

B/S/H/



Environmental and Corporate
Responsibility
2006

“One of BSH’s central concerns is the development of energy efficient and environmentally friendly home appliances. This approach will not only safeguard our competitiveness, but also the jobs of our employees worldwide. At the same time, we are making a meaningful contribution to the efficient use of resources and to climate protection.”

Dr. Kurt-Ludwig Gutberlet, Chairman and CEO of BSH

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We exemplify environmental and corporate responsibility by the active role we take day-to-day and by our innovations.

As the world's third largest manufacturer of home appliances, we are aware of the important role that BSH Bosch und Siemens Hausgeräte GmbH can and must play in climate protection and responsible globalization. In the 1990s we pioneered the global move to hydrocarbon technology in refrigeration in order to protect the ozone layer and the climate. Today too, we are leading the way in the development of energy-efficient, environmentally-compatible products.

Continuing climate change is driving the need to maximize potential energy savings. Home appliances are significant contributors to the overall energy consumption of households. So that with our products we are particularly well placed to contribute to the protection of resources and of the climate. This is why, as members of various associations and in our dialog with politicians and society generally, we are advocating rapid, decisive action. This includes a campaign by CECED, the European Committee of Domestic Equipment Manufacturers, our active involvement in the Working Group on Energy Efficiency in Germany's Electrical and Electronic Manufacturers' Association (ZVEI) and our commitment to Sustainable Energy Europe, an initiative sponsored by the European Commission.

We seek to report our activities transparently and to represent them credibly. In pursuit of this aim, we have published this Report annually since 1992. In it we describe how we exercise our environmental and corporate responsibility. We follow the international guidelines set out in the Global Reporting Initiative (GRI), so enabling our performance to be compared with that of others.

Underlying our actions are values that we reaffirmed by signing the United Nations Global Compact in 2004 and which are a permanent element of our supplier contracts. In the past year, we have issued our own Business Conduct Guidelines, providing our employees with a clear point of reference and a strict code of conduct.

Once again, our exceptional business results in 2006 are in large part due to the commitment and dedication of our employees, and for this they have our warmest thanks. So this publication is aimed at them, as well as for our customers, partners, suppliers, the authorities and all stakeholders. We hope that they will find it stimulating reading.



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



Dr. Dr. h.c. Robert Kugler
Member of the Board
of Management

BSH has built its business on quality, innovation and environmental protection for forty years – and to good effect. Today BSH is the world's third largest manufacturer of home appliances.

Main Brands



Special Brands

GAGGENAU



Thermador

Constructa

viva

ufesa

Regional Brands



LYNX

PITSOS

PROFILO

Continental

COLDEX

In 1967, Robert Bosch GmbH of Stuttgart and Siemens AG of Berlin/Munich merged their home appliance activities to found the today's BSH Bosch und Siemens Hausgeräte GmbH, a joint venture headquartered in Munich. Back then the company had three production sites in Germany. Today it has 45 factories in Europe, Asia, North and South America as well as a global network of sales and customer service companies. With a workforce of over 38,000, BSH develops, manufactures and sells a wide range of appliances from refrigerators, freezers and dishwashers to home laundry, cooking and floor care products as well as small consumer appliances. Its extensive brand portfolio allows BSH to tailor its offerings to the needs of very diverse 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 have their own distinctive brand profile.

Market leadership extended

Fiscal year 2006 saw BSH significantly extend its market leadership in Germany and Europe. There was renewed strong growth in sales, particularly in Asia. Overall, Group sales were up more than 13 percent to 8.3 billion euros. A milestone event was the opening of the new BSH Appliance Park in Nanjing, China. With three factories, China's largest warehouse and logistics center for white goods, plus a research and development center, the facility is a platform for further growth in the Asia market. In Russia, work has continued on the new refrigerator plant in St. Petersburg, from where we will be able to supply the local market directly from 2007. In Nauen, Germany, a new washing machine production line was opened. It is one of the most modern in Europe and provides 400 jobs.

In October 2006, agreement was reached on a partial continuation of operations at the Berlin site. More than half of the jobs will be retained and employees were given an assurance of employment through to 2010. BSH employs a total workforce of 14,000 in Germany.

You can find out more about BSH and its brands from the BSH Annual Report 2006 and at:

[www.bsh-group.com/
Figures and Facts](http://www.bsh-group.com/Figures and Facts)



The management has a clear goal – to make BSH the industry benchmark for quality, innovation and energy efficiency.



BSH's Corporate Principles, environmental policy and occupational health and safety policy can all be found on its website at: www.bsh-group.com/TheCompany

A distinctive feature of the company since its foundation has been the ability to set clear goals and to act with conviction. In recent years BSH has capitalized on opportunities for growth and opened up new markets. Active responsibility worldwide for the environment, our employees and society is integral to this success and is enshrined in our business strategy by a set of guidelines. These include our Corporate Principles, environmental policy, corporate guidelines on environmental management and the occupational health and safety policy.

Values and principles

By signing the United Nations Global Compact in 2004, BSH committed itself to respecting and promoting ten core principles of responsible business practice. These principles form the basis for the Code of Conduct of the **European Committee of Domestic Equipment Manufacturers (CECED)**. BSH was involved in drafting this code and signed it in 2005. The code is now an integral part of our suppliers' terms and conditions. Last year, BSH formalized this commitment by publishing its own Business Conduct Guidelines, which are binding on all employees worldwide.

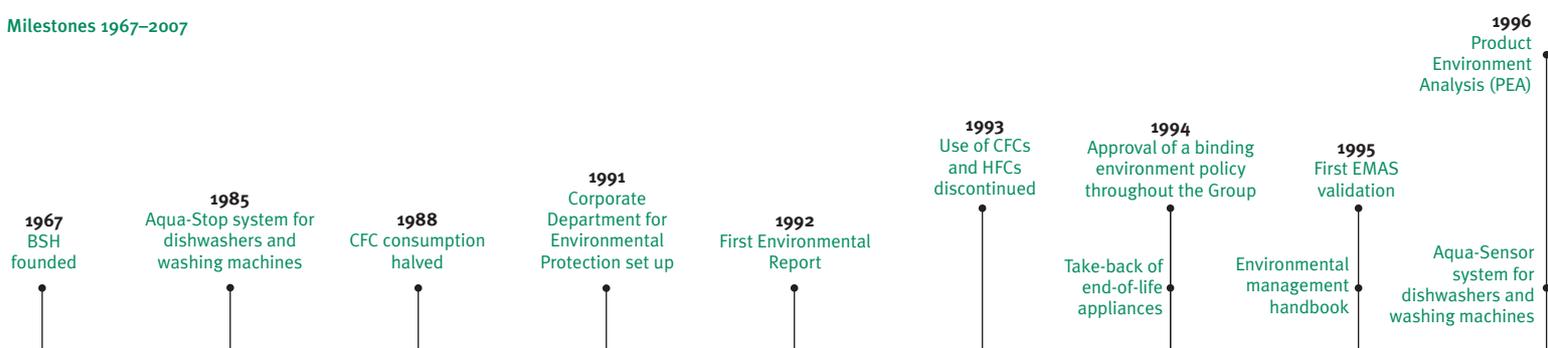
www.ceced.org

Targets in key action areas

Increasing globalization and clear signs of climate change mean ever greater challenges for international companies. BSH has set itself the target of becoming the benchmark for the sector – and that includes in its handling of ecological and social issues within its sphere of influence. In order to capitalize on new opportunities, BSH is concentrating on three action areas:

- 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 product and production solutions.
- 2. Product responsibility:** To continuously 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 the world over through the transfer of BSH standards and experience in production, product design, training and professional development.

Milestones 1967–2007





The BSH Corporate Principles point the way forward internationally. Core values are customer trust, innovation leadership, fair treatment of employees, value creation, environmental and social responsibility.

Product quality through process optimization

In order to reliably achieve its environmental targets, BSH has instituted management systems and tools. All environmentally relevant facilities have an ISO 14001-certified environmental management system. Product environment analysis (PEA) is a tool used in product development since 1996 to support new development or further development of appliances. Environmental performance indicators – both product-related and production-related – provide management with a suitable basis for the successful implementation of ideas.

BSH relies on rigorous quality management and continuous improvement of product and process quality. Process quality also means faster processes, making it a critical competitive factor in a world where innovation cycles are becoming shorter and shorter. BSH optimizes its processes systematically and universally, by applying the Six Sigma method for instance, a proven quality management technique. In the past year, BSH has started to roll out across the Group a unified production system designed to standardize and improve production workflows. By optimizing all processes, the aim is to ensure that the best results are achieved in every area of the company's activities – in production, in staff development, in customer relationships and for the environment.

Responsible structures

If the goal of sustainable development for the company is to be achieved, then its targets, guidelines, systems and tools must complement one another and interact perfectly. At BSH, responsibility for this is vested in the Board of Management. While the Corporate Department for Environmental Protection and Occupational Health and Safety coordinates activities worldwide, Management Coordinators ensure compliance with environmental standards at the various sites and report to the department annually on their activities. In addition, a Coordination Group for Corporate Social Responsibility (CSR) has been set up and comprises representatives from environmental protection, occupational health and safety, human resources, the legal affairs department, the purchasing function and corporate communications.



Know-how transfer is also a feature of relationships with suppliers in the regions. In Spain, BSH helped suppliers to develop an environmental management system, in Turkey it is involved in training apprentices in supplier companies.



Exercising corporate responsibility at BSH

involves creating added value by providing products that use resources efficiently and by transferring know-how and standards.

The days when a company's responsibility stopped "at the factory gate" are long gone. Global manufacturers like BSH possess influence and an ability to shape change that extend far beyond their own door. This gives them a key role to play in the process of globalization, acting as a force for sustainable development worldwide.

Taking up the global challenge

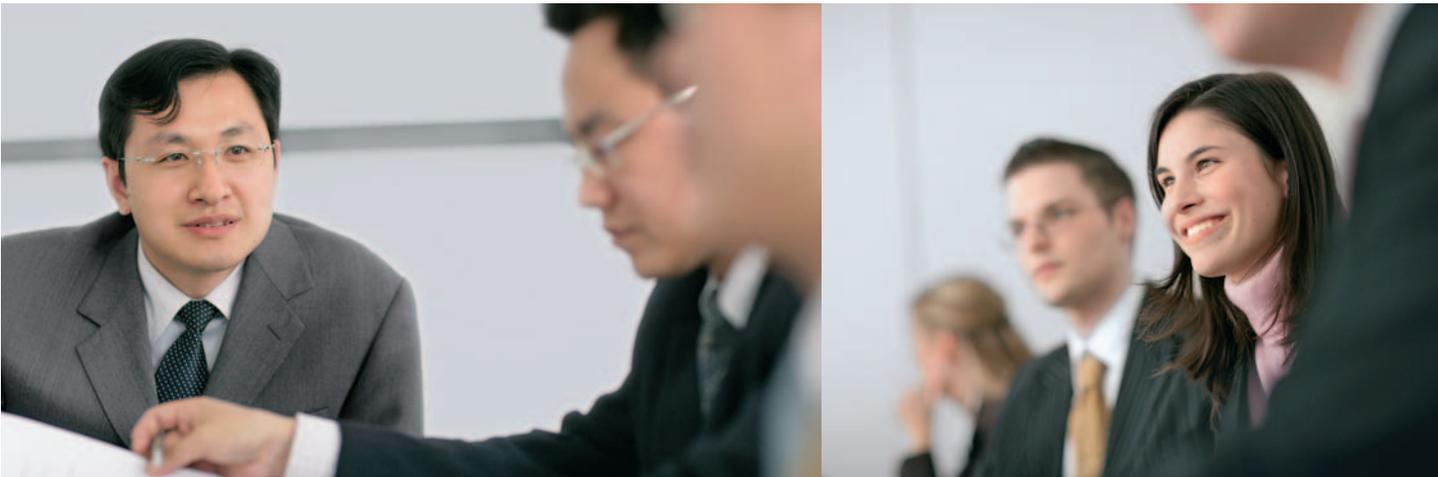
Exercising responsibility in all its facets is also in the company's own best interests. Any company that seeks to open up and secure future markets must be actively involved in shaping those markets. BSH is convinced that this requires action on two fronts. First, innovative products and solutions need to be developed in response to new challenges and second, stability needs to be brought to the rapidly growing markets in developing and emerging markets by responsible conduct and the transfer of standards. A unique example of this approach can be seen in the introduction of environmentally-friendly hydrocarbon technology to BSH refrigerator production worldwide. This enabled the company to position itself early as a technological pioneer not just in Europe, but also in Asian and Latin American markets – and it is still reaping the rewards today. The hydrocarbon initiative was undertaken to protect the ozone layer. A similarly radical turn-around is now required as we face the far more difficult challenge of curbing climate change. This is why BSH seeks to set clear benchmarks in climate protection worldwide with energy-efficient appliances and by encouraging energy-awareness in its customers. The company is already selling significantly more energy-saving appliances than its competitors, a fact borne out by market analyses.

Developing stable markets

Stable markets are fundamental to the long-term success of a company. Defining features of such markets are reliable political structures and social and economic resilience. In many newly-industrialized countries these conditions are lacking, which is why companies who wish to succeed there must themselves contribute to their stability. This means ensuring compliance at least with minimum environmental and social standards worldwide, paying fair wages, promoting training and avoiding corruption. In the CECED Code of Conduct, Europe's home appliance industry has sent a clear signal for harmonization of production conditions around the world. Chairman and CEO of BSH, Dr. Kurt-Ludwig Gutberlet, held the post of President of the CECED up until 2006 which meant that BSH was very actively involved in drawing up the code.

Extending the commitment to suppliers

The success of the industry-wide code of conduct and BSH's own Business Conduct Guidelines, depends critically however on whether and how



suppliers too can be bound by these. This is why the Code of Conduct is embedded in BSH's procurement strategy and built into supplier contracts, in order to bring about an improvement in environmental and working conditions locally. In signing a contract with BSH, suppliers are also guaranteeing that their suppliers in turn will also comply with the code of conduct.

Transferring know-how

The original idea for Protos, the plant oil stove, originated from the University of Hohenheim. Its further improvement and optimization into a market-ready product, however, is thanks to the development know-how of BSH engineers. BSH used its core competence as a key component to make Protos a product that benefits some of the world's poorest people. The fruits of a public private partnership: the innovative new technology was introduced in the Philippines early in 2006. In addition to providing a clean, efficient and inexpensive cooking technology, it is hoped that the use of plant-oil as fuel instead of fire wood will also help halt depletion of the local rainforests. Using plant oil as a fuel produces very low emissions compared to the smoke from burning wood or charcoal; dramatically reducing a health risk from indoor air pollution. In order to ensure the sustainability of the oil supply local cooperatives were established to produce plant oil cost-effectively and under environmentally and socially sustainable conditions; additionally, most of the components for the stove can be manufactured locally. Together with the sales centers already set up, the project is creating employment and helping to develop local economic activity. In 2007 BSH plans to test and introduce partially Protos in markets including India, Indonesia, Madagascar, Sri Lanka and Tanzania.

Leveraging core competencies

The special expertise of a home appliance manufacturer is particularly valuable when it comes to helping older people or people with disabilities live independently in their own homes. With its aspiration that its appliances should make life easier for the maximum number of people, BSH has for some years now been applying the "Design for all" concept. This has also enabled the company to prepare for changing demographics, with ever higher life expectancy, especially in Europe. Aging brings with it a decline in motor, sensory and cognitive abilities, so product usability can become an important competitive advantage.

BSH exhibits its user-friendly appliances every year at RehaCare International, the rehabilitation and care trade fair in Düsseldorf.





Highly efficient home appliances could save over seven billion kilowatt hours of electricity each year in Germany alone – that's equivalent to the consumption of more than 1.5 million households.

Dialog on energy efficiency: This is one of the big issues facing society today. Politicians and the business community will have to act together if we are to reduce energy consumption and stem climate change.

Climate change is one of the central challenges currently facing society, precipitated by the high carbon dioxide emissions (CO₂) generated by the use of fossil fuels, and there is now broad unanimity on the issue in the scientific, political and industrial communities. However switching to renewable energy sources alone cannot solve the climate problem. We now face growing energy needs fuelled by the dynamic activity in developing markets and the continuous growth in world population numbers.

Unlocking energy efficiency potentials

Consequently, reducing energy consumption is one of the main levers for curbing CO₂ emissions. Stephan Kohler, Chief Executive of **dena, the German Energy Agency**, sees the way forward in “unlocking energy efficiency potentials

on the demand side, worldwide”. For years now, dena has been mounting campaigns to show consumers ways of saving electricity, that also mean real cash savings for households.

The issue of energy saving has now been given new impetus. In March 2007, the European heads of state and government agreed to increase energy efficiency by 20 percent by 2020. This means “we will have to cut electricity consumption by eight percent by 2020,” calculates Kohler. This is where energy-saving appliances and low-energy bulbs have a contribution to make. For BSH, whose innovative, energy-saving technology has put it ahead of the competition in the white goods sector, this is opening up new opportunities and not just in Europe. “The issue of energy efficiency is a global challenge



and will remain a strong selling point,” is the firm belief of Dr. Kurt-Ludwig Gutberlet, Chairman and CEO of BSH.

Informing consumers

There is an increasing awareness of climate protection among consumers but this has been slow to make itself felt in everyday behavior. Yet, as Dr. Gutberlet is keen to point out, consumers who want to save energy “certainly do not have to compromise on convenience. Consumption efficiency must not be achieved at the cost of equipment and features.” He also makes the point that, with rising electricity prices, buying a new energy-efficient appliance soon pays for itself. Many households are simply unaware of the potential savings to be made, which is why Kohler recommends that advertising should, in future, place much greater emphasis on the “energy efficiency” merits of appliances.

The extent of these potential savings can be seen from the BSH figures. Since 1990, BSH engineers have succeeded in reducing the energy consumption of refrigerators by almost 80 percent. BSH cookers, washing machines and dishwashers too now use between 30 and 40 percent less electricity and water, depending

on the appliance and the application. This is not just true for appliances manufactured in Europe, it also applies to products from overseas facilities. In China, for instance, BSH is manufacturing the most advanced refrigerators and has helped the authorities there to introduce an energy label based on the European model.

Cooperating for greater energy efficiency

The improvements in energy efficiency of new appliances will only have a positive impact in terms of climate protection if the appliances are actually in use. Yet today there are still some 188 million appliances in households in Europe that are more than ten years old and extremely inefficient in their use of energy. If these appliances were replaced by new energy-efficient models, this would save 22 million metric tons of CO₂ a year, or around 6 percent of the reduction the EU has committed to make under the Kyoto protocol. The challenge now, according to Kohler is to “take the technology to the consumer”. To create incentives to banish old, energy-intensive appliances from the home, Dr. Gutberlet is asking for cooperation from politicians: “without political support, it will not be possible to kick-start the market quickly enough on the demand side”.

Together with other European appliance manufacturers, he is calling on the German government to grant tax breaks to consumers as a reward for buying energy-efficient appliances. As refrigerators account for most of the electricity consumed by households, someone buying a fridge with the top energy rating A+, could expect an incentive of 150 euros. This is more or less equivalent to the additional production costs incurred by using more costly compressors, for example.

As chairman of the Energy Efficiency Committee of the ZVEI, Germany’s Electrical and Electronic Manufacturers’ Association, Dr. Gutberlet also wants to unlock the “latent potential” in other sectors of industry too, through partnership between the business world and politics. He is convinced that the industrialized countries have to take the lead in reducing greenhouse gases, “otherwise we can’t expect such a commitment from the emerging markets.”



“Concerted action is needed by politicians and the business community if we are to achieve our efficiency targets.”

Dr. Kurt-Ludwig Gutberlet, Chairman and CEO of BSH



“Where energy efficiency is concerned, there needs to be a greater focus on private households. It is the consumer who determines energy consumption with his use of appliances and equipment.”

Stephan Kohler, Chief Executive of dena, the German Energy Agency

For employees BSH seeks to offer the best work environment and development prospects – in Germany, in Europe and across the world.

The internationalization of BSH is a process that started some twenty years ago. It has been a reality since the end of the 1990s and now defines our corporate culture and the BSH community. In product development, several projects have already been undertaken by multinational teams – with great success. The mix of very diverse experiences as well as different cultural attitudes and ways of working, produces innovative, practical solutions that can be applied internationally. Putting “diversity” into practice and extending the transfer of knowledge and experience within BSH is a key challenge for Human Resources. Early in 2006, an initial international meeting laid the foundation for a strategy for the BSH Group. In February 2007, BSH human resources managers from almost twenty countries met again to review progress and to define new measures.

Quality through skills training

A trained, skilled workforce is essential if processes in the company are to be speeded up and managed reliably and if we are to compete successfully. Which is why BSH has its own training establishment, the BSH Academy, offering a wide variety of training courses at all levels – for managers, for young talent and for technical specialists. In 2006, the range of training courses on offer was increased by 16 percent. At the same time, the e-training element in the overall program rose to over 50 percent. The number of people attending courses at the BSH Academy was up 40 percent on the previous year, to a total of 6,000.

Web-based employee learning portal

The new BSH learning portal set up last year “Learning at BSH – always a step ahead” has become an integral part of the company’s training program. At present it is available to employees in a German version and an English version. Spanish and Portuguese versions are planned for 2007. There are also plans to integrate country-specific offerings from international training partners. The ten BSH countries with the most employees are to be integrated into the Internet-based training platform.

To ensure a high standard of training at its international locations too, BSH is training its staff in China and Turkey using the German dual model which combines classroom teaching with on-the-job training.



International exchanges

The internationalization of BSH is reflected in the ever increasing numbers of employee exchanges between corporate headquarters and the countries and between individual regions. At the end of 2006, there were 186 German expatriates working in 29 different countries, while 43 inbounds – foreign employees from a total of seven different countries – were employed at the Group’s Munich HQ. In order to coordinate and promote employee exchanges between the local BSH companies – known as “cross country transfers” – BSH set up a special corporate department last year. Even with the large numbers of overseas delegations, the make-up of local management boards demonstrates that BSH is now firmly established in its local markets. Gone are the days when the management of our overseas operations was exclusively German. At the end of 2006, BSH subsidiaries in 28 countries had a total of 39 local senior managers.



Employee representation in Europe

Last year saw BSH’s European Committee celebrate its tenth anniversary. The European Committee coordinates the interests of BSH employees across Europe and provides a forum for dialog between them and BSH management. Twenty-five employee representatives from twelve countries held their annual meeting in October 2006. They welcomed the agreement on the partial continuation of operations at the Berlin plant, but also criticized the growing trend to offshore jobs in the sector to low-wage countries such as Poland and Russia.

Preparing for demographic change

Changing demographics means that many BSH locations in Europe can expect a sharp increase in the number of older employees and a decline in new young entrants. This is one reason why being rated a “Top Employer” now is so important to BSH. The company is regularly placed high in the various rankings – coming fourth for instance in Karriere magazine’s list of “Top Employers in Germany” in March 2007. BSH scored maximum points for entry and advancement opportunities, sustainability/business development, compensation and benefits and working time models. In December 2006, a working group on demographic trends was set up to explore opportunities and risks for BSH. After also analyzing existing measures, it will develop a catalog of targets for dealing with demographic change.

Education and training in the community

The groundwork to produce our next generation of talent is done in the schools, so BSH has been supporting the “FOCUS macht Schule” project since 2002. This is an initiative of the German news magazine Focus and BSH is the only business enterprise to be involved. Every week teachers are sent up-to-date material with tips and ideas on how to teach various topics. In addition, BSH is now also supporting Germany’s PISAGORAS prize for teachers, an award given for special dedication in the teaching profession.



BSH knows about the challenges of demographic change. A working group has been set up to formulate measures and targets.





Dialog on new talent: Providing the right training and development for the next generation is an investment in the future. This is where an innovative training concept called “JuniorFirma” comes in.

Every large company grew from small beginnings – with enthusiasm and the right instinct for the needs of the marketplace. These are qualities that young people need to learn, if they are to contribute to future success. In conventional training situations, however, this is often difficult to do. This is why the JuniorFirma or “junior company” concept is becoming more widespread. This is a “company within a company” where apprentices can develop their entrepreneurial skills under the motto, “Learning by Doing”.

JuniorFirma training concept

After a project lasting around a year, BSH launched its JuniorFirma in mid-January 2007 with six young executives. They now have to secure new orders, plan order fulfillment, organize implementation and produce month-end accounts and quarterly reports. The JuniorFirma is not in fact a game, but a cost center that must be self-supporting and must make a profit. “It’s a brilliant idea – it really is an opportunity for us to learn to work independently and to focus on results,” says Hassan Moeini, a University of Cooperative Education student who developed

the concept for the BSH JuniorFirma last year with his fellow trainees – from the initial business plan through to foundation of the junior company.

Responsibility motivates

The original initiative came from the Corporate Training department. “If we are to maintain the high quality of BSH training, we have to keep developing the programs and matching them to the needs of the company. This means we must also be willing to embrace new ways of doing things,” explains Jörg Wagnmüller, Head of Corporate Department Vocational Education and Trainee Programm, who came across the JuniorFirma concept when he was looking for innovative training models. “Having a junior company within the company can help to make training more realistic and serious, as well as enabling people to acquire different skills. Also, being involved in a junior company often makes young employees more motivated and can also bring economic value-added for the company,” says Dr. Andreas Diettrich from Germany’s Federal Institute for Vocational Education and Training in



In 2006, BSH trained a total of 447 young people. In so doing, it is ensuring the company's own business success, giving young people lifelong skills and, in turn, promoting social development.

Bonn, describing the benefits of the scheme. In some organizations, junior companies are already achieving six-digit sales – a real incentive for Moeini and his colleagues. The starting point for the JuniorFirma was a precise market analysis as a basis for creative concepts. Moeini and his team conducted surveys in the BSH departments to find out which services were in demand and thus likely to succeed. Like many young entrepreneurs, they encountered skepticism. “When we were setting up our junior company, one of the big challenges was communication with the departments and integrating the JuniorFirma into the company,” acknowledges Moeini. “But in the end we were able to convince everyone that the project offered added-value.” Proof that the young executives were already exercising what Dr. Diettrich calls “communicative and social skills”.

“Real life” learning

The JuniorFirma at the BSH headquarters is not able to manufacture any products, so the young entrepreneurs offer services in three sectors. The first of these is “event management”, where they organize workshops, business dinners and all sorts of special occasion events. Second, as “junior business consultants” they offer a consulting service on small projects – without competing with the in-house consulting experts – and provide a “temping service” to help overcome temporary staff shortages. Finally, to

round off their business portfolio, they manage a “FÜR UNS” shop where BSH staff can buy home appliances at preferential prices. Accounting for these services is done via a separate cost center, which means that the JuniorFirma can also make a loss, just like in “real life.” But Moeini knows that “if the time and effort that goes into running this company is to be worthwhile, we have to make money.” Naturally then, the JuniorFirma has its own business and sales plan, a managing director and its own budget.

Competing for new talent

BSH apprentices and University of Cooperative Education students work in the JuniorFirma for between six and twelve weeks. Organizationally, the JuniorFirma is attached to the Human Resources department, which is able to use the model to make BSH even more attractive as a training provider. Demographic change means that BSH is having to compete for new recruits. “We are seeing greater individualization of learning, we have to respond to that with quite different learning offerings. At the same time, learning should be more action-based and should allow a high level of activity on the part of the learner,” explains Dr. Diettrich, confirming the challenges presented. Explaining his decision to apply to BSH, Moeini says there were two key factors, “The long-term prospects of success for the company and the good development and training opportunities for the individual.”



“Experience shows that companies who invest in training and professional development and promote a positive learning culture are often the most successful companies.”

Dr. Andreas Diettrich, Head of Section 3.3, Development Programmes/Pilot Projects at the Federal Institute for Vocational Education and Training, Bonn

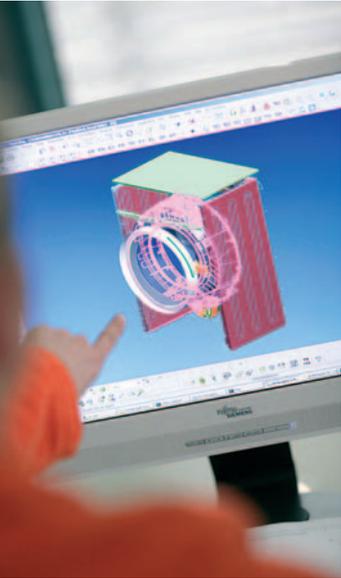


“A ‘junior company’ gives young entrepreneurs the opportunity to experience the full range of business activities in a real business process.”

Hassan Moeini of BSH is a University of Cooperative Education student

Environmental responsibility for BSH is a principle that permeates the entire product lifecycle – from manufacture through to disposal.

Some people call the concept integrated product policy, while others talk of consistent product responsibility: What is certain is that only manufacturers who consider production aspects right from the development stage, and think about disposal during the purchasing process can vouch for the overall quality of their product. BSH practices this principle by taking full account of all product-related aspects and lifecycle phases during the development of its products. A design change, for example, must not give rise to any additional environmental impact during manufacture. BSH's environmental management system, now an established fixture worldwide, thus stands for more than efficient and safe production methods. It also represents the foundation for the company's occupational health and safety provision and the commitment to quality of the different brands. Because regular certification of the development and production processes according to **ISO 9001** (quality) and **ISO 14001** (environmental protection) contributes to the good reputation of the company and its products among customers, suppliers and the general public.



When BSH is developing a new appliance or upgrading existing products, all the constituent materials and performance indicators are scrutinized. The aim is to optimize environmental compatibility.

Focus on the usage phase

Of particular interest to BSH developers is the usage phase of appliances – and not just since the entry into force of the EU Directive on the eco-design of energy-using products (EuP). After all, the usage phase with its consumption of electricity, water and detergents accounts for more than 90 percent of all the environmental impacts generated during the lifecycle of a home appliance. Consequently, every BSH appliance rated at efficiency class A or above means active environmental and climate protection – provided, of course, it is in use in the household. But there are still around 188 million appliances over ten years old installed in households in Europe and consuming up to four times as much energy. Early replacement of old appliances will pay for itself in five to ten years, based on the cost savings for water and electricity. The environmental balance sheet is positive after between three and five years, according to a study of refrigerators and washing machines conducted by the Freiburg-based Öko-Institut, Institute of Applied Ecology in June 2005.

A lifecycle assessment conducted by BSH itself came to similar conclusions in April 2006. This study compared the environmental impacts for different home appliances during manufacture, transportation, use and disposal. It found, for instance, that the primary energy consumption for an A-rated fridge-freezer is 5,100 megajoules during manufacture, compared with 64,500 megajoules over a usage phase lasting fifteen years. Bearing in mind that older appliances use more than twice as much electricity during operation, this means that the energy consumed in the manufacture of a new appliance plays only a minor role.

Conserving resources on the production front

Environmental management systems like those in place at all BSH sites for more than a decade now are an indispensable basis for efficient, environmentally friendly production. Equally crucial, however, are the



www.iso.org



For BSH, environmental standards in production are embodied in new facilities when they are still at the planning stage. A global system of environmental controlling ensures compliance with the standards.

plant technology employed, and the regulation of processes and utilization levels at the factories. As long ago as the 1990s, BSH opted for energy-efficient solutions for its production activities, and consistently applied these at its new facilities throughout the various regions. The marked reductions achieved relative to production quantities provides evidence that there is still scope for cutting energy and water consumption in the manufacturing processes: Thanks to many individual measures adopted in the factories, but in particular through increased productivity, it has been possible to reduce specific energy and water consumption worldwide by ten percent compared with the previous year.

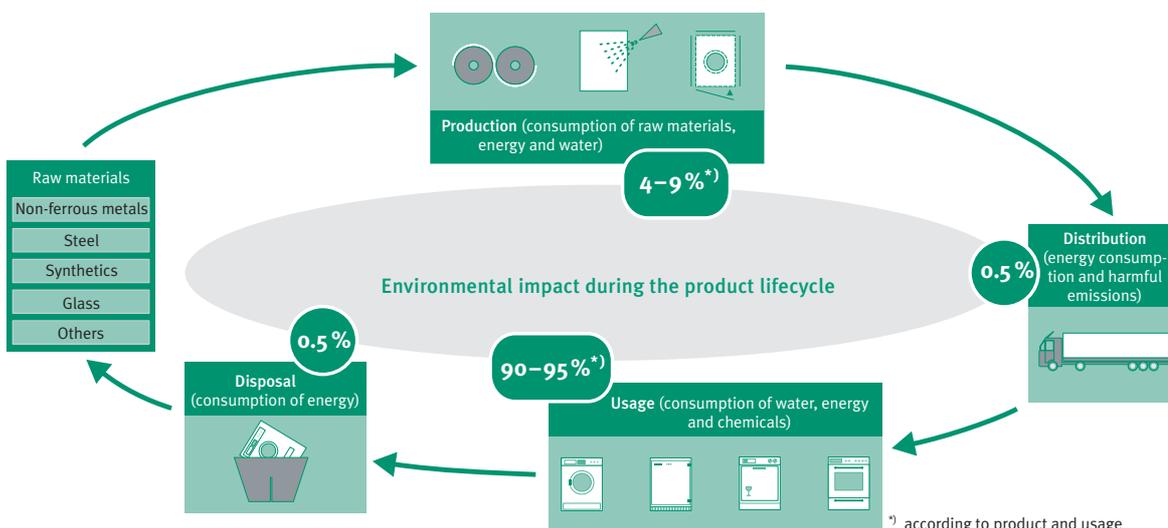
Environmentally-aware technologies worldwide

The BSH Group’s environmental and quality standards were again applied when the Appliance Park in Nanjing, China was set up. Since March 2006, more than 700 employees have been manufacturing irons, vacuum cleaners, hobs, extractor hoods and washing machine motors at the new facility. All the buildings on the 370,000 square meter site feature low energy consumption, optimum insulation and environmentally compatible materials. A system for collecting and treating rain water is designed to reduce drinking water consumption, by providing water for the washrooms and for lawn irrigation. The latest fire protection and energy saving technologies are being “built in” to a new refrigerator factory currently under construction in Chuzhou, China. When production starts at the end of 2007, all the refrigerators coming off the assembly line will, of course, be HFC- and CFC-free. BSH introduced its environmentally-sound hydrocarbon technology to China back in 1999.

Awards for environmental management

In May 2006, Dr. Kurt-Ludwig Gutberlet, Chairman of the Board of Management of BSH, received a special award from B.A.U.M., the German Association of Environmental Management. The award was in recognition of BSH’s commitment to the environment over many years and its role as a model of corporate responsibility. BSH was also awarded environmental prizes in Slovenia and Brazil. In November 2006, Slovenia’s Minister of the Environment awarded BSH the title of the most environmentally friendly company in the country. Again in November 2006, BSH Continental in Brazil received the Bramex Environmental Award for the third year in succession, this time in the categories Community and Innovation.

The central phase of a product lifecycle is when appliances are in use in the household. Here, any reduction in water and electricity consumption, however small, is of significant benefit to the environment.





In 1994, BSH started taking back and recycling end-of-life appliances on a voluntary basis in Germany – valuable experience for setting up systems in Europe now.

Dialog on end-of-life appliances: Legislation introduced a year ago requires the collection and recycling of end-of-life appliances across Europe. This is primarily a logistical challenge.

www.zvei.org

Sooner or later every electrical appliance comes to the end of its life. In Germany alone, households generate up to 1.1 million metric tons of electrical and electronic waste a year, according to figures from the **ZVEI, Germany's Electrical and Electronic Manufacturer's Association**, with large household appliances accounting for around two thirds of the total. In Europe as a whole, the amount of waste from such appliances is estimated at over two million metric tons. To ensure proper recycling and disposal, the European Directive on Waste Electrical and Electronic Equipment (WEEE) has for the past year required manufacturers to take back waste appliances and provide for “environmentally sound end-of-life” product disposal.

Collective systems are the way forward

For manufacturers like BSH this is a huge challenge and not just because it involves the whole of Europe. It calls for a “multitasking” approach – setting up the systems requires intensive cooperation between manufacturers, local authorities, disposal contractors and system partners, a multitude of different logistics routes have to be considered and various national

regulations have to be observed. This is why BSH – in common with the whole industry – opted for collective systems such as the Eco-Systèmes scheme in France, ECOLEC in Spain and REPIC in the UK. “Collective” means that the companies in question – ranging from home appliance manufacturers and mobile phone makers through to producers of small consumer goods such as electric toothbrushes and shavers – come together to organize and finance the setting-up of a common collection system. BSH has been operating a voluntary takeback and recycling scheme for its appliances since 1994 and this experience meant the company has been able to provide expert assistance with the setting up of systems across Europe.

Only a few countries were able to implement the WEEE directive as quickly as Germany. And this despite the fact that the lawmakers had set a particular “hurdle” here – the fact that BSH has a market share of over 30 percent means that it is prevented by anti-trust law from creating a consortium with other manufacturers. Nonetheless, the launch of the scheme on 24 March 2006 was a success for BSH. Its waste disposal

“The best way that we, as manufacturers, can exercise our product responsibility is by designing energy-efficient appliances. For disposal and recycling, we rely on expert partners.”

Dr. Herbert Mrotzek, Director Environmental Protection, Health and Safety at BSH



partners installed receptacles in local authority areas, as arranged, and since then have been organizing the collection of old appliances from around 1,500 collection centers in Germany. The collective systems in other European countries operate in essentially the same way.

Fair share of responsibility

“Obviously, when disposal contractors collect this waste, they get a wide mix of brands,” says Dr. Herbert Mrotzek, Director Environmental Protection, Health and Safety at BSH, “as sorting the waste goods into separate brands would be technically extremely complex and not economically viable.” The Directive requires each manufacturer to assume responsibility for the appliances it produces, but in fact only states that each should contribute to the funding of collection and recycling structures in the countries in proportion to its share.

To ensure that the system is fair, products and sales figures are to be recorded in registers set up in each member state of the European Union (EU). But Otmar Frey of the ZVEI, and WEEE representative in Orgalime, the European Engineering Industries Association, is skeptical, “Anyone who wants to avoid taking their fair share of responsibility, can do so easily, if the register – unlike in Germany – has no active role to play in policing the system. And real controls are needed, out there, in the marketplace. Belgium is the only country so far to have

government inspectors, for instance.” And the sums involved are hardly “peanuts” – BSH alone is facing a bill of up to 70 million euros a year for meeting its responsibilities across Europe.

Clear targets, not questionable quotas

When it published the directive in 2003 after several years of consultation, the EU was aware of the pitfalls of practical implementation. Which is why a revision is now planned for 2008, on the basis of experience gained. “But that is much too early. There were long delays in introducing WEEE in many countries because of national legislative systems. As a result, we won’t have extensive, reliable findings available to us by that date,” warns Frey.

Since publication of the WEEE directive, a particularly critical factor has been the quotas contained in it. The directive states that for large household appliances the recovery rate should be 80 percent, with material recycling – excluding thermal recycling – accounting for 75 percent of that figure. “Given the broad mix of appliances returned and highly efficient recycling methods – both material and thermal – there is no longer a case for imposing such figures,” says Dr. Mrotzek, who calls instead for “the setting of clear ecological targets on the efficient use of resources, instead of imposing rigid quotas. How these targets are achieved, should be left up to the companies themselves.”



“The real success in implementing WEEE is the fact that industry took the initiative and made a large upfront investment.”

Otmar Frey, Head of the WEEE Task Force in the ZVEI, and WEEE representative in Orgalime, the European Engineering Industries Association

USA: Energy Star for Efficient Home Appliances

The US Environmental Protection Agency EPA and the US Department of Energy presented the “Excellence in Energy Star Promotion Award 2007” to the Bosch brand, in recognition of our pioneering role in the manufacture of energy-efficient home appliances. BSH is the only manufacturer to satisfy the requirements of the Energy Star program in all its product lines and all its home appliance models. The Green Resource Center is a new Internet platform launched by Bosch in the USA. With its “Energy Savings Calculator” it offers an online tool for calculating annual energy costs and potential savings from energy-efficient appliances, plus a search mask for finding up-to-date information on special Energy Star rebates.



Brazil: Accident Prevention

At the BSH refrigerator plant in Hortolândia, a pivot arm was used in the past to attach freezer doors with bolts. The way this arm was mounted meant that it was difficult for workers to move it. It also had sharp edges, so the risk of injury was great. As the result of an employee suggestion, the edges have now been removed and the mounting modified so that the pivot arm is positioned above the heads of the workers. It is now easier and safer to move.

Slovenia: Award-winning Environmental Protection

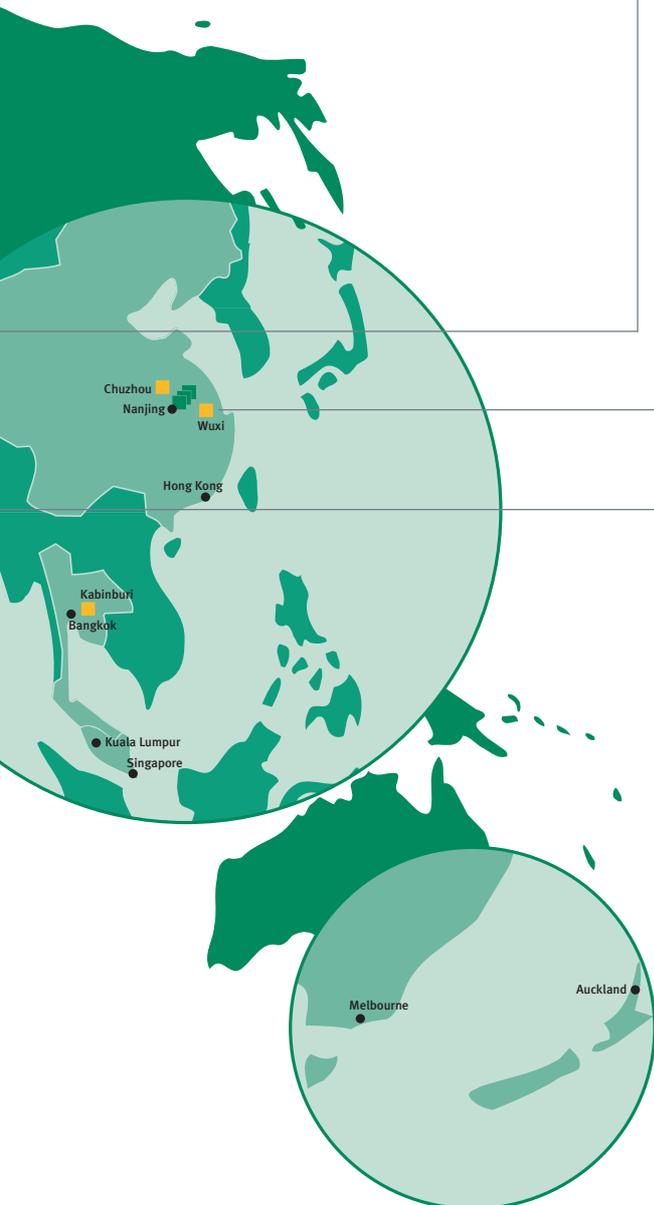
An environmental policy was introduced at the BSH site in Slovenia back in 1993 and an environmental management system has since been established. This has been certified to the international environmental management standard ISO 14001. In recent years, the site has succeeded in cutting its water consumption in production by around 50 percent, specific energy consumption has fallen by some 20 percent and specific waste by 34 percent. Since 2004, half of the site's energy demand has been met from renewable sources. In 2006, these achievements earned BSH Slovenia an "eco-friendly company" award.

China: Saving Energy and Water

For BSH sites in China, reducing energy consumption and emissions in production is a top priority. The paintshop at the Wuxi site has now switched from oil to gas. The result was a reduction in emissions as well as cost savings. To raise awareness of the importance of saving water, articles on this subject are published regularly in you&me, the employee magazine at the company's Chuzhou site. The articles also feature tips on how employees can save water at home.

Spain: Training in Workplace Safety

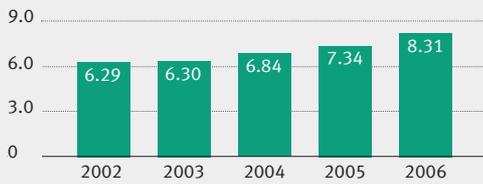
"Safety in the workplace" is high on the agenda for BSH factories in Spain. This explains the involvement of BSH Spain in a project run by the Spanish National Institute of Health and Safety to identify further scope for improvement. A training program was then set up to implement the improvements identified. There are 35 middle managers on the program and they then cascade their knowledge of workplace safety in a variety of groups. The plan is to extend the training system to other employees and locations during the course of 2007.



- Group Headquarters
- Subsidiaries
- Sites certified to ISO 14001
- Sites not ISO 14001 certified (certification pending or not environmentally relevant)

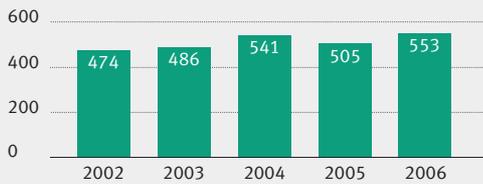
Sales Trend

In billions of €



EBIT

In millions of €



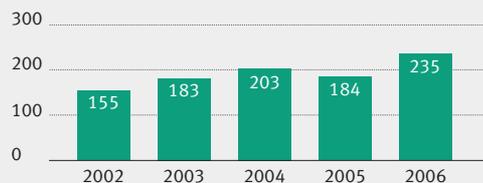
Employees and Personnel Costs

Employees in thousands Personnel costs in billions of €



Expenses in R&D (without investment)

In millions of €



Environmental Costs

In millions of €



Sales Trend

During the year under review, the BSH Group posted sales of 8.308 billion euros – 13.2 percent up on last year's figure. In Germany, Group sales rose by an impressive 14.6 percent to 1.817 billion. Sales outside Germany again showed a clear rise, this time of 12.8 percent. BSH thus generated 78.1 percent of its sales revenue outside Germany compared with last year's figure of 78.4 percent, so remaining more or less constant.

Earnings before Interest and Taxes (EBIT)

In 2006, earnings before interest and taxes (EBIT) amounted to 553 million euros, or 6.7 percent of sales revenue.

Employees and Personnel Costs

As at December 31, 2006 the Group employed a total of 37,954 people worldwide (in Germany 14,223, elsewhere 23,731) – including apprentices – some 2,400 more than at the end of December 2005. 38 percent of the workforce is employed in Germany, 31 percent in Western Europe (excluding Germany but including Turkey), 13 percent in Asia, 5 percent in Latin America, 4 percent in North America and 9 percent in Eastern Europe. Total personnel costs amounted to 1.514 billion euros.

Research and Development Expenses (R&D)

The Group spent 235 million euros on research and development in 2006. This represents an increase of 30 percent year on year, putting BSH in a favorable position in the international competitive arena. As at December 31, 2006 BSH employed more than 1,900 people in research and development, over 1,000 of whom work in Germany.

Environmental Costs

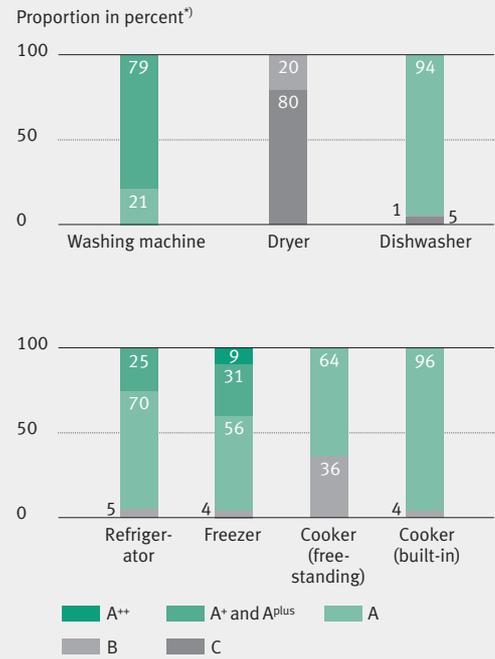
BSH reports its environmental costs and investments for the Group as a whole. Recurring costs (operating costs, capital costs, personnel costs and charges) for last year stood at 15.1 million euros. Most of this figure was made up of expenditure on waste management (62 percent) and soil and water protection (28 percent), while the cost of air purification amounted to 9 percent and noise abatement measures just one percent. 90 percent of BSH's environmental costs were incurred at European factories. The Group invested 4.2 million euros in environmental protection in 2006, with 85 percent allocated to European locations.

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 and convenient way for the user to make direct comparisons between models. Since 2004, the European Union has also introduced the energy efficiency classes A+ and A++ to indicate particularly energy-efficient products, such as certain fridges and freezers that consume an average of 25 and 45 percent less energy respectively than Class A appliances.

In 2006, 25 percent of refrigeration appliances and 40 percent of freezers produced in Europe (including Turkey) were already ranked in these ultra-frugal efficiency classes A+ and A++. 64 percent of BSH's freestanding cookers and 96 percent of their built-in models meet the Category "A" criteria. Likewise 94 percent of the dishwashers produced in Europe could be marketed as Class A appliances. All washing machines fulfill the requirements for Class A, with 79 percent already far exceeding the requirements. In such cases retailers can opt to sell them as A^{plus} appliances.

Energy Efficiency Classes 2006

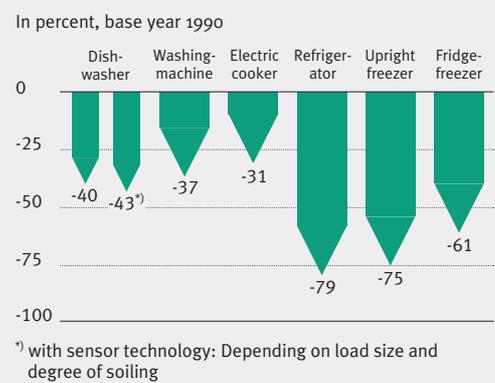


^{*)} The percentages quoted for the individual energy efficiency classes are based on the 2006 production figures for the European factories (including Turkey)

Reducing Energy Consumption

Since 1990, BSH has succeeded in cutting the average energy consumption of its appliances by more than 40 percent. Reductions in energy consumption of between 60 and 80 percent have been achieved for refrigerators alone. The most efficient washing machines now require just 0.17 kWh (kilowatt hours) of energy per kg (kilogram) for a 6 kg colored wash program (60° C).

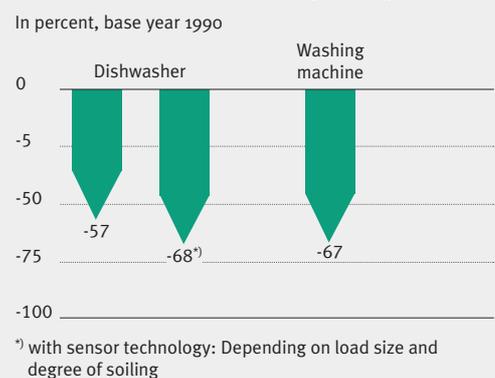
Reduction in Energy Consumption up to 2006



Reducing Water Consumption

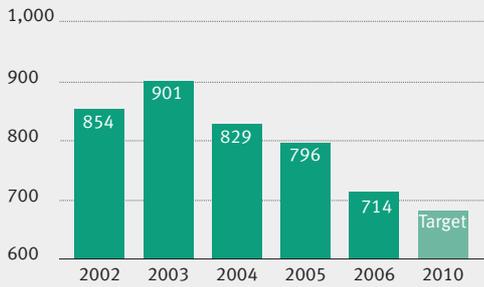
Continuous development of appliances has reduced water consumption in the usage phase by up to 68 percent since 1990 – the reduction being achieved in dishwashers thanks to electronic sensor technology. And with the sensors regulating the amount of fresh water introduced according to the load and degree of soiling, only 9 liters of water per load are required for lightly soiled loads. With a load of up to 8 kilos, the new washing machines offer a reduction in water consumption of up to 67 percent, using just seven liters per kg of laundry.

Reduction in Water Consumption up to 2006



Energy Consumption

Per metric ton of product in kilowatt hours

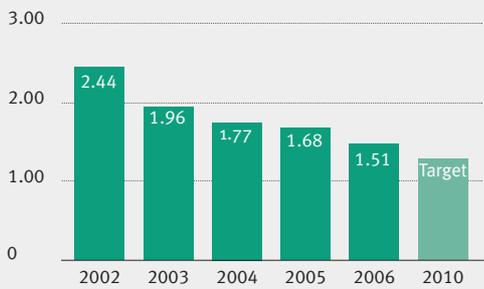


Energy Consumption

Increased output in 2006 was reflected in higher electricity requirements. The factories cover 51 percent of their energy needs with electricity and 39 percent with gas, which is primarily used to heat buildings. 10 percent of requirements are covered by climate-friendly district heating or biomass, and light heating oil, since it only accounts for one percent, barely counts as a source of energy. In 2006, total energy consumption rose by 2.4 percent year on year to 884 GWh (gigawatt hours). Because, thanks to healthy order books, the tonnage of products manufactured rose by 14 percent, specific energy consumption was down by 10 percent to 714 kWh per metric ton. New targets for the period until 2010 seek an annual reduction of three percent in specific energy.

Water Usage

Per metric ton of product in m³

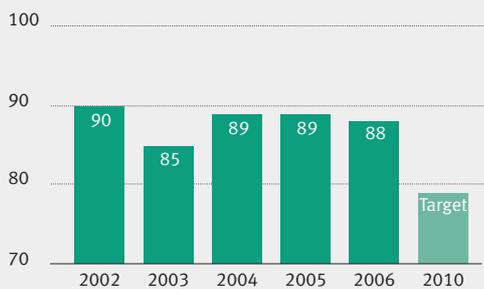


Water Usage

Year after year, BSH has been able to point to impressive successes in reducing water consumption, which fell by a further 2.7 percent during the last year. Thanks to high utilization levels, however, specific consumption per metric ton of product fell by 10 percent, year on year. BSH factories in China, Spain, Poland and USA were able to achieve meaningful savings, for example by measures involving sanitary facilities or avoiding leaks. The factories derive 61 percent of their fresh water needs from the public supply, with 39 percent coming from their own drinking water springs. 62 percent of the total volume of wastewater generated is sent to public treatment plants, production wastewater having first been treated on site. 38 percent of wastewater can be discharged into nearby surface watercourses in purified form. New targets have been set for the period up 2010 which aim for an annual reduction of 5 percent in specific water consumption.

Waste

Per metric ton of product in kilograms

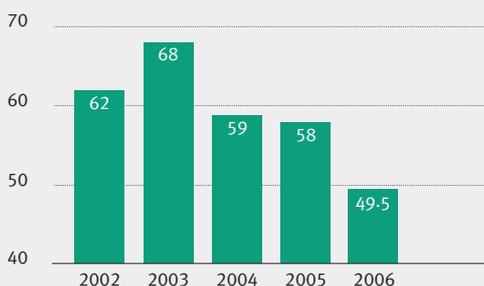


Waste

Separated collection of paper and cardboard, plastics and films, glass, wood and metal waste is standard practice throughout the Group. Continuous efforts have nevertheless succeeded in boosting the proportion of waste recycled by an impressive 91 percent. The volume of waste generated was up by almost 13 percent in 2006, in line with increased production, while the quantity of waste per metric ton of product fell by one percent to 88.1 kg. The proportion of special waste to be disposed of is falling worldwide, and in the year under review stood at 1.55 percent of total waste volumes. There are new target values for the period up to 2010 which set the objective of cutting specific waste volumes by two percent per annum.

CO₂ Emissions

Per metric ton of product in kilograms



Emissions

In the statistics, the figure quoted for production-related emissions of CO₂ at BSH sites excludes CO₂ emissions from the generation of electricity, as well as emissions related to transport operations. The 49.5 kg of CO₂ generated per metric ton of product thus stems from the use of energy sources such as gas and heating oil at the manufacturing locations. BSH long ago abandoned the use of substances that were harmful to the climate or the ozone layer in products and their manufacture – to the extent that safety concerns allowed – and replaced them with pure hydrocarbons. Also, the Group's use of environmentally friendly energy sources and optimized furnaces has reduced emissions of sulfur dioxide and nitrous oxides to almost negligible levels.

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. During 2006 it proved possible to achieve another modest reduction in the weight of transport packaging required for large appliances to 2.34 kg, by cutting the amount of packaging used for dryers and the new built-in cookers. The average weight of sales packaging for our consumer products remained almost unchanged at 492 grams. The proportions of the various packaging materials thus stayed broadly unchanged too: Paper and cardboard (50%), polystyrene (34%), wood (11%), polyethylene film (5%).

Transport Volumes

BSH strategy is to minimize environmental impact when transporting goods from factory to customer, and to optimize the interlinking of road, rail and sea transport routes. It proved possible to maintain the proportion of exports from Germany shipped using environmentally friendly rail transport at 32 percent. A highly impressive 85 percent or more of shipments to Denmark, France, Greece, Scandinavia and Turkey went by rail. 2006 also saw a further expansion in combined sea/rail traffic to the UK, with the Giengen and Dillingen sites now included too.

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 89 percent, with 10 percent even complying with Euronorm IV, which imposes even more stringent emission levels. In order to achieve the highest possible usage of environmentally friendly trucks on long-haul routes, a separate group for export carriers has been established for those competing for freight orders, in which the emission class of the trucks used represents a firm criterion, thus serving as a spur to the use of low-pollution trucks.

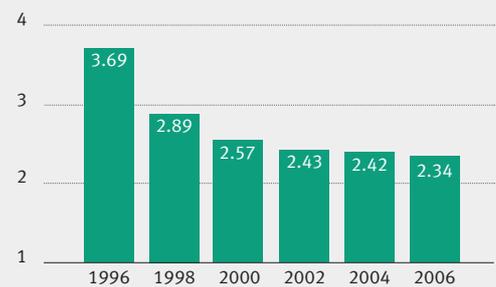
Freight-space Utilization and Means of Transport

By improving load-space utilization, BSH has been able continuously to reduce the number of transport shipments required. Noteworthy efforts during 2006 were devoted to achieving 4-abreast loading of appliances, which has resulted in a 25 percent improvement in freight-space utilization. Thanks to active collaboration with freight forwarders and vehicle manufacturers, it proved possible to develop a certified vehicle concept for this loading method. 2007 will provisionally see the first transport shipments operated using this concept.

BSH has received special approval for a defined route in Germany to enable it to trial the so-called EuroCombi truck (Gigaliner), which is licensed for only a few European countries. The company's logistics department will continue to champion this pan-European concept. Increasing the space available for freight by up to 55 percent will make it possible to cut the number of individual shipments by at least one third.

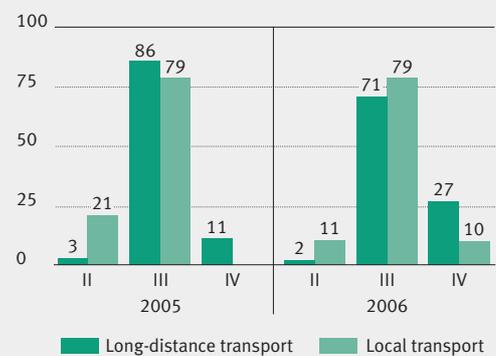
Transport Packaging

Per large appliance in kilograms



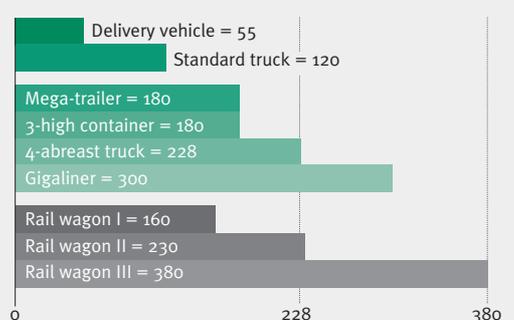
Vehicles Meeting Euronorm II through IV

In percent



Means of Road and Rail Transport

In “standard-size large appliance”) units



*) Appliance dimensions (width x height x depth) in cm: 60 x 85 x 60

Input flows		2005	2006	Units
A	Fixed assets			
I.	Land	4,320,404	4,684,155	m²
1.	Developed	1,759,189	1,846,281	m ²
2.	Undeveloped	2,561,215	2,837,874	m ²
II.	Percentage developed	41	39	%
B	Current assets			
I.	Environmentally relevant substances			
1.	Process materials ⁾	3,662	3,131	t
II.	Energy	862,825	883,580	MWh
1.	Electrical energy	409,290	446,874	MWh
2.	Light heating oil	6,158	5,265	MWh
3.	Gas	349,042	342,262	MWh
4.	Others (district heating, wood etc.)	98,335	89,179	MWh
III.	Water	1,822,755	1,871,951	m³
1.	From public supply	1,140,062	1,146,424	m ³
2.	From own supply	682,693	725,527	m ³

Output flows		2005	2006	Units
A	Products			
I.	Products (tonnage)	1,084	1,238	1,000 tons
II.	Products (numbers)	34,406	41,372	1,000 items
III.	Packaging	66,699	78,124	t
B	Waste	96,681	109,033	t
I.	Waste for disposal	9,907	9,808	t
	of which hazardous waste	2,018	1,694	t
II.	Waste for recycling	86,774	99,225	t
III.	Percentage recycled	90	91	%
C	Waste water	1,493,118	1,557,472	m³
I.	of which directly discharged	628,161	591,969	m ³
II.	of which indirectly discharged	864,957	965,503	m ³
D	Vaporous or gaseous emissions			
I.	Organic Substances	95	85	t
1.	Volatile organic compounds (VOC)	95	85	t
II.	Inorganic Substances	62,749	61,351	t
1.	Oxides of nitrogen	33	61	t
2.	Carbon dioxide ^{**)}	62,716	61,290	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, 2006). The production site in Nanjing, China has been included in the report 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.

Occupational Health and Safety

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 – rose slightly compared with the previous year, the number of accidents per million hours worked remained broadly constant. Unfortunately, there were also four serious accidents involving employees belonging to other companies, so that in future the focus of accident prevention efforts will increasingly be on our suppliers' health and safety provisions.

Company Suggestions Initiative

2006 saw the company's suggestions initiative "Top Idea" established in eleven BSH countries. Some 10,500 employees – that is 1,600 more than in the previous year – submitted a total of 45,462 suggestions, representing a participation rate of 37 percent of the workforce, and an average of 4.3 ideas per head. It proved possible to implement 21,865 of the suggestions, resulting in a net annual saving of 30.7 million euros. In 2006, the launch of "ideaChannel", a new standard software package for "Top Idea", facilitated transparent and rapid processing of the ideas in Germany, Spain and Poland, and further countries are set to introduce the system during 2007.

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 continuing education options that BSH offers enables it to find, support and retain the best employees for the Group. In 2006, investment in training and qualification in Germany totaled 15.9 million euros.

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 the 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 international level, while at the same time expanding the formal and informal training offering in line with requirements and the needs of the target groups. This is intended to give employees the means to develop and manage their skills under their own control.

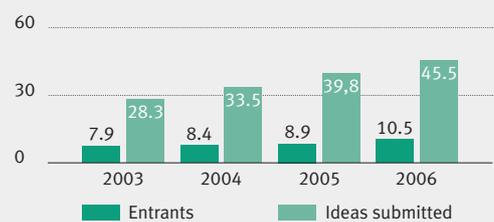
Incidence of Accidents, BSH International

(Accidents resulting in at least one day's incapacity)



Company Suggestions Initiative

Entrants and ideas submitted in thousands



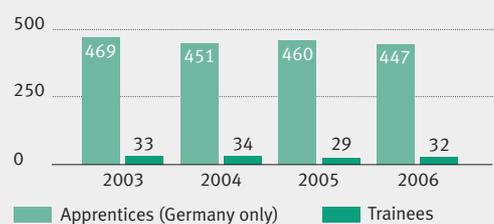
Training and Personnel Development

Expenditures in millions of €



Apprentices and Trainees

Numbers



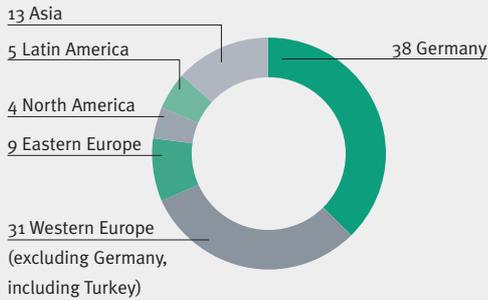
BSH Academy

Number of attendees



Employees by Regions

In percent



The statements and data set out below relate to the 17 largest production and sales facilities in Germany and elsewhere, at which some 96 percent of all BSH employees are based: Germany, Austria, Belgium, China, France, Greece, Latin America, Poland, Russia, Scandinavia, Slovakia, Slovenia, Spain, Switzerland, Turkey, UK and USA.

Employee Structure and Employment

Demographic changes have had their impact on BSH too: Over the last year, the average age of the workforce rose from 37 to around 38.5 years. The worldwide average for length of service is 11.3 years, and at 16 years, the individual figure for Germany is particularly high. In 2006, the number of apprentices and trainees remained more or less constant, and the total number of new employees was 2,400 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 needs.

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 at December 31, 2006 there were 186 German expatriates working in 19 different countries, as well as 43 "inbounds" transferred to Germany from seven different countries. In addition, the records show 18 "cross-country transfers" – meaning transfers between the various nations. There are also international, group-wide personnel pools, which serve to identify, target and develop suitable management recruits from around the world.

Overview 2005 to 2006

	Local BSH Companies	
	2005	2006
Flexible Working Models		
Flextime	12	17
Teleworking	4	5
Part-time working	8	15
Parenting leave	12	17
Sabbatical	3	3
Trust-based flextime	6	7
Basic Social Welfare Provision		
Basic state provision	n.d.a.	17
Voluntary benefits	n.d.a.	15
Healthcare	n.d.a.	14

n.d.a = no details available

Remuneration

July 1, 2007 will see the introduction at BSH in Germany of a new master collective bargaining agreement (ERA) for blue- and white-collar employees in Germany's metalworking, electrical engineering and electronics industry. This move will put the entire compensation structure (basic salary, performance-based remuneration and stress allowance) for blue- and white-collar employees on a unified basis. To accompany the introduction of this agreement, during 2006 descriptions and evaluations of all work functions throughout Germany were drawn up, and various general works agreements concluded.

Career and Family

Flexible working models that help reconcile career and family have been introduced in most BSH companies. Teleworking is possible in nearly a third of our companies, and part time working in almost half. And to help ease women back into the professional environment after giving birth, as well as to benefit new fathers, almost all BSH companies now offer parental leave.

Equal Opportunities

About 27 percent of BSH's 38,000 employees are female. It is a basic principle of BSH to grant women equal opportunities to men, and in many of its regional companies the principle is already enshrined 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, reaching the figure of 10,000 in July, 2006.

To date, a total of around 37 million euros in 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 Sponsorship

BSH-Katastrophenhilfe e.V., the company's disaster relief fund, was founded in 1999, and is active worldwide. In the wake of the Asian Tsunami disaster, for example, the company and its employees have to date donated 277,000 euros in aid. 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 2006

Environmental Management

- Target agreements for environmental indicators have been established as part of the factories' environmental reporting activities.
- Corporate audits have been carried out at seven BSH locations: Michalovce, Giengen, Nauen, Wuxi, Chuzhou, Łódź and Çerkezköy
- A concept for the uniform company-wide evaluation of environmental aspects has been developed.

Site-related Environmental Protection

- Improvements in group indicators:
 - Water consumption: 10 percent
 - Energy consumption: 10 percent
 - Waste volumes: 1 percent
- Site-specific environmental targets were largely met, and in most cases exceeded:
 - 64 percent of the factories exceeded their energy targets
 - 86 percent of the factories exceeded their water targets
 - 55 percent of the factories exceeded their waste targets

Product-related Environmental Protection

- EU-wide compliance with RoHS substance prohibitions, effective July 1, 2006, monitoring of inventories and selling-off of existing stocks
- Active support for product studies on EuP "Eco-design of energy-using products".
- Further improvement in consumption values (efficiency classes), with particular emphasis on refrigerators (A+, A++), washing machines (A^{plus}), dryers (B) and dishwashers.
- The guideline "Environmentally sound design of home appliances" was revised and adapted in line with statutory provisions (e.g. recycling).

Sites certified under ISO 14001^{*)}

Brazil:	■ São Paulo
	■ Hortolândia
China:	■ Wuxi
	■ Chuzhou
Germany:	■ Bad Neustadt
	■ Berlin
	■ Bretten
	■ Dillingen
	■ Giengen
	■ Nauen
	■ Traunreut
France:	■ Lipsheim
Greece:	■ Athens
Mexico:	■ Mexiko City
Poland:	■ Łódź
Slovakia:	■ Michalovce
Slowenia:	■ Nazarje
Spain:	■ Esquíroz
	■ Estella
	■ La Cartuja
	■ Montañana
	■ Santander
	■ Vitoria
Thailand:	■ Kabinburi
Turkey:	■ Çerkezköy
USA:	■ New Bern

^{*)} See also map of sites, page 20/21

Personnel

- Internationalization of personnel activities – creation of a worldwide HR community.
- Improved identification of candidates and filling of key BSH functions.
- Development of “high potential” candidates, ensuring orientation towards performance and corporate objectives (“HR policy as a driver of profitable growth”).
- Improved service- and customer-orientation.
- BSH named as a top employer by “Karriere” and “WirtschaftsWoche” magazines.
- Introduction of the “Pensionskapital” retirement benefit scheme in Germany.

Objectives for 2007**Environmental Management**

- Conducting of corporate environmental audits at ten locations.
- Introduction of a BSH Best Practice Award.
- Preparation of a CO₂ balance sheet for BSH.

Site-related Environmental Protection

- Reduction of specific energy and resource consumption in line with BSH targets (2005–2010)
 - Energy target: 749 kWh/t (-3% per annum)
 - Water target: 1.52 m³/t (-5% per annum)
 - Waste target: 85 kg/t (-2% per annum)
- Site-specific environmental objectives and programs in the areas of emission protection, soil and groundwater protection, waste management and communication.

Product-related Environmental Protection

- Continued participation in and support for EU product studies on the eco-design of electrical appliances (EuP) to the benefit of BSH.
- Further improvement in consumption values (EEK).
- Start of implementation of the EU chemical regulation law (REACH).

Responsibility for Employees

- Implementation of a globally standardized process for the filling of key corporate positions.
- Optimization of international employee deployment processes.
- Professional compensation and benefit management.
- Standardization of the international employee potential survey process at all levels of company hierarchy.
- Introduction of the master collective bargaining agreement (ERA) including computerized support in Germany.

Contacts

BSH Group

BSH Bosch und Siemens Hausgeräte GmbH
Corporate 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 Group 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 Group in Brazil/Latin America:

BSH Continental Eletrodomésticos Ltda.
Ivana Alves Cunha Ribeiro
Tel.: +55 11 61 20-33 34
E-mail: ivana.ribeiro@bshg.com

BSH Group 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 Group in the USA:

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

Imprint

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

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- Group Annual Report 2006
- Group Annual Report 2006 – German
- Environmental and Corporate Responsibility 2006
- Environmental and Corporate Responsibility 2006 – German

Corporate Communications

Tel.: +49 89 45 90-28 09
Fax: +49 89 45 90-21 28
E-mail: corporate.communications@bshg.com

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