

# Communication on Progress Report of the BMW Group 2010

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Rolls-Royce  
Motor Cars Limited

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**BMW Group**

## I. Statement of continued support (Message from the CEO)

Ladies and Gentlemen,

The BMW Group has a clear vision to be the world's leading provider of premium products and premium services for individual mobility.

Premium is, and will remain, our business – and premium has many facets. We believe sustainability is one of them. With premium comes an obligation to accept economic, ecological and social responsibility.

The BMW Group has been a signatory to the United Nations Global Compact since 2001 and is committed to implementing its ten principles. Every day we work on making progress in all of the relevant areas – within the BMW Group, in our cooperation with business partners and also in our dealings with all of our other stakeholder groups worldwide.

Our new Global Compact progress report outlines what we see as the present challenges for the ten principles. We also describe our achievements over the past year.

A particular highlight for the BMW Group was the intensive dialogue with our employees. In 2010, around 13,000 managers worldwide received special training on the strategic challenges the company faces. One of the four focus topics was corporate sustainability. In small groups, the managers worked on tasks that included defining what corporate sustainability means for their area of responsibility.

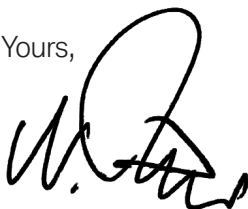
Another highlight was the creation of the “Sustainability Board”, comprised of all Board of Management members. The aim of this board is to define the strategic alignment for sustainability issues and decide on all related measures. In this way, the implementation of corporate sustainability throughout the BMW Group's value chain is firmly established at the highest level.

The aim of the current Communication on Progress report is to provide you with a comprehensive overview of actual projects and measures at the BMW Group. We would also like to inform you about additional implementation goals we have set ourselves.

Please refer to the “Indicators for Sustainability Update 2010” document for key figures where indicated. These figures underscore the success of our efforts.

We would like to hear from you if you have any feedback or questions regarding this progress report. Because the only way we can turn the goals of the UN Global Compact into reality is by working together. Worldwide. Every day.

Yours,



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

### Human Rights

GC	Sources of Information on the BMW Group*	GRI (G3)
<b>Principle 1</b>		
Businesses should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 11, 14–15, 50, 53–56, 58</li> <li>– Indicators for Sustainability Update 2010, p. 73, 97–98, 101</li> <li>– Annual Report 2009, p. 31, 38–39, 66, 158</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 1</li> <li>– Value-oriented Human Resources Policy: The 8 guidelines of the personnel policy of the BMW Group, p. 1</li> <li>– Long-term personnel policy and social policy of the BMW Group, p. 2</li> </ul>	EC5, LA4, LA6–9, LA13–14, HR1–9, SO5, PR1–2, PR8
<b>Principle 2</b>		
Businesses should make sure they are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 14–15, 22, 50, 53, 58</li> <li>– Indicators for Sustainability Update 2010, p. 77</li> <li>– Annual Report 2009, p. 31, 38–39, 66, 158</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 1</li> <li>– Value-oriented Human Resources Policy: The 8 guidelines of the personnel policy of the BMW Group, p. 1</li> <li>– Long-term personnel policy and social policy of the BMW Group, p. 2</li> </ul>	HR1–9, SO5

### Labour Standards

GC	Sources of Information on the BMW Group*	GRI (G3)
<b>Principle 3</b>		
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 14–15, 50, 58</li> <li>– Annual Report 2009, p. 82</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 2</li> </ul>	LA4–5, HR1–3, HR5, SO5
<b>Principle 4</b>		
Businesses should uphold the elimination of all forms of forced and compulsory labour.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 14–15, 50</li> <li>– Annual Report 2009, p. 158</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 1</li> </ul>	HR1–3, HR7, SO5
<b>Principle 5</b>		
Businesses should uphold the effective abolition of child labour.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 14–15, 50</li> <li>– Annual Report 2009, p. 158</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 2</li> </ul>	HR1–3, HR6, SO5
<b>Principle 6</b>		
Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 14–15, 22, 50, 53, 56</li> <li>– Indicators for Sustainability Update 2010, p. 77, 97–98, 101</li> <li>– Annual Report 2009, p. 158</li> <li>– Joint Declaration on Human Rights and Working Conditions in the BMW Group, p. 2</li> <li>– Value-oriented Human Resources Policy: The 8 guidelines of the personnel policy of the BMW Group, p. 1</li> <li>– Legal Compliance Code: Acting responsibly and lawfully, p. 15</li> </ul>	EC7, LA2, LA13–14, HR1–4, SO5

## Environment

GC	Sources of Information on the BMW Group*	GRI (G3)
<b>Principle 7</b>		
Businesses should support a precautionary approach to environmental challenges.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 02–03, 08–11, 14–15, 22, 26–28, 34–35, 40–41</li> <li>– Indicators for Sustainability Update 2010, p. 73, 77</li> <li>– Annual Report 2009, p. 31–35, 72, 147</li> <li>– Legal Compliance Code: Acting responsibly and lawfully, p. 13</li> <li>– Efficient Dynamics Strategy, p. 2–6</li> <li>– Environmental Guidelines: Responsibility for our Environment, p. 1–2</li> </ul>	<b>EC2, EN18, EN26, EN30, SO5</b>
<b>Principle 8</b>		
Businesses should undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 07–11, 14–15, 26–31, 34–35, 40–46</li> <li>– Indicators for Sustainability Update 2010, p. 72–73, 78–85, 86–95</li> <li>– Annual Report 2009, p. 22, 31–35, 38</li> <li>– Legal Compliance Code: Acting responsibly and lawfully, p. 13</li> <li>– Efficient Dynamics strategy, p. 2–6</li> <li>– Environmental Guidelines: Responsibility for our Environment, p. 1–2</li> </ul>	<b>EN1–30, SO5, PR3–4</b>
<b>Principle 9</b>		
Businesses should encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 08–11, 26–31, 35, 40–46</li> <li>– Indicators for Sustainability Update 2010, p. 78–85, 86–95</li> <li>– Annual Report 2009, p. 31–39, 72</li> <li>– Legal Compliance Code: Acting responsibly and lawfully, p. 13</li> <li>– Efficient Dynamics Strategy, p. 2–6</li> <li>– Environmental Guidelines: Responsibility for our Environment, p. 1–2</li> </ul>	<b>EN2, EN5–7, EN10, EN18, EN26–27, EN30, SO5</b>

## Anti-Corruption

GC	Sources of Information on the BMW Group*	GRI (G3)
<b>Principle 10</b>		
Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>– Sustainable Value Report 2008, p. 20–22</li> <li>– Indicators for Sustainability Update 2010, p. 77</li> <li>– Annual Report 2009, p. 9, 68–69, 158–161</li> </ul>	<b>SO2–6</b>

\* Sources:

- Sustainable Value Report 2008, PDF, 110 pages; Document
- Indicators for Sustainability Update 2010, PDF, 36 Pages; Document
- Annual Report 2009, PDF, 248 pages; Document
- Joint Declaration on Human Rights and Working Conditions in the BMW Group, PDF, 3 pages; Document
- Value-oriented Human Resources Policy: The 8 guidelines of the personnel policy of the BMW Group, PDF, 1 page; Document
- Long-term personnel policy and social policy of the BMW Group, PDF, 6 pages; Document
- Efficient Dynamics Strategy, PDF, 6 pages; Document
- Environmental Guidelines: Responsibility for our Environment, PDF, 2 pages; Document
- Legal Compliance Code: Acting responsibly and lawfully, PDF, 14 pages; Document

### III. Sustainability Objectives of the BMW Group in 2010 with regard to Global Compact Principles

#### Sustainability Management

Objectives	Action	Status	GC Principles
<b>Strategy and organisation</b>			
Further development of BMW Group's sustainability management	Further development of the sustainability strategy and increased coordination of individual divisions worldwide	The Sustainability Circle and Sustainability Board both met twice to review sustainability targets. Each division has been fleshing out details of the corporate sustainability strategy adopted in 2009 since spring 2010. Target management process for sustainability goals also further established.	1 – 10
	Integration of sustainability strategy at subsidiaries and retail organisations worldwide	Possible initiatives currently being explored.	1 – 10
	Involve all employees in implementing the sustainability strategy	Sustainability on Tour roadshow held for employees at the Munich, Regensburg and Dingolfing locations. Also, special training on the topics of sustainability and environmental protection held for managers and planners.	1 – 10
	Extend the risk management system to include ecological and social factors	Workshop held with all divisional strategy departments concerned to explore opportunities and risks associated with climate change.	1 – 9
<b>Investor relations</b>			
Integration of sustainability issues into investor relations work	Socially Responsible Investment (SRI) roadshows, conference calls – in 2006 approx. 5 % of all IR contacts specifically on SRI. Goal: 10 % of roadshows on SRI and alternative/environmentally-sound drive trains	In 2009/2010, issues relating to corporate sustainability at the BMW Group were more closely integrated into classic investor relations activities. The requirements of SRI specialists and mainstream investors and analysts are increasingly converging. As a result, it has become virtually impossible to distinguish between SRI content and classic investor relations content. Targets therefore both fulfilled and exceeded. The BMW Group's standard investor presentation has included the main elements of its sustainability strategy and activities for several years. Sustainability issues are therefore addressed at every "classic" investor meeting. The BMW Group's Investor Relations department also hosted special SRI roadshows and attended SRI conferences in Europe and the UK once again in 2009/2010.	1 – 10
<b>Shareholder dialogue</b>			
Continuation of stakeholder dialogue	Host further stakeholder roundtables in 2009 and 2010	First Stakeholder Roundtable on sustainable mobility and resource conservation hosted in 2009 in Munich. Second Stakeholder Roundtable on the subject of electro-mobility held in Munich in 2010.	1 – 10

## Human Rights

Objectives	Action	Status	GC Principles
<b>Occupational health and safety protection and promotion</b>			
Company-wide coverage by occupational safety management systems	Introduce occupational safety management systems at all BMW Group sites: Introduce occupational safety management systems in accordance with OHSAS at British, US and Thai sites	In progress	1, 2
	Certification of Steyr plant according to OHRIS	Steyr plant certified according to OHSAS in 2009	1, 2
<b>Commitment to fighting HIV/Aids</b>			
Fight against HIV/Aids	HIV retesting campaign with the slogan "Vision of Life" at BMW South Africa	A second retest was completed at BMW South Africa. 86 % of employees had participated by the end of 2008. In 2009, the HIV/Aids programme was expanded to include employees' families under the motto "BMW Caring Together". To focus on minimising risks, general checkups conducted as well as HIV/Aids testing.	1
Extension of HIV/Aids activities to other sites	Transfer specific elements of the programme from South Africa to other countries, e.g. China, Russia and Thailand	In progress	1
	Extend BMW South Africa's HIV/Aids programme to local dealerships	The "Dealer HIV/Aids" project in South Africa lays the foundation for HIV programmes in the vicinity of BMW dealerships through social network mapping. Several dealerships have adopted the programme, in full or in part. Programmes are constantly updated (for instance, in connection with the 2010 soccer World Cup) and social groups affected or at risk integrated.	1
<b>Sustainability in the supply chain</b>			
Integration of ecological and social standards in processes between purchasing and suppliers/partners	Develop suitable indicators to identify deviations and room for improvement early on	Revised questionnaire for self-assessment of suppliers includes an evaluation matrix with exclusion criteria from the fields of environmental protection, social standards and product development. Suppliers are required to provide detailed information about the materials and substances they use in the form of technical data sheets as well as on REACH requirements. Inadequate fulfilment of the necessary sustainability requirements is resolved in close cooperation between the BMW Group departments concerned and the suppliers.	1, 2
Efficient supply chain that applies the same ambitious sustainability standards worldwide and at all stages of value creation	Establish assessment processes at suppliers' locations and take sustainability aspects into consideration at all stages of value creation in the concept phase of new vehicle projects	Verifying suppliers' sustainability status also firmly established as part of the requalification process for quality assurance.	1, 2
	Raise awareness among purchasers for the importance of ecological and social standards and validate supplier partners	In progress	

## Labour Standards

Objectives	Action	Status	GC Principles
<b>Diversity and equal opportunities</b>			
Promotion of diversity at the company (also other aspects of diversity apart from the advancement of women)	Develop strategic fields of action and targets in the area of diversity	In progress	6
	Raise awareness at the company for diversity issues	In progress	6
<b>Demographic change</b>			
Enhancement and maintenance of the productivity and employability of BMW Group employees and enabling of flexible, demand-oriented retirement	Implement the new partial retirement regulation	Implementation complete	6
	Develop standards for the creation of age-appropriate work systems in production	Target fulfilled Rollout concept currently in preparation	6

## Environment

Objectives	Action	Status	GC Principles
<b>Innovative technologies</b>			
Compliance with the EU's CO <sub>2</sub> emissions performance standards (average CO <sub>2</sub> emissions of new cars sold in the EU of max. 140 grams CO <sub>2</sub> /km) for 2015	Further development of Efficient Dynamics technologies such as the thermoelectric generator or Auto Start Stop function in automatic-transmission models  Reduction in fuel consumption of up to 20% compared to vehicles with combustion engines through use of hybrid technology	As part of the innovation process, additional Efficient Dynamics measures constantly being researched; development of more than 30 measures authorised for 2011 alone.  Details of wide-scale rollout of large number of hybridised models currently being planned.	7–9
Development of hydrogen infrastructure	Partnerships on global introduction of hydrogen for use on the roads: – Initiatives to promote development of H <sub>2</sub> infrastructure – Continued participation in the Clean Energy Partnership (CEP) project in Berlin	Since the BMW Hydrogen 7 successfully demonstrated the technical maturity of H <sub>2</sub> vehicles, the focus has been on optimising the core H <sub>2</sub> components – drive system and storage unit.	7–9
Advancement in alternative drive technologies	Development of a series-produced electric car, the Megacity Vehicle, in connection with project i	The Megacity Vehicle will be launched in 2013. Initial technical details, such as the carbon fibre-reinforced plastic (CFRP) body, the LifeDrive concept and early design sketches already presented to the public.	7–9
<b>Product recycling</b>			
Use of recyclates in vehicles	Further determination of suitable components to be used as recyclates. At present, approved plastic recyclates account for up to 15%.	The use of recyclates continues to be explored for each model, and potential identified. The percentage of recyclates used remains unchanged at up to 15%.	8, 9

## Environment

Objectives	Action	Status	GC Principles
<b>Environmental protection in service</b>			
Reduction of products' environmental impact at each stage of the life cycle	Establish and enhance recovery systems for end-of-life parts from maintenance and repair in service garages in Western Europe and optimise recovery paths	Continues to be established and refined. Currently working on a joint system with other manufacturers in Spain.	7, 8
	Develop methods for a streamlined life cycle assessment approach, i.e. comprehensive assessment of material groups for a more efficient and faster accounting of entire vehicles	In progress	
Inform markets about product responsibility requirements in accordance with environmental laws	Promote networking on matters of environmental protection in the retail organisations and expand the network of environmental officers in individual markets	Professional networking continues to be promoted. Environmental officers appointed in 99 % of cases (attrition).	7, 8
	Global introduction of one of the market-specific shop disposal systems recommended by the BMW Group at dealer and service operations, as well as inclusion of related requirements in importer contracts.	Market-specific shop disposal systems continue to be established and updated.	7–9
<b>Resource and environmental protection management</b>			
Breakthrough goal of a 30 % reduction in energy consumption as well as VOC, water, process wastewater and waste per vehicle produced between 2006 and 2012 (5 % per year)		<p>Following developments reported between 2009 and June 2010:</p> <ul style="list-style-type: none"> <li>– Energy consumption: 5 % increase from 2.80 to 2.94 MWh/vehicle</li> <li>– VOC emissions: 21 % reduction from 1.96 to 1.54 kg/vehicle</li> <li>– Water consumption: 12 % reduction from 2.56 to 2.25 m<sup>3</sup>/vehicle</li> <li>– Process wastewater: 8 % reduction from 0.64 to 0.59 m<sup>3</sup>/vehicle</li> <li>– Waste for disposal: 32 % reduction from 14.84 to 10.13 kg per vehicle</li> </ul> <p>The energy efficiency index shows that overall resource efficiency enhancements are in the agreed target range. The increase in energy consumption per vehicle produced is due to lower production volumes during the 2009 economic crisis.</p>	8–9
	Further measures to raise employee awareness of energy saving potential	Employees at all German-speaking plants were educated and advised about how to use energy and water efficiently at work and at home through exhibits, information material, a film and a quiz as part of the “Energy Days” held for all plants. Energy-saving tips are posted in the intranet. Poster campaigns and the intranet call attention to topical energy-saving options at the start of winter and during vacation time.	
	Integration of findings from the Munich pilot project on consumption structures and energy flows at all German locations	The findings from the pilot project at the Munich plant were applied and implemented at German locations.	
	Full implementation of odour-free foundry at the Landshut plant by 2010 with the subsequent further reduction in VOC emissions	Switching from organic to inorganic binders in the die casting process for manufacturing sand cores made it possible to shut down the natural gas post-combustion plant and reduce emissions by 98 %. This also saves energy costs of about 745,000 euros per year.	
	Decrease in potable water consumption through recycling in production and use of other water categories such as near-surface ground water	Water consumption reduced by about 460,000 m <sup>3</sup> (approx. 13 %) in 2009.	
Nature conservation and biodiversity	Develop a biodiversity indicator for the BMW Group's production network	Ecological reviews currently being performed at the Regensburg and Wackersdorf locations to provide a complete set of data for the development of a biodiversity indicator.	8



## Environment

Objectives	Action	Status	GC Principles
<b>Energy consumption and emissions</b>			
Increased use of renewable energies	Evaluate and promote the option of using wind and geothermal power at various locations	The use of wind power in the vicinity of the Leipzig and Oxford sites is currently under evaluation. The use of geothermal power is also being explored at several locations.	7, 8
<b>Materials use and waste management</b>			
Introduction of waste management worldwide	Introduction of ABIS at the plants in Goodwood (UK), Rayong (Thailand) and Chennai (India)	The plant in Chennai, India was integrated into the BMW Group's ABIS waste information system in 2008. ABIS scheduled for launch at the Goodwood (UK) and Rayong (Thailand) plants in 2011.	7-9
<b>Sustainability in the supply chain</b>			
Integration of ecological and social standards in processes between purchasing and suppliers/partners	Develop suitable indicators to identify deviations and room for improvement early on	Revised questionnaire for self-assessment of suppliers includes an evaluation matrix with exclusion criteria from the fields of environmental protection, social standards and product development. Suppliers are required to provide detailed information about the materials and substances they use in the form of technical data sheets as well as on REACH requirements. Inadequate fulfilment of the necessary sustainability requirements is resolved in close cooperation between the BMW Group departments concerned and the suppliers.	7-9
Efficient supply chain that applies the same ambitious sustainability standards worldwide and at all stages of value creation	Establish assessment processes at suppliers' locations and take sustainability aspects into consideration at all stages of value creation in the concept phase of new vehicle projects	Verifying suppliers' sustainability status also firmly established as part of the requalification process for quality assurance.	7-9
	Raise awareness of the importance of ecological and social standards among purchasers and validate supplier partners	In progress	
<b>Efficient transport logistics</b>			
Reduction in environmental impact of surface protection materials for new vehicle transport	Conversion of vehicle distribution to exclude surface protection (by the start of 2008, 95 % of BMW Group vehicles to be delivered without extra surface protection)	Further reductions in surface protection for vehicles lowered emissions. Due to delivery problems with the closed wagons needed for transportation, about 91 % of all new vehicles were delivered without surface protection such as wax, adhesive films or protective sheaths in 2009 (2008: 82 %).	7-9
Increase percentage of low-emissions transport usage	Development of supply concepts from global procurement sources to BMW Group production sites under consideration of sustainable, environmentally-friendly transport concepts	Logistics partners contractually obliged to use vehicles that meet latest EU norms. Further supply concept measures currently in preparation.	7-9
Optimisation of transport volumes	Development of concepts on traffic reduction (capacity utilisation) and traffic relocation to more environmentally-friendly carriers	Concepts for traffic reduction and transfer to more environmentally-friendly carriers continue to be monitored and possible actions explored.	7-9

## Anti-Corruption

Objectives	Action	Status	GC Principles
Continuous optimisation of compliance organisation	<p>Complete the implementation of the compliance organisation at BMW AG, BMW Bank GmbH and other German subsidiaries</p> <p>Continue the rollout of compliance processes in business units at BMW Group in Germany and abroad, including the completion of the second phase of the compliance training rollout for an additional 3,000 managers at all international group companies</p> <p>Translation of the Legal Compliance Code into seven additional languages to complement the German and the English versions</p>	<p>Implementation at BMW AG and several German subsidiaries completed in June 2009.</p> <p>International rollout at more than 69 BMW Group units worldwide completed in November 2009, included training in compliance basics for more than 10,000 managers and employees worldwide.</p> <p>The BMW Group's Legal Compliance Code – the principles of lawful behaviour – has been available in eight additional languages (French, Spanish, Italian, Portuguese, Russian, Japanese, Thai and Korean), besides German and English, since 2009.</p>	10