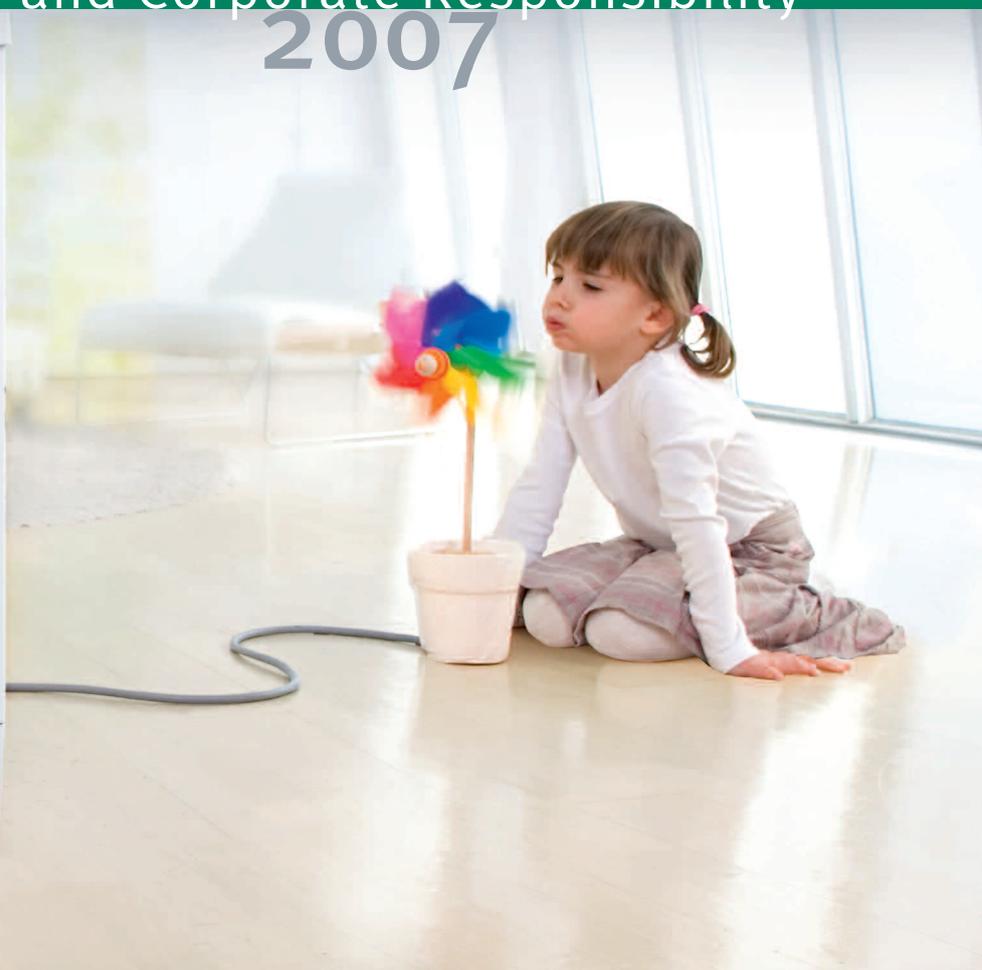


B/S/H/

Environmental and Corporate Responsibility
2007



BSH Bosch und Siemens Hausgeräte GmbH

Carl-Wery-Straße 34
D-81739 Munich

Tel. +49 89 45 90-01
Fax +49 89 45 90-23 47

www.bsh-group.com

© BSH Bosch und Siemens Hausgeräte GmbH, 2008

The Report is printed on ZANDERS Mega Silk. This paper is certified in accordance with PEFC rules (Program for the Endorsement of Forest Certification Schemes).

Picture credits:

Fotolia LLC (p. 10 up); Publitek, Inc. dba Fotosearch (p. 12 up)

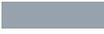
General information and ordering the following reports:

- Konzern-Geschäftsbericht 2007
- Group Annual Report 2007
- Verantwortung für Umwelt und Gesellschaft 2007
- Environmental and Corporate Responsibility 2007

Corporate Communications

Tel. +49 89 45 90-28 09
Fax +49 89 45 90-21 28

E-Mail corporate.communications@bshg.com



We take responsibility for the environment and society.

“We acknowledge our social responsibility. Wherever we operate, our actions are in accordance with the law, and with the principles set out in the United Nations Global Compact regarding human rights, labor relations and environmental protection. By our responsible and conservation-minded treatment of resources we set standards for sustainable development. Our dealings with employees, business partners and shareholders are guided by honesty and integrity.”

From the BSH Corporate Principles



Foreword	Innovation and sound values are the foundation of our business – we intend to take the lead in both areas.	Page 5
The company	BSH aims to be the industry benchmark in the areas that have become its hallmarks – innovation and quality, environmental protection and social responsibility.	Page 6
The management	pursues a clear aim – to secure the value of the company through social values.	Page 8
Social responsibility	means abiding by the law, acting in accordance with certain values and setting an example for others.	Page 10
Special	Replacing refrigerators in the favelas of Brazil is reducing the country's energy consumption, helping protect the climate and improving residents' quality of life.	Page 12
For employees	BSH intends to become the acknowledged best employer, providing motivation for this generation of employees and making it easier to recruit the next.	Page 14
Special	The employee survey in fall 2007 led to some remarkable findings: The aspect of the company that BSH's employees value the most is its commitment to the environment and to social issues.	Page 16
Environmental responsibility	for BSH, means being sparing with resources in its production processes as well as constantly improving the energy efficiency of its products.	Page 18
Special	BSH's CO ₂ balance sheet reveals the relevance of its activities to climate protection, although the greatest potential energy savings arise when appliances are in normal use.	Page 20
Our commitment	The BSH Special Award for commitment to employees, the environment and social issues was awarded for the first time last year. The fact that there were more than twenty entries is clear proof of the creativity of our employees worldwide.	Page 22
The indicators	for BSH's economic, environmental and social performance provide proof of its commitment to sustainable development.	Page 24
The program	BSH has set out the corporate objectives it achieved during 2007, together with the targets it has set itself for the future.	Page 33
Contacts	at BSH Headquarters in Munich, as well as in Spain, Brazil, China, and the US.	Page 35

Innovation and sound values are the foundation of our business – we intend to take the lead in both areas.

Last year, BSH celebrated 40 years in existence – 40 years of innovation, growth and an attachment to sound values. Today we are the third largest manufacturer of home appliances in the world, offer among the most energy-efficient home appliances and are a highly respected partner in all our business regions. Our strategy of applying the same standards worldwide to products and production alike has been one of the main factors contributing to our success, and it is this ethos which led us to sign the United Nations' Global Compact in 2004. The Global Compact became the template for our code of conduct, to which both our employees and our suppliers must commit.

We know that our healthy profit margins over the years are due to the combination of our numerous innovations and the commitment of our employees. Although the basis is there for continued sustained growth, ever shorter innovation cycles will call for even greater commitment from us all if we are to build on our pioneering role. But it is just as important to us to maintain our leading position in the areas of environmental, corporate and social responsibility, because it is these values that determine the way we act, and thus contribute to our success. At the beginning of 2008 we set up our own compliance organization, the aim of which will be not just to ensure that the law is upheld but also to ensure that the highest ethical standards are maintained throughout the company.

We value the trust that our employees, customers, business partners and suppliers, as well as the authorities, have in us and our brands. We want this report to be as frank and open as possible, so once again we are publishing the key indicators of our social and ecological performance. The report follows the guidelines set out in the **Global Reporting Initiative (GRI)**, and also represents our progress report in relation to the Global Compact.

We would like to take this opportunity to thank all our employees for their commitment and dedication and hope that they and our other readers will find this report stimulating reading. Suggestions and criticism are always welcome.

For information on the GRI Index, please visit www.bsh-group.com
What we stand for
Responsibility
GRI Index



Dr. Kurt-Ludwig Gutberlet
Chairman and CEO of BSH



Dr. Wolfgang Colberg
Member of the Board of
Management



Jean Dufour
Member of the Board
of Management



Prof. Werner Vogt
Member of the Board of
Management

BSH aims to be the industry benchmark in the areas that have become its hallmarks – innovation and quality, environmental protection and social responsibility.



BSH Bosch und Siemens Hausgeräte GmbH was founded in 1967, as a joint venture between Robert Bosch GmbH, Stuttgart and Siemens AG, Berlin and Munich. Today, BSH is the third largest manufacturer of home appliances in the world. The group's product portfolio encompasses the entire spectrum of modern home appliances – from cookers, dishwashers, refrigerators and freezers to home laundry and floor care products, as well as numerous excellent small consumer appliances. As at December 31, 2007, BSH operated 44 factories in Europe, Asia and North and South America, as well as a worldwide network of sales and customer service companies. It employs around 39,000 people in over 70 companies in more than 40 countries, with over 70 percent of this workforce based in Europe.

Expansion in both Germany and the international markets

In the year under review BSH continued to expand its activities, both in Germany and worldwide: We have invested extensively in new appliance platforms for dishwashers and cookers and have expanded our production sites in Dillingen and Traunreut, as well as those in Spain and Turkey. In Chuzhou, China, we have started production of side-by-side refrigerators, as well as the construction of a fridge-freezer production plant, which is now in operation. This year has also seen the expansion of production capacities, as well as the launch of a new washing machine factory at the Appliance Park in Nanjing. In Hortolândia, Brazil, we built a new cooker factory, and in June 2007 we opened a refrigerator factory in St. Petersburg, Russia, which is producing fridge-freezers – mainly for the Eastern European market – and has got an adjacent logistic center. BSH's high quality and environmental

For more information about BSH and its brands, see BSH's 2007 Group Annual Report or visit its website at: www.bsh-group.com

 The Company 
Brands & Products

Main Brands



Special Brands



Regional Brands



standards also apply here, as the factory only produces climate-friendly appliances that do not use CFCs. BSH has invested almost 50 million euros in this factory, and a further 40 million have been earmarked for the expansion of the Appliance park in St. Petersburg. In 2007, over nine percent of the BSH group's total sales of 8.8 billion euros were generated in the Eastern European countries.

Strong brands and intelligent products

Its extensive brand portfolio allows BSH to tailor its offerings to the needs of different target groups worldwide. While the Bosch brand exemplifies "discernible quality", for example, Siemens appeals to customers with its "innovative design". Special brands such as Neff and Gaggenau and regional brands in individual countries all have their own distinctive brand profile.

During 2007, BSH added several innovations to its offering, including its new water and energy-saving dishwasher series and a revolutionary range of "talking appliances", which are designed to make operating easier for blind and partially sighted people, and were on show at various trade fairs in fall 2007. Also in 2007, the energy efficiency of BSH's appliances received further recognition when the company was awarded the "Excellence in Energy Star Promotion" prize by the US Environmental Protection Agency.

Innovation is the key

The 496 patent applications it published in the past year took BSH into the "Top Ten" of the most innovative companies in Germany – it improved its ranking by two places to occupy the 10th place. The top two places, however, are occupied by its parent companies – Robert Bosch GmbH and Siemens AG. And in order to promote innovative thinking in students, as well as in those of its employees who work in research, BSH has cooperated with the University of Saragossa in Spain to create a Chair of Innovation. The two institutions intend to continue to work together closely in the fields of training, research, development and innovation.

Our reputation in society

BSH's openness in its communication with society, together with its commitment to sustained development, have earned the respect of the public in general and of its customers and potential new recruits in particular. In the spring of 2008 it came eleventh out of 88 companies in *karriere* magazine's "Top Employer in Germany" rankings. In Spain, BSH ranks 52nd in the MERCO (Monitor Español de Reputación Corporativa) index, which each year lists the 100 most respected companies in the country. Finally, BSH's report came 19th last year in the German ranking of sustainability reports, which is compiled by future e.V. and the Institute for Ecological Economic Research, and ranks the 150 largest German companies on the basis of their sustainability reports.



The Management pursues a clear aim – to secure the value of the company through social values.

Last year, the consequences of climate change finally seemed to have struck home among the wider public, which now expects BSH to produce clear concepts for climate protection. The company has for many years been a pioneer in the development and production of energy-efficient home appliances, but now intends to strategically expand this role, as Dr. Kurt-Ludwig Gutberlet, Chairman and CEO of BSH explains: “We shall be redoubling our efforts in this area, as we see our future function as that of a committed contributor to climate protection through the production of resource-saving appliances. In this way we shall be promoting sound social values at the same time as increasing the long-term value of the company.”

BSH's Corporate Principles, Business Conduct Guidelines, environmental policy and occupational health and safety guidelines can be found at:

www.bsh-group.com

🔗 What we stand for

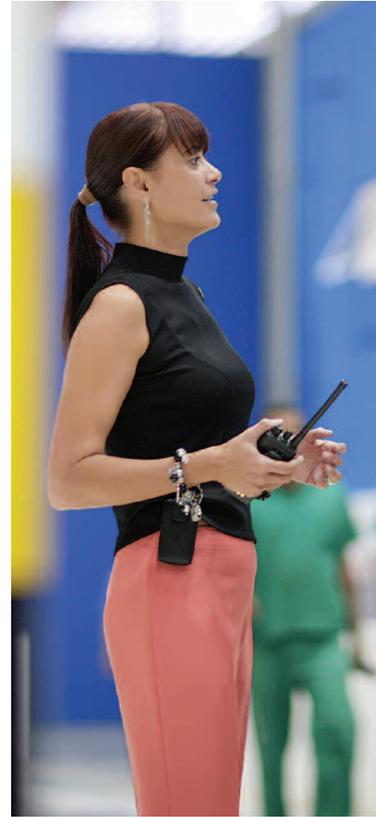
Key action areas

In order to capitalize on the opportunities that arise from current ecological and social issues, BSH is focusing on three areas of action:

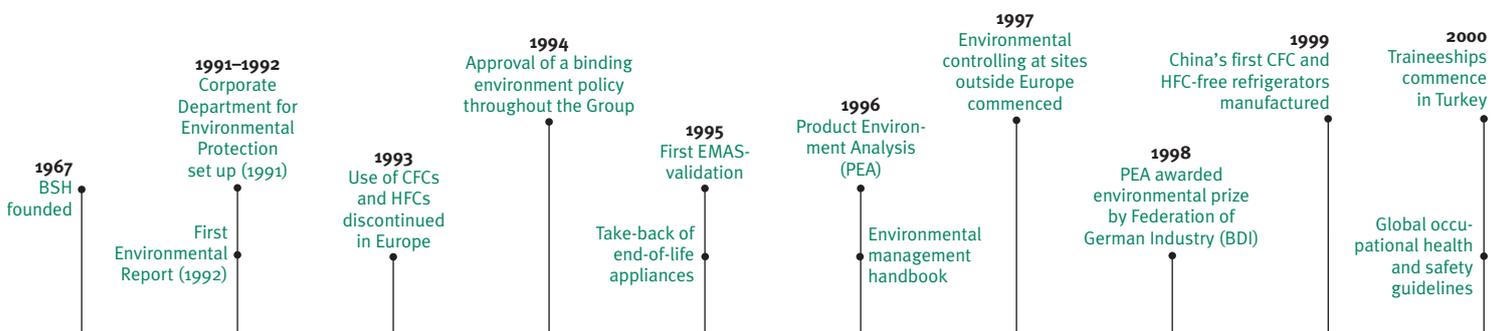
- 1. Energy efficiency:** To contribute to the efficient use of resources and to climate protection, and to set standards for the industry worldwide, with energy-efficient and innovative products and production solutions.
- 2. Product responsibility:** To continually improve environmental protection and health and safety throughout the product lifecycle in dialog with politicians, retailers, consumers, suppliers and disposal contractors.
- 3. Know-how-transfer:** To offer the best possible living and working conditions to people right across the world through the transfer of BSH standards and experience in production, product design, training and professional development.

Values and principles

BSH's past actions have laid a solid foundation from which to achieve these aims – through its Corporate Principles, its environmental policy, the guidelines on occupational health and safety policy and its comprehensive management systems for implementing those principles in



Milestones 1967–2008



all its locations worldwide. Also, having endorsed the **United Nations Global Compact** in 2004, BSH went on, in 2005, to sign the Code of Conduct of the **European Committee of Domestic Equipment Manufacturers (CECED)**. It had played a major role in drafting this code and used it as a basis for its own Business Conduct Guidelines, published in 2006.

www.unglobalcompact.org

www.ceced.org



For environmental protection and quality

All of BSH’s environmentally relevant sites have an environmental management system to ensure compliance with both statutory and internal regulations and continual improvement of the company’s environmental performance. Twenty-five of its twenty-eight production sites are now **ISO 14001**-certified. One of the principal tools BSH uses in the realization of its environmental goals is product environment analysis (PEA), which it applies to the development of both new and existing products. Process optimization at BSH is standardized worldwide and includes the application of systematic methods of quality improvement, such as 6 SIGMA. This method also helps speed up processes – a critical factor in a company’s competitiveness, given that innovation cycles are becoming shorter and shorter.

www.iso.org

Good management processes result in innovative, energy-efficient, high quality products, and in 2007, various BSH appliances were ranked “test winner” or “best buy” in 66 out of 94 product tests carried out by testing institutions in Germany and elsewhere in Europe. This result, which was 30 percent better than the previous year’s, only served to strengthen BSH’s position as a leader in the field.

Responsibility and workflows

To meet demanding targets, you need clear structures and defined workflows. Since early 2007, responsibility for environmental protection at BSH has rested with Prof. Werner Vogt. The Department for Environmental Protection and Occupational Health and Safety has overall responsibility for environmental management worldwide; environmental protection managers and health and safety officers, who report to the Head Office, are appointed at all locations worldwide to ensure the policy is implemented. In 2005 BSH set up a Coordination Group for Corporate Social Responsibility, which includes representatives of the fields of environmental protection and occupational health and safety and external coordination, but also of its central Corporate Human Resources, Legal Affairs, Purchasing, Sales and Corporate Communications.



Social responsibility means abiding by the law, acting in accordance with certain values and setting an example for others.



With globalization, the sphere of influence of large corporations has grown continually over the years. At the same time, however, society's trust in large global concerns has diminished. BSH sees this as a challenge – to model its values on a day-to-day basis and thus contribute to sustainable development worldwide.

Acting with integrity

It is enshrined in BSH's Corporate Principles that all its employees must always act in accordance with the law (compliance). Reliability, fairness and integrity are core values for our employees, not just in their dealings

with one another but also with all our business partners, and as such are incorporated in our **Business Conduct Guidelines** and code of conduct. Anyone in breach of these could be liable to prosecution under either criminal or labor law. Against this background, and to help ensure compliance with the Business Conduct Guidelines, BSH has now set up a compliance management team.

At the heart of this is the Corporate Compliance Committee (CCC), which is made up of representatives of the corporate Human Resources, Legal, Internal Audit, Process Management and Group Controlling areas, and reports directly to BSH's Board of Management. Compliance officers have been appointed in all the BSH business regions, as well. The BSH Academy has joined forces with the CCC to devise a management training program that includes compliance and business ethics, antitrust law and anti-corruption techniques. BSH has also commissioned an external attorney to act as an ombudsman. Employees and third parties can contact him anonymously at any time if they have any questions or wish to report breaches of regulations.

Bringing the suppliers in

BSH's commitment to acting legally and ethically extends not just to fair and proper dealings with suppliers, but right down the supply chain. By building its code of conduct into its supplier contracts, BSH binds its suppliers to abiding by its principles. The commitment includes, in addition to excluding child labor and forced labor, respect

The Business Conduct Guidelines can be consulted on BSH's website at:

www.bsh-group.com →
 What we stand for →
 Responsibility →
 Business Conduct Guidelines

The Protos plant oil cooker also works with used oil. Combustion is not harmful to human health, and CO₂-neutral.



for human rights and environmental protection and providing a safe and healthy working environment for employees. BSH has written to all its “A” suppliers, who represent 75 percent of its total purchasing volume, with the aim of obtaining written confirmation from them that they are abiding by the code of conduct. The plan is for its “B” suppliers to have also signed this declaration of commitment by the end of 2008, thus ensuring that the principles it has adopted for itself are also adopted by its suppliers.

Promoting sustainable development

“The industrialized countries must take the lead in reducing greenhouse gases, otherwise we cannot expect such a commitment from the emerging markets.” The premise that BSH’s Chairman and CEO, Dr. Kurt-Ludwig Gutberlet, formulated with regard to protecting the climate can also be applied to working conditions, social commitment and the way we treat resources. BSH has played a pioneering role in all these areas for many years and contributes to sustainable development worldwide through the transfer of standards and know-how. This includes, for example, creating training courses in China and Turkey that are modeled on the German dual training system and transferring environmentally compatible production processes and environmental management systems when it builds new factories.

An outstanding example of environmentally friendly innovations is the **Protos** plant oil cooker, which was developed for use in developing countries. BSH has brought its experience to a joint project with the University of Hohenheim and the Leyte State University in the Philippines, and in 2006, with the support of the German Society for Technical Cooperation, ran a practical trial in Philippine homes. It is now looking into extending testing into Asian countries, in the form of a large-scale field trial in Indonesia. Following trials in Tanzania, it was decided that the plant oil cooker was not suitable for use in Africa, as it would not be possible to grow sufficient oil-yielding plants to permit its widespread use without adversely affecting food production. In BSH’s view, this would constitute an irresponsible disruption of the food chain.

You can also find out more about the plant oil cooker project on BSH’s website at:

www.bsh-group.com →
What we stand for →
Responsibility → protos



Replacing refrigerators in the favelas of Brazil is reducing the country's energy consumption, helping protect the climate and improving residents' quality of life.



BSH's fridge replacement initiative in Brazil – replacing old “energy guzzlers” with new, energy-efficient appliances – is an example of how social commitment and climate protection can go hand in hand to very good effect and without much effort. As virtually nobody in the favelas, as the poor quarters of Brazil's cities are called, can afford a new refrigerator, BSH has joined forces with Brazilian energy suppliers to launch a free replacement scheme for favela-dwellers.

A high impact project

Most of the fridges in these poverty-stricken settlements of up to 300,000 people leak and are badly insulated. “In the favelas you will find what is probably the oldest appliance stock on the planet,” says Márcio Vazquez, who was responsible at BSH for the development of these projects. “We are providing the people who live in these poor areas with energy-efficient appliances of the latest generation. We're therefore not only contributing to major energy savings, but also improving the quality of life of the poor.” If we consider that the new appliances consume significantly less electricity than those we have replaced, it does not take long to work out the impact in terms of climate protection that this exchange initiative is having.

Partnership for energy efficiency

In Brazil, however, saving energy is very important for economic reasons, as the country's economy has been growing for years, which means that its energy requirement has, too. Supplying energy reliably to all parts of the country is already a problem. The Brazilian government has taken up this challenge and is currently working on a country-wide program to increase energy efficiency. It has also made it compulsory for the country's energy suppliers to invest half a percent of their sales revenue in energy-efficient programs – in the replacement of refrigerators, for example. It was thus the politicians who laid the foundations, as it were, for the partnership between the energy suppliers and BSH that has so far led to the replacement of around 45,000 old appliances. As Márcio Vazquez says: “Innovative approaches such as ours, which have proved so successful, are just what they are looking for.” BSH therefore, with its pioneering project, has been right in line with the government's plans.



Happy with their acquisition: The Silva family from the Jardim Santiago “Favela” in São Paulo are delighted to receive an energy-efficient Bosch refrigerator.

Multiple benefits for the poor

The project also offers financial benefits for the inhabitants of the favelas. To help its poorest people, Brazil has set up a state-sponsored aid program that will subsidize their access to electricity. “The only households that will benefit from this program are those that consume less than 80 kilowatt hours per month,” explains Vazquez, “as in this way, the government will prevent better-off families from capitalizing on it.” However, as the old energy-intensive refrigerators often push poor families’ electricity consumption over this limit, those affected often change to illegal energy suppliers – the so-called “electricity pirates”. So BSH’s new, energy-efficient appliances have several uses – they lower electricity consumption, ensure that the poor receive aid and increase the number of households in Brazil that are connected to mains electricity.

Environmentally compatible recycling

The replacement of end-of-life appliances, which is organized by BSH alone, naturally also involves recycling. “We make sure,” explains Vazquez, “that the old appliances don’t simply continue to be used, or end up on the nearest garbage dump.” As well as saving energy, BSH’s refrigerator replacement initiative makes another important contribution to climate protection: Unlike the old appliances, the new fridges contain no climate-damaging chlorofluorocarbons (CFCs) or hydrofluorocarbons (HFCs). Together with the Brazilian government and the German Society for Technical Cooperation, BSH is working towards the environmentally compatible recycling of the older refrigerator models.

A classic win-win model

In conclusion, it is Márcio Vazquez who pinpoints what is so special about the project, and that is that “Everybody involved wins”: It allows the electricity suppliers to meet government requirements in a way that is also beneficial to them, and BSH’s image as a socially responsible company and provider of energy-efficient products is further enhanced. In addition to this, customers’ energy costs are substantially reduced when they replace their old fridge with a new one at no cost to themselves. But most important of all, the energy savings work in favor of climate protection.



For its employees, BSH intends to become the acknowledged best employer, providing motivation for this generation of employees and making it easier to recruit the next.

Competition is getting tougher, innovation cycles are getting shorter, and quality and environmental compatibility requirements are getting stiffer. For BSH to secure and increase its leading role in this field, the commitment of each and every one of its employees counts. Dr. Wolfgang Colberg, Labor Director at BSH, explains the challenge this presents: “We want each individual, and by that I mean everyone from those on the assembly line to the members of the board, to make a quantifiable contribution to the group’s success, and thus to assume responsibility for the company as a whole.”

Forward-looking human resources planning

At BSH, the recruitment of tomorrow’s talent is a very important part of personnel work. Our reputation as a “top employer” helps us recruit well-qualified young people all over the world but it is not enough, of course. With our International Junior Executive Pool (JEP) and our International Executive Pool (IEP) we identify and develop potential in new employees. The JEP was set up so that there would always be a pool of young BSH employees from which it could fill demanding positions at any time. The training program comprises three modules – on personality development, improving independent working skills and getting to know the instruments of controlling and the principles of management. In 2007 the JEP was already 400 employees strong, and half of those in the pool came from local BSH companies. The IEP is for potential incumbents of local management positions. What is more, BSH is delighted that the proportion of women in this pool has risen by 17 percent in the last year.

Developing and fostering skills

Training and encouragement are the key words in relation to BSH’s approach to developing the potential of its 39,000 employees. Since 2007, existing professional development measures are being coordinated throughout the company worldwide, on the basis of a new, universally applicable skills model. Four areas of competence were identified as being essential to a company’s success: strategy and management, methods and problem-solving, management and social skills and people skills. Implementation of the new model in training courses at a local level is assured through the appointment and intensive training of a multiplier at every site worldwide.

Supporting and benefiting from internationalization

An important requirement of personnel work at BSH is to provide the supporting mechanisms for the increasing internationalization of BSH and to find effective strategies for deriving added value from it. One example is the multicultural teams in research and development,



BSH takes a systematic approach to grooming skilled and high-achieving junior recruits with an international personnel development program.



which are helped in their search for innovative and internationally applicable solutions by the varied perspectives and approaches of their members. A new training tool has even been designed, to encourage intercultural cooperation. The kind of cooperation that is needed to ensure the spread worldwide of such successful concepts is embodied in the form of the International Human Resources Meeting, which BSH's approximately 40 human resources managers have been attending each year since 2006. Last year they drafted an internationally valid set of management principles for BSH, which were presented at the company conference in March 2008.

A quite specific example of the internationalization of BSH is the number of employee exchanges, including those involving managers, that take place between the local companies – in 2007 there were 21 of these so-called “cross country transfers”. Fifty “inbounds” (foreign employees) from nine different countries were employed at various BSH sites in Germany – seven more than in 2006 – and at the same time 201 German expatriates were working abroad, in 30 different countries. Gone are the days when the management of our overseas operations was exclusively German. At the end of 2007, 50 percent of the management of BSH subsidiaries was local.

Making use of employees' knowledge

For over ten years now, the company's suggestions initiative, “Top Idea”, has been the channel through which our employees have been sharing their experience to help the company improve processes and make cost savings. In 2007 they submitted no fewer than 44,000 suggestions (see page 30), and the concept is now established in 11 countries. A guideline issued on January 1, 2008, accessible to all employees on the BSH intranet, sets out a universal framework for ideas management within the company.

Guaranteeing health and safety

Noise is not only an important issue for local residents, but also for our employees. In order to avoid a high incidence of job-related illness, BSH is determined to reduce noise levels in its factories even further. We are also determined to reduce the number of accidents at work. What is needed, in addition to increasing the number of preventive measures at all our sites, are regular training courses designed both to change employees' accident-prone patterns of behavior and to increase their awareness of them.

BSH encourages the personal development of its employees around the world with wide-ranging training and further education measures.



The employee survey in fall 2007 led to some remarkable findings: The aspect of the company that BSH's employees value the most is its commitment to the environment and to social issues.



Because it wants to make the best possible use of its employees' skills – and to remain a “top employer” – BSH needs to know exactly what its employees think about their work, the corporate culture and many of the factors connected with it. So, in the fall of 2007, the company conducted an employee survey. Fourteen thousand of its employees throughout Germany were asked to fill in a questionnaire, compiled jointly by BSH and an external firm of management consultants and containing a total of 70 questions on the corporate culture and actual working conditions.

High response rate

Although the 2007 employee survey was the fourth in BSH's history – the last had been six years previously – six years in which BSH and the environment in which it operates had changed more than during any other period, 71 percent of employees invited – more than in any past surveys – took part and filled in the questionnaire. Dr. Wolfgang Colberg, Labor Director at BSH, was pleased at this result, saying: “We had of course hoped for such a high response rate, but not altogether expected it.” In his opinion, it shows that employees are really keen to be actively involved in shaping the company. He not only carefully analyzed the results of the survey together with Corporate Human Resources, but had them summarized in a leaflet that was issued to the workforce early in 2008, showing employee agreement with statements on a scale of 1 to 100, so that the results could be understood at a glance.

A great sense of solidarity

Dr. Colberg found it “particularly pleasing” that so many employees agreed with the statement “I have a strong feeling of belonging” (76 points). For this reason, presumably, most people also said they would recommend BSH as an employer to their friends (71 points). Most people also identified strongly, and were very satisfied with, the company (70 points). For the majority, therefore, there was no question of changing companies (64 points).

The Labor Director knows that the great sense of solidarity that employees feel with the company is reflected in their willingness to work hard for it; he says that the management is aware of how important the work satisfaction of all employees is for the company's success. The fact that the statement “I am willing to work hard” elicited the highest level of agreement, with 85 points, gave him particular cause for satisfaction. He also made it clear that he and his colleagues at Corporate Human Resources do not intend to rest on their laurels, but that in 2008 they will be “striving to improve job satisfaction at BSH still further.”

Plus points for responsibility

BSH’s social commitment also garnered a higher-than-average rating: When asked what they found best about BSH, by far the largest number of employees named the company’s sense of responsibility toward the environment and social issues (77 points). Next came work content (69 points), and cooperation, vision and corporate aims (65 points). To Dr. Colberg, the results show quite clearly “how important it is, both for the company and its employees, that we take our responsibility toward society seriously.” But of course he also sees the economic benefits, which have sometimes been called into question, of wholehearted commitment to the environment and society.



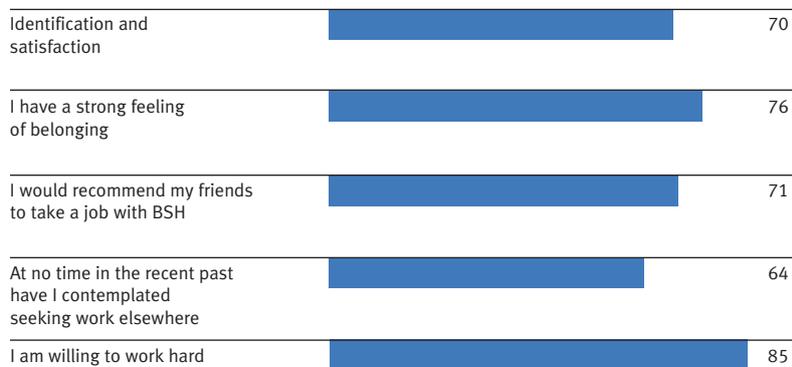
“BSH’s employees are keen to get involved with the Company, as the high response rate to the employee survey shows.”
 Dr. Wolfgang Colberg,
 Labor Director and
 member of the Board of
 Management of BSH

Indicators of scope for improvement

The survey also delivered some important indicators as to where there is scope for improvement at BSH. Although employees think their managers have high levels of technical competence, they also think that they are still not always good enough at properly acknowledging and praising the good work of those they manage (50 points). Employees would also like to see improvements to opportunities for individual development and to the work-life-balance – the relationship between working time and leisure time. Dr. Colberg sees these indicators as a basis from which to draw up a concrete list of measures because, as he says, “An employee survey that isn’t followed up with actions is simply not worth the effort.” And from now on, in order to make it possible to see more quickly how successful measures have been, the survey is to be conducted every two years. In future, similarly formulated surveys will also be carried out on an international basis.

Results on commitment and employee satisfaction

Points scale 0–100

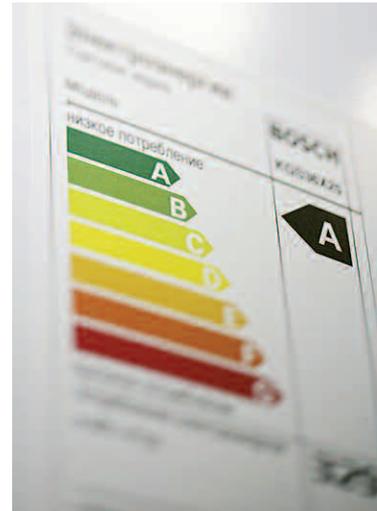


Environmental responsibility, for BSH, means being sparing with resources in its production processes as well as constantly improving the energy efficiency of its products.

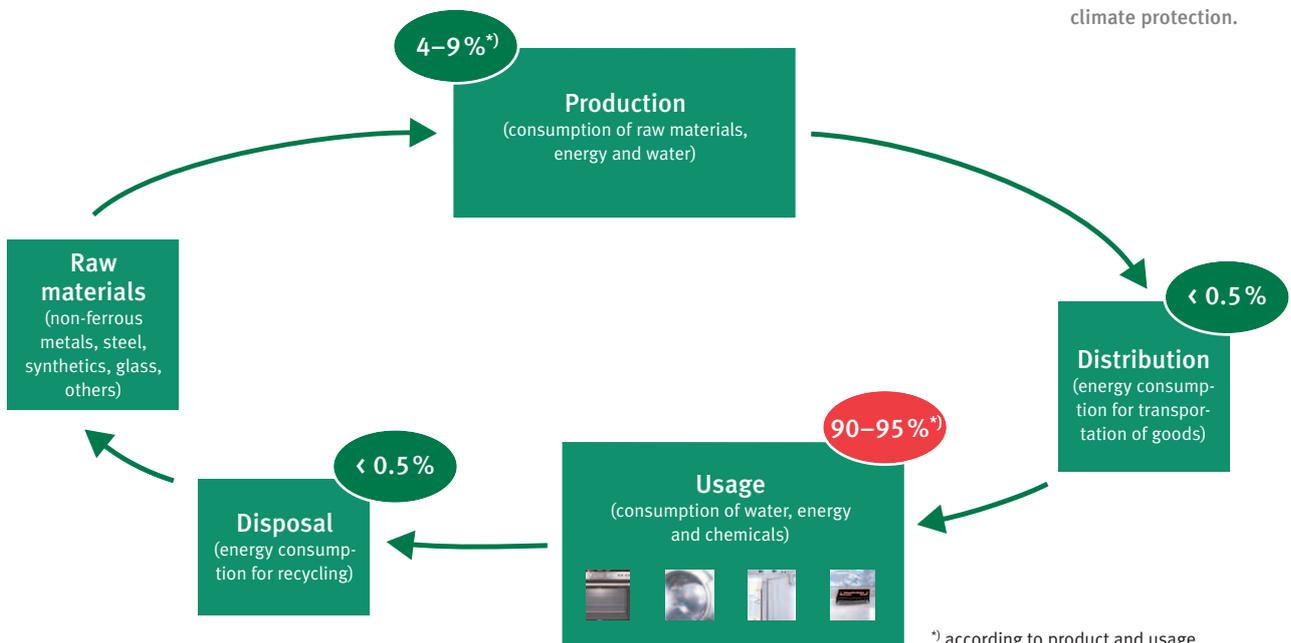
For many years now, BSH has been investing in innovative climate protection and resource-saving measures, a strategy which is now paying off: With its energy-efficient appliances and production processes, the group makes a considerable contribution to the reduction in greenhouses gases that the planet so needs. Metals such as copper, nickel and zinc are becoming increasingly scarce, and so more expensive. And thanks to our resource-saving production processes and constantly improving recycling systems we were also prepared for the current developments in the raw materials markets.

Convincing with energy efficiency

The greatest trump card we have, both when it comes to protecting the climate and to opening up new markets, are our energy-efficient appliances. Dr. Kurt-Ludwig Gutberlet, Chairman of the Board of Management of BSH, is convinced of this. As he says: “BSH has a very good case for playing a leading role in the marketing of energy-efficient products.” The figures that the company has produced for consumer research (by GfK) in Germany show increasing potential in this area: In the specific area of refrigeration, products of efficiency class A+ gained a market share of 31.5 percent in 2007. If all 188 million obsolete appliances that are still in use in homes throughout Europe were replaced by “A+ appliances”, at least 22 million metric tons less carbon dioxide (CO₂) would be generated each year. Sales of appliances in the highest (A++) energy efficiency class are still sluggish, though a fridge-freezer in this category offers a further



90 percent of the environmental impact occurring over a home appliance's lifetime is attributable to the usage phase, which is why the development of resource-conserving products is BSH's most sustainable contribution to environmental and climate protection.



*) according to product and usage

39 percent saving on electricity compared with its class “A” counterpart. Therefore, in January 2007, BSH helped launch the **Home Appliance+** initiative, with the aim of promoting the rapid replacement of old appliances with new, energy-efficient products. BSH is a founding member of this initiative and also sits on its advisory council.

Systematically managing environmental compatibility

Because of its systematic approach to environmental management, BSH now has products with outstanding environmental balance sheets in all its product groups. For example, its product environment analysis tool (PEA), which it introduced in 1996, guarantees that in all development projects, the environmental aspects of a product’s lifecycle are checked and taken into account at an early stage.

PEA grew out of BSH’s practice of systematically recording material and energy flows back in the nineties, which led to the company’s great successes in the areas of water, energy and raw materials conservation. The application of this systematic method of analysis to its products was an obvious step, as it is the most effective lever that can be applied in the reduction of environmental pollution. At the same time, BSH started systematically applying the environmental protection processes that had been proven at its German sites and at its newly acquired sites in the US, South America and Asia. The result is that today, the environmental standards of BSH production and BSH products are equally high.

Environmentally sound recycling of refrigerators

Environmentally sound recycling of refrigerators BSH stopped using ozone-depleting gases in refrigerator manufacture as far back as 1993, making it a pioneer within the industry. However, because of the lifetime of refrigerators and freezers, still large numbers of CFC-containing fridges and freezers are currently coming back for recycling. In Germany, BSH ensures that these end-of-life appliances are recycled in an environmentally friendly manner. To guarantee sustainably high quality in the recycling process, BSH has agreed on contractually binding quality standards with its treatment partners. These requirements call for the capture of climate-damaging gases and their proper disposal. By carrying out regular audits of its treatment partners, BSH checks compliance with the additional quality agreements.

On the European level BSH has played an instrumental role in drafting a voluntary industry standard for the collection, transport, storage, handling and treatment of domestic fridges and freezers with the appropriate associations. This also calls for regular audits on recycling quality to be conducted by independent assessors on contracted treatment companies. In collaboration with the WEEE Forum (European Association of Electrical and Electronic Waste Take Back Systems), CECED (European Committee of Domestic Equipment Manufacturers) and EERA (European Electronics Recyclers Association), BSH has also agreed to incorporate the provisions laid down in this standard all over Europe. In Germany, this approach has been fully implemented by BSH by incorporating these requirements into the contracts with their treatment partners.

The Home Appliance+ initiative is the brainchild of HEA, Germany’s association for energy use together with the companies in the energy and home appliances industries and the ZVEI, the trade association for the German electrical and electronic engineering industry:

➔ www.hausgeraete-plus.de
(German only)

The Bosch freezer boasting an “A+++” energy efficiency rating uses up to 47 percent less electricity than a similar class “A” appliance.



BSH's CO₂ balance sheet reveals the relevance of its activities to climate protection, although the greatest potential energy savings arise when appliances are in normal use.



Production accounts for just about seven percent of all the environmental pollution generated during the life of a home appliance, but BSH has not ignored this seven percent. As Prof. Werner Vogt, member of the BSH Board of Management who is also responsible for environmental protection, emphasizes: "True to our principle of being energy-efficient and sparing with resources, we have succeeded in lowering product volume-related energy consumption in production worldwide by 19 percent since the year 2000, and the corresponding water consumption by even more than 50 percent."

BSH's carbon footprint

During the last year, the full drama of the consequences of climate change has entered the public consciousness. "From an early stage," emphasizes Prof. Vogt, "BSH was keen to play a leading role in climate protection, and to set the highest standards in resource saving all over the world, both in its production operations and through its energy-saving products. In 2007 for the first time we prepared a comprehensive balance sheet of our operating processes, detailing our so-called 'carbon footprint'." 387,000 metric tons of CO₂ emissions were recorded for BSH worldwide during the year under review: 77 percent of the CO₂ emitted is the result of the direct or indirect consumption of energy by its factories and offices. The remaining 23 percent are attributable to the transportation of goods by its logistics operations, to customer service journeys and to business travel.

Products as principal lever

Prof. Vogt continues: "The CO₂ emissions caused by our production operations are now largely compensated for by the savings our appliances make when they are in normal use." This is because the development and production of energy-efficient home appliances has meant that much more CO₂ is saved during their normal use than is emitted during their production. A further 4.7 million metric tons of CO₂ could be saved each year in Germany alone if consumers would replace any appliances that are more than ten years old with new, energy-efficient products. One way in which BSH can help ensure that this potential is at least partly realized is through its numerous product innovations which, as Prof. Vogt says, "we shall be bringing onto the market again this year as well – right across all our product families."

BSH keeps energy consumption firmly in check on the production front too. Accordingly, the group records emissions from its operations in a CO₂ balance sheet, or Carbon Footprint.

Energy saving targets for the future

BSH does not want to take its eye off its own emissions, however. As Prof. Vogt explains, “Our aim is to reduce CO₂ emissions by using three percent less energy than in 2005 at all our sites worldwide each year until 2010.” Despite the fact that as both BSH and its output continue to grow, reducing its carbon footprint will not be easy, Prof. Vogt is sure that the innovativeness of BSH’s workforce will ensure that its production processes are optimized. “Our workers know our processes best,” he says, “so they are a mine of valuable information as to how we can save even more energy and even more water, as well as reduce waste.” Not least for this reason has BSH also optimized, standardized and expanded its ideas’ management in recent years. Another factor that has helped reduced CO₂ emissions has been BSH’s complete changeover to diesel-powered vehicles.

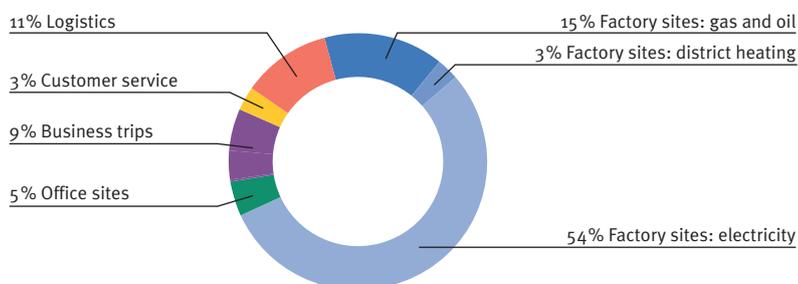
Energy efficiency as a factor in competitiveness

As far as Prof. Vogt is concerned, there is no question about the fact that in the home appliances sector, energy efficiency will continue to be an important factor in companies’ competitiveness: “Energy costs are very high, both for manufacturers and for consumers, and they’re going to get higher,” he says; “energy efficiency will therefore become increasingly important as a sales argument for BSH products.” In a number of countries – for example Spain, France and Italy – incentives have now been introduced that are resulting in more people changing over to climate-friendly appliances. Another example of how this can be to everyone’s advantage is the refrigerator replacement initiative in Brazil (see page 12). In Germany the home appliances industry is likewise calling for government support in this area.



“We believe that product-specific CO₂ labels won’t be suitable. As the electricity mix varies from country to country, it can’t represent CO₂ emissions in the “normal use” phase. The EU energy label, which indicates consumption, remains the most objective information.”
 Prof. Werner Vogt, member of the Board of Management of BSH

CO₂ balance sheet 2007 (carbon footprint)



The CO₂ emissions from electricity generation exclude losses during power distribution. The balance sheet does not include CO₂ emissions from the construction of buildings and plants, the production of materials and components or their transportation. Neither does the carbon footprint include waste disposal nor the take-back and disposal of end-of-life appliances.

The BSH Special Award for commitment to employees, the environment and social issues was awarded for the first time last year. The fact that there were more than twenty entries is clear proof of the creativity of our employees worldwide.

The Special Award was designed to be complementary to BSH's company-wide Best Practice Award. It honors employee projects that demonstrate our sense of ecological and social responsibility in a specific, real-life environment and thus further enhance BSH's good reputation.

With its ambitious sustainability management program the environment team from BSH Brazil in Hortolândia landed the BSH Special Award 2008.



Brazil:

Integrated sustainability management

The “Green, Yellow and Blue Program” is BSH's ambitious sustainability management program in Brazil, which received the company's Special Award in 2008. The colors are Brazil's national colors, and symbolize the three areas on which the program focuses – ecological sustainability, social commitment and environmental education. With this program, BSH has integrated sustainability management into its core business. The program is evaluated annually on the basis of ecological and social indicators, and then developed accordingly.

France:

Road and rail combined

More than 20 percent of shipments from BSH's warehouse near Paris go to southern France, and BSH has reorganized its delivery system in order to ensure that they are handled in an environmentally friendly way: A special container is loaded up at the warehouse and transported to the nearby station, from where it travels to the south by rail overnight. It is then loaded onto a truck that is suited to urban transport and the goods are delivered directly to customers. With this method, CO₂ emissions are 60 percent lower and 315,000 liters less fuel are used than with transportation by truck alone.

Germany:**Health program developed**

Too many working days are lost through sickness caused by insufficient exercise and bad posture. To help rectify this, BSH in Bretten has developed a special intranet-based program that includes the ergonomic adjustment of workstations, exercises that employees can do together and general health tips. The newly formed company sports club offers more opportunities for exercise, as well as an individual care program that enables employees to consult doctors and physiotherapists. The result has been far fewer days lost through sickness, as well as a more motivated workforce.

Belgium:**A fresh interpretation of logistics**

“Reverse Logistics”, a new logistics concept introduced by BSH Belgium is helping to cut the CO₂ emissions generated during appliance transportation. Until recently, the Belgian state waste disposal organization, Recupel, used to pick up end-of-life appliances from retailers, while BSH would often use the same routes to deliver new appliances. BSH now coordinates its delivery routes with Recupel, so that the journeys made delivering new appliances can also be used for the transportation of end-of-life appliances to Recupel’s disposal facilities. This results in a win-win situation where the numerous journeys made by empty trucks are a thing of the past, but the end-of-life appliances still get delivered to proper disposal facilities.

Turkey:**Fire prevention training for children**

The works fire service at BSH’s Çerkezköy site in Turkey has developed a program and provided teaching materials for fire prevention training for young schoolchildren. The program includes an information evening for parents, lively, practice-based classes for children and an inter-class competition with a visit to the fire department as the main prize. With this initiative, BSH has once again shown itself to be a committed partner of local communities – this time in the area of fire and accident prevention.

USA:**Ideas management optimized**

BSH has developed an unusual system for its ideas’ management in the US, based on the national sport of baseball: Employees assume the role of a “pitcher” to submit suggestions for solutions on an online form, thus passing the ball to the “catchers”. This is a team picked from all departments that decides which ideas are good enough to be implemented. If they are implemented, and achieve measurable success, this counts as a “home run” for the employee who submitted the idea, and he or she is given a reward.



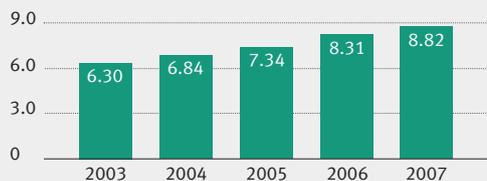
After its inauguration in 2008, the Special Award for exemplary projects regarding employees, the environment and social issues will now be competed for every three years.

Germany:**Management development scheme**

A modern management and communication culture is an important factor in a site’s performance these days, which is why BSH in Nauen has expanded its management development scheme. This involves an integrated package of measures for identifying the talents and skills of employees and ensuring their advancement in a targeted fashion, on the basis of those skills. Those with management potential thus become qualified factory managers and help sites meet their targets, such as successfully implementing a project for front loading washing machines.

Sales Trend

In billions of EUR



EBIT

In millions of EUR



Employees and Personnel Costs

Employees in thousands Personnel costs in billions of EUR



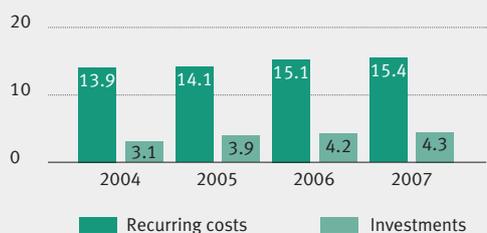
Research and Development Expenses

In millions of EUR (without investment)



Environmental Costs

In millions of EUR



Sales Trend

During the year under review, the BSH Group posted sales of 8.818 billion euros – 6.1 percent up on last year's figure. In Germany, Group sales fell by 5.6 percent to 1.716 billion euros. Following the significant rise of 9.4 percent in sales outside Germany, BSH now generates 80.5 percent of its sales revenue outside Germany (previous year: 78.1 percent).

Earnings before Interest and Taxes (EBIT)

In 2007, earnings before interest and taxes (EBIT) amounted to 651 million euros, or 7.4 percent of sales revenue.

Employees and Personnel Costs

As of December 31, 2007, the Group employed a total of 38,950 people worldwide (in Germany 14,060, elsewhere 24,890) – including apprentices – some 2.6 percent more than at the end of December 2006. 36 percent of the workforce are employed in Germany, 30 percent in Western Europe (excluding Germany but including Turkey), 15 percent in Asia, 4 percent in Latin America, 5 percent in North America and 10 percent in Eastern Europe. Personnel costs totaled 1.704 billion euros.

Research and Development Expenses

The Group spent 259 million euros on research and development in 2007. This figure has been increasing steadily and now represents 2.9 percent of sales (previous year: 2.8 percent), putting BSH in a favorable position in the international competitive arena. In 2007, BSH employed more than 2,100 people in research and development, over 1,150 of whom work in Germany.

Environmental Costs

BSH reports its environmental costs and investments for the Group as a whole. Recurring costs for operational environmental protection (operating costs, capital costs, personnel costs and charges) stood at 15.4 million euros in 2007 for the Group as a whole. Most of this figure was made up of expenditure on waste management (62 percent) and soil and water protection (30 percent), while the costs of air purification and climate protection amounted to 7 percent and noise abatement measures just 1 percent. 89 percent of BSH's environmental costs were incurred at European factories; 80 percent of these costs were incurred in Germany. The Group invested 4.3 million euros in environmental protection in 2007 – 3 percent more than in the previous year. 91 percent of this investment were allocated to European locations, including 38 percent to Germany.

Improving Energy Efficiency

In Europe, electrical appliances carry so-called energy labels indicating their energy consumption. Appliances are divided into efficiency classes ranging between A (low consumption) and G (high consumption). This provides a quick way for the end customer to make direct comparisons between different models. In 2004, the European Union also introduced the new energy efficiency classes A⁺ and A⁺⁺ to indicate particularly energy-efficient refrigeration appliances, such as certain fridges and freezers that consume on average 25 and 45 percent less energy than Class A appliances.

In 2007, 30 percent (previous year: 25 percent) of refrigeration appliances and 47 percent (previous year: 40 percent) of freezers were already ranked in energy efficiency classes A⁺ and A⁺⁺, a marked improvement over the previous year. BSH is also producing a significantly higher percentage of energy-saving electric cookers than in 2006. 91 percent are now rated as Category A appliances. BSH succeeded in marketing 97 percent of its dishwashers produced in Europe as Class A appliances. 100 percent of washing machines meet the requirements for Class A. Almost half of tumble dryers bear energy label B. The figures in this section refer to production output from BSH's European factories (incl. Turkey).

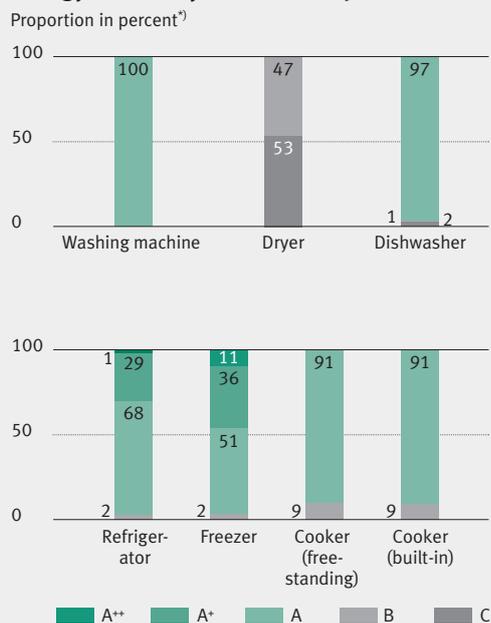
Reducing Energy Consumption

Over recent years, all our home appliances have become significantly more frugal, as evidenced by a comparison between average consumption values for each category of product in 1990 and the current figures for our most energy efficient appliances. The adjacent diagram shows the results of this comparison for each product category (dishwasher, washing machine, electric cooker, refrigerator, freezer and fridge-freezer). The new generation of dishwashers has been on the market since April 2008. With 13-place settings (a defined combination of crockery and cutlery), these dishwashers now consume just 0.97 kilowatt hours (kWh) per cycle. Previous models were designed on the basis of 12-place settings. Our most energy-efficient washing machines now require just 0.17 kWh of energy per kg for a full-load colored wash program at a temperature of 60°C.

Reducing Water Consumption

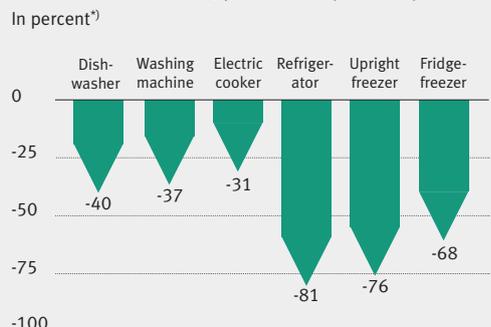
As a result of continuous further development of our dishwashers and washing machines, the water consumption of our water saving appliances for the standard program has been cut by more than a half compared with the average figures for appliances on the market in 1990. In some cases, even greater savings are possible in dishwashers equipped with electronic sensor technology. Because the sensors regulate the amount of fresh water introduced only 9 liters of water are required for lightly soiled loads. With loads of up to 8 kg, the new washing machines use just 7 liters per kg of laundry.

Energy Efficiency Classes 2007



^{*)} The percentages specified for the individual energy efficiency classes are based on the production figures for the BSH European factories (incl. Turkey) in 2007.

Reduction in Energy Consumption up to 2007



^{*)} Comparison of average energy consumption values for each product category in 1990 and consumption figures for our most energy efficient 2007 appliances.

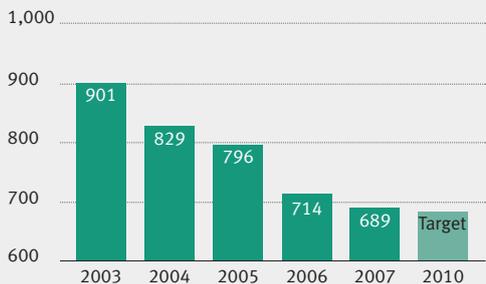
Reduction in Water Consumption up to 2007



^{*)} Comparison of average water consumption values for each product category in 1990 and consumption figures for our most water saving 2007 appliances.

Energy Consumption

Per metric ton of product in kWh

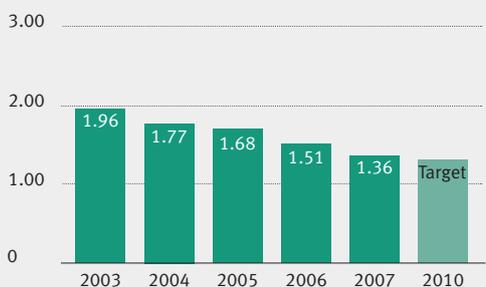


Energy Consumption

BSH's total energy consumption during the year under review was 878 gigawatt hours (GWh), slightly down on the previous year's figure of 884 GWh. The proportion of electrical energy rose by 1 percent in 2007 and now stands at 52 percent. There was a fall of 2 percent in the proportion of gas, used primarily to provide building and process heating, which accounted for 37 percent in 2007. 10 percent of energy requirements are covered by district heating, and biomass accounts for 27 percent. Due to the year-on-year reduction of 3 percent in the tonnage of products manufactured, specific energy consumption has fallen by 3.5 percent since 2006 to 689 kWh per metric ton of product. This is significantly lower than the 2007 target figure of 749 kWh per metric ton of product.

Water Usage

Per metric ton of product in m³

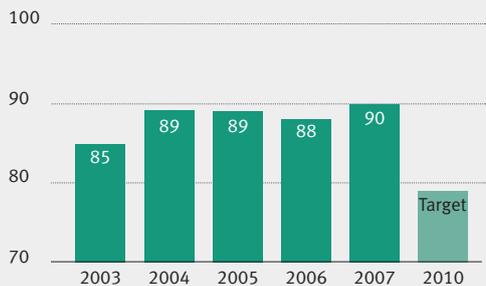


Water Usage

BSH has succeeded consistently in reducing its water consumption. Absolute requirements fell by 8 percent in 2007. Our factories in China and Spain were able to achieve significant savings, while water consumption at the German sites rose by 5 percent. A significant proportion of this was due to development activities and the testing of our new dishwashers and washing machines. The factories derive 59 percent of their fresh water needs from the public supply, with 41 percent coming from their own drinking water supplies. 47 percent of the total volume of wastewater is discharged directly into surface watercourses in purified form. The larger proportion of 53 percent is sent to public treatment plants. There was a year-on-year reduction in specific water consumption per metric ton of product, which fell by 10 percent to 1.36 m³. This significantly better the 2007 target figure of 1.52 m³ per metric ton of product.

Waste

Per metric ton of product in kg

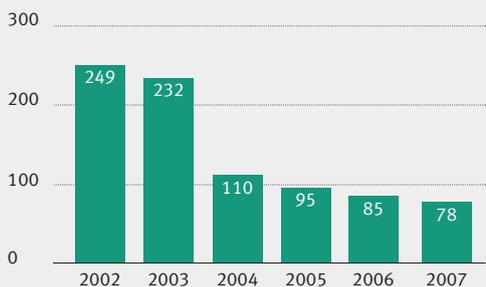


Waste

The volume of waste generated by the BSH Group rose by 5 percent compared to 2006, to some 115,000 metric tons. The volume of scrap metal increased in particular due to waste from the punching of stainless steel parts in cooker and dishwasher production. Separated collection of paper and cardboard, plastics and films, glass, wood and metal waste is standard practice in all factories. 91 percent of total waste volume is now recycled. Because of the increase in the waste volume, the specific indicator also fell by 2 percent to 89.9 kg of waste per metric ton of product. This falls short of the 2007 target figure of 85 kg per metric ton of product.

VOC Emissions

In metric tons



Emissions

BSH long ago abandoned the use of substances that are harmful to the climate or the ozone layer in the production of refrigeration appliances – to the extent that safety concerns allowed – and replaced them with pure hydrocarbons. Emissions of sulfur dioxide and nitrous oxides have been reduced to almost negligible levels. There has been a marked decline in emissions of volatile organic compounds (VOCs) due to the predominant use of powder coatings, aqueous coating systems and precoated metal sheets (for production-related emissions of carbon dioxide [CO₂], cf. page 28).

Transport Volumes and Distribution Logistics

BSH's logistics strategy aims to minimize the environmental impact of transporting goods from factory to customer by optimizing the interlinking of road, rail and sea transport routes. In 2007, we succeeded for the first time in reducing the proportion of total exports from German factories transported by truck to less than 50 percent. We increased the proportion of exports from Germany shipped using environmentally friendly rail transport from 36 to 43 percent. A highly impressive 90 percent or more of shipments to France, Greece, Scandinavia and Turkey went by rail. As a result of our continued expansion of combined sea/rail traffic to the UK, which now also includes the Giengen and Dillingen sites, the proportion of exports to the UK shipped by truck has fallen to 60 percent (previous year: 98 percent).

To help reduce noise levels and harmful substance emissions during the transportation of its products by truck in Germany, BSH made "Euronorm II or better" its target standard as early as 2001. Most trucks used now meet Euronorm III or better. In the case of local shipments, the figure reached 91 percent, with some 22 percent even complying with Euronorms IV and V, which impose even more stringent emission levels. In 2007, 100 percent of the trucks used by BSH on long-haul routes complied with Euronorm III or better, and 49 percent of these met the stricter Euronorm IV and V requirements.

Freight-Space Optimization

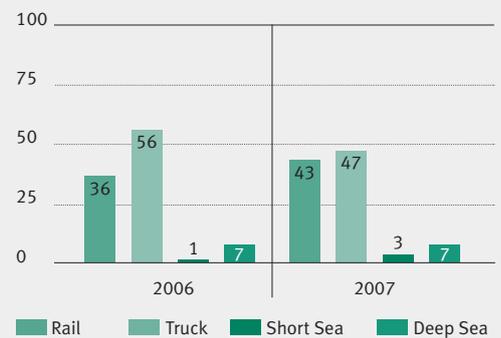
By improving the utilization of freight space, BSH has succeeded consistently in reducing the number of transport shipments required. In 2006, we collaborated with freight forwarders and vehicle manufacturers to develop a certified vehicle concept for so-called 4-abreast loading. Widening the load area of the trucks used to transport the goods enables 4 large appliances to be transported side-by-side, resulting in approximately 25 percent improvement in freight-space utilization. The knowledge gained in a number of successful tests in several countries provides a sound basis for the comprehensive implementation of this loading method during 2008. 2007 saw the start of a further load space optimization project involving small consumer products. Here, the use of modular pallets enables optimum utilization of the truck's load volume, so that up to 33 percent more appliances can be accommodated.

Transport Packaging

In order to ensure the suitability of packaging and the appliances it contains to cope with the rigors of transportation, particularly long-haul shipment, transport factors such as shaking motion or loading procedures are recorded under real-life conditions and simulated in the laboratory. The findings emerging from these investigations are incorporated into the packaging design process. In 2007, the average weight of transport packaging stood at 2.65 kg. Sales packaging for smaller home appliances weighed 613 grams on average.

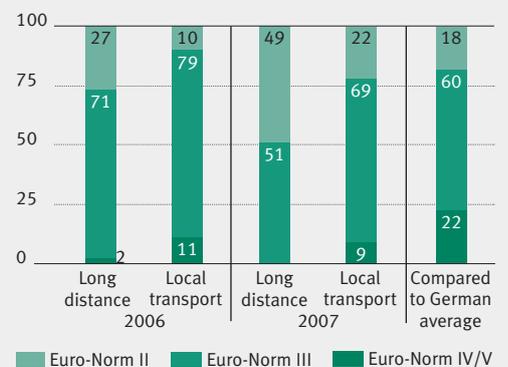
Export Transport Volume

As percentage of total volume



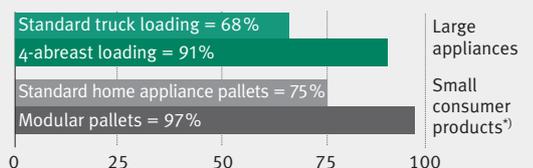
Vehicles meeting Euronorm II through V

In percent of trucks employed



Freight-Space Utilization

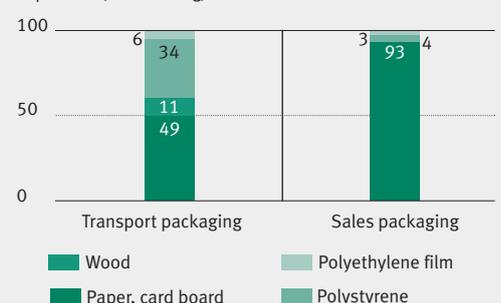
In percent of load space



¹⁾ Packing additional layers on the standard home appliance pallets enables almost total utilization of the trucks' load height.

Proportions of Packaging Materials 2007

In percent (based on kg)



CO₂ Emissions

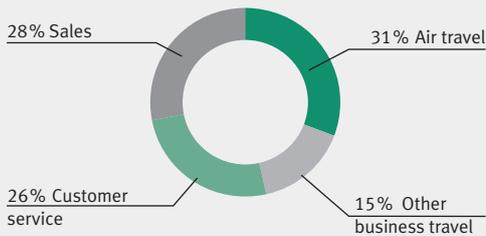
In thousands of metric tons



Carbon Footprint

BSH has reported the “carbon footprint” of its Group operating activities for the first time for the base year 2006. The calculation methodology is in line with the Greenhouse Gas Protocol of the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI). The carbon footprint includes all of a company’s CO₂ emissions: as well as the “direct emissions” (Scope 1) of the production and office sites, it also includes the “indirect emissions” (Scope 2) that result from the generation of electricity and heat by external suppliers. A third category (Scope 3) covers “other indirect emissions” caused by business trips, customer service activities and the transport of goods to customers. The carbon footprint in 2007 was 387,000 metric tons of CO₂ (previous year: 380,000 metric tons). The largest proportion – around 62 percent – resulted from the use of electricity and district heating at the production and office sites. Some 15 percent resulted from direct emissions at the BSH factories due to oil and gas consumption. Goods distribution logistics, along with customer service activities and business trips, accounted for 23 percent.

CO₂ Emissions Caused by Business Travel

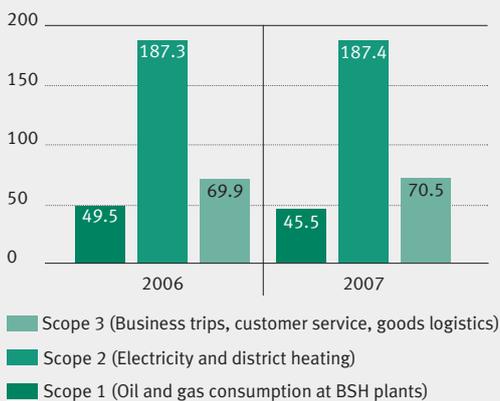


CO₂ Emissions Caused by Business Trips and Activities

The CO₂ emissions resulting from business travel include emissions caused by flights, business travel by car and rail, and the use of sales and customer service vehicles. The data for this Scope 3 reporting was extrapolated from verified regional reports. Some 30 percent of CO₂ emissions are caused by air travel, with around one quarter resulting from the use of customer service vehicles and almost 30 percent from the use of leased sales vehicles. Car journeys, undertaken predominantly using hire cars, are responsible for some 14 percent of emissions. Rail travel, which generates the lowest level of CO₂ per person per kilometer, accounts for one percent.

Specific CO₂ Emissions

In kg per metric ton of product



Specific Carbon Footprint

The specific BSH indicator – that is, CO₂ emissions in relation to production volume – stands at 303 kg CO₂ per metric ton of product (previous year: 307 kg). This represents a 1 percent reduction in emissions. This means that, on average, CO₂ emissions of around 15 kg are produced as a result of BSH activities for a home appliance weighing 50 kg.

The specific value of 45.5 kg of CO₂ per metric ton of product includes the direct CO₂ emissions generated by the use of gas and heating oil at the production and development sites. This represents a year-on-year reduction of almost 8 percent.

Input flows		2006	2007	Units
A	Fixed assets			
I.	Land	4,684,15	4,965,940	m²
1.	Developed	1,846,281	2,031,754	m ²
2.	Undeveloped	2,837,874	2,934,186	m ²
II.	Percentage developed	39	41	%
B	Current assets			
I.	Environmentally relevant substances			
1.	Process materials ⁾	3,131	3,043	t
II.	Energy	883,580	878,284	MWh
1.	Electrical energy	446,874	459,620	MWh
2.	Light heating oil	5,265	3,695	MWh
3.	Gas	342,262	323,578	MWh
4.	Others (district heating, wood etc.)	89,179	91,391	MWh
III.	Water	1,871,95	1,737,973	m³
1.	From public supply	1,146,424	1,033,437	m ³
2.	From own supply	725,527	704,536	m ³

Output flows		2006	2007	Units
A	Products			
I.	Products (tonnage)	1,238	1,275	1,000 tons
II.	Products (numbers)	41,372	41,230	1,000 items
III.	Packaging	78,124	79,468	t
B	Waste	109,033	114,619	t
I.	Waste for disposal	9,808	10,63	t
	of which hazardous waste	1,694	2,269	t
II.	Waste for recycling	99,225	103,986	t
III.	Percentage recycled	91	91	%
C	Waste water	1,557,472	1,485,387	m³
I.	of which directly discharged	591,969	698,545	m ³
II.	of which indirectly discharged	965,503	786,842	m ³
D	Vaporous or gaseous emissions			
I.	Organic substances	85	78	t
1.	Volatile Organic Compounds (VOC)	85	78	t
II.	Inorganic substances	61,351	57,667	t
1.	Oxides of nitrogen	61	60	t
2.	Carbon dioxide ^{**)}	61,290	57,607	t

⁾ oils, emulsions, solvents, acids and caustic solutions

^{**)} excl. electricity generation and transport operations

The data presented for the input and output flows covers all sites and factories at which BSH carried out production activities during the year under review (ending December 31, 2007). The sites in Mexico City (Mexico) and Chernogolowka (Russia) have been excluded from the 2007 statistics due to closure. The new refrigerator production site in St. Petersburg (Russia) has been included for the first time.

On the basis of the input-output balance sheet, we record all the environmentally relevant material and energy flows past our factory gates. This serves to represent, in figures, the significant environmental aspects of the activities carried out at our operating locations. Continuous and structured recording of environmentally relevant data is an important prerequisite for identifying potential for improvement. The totals shown above for input and output flows are used to generate specific indicators by calculating consumption and emission figures for the appliances manufactured. This procedure makes it possible to evaluate environmental performance consistently, irrespective of fluctuations in production volumes, and conforms to the provisions for recording environmental assessment data set out in international standard ISO 14031.

Incidence of Accidents, BSH International

Accidents resulting in at least one day's incapacity



Occupational Health and Safety

BSH has been recording accident statistics for all its factories worldwide since 2000. Accidents occurring at work and resulting in at least one day's absence are recorded in the statistics. While the average duration of absence – a broad gauge of the severity of accidents – has risen compared with the previous year, the number of accidents per million hours worked has fallen. Accidents involving external companies have also been reported in a separate section within the BSH occupational health and safety statistics since 2007. This enables us to work with our service providers to achieve a high standard of occupational health and safety. In 2007, there was a serious industrial accident in which, through no fault of his own, a BSH employee tragically lost his life.

Company Suggestions Initiative

Contributors and ideas submitted in thousands

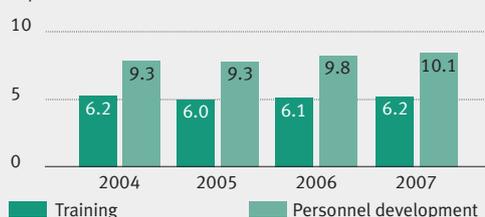


Company Suggestions Initiative

2007 saw the company's suggestions initiative "top idea" established in 11 countries. 10,431 employees submitted 43,882 excellent ideas. This represents a participation rate of 36 percent of the workforce, and an average of 1.53 ideas per head. Last year, too, we succeeded in maintaining the high level that we had previously reached. Since 2000, we have seen a fourfold increase in the number of ideas submitted and the savings made as a result. We have implemented some 18,600 suggestions for improvement, achieving a calculable annual net saving of 16.4 million euros in total.

Training and Personnel Development

Expenditures in millions of EUR

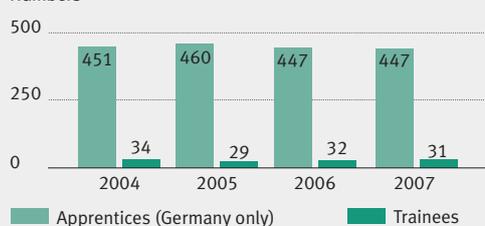


Training and Personnel Development

Capable and motivated employees backed by outstanding managers are absolutely essential to the long-term success of the company. The comprehensive range of training and professional development opportunities that BSH offers enables it to find, support and retain the best employees for the Group. BSH relies on modern concepts for this purpose, such as the BSH "JuniorFirma", a project launched in early 2007 that enables trainees and students to gain early experience in acting autonomously and thinking entrepreneurially. In 2007, investment in training and professional development in Germany summed up to 16.3 million euros.

Apprentices and Trainees

Numbers



Tailored Careers for New Recruits

"Tailored careers for new recruits" is what BSH calls its entrant programs offering school-leavers and graduates interesting opportunities at the start of their careers. An important element of these programs is dual-track training in different disciplines, such as mechatronics and electronics, for example, or business administration and IT. Alongside professional training, BSH offers committed high-school graduates the opportunity of entering into a training contract that enables them to complete a course of study at a vocational or technical college while working for the company. The portfolio of options for new recruits is rounded off by various targeted trainee programs, which prepare college graduates for subsequent specialist and management functions.

Personnel Development

In order to enable the Group to make optimum use of knowledge, the decisive factor in the creation of value, the BSH Academy has laid the foundations for a more intensive intermeshing of multimedia learning methods and media and educational concepts. In the area of continuing professional training, efforts have focused on driving forward the establishment and efficient use of a continuing education portal at the international level, while at the same time expanding the formal and informal training offering in line with requirements and the needs of target groups. This is intended to give employees the means to develop their skills under their own control. More and more BSH employees are taking advantage of the web-based training opportunities.

The statements and data set out below relate to the 18 largest production and sales facilities in Germany and elsewhere, at which some 96 percent of all BSH employees are based: Germany, Belgium, China, France, the United Kingdom, Greece, Brazil, Austria, Poland, Portugal, Russia, Switzerland, Northern Europe, Slovakia, Slovenia, Spain, Turkey and the USA.

Employee Structure and Employment

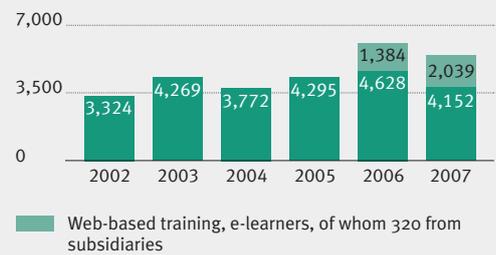
Demographic changes have had their impact on BSH too: over the last year, the worldwide average age of the workforce remained more or less constant at around 38.6 years. The worldwide average length of service, on the other hand, fell slightly from 11.3 years in the previous year to 11 years in 2007. At 16 years, the individual figure for Germany is particularly high. In 2007, the number of apprentices and trainees remained constant, and the total number of new employees was about 1,500 worldwide. In Germany – where initial professional training is particularly highly valued – BSH is maintaining the industrial sector’s commitment to government by continuing to train more people than it needs to meet its own requirements.

Internationalization

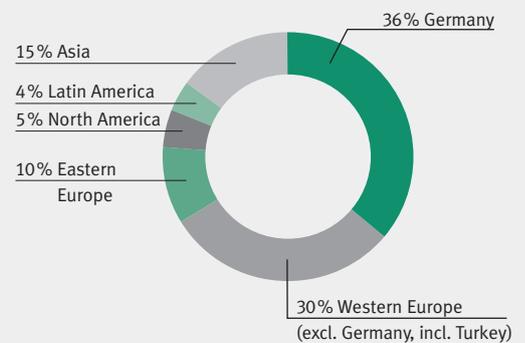
The increasingly international nature of BSH's activities is having a growing effect in the area of foreign transfers, and the number of colleagues working abroad continues to rise. As of December 31, 2007, there were 201 German expatriates working in 30 different countries, as well as 50 “inbounds” transferred to German BSH sites. In addition, the records show 21 “cross-country transfers” – meaning transfers between the various nations. The inbound and cross-country transfers came from a total of 9 different countries. There are also international, Group-wide personnel pools, which serve to identify, target and develop suitable management recruits from around the world. In 2007, standardized regulations and contracts were developed and established specifically for cross-country transfers in conjunction with the human resources managers in the countries involved.

BSH Academy

Number of participants



Employees by Regions



At December 31, 2007

Overview 2006 to 2007

	Local BSH Companies	
	2006	2007
Flexible Working Models		
Flextime	12	17
Teleworking	5	4
Part-time-working	15	15
Parental leave	17	16
Sabbatical	3	3
Trust-based flextime	7	6
Basic Social Welfare Provision		
Basic state provision	17	18
Voluntary benefits	15	17
Healthcare	14	16

Career and Family

Flexible working models that help reconcile career and family have been introduced in most BSH companies. Part-time working is also possible in almost all companies, and around a quarter of companies offer teleworking. To help women return into the professional environment after giving birth, as well as to benefit new fathers, all BSH companies now offer parental leave.

Equal Opportunities

About 28 percent of BSH's 39,000 or so employees are female. It is a basic principle of BSH to grant women equal opportunities to men, and many regional companies have enshrined this principle in written form. New recruits may not be discriminated against on the grounds of their sex, age, religion or origin and, by signing the UN Global Compact in 2004, BSH made this principle binding worldwide.

Basic Social Welfare Provision

Voluntary social welfare provision is not standard Group-wide, but depends on regional requirements and local circumstances. In Germany, for example, BSH's provision includes company retirement benefits, loans to employees, long-service anniversary payments and special leave. The number of ex-employees drawing benefits from BSH's pension fund is growing all the time.

To date, a total of 37.9 million euros in company pension payments has been paid out to former BSH employees. With effect from January 1, 2006, the company's retirement benefit provision was switched to a defined-contribution scheme, a change that met with a high level of acceptance among the workforce thanks to the long-term security offered by such arrangements.

Donations and Sponsoring

BSH-Katastrophenhilfe e.V., the company's disaster relief fund, was founded in 1999, and is active worldwide. Since then, BSH employees have donated over a million euros to help people in areas affected by disasters. Last year, support was channeled mainly to the victims of the severe earthquake in Peru. In addition, the BSH sites and regional companies are committed to numerous local projects, and also donate products for good causes within society.

Objectives achieved in 2007

Environmental Management

- The BSH Special Award, launched in 2008, was a great success and attracted 26 entries. In February 2008, the award was won by BSH Brazil (cf. page 22).
- For the base year 2006 and for 2007, BSH produced its first CO₂ balance sheet (carbon footprint of BSH activities).
- Five corporate audits were conducted. Capacity bottlenecks meant that there were five audits fewer than planned. BSH successfully completed all external ISO-14001 certification audits.

Site-Related Environmental Protection

- Development of Group indicators:
 - 3.5% improvement in specific energy consumption
 - 10% improvement in specific water consumption
 - 15% increase in specific waste volume
- Site-specific environmental targets:
 - Energy: 47% of the factories exceeded their targets.
 - Water: 60% of the factories exceeded their targets.
 - Waste: 33% of the factories exceeded their targets.
 The improvements in energy and water consumption significantly exceeded the targets. The waste volume has increased due to the larger proportion of scrap. All sheet-metal waste is recycled.

Product-Related Environmental Protection

- Internal preparations have been made for the implementation of REACH (Registration, Evaluation, Authorisation of Chemicals), the EU directive for the regulation of chemical substances. BSH is classified merely as a downstream user.
- Active support for product studies on the eco-design of Energy-using Products (EuP).
- Further improvement in consumption values (energy efficiency classes), with particular emphasis on refrigerators (A⁺, A⁺⁺); increase in the percentage of dryers (B) and refrigerators belonging to higher energy efficiency classes (cf. page 25, "Improving Energy Efficiency").

Employees

- To further optimize recruitment to key positions in the BSH Group, we have established a standardized and systematic procedure for international personnel development.
- We have developed and established standardized rules and contracts specifically for cross-country transfers in conjunction with the human resources managers in the countries involved.
- We have established an international remuneration strategy for top management based on regular salary benchmarking and incorporating market-oriented benefits. The aim of the remuneration policy is to attract and retain qualified employees by offering competitive compensation packages.
- We have developed an international BSH competence model based on interviews with top managers.
- We have introduced the master collective bargaining agreement (ERA) for blue- and white-collar employees in Germany's metal-working, electrical engineering and electronics industry.

Objectives for 2008

Environmental Management

- Conduct corporate audits at six locations; maintain all ISO 14001 certificates.
- Prepare three locations (St. Petersburg, Callao and La Follette) for initial certification.
- Improve the data quality of the CO₂ balance sheet.

Site-Related Environmental Protection

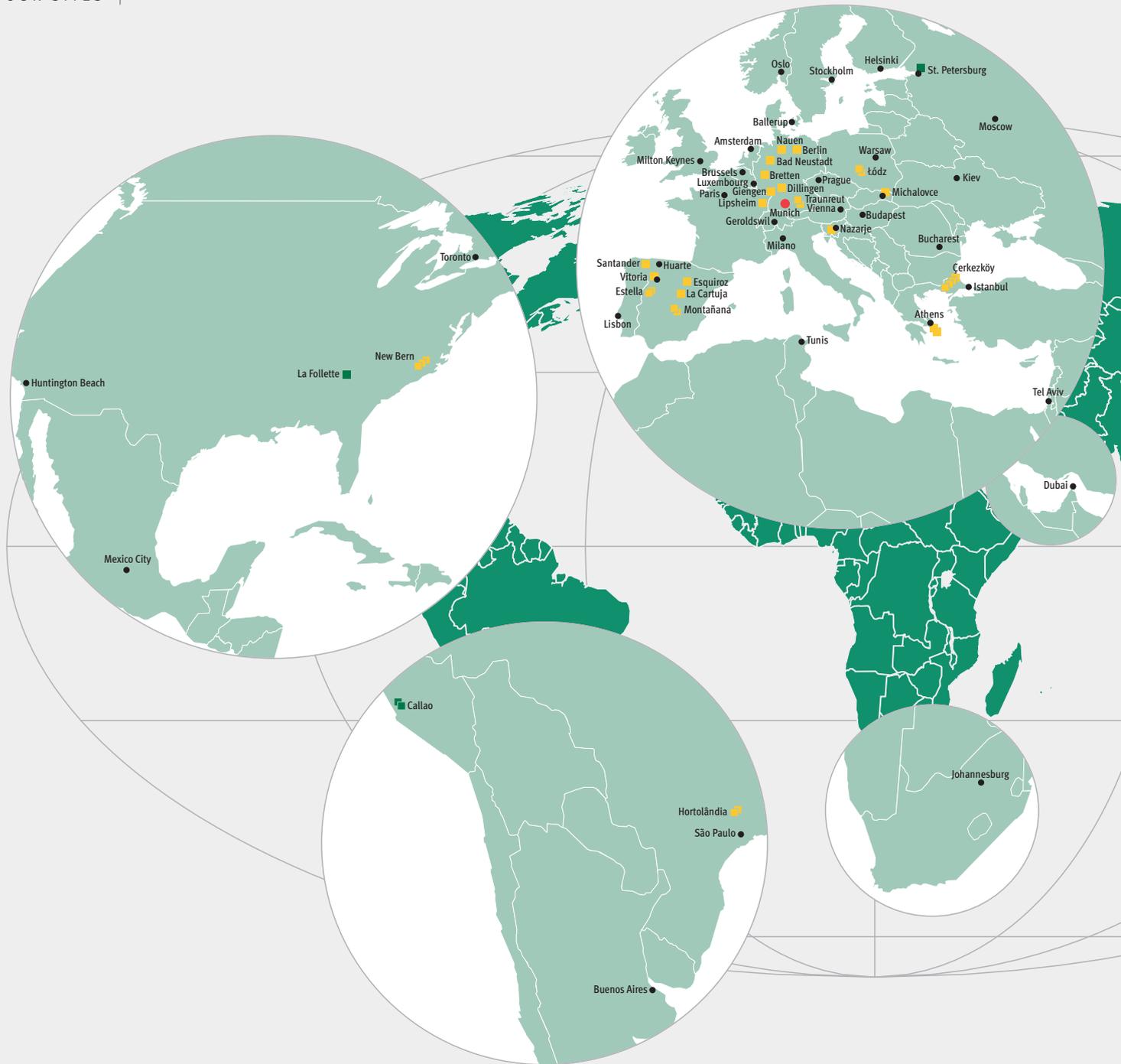
- Reduce specific energy and resource consumption in line with BSH targets (2005–2010).
 - Energy target: 727 kWh/t (-3% per annum)
 - Water target: 1,441 l/t (-5% per annum)
 - Waste target: 83 kg/t (-2% per annum)
- Implement a site-specific environmental objectives and programs in the areas of emission protection, soil and groundwater protection, waste management and communication.

Product-Related Environmental Protection

- Continue to support EU product studies on the eco-design of electrical appliances (EuP) to the benefit of BSH.
- Achieve further improvements in consumption values (energy efficiency classes) for dishwashers and dryers.
- Participate actively, via association work, in the revision of the EU directives relating to the disposal of waste electrical and electronic equipment (WEEE) and the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS).

Employees

- Develop measures to recruit and retain specialist and management personnel in the international arena.
- Take further steps to establish the master collective bargaining agreement (ERA), introduced in Germany in 2006, and define long-term principles for determining remuneration levels.
- Implement the competence model developed in 2007, together with the management principles, across the entire company, and establish them as an integral part of personnel activities.
- Intensify the expansion and use of learning portals.
- Implement BSH initiative across the entire company to address the challenges of demographic change.



Sites Certified under ISO 14001

Brazil:	■ Hortolândia
China:	■ Wuxi
	■ Chuzhou
	■ Nanjing
Germany:	■ Bad Neustadt
	■ Berlin
	■ Bretten
	■ Dillingen
	■ Giengen
	■ Nauen
	■ Traunreut
France:	■ Lipsheim
Greece:	■ Athens

Poland:	■ Łódź
Slovakia:	■ Michalovce
Slovenia:	■ Nazarje
Spain:	■ Esquíroz
	■ Estella
	■ La Cartuja
	■ Montañana
	■ Santander
	■ Vitória
Thailand:	■ Kabinburi
Turkey:	■ Çerkezköy
USA:	■ New Bern



● Group Headquarters

● Subsidiaries

■ Sites not ISO 14001 certified (certification pending or not environmentally relevant)

As at June 2008

BSH Group

BSH Bosch und Siemens Hausgeräte GmbH
Corporate Technology Environmental Protection,
Health and Safety
Dr. Herbert Mrotzek
Carl-Wery-Straße 34
D-81739 Munich
Tel. +49 89 45 90-21 95
Fax +49 89 45 90-21 48
E-Mail herbert.mrotzek@bshg.com

BSH Bosch und Siemens Hausgeräte GmbH
Corporate Communications
Eva Delabre
Carl-Wery-Straße 34
D-81739 Munich
Tel. +49 89 45 90-22 31
Fax +49 89 45 90-21 28
E-Mail eva.delabre@bshg.com

Environmental Management Coordinators in the Regions

BSH in Spain

BSH Electrodomésticos España, S.A.
José Angel Ruperez
Tel. +34 9 76 57-81 13
E-Mail jose-angel.ruperez@bshg.com

BSH in Brazil

BSH Continental Eletrodomésticos Ltda.
Ivana Alves Cunha Ribeiro
Tel. +55 19 21 19-81 19
E-Mail ivana.ribeiro@bshg.com

BSH in China

BSH Home Appliances Co., Ltd.
Baocheng Sang
Tel. +86 025 85 43 99 88-71 00
E-Mail baocheng.sang@bshg.com

BSH in the USA

BSH Home Appliances Corporation
Ricky Tucker
Tel. +1 25 26 36-43 24
E-Mail richard.tucker@bshg.com

