

# Communication on Progress. BMW Group 2008.

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Rolls-Royce  
Motor Cars Limited

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**BMW Group**

## Statement of Continued Support. Message of the CEO.

Ladies and Gentlemen,

Corporate sustainability is firmly anchored in all corporate processes throughout the BMW Group: from the development of fuel-saving and alternative vehicle concepts through clean production processes to green recycling practices. We accept social responsibility for our employees at our locations all around the world. Our concept of sustainability also extends beyond the gates of our own plants. We are involved in promoting education, inter-cultural learning and road safety worldwide as well as in projects to fight HIV and AIDS.

The BMW Group has been a member of the United Nations Global Compact since 2001. We rigorously implement its ten principles in the areas of human rights, labour standards, environment and anti-corruption at our company and in our day-to-day dealings with business partners, customers and society.

But we want to be judged primarily by our actions: This Global Compact Communication on Progress report will describe our achievements and plans for the future as well as specific projects and actions carried out over the past year to implement the principles of the Global Compact in the best way possible. We have followed the guidelines of the Global Reporting Initiative (GRI) in compiling this progress report to facilitate comparability and transparency.

We look forward to hearing your feedback and answering your questions on this Global Compact Communication on Progress report. Send us an e-mail with your feedback and questions at [sustainability@bmwgroup.com](mailto:sustainability@bmwgroup.com)

Yours,



**Dr. Norbert Reithofer**  
Chairman of the Board of Management of BMW AG

# Global Compact Principles and Sources of Information of the BMW Group.

## Human Rights

Principles Global Compact	Sources of Information of the BMW Group*	GRI (G3)
<b>Principle 1</b>		
Businesses should support and respect the protection of internationally proclaimed human rights	<p>Sustainable Value Report 2007/2008, p. 37, 50–53, 57–59, 62–63</p> <p>Indicators for Sustainability Update October 2008, p. 102–104</p> <p>Annual Report 2007, p. 38, 64</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 1</p> <p>Human Resources Policy: 8 Guidelines of the BMW Group, p. 1</p> <p>Long-term personnel policy and social policy of the BMW Group, p. 2</p>	EC5, LA4, LA6–9, LA13–14, HR1–9, SO5, PR1–2, PR8
<b>Principle 2</b>		
Businesses should make sure they are not complicit in human rights abuses	<p>Sustainable Value Report 2007/2008, p. 50–51</p> <p>Annual Report 2007, p. 38, 64</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 1</p> <p>Human Resources Policy: 8 Guidelines of the BMW Group, p. 1</p> <p>Long-term personnel policy and social policy of the BMW Group, p. 2</p>	HR1–9, SO5

## Labour Standards

Principles Global Compact	Sources of Information of the BMW Group*	
<b>Principle 3</b>		
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<p>Sustainable Value Report 2007/2008, p. 50–51, 58</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 2</p>	LA4–5, HR1–3, HR5, SO5
<b>Principle 4</b>		
Businesses should uphold the elimination of all forms of forced and compulsory labour	<p>Sustainable Value Report 2007/2008, p. 50–51</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 1</p>	HR1–3, HR7, SO5
<b>Principle 5</b>		
Businesses should uphold the effective abolition of child labour	<p>Sustainable Value Report 2007/2008, p. 50–51</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 2</p>	HR1–3, HR6, SO5
<b>Principle 6</b>		
Businesses should uphold the elimination of discrimination in respect of employment and occupation	<p>Sustainable Value Report 2007/2008, p. 50–51, 59</p> <p>Indicators for Sustainability Update October 2008, p. 102</p> <p>Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, p. 1</p> <p>Human Resources Policy: 8 Guidelines of the BMW Group, p. 1</p>	EC7, LA2, LA13–14, HR1–4, SO5

## Environment

Principles Global Compact	Sources of Information of the BMW Group*	GRI (G3)
<b>Principle 7</b>		
Businesses should support a precautionary approach to environmental challenges	<p>Sustainable Value Report 2007/2008, p. 2–3, 12, 19–21, 24–25, 26–33, 38–39, 40–41, 44–45, 48–49, 56</p> <p>Indicators for Sustainability Update October 2008, p. 88, 92, 95</p> <p>Annual Report 2007, p. 21, 30–34, 64</p> <p>The BMW Group's energy strategy, p. 2–6</p> <p>Environmental guidelines: Responsibility for our Environment, p. 1–2</p>	<b>EC2, EN18, EN26, EN30, SO5</b>
<b>Principle 8</b>		
Businesses should undertake initiatives to promote greater environmental responsibility	<p>Sustainable Value Report 2007/2008, p. 13, 25, 26–33, 38–39, 40–41, 42–51, 56</p> <p>Indicators for Sustainability Update October 2008, p. 88, 92, 94–98</p> <p>Annual Report 2007, p. 30–34</p> <p>The BMW Group's energy strategy, p. 2–6</p> <p>Environmental guidelines: Responsibility for our Environment, p. 1–2</p>	<b>EN1–30, SO5, PR3–4</b>
<b>Principle 9</b>		
Businesses should encourage the development and diffusion of environmentally-friendly technologies	<p>Sustainable Value Report 2007/2008, p. 24–33, 38–39, 41, 44–51</p> <p>Indicators for Sustainability Update October 2008, p. 88, 92, 94, 98</p> <p>Annual Report 2007, p. 30–34</p> <p>The BMW Group's energy strategy, p. 2–6</p> <p>Environmental guidelines: Responsibility for our Environment, p. 1–2</p>	<b>EN2, EN5–7, EN10, EN18, EN26–27, EN30, SO5</b>
<b>Principles Global Compact</b>	<b>Sources of Information of the BMW Group*</b>	
<b>Principle 10</b>		
Businesses should work against corruption in all its forms, including extortion and bribery	<p>Sustainable Value Report 2007/2008, p. 20–21</p> <p>Annual Report 2007, p. 65–66, 141–142</p>	<b>SO2–6</b>

\* Sources:

Sustainable Value Report 2007/2008, PDF, 115 pages; Document  
 Indicators for Sustainability Update October 2008, PDF, 30 pages; Document  
 Annual Report 2007, PDF, 247 pages; Document  
 Human rights and working conditions in the BMW Group: Joint declaration of the Group Management and the organisations representing workers' interests, PDF, 3 pages; Document  
 Human Resources Policy: 8 Guidelines of the BMW Group, PDF, 1 page; Document  
 Long-term personnel policy and social policy of the BMW Group, PDF, 6 pages; Document  
 The BMW Group's energy strategy, PDF, 6 pages; Document  
 Environmental guidelines: Responsibility for our Environment, PDF, 2 pages; Document

# Sustainability Objectives of the BMW Group with regard to Global Compact Principles.

## Sustainability Management

Objectives	Action	Status	GC Principles
<b>Strategy and organisation</b>			
Further development of the BMW Group's sustainability management	Further development of the sustainability strategy and increased coordination of individual divisions worldwide	Carried out extensive surveys of different decision-makers within the company; conducted four workshops to refine sustainability strategy.	1–10
	Further development of the sustainable value approach for a sustainability controlling	Sustainable Value approach put into practice at the BMW plant in Steyr.	1–10
	Management of sustainability related opportunities and risks relevant for sustainability	Sustainability criterion added to decision memos for Board of Management in mid-2008: Each decision memo must show how the project in question will impact the environment, employees and society's interests.	1–9
<b>Areas of activity</b>			
Integration of sustainability subjects into the investor relations work	Socially Responsible Investment (SRI) roadshows, conference calls, 2006 approx. 5% of all IR contacts specifically on SRI, objective by 2008 10%, of roadshow on SRI and alternative/environmentally sound drives	SRI issues are content in the BMW Group's investor relations presentation – which is also available online. Capital markets were also informed in depth about alternative drive units and numerous sustainability experts involved in investor and analyst discussions.	1–10
<b>Stakeholder dialogue</b>			
Commitment to global and domestic initiatives and Rio+10 process	UN: Global Compact econsense: Forum on sustainable development UNEP: Mobility forum	Ongoing	1–10
Improve stakeholder dialogue	Further institutionalise stakeholder surveys and events	Stakeholder Roundtable and further stakeholder surveys planned for 2008.	1–10

## Human Rights

Objectives	Action	Status	GC Principles
<b>Health protection</b>			
Combating HIV/AIDS	HIV retesting campaign with the slogan "Vision of Life" at BMW South Africa	BMW South Africa began a re-test of its employees. To date more than 83% of employees have taken part in this test.	1
Occupational safety	New occupational safety film for the initial briefing of new employees	Successfully completed. The new film will be used to educate employees at the various plants.	1, 2
	Introduction of a new IT-supported accident management system in conjunction with the BMW Group Health Service	The system is currently being tested; implementation to begin in November 2008.	1, 2
<b>Personnel policies</b>			
Deepen and expand the implementation of the essential elements for long-term human resources policy (LPP) worldwide	Further develop the human resources systems based on the long-term human resources policy (LLP) worldwide	Ongoing	1

## Human Rights

Objectives	Action	Status	GC Principles
<b>Sustainability in the supply chain</b>			
Anchor ecological and social standards in processes between purchasing and suppliers/partners	Increase random inspections on the compliance with social and ecological standards at suppliers during visits	Potential suppliers are advised of the sustainability requirements in the conditions for purchasing. Existing and potential suppliers are asked to complete a self-assessment questionnaire with standardised sustainability criteria to aid the selection process. By early 2009 all supplier sustainability data will be stored in a database system and available for retrieval.	1, 2
	Develop suitable indicators for early detection of deviations and room for improvement at suppliers	When suppliers submit a bid, data such as materials usage, energy consumption and degree of material utilisation is requested; this information is then taken into account in selecting the winning bid.	1, 2

## Labour Standards

Objectives	Action	Status	GC Principles
<b>Anti-discrimination</b>			
Balanced proportion of female apprentices in technical professions and integration into the hiring departments	Further develop the concept for hiring after apprenticeship is completed	Ongoing	6
Project "Today for tomorrow"	Completion of the "Today for tomorrow" project and integration of the measures into the standard processes and thereby into the company's daily routine	The project "Today for tomorrow" has been completed. Programme elements have been implemented in processes. Pilot projects to refine individual project tools are taking place at various sites.	6

## Environment

Objectives	Action	Status	GC Principles
<b>CO<sub>2</sub> reduction and integrated approach</b>			
Reduction of CO <sub>2</sub> emissions to fulfil the BMW Group contribution to reduction of CO <sub>2</sub> emissions in the ACEA fleet average to 140 g/km for 2008	<p>Introduction and further development of innovative drive concepts based on the BMW EfficientDynamics concept:</p> <ul style="list-style-type: none"> <li>– consumption-optimised combustion engine technology with High Precision Injection in BMW 4-cylinder and 6-cylinder engines</li> <li>– Auto Start Stop Function in BMW and MINI models produced in volume</li> <li>– Brake Energy Regeneration in BMW and MINI models produced in volume</li> </ul> <p>Cooperation with GM and DaimlerChrysler on developing hybrid drives</p>	<p>From 1995 to 2007 the CO<sub>2</sub> emissions of newly registered vehicles in Europe (EU-15) fell 20 %. In accordance with its ACEA commitment, the BMW Group will reduce its CO<sub>2</sub> emissions by 25 % between 1995 and the end of 2008. BMW EfficientDynamics is tapping further potential for reductions in fuel consumption. The first BMW models with BMW ActiveHybrid will be ready for series production in 2009 and will use up to 20 % less fuel than a vehicle with just a conventional combustion engine.</p>	7–9
Diesel vehicles in the U.S./Canada	Introduction of diesel vehicles with SCR technology (Selective Catalytic Reduction) in the U.S./Canada	In December 2008 the BMW Group will launch diesel vehicles in the U.S. and Canada for the first time in its history. Using a technology by the name of “BMW AdvancedDiesel with Blue-Performance”, an SCR (Selective Catalytic Reduction) system with urea injection will ensure that nitrogen oxide emissions (NO <sub>x</sub> ) are reduced even further. This will allow both the BMW 335d and the BMW X5 xDrive 35d to be introduced nationwide as so-called 50 state models (BIN5).	7–9
Promotion of biofuels	Contribution to introducing increased system-compatible amounts of biofuels in traffic	All BMW Group vehicles can cope with the higher biofuel percentages of E10 and B7.	7–9
	Contribution to initiatives to evaluate biofuels using sustainability criteria in an international context	Supporting the creation of minimum standards and internationally acceptable certification procedures for sustainably produced biofuels.	8
Development of hydrogen infrastructure	Partnerships on global introduction of hydrogen as an energy source: Both for the technology and the hydrogen infrastructure	Introducing the small-series-produced BMW Hydrogen 7 in selected international markets. Further use of the hydrogen infrastructure in Munich, Berlin, and Brussels within the framework of political programmes and the strategic partnership with TOTAL. Hydrogen filling station in Brussels opened in June 2008.	7–9
	– Participation in demo projects to prove that hydrogen can be used safely in road traffic and that renewable energy sources can be used		7–9
	– Continue participation in the project of the Clean Energy Partnership (CEP) in Berlin	Participating in the 2nd phase of the Clean Energy Partnership (CEP). Project review planned for late 2010.	7–9
<b>Product recycling</b>			
Development of new recycling techniques	Large-scale attempt to optimise the processes of shredder residue recovery and selective measures to promote preparation procedures for shredder fractions that are ecologically useful as a whole	<p>The BMW Group proved in a large-scale trial conducted in 2007 with around 500 vehicles from the current model range that post-shredder technology meets legal requirements for recycling used vehicles.</p> <p>The BMW Group continues to expand its evaluation and advisory expertise in the recycling of used vehicles as well as in the processing and recycling of the shredder residues this produces.</p>	7–9

## Environment

Objectives	Action	Status	GC Principles
<b>Product recycling</b>			
Returning end-of-life vehicles	Continue to further develop return system	Ongoing	7, 8
<b>Environmental protection in the service sector</b>			
Reduction of the environmental impact of the products in each lifecycle stage	Establish and further develop return systems for end-of-life parts from maintenance and repair in service shops in Western Europe and optimise the recovery paths	Currently setting up two additional recovery systems in Italy and the Czech Republic.	7, 8
	Develop methods for a streamlined lifecycle assessment approach, i.e., comprehensive assessment of material groups for a more efficient and faster accounting of entire vehicles	In progress	7, 8
Information on markets for product responsibility with regard to environmental law	Advance the technical network on environmental protection subjects in the sales organisations worldwide and develop the network of environmental managers in the individual sales markets	Appointed environment management officers in all main markets. Networking and qualification through a new training concept at all sales levels planned for 2009.	7, 8
	Global introduction to the dealer and service operations of one of the market-specific shop disposal systems that are recommended by the BMW Group, as well as integration of related requirements in the importers contracts	Standards defined and already communicated in Germany; discussed at a joint training workshop. Plans call for further dealer surveys to be carried out to assess the status quo and identify potential for improvement in 2009.	7–9
<b>Environmental protection management</b>			
Environmental management	Creation of a central Centre of Competence for environmental management in the sales division	Goal achieved	7, 8
	Further development of the central environmental strategy for the entire BMW Group	Integrated work on the environmental strategy into the process of refining the sustainability strategy.	7–9
	Definition of breakthrough goals for Group-wide environmental protection with regard to energy consumption, CO <sub>2</sub> , VOCs, waste and water consumption for specific years	Introduced the ambitious breakthrough goal of 30 % less energy, VOCs, water, and waste per vehicle produced between 2006 and 2012. Based on data currently available the goal will already be achieved for the agreed key figures in 2008.	7–9
<b>Energy consumption and emissions</b>			
Implementing energy strategy, reducing energy consumption	Lower the relative energy consumption per vehicle in 2008 by about 5 %	Energy consumption on track for the first half of 2008. Based on data currently available, the 5 % reduction target for energy consumption per vehicle for 2008 will be achieved.	7, 8
	– by further optimised management of buildings and production facilities (combined heat and power generation, optimised control of air conditioning units)		7, 8
	– by increased implementation of alternative, innovative concepts for generating energy		7–9
<b>Protecting resources and nature conservation</b>			
Introduce waste management worldwide	Introduce ABIS in the Goodwood (UK), Rayong (Thailand) and Chennai (India) plants	Spartanburg and Chennai plants will introduce ABIS by the end of 2008. ABIS will be introduced at the Goodwood and Rayong plants in 2009.	7–9

## Environment

Objectives	Action	Status	GC Principles
<b>Sustainability in the supply chain</b>			
Anchor ecological and social standards in processes between purchasing and suppliers/partners	Increase random inspections on the compliance with social and ecological standards at suppliers during visits	Potential suppliers are advised of the sustainability requirements in the conditions for purchasing. Existing and potential suppliers are asked to complete a self-assessment questionnaire with standardised sustainability criteria to aid the selection process. By early 2009 all supplier sustainability data will be stored in a database system and available for retrieval.	7–9
	Develop suitable indicators for early detection of deviations and room for improvement at suppliers	When suppliers submit a bid, data such as materials usage, energy consumption and degree of material utilisation is requested; this information is then taken into account in selecting the winning bid.	7–9
<b>Efficient transportation logistics</b>			
Increase proportion of low-emissions transportation	Keep the currently high percentage of 55.4 % for shipments made by rail when shipping vehicles from the plants. Integration of regular rail transport into the markets in Spain and the UK from the Leipzig plant (objective for 2007 – approx. 20 % of the production volume of the Leipzig plant)	Goal achieved: At the Leipzig plant 27 % of new vehicles left the plant by rail. The percentage of BMW Group vehicles dispatched from plants by rail fell slightly to 54.8 %. However, in absolute terms 94,700 more units were transported by rail than the previous year.	7–9
Optimise transport volume	Improve the utilisation of means of transportation and transport networks. In 2007, completion of project “Europe” (= transport concept for the material supply in Europe for more efficient utilisation of heavy goods vehicles). Switch to activity-related billing in USA	Goal achieved	7,8
	Optimise utilisation of packaging space by constructively influencing the product design in the early stages of vehicle projects. Use virtual methods (CAD) to examine components, to simulate utilisation of the packaging space, and to create logistical design proposals	Measure implemented: The new method has been in use since 2008. A motor-cycle model is currently being tested and improvements to optimise transport capacity utilisation identified.	7–9
Reduce environmental impact of the surface protection materials for new vehicle transport	Switch to vehicle distribution without surface protection. (By the start of 2008, 95 % of the BMW Group vehicles are to be delivered without extra surface protection)	The goal of delivering 95 % of vehicles without surface protection by early 2008 had to be revised downwards to 80 % for 2008. This was due to delivery problems with the closed wagons needed for transportation.	7–9

## Anti-Corruption

Objectives	Action	Status	GC Principles
Ensure compliance and uncover and follow up any cases of corruption that might occur	In accordance with the anti-corruption principle enshrined in the United Nations Global Compact, the BMW Group has a well-established internal control system, the effectiveness of which is tested regularly using a risk-based approach. In addition, employees in relevant divisions and departments are sensitised to the risk of corruption. The ways in which employees are expected to deal with this risk are set out in corporate guidelines and in the BMW Group's stated set of core principles. In 2007, the BMW Group set up a Compliance Committee which reports directly to, and advises, the Board of Management of BMW AG on compliance-related matters.	Set up Compliance Committee in 2007/2008 and drafted a globally applicable Legal Compliance Code. Training programmes were developed and an employee helpline set up. These measures are rolled out across Germany since October 2008. The international rollout will take place in early 2009.	10