sold with the respective existing and next defined noise standard	--	KF 10, C
	A9 EN29 – relevant indicator for automotive sector	--	81–83
	A10 Weight of vehicle and percentage breakdown of generic, recyclate and renewable material of a best-selling vehicle	--	59, KF 10, 12

¹ GRI Sector Supplement Automotive Sector, Pilot Version 1.0, 2004

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Fuel consumption and CO₂ emissions ratings for the vehicles referred to in this report

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO ₂ emissions combined (g/km)
BMW ActiveHybrid 3	– [5.5]	– [6.2]	– [5.9]	– [139]
BMW ActiveHybrid 5	– [6.1–6.7]	– [6.6–7.2]	– [6.4–7.0]	– [149–163]
BMW ActiveHybrid 7	– [6.0]	– [7.2]	– [6.8]	– [158]
BMW 116i	7.0–7.3 [7.2–7.4]	4.5–4.7 [4.6–4.8]	5.4–5.6 [5.6–5.8]	125–131 [129–134]
BMW 320d Touring	5.9–6.0 [5.7]	4.0 [4.1]	4.7–4.8 [4.7]	124–125 [123–124]
BMW X1 sDrive18d	5.7 [5.6]	4.4 [4.7]	4.9 [5.0]	128 [132]
BMW X3 xDrive20d	5.9–6.3 [5.4–5.8]	4.7–5.1 [4.8–5.1]	5.2–5.6 [5.0–5.4]	136–146 [131–141]
MINI Cooper D	4.3–4.4 [4.2–4.3]	3.1–3.2 [3.5]	3.5–3.6 [3.7–3.8]	92–95 [98–99]
MINI One D	3.9–4.0	3.1–3.2	3.4–3.5	89–92

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO ₂ emissions combined (g/km)	Average total energy consumption (kWh/100 km)
BMW i3 (Range Extender)	omitted	omitted	– [0.6]	– [13]	– [13.5]
BMW i3	omitted	omitted	– [0]	– [0]	– [12.9]

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO ₂ emissions combined (g/km)	Electricity consumption combined (in addition to fuel consumption) (kWh/100 km)
BMW i8	omitted	omitted	[2.1]	– [49]	– [11.9]
BMW X5 xDrive40e ¹	omitted	omitted	– [3.3–3.4]	– [77–78]	– [15.3–15.4]

¹ Provisional data.

Figures in brackets apply to automatic transmission. Fuel consumption and CO₂ emissions are dependent on wheel and tyre size. Fuel consumption is determined in accordance with the ECE driving cycle. Valid for vehicles with a European country specification. All engines comply with at least Euro 5 emissions standards. Further information on the official fuel consumption, specific official CO₂ emissions and power consumption of new passenger vehicles can be found in the "Guideline for fuel consumption, CO₂ emissions and electric power consumption of new passenger vehicles", available free of charge from all sales outlets, the Deutsche Automobil Treuhand GmbH (DAT), Hellmuth-Hirth-Straße 1, 73760 Ostfildern – Scharnhauser Park, Germany and at <http://www.dat.de/angebote/verlagsprodukte/leitfaden-kraftstoffverbrauch.html>.

As at December 2014.

Further, regularly updated information on the vehicles referred to in this publication can be found at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

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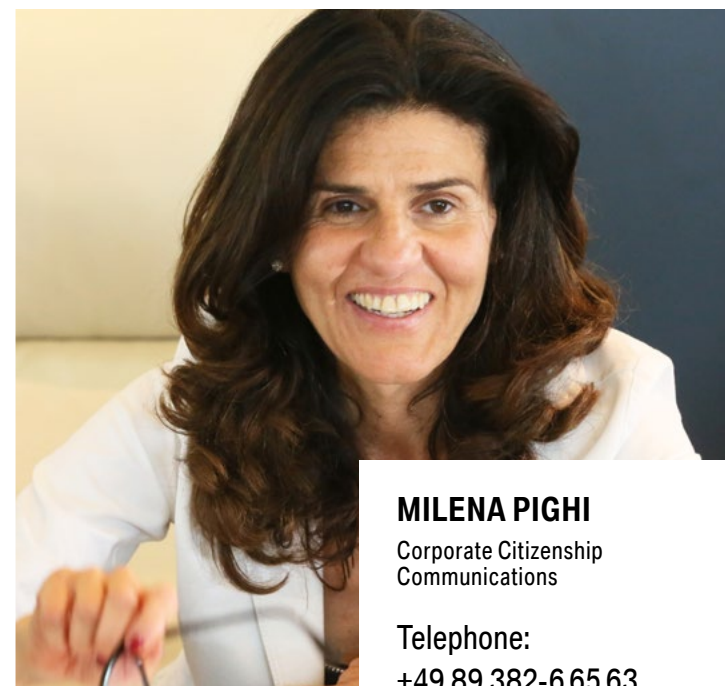


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