



BMW Brilliance
Automotive



Sheer
Driving Pleasure

BMW BRILLIANCE AUTOMOTIVE LTD. SUSTAINABILITY REPORT 2013

PREFACE

Dear Reader,

We are delighted to share with you our first Sustainability Report. This is a key milestone for BMW Brilliance, showing our commitment to integrating sustainability within our business and striving for continuous improvement.

We aim to sustainably deliver a premium customer experience through desirable products and services, passionate employees and committed partners. We are integrating sustainability across all our operations by ensuring it is a key component of our business strategies. We see this as our contribution to the sustainable development of our society and investment in the future of our company.

As we look back on the year in 2013, we have made some key progress towards the sustainable development of our business.

As a company, we have committed to the ten principles of the United Nations Global Compact in all our locations, in particular the Core Labour Standards of the ILO.

In April 2013, we launched our new flagship brand, Zinoro. This was an important long-term achievement for BMW Brilliance. Our first premium electric vehicle shows our commitment to innovative mobility solutions and the long-term success of the joint venture between BMW Group and Brilliance Group.

Our society is facing major challenges such as climate change, the development of megacities and resource scarcity. We are contributing towards addressing these challenges through our business activities. We are continuously reducing the emissions as well as the use of resources and energy in our production. For example, our newly built Tiexi plant represents one of the most cutting-edge and sustainable premium automotive production facilities globally.

Customer satisfaction is our key business objective. We provide customers with innovative solutions for premium mobility, combining dynamics, safety and efficiency. As a result, the BMW Brilliance CAFC (Corporate Average Fuel Consumption) is well below the fleet target established by Chinese legislations. The continuous improvement of the efficiency of our products contributes to China's national target of reducing fuel consumption of vehicle fleets to 6.9 litres of petrol per 100 kilometres by 2015.

The automotive industry is growing rapidly in China. We must make sure our employees' personal development matches our fast business growth. We make every effort to attract and keep the best people. To achieve this we offer our over 13,000 employees a variety of benefits, training opportunities, and a high level of job security. We are succeeding in retaining talents, and our voluntary attrition rate is significantly lower than the average automotive industry rate for second tier cities in China.

We have a long-term commitment to do business in China, and a strong desire for our company to be deeply rooted within the country. We are committed to fulfilling our social responsibilities as a corporate citizen and preserving Chinese traditional culture.

We hope this report may be an inspiration for the continuous stakeholder dialogue on our contribution as a business to sustainable development.



Olaf Kastner
President and CEO
BMW Brilliance Automotive Ltd.



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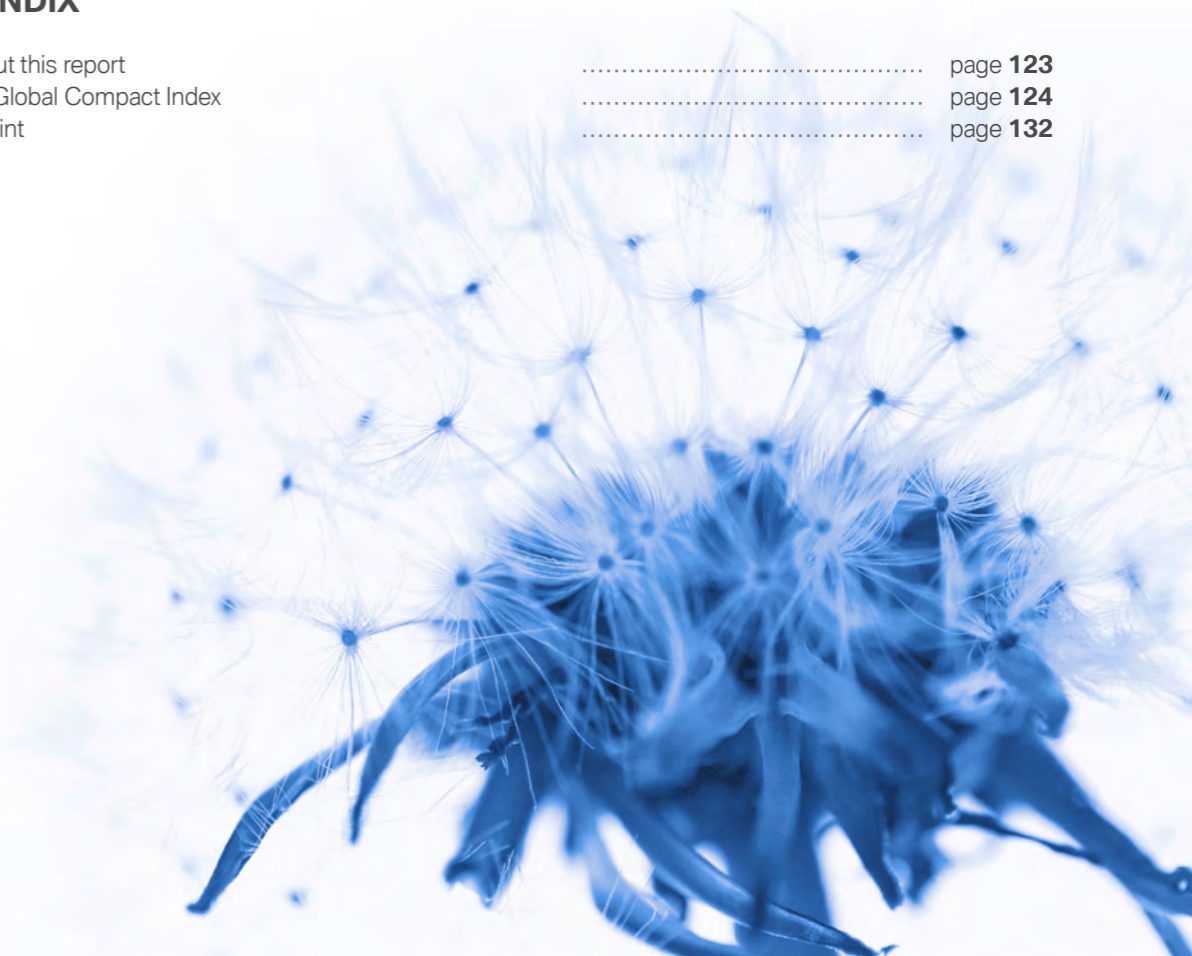
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Our holistic approach to sustainability management helps us not only to increase cost-efficiency and reduce risks, but also to identify important growth opportunities to leverage.

We constantly improve our internal processes across all departments and functions which lead to greater effectiveness, efficiency and quality. We are building transparent processes with clear roles and responsibilities, which foster better cross-departmental collaboration.

The flexibility and versatility of our processes provide our business with a competitive advantage which contributes towards value creation.

Lei Xiaoyang

Senior Vice President, Finance

China is one of the fastest developing countries which faces challenges such as environmental capacity and shortage of resources. BMW Brilliance takes a comprehensive approach to reduce the use of resources and energy consumption of every vehicle, improving the efficiency of our models with traditional combustion engines by offering more electrified drives.

Our highly efficient production plants use state-of-the-art technology to produce exceptional premium products. The plants use BMW Group worldwide energy efficiency and clean production practice.

Our localisation strategy focuses on the development of our business in China including increasing investments in Research and Development. As part of this strategy, we established a Research and Development Centre serving BMW Brilliance, BMW Group and Brilliance Group.

Dr. Anton Heiss

Senior Vice President, Technology and Manufacturing



We want to achieve perfection with each customer interaction. This is a core element of our business development in the premium segment in China. Therefore, we continuously analyse our customers' needs, and improve our products and services accordingly.

The values of our customers are changing. They are demanding new solutions for sustainable mobility. With the launch of the new Zinoro 1E, we offer a safe, environmentally friendly and highly efficient sports activity vehicle combined with mobility solutions to meet our customers' needs. Moreover, with Efficient Dynamics every BMW model offers the perfect combination of sustainability and performance. Through our Customer Relationship Management program, we constantly develop a deeper understanding of our customers and their needs. This forms the basis of our customer-centric approach to our products and services.

Peter van Binsbergen

Senior Vice President, Sales and Marketing

We want to be pioneers, offering the most innovative premium mobility services in the market. To achieve this goal, we are working towards integrating our pace of business development with the sustainable development of people and organization.

Our success is based on the dedication and technical expertise of our employees. We therefore make every effort to attract and keep the best talents. We offer our employees a variety of benefits and a high level of job security. We provide comprehensive career learning paths for the development and continuous improvement of all employees. We promote and support our employees in finding the right work-life balance. We create a diverse and inclusive working environment where each employee feels appreciated and accepted. These factors position us as one of the most attractive employers in the Chinese automotive industry and also enable the future success of our business with a passionate and highly trained workforce.

Olaf Kastner

President and CEO

Senior Vice President, acting Human Resources



BMW BRILLIANCE AUTOMOTIVE LTD.

Founded in May 2003, BMW Brilliance Automotive Ltd. is a joint venture of the final parent companies Bayerische Motoren Werke Aktiengesellschaft and Brilliance China Automotive Holdings Limited. Its operations include the production, sales and aftersales services of BMW and Zinoro automobiles. Situated in Shenyang, Liaoning Province, BMW Brilliance has over 13,000 employees and a nationwide sales and service network. By the end of 2013, BMW Brilliance had a total of 420 sales and service outlets nationwide, four BMW Parts Distribution Centres, three BMW training centres, 15 training bases and 11 training sites.

Currently, BMW Brilliance manufactures the BMW 5 Series long wheelbase, the BMW 3 Series long wheelbase and standard version, the BMW X1 and Zinoro 1E. Nearly 200,000 units of products were delivered in China in 2013. In order to satisfy rapidly increasing customer demand, the Tiexi plant was officially opened on 24 May 2012. BMW Brilliance reached a total capacity of 300,000 units at the Tiexi and Dadong plants in 2013. In August 2012, a plan to upgrade its engine production was announced. A new engine plant is under construction next to the Tiexi plant which will go into operation in 2016. In April 2013, BMW Brilliance launched the joint-venture-owned new brand: Zinoro. This showcased a key milestone for our business which demonstrates the success of our joint venture in China. The first product Zinoro 1E, a pure electric drive, zero emissions vehicle, made its world premiere at the 2013 Guangzhou auto show.

BMW Brilliance has always adhered to its localisation strategy. Up to the end of 2013, there were 326 local suppliers, with a total purchasing volume of RMB 17.9 billion. BMW Brilliance has been ranked top taxpayer in Shenyang for eight consecutive years.

BMW Brilliance, and jointly with all BMW companies in China, as corporate citizens are fully committed to the localisation of our business. We want to fulfil our social responsibility, growing with Chinese society and making contributions in fields of Resources, Intercultural Innovation and Social Inclusion, and Education through a series of leading projects in the industry.

AN OVERVIEW OF BMW BRILLIANCE

OUR HISTORY

2003: FOUNDING OF THE COMPANY, A JOINT VENTURE OF THE FINAL PARENT COMPANIES OF **BAYERISCHE MOTOREN WERKE AKTIENGESELLSCHAFT** AND **BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED**.

OUR PRESENT

WE ARE THE LEADING PROVIDER OF PREMIUM VEHICLES AND SERVICES.

OUR VISION

WE SUSTAINABLY DELIVER A PREMIUM CUSTOMER EXPERIENCE THROUGH DESIRABLE PRODUCTS AND SERVICES, PASSIONATE ASSOCIATES AND COMMITTED PARTNERS.

PRODUCTION AND SALES as of 31.12.2013

2 COMPLETE VEHICLE PLANTS AND **1** ENGINE PLANT

420 AUTHORISED DEALER OUTLETS NATIONWIDE

4 PARTS DISTRIBUTION CENTRES

3 BMW TRAINING CENTRES

15 TRAINING BASES AND **11** TRAINING SITES

OUR PRODUCTS

- BMW 5 SERIES LONG WHEELBASE
- BMW 3 SERIES LONG WHEELBASE AND STANDARD WHEELBASE
- BMW X1
- ZINORO 1E
- BMW N20, 4-CYLINDER ENGINE

EMPLOYEES *

13,024

AUTOMOBILES *
— units

214,978

AUTOMOBILES *
— units

206,729

BMW BRILLIANCE 10TH ANNIVERSARY

BMW BRILLIANCE OVER TEN YEARS
2003—2013

03/2003
Signing of JV contract



10-11/2003
Start production of BMW 3 Series and
BMW 5 Series standard wheelbase

09/2005
Launch of new BMW 3 Series
(the 5th Generation)



03/2007
Roll-off of 50,000th car

11/2009
2nd plant signing ceremony



05/2011
Roll-off of 250,000th Car



01/2013
All-new BMW 3 Series (the 6th
Generation) standard wheelbase roll-off

04/2013
Launch of ZINORO 1E

07/2013
BBA 10th anniversary

09/2013
R&D centre opening



2003

2005

2007

2009

2011

2013

2004

2006

2008

2010

2012

11/2006
Launch of BMW 5 Series Li
(the 5th Generation)



04/2008
5th anniversary and 100,000th car



08/2010
All-new BMW 5 Series launch
(the 6th Generation)



05/2012
Tiexi plant grand opening

06/2012
New engine plant project signing

11/2012
Launch of BMW X1





01

SUSTAINABILITY MANAGEMENT

- 1.1 Our management approach
- 1.2 Stakeholder engagement
- 1.3 Risk management
- 1.4 Compliance



Our management approach

Sustainability management is an investment in our future success and long-term viability. Our business success is measured by financial indicators, but also by the integration of the company into our society. Managing our social and environmental responsibility is integral to the way we do business. We are convinced that the lasting economic success of any enterprise in today’s society is based increasingly on acting responsibly and ensuring social acceptance. We believe future industry leaders will be manufacturers, who integrate sustainability consequently throughout the whole value creation chain.

As a member of the UN Global Compact Initiative, we are committed to its ten principles as well as the principles of fundamental rights set out in the International Labour Organisation’s Declaration on Fundamental Principles and Rights of Work. With this commitment, we strive to protect human rights related to our employees, suppliers, business partners and the communities we live and work in. We use targeted dialogue with stakeholders to gain various perspectives and input on strategically relevant topics. This also enhances the acceptance of our activities and decision-making. Our compliance policies apply for all management procedures. The policy provides guidance to employees for all compliance-related queries.

PURSUING LONG-TERM SUSTAINABILITY

We are committed to increasing our efforts to promote sustainable development as a business, and it is essential that we take a long-term comprehensive approach. We intend to further expand our leading position while focusing on the issues where we can have the greatest impact through our products and services, technology, employees, partners and corporate citizenship.



- **Product responsibility**
It is our commitment and responsibility to produce safe, efficient, dynamic and eco-friendly vehicles such as the recently launched Zinoro 1E electric drive vehicle. We develop innovative technology to provide premium mobility services to our consumers. We focus on all safety segments, following the BMW global safety standards, taking both active as well as passive safety measures into account. We analyse customers’ needs continuously and aspire to maintain and enhance customers’ satisfaction with our products and services. As natural resources decrease, and climate change continues unabated, we address environmental issues as a responsible automobile manufacturer and invest in future mobility solutions.
- **Environmental protection**
We take environmental protection as a fundamental part of our sustainability strategy. We aim to be the leading and most resource-efficient premium automotive product provider in China. Our Environmental Policy is therefore in accordance with BMW Group-wide environmental policies and guidelines. Our environmental management is an integral part of BMW Group’s environmental management system. Through innovative measures we continuously reduce energy consumption and emissions, increase transport efficiency, improve the efficiency of materials use, reduction of waste and VOC emissions across all our business operations. We aim to continuously improve our environmental performances by sharing best practices, raising awareness, and minimising our environmental impact.
- **Supplier management**
As our business grows, we face complex global supply chains, involving a large number of suppliers and sub-suppliers, which presents considerable demands and challenges, but also opportunities to leverage. We work together with our suppliers over the long term to ensure sustainability across our entire supply chain network as part of our localisation process. We strengthen the complex supplier chain management to ensure their performance fulfils social and environmental standards. We continuously review our suppliers and conduct regular supplier audits. We refer to the BMW Group International terms and conditions for the purchase of production materials and automotive components. These include specific provisions with regards to environmental protection and social responsibility.
- **Employees**
We want to ensure that BMW Brilliance remains an attractive employer and recruits the best diversity for our business. Our employees are provided with good working conditions including job security, above-average pay, and a wide range of benefit and health-care programmes. The Labour Union, set up in 2007, protects the rights of all our employees. Our occupational health and safety practices are implemented in accordance with Chinese legislation and the international best-practice guidelines of the BMW Group health and safety. We strive to implement training and further education for our employees. We provide a positive working environment where employees have equal rights and development opportunity, as well as encouraging a work-life balance. All of these initiatives reflect our enterprise value and contribute towards our business success.
- **Corporate Citizenship**
We aim as a business to fulfil our social responsibilities as a corporate citizen. Our continuous focus and engagement in China shows our commitment as a business and positive contribution to society. In 2008, BMW China Automotive Trading Ltd. and BMW Brilliance set up in partnership with China Charity Federation (CCF) the CCF-BMW Warm Heart Fund (WHF). This fund aims to provide a comprehensive platform to support a variety of programmes and partners, whilst ensuring the principles of synergy, sustainability and transparency. We are fully committed to Chinese society in the fields of Resources, Intercultural Communication and Social Inclusion, and Education. WHF has effectively engaged the whole BMW family over the past six years through implementing charity programmes.

Ten principles of the UN Global Compact

BMW Brilliance is committed to the UN Global Compact and its ten principles. The UN Global Compact is the largest initiative worldwide for responsible corporate management. The participating companies have agreed to align their business activities and strategies with ten universally accepted principles concerning human rights, labour standards, environmental protection and anti-corruption measures.



The BMW Brilliance Automotive Ltd. Sustainability Report 2013 documents the progress achieved concerning the ten principles of the UN Global Compact:

Human rights

- Businesses support and respect the protection of internationally proclaimed human rights; and
- make sure there is no complicity in human rights abuses.

Labour

- Businesses should uphold the freedom of association and recognition of the right to collective bargaining;
- eliminate all forms of forced and compulsory labour;
- effectively abolish child labour; and
- eliminate any discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Businesses should work against corruption in all forms, including extortion and bribery.

www.unglobalcompact.org

RESPECTING HUMAN RIGHTS

Human rights are a cross-cutting issue that relates to our entire value chain as well as to all our stakeholders. We are committed to the UN Global Compact Initiative and its ten principles as well as the principles of fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights of Work. The BMW Brilliance Joint Venture Equity Contract explicitly relates to these rights. As a business we respect human rights by avoiding infringement of human rights of others, and addressing any adverse human rights impacts we might be involved with. Specific human rights related to our employees, suppliers, business partners and the communities we live and work in are outlined below and elaborated in the subsequent chapters.

Human rights related to our employees

The ILO Core Labour Standards are firmly anchored in our values. In addition, we commit in our Human Resource Guidelines to provide employees with a safe, clean and open-minded working environment. In order to achieve this promise:

- our Human Resource Guidelines addresses full compliance with China's Labour Law and relevant regulations, in relation to forbidding forced, compulsory and child labour. Any violation of the Human Resource Guidelines or Legal Compliance Code is filed with the Human Resources Department and Compliance Committee. Additionally, the BMW Group and the Brilliance Group conduct an annual audit to compliance.
[See Chapter 5.1 Our management approach ►](#)
- we set up the Labour Union in 2007, working to protect employees' rights and interests and mediating disputes between employees and the company. In addition, our Public Relations Department set up a series of activities to increase communication between our employees and top management. Both non-production and production employees have the opportunity to discuss specific issues with the BMW Brilliance senior management.
[.See Chapter 5.1 Our management approach ►](#)
- the work environment has to be free from any behaviour that could be considered as harassment. Language which is threatening, profane, vulgar or abusive towards other employees may result in a written warning, even termination of contract. Employees encountering any form of bullying and harassment can report anonymously to the Human Resources Department or the BMW Brilliance SpeakUP Line for compliance investigation.
[See Chapter 5.1 Our management approach ►](#)
- we support employees by providing medical care, occupational health services, promoting health and healthy lifestyles, including health checks and flu vaccinations on a regular basis. We also offer services such as basic medical insurance plans for our employees and their families.
[See Chapter 5.3 Occupational health and safety ►](#)
- all employment decisions are made without any regard to race, colour, sex, religion, national origin, marital status, age, sexual orientation, disability or military status. Migrant workers are treated equally as any other employee with full coverage of social welfare and protection.
[See Chapter 5.5 Diversity and inclusion ►](#)

- the Human Resources Department and line managers review employee leave and working hours on a monthly basis. All managers must ensure employees use their full entitlement of annual leave over the year. The minimum corporate salary at BMW Brilliance is higher than the living wage stipulated by the government.
[See Chapter 5.6 Work-life balance ►](#)



Human rights related to our suppliers and business partners

As we work together with our suppliers and business partners, we make every effort so that they meet the same environmental and social standards that we set. They include compliance with all internationally recognised human rights as well as labour and social standards. In order to achieve this aim:

- BMW Brilliance dealers must reach a relevant standard on sustainability. This includes dealers’ contribution to the local economy and employment, their participation and dedication to the community welfare, as well as the validity of energy conservation and the efficiency of carbon emissions in operation.
[See Chapter 2.1 Our management approach ►](#)
- we have set up a supplier risk management process to identify and analyse potential sustainability and human rights risks along the supply chain. Our regular supplier review considers issues such as operational health and safety, child labour risks or environmental impacts. The BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components specify environmental as well as human rights requirements towards our suppliers.
[See Chapter 4.2 Minimising supplier risk ►](#)
- security forces hired directly by BMW Brilliance are treated as any other employee and therefore are subject to the company’s guidelines. BMW Brilliance has no record of human rights infringements by commissioned security forces.

Human rights related to the communities we live and work in

Since BMW Brilliance was founded in 2003, we have implemented a sustainable development strategy throughout our value chain (supply – production – retail), with equal emphasis on economic development, environmental protection and social contribution. Our business is deeply rooted in China, which integrates our pace of business development with the development of Chinese society. As such, we have a long-term commitment to China, to fulfil our social responsibilities as a corporate citizen, and ensure a sustainable and harmonious future together with Chinese society. In order to achieve this commitment, BMW Brilliance:

- takes all necessary measures to fight corruption in order to prevent personal gain or preferential treatment. Our comprehensive compliance procedures include specific internal initiatives to prevent, detect and respond to all compliance-related issues. For external partners, we have established compliance measures such as compliance clauses in purchase orders.
[See Chapter 1.4 Compliance ►](#)
- takes a comprehensive approach to product responsibility. We produce fuel-efficient vehicles that are safe for drivers and other road users and better for the environment. We implement holistic recycling concepts and high-quality customer care. This ensures our cars have a minimum impact on the environment even after they reach the end of their life cycle.
[See Chapter 2.1 Our management approach ►](#)
- takes social and environmental impacts into consideration in the earliest stage of planning of BMW Brilliance infrastructure, in order to minimise the impact on neighbours and the communities. All BMW Brilliance infrastructure constructions are pre-examined and go through a national Environment Impact Assessment. The relevant authority publishes the process of public consultation on its website. All land to be used for infrastructure construction is predefined by the government as industrial zone and the land is obtained through public auction. Beyond that, BMW Brilliance supports the local governments to plan the city development.
[See Chapter 3.1 Our management approach ►](#)
- commits to minimising its environmental impact. By reducing our water consumption we contribute to reducing the risk of water shortages. By reducing our VOC emissions, we contribute to reducing our impact on public health.
[See Chapter 3.1 Our management approach ►](#)
- actively engages in the communities in which we live and work. We promote cross-cultural understanding and social inclusion through innovative activities to reduce inequality and safeguard the social stability and prosperity, and by providing educational support for new generations.
[See Chapter 6.1 Our management approach ►](#)

FORECAST

We are aware that human rights need continuous improvement and measures. To further improve our performance, we have committed to aligning our management process with the requirements of the UN Guiding Principles on Business and Human Rights and adopting the BMW Group worldwide practice and guidelines on human rights protection. We will also develop a Human Rights Policy, for example, which includes introducing a public holiday for minorities, such as the Muslim Lesser Bairam holiday.

Stakeholder engagement

Our ongoing dialogue with BMW Brilliance’s stakeholders is a continuous learning process for our business. We use targeted dialogue with our stakeholders to understand various perspectives and receive input on strategically relevant topics. We identify trends and key topics at an early stage which helps towards gaining acceptance of our activities and decisions. We want to build long-term trust with our stakeholders. This is important to demonstrate our commitment to society and for our future business success.

As a business we aim to achieve mutual benefits with a variety of different stakeholders. For the city of Shenyang our business contributes significantly to tax, employment and economic development. For our Chinese customers we are a top car manufacturer in the premium market. For our business partners we create a profitable and responsible business. We want to understand the different perspectives of our stakeholders, and work together to gain further knowledge. It helps us to build trust and deepen partnerships that are critical to the performance of our company.

STRATEGICALLY ALIGNING STAKEHOLDER ENGAGEMENT

Our main stakeholder groups comprise our shareholders, customers, employees, suppliers, dealers, policymakers, students and the social community. BMW Brilliance’s stakeholder engagement is reflected in and translated into our approaches on key areas such as Product Responsibility, Human Resources, Corporate Citizenship activities, Production and Supplier Management.

Dialogue with targeted stakeholder groups takes place in a wide range of formats that include talks, events, meetings, surveys and training. For example:

- We conduct customer surveys and talks to understand customer expectations and needs
- We train dealers to enhance their capacity and build greater customer satisfaction
- We arrange open discussions for employees with top management to understand their concerns and suggestions
- We provide ongoing dialogue with central and local policymakers providing our expertise
- We interact with students and the social community to jointly raise awareness about issues such as environmental protection and traffic safety

DEFINING STRATEGIES WITH OUR SHAREHOLDERS

Our Board of Management reports to the Board of Directors which represents our shareholders, BMW Group and Brilliance Group. With our shareholders’ direct involvement in important decision-making processes, we integrate sustainability into our strategic decisions regarding environmental, social and corporate governance issues. For example, during the development of and launch of new energy vehicle products, our shareholders provided support in terms of technology, product strategy and planning. Another example is the set-up of a Research and Development Centre serving BMW Brilliance, BMW Group and Brilliance Group. We have created information and best-practice sharing networks and platforms which closely link our business divisions to the responsible departments within our shareholders, BMW Group and Brilliance Group. BMW Brilliance generates shared value of “mutual trust and win-win” for our shareholders.

VALUING CUSTOMER FEEDBACK

Our customers are at the heart of everything we do. Business success needs a clear understanding of the customer needs. We gain customer insights and knowledge through customer talks and surveys which is important for our understanding in meeting their needs and expectations. In addition, we invite customers for interviews to provide timely feedback about their satisfaction with purchasing and service experiences at the BMW dealer or authorised repair shops. Our regular customer talks allow BMW Brilliance’s management to directly experience customer perceptions and expectations. We record all first-hand customer comments and distribute these to related functions for feedback and continuous improvement. Most customer feedback is related to enhancing the BMW service experience, for instance, at the time that the customer’s car is being serviced or repaired.



To build customer loyalty and brand reputation, we regularly provide free tests, maintenance packages and promotions for our customers. This gives customers a complete a 360-degree experience of the company from products to services, and hence fulfils the company’s “Commitment of Care”. Personalised attention and care is one of the ingredients of our customer satisfaction principle. We have implemented the Fast Lane service schemes of “1-hour engine oil and oil filter maintenance” and “24-hour minor body repair and paint job”. These both have extensive customer demand, based on the after-sales service concept of “Maintaining Joy” and the brand commitment of “efficiency, transparency and care”.

[See Chapter 2 Product Responsibility ►](#)

COMMUNICATING ON SOCIAL MEDIA

Communication with stakeholders via social media is becoming more important. On Weibo, which is the most popular Chinese microblog, and our BMW China page and BMW Customer Club page, we have over 860,000 and 60,000 followers respectively. Both of these sites are joint initiatives of all BMW legal entities in China. Our BMW Brilliance recruitment page has over 30,000 followers, and another joint initiative, BMW Children Traffic Safety Education page had over 30,000 followers by July 2014.

The social media page is an important tool used to foster discussion of sustainability with stakeholders such as customers as well as to identify new trends and receive feedback on our activities.

ENGAGING OUR EMPLOYEES

In order to increase communication between our employees and top management, our Public Relations Department set up a series of activities such as the Open Door and T-table in 2011. Both non-production and production employees have the opportunity of discussions with senior management from the following areas: Technology and Manufacturing Department, Dadong plant, Tiexi plant and the Powertrain plant. The discussion covers a full spectrum of employee interests including the human resources strategy, company development, career development and benefits. Our top management answers all questions. Through discussion, our management makes sure employees’ concerns are heard and directly addressed. We held five T-table and Open Door activities in 2013.

In 2007, BMW Brilliance established the Labour Union, working on protecting employees’ rights and interests and promoting the development of the company. By the end of 2013, the Union covered 100% of employees who were eligible for membership.

Every year, the Union represents employees by holding a collective consultation with management. In recent years, issues discussed with the Labour Union concerned, for instance, wage increase, production plan scheduling, labour dispute mediation as well as canteen and shuttle bus management.mediation as well as canteen and shuttle bus management.

[See Chapter 5 Employees ►](#)

BUILDING PARTNERSHIPS WITH OUR SUPPLIERS

To develop our business, we rely on a large group of national and international suppliers. This results in potential risks, but also potential opportunities to leverage through supplier management. In order to utilise these opportunities, we implement supplier training and sponsor supplier education in accordance with BMW Group worldwide standards and guidelines. In addition, we encourage greater resource efficiency and harmonise our supplier contracts with the BMW Group where relevant.

In 2013, BMW Brilliance planned and held a “Supplier Day” event with suppliers and government representatives. The event provided an open forum for collaboration and discussion. We shared information between our business and our suppliers, allowing us to discuss opportunities, expectations and challenges. The two-day event took place in Shenyang, where BMW Brilliance is based. Over 200 suppliers from all over China took the opportunity to share information within the supplier network. We shared information on the future plans of our business and proposals on working together in future years. In addition, detailed logistics and quality-related procedures were also explained.

In particular, we discussed how we would address sustainability and future challenges, such as key environmental and social responsibility issues. Our goal is to bring suppliers geographically closer to the plants of BMW Brilliance in order to provide cost savings for logistics and energy savings. The Chinese government promotes the necessity to build a suitable environment next to plants to meet the expected economic growth. As a result, we were able to build important relationships, for example between key people within the supplier business, and our own business partners. Following the Supplier Day event, we received very positive feedback from our suppliers and from the government.

[See Chapter 4 Supplier Management ►](#)

TRAINING OUR DEALERS

We assist the BMW dealer network to improve performance in several key areas. One example is training our dealers. This helps them to obtain the latest knowledge on technology to enhance customer service experience. In our dealer management training we also emphasise our core principles of sustainability along the entire value chain, including labour and human rights protection, and employee care.

Within our dealers we also actively promote our 5S dealer certification (Sales, Service, Survey, Sparepart and Sustainability). BMW 5S dealers must reach a relevant standard on sustainability. This includes dealers’ contribution to the local economy and employment, their participation and dedication to the community welfare, as well as the validity of energy conservation and the efficiency of carbon emissions in operation.

BMW Brilliance has a significant professional training network in China. This includes three training centres, 15 training bases that work with local technical institutions and 11 body and paint training centres. In 2013, we provided 230,000 man-days of training for dealers’ employees.

See Chapter 2 Product Responsibility ►

IN OPEN DIALOGUE WITH POLITICAL DECISION-MAKERS

Over the past decade, BMW Brilliance has developed established relationships and mutual trust between foreign and Chinese shareholders, and the Chinese government.

In China, BMW Brilliance is committed over the long term for our business to be deeply rooted in China. We integrate the pace of our business development with that of the development of Chinese society. We believe in fulfilling our social responsibilities as a corporate citizen and contributing to the sustainable development of society.

We engage in regular, open dialogue with political decision-makers, Union representatives, associations and non-governmental organisations. For example, in recent years we discussed the fuel economy legislations, the national strategy on developing and promoting new energy vehicles, air pollution control and traffic measures with these stakeholders. We want to play a constructive role in shaping the general political framework for our business activities by offering our expertise and finding sustainable solutions.

In addition, we foster ongoing dialogue with policymakers not only directly, but also through our employees, and as part of our memberships of national associations and industry-representative bodies.

EXAMPLES OF NATIONAL ASSOCIATIONS

- China Association of Automobile Manufacturers (CAAM)
- Society of Automotive Engineers of China (SAE-China)
- China Association of Enterprises with Foreign Investment (CAEFI)



FOSTERING SOCIAL COMMUNITY

BMW Brilliance has led a series of industry-leading corporate social responsibility projects, comprehensively and systematically, as part of our effort to implement our long-term commitment within China.

The Sustainability and CSR Forum entitled “Unite for a More Innovative and Responsible Future” was held in Beijing on 18 July 2013. Companies in China increasingly highlight the important issue of how to contribute to sustainable development working with all stakeholders while maintaining business success. As an advocate and pioneer of sustainable development strategies, we have implemented such a strategy throughout its entire value chain. In addition, we have encouraged many companies and the general public to shoulder their respective social responsibilities and together promote the sustainable development of society. [See Chapter 6 Corporate Citizenship ►](#)



EDUCATING AND RAISING AWARENESS WITH STUDENTS

In September 2012, BMW Brilliance passed the joint evaluation of China’s General Administration of Quality Supervision, Inspection and Quarantine and Ministry of Education, winning approval to set up Quality Education Bases for primary and secondary school students. Our Tiexi plant has worked ceaselessly to perfect training content and provide a platform for middle and primary school students to understand the automotive production process and automotive technologies. In addition, we promote quality consciousness through advanced manufacturing technologies and quality management.

As a flagship campus event, the BMW Day has been hosted by Tongji University every year since its establishment in 2006. Over 150,000 students nationwide have participated in the activities over the last eight years. This year’s BMW Day, held at Tongji University, showcased our advanced technology and passion for our brand. The BMW Day was enjoyed by thousands of university students. We discussed several issues with students including how the production quality management and supplier change management contribute to product safety and safety features on BMW car models. [See Chapter 6 Corporate Citizenship ►](#)

FORECAST

We plan to continue fostering and expanding stakeholder engagement. Our aim is to continue to incorporate stakeholder input as we further develop our strategy, whilst communicating openly. Only in a common dialogue can solutions be developed to meet the challenges of the future.

Risk management

In the dynamic Chinese market, we are constantly confronted with new opportunities and risks which must be managed. This is a fundamental prerequisite for being able to deal successfully with changes in the prevailing environmental, legal, technical and economic conditions. It is vital that we take a comprehensive approach to risk management in order to develop our business sustainably.

The aim of the risk management system is to identify, analyse and actively influence any risks within or outside the company that could prevent the achievement of our business objectives. Risk management at BMW Brilliance is based on a company-wide decentralised network which is managed by a central risk management function.

MANAGING RISKS IN OUR BUSINESS

The risk management process is geared towards meeting the criteria of effectiveness, usefulness and completeness. In 2011, BMW Brilliance developed risk catalogues to ensure company-wide transparency of risk situations. The risk management process set up a company-wide network

- to identify both quantitative and qualitative risks
- to optimise the recording and reporting of risks in the network including the required countermeasures
- to promote cooperation and mutual exchanges

The risk management process involves identifying and scrutinising risks early on, deploying appropriate control tools, and monitoring and evaluating measures for the short and medium term.

The risks are reported to the BMW Brilliance Controlling and Risk Management team. Following the assessment by the Controlling and Risk Management team, the risks are reported to the BMW Brilliance Board of Management and the Board of Directors. Substantial risks that present a threat to the company are classified on the basis of the potential scale of impact on the company's earnings, assets and financial position. The risk is quantified, taking into account the probability of occurrence and risk mitigation measures.

DISCUSSING OPPORTUNITIES AND RISKS FROM THE VIEWPOINT OF SUSTAINABILITY

The Board of Management discusses risks and opportunities related to sustainability. Risk aspects discussed are integrated into the company-wide risk network. The close ties between the central risk management function and the network members from business divisions ensure that risk and sustainability management are closely coordinated.

Turning strategic and industry-specific risks into opportunities

China has the largest automotive production and sales of any country. It is also the largest single market within the BMW Group. The Chinese automotive industry is faced with constant challenges of new regulatory requirements, reduction of fuel consumption and emissions, and raising safety standards. We are overcoming these challenges and increasing our competitiveness with our Efficient Dynamics concept and by developing sustainable drivetrain technologies. Our technological expertise and innovation strengths put our business at a competitive advantage in the market.

Dealing with economic risks

As a business operating in China, we are facing several challenges due to social changes. Urbanisation and an increasing middle-class population increase the demand for individual mobility. As a result, society is requiring innovative technologies and solutions to cope with environment and traffic pressures particularly in large cities. In the meantime, the slowdown of economic momentum in China also poses further risks.

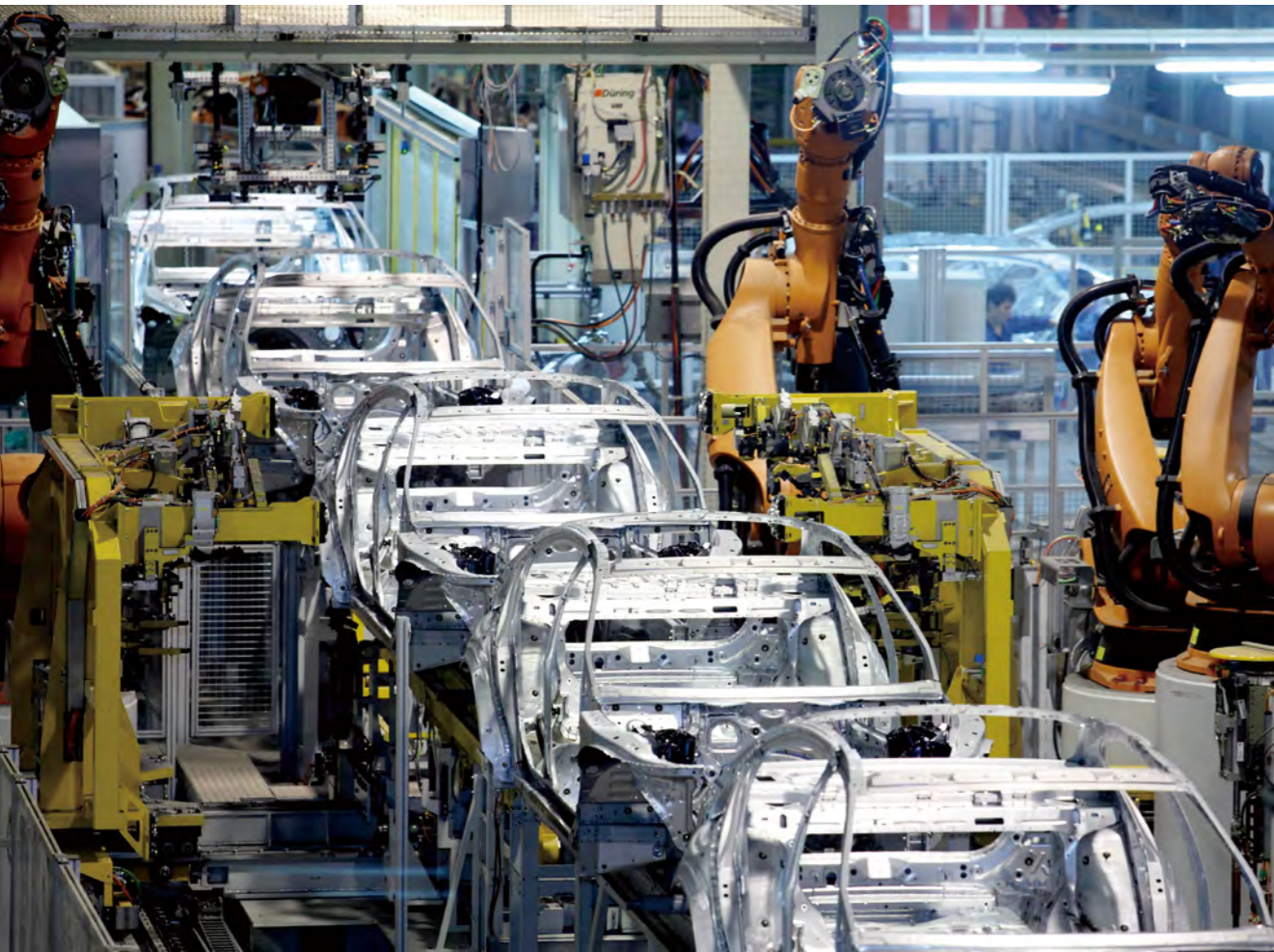
Working with the BMW Group, we avoid these risks primarily by using developed production and product strategies with in-depth analysis of the Chinese market in order to reduce the potential impact of risk exposure.



Avoiding financial risks and ensuring liquidity

As a joint venture, BMW Brilliance conducts business transactions in various currencies which always entail currency risks. These currency risks are hedged on the financial markets. Hedging transactions are entered into only with financial partners of good credit ratings.

The liquidity of BMW Brilliance is ensured at all times by maintaining liquidity reserves and through a broad diversification of refinancing sources. The liquidity position is managed by means of a cash flow requirements and sourcing forecast system in place throughout the company. Liquidity risks can arise in the form of rising refinancing costs on the one hand and restricted access to funds on the other.



**ADDRESSING RISKS IN PRODUCTION,
PURCHASING AND SALES**

We are subject to numerous risks in the operational areas of production, purchasing and sales, which we deal with using a variety of measures.

Production

Interruptions of production processes due to fire, plant or IT breakdowns as well as problems with transport and logistics pose risks. Therefore, precautionary measures are already incorporated into the production and logistics structures at the planning stage to make provision for such eventualities. In addition to technical fire prevention, these measures include preventive maintenance, spare parts management coordinated between plants and the planning of alternative transport routes.

Flexible work schedules and working-time accounts as well as our forward-looking production capacity of Tiexi and Dadong plants generally help to reduce operational risks. BMW Brilliance is insured up to economically reasonable levels with insurance companies which have good credit ratings.

Purchasing

The customary distribution of tasks between manufacturers and suppliers within the automotive sector creates economic benefits, but also exposes contracting parties to a certain degree of mutual dependence. Suppliers are hence increasingly joining forces to hedge risk in future technologies.

Even in the earliest stages of the supplier selection process, we make sure our future business partners meet the same environmental, social and governance standards set by the BMW Group.

Sales

Variable economic conditions between regions and a changing regulatory framework pose complexities in the demand for mobility services in China. Our sales and production processes within BMW Brilliance are flexible enough to allow new opportunities to be exploited at short notice.

FORECAST

In the future, our business processes will become even more complex due to China's fast-developing economy. BMW Brilliance will continue the current practice and further enhance its risk management by dialogue with stakeholders and adopting best practices.

Compliance

Compliance with the law and acting responsibly are critical to the business success of BMW Brilliance. This approach is integral to our corporate culture, which is demonstrated by Board members and every company employee. By demonstrating responsible values we gain trust from society to conduct our business. The growth of our business and the complexity of legal regulations require an effective risk management. The Legal Compliance Code applies to all sites operated by our business, and supports the identification of risks and avoidance of legal violations.

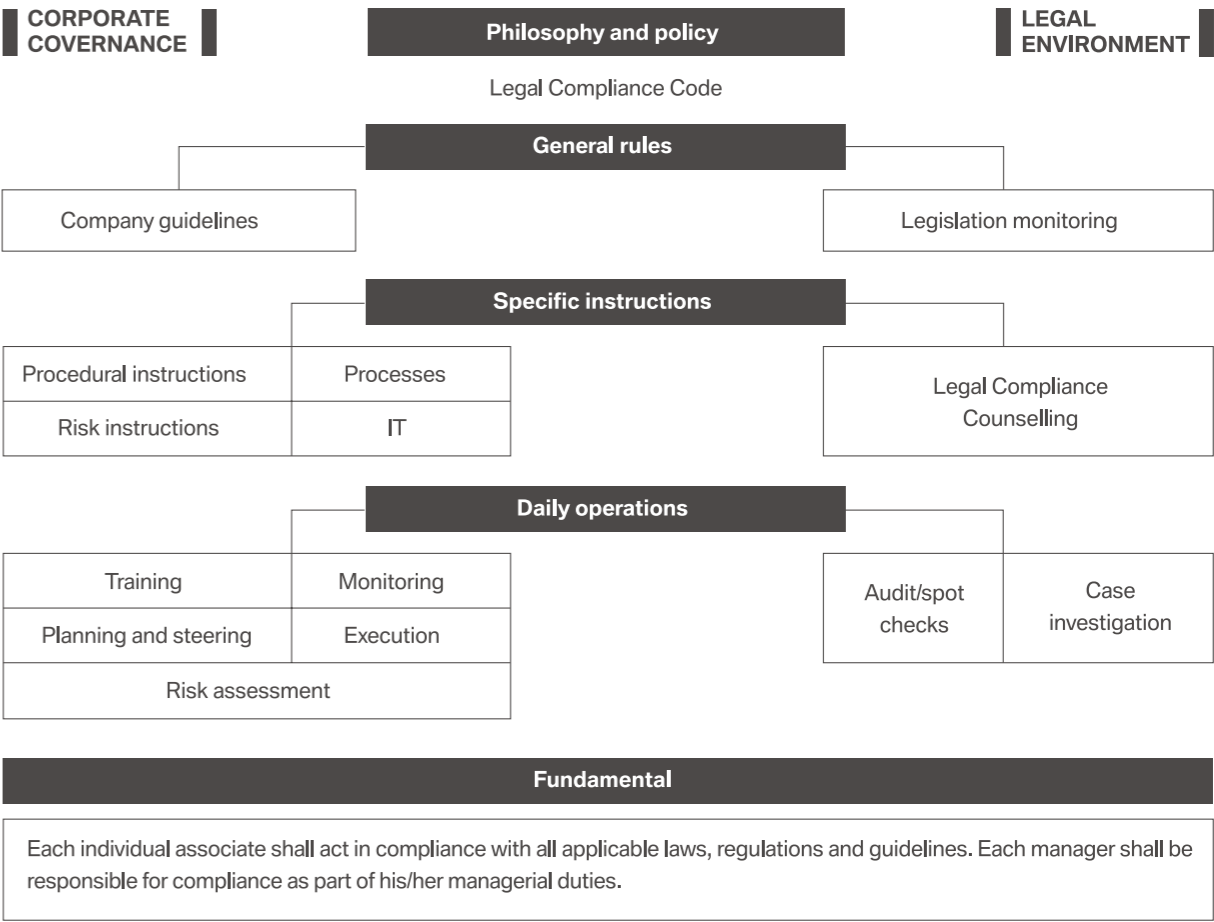
INTEGRATING COMPLIANCE PROCEDURES

The BMW Brilliance Legal Compliance Code is the foundation for compliance within our organisation (See Figure 01 Compliance Landscape). The Code acknowledges that compliance is a joint responsibility, and explains the significance of legal compliance and the relevance for the business. Each employee receives a copy of the Legal Compliance Code. In addition, it is published on our intranet for all employees. The most important focus areas of activity for BMW Brilliance's compliance strategy are corruption, bribery, fraud, antitrust and competition. We have published an Anti-Fraud Policy and Fraud Response Procedure document on the intranet for all employees.



Figure 01: BMW Brilliance Compliance Landscape

This landscape forms the basis for the compliance organisation of BMW Brilliance to develop, review and monitor compliance initiatives.



In order to comply with the Legal Compliance Code and protect the company systematically against compliance-related and reputational risks, we have established the BMW Brilliance Compliance Committee. The goal of the Compliance Committee is to ensure that the company, Board members, directors, managers and employees act in accordance with applicable laws and legal regulations. This is important in order to protect our company's integrity and avoid risks associated with non-compliance. The wider BMW Group's compliance network supports the Compliance Committee.

IDENTIFYING ANTI-CORRUPTION RISKS

BMW Brilliance has published a Corruption Prevention Policy to provide specific guidelines associated with anti-corruption. We have identified all risk-bearing business activities to work against corruption in all its forms, including extortion and bribery. These risks are addressed by using various compliance tools and programmes. For our employees we provide internal training, and our Employee Handbook includes procedures for declaration of conflicts of interest. We have internal compliance processes such as a compliance review process both at department and company levels. For external partners, we have established compliance measures such as compliance clauses in purchase orders. As a car manufacturer, we have developed standard vehicle provision forms with compliance clauses, which will be used when we provide cars to external parties.

IMPLEMENTING AND MONITORING COMPLIANCE INITIATIVES

In 2013, BMW Brilliance implemented the following compliance initiatives:

Data Privacy Protection Management

In order to manage data-privacy-related risks, the Data Privacy Protection Responsible reviews all projects related to data privacy protection, supported by a Data Privacy Protection Officer. However, the entire executive management is responsible for BMW Brilliance's data privacy issues across all business functions. We have incorporated BMW Brilliance into the wider BMW Group's Data Privacy Protection Network, to be able to obtain guidance and support in data privacy protection matters. In order to ensure BMW Brilliance's independence from the Group, we set up an internal process for feedback between the Data Privacy Protection Responsible, the Data Privacy Protection Officer, and the BMW Regional Coordinator.

Business Relations Compliance pilot

BMW Group is piloting a process for Business Relations Compliance. We plan to use this model at BMW Brilliance and adapt the major elements relevant to our business. The objective of the Business Relations Compliance process is to collect sufficient knowledge about the business partners' integrity regarding its business relations with BMW Brilliance.

Compliance training for managers and employees

Managers throughout BMW Brilliance must show their responsibility by setting a good example to their staff. They are also informed of the significance of the Legal Compliance Code and the commitment required to adhering to the Code to avoid legal risks.

In 2013, over 200 managers and employees received on-line training in compliance, and over 500 managers and employees received on-site training on compliance-related topics. BMW Brilliance managers were trained in a new manager orientation on-site training as part of our compliance processes. For example, managers were trained on compliance issues associated with corporate hospitality, gifts, allowances and provision of vehicles.

We use a compliance monitoring process model that prevents, detects and responds to all compliance-related issues.



RESPONDING TO COMPLIANCE-RELATED QUERIES

In order to avoid legal risks, employees are expected to discuss any compliance or anti-corruption-related issues with their managers, and with the Legal, Audit and Human Resources Departments. Employees who have any concerns have the opportunity to submit information anonymously and confidentially through the BMW Brilliance SpeakUP Line in Chinese or English about any possible legal violations.

In 2013, BMW Brilliance responded to cases of employee misconduct. Our response to these misconducts is important to ensure BMW Brilliance and our employees adhere to the highest standards of professional behaviour and responsibility to secure our corporate integrity. In addition, to ensure compliance with internal regulations and external legislation, standard internal audit projects were conducted in line with the 2013 audit plan, by the Audit and Shareholder Audit Departments.

FORECAST

In 2014, the BMW Brilliance Compliance Committee will update the compliance policies and procedures and officially communicate to all employees. We plan to define a compliance management process to include risk identification, control, monitoring and reporting. We will establish a self-assessment mechanism for all business departments to enhance the assurance of legal compliance. As a business we must maintain our already established compliance management procedures and keep up with the pace of developments in the legal compliance environment.

02

PRODUCT RESPONSIBILITY

- 2.1 Our management approach
- 2.2 Efficient mobility
- 2.3 Future mobility
- 2.4 Product safety
- 2.5 Customer satisfaction



Our management approach

We take a comprehensive approach to understand our commitment to product responsibility. We develop fuel-efficient vehicles that are safe for drivers and other road users and better for the environment. Our production processes are increasingly more resource-efficient and eco-friendly. We implement holistic recycling concepts and high-quality customer care. This ensures that our cars have a minimum impact on the environment even after they reach the end of their life cycle.

BMW Brilliance is committed to introducing the latest products and technologies into the Chinese market. Currently, BMW Brilliance has BMW 5, BMW 3 and BMW X1 Series with over 30 models, and has recently launched the Zinoro 1E. All products are produced and examined thoroughly in accordance with the BMW Group’s global standards, ensuring the same high quality.

ACHIEVING HIGH PRODUCT STANDARDS

All vehicles produced in our plants are certified to the international standards of ISO 14020, Environmental Labels and Declarations and ISO 14024, Environmental Labels and Declarations - Type I Environmental Labelling. They are also certified to the local Chinese standard HJ 2532. BMW Brilliance’s product standard requirements are higher than the mandatory Chinese product standard requirements with respect to product emissions, fuel consumption, environmentally sound material usage, product recyclability and reusability through their whole life cycle. As a result, our vehicle products are environmentally friendly throughout their entire life cycle.

Our Tiexi plant represents one of the most cutting-edge and sustainable automobile production facilities globally. We offer customers a complete 360-degree experience of the company’s services. This fulfils our “Commitment of Care” which includes innovation; providing transparency and proactive information; personalised attention and care; being efficient and solutions orientated; and being reliable and trustworthy.

LAUNCHING ZINORO

In April 2013, BMW Brilliance together with both shareholders, the BMW Group and Brilliance Group, announced the birth of a new brand: Zinoro. The Zinoro 1E, an electric drive vehicle, was launched at the Guangzhou International Automobile Exhibition in November 2013. This event marked a significant milestone for our business. The launch of the first electric drive vehicle shows BMW Brilliance’s commitment to sustainable mobility and the development of the joint venture with BMW Group in China.

TAKING A BROADER VIEW OF RESPONSIBILITY

All aspects are an integral part of BMW Brilliance’s product responsibility. As a provider of premium products and premium services for individual mobility, the safety of our customers and other road users is fundamental to our sense of product responsibility. Through active safety features we reduce the risk of accidents, and through passive safety systems we mitigate their effects.

INCREASING THE EFFICIENCY

As resources dwindle and climate change continues unabated, we must strive to further reduce carbon emissions and improve energy efficiency. We are committed to and advocate the reduction in fuel consumption and emissions in China. With our BMW Efficient Dynamics strategy, the energy requirements of every vehicle are reduced through intelligent lightweight construction and consistently optimised aerodynamics. We use innovative efficiency technologies in all BMW Brilliance models for our product ranges. By doing so, we are directly contributing to China’s national target of reducing industrial average fuel consumption to 6.9 litres of petrol per 100 kilometres by 2015. In 2013, BMW Brilliance Corporate Average Fuel Consumption was 7.3 litres of petrol per 100 kilometres, approximately, 15% better than the fleet target of 8.59 litres of petrol per 100 kilometres set by the Chinese fuel consumption legislations.

PROVIDING PREMIUM CUSTOMER SERVICE

While providing customers with a varied selection of products, we have continued our expansion and further enhancement of the sales and service network. The number of BMW’s sales and service outlets reached 420 by the end of 2013. Enhancing after-sales service and maximising customer satisfaction are the core elements of BMW’s development in the premium segment in China.

Our shared service of Customer Relationship Management is responsible for handling BMW customers in a premium and effective way. We share this service with other BMW Group legal entities in China. Our goal is to improve the quality and effectiveness of customer relationship handling. Our customers guide the direction and approach that our customer relationship management strategy takes through providing feedback in customer talks, customer focus groups and customer surveys. Customers share their needs and expectations which helps us to understand how to fulfil them and increase overall satisfaction. As such, we launched a series of services and measures based on the after-sales service concept of “Maintaining Joy” and the brand commitment of “efficiency, transparency and care”. We also provide regular free testing, maintenance packages and offers to our customers which builds loyalty and our reputation.

EXPANDING OUR BUSINESS IN CHINA

Since our inception in 2003, our strategy of localisation has focused on BMW Brilliance developing our business in China. Our pace of expansion in China has been rapid, from localisation of production and products, to the introduction of BMW engines and establishment of a Research and Development Centre. The launch of the Zinoro brand is another important milestone for this strategy.

IMPLEMENTING THE 5S CONCEPT IN RETAIL

In 2011, BMW Group extended its sustainable development strategy to the retail field by starting the 5S dealer certification. This incorporates the concept of sustainability into the traditional 4S dealerships to use sustainable development as an important indicator to manage its dealership system. BMW is the first auto brand to introduce and practice this new concept. By the end of 2013, we had 28 5S dealers in China. BMW 5S dealers must reach a relevant standard on sustainability, including dealers' contribution to the local economy and employment, their participation and dedication to the community welfare, as well as the validity of energy conservation and the efficiency of carbon emissions in operation.



FORECAST

We will further enhance our localisation strategy by producing three new vehicle models in China.

We will reduce our fuel consumption of fleet vehicles and contribute to emissions reduction and therefore minimising our impact on the environment. We will continue to develop innovative mobility solutions and technologies.

We will develop our dealer network to provide customers with more efficient services. In addition, we will continue to promote the 5S dealer concept in China by encouraging the voluntary involvement of authorised dealers nationwide to improve sustainability standards.

Efficient mobility

Over a decade ago, the vision of the BMW Group was to offer the most efficient and dynamic vehicles. We are getting closer to our vision of sustainable mobility through the use of innovative efficiency technologies in all models. China faces many development challenges including its environmental capacity, shortage of resources, and the rapid development of cities. As such, the strategy for Efficient Dynamics is becoming even more imperative to achieving business success.

As a joint venture of the BMW Group and Brilliance, we use innovative efficiency technologies in all BMW Brilliance models. Legal regulations on emissions in China are becoming increasingly stringent, as is the case globally, which continually poses new challenges to the automotive industry.

SAVING FUEL AND REDUCING EMISSIONS THROUGH EFFICIENT TECHNOLOGIES

We are preparing to face changing market conditions such as the development of megacities, regulatory requirements and resource scarcity. Efficient Dynamics means providing the most efficient overall vehicle concept and the most intelligent energy management possible for every vehicle. These features include:

- Revolutionary lightweight construction with materials such as aluminium in the front of the car and chassis and high strength steel in the body.
- Optimal aerodynamics thanks to our in-house aerodynamics testing centre which has one of the most advanced wind tunnels in the world.
- Intelligent management of all energy flows in the vehicle and the consistent use of driver assistance systems for optimal energy efficiency across all model ranges.

The Efficient Dynamics strategy includes many technologies such as efficient engines; optimised aerodynamics; intelligent energy management; lightweight construction; forward-looking drive control; the Auto Start Stop function; brake energy regeneration; tyres with reduced rolling resistance or air flap control. These are not optional extras for niche or special models but standard in every new vehicle since March 2007.

ConnectedDrive

Efficient Dynamics opens up further potential in combination with BMW ConnectedDrive. This is a package of intelligent technologies that interconnect the driver, vehicle occupants, the vehicle itself and the environment. ConnectedDrive is an option on BMW 3 Series and 5 Series models, offering more comfort, safety and entertainment for experiencing more driving pleasure.

ECO PRO mode

The ECO PRO mode supports the driver in achieving a particularly efficient driving style of up to 15% reduction in fuel consumption. As soon as this consumption-friendly mode using the ECO PRO switch is selected, the intelligent system goes into action, and depending on individual driving style helps to reduce fuel consumption. The ECO PRO mode gears everything towards maximum efficiency. The accelerator pedal and gearbox parameters as well as shift points are all optimised. The heating and air-conditioning strategy is also adapted intelligently so the driver does not have to make any decisions. The Bonus Range in the on-board computer shows exactly how many additional kilometres can be expected.

Active Coasting

Active Coasting is an innovative function for automatic vehicles that the BMW Group brought onto the market in 2012 and which now comes as standard in all new models with automatic transmission. The principle involved is extremely simple. The driver automatically disconnects the engine from the gearbox by releasing pressure on the accelerator. The vehicle then decelerates through air resistance and the rolling resistance of the wheels alone. Active Coasting is particularly effective for drivers who have a predictive driving style of the kind enabled by the Proactive Driving Assistant.

Proactive Driving Assistant

Drivers themselves have a significant influence on actual fuel consumption. The Proactive Driving Assistant uses data from the navigation system to tell the driver about speed limits, tight bends and roundabouts or turns ahead. It gives the driver tips on the most efficient way to drive in these situations, enabling maximum possible fuel economy. Along with the proactive function in ECO PRO mode, an intelligent drive system is also able, in the sport and comfort modes, to change to the right gear in advance of the corresponding driving situation. This avoids unnecessary gear changes and significantly increases fuel economy even beyond the ECO PRO mode.

AWARD-WINNING SOLUTIONS

J.D. Power Asia Pacific Reports: BMW Is the Highest-Ranked Nameplate in Vehicle Dependability

According to the J.D. Power Asia Pacific 2012 China Vehicle Dependability Studysm (VDS) released in January 2013, BMW is the highest-ranked nameplate in vehicle dependability among the 54 nameplates included in the study, achieving just 98 PP100.

BMW 3 Series is globally the best-selling vehicle in its class and receives multiple awards such as:

- BEST DOMESTIC MID-SIZED CAR AND BEST MID-SIZED CAR Auto Motor Sport, Germany
- AUTO MODEL OF THE YEAR 2013 CHINA CENTRAL TELEVISION (CCTV), China
- 22 YEARS STRAIGHT ON THE “TEN BEST CARS” Car & Driver, US
- 2014 BEST HANDLING COMPACT EXECUTIVE SALOON What Car? UK
- AUTO TROPHY 2013 Auto Zeitung, Germany

BMW 5 Series is global segment leader of sales in 2013 and wins multiple awards in 2013/2014 such as:

- ANNUAL BEST CAR 2014, BEST EXECUTIVE SEDAN Xinhua net, China
- ANNUAL BEST JV LUXURY CAR Tencent Auto, China
- 2014 “WHAT CAR?” AWARD What Car? UK
- “BEST CARS 2014” UPPER MIDDLE RANGE Auto Motor Sport magazines jointly by Germany and China
- 2011: “IFPRODUCT DESIGN AWARD” Auto Motor Sport, Germany
- “THE BEST CARS” and “GERMANY’S FAVORITE CAR” Auto Motor Sport, Germany

BMW X1 is globally the best-selling vehicle in its class with multiple awards such as:

- 2013 CHINA INITIAL QUALITY STUDY Award of Luxury SUV (J.D. Power), China
- 2012 SOHU AUTO-CHAMPION OF SUV SATISFACTION Sohu, China

We have received several awards for our engines and most advanced transmission technology such as:

- BMW TWINPOWER TURBO ENGINE N20 and N55 10 BEST ENGINES IN THE WORLD IN 2013 Wards Auto, US
- N20 ENGINE: “ENGINE OF THE YEAR AWARD IN 2012 / 2013” Engine Technology International, UK

FORECAST

We are well positioned to meet increasingly tough future CO₂ targets in China with our strategic focus on Efficient Dynamics. To further implement our sustainable mobility strategy, BMW Brilliance will start to produce plug-in hybrid vehicles in 2014. We will begin with the production of the BMW 5 Series plug-in hybrid version in our Dadong plant.

Future mobility

We develop innovative technology to provide premium mobility services to our consumers. As natural resources decrease, and climate change continues unabated, we must address environmental issues as a responsible automotive manufacturer. Our new Zinoro brand demonstrates our commitment to future mobility.

Our development of the first electric vehicle built and tested in our Tiexi plant underpins our long-term commitment to sustainable mobility. Following a successful decade in business, our strategy is to continue to focus and deepen our roots within the automotive market in China.

PRESENTING THE FLAGSHIP ZINORO 1E

Zinoro 1E, the first product of our new Zinoro brand, was launched in November 2013. This product showcases BMW Brilliance's strength in development, testing and production of electric vehicles. Our business is capable of developing and grasping the most advanced electric vehicle technologies. As the first premium zero emissions sports activity vehicle in China, Zinoro 1E is environmentally friendly, highly energy-efficient and satisfies the highest safety requirements. It sets the new benchmark for premium electric cars in China. The powertrain is based on the latest BMW technology, which includes high-performance and lightweight components such as the electric motor and a highly integrated power electronics unit. Zinoro 1E has no engine noise. The driving range of 150 kilometres satisfies the daily usage of a car in cities. The wall box charging under normal temperature takes 7.5 hours.

Zinoro 1E is equipped with state-of-the-art battery technologies developed by our local Research and Development team. The battery uses lithium iron phosphate cell chemistry, featuring an innovative liquid-cooled HV battery thermal temperature management system. The management system can dynamically monitor all key parameters of the battery. If there is an accident, it will disconnect the battery from the vehicle electric system. This makes sure all the parts are electrically neutral and thus ensuring the safety of the vehicle.



ATTRACTING CUSTOMERS TO THE ZINORO BRAND

In order to attract and encourage more customers to accept electric vehicles, we offer Zinoro 1E for customer rental. This will help to further our Zinoro brand promotion in the China market. We provide customers with a rental package with after-sales service, repairs and maintenance cost included in the rental price. This is aimed at providing a worry-free package to our customers for renting the new energy vehicle. The full service is to provide customers with a hassle-free approach. It includes leasing services, charging equipment survey and installation, vehicle licence, vehicle insurance, regular maintenance, vehicle repair, roadside assistance and a replacement car if necessary. As part of building our brand communication and customer service, we have opened Zinoro showrooms in Beijing and the showroom in Shanghai is work in progress. We aim in a first step to build the Zinoro brand image, raise customer understanding and acceptance of electric vehicles, and drive the commercialisation of electric vehicles.

FORECAST

Following the opening of our Beijing Zinoro showroom in early 2014, we also plan to open a showroom in Shanghai, offering premium electric mobility services to both private and institutional customers. By doing so, we are continuously building the Zinoro brand, raising awareness and customer acceptance for new energy vehicles and their demand in future years to come.

Product safety

BMW Brilliance follows the global safety standards of the BMW Group to provide premium products and services for individual mobility in China. The safety of our customers and other road users is paramount and fundamental to our sense of product responsibility.

We take an integrated approach to product safety. This encompasses passive and active safety, but also aspects such as product labelling, safety training, avoidance of potentially critical materials, as well as minimising emissions in the vehicle interior. By addressing these areas, we try to avoid risks for road users and any adverse health consequences in the event of an accident. Our technologies and strategies for the safety of all road users are based on systematic research into the causes of accidents which the BMW Group has been carrying out for over 30 years. Our integrated approach analyses the entire process chain, from accident prevention to post-crash applications. Based on these analyses, we try to prevent accidents from happening in the first place through active safety measures, and to mitigate their consequences through passive safety features.

SAVING VALUABLE TIME IN CRITICAL SITUATIONS

One of our forward-looking safety features is the Advanced Emergency Call system that forms part of the ConnectedDrive package. This is also available on BMW 3 Series and 5 Series models. If a serious accident takes place involving activation of an airbag or the belt tensioners, an intelligent emergency call is issued automatically. The call generates fast and 24-hour targeted assistance by trained support staff. The exact car position, the severity of the accident, and the possible risk of injury to occupants are transmitted to the BMW call centre. This is sent through the car's built-in SIM card which is independent from private mobile phones. The call centre informs the nearest rescue coordination centre and provides assistance over the phone until the rescue services arrive. The emergency call can be triggered manually in case other road users require help. This saves valuable time that can in extreme cases even make the difference between life and death.

ENSURING SAFETY FEEDBACK PROCESSES

BMW Brilliance develops and manufactures products in strict compliance with the BMW Group quality management systems. We monitor our products on the market and review all safety feedback. If necessary, the responsible authorities are informed and all measures that serve customer safety are initiated. For this purpose BMW Brilliance has set up relevant processes and established organisations.

SAVING LIVES THROUGH PASSIVE SAFETY SYSTEMS

Energy-absorbing crumple zones, safe passenger cells, restraint systems, airbags and many other passive safety features protect the lives and health of drivers daily. In order to afford drivers and passengers the greatest possible protection in the event of a collision, various safety elements work hand in hand. A networked system of highly sensitive sensors enables airbags to deploy in the appropriate situation and at precisely the right moment. Pyrotechnically activated seatbelt pretensioners and seatbelt force limiters further minimise risk of injury. Furthermore, the vehicle front has various devices to protect pedestrians including a shock absorber. This is integrated between the bumper carrier and panel to reduced leg injuries in a collision.



PREVENTING ACCIDENTS THROUGH ACTIVE SAFETY SYSTEMS

Active safety includes perfect chassis coordination, optimal traction and effective brakes. Electronic chassis control systems such as Dynamic Stability Control and Electronic Damper Control likewise contribute to preventing accidents. These are joined by driver assistance systems. Automatic warning and braking systems are already available as options for the BMW 3 Series and BMW 5 Series.

PROVIDING SAFETY THROUGH AN INNOVATIVE BATTERY MANAGEMENT SYSTEM

Zinoro 1E is equipped with an innovative battery safety system. This features a liquid cooling and heating system that can increase the battery adaptability and safety in various environments. In a low-temperature environment it realises the ideal working temperature. And in a high-temperature environment it prevents overheating. The battery management system features a self-diagnosis and management function. It monitors dynamically all key parameters of the battery such as storage, charge, discharge and operating status. In the event of an accident, it will disconnect the battery with the vehicle electric system. This will ensure all parts are electrically neutral and guarantee the safety of the vehicle and passenger.

GUARANTEEING PRODUCT AND SERVICE INFORMATION FOR CUSTOMERS

BMW Brilliance is obliged by the applicable legal regulations to inform customers about risks, hazards and the proper use of its products and services. In China, for example, we report on the fuel consumption of our vehicles in accordance with the China vehicle fuel consumption regulations. Fuel consumption for each vehicle model is also reported on the website of the Ministry of Industry and Information Technology.

Information on vehicle safety and protecting customer health can be found in the respective manuals or in notes inside the vehicle (e.g. rescue card) as well as on our manufacturer websites. Additional background information on service, accessories, parts and BMW ConnectedDrive is likewise available online. Technical assessment during the release process ensures that product and service information for customers meets all requirements.

OFFERING DRIVER SAFETY TRAINING

BMW Brilliance also contributes to protecting road users through driver safety training. We offer 12 different training courses on BMW cars in China. We are the first local manufacturer of premium automobiles to offer a training experience with an electric vehicle which is the Zinoro 1E Drive Experience. Our special product features are combined with extensive driver safety training. In 2013, more than 1,300 participants in driving safety courses learned how to identify critical driving situations and respond properly. This included how to avoid such situations in the first place if possible. In addition, we also provide other experience events for the public. For example, our BMW Experience Day and Mission 3, in which driver safety instruction is a top priority.

USING SAFE MATERIALS IN OUR VEHICLES

For each phase of the vehicle life cycle (from development, to use, to disposal) our specialist departments ensure compliance with the worldwide legal requirements for product safety and human health. In the early development phase, an interdisciplinary working group on “Materials” evaluates the potential materials to be used in a product to determine their risk potential and eliminate any problematic candidates. The working group can then intervene in the selection and development process as well as in BMW’s production as needed.



QUALIFYING THE MATERIALS WE USE

We test all current and future products according to the exacting standards of the BMW Group. As well as series parts, all auxiliary production substances and process materials such as paint and adhesives also undergo rigorous qualification processes. The material composition of components is documented in material data sheets. The International Material Data Sheet system (IMDS) is the central data structure used by the global automotive industry. In the IMDS system, material data sheets (MDS) are transmitted along the value chain from raw material suppliers to the automotive manufacturer and checked and released by each recipient. After careful examination of the data, we then enter the approved IMDS data sheets into our own MDS system. In this system, material data sheets for in-house parts are also created.

Furthermore, as part of BMW's production processes, all chemical substances that are used are documented. They are first inspected to ensure their safety and then released for a specific application through the central recording system for environmentally relevant substances. The system also provides detailed specifications and tips on handling these products as well as on first aid, storage and transport.

AVOIDING EMISSIONS INSIDE THE VEHICLE

Emissions inside BMW vehicles have been significantly reduced since the 1990s. This was accomplished through a plan drafted by independent experts setting target levels for interior emissions and its implementation in new material concepts. By complying with our internal guidelines for the development of new vehicles, our vehicles have lower levels of interior emissions than those legally defined anywhere in the world.

OUTSTANDING VEHICLE SAFETY AWARDS

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

- [BMW 3 Series China Long Wheelbase](#)
China NCAP 5 stars and 2013 China Annual Top Safety Car, China's premier vehicle safety award
- [BMW 5 Series](#)
Korea NCAP 5 stars
- [BMW X1](#)
2013 J.D. Power IQS Award
The BMW X1, produced by BMW Brilliance, was the highest-ranked car in the Chinese premium SUV segment, according to the J.D. Power Asia Pacific 2013 China Initial Quality StudySM (IQS) released in Shanghai.

FORECAST

In the coming years, we want to further strengthen both active and passive safety features. We will focus here on the consistent roll-out of warning and emergency braking systems in all vehicle segments.

In 2014 and 2015, we will continue to integrate Active Protection features and Autonomous Emergency Braking systems into further models. This also includes the pedestrian warning system which will be available for all BMW vehicles.

Starting in 2014, xDrive is offered to our locally produced BMW 3 Series and 5 Series sedan. In the case that wheel spin or directional instability still occurs while xDrive is or has been modulating the torque split, dynamic stability control will brake independent wheels to regain traction and improve directional stability without driver intervention.

Customer satisfaction

Our customers are at the heart of everything we do. Their satisfaction with our products and services is a prerequisite for our business success, today and in the future. By analysing our customers’ needs continuously, and improving our premium products and services accordingly, we work to ensure greater customer satisfaction and loyalty.

Our Customer Satisfaction Principles (See Figure 02) and BMW Premium Experience ingredients are our ultimate guidance for the interface with our internal or external customers.

Figure 02: The BMW Brilliance Customer Satisfaction Principles



We aim to create a perfect “customer journey” ensuring perfection with each customer interaction. We believe this leads to satisfaction and loyalty among our customers. Also, it may result in customer referrals to friends and family in the future. Our shared service of Customer Relationship Management is responsible for handling BMW customers in a premium and effective way. We share this service with other BMW Group legal entities in China. Our goal is to improve the quality and effectiveness of customer relationship handling. Our customers guide the direction and approach that our customer relationship management strategy takes through providing feedback in customer talks, customer focus groups and customer surveys. Customers share their needs and expectations which helps us to understand how to fulfil them and increase overall satisfaction.

IMPROVING CUSTOMER INTERACTION

We aim to continuously improve the performance of our interaction during customer support. The BMW Customer Interaction Centre has been running customer hotline services since the end of 2005. This multichannel centre provides services to customers through several telephone hotlines, email, SMS, fax and post. The purpose of the Customer Interaction Centre is to gain customer satisfaction and loyalty by constantly providing high-quality services to create the maximum value of customer service. To ensure customer satisfaction, we operate several customer-satisfaction-related projects such as “KR-evo” and “What else can I do for you?”.

IMPROVING FURTHER THROUGH CUSTOMER SURVEYS

Our Customer Satisfaction Index helps us to guide how to fulfil customer needs and increase customer satisfaction. Customer orientation is a central element within our business strategy. After customers purchase a car, a person from the BMW call centre will contact them for their feedback on the sales and after-sales service. This includes a variety of processes including purchasing, vehicle handover and maintenance. Our aim is to find out if the customer is satisfied or not, and what our dealers and staff can do to increase their satisfaction. In addition, our customers are invited to interviews to give timely feedback about their satisfaction with their purchasing and service experience at the BMW dealer or authorised repair shop. The results and customers’ exact comments are recorded and reported to company management. This direct feedback from customers provides our foundation for driving customer satisfaction and managing continuous improvement.

Our regular customer talks allow BMW Brilliance’s management to directly experience customers’ perception and expectation on a regular basis. All first-hand customer comments are recorded and distributed to related functions for continuous improvement.

In 2013, 220,000 customers provided feedback through our survey and gave comments. As a result, we use this data to analyse and improve our Customer Satisfaction Index as part of our continuous improvement in performance in customer satisfaction.

LAUNCHING “LET’S HELP”

Last year, BMW Group successfully launched the “Let’s Help” programme in Germany and the US. We will further expand this following positive feedback and strong support at all levels. Our employees are often approached by customers or prospects from their circle of acquaintances who want to offer suggestions or express their own wishes. The “Let’s Help” button on intranets enables employees to pass on these concerns quickly and easily to Customer Service. We are committed to responding through the BMW Service Hotline within 24 hours. As a result of the “Let’s Help” programme, we have shown that most cases reported by employees relate to warranty and goodwill. This programme provides more than a systematic solution to customer needs. “Let’s Help” allows us to better understand the customer demand process and behaviour generation. It also helps us to begin with customer needs which are a vital part of the “CustomerFirst” strategy.

ENSURING COMPREHENSIVE DATA PROTECTION

We must ensure we meet all data protection requirements when handling personal data from our customers. In 2014, BMW Brilliance is implementing a data privacy protection process. The new process became effective on 15 March 2014, and in accordance with amended customer rights and interest protection law. Both BMW Brilliance and our dealerships will follow the data privacy protection process with regards to customer data within the BMW Group and all its dealerships. Our Data Privacy Protection Office is set up to protect customer data from both its usage and technical security. Customer data security is the highest priority in all projects.

TAKING OUR COMMITMENT FURTHER

We have developed the “What else can I do for you?” customer satisfaction project. Our Customer Interaction Centre personnel will answer our customers’ questions and complete customer surveys. Following these routine activities providing customer support, we ask our customers “What else can I do for you?” There may be a variety of responses such as car-driving-related questions, product knowledge questions, or test drive requests. The intention of this project is to collect and understand additional customer requirements and provide effective solutions to achieve customer satisfaction and take our commitment further.

FORECAST

We will provide more campaign services to customers to give them more information about their customised interests. For instance, before a customer’s warranty expires, they will receive a reminder to bring their car back to the dealership for checking within the warranty time period. Our channels and functionalities will be extended to enable more solid and interactive communication with customers.

03

ENVIRONMENTAL
PROTECTION

- 3.1 Our management approach
- 3.2 Energy consumption and emissions
- 3.3 Efficient transport logistics
- 3.4 Waste reduction
- 3.5 Water
- 3.6 VOC emissions



Our management approach

We aim to be the leading and most resource-efficient premium automotive product manufacturer in China. Our efficient use of resources and energy minimises our environmental impact, and maintains our corporate reputation. Environmental protection is paramount and constant compliance with national and local laws and regulations ensures our business continuity. Our Environmental Policy is in accordance with BMW Group-wide environmental policies and guidelines. Our environmental management is an integral part of BMW Group’s environmental management system.

The environmental impacts of any new initiative are considered during the planning phase of all new projects. This ensures implementation of best practices from other BMW Group plants and adopting measures for continuous improvement. BMW Brilliance contributes to the BMW Group environmental sustainability target achievement for 2020, which aims to reduce resource consumption per vehicle produced by 45% compared to 2006.

INTEGRATING ENVIRONMENTAL PROTECTION INTO OUR BUSINESS

Environmental protection is a fundamental part of our sustainability strategy. We are part of the BMW Group’s international environmental protection network. A central department within BMW Group, responsible for Corporate Planning and Product Strategy, Sustainability and Environmental Protection, leads the network. However, the responsibility for operations management is transferred to plant management through the delegation chain. At each plant, every machine, building and space is allocated to an operator. Each operator is responsible for the products, processes, machines and technical systems in their area.

Within BMW Brilliance the Safety and Environment team of the Human Resources Department steers the environmental protection initiatives and targets in all plant locations. Environmental protection initiatives are based on the Cleaner Production Strategy of the United Nations Environment Programme (UNEP). We aim to keep our consumption of resources and the environmental impact of all our production processes as low as possible.

In view of the above, our focus is to reduce the environmental impact of the following five environmental parameters: energy, water, process wastewater, waste and VOC emissions per vehicle produced.

SHARING THE BEST-PRACTICE APPROACH

We aim to reduce our environmental impacts in all plant production locations. To ensure effective implementation of environmental management in the company, an environmental management system representative is assigned by BMW Brilliance’s Board of Management, to ensure environmental management is in accordance with relevant legislation. The environmental management system at BMW Brilliance is established and implemented based on relevant legislation, international standard ISO 14001 and BMW Group-related guidelines as well as best practices.

During 2012, TÜV Rheinland certified all our plant locations for ISO 14001. This means that

- the environmental management of BMW Brilliance complies with international standards
- it is in compliance with legal and other requirements it subscribes to
- the desired environmental performance was achieved

To ensure continuous improvement, we have two internal audits and one external TÜV audit on the environmental management system in accordance with ISO 14001 standards every year.

To achieve our goal, Centres of Competence (CoCs) for water, waste and emissions are established and staffed by environmental experts from different plants. Working groups responsible for these environmental topics meet regularly to discuss best-practice solutions for issues that may arise. We hold regular meetings with environmental protection experts of other BMW Group plants to build the competence of local teams, employees and share best practices globally.

RAISING AWARENESS OF ENVIRONMENTAL PROTECTION

Besides our technical solutions, we always try to raise awareness of energy issues amongst our workforce. Teaching trainees how to deal with energy efficiently is an important part of our training programme for new employees. We also organise environmental awareness campaigns focusing on energy and water saving. In particular, on World Environmental Awareness Day we promote the awareness of waste recycling. Through these programmes our employees not only raise their awareness on environmental protection, but can also adopt a more proactive approach to implement best practices in their activities of daily life.

CONSIDERING ENVIRONMENTAL PROTECTION IN INVESTMENT DECISIONS

To improve our environmental performance, we consistently take account of all environmental aspects when planning new car projects. During the planning of a new production site, we conduct a detailed site assessment with input from environmental experts from BMW Group and external environmental agencies. This practice allows us to consider the potential environmental impact at an early stage, take appropriate actions as necessary, and implement further improvements.

Tiexi plant

One recent example for considering environmental impacts in the planning process is our Tiexi plant which officially opened on 24 May 2012. It has state-of-the-art technology and is therefore one of the most resource-efficient plants within the BMW Group production network concerning energy, water and process wastewater and VOC emissions.



PROTECTING THE ENVIRONMENT THROUGH OUR SUPPLIERS

Beyond our own production lines, we promote and support our supplier network to follow our environmental standards and to implement continuous improvement regarding environmental protection initiatives. For example, in cases where environmental management is relevant and necessary, we require proof that suppliers have installed such systems.

See Chapter 4 Supplier management ►

IMPROVING OUR PERFORMANCE CONTINUOUSLY

We aim to continuously improve our environmental performances. For example, at our Dadong plant, we have improved our overall efficiency in the past years. Specifically, we have also invested in improving our energy and resources efficiency by installing a water recycling system at our Dadong plant, and energy-efficient as well as water-efficient fittings such as LED lights and water-efficient showerheads.

See Chapters 3.2 Energy consumption and emissions, 3.4 Waste reduction, 3.5 Water and 3.6 VOC emissions ►

As a result of our activities, we achieved the following environmental performance:

Figure 03: Resource consumption and emissions per vehicle produced in 2013

	Dadong	Tiexi	Powertrain
Energy consumed in MWh per vehicle	1.70	1.68	0.10
Water consumed in m³ per vehicle	2.79	1.25	0.15
Waste for disposal in kg per vehicle	2.04	3.83	1.81
Volatile organic compounds (VOC) in kg per vehicle	3.70	N/A ¹	N/A ²

1) Not applicable in 2013 because start of production of the Tiexi paint shop was in mid-2013.
2) Not applicable because no materials containing VOCs, such as paints and solvents, are used for engine production in the plant.

FORECAST

In 2014, we will focus our priorities on process enhancement for a more environmentally friendly production system and the Chinese Green Label certification. This label is not a legal requirement. It is considered best practice amongst Chinese companies and requires full legal compliance and certified environmental and quality management systems.

Energy consumption and emissions

Scarcity of resources and rising costs put pressure on businesses to increase their resource efficiency. By reducing energy consumption and emissions, we thereby increase our operational efficiency and competitiveness as a business. We aim to minimise our environmental impacts through reducing energy consumption and emissions as much as possible in each of our plant locations.

One of the challenges we are currently facing is the lack of renewable energy resources in Shenyang where our production plants are located. Energy production is mainly coal-based, which means more CO₂ and other pollutants are emitted.

MANAGING CONTINUOUS IMPROVEMENT IN ENERGY CONSUMPTION

The Planning and Facility Management team holds central responsibility for energy management, whilst the Safety and Environment team drives the operational environmental target management process within our plant locations. Members of the Energy Centre of Competence regularly meet with environmental protection experts from other BMW Group plants to build up competence of local teams and share best practices across the different markets.

Achieving sustainable buildings and processes

We rely on state-of-the-art technologies to help us achieve our efficiency targets. For example, in the paint shops, we use an integrated paint process as well as optimising the efficiency of ventilation systems and closing energy cycles. Other examples of energy efficiency measures using these technologies include:

- our high-speed servo press line in our press shop that uses 60% less electricity per stroke compared to a hydraulic press line
- the use of the latest robot technology with shutdown and stand-by ability supporting energy efficiency
- innovations such as heat recovery from welding robots in body shops saving 7,831 MWh per year
- integrating air recirculation processes in the plant design for the paint shop in the Tiexi plant

The resulting reduction in energy costs in the face of rising energy prices makes the company more profitable and more competitive.

The reference system for sustainable construction is the basis for newly built projects and building conversions in BMW Brilliance which is the same as other BMW Group plants. It sets out principles and concepts for buildings and enables the measures taken during the individual project phases to be monitored. The aim is to minimise energy and resources consumption as well as environmental impacts during all phases of a building's life cycle.

Reducing our carbon footprint

Improved energy efficiency and use of cleaner energy sources enable us to reduce our carbon footprint per vehicle produced. For example, in our Dadong plant the CO₂ emissions were reduced from 1.13 tons in 2012 to 0.87 tons in 2013 per vehicle produced. We try to reduce our carbon footprint through the entire supply chain. For instance, we have key volume suppliers on-site at our Tiexi plant and have built an on-site container yard. Therefore we use less inland truck transportation which contributes to reducing CO₂ emissions.

[See Chapter 3.3 Efficient transport logistics ►](#)



MEASURING OUR PERFORMANCE

We have set targets for energy consumption per unit produced on both the plant as well as on the technology level in all our locations. To obtain accurate data on energy consumption, we have installed metering systems. A system closely monitors targets, addresses irregularities and takes action to implement necessary measures to ensure the performance is on track.

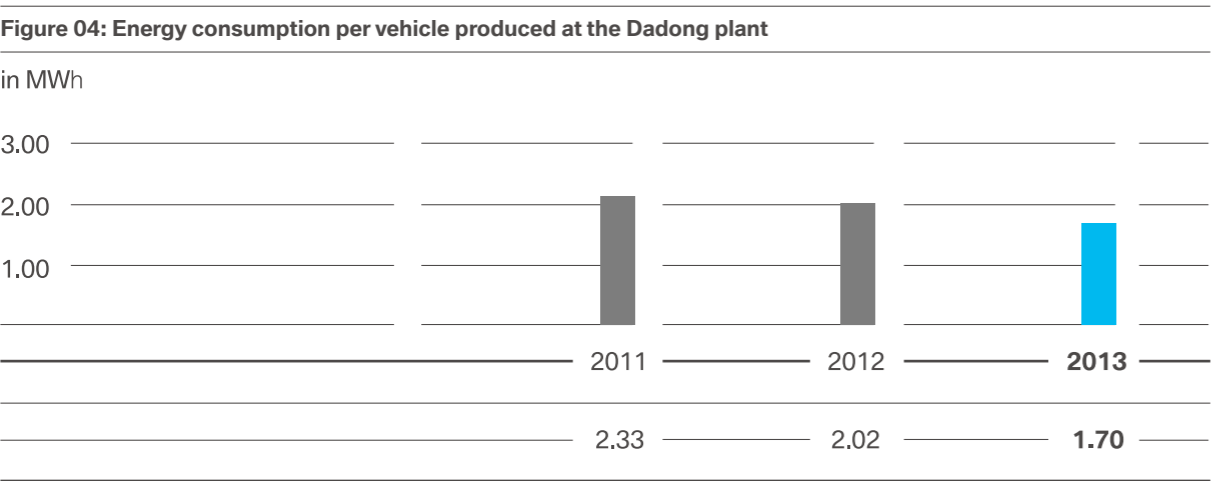


Figure 05: CO₂ emissions per vehicle produced at the Dadong plant

	2012	2013	Change in %
Dadong plant	1.13	0.87	-30

FORECAST

We plan to implement a heat recovery system from VOC abatement and from the water chiller equipment at the Dadong paint shop by the end of 2014.

3.3

Efficient transport logistics

In China, BMW Brilliance produces and supplies premium products and services that require transporting large volumes of goods. The planning and operating of transport logistics is not only important for the business success of BMW Brilliance, but also to how we are perceived by society. We are using more low-carbon modes of transport to continuously increase the efficiency of transport logistic activities. This strategy reduces our overall costs to the business, minimises our environmental impact and contributes to sustainable development of society.

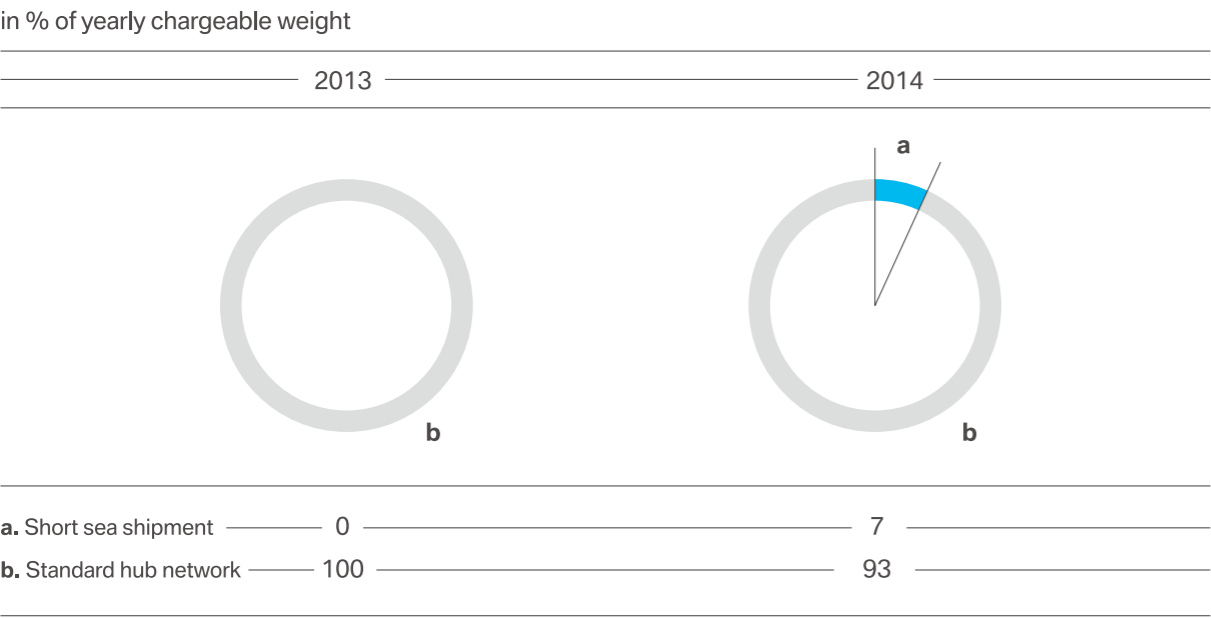
UTILISING MORE LOW-CARBON TRANSPORT

Our overall strategy is to use rail and ships for long-distance transportation alongside our regional transportation hub centres. We only use trucks for short-distance transportation due to the higher environmental impacts when compared to rail or sea transportation.

In 2013, we successfully introduced the use of block train transportation from the arrival port to the Shenyang container depot at the Dadong plant. One block train replaces 55 trucks. This enables us to increase our efficiency, reduce our carbon emissions and eliminate truck contribution to traffic congestion in both cities. In 2014, the Tiexi plant will have container storage on-site and a direct rail connection (land bridge) to our supplier in Leipzig, Germany. This rail transportation will allow direct, highly flexible logistics with overseas containers arriving directly by rail and minimising carbon emissions. There will also be a direct rail connection from the Tiexi plant to the local port to transport goods arriving by sea.

Our inbound transportation logistics activities use a short sea shipment of goods from the Greater Shanghai area to Yingkou port. This is one of the activities taken to replace individual goods transportation by trucks to promote greater environmental responsibility.

Figure 06: Implementation status of short sea shipments in comparison to standard hub deliveries in the Greater Shanghai area

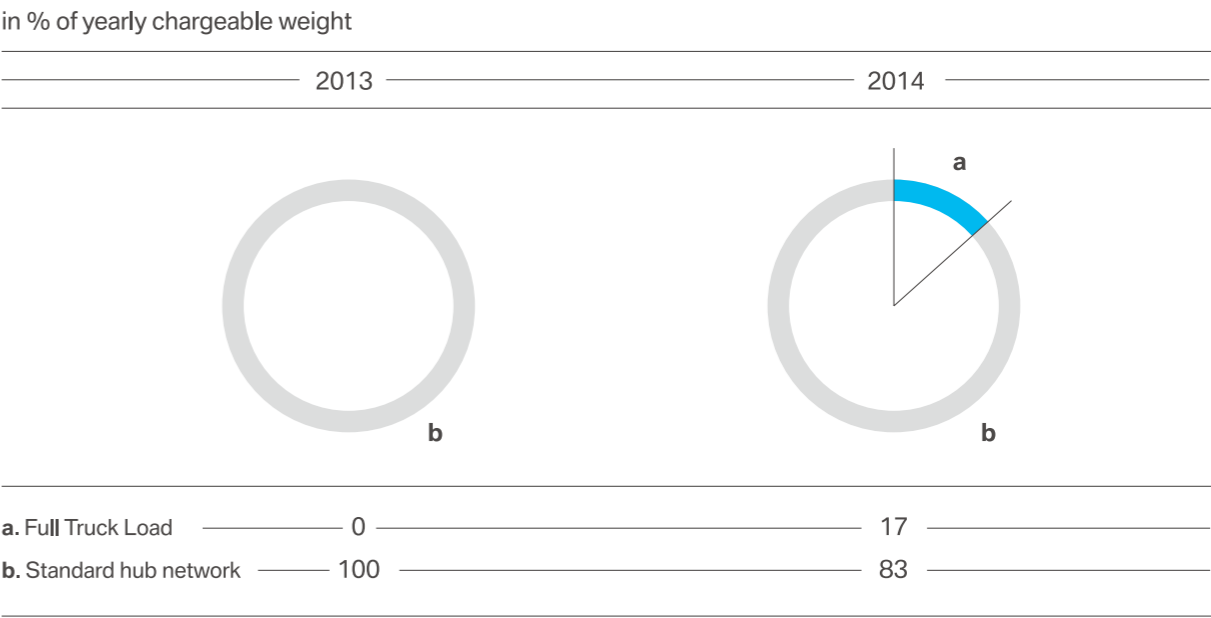


MAXIMISING TRUCK LOAD EFFICIENCY

We ensure trucks used for long-distance transportation are filled to capacity and the most efficient type of trucks are utilised, therefore decreasing carbon emissions during transportation. Trucks delivering cargo collected from suppliers in the same area use regional consolidation cargo centres. The cargo is then consolidated and loaded onto new trucks which are chosen due to the fact they are the most efficient type of trucks. These trucks have the capacity to fill their loads, and therefore cargo is delivered more efficiently to BMW Brilliance.

Our Full Truck Load strategy for inland transportation of goods from suppliers will be implemented from July 2014, with specific trucks collecting cargo from suppliers based on our production orders. This strategy will ensure fewer trucks are used with no container space waste and eliminating the handling process of goods at the regional consolidation centre. This provides a faster and more efficient service which consequently reduces carbon emissions. For outbound logistics we will introduce a new dispatching concept based on regional hubs all over China. This will ensure we have a full capacity of truck loads avoiding any inefficiency from September 2014.

Figure 07: Implementation status of Full Truck Load in comparison to standard hub deliveries in the Greater Shenyang area



Supplying materials from local suppliers to BMW Brilliance requires highly flexible logistic structures for direct, time-sensitive deliveries. Our “just-in-time” and “just-in-sequence” concept involves goods arriving with precise timing for our production requirements. To implement this, we use the minimum quantity of trucks, specified lead times, and the most efficient transport routes. This ensures fast delivery through one of the most lean transport logistics in BMW Brilliance and results in the reduction of carbon emissions.

EFFICIENT PACKAGING

When designing transport packaging we aim for optimal utilisation of the packaging, for protecting the product as well as the best use of space in trucks. We also consider the economic and environmental impacts of the packaging. For the transportation and storage of local parts we use reusable steel and expanded polypropylene packaging, instead of disposable carton packaging. Expanded polypropylene packaging is an exceptionally eco-friendly, flexible and versatile plastic foam designed for lightweight, energy management and cushioning applications.

FORECAST

In 2014, our Full Truck Load strategy will be implemented focusing on ensuring trucks are fully optimised by adjusting packing of loads and re-planning of transportation routes. Our target is to reduce the amount of transportation and resulting carbon emissions. We will also start rail transportation of goods to the Tiexi plant from the arrival port. This measure will replace truck usage significantly.

We will further integrate our logistics planning with supplier management to improve transportation management. In addition, backhaul demand and capacity will be taken into account to ensure proper transportation resource usage beyond core BMW Brilliance services.

3.4

Waste reduction

One of the major sustainability issues is the depletion of raw materials globally. Resources are becoming increasingly scarce, and as demand increases, business costs also increase. We aim to improve the efficiency of material use and waste reduction across all our business operations. This ensures that we reduce costs and minimise our impacts on society.

Managing our waste is essential to ensure our constant compliance with the Waste Pollution Prevention and Control Law of China.

CONTROLLING AND MANAGING WASTE

The process of recording and reusing the waste we produce is managed by implementing our own BMW Group waste information system ABIS. This system was designed for the German plants in accordance with a law on life cycle management, but has been customised by BMW Brilliance to meet requirements within China. We apply ABIS to determine the best method of disposal for a particular type of waste. The method specified is then implemented at all plants, where possible, in China. In 2013, all production plants in China were fully integrated into ABIS.

ABIS is also used to document the individual waste flows and categorises waste as hazardous or non-hazardous in accordance with the Waste Pollution Prevention and Control Law and the Hazardous Waste Catalogue of China. During the reporting period, there were no incidences of illegal transport and disposal of hazardous waste.



Figure 08: Total non-hazardous and hazardous waste at BMW Brilliance

	2012	2013	Change in %
in tonnes			
Hazardous waste for recycling	759	1,940	155.4
Hazardous waste for disposal	1,020	384	-62.3
Total hazardous waste	1,779	2,324	30.6
Non-hazardous waste for recycling	12,224	13,113	7.3
Non-hazardous waste for disposal	359	563	56.7
Total waste for recycling	12,983	15,052	15.9
Total waste for disposal	1,379	947	-31.3
Total waste	14,362	15,999	11.4

IMPLEMENTING BEST-PRACTICE MODELS

When we recycle materials or waste, we comply with the same five-step hierarchical model used by the BMW Group, and as set down by the European Union as best practice:

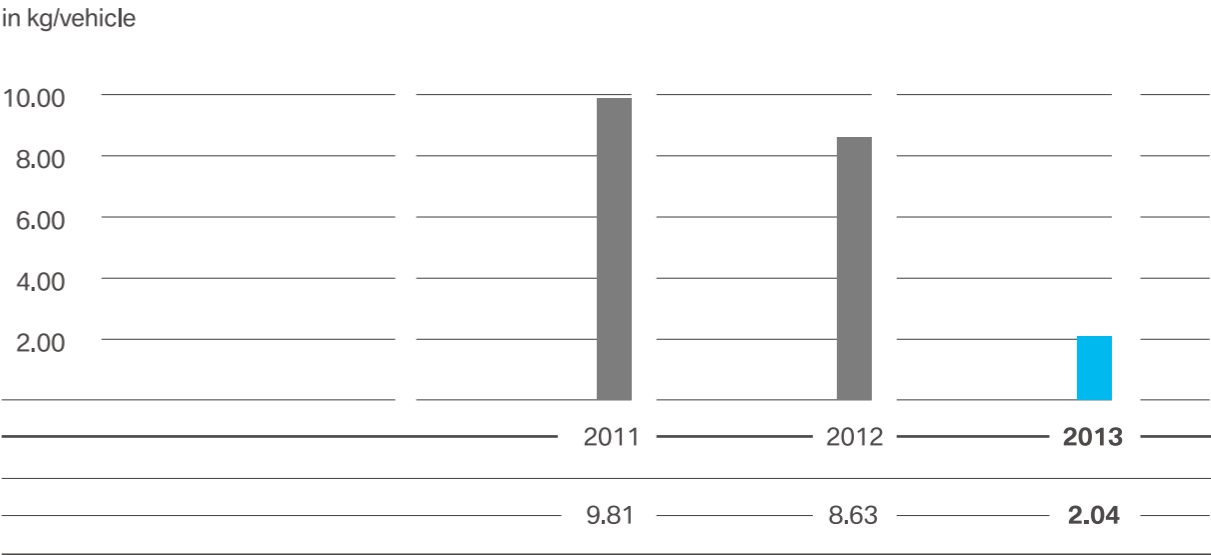
- **Prevention:** Where possible, we avoid creating waste in the first place. This is the best solution both in economic and environmental terms.
- **Reuse:** We reuse any viable waste material immediately. Otherwise we prepare it for reuse in its original area of application.
- **Recycle:** If reuse is not an option, we recycle the material in such a way that we can reintroduce it to the cycle. It can then replace primary raw materials.
- **Recovery:** We deliver non-recyclable waste materials to vendors with incineration facilities for heat recovery whenever it is technically feasible and legally permitted. Other methods of disposal are also used.
- **Disposal:** Only the small volume of non-recyclable waste that is then left over is earmarked as waste for disposal.

The waste for disposal per unit value in 2013 was significantly better than the target, with 2.04 kg per unit at the Dadong plant, 3.83 kg per unit at the Tiexi plant and 1.81 kg per unit at the Powertrain plant.

Figure 09: Waste for disposal per vehicle produced in 2013

in kg/vehicle			
Dadong	Tiexi	Powertrain	
2.04	3.83	1.81	

Figure10: Waste for disposal per vehicle produced at the Dadong plant



To reduce waste and to minimise our impact on the environment we use recycled packaging for both imported and local parts during our vehicle production processes. In addition, returnable packaging is used for local parts whenever it is possible which helps to reduce the packaging waste drastically.

To reduce the amount of hazardous waste we introduced more efficient coagulation materials in the paint shop of our Dadong plant, for the wastewater treatment system and for the over-spray removal system.

COLLABORATING WITH VENDORS FOR WASTE DISPOSAL

We work closely with several vendors for waste disposal in order to ensure that our vendor’s performance complies with national and local laws and regulations. In addition, we conduct a duty of care audit. This audit reviews the management processes of vendors, and it is implemented not only in the vendor selection phase but also conducted every three years on the contracted vendors for hazardous wastes.

FORECAST

In 2014, we will continue to focus on minimising waste for disposal even further and devote the necessary resources to recycling management.

Water

Water is becoming increasingly scarce and more valuable as the world’s population and consumption rise. As a result, careful use of this natural resource is ever more important today, and in the future. By reducing our water use, we save costs for our business operations and minimise our impact on the environment and society.

Our production plants are located in Shenyang, Liaoning Province. Shenyang is experiencing challenges related to water shortages, which is also the case for the rest of the world. For this reason, we are focused on preserving water as a key objective in our daily business activities. As part of this, we are developing wastewater-free processes for our production lines as for example in the future engine plant.

COMPLYING WITH LEGAL REGULATIONS

BMW Brilliance complies with national and local laws and regulations for water with limits being regularly controlled. In addition, the BMW Group water guidelines prescribe how to handle substances that could be potentially hazardous to the water supply. These standards within the guidelines usually exceed the local requirements in China, for example, as in the future engine plant.

MINIMISING WATER USAGE

We aim to reduce our water usage and impacts in all production locations. The three largest water consumers at BMW Brilliance are the sanitary facilities for our workforce, evaporation at cooling towers in production processes, and paint shops. As such, we are continuously improving our resource efficiency in all three of these areas.



REDUCING WATER CONSUMPTION IN OUR DADONG PLANT

Our Dadong plant demonstrates how we are minimising our environmental impact by saving water. In our vehicle washing process, we reduced the water consumption per vehicle washed from 0.075 m³ to 0.035 m³; the overall water consumption in the Dadong plant was also reduced from 3.25 m³ to 2.79 m³ in 2013. Examples of specific measures taken include:

- replacing sanitary fittings with water-saving ones
- replacing all showerheads with water-efficient showerheads
- collecting and reusing wastewater in production processes such as skid cleaning, water curtain and floor cleaning
- building and installing a new water recycling system for the car wash street

Figure 11: Water consumption per vehicle produced at the Dadong plant

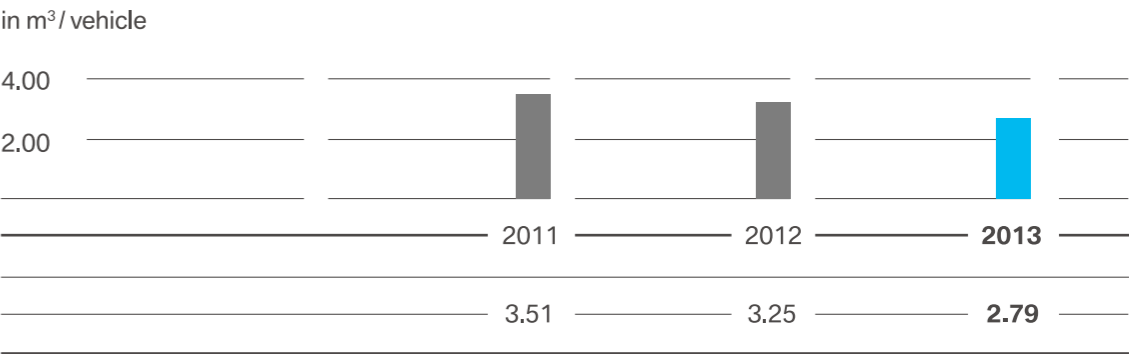
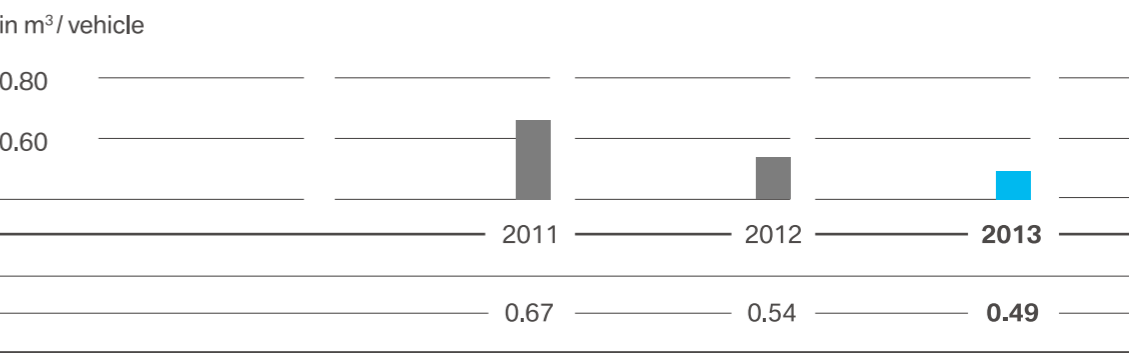


Figure 12: Process wastewater per vehicle produced at the Dadong plant



REDUCING WATER CONSUMPTION IN OUR TIEXI PLANT

Our Tiexi plant uses the following state-of-the-art technologies which contribute greatly to water savings:

- Closing water cycles and introducing waterless processes at the paint shops (e.g. eco-dry scrubber)
- Installing water-saving sanitary fittings that save 21,800 m³ per year
- Replacing open cooling towers with closed ones
- Building hybrid air-cooling towers instead of evaporative cooling
- Recirculation of demineralised water in paint shop pre-treatment lines
- Introducing a rotational conveyor system in our paint shop that not only guarantees high painting quality, but also contributes to environmental sustainability by consuming a third less water as compared to the traditional conveyor systems
- Recycling 90% of the water in washing processes and water test facilities

FORECAST

Continuous improvement measures to promote water-saving initiatives will be implemented in our Tiexi paint shop in 2014.

3.6

VOC emissions

One of the major environmental impacts associated with paint processes for automotive companies is the production of volatile organic compounds (VOC). We are committed to reducing our VOC emissions from our production processes to mitigate risks and impacts on society.

REDUCING VOC EMISSIONS IN PAINT PROCESSES

At our Tiexi plant, we introduced an integrated painting process, water-based paint technology and a dry scrubber system for a waterless process. This new painting process is an example of how BMW Brilliance has made improvements to minimising our environmental impact.

INSTALLING THERMAL EXHAUST-AIR TREATMENT SYSTEM

In our Dadong plant, the solvent-based painting application technology built in 1999 was still in operation until 2013. This year, we installed a thermal exhaust-air treatment system to reduce VOC emissions.

Figure 13: Volatile organic compounds (VOC) per vehicle produced at the Dadong plant

in kg/vehicle



FORECAST

Our new Tiexi plant will contribute further to achieving a reduction in VOC emissions, with state-of-the-art technologies such as integrated painting processes, water-based painting processes and the dry scrubber system.

04

SUPPLIER MANAGEMENT

- 4.1 Our management approach
- 4.2 Minimising supplier risk
- 4.3 Utilising supplier opportunities



Our management approach

Our global supply chain network provides a major contribution to value creation, quality and innovation, which will ensure the long-term success of BMW Brilliance. Our suppliers play a significant role in helping us to achieve our sustainability goals and in the development of society as a whole. As our business grows, we face even more complex global supply chains. These involve a large number of suppliers and sub-suppliers which present considerable demands and challenges, but also opportunities to leverage.

Our mutual understanding of product and production quality, security of supply, price credibility, innovation, as well as the continuous integration of our sustainability standards showcase our collaboration with suppliers. Our overall strategy to leverage supplier potential is to work with suppliers as strategic partners over the long term. With shared objectives and targets, we can make continuous improvements on product quality, logistics processes and production procedures. In addition, we can discuss some of the challenges and opportunities we face together, and develop in-depth analysis on key issues.

PRINCIPLES AND STANDARDS FOR OUR SUPPLIERS

BMW Brilliance abides by the principles of the UN Global Compact and the ILO. The BMW Group Supplier Sustainability Standard summarises the BMW Group’s core principles and standards for its suppliers in accordance with globally recognised principles. It includes a commitment to environmental and social responsibility as well as compliance with all internationally recognised human rights and labour and social standards.

INCLUDING SUSTAINABILITY CLAUSES IN SUPPLIER CONTRACTS

Our supplier network overlaps with the BMW Group’s supplier network. BMW Brilliance is working towards continuous improvement by harmonising contracts and the set-up process for global suppliers used by our business and that of BMW Group.

As such, BMW Brilliance adheres to the BMW Group International Terms and Conditions for the Purchase of Production Materials and Automotive Components. These include specific provisions with regards to environmental protection and social responsibility. Therefore, all agreements with our suppliers contain clauses based on the principles of the UN Global Compact and the ILO. The provisions require efficient resource consumption such as energy, water and greenhouse gas emissions as well as a ban on child and forced labour, and bribery. To ensure a comprehensive approach, suppliers are expected to contractually bind their subcontractors to comply with the sustainability terms of the BMW Group.



ALIGNING PROCESSES WITH THE BMW GROUP

The main instrument to ensure our sustainability standards is the BMW Group’s sustainability risk management process. It consists of a sustainability risk filter specifically designed for the BMW Group, a voluntary self-assessment questionnaire and sustainability audits. Based on the BMW Group assessment, BMW Brilliance receives a clear recommendation from the BMW Group for supplier choice and nomination. The comprehensive sustainability activities and risk assessments of the BMW Group are therefore the precondition of our own supplier management and reviews.

MANAGING OUR SUPPLY CHAIN

Our comprehensive management approach to the BMW Brilliance supply chain network requires integrating all relevant internal departments. Within BMW Brilliance, the Management circle of the Technology and Manufacturing Department, formed by key individuals from Research and Development, Purchasing, Quality Management, and Logistics work together to assume joint responsibility to ensure sustainable supply chain management.

In order to ensure sustainability and continuous improvement throughout the entire supplier network, we focus on managing and minimising supplier risks and leveraging supplier potential.

FORECAST

We will continue to streamline the supply chain management to maximise our efficiency and prepare ourselves for the growth of our business and suppliers. We will continuously improve and harmonise contracts used by global suppliers for both BMW Brilliance and BMW Group.

Minimising supplier risk

Our supplier risk management process is critical to ensuring that our sustainability standards are met across our supply chain. Managing supply chain risks allows us to identify not only product risks, but also risks related to health and safety, child labour risks and environmental impacts.

Our priority is to ensure that all of our suppliers maintain the highest standards of operation and comply with associated legal requirements. We continuously review our suppliers during vehicle production processes to ensure we are working with the right suppliers. If necessary we change suppliers or help them by providing external support to ensure our high product standards are met.

At least once a year, we visit our suppliers for requalification and to manage any potential risks. In doing so, we ensure our suppliers respect the standards required. For example, ensuring suppliers are not complicit in human rights abuses and are avoiding child labour. These standards are specified within all contracts signed by BMW Brilliance and suppliers. Risks are evaluated and if necessary countermeasures are established with the supplier.

If the results of an audit show non-compliance or potential for improvement, we work with the supplier to develop a specific plan of action and provide assistance with implementing this plan.

PILOTING OUR SUPPLIERS

In 2013, BMW Brilliance first piloted the new supplier risk management process. It was developed to promote greater corporate responsibility among suppliers. As part of BMW Brilliance’s strategy to conduct supplier risk processes, we informed all our suppliers that we would be carrying out audits reviewing supplier performance and management including sustainability issues. We finalised our supplier risk questionnaire covering six thematic areas: finance, health and safety, maintenance, delivery, social responsibility and sub-supplier management. As part of the pilot project, external supply chain risk management experts evaluated six of our suppliers.

Additionally, we managed our suppliers according to the standards required in the ISO 14001, Environment Management Systems and OHSAS 18001, Occupational Health and Safety Management, audits and the Chinese Green Label Audit – a standard covering specific product requirements as for instance compliance with the China V emission standard, asbestos-free product, fuel consumption, interior emissions and material reusability. Third parties conducted the audits and verified our management on supplier’s environmental and health and safety.

DEVELOPING OUR SUPPLIERS

The evaluation results of our supplier risk management process are both quantitative measures and qualitative judgements. Suppliers are given a green, yellow or red traffic light based on the risk score in each of these six areas, and an overall score. As a result of the pilot reviews, we identified weaker areas such as finance processes, environmental protection, and health and safety. We have conducted internal training especially on these three issues to purchasers and quality and logistics specialists. The purpose of the training was to enable people to verify and evaluate the different criteria with the same mindset and judgement.

If a supplier does not meet our high standards, we work hand in hand with them to find measures for continuous improvement. We aim to guide and monitor all of our suppliers towards achieving green traffic lights in all areas. Suppliers with underperforming issues are reviewed on a monthly basis by the Technology and Manufacturing Department. In cases where a supplier does not take effective action to counter the underperformance, we escalate the issue within BMW Brilliance. We use the audit results to optimise our value stream mapping and evaluate environmental impacts and human rights risks, such as child labour.

Every year, we begin with a requalification of all suppliers to ensure their performance meets our high standards. This approach guarantees that there is continuously a high availability of good quality parts, combined with a reasonable cost structure and optimised value stream. Furthermore, the supplier risk management process helps to maintain greater awareness for issues such as finance, social responsibility, and health and safety.

FORECAST

Following our pilot in 2013, we will roll-out our supplier risk management process in 2014. Supplier contracts will be reviewed based on supplier audit performance, countermeasures and continuous improvement. We will work together with the suppliers that did not pass our supplier risk management audit process by training and guiding them towards achieving sustainability standards. Following the pilot, a further 50 suppliers will be evaluated until mid-2014.

Utilising supplier opportunities

Our suppliers are key players within our business that provide us with opportunities to leverage and drive innovation. In order to utilise this potential, as part of our supplier management, we promote training for employees and suppliers, encourage greater resource efficiency and sponsor supplier education initiatives.

IMPLEMENTING SUPPLIER INITIATIVES

In 2013, we focused on below areas for implementing supplier initiatives:

- Internal training: We launched and offered internal training focusing on supplier risk management to more than 90% of all purchasers, logistics specialists and quality management specialists. The aim of the training was to raise awareness of sustainable supply chain management. This involved six training sessions in the training centre as well as on-site training for approximately 120 people.
- Deeper localisation: The aim of this project is to bring the suppliers nearer to BMW Brilliance's plants in order to optimise the cost structure of the suppliers. In the long term, this will help reduce transport routes and greenhouse gas emissions and to enhance communication and quality control.

COMMUNICATING CONTINUOUSLY WITH OUR SUPPLIER NETWORK

In 2013, BMW Brilliance held an event with suppliers and government representatives. The event provided an open forum for collaboration and discussion. Over 200 suppliers from all over China took the opportunity to share information within the supplier network. We shared information between our business and our suppliers, allowing us to discuss opportunities, expectations and challenges. We discussed future business plans and proposals for working together in future years. In addition, detailed logistics and quality-related procedures were also explained.

We shared future challenges and in particular how we will address the important issue of sustainability, such as environmental and social responsibility issues. Our goal is to bring suppliers geographically closer to the plants of BMW Brilliance in order to provide cost savings for logistics and energy savings.

As a result, we were able to build important relationships, for example between key people within the supplier business, and our own business partners. Following the Supplier Day, we received very positive feedback from our suppliers and from the government.

FORECAST

Next year we plan to conduct supplier technical days. In addition, we will also implement ongoing training on finance payment processes and safety issues.

05

EMPLOYEES

- 5.1 Our management approach
- 5.2 Attractive employer
- 5.3 Occupational health and safety
- 5.4 Training and further education
- 5.5 Diversity and inclusion
- 5.6 Work-life balance

Our management approach

As a company we make every effort to attract and keep the best talents. To achieve this we offer our employees a variety of benefits, training opportunities and a high level of job security. We pay employees above-average wages and promote measures for a better work-life balance. These factors position us as one of the most attractive employers in the automotive industry. Our increasingly diverse workforce is motivated, competent and highly effective, which is a major contributor to the future success of our business.



At the same time, our business still faces challenges. The automotive industry is rapidly growing in China. Therefore, we must make sure our employees' personal development matches our fast business growth. It is essential that our leaders, managers and employees are nurtured to develop to their full potential within our business. However, talent demand is leading to a growing attrition rate and increasing cost on people management. The Chinese government is placing stronger demands on the requirements for improving human resource management to better protect employees.

COMPLYING WITH OUR HUMAN RESOURCES POLICY AND HUMAN RIGHTS

The principles of our Human Resources Policy are binding for every employee. As a business, we are committed to the ten principles of the UN Global Compact. This includes the observance of human rights and fair working conditions and the Declaration on Fundamental Principles and Rights at Work by the ILO.

Our Human Resource Guidelines commit us to providing employees with a safe, clean and open-minded working environment. In order to achieve this promise

- all health, safety and environment practices must be followed
- all employees must report improper handling of hazardous substances or chemicals
- all employment decisions are made without any regard to age, race, gender, religion, origin or marital status
- the work environment has to be free from harassment

In our Human Resource Guidelines, we fully comply with China's Labour Law and relevant regulations in relation to forbidding forced, compulsory and child labour. Any violation of the Human Resource Guidelines or Legal Compliance Codes is filed with the Human Resources Department and the Compliance Committee. Audit teams from both shareholders and BMW Brilliance also conduct an annual audit to ensure full compliance.

SUPPORTING UNION FOR EMPLOYEES

In 2007, we set up the Labour Union, working to protect employees' rights and interests and promoting the development of the company. By the end of 2013, the Labour Union covered all local employees. The Labour Union mediates disputes between employees and the company. As a result of the Labour Union and management working together, an 80% cumulative increase in salary rate was achieved in 2013, compared with that in 2007.

The collective consultation between the Labour Union and Board of Management takes place annually. Both parties decide which topics will be discussed. These topics include key areas such as compensation, benefits, employee support, and health and safety. After the consultation meeting, a plan with agreed actions and measures is implemented.

MEASURING OUR PROGRESS

At the end of 2013, the total workforce of BMW Brilliance reached 13,024 (total headcount without Fesco contract and Young People Development Programmes). The share of female employees at BMW Brilliance was 12%. In addition, there was a 26% share of female employees in management positions within our business.

Senior management receives regular reporting on the current status and performance against those targets. Our Employee Survey allows us to receive feedback from employees every other year. The results provided in the survey allow us to derive specific measures for improvement.

We review the performance of our employees on multiple levels. For example, it is not only the line manager who evaluates the performance of the employee. Human Resources, process partners and additional line managers from respective business areas are also involved during this process.



FORECAST

We will implement new Human Resources programmes relating to training, personal development, new working structure, employee assistance, as well as compensation and benefits. We will further enhance our Human Resources Policies in regards of Labour Law and regulations and human rights protection.

5.2

Attractive employer

As a leading employer we want to attract and recruit the best talents in the market. We develop our highly skilled employees through training and development opportunities. However, it is critical to ensure retaining employees as the most valuable resource of our business. We differentiate from other automotive companies by providing unique opportunities such as speaking and communicating in English and an international working environment. This helps us to attract a high calibre of talents.

CREATING GOOD WORKING CONDITIONS

At BMW Brilliance, we reward our employees with remuneration that is above average, parallel with that of the BMW Group, and aligned with the upper third of the respective labour market in China. In addition to a fixed base salary, our employees also receive a variable bonus. This includes a company bonus based on company performance and a personal bonus based on personal performance across the year. To guarantee our competitiveness as a leading employer in the market, we conduct an annual customised salary survey using an external consulting company.

In China, we face challenges in talent acquisition due to the strong competition in the market and our requirements for higher skill sets. Our second tier city location is also less attractive for employment in comparison to a first tier city location.

We offer a range of additional benefits to employees including canteen and shuttle bus transportation as well as employee and manager car purchasing programmes.



FLEXIBLE WORKING TIME MODELS

BMW Brilliance implements three different working time modules. This enables us to deal with fluctuations in this changing market and ensure stable monthly salary payments. There are three kinds of working time contracts at BMW Brilliance.

- Standard working time for non-production employees
- Working time account for production employees
- Flexible working time for non-production employees

Standard working time

A standard working time contract entitles the employee to a 40-hour working week which complies with Chinese Labour Law.

Working time account

In order to facilitate our annual production volume fluctuations and support production employees, we use a tool called the working time account. Using this tool, we can record employees’ weekly working hours in excess or below the regular 40-hour working week.

Flexible working time

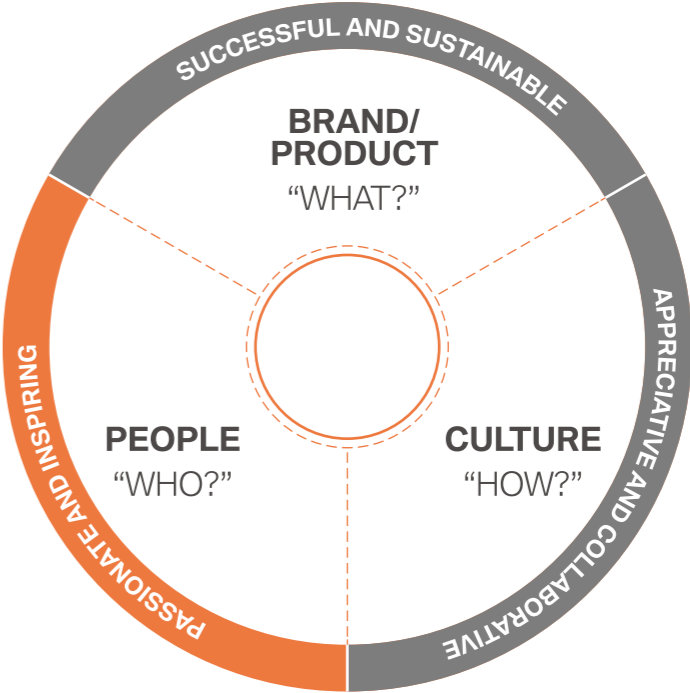
Employees with a personal grade of G5 and above are entitled to flexible working time. However, for some specific job roles, such as drivers, the flexible working time will be assigned according to job and functional requirements. Employees working under the conditions of flexible working time may take time off to compensate for their additional hours worked with prior approval from their line manager.

THE BMW BRILLIANCE EMPLOYER VALUE PROPOSITION

Our goal is to be the most attractive employer in the Chinese automotive industry. In 2012, we developed the Employer Value Proposition that demonstrates our employer-branding concept. We use a common creative platform for all key messages and visuals. The key objectives are to demonstrate the excellent development opportunities for employees in order to attract the best talents and retain our employees.

See Figure 14 ►

Figure 14: The BMW Brilliance Employer Value Proposition



In 2013, we updated all human resources marketing and recruiting materials and created an employee video “My BMW Brilliance Moments” to promote the Employer Value Proposition through social medial channels. We promote our culture, business and career opportunities to attract external talent through social media channels.

STRENGTHENING THE EMPLOYER BRAND

We organise recruitment fairs customised to our diversified target groups, for example our annual BMW Brilliance Premium Job Fair in Shenyang. This event aims to recruit candidates for current positions, increasing our talent pool, and enhancing our employer branding. This also provides the opportunity for line managers to meet potential candidates and to provide them with an overview of our business. Our collaboration with universities, colleges and technical schools, reinforces graduates and young people’s awareness of BMW Brilliance as an attractive employer. For example, we organise recruitment activities at our target universities every year to attract young people as our future talent.

MONITORING ATTRITION RATE

We closely monitor our employee attrition rate every month as part of measuring our performance. BMW Brilliance’s voluntary attrition was 5.38% in 2013, which was a decrease when compared to the voluntary attrition rate of 5.86% for 2012. The average automotive industry voluntary attrition rate in second tier cities in China is approximately 9%. Therefore, BMW Brilliance is succeeding in retaining talents and creating a high loyalty within our workforce.

HUMAN RESOURCES AWARDS RECEIVED IN 2013

- Best Employer in Auto Industry by Chinahr.com
- Best HRM Companies in All Industry by 51job.com
- Best Management Solutions for Generation Post 90s by 51job.com
- Best CSR Program by 51job.com

FORECAST

BMW Brilliance conducts an annual employee survey to receive feedback from our employees and identify areas for continuous improvement.

In 2014, we will review our human resources recruiting process. We will launch an automated recruiting IT system, as part of this review, which aims to enhance the efficiency of recruitment. High candidate expectations, new technology requirements and the retention risks are several challenges we are facing for recruiting candidates within Research and Development, Strategy, as well as Sales and Marketing functions.

In the upcoming years we plan to establish an Employment Mediation Committee to support and enhance management efforts on critical disciplinary cases as well as termination cases. The Committee will include representatives of Labour Union, Human Resources, Legal, Health Management and Business Departments. The Labour Union and Board of Management have committed to annually check the implementation of collective labour contracts and negotiation results.

5.3

Occupational health and safety

We support our employees’ health by providing an integrated health management approach. Occupational health and safety practices are implemented in accordance with relevant Chinese legislation as well as the international best-practice guidelines of the BMW Group Health and Safety Policy.

INTEGRATING OCCUPATIONAL HEALTH AND SAFETY IN THE COMPANY

Our integrated approach to occupational health and safety management strives for the best possible performance of employees. We support employees by providing medical care, occupational health services, promoting healthy lifestyles, and health and travel advice for expats. We offer health management activities such as health checks and flu vaccinations on an annual basis for employees.

To ensure the effective management and implementation of occupational health and safety in the company, the Board of Management assigns an occupational health and safety management representative. The occupational health and safety system adheres to relevant occupational health and safety laws.

In 2011, TÜV Rheinland certified BMW Brilliance according to the OHSAS 18001 standard for all plant locations. OHSAS 18001 is an Occupation Health and Safety Assessment Series for health and safety management systems. It is intended to help organisations to control their occupational health and safety risks. BMW Brilliance establishes company-wide procedural and working instructions for employees based on OHSAS 18001 requirements and best practices within the BMW Group markets. We are implementing several occupational health and safety initiatives across our business operations. These include improved ergonomics for office-based staff and an enhanced first-aider programme at all plant locations. Our maternity care programmes for pregnant and breastfeeding employees intend to mitigate potential health risks from workplace exposure. Also, our managers are encouraged to lead by example by investing in their own health.

We have centralised safety management within our business. We have developed and implemented safety key performance indicators to measure our performance in this area. We aim to foster a safety mindset by encouraging our employees to generate and implement safety improvement ideas for their workplaces. In addition, we have regular safety campaigns to raise health and safety awareness amongst employees in the workplace.

Our expat health programme was established to support employees from different countries and cultural backgrounds to have easy access to the available health services offered in Shenyang. An expat health application was developed through the WeChat platform to reach our expat employees on a global scale and to enable our employees to access the health-related information from anywhere in the world.



PROMOTING HEALTH CHECKS

In 2013, 95% of our employees participated in the annual health check programme. This initiative supports both our employees and their families to discover and make informed decisions about managing their current health status. Promoting early diagnosis and treatment of any medical conditions are critical elements to this employee health programme. In addition, annual seasonal flu vaccinations were offered to all employees. In the winter season of 2013, 34% of employees participated in the campaign.

In 2013, ergonomic assessments for 1,104 employees were conducted to improve their workplace design in the different plant locations. For non-production sites, office ergonomic assessments for 2,295 employees were conducted to improve the ergonomics within the office environment.



MINIMISING RISKS OF WORKPLACE ACCIDENTS

We provide occupational health and safety training to all newly onboarded employees. A total of 9,592 employees received occupational health and safety training. We aim to reduce the accident frequency rate in our business by minimising the risks of workplace accidents. In 2013, the accident frequency rate in BMW Brilliance was 0.52 per million hours worked. In 2013, there were no work-related fatal accidents or occupation injuries.

FORECAST

We will continue to implement our employee assistance programme as part of our occupational health and safety strategy in 2014. Both physical and mental health aspects will be of increasing importance looking forwards. Our blood pressure campaign intends to raise awareness about high blood pressure and its potential health risks. It will ensure we identify employees at risk of high blood pressure, and they will receive timely treatment. The Physical Assessment and Rehabilitation Centre will form an integral part of the occupational health services to ensure a holistic approach to the overall well-being of our employees.

Training and further education

Our training and further education courses for employees are critical for further talent development and enabling business excellence. We have established a corporate learning culture through training which is essential for our business to keep apace with new technological advances and labour market changes.

We aim to achieve high customer satisfaction by ensuring we have a passionate and highly trained workforce. To achieve this we provide career learning paths for the development and continuous improvement of all employees. We strive to cultivate a lifelong learning and knowledge-sharing culture.

TRAINING FOR STRATEGIC PRODUCT LAUNCH

In China, we recently launched the new electric drive vehicle Zinoro 1E. We also have future products in the design phase. Therefore, it is a priority that as a business we invest in training for local technical employees to meet these demands. In 2013, technical employees received training on product and process knowledge for BMW exclusive technology. We invested in high-quality training equipment and testing cars at our Research and Development Training Centre. In 2013, a comprehensive R&D competency build-up programme was developed for 339 R&D engineers, which includes 54 training courses.

NURTURING FUTURE TALENT

Our Young People Development Programme focuses on gaining future talent for our business. As part of this, the Future Talent Programme aims to develop students' skills and knowledge for a smooth transition from being students at school to working for BMW Brilliance. To support this, we provide soft skills and technical training, buddy guidance and on-the-job practice. We run a variety of Future Talent Programmes including those for PhD trainees, specialist trainees, production management trainees, production apprentices and interns. Our programmes combine practical and theoretical elements to help them become excellent technical experts, managers, section leaders, technicians and production workers.

TRAINING OUR LEADERS

In 2012, we defined the five leadership elements for leadership culture to embed across our company. These are “trust”, “inspire”, “open”, “care” and “go beyond”. Our leadership programme and road map include mandatory and optional programmes that follow the programmes offered by BMW Group.

Our strategic partner for the Young Leaders College is Peking University. The programmes' goal is to prepare our leaders for continued business growth in China. We aim to build a core management team with shared skills, knowledge, trust and values. We offer high-level development opportunities for advancement of leadership skills and long-term succession planning.

IMPLEMENTING DUAL VOCATIONAL TRAINING

We have set up a vocational training programme and curricula based on the dual vocational training approach of BMW Group. As part of the vocational education programme, we trained 16 vocational schoolteachers and recruited 40 apprentices. This approach combines theoretical teaching with company-relevant practical orientation (“Dual Principle”). The objectives allow students to further proceed with their education and also gain relevant experience in a high-tech manufacturing environment. Furthermore, the programme helps to recruit qualified skilled workers for specific business departments.

DEVELOPING OUR TRAINING FACILITIES

In 2013, we opened a Research and Development Training Centre and a Vocational Training Centre. These were decorated in BMW corporate identity, to visibly reflect our BMW culture. We developed these training venues, which are not available externally, to invest in our people and meet our business requirements.

TRAINING OUR TRAINERS

In 2013, we certified nine in-house trainers to deliver internal training as part of a pilot programme. This supports the development of employees, retains knowledge within our business and efficiently and effectively utilises our internal resources. It also allows us to develop and offer bespoke training that meet our training needs on specific topics which are not available externally. Additionally, we provide professional consultancy-based training to business departments to support employee development and competency. This approach helps to better understand the requirements of the business departments, so that training is specifically tailored to their needs.

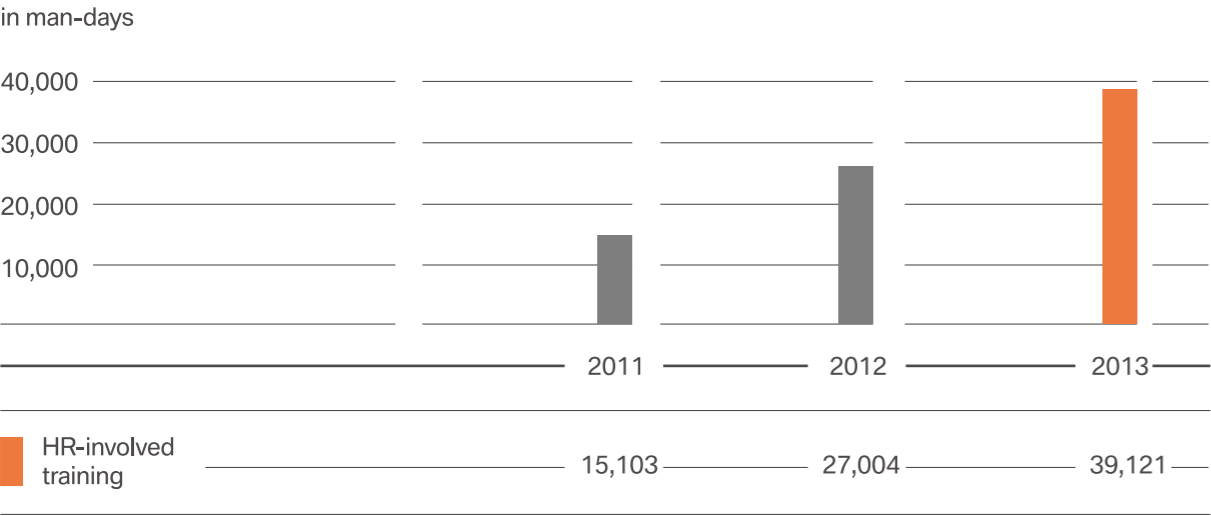


MEASURING OUR TRAINING PEFORMANCE

We measure and evaluate our performance in training and further education each year to strive for continuous improvement.

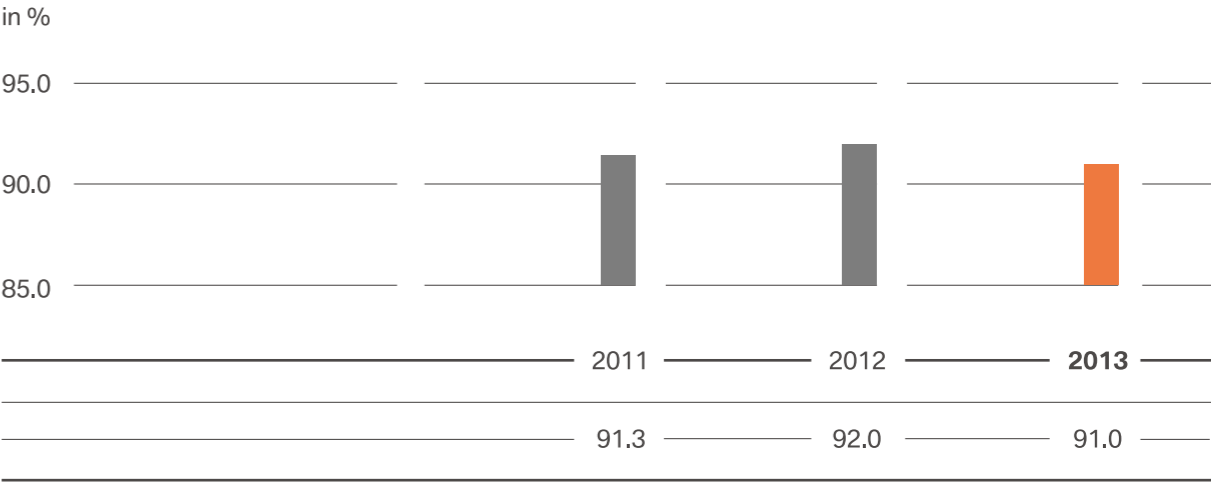
In 2013, our training man-days increased when compared to the previous year for human resources-led training (see Figure 15).

Figure15: Training man-days organised by the Human Resources Department increased year on year



In 2013, the average training days per employee were 3.91 days organised by the Human Resources Department. The employee training satisfaction rate was maintained above 90% (see Figure 16).

Figure16: Training satisfaction rate year on year



In 2013, 254 employees received legal compliance training as part of our overall Legal and Compliance strategy. Sixty-nine employees attended human rights training on General Labour Law for Human Resource. As part of compliance with environmental, health and safety laws and regulations, 23 employees received environmental management training.

FORECAST

Next year, we will continue to focus on implementing all training programmes for employees. The new vocational education programme will be further developed and improved. Anti-corruption training will be a priority for employees working in high-risk functions such as new appointed managers. We will also conduct two new training courses relating to the protection of human rights and labour standards for line managers and human resources professionals.

Diversity and inclusion

Increasing the diversity of our workforce enhances our competitiveness and makes BMW Brilliance a more attractive employer. Our diversity and inclusion programmes in China aim to enhance innovation, creativity and increase both customer and market insights.

BMW Brilliance offers all employees equal rights and opportunities for their growth and development. These rights are solely based on performance, regardless of gender, origin, age or belief. We provide a positive working environment where each employee feels appreciated and accepted.

DEVELOPING SIMULATION TOOLS TO DEVELOP DIVERSITY

In 2012, we piloted a programme to develop and increase the diversity of the workforce in Research and Development. We defined six focus areas for diversity as part of the programme, such as education, age, gender, international experience, job experience and language. We used a diversity simulation tool to predict the evolving workforce diversity ratios. This is based on the diversity profile of existing employees and data from external markets. The results show diversity ratios for the current workforce and future projections for how diversity ratios will change over time.

Our business faces typical challenges of the Chinese market. The increasing demand for experienced managers is caused by a limited availability of talents. In addition, it is necessary to move towards a sustainable demographic distribution of age groups across our business. Our particular focus is to take initiatives to counter the retirement of baby boomer in the next 10 to 20 years.

FOSTERING INCREASED DIVERSITY

As part of our Young People Development strategy, we launched a joint project between BMW Brilliance and North-Eastern University in Shenyang called the Promotion Programme. This programme will also be expanded to other universities in the next few years. PhD students write their PhD theses about a topic agreed by both project partners. They gain practical insights into their relevant research topic by working in the respective BMW Brilliance departments, whilst continuing their studies at university. This allows us to prepare and train young people for qualified functions within our business and support their ongoing education. Also, the younger generations benefit us by bringing fresh ideas and insights from recent research into the business. This helps us to ensure that our future product development meets the consumer preferences of the next generation.

We aim to increase the competencies of employees in China. To achieve our localisation strategy, over 100 employees have had the opportunity to work on international assignments. This provides them with multicultural experiences and further enriches their professional development.

Our intercultural training aims to bridge different cultural gaps between employees from China and non-Chinese backgrounds. This training helps to strengthen and support better global collaboration between our geographically dispersed workforces.



PREVENTING DISCRIMINATION

BMW Brilliance seeks to prevent discrimination on the grounds of gender, origin, age, disability, marital status, religion or sexual orientation, and military status. Our principles and policies relate to equal rights and anti-discrimination. These are provided within the Employee Handbook provided to and acknowledged by all employees.

PROMOTING FEMALE MANAGERS

We aim to increase the number of women in management positions. In 2013, the total share of female managers within the workforce was 26%. The number of female managers increased from 25% in 2012 to 26% in 2013. In 2013, the total share of female non-production employees within the workforce was 37%. The total share of female managers has slightly increased compared to last year. The performance and achievements of our female employees' resulted in slightly more females being promoted to management positions.

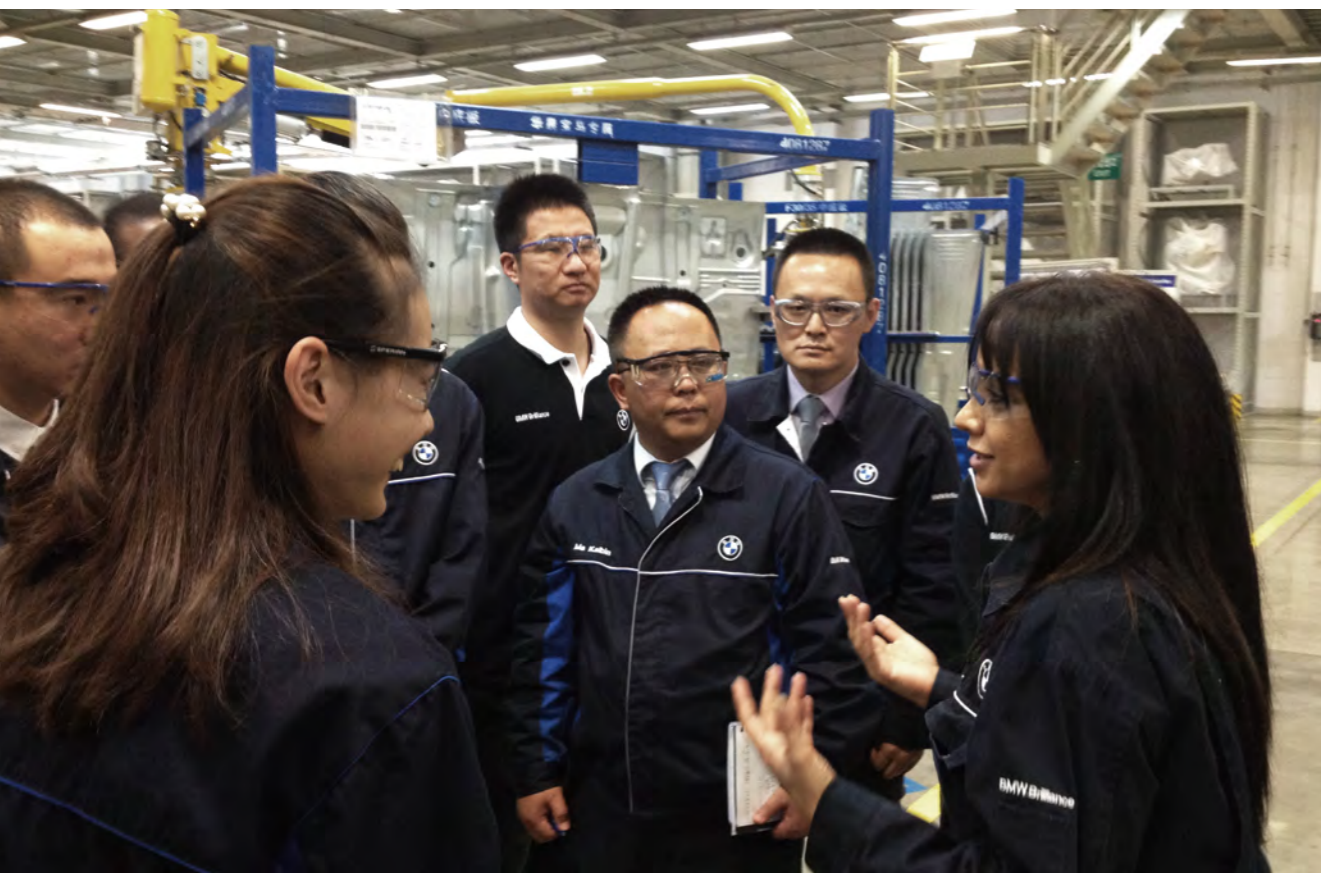
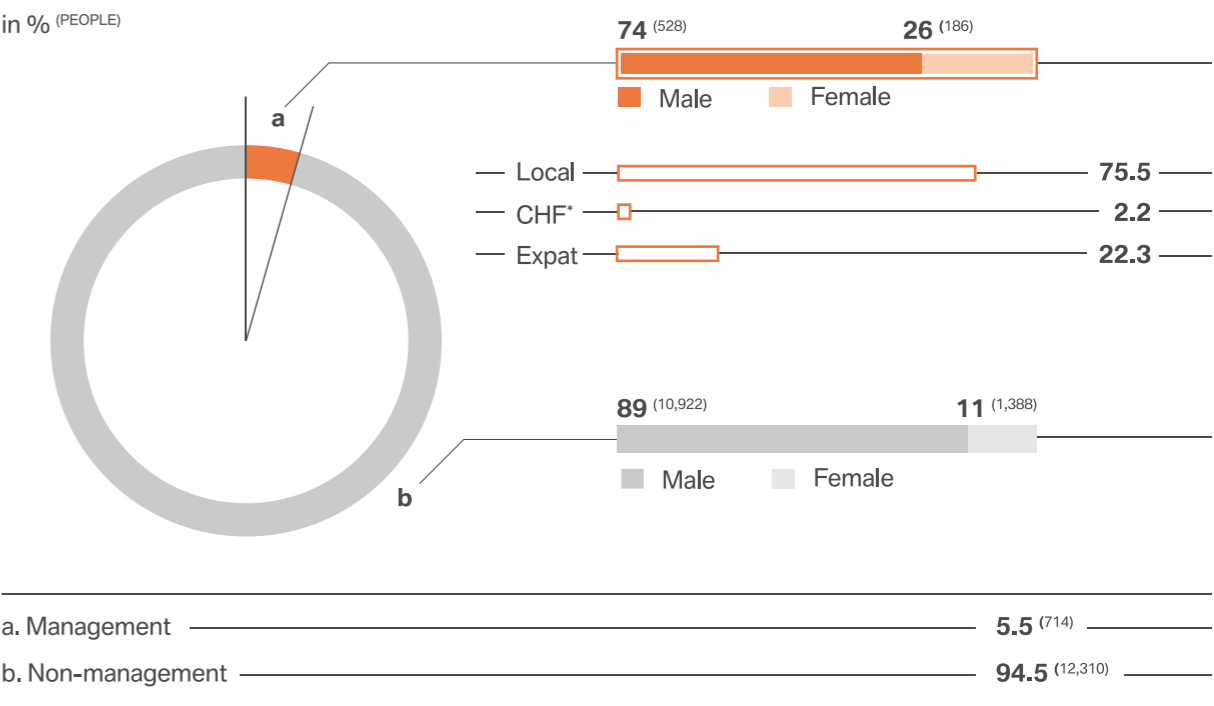


Figure 17: Distribution of females and males in management and non-management positions
(data source date: December 31, 2013)



* China Hired Foreigners

FORECAST

The Academy of China BMW will be launched with comprehensive learning and development systems and resources, offering equal rights and opportunity for growth. We plan to enhance our Future Talent Programmes to foster young talents and increase innovation and creativity. Additionally, we will integrate diversity dimensions into human resources systems to support diversity data collection and management.

Our strategy for recruiting China Hired Foreigners is underway and will allow us to focus in future on increasing the diversity of nationalities working for BMW Brilliance.

Work-life balance

It is our responsibility as an employer to support our people in finding the right work-life balance. We want our employees to make informed healthy choices to sustain their health and happiness. An engaged and fit workforce is important for BMW Brilliance to demonstrate our values and achieve long-term business success.

ENABLING FLEXIBLE WORKING AND BENEFITS

The majority of employees working in non-production roles are entitled to flexible working conditions. This benefit gives employees greater leeway to balance their time needed by work and life. Technical employees have the option to work from home when there is a need.

The health of our employees is fundamental for their performance and the ultimate success of our business. All our employees are entitled to leave benefits to cover different individual needs. For example, we offer annual leave, corporate leave, sick leave, maternity leave, paternity leave and wedding leave. All legal requirements relating to benefits including annual leave and overtime are met. In addition, employees can support family members' by taking out supplemental medical insurance as part of a flexible benefit within the annual plan.

The Management and the Human Resources Department review employee's leave and working hours on a monthly basis. We carefully monitor and manage our performance for these human resources-related business targets. All managers ensure that employees use their full entitlement of annual leave over the year.

Many employees working in our production operations have to work shifts. However, their Working Time Account can provide more flexibility for them. For example, they may choose to use the additional working hours they have accumulated above the standard 40-hour working week to have time off. Our aim is to maintain this flexibility, in particular if regulatory requirements should change in the future.

OFFERING FLEXIBLE BENEFITS FOR EMPLOYEES

In June 2012, BMW Brilliance successfully launched a Flexible Benefit Programme for employees. We are the first company in China to implement such a programme in the automotive industry, and the second company within the BMW Group worldwide. As part of the Flexible Benefit Programme, we offer two main benefits which include medical insurance and pension saving plans. We provide a core medical insurance plan with the ability for optional upgrades to the plan. This aims to ensure all employees have basic medical insurance, but the opportunity to upgrade their medical insurance level to fit to their diversified needs. Family members such as parents, spouses and children are also eligible to join the programme.

UNION WELFARE FOR EMPLOYEES

The Labour Union plays an important role for the welfare of employees. Gifts are given to employees during traditional festivals, birthdays, wedding days and for newborn children.

Employee Charity Fund

In 2009, the BMW Brilliance Employee Charity Fund was established with the aim of providing employees with financial support and helping to solve a variety of problems. As part of the employee home visit project, visits took place to over 100 employees, who were supported just before Chinese New Year. In addition, the Employee Charity Fund visited 178 employees in hospital to provide support during the year. Employees affected by the Fushun floods in August were provided with financial support of RMB 2,000 to help towards their recovery. In addition, those employees in desperate need were able to instantly borrow money from the Labour Union.



Associate Special Aid Programme

In 2012, we launched the Associate Special Aid Programme to support employees and their family members who may suffer from critical diseases or accidents. Human Resources business partners, Finance and the Labour Union jointly set up this programme. It provides employees with financial support for their specific personal circumstances.

FORECAST

We will offer online health-related training as part of the Academy of China BMW which provides more flexibility for employees to access the training.

Our Employee Assistance Programme will continue to support employees and their families in coping with health-related issues. Additionally to that, we will further implement our strategy for China Hired Foreigners, which allows us to influence the diversity of nationalities working for BMW Brilliance.

06

CORPORATE
CITIZENSHIP

- 6.1 Our management approach
- 6.2 Resources
- 6.3 Intercultural innovation and social inclusion
- 6.4 Education

Our management approach

Corporate Citizenship is an integral part of our vision at BMW Brilliance as a business enterprise. We are working together with all BMW companies in China to ensure we fulfil our social responsibilities as a corporate citizen. As a business we believe we can inspire our stakeholders to join us in making a positive contribution and foster sustainable development in China.

TAKING RESPONSIBILITY AS A CORPORATE CITIZEN

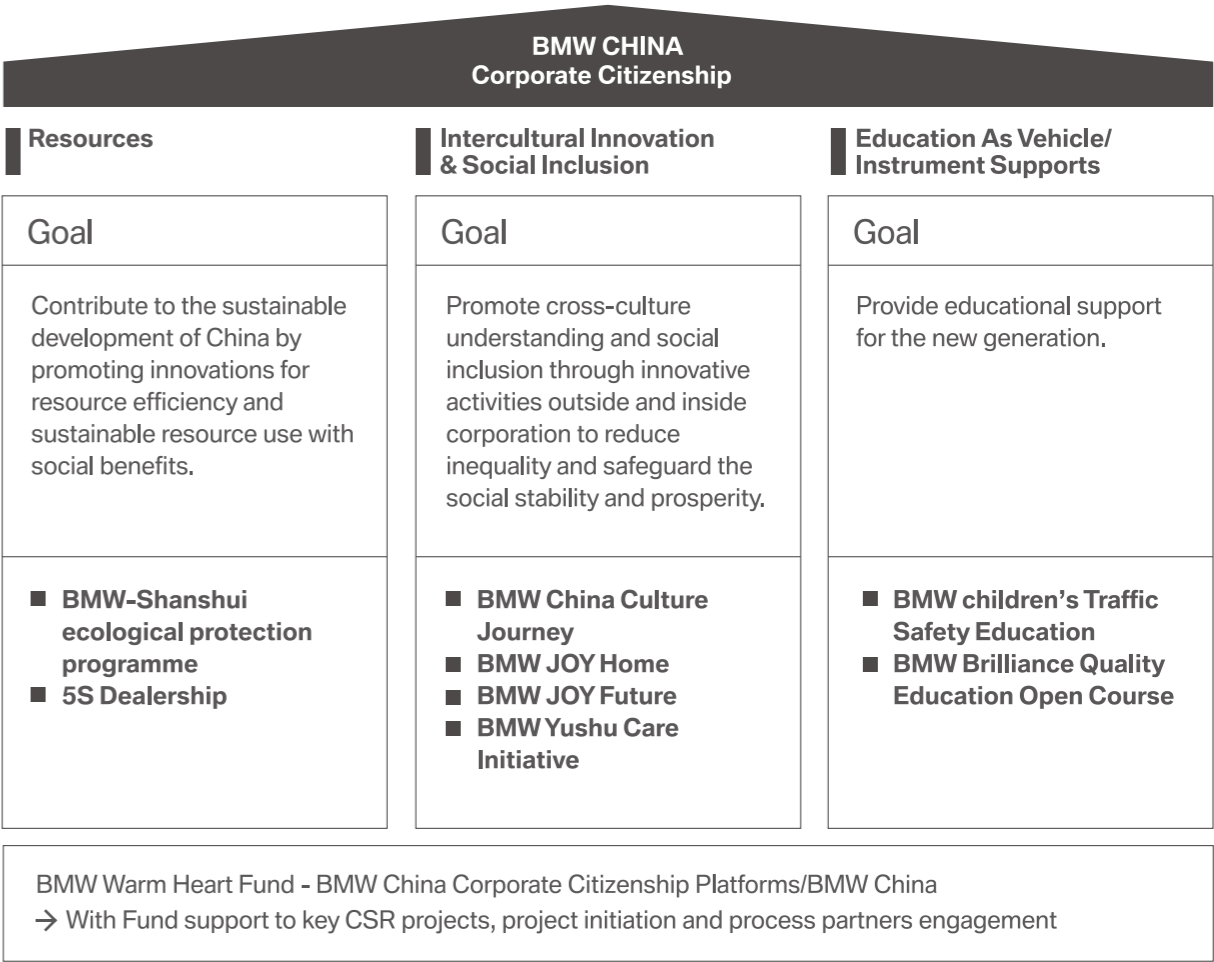
Our Corporate Citizenship strategy is customised to match the realities of society in China. Our strategy focuses on three major sectors: Resources, Intercultural Innovation and Social Inclusion, and Education. We chose these sectors to implement social initiatives that are in line with our industry, while further promoting the sustainable development of Chinese society.

In June 2008, BMW China Automotive Trading Ltd. and BMW Brilliance jointly set up in partnership with the China Charity Federation (CCF) the CCF-BMW Warm Heart Fund to provide a comprehensive corporate citizenship platform to support a variety of programmes and partners. We aim to encourage employees, dealers and customer representatives, as part of the BMW family, to come together and join in our programmes and contribute to our Corporate Citizenship strategy. As our programmes have developed, the Warm Heart Fund which was initially a project initiator has developed into a platform builder, becoming a more robust and sustainable organisation. Since it began, the Warm Heart Fund focuses on delivering results and adhering to the principles of synergy, sustainability and transparency.



Figure 18: BMW China Corporate Citizenship strategy and structure

2013 BMW CHINA CC STRATEGY AND STRUCTURE



EXPANDING OUR COMMITMENT

In the past six years, the Warm Heart Fund has effectively engaged all BMW companies in China and launched a series of charity programmes as part of our long-term commitment to Chinese society. By the end of 2013, more than 250 BMW dealers and 50,000 customers participated in a variety of charity programmes which benefited more than 70,000 people.

AWARD-WINNING CORPORATE CITIZENSHIP PROGRAMMES

We have received several awards for our specific charity programmes as part of our overall Corporate Citizenship strategy including:

- FASHION CHARITY AWARD for CCF-BMW Warm Heart Fund by Fashion Weekly (November 2013)
- ANNUAL CHARITY AWARD for CCF-BMW Warm Heart Fund by Phoenix TV's Car Element programme (December 2013)
- CHINA CSR CHARITY CASE PROMINENCE AWARD for BMW JOY Home by China Philanthropy Times (December 2013)

We have received several awards for our Corporate Citizenship programme including:

- 2013 CHINA AUTO COMPANY CHARITY CONTRIBUTION JIN YI AWARD by Southern Metropolis Daily (November 2013)
- THE PROMINENT PERFORMANCE AWARD during the Global Responsibility China Action event by China Business Journal (November 2013)
- 10TH CHINA BEST CORPORATE CITIZEN by 21st Century Business Herald (December 2013)
- CHINA EXCELLENT CORPORATE CITIZEN AWARD by the China Committee of Corporate Citizenship (December 2013)
- ANNUAL CORPORATE SOCIAL RESPONSIBILITY AWARD by China Automotive News (December 2013)
- 2013 CHINA CORPORATE SOCIAL RESPONSIBILITY SPECIAL AWARD by the Chinese Excellent Corporations Fulfilling Social Responsibility Summit (December 2013)
- 2013 CHINA BEST HUMAN RESOURCES MODEL COMPANY and the 11TH COLLEGE STUDENT BEST EMPLOYER SELECTION by Best Employer in the Auto Sector (December 2013)
- 2013 CHINA BEST CORPORATE CITIZEN BEST CULTURAL PROTECTION AND INHERITANCE AWARD by 21st Century Business Herald (December 2013)
- THE ANNUAL BRAND CONTRIBUTION AWARD at the 2nd China Brand Annual Conference and Brand Jinbo Award Charity Award Ceremony (December 2013)
- CHINA AUTO SECTOR TOP 10 CHARITY EVENTS for the BMW Children's Traffic Safety Education programme by Buycarcn.com (September 2013)
- 2012-2013 ANNUAL SUSTAINABLE DEVELOPMENT IN CHINA SUCCESSFUL CASE AWARD for BMW Children's Traffic Safety Education programme by The Economic Observer (November 2013)
- BMW CHINA CULTURE JOURNEY WAS NAMED THE 9TH CORPORATE CITIZEN OUTSTANDING PROGRAMME by the China Committee of Corporate Citizenship (December 2013)

FORECAST

In 2014, BMW Brilliance, together with BMW China Automotive Trading Ltd., will continue our joint efforts in corporate citizenship by continuing to develop programmes and engaging in activities. We will utilise the Warm Heart Fund to encourage members of the BMW family, including its employees, dealers and customer representatives, to come together to contribute to the society, sharing their love and generosity.

6.2

Resources

Environmental responsibility is an integral part of our commitment to corporate citizenship as a business. In Yushu, the support of the BMW family and its employees over the years has developed from immediate support to long-term environmental protection.

SUPPORTING ECOLOGICAL PROTECTION IN YUSHU

In August 2013, Warm Heart Fund joined forces with the Shanshui Conservation Centre to launch an ecological protection programme in Sanjiangyuan Nature Reserve areas in Yushu. We have invested RMB 1 million in the programme in Yushu which aims to leverage social projects to improve and protect the local environment. We are researching the grasslands ecological systems through a series of studies on the ecosystem. We are also providing training for local conservation professionals and local people who want to get involved in protecting their community. Our goal is to establish a resource management and community protection model that protects Yushu's environment and long-term development, and meets the needs of the local community.



FORECAST

In 2014, the Warm Heart Fund will extend the cooperation with Shanshui Conservation Centre into 2016, invest within three years a total of RMB 3 million into the Sanjiangyuan Ecological Environmental Protection programme and promote the sustainable development in Yushu. We plan to conduct a grassland study on 43,000 square kilometres within the Yushu area. This aims to identify the cause of grassland degradation and initiate relevant preservation and conservation projects. We will directly train 5,000 people in four regional counties to become environmental custodians to protect the environment in Yushu for the future.

Intercultural innovation and social inclusion

Our business is deeply rooted in China, which integrates our pace of business development with the development of Chinese society. As such, we have a long-term commitment to China, to fulfil our social responsibilities and commitment to preserve Chinese traditional culture together with our partners. In addition, we have a focus to support the inclusion of disadvantaged children and students in society.

Over the past years, BMW Brilliance has focused on protecting traditional Chinese culture and promoting cross-cultural understanding and social inclusiveness. Our ongoing realisation of the BMW China Culture Journey has enabled our business to better understand spiritual traits of Chinese society and people. As our business grows and expands, we will share with our Chinese consumers, the development opportunities within Chinese society.



PROTECTING CHINA’S CULTURAL HERITAGE

Since 2007, the BMW China Culture Journey has continuously explored cultural heritages which epitomise traditional Chinese wisdom. We have financially contributed RMB 8 million to 77 cultural heritage sites in urgent need of protection. Over the last six years, the BMW China Culture Journey has visited over 210 cultural heritage projects and covered 17,000 kilometres across 21 provinces. More than 1,400 journalists from national and regional mainstream media have joined our journey. We have raised awareness for the protection of cultural heritage and attracted people’s attention through our activities. We have promoted cross-cultural exchanges between different regions, minority groups and social groups as well as social integration. As a result, we have gained an in-depth understanding of Chinese society and culture.

IMPLEMENTING AWARD-WINNING CULTURAL PROGRAMME

We have won several awards for our cultural heritage work in recent years. In December 2013, the China Committee of Corporate Citizenship awarded us with the 9th Corporate Citizen Outstanding Programme. In addition, the BMW China Cultural Journey has been listed as one of China’s cultural heritage day activities over the last seven years.



SUPPORTING DISADVANTAGED CHILDREN AND STUDENTS: BMW JOY HOME

The BMW Warm Heart Fund launched the BMW JOY Home children care programme in June 2011. It is our first long-term public welfare programme jointly initiated by BMW and our dealers. The programme aims to create equal growth opportunities for disadvantaged children in rural areas of China, enabling them to pursue a brighter future. We provide necessary assistance and emotional care for disadvantaged children through the provision of donations by Warm Heart Fund and the establishment of BMW JOY Homes. Each JOY Home includes the donation of 10,000 books, six computers and projection equipment. Volunteer activities take place at each JOY Home which involves BMW customers volunteering with disadvantaged children. By November 2013, 52 BMW JOY Homes had been set up across 27 provinces in China, benefiting 40,000 children.

PROVIDING EDUCATIONAL OPPORTUNITIES TO STUDENTS FROM LOW INCOME FAMILIES: BMW JOY FUTURE

Launched in 2008, the BMW JOY Future Student Grants Programme aims to provide financial assistance, education opportunities and spiritual support to outstanding students from financially challenged families. To date, the programme has provided nearly RMB 12 million in donations to 5,400 students. In August 2013, we started the second stage of the programme, which includes more students and a wider geographical range. We introduced career guidance and training for college students to improve students’ professional and personal development under the support of BMW dealers, customers and employees.

EMERGENCY AID AND LONG-TERM SUPPORT TO
DISASTER-AFFECTED AREAS: BMW YUSHU CARE

In April 2010, when an earthquake hit Yushu, the Warm Heart Fund immediately launched an emergency disaster aid programme in the area. Over the past four years, hundreds of generous customers, employees and partner dealerships have visited Yushu several times. They brought winter supplies to the local people in Yushu to help them overcome difficult living conditions.

Since Yushu’s reconstruction is almost complete, we have expanded our focus from supply provision to supporting the long-term environmental protection and sustainable development of the region.



FORECAST

By June 2014, 53 BMW JOY Homes will have been set up across 28 provinces in rural China, which will benefit more than 40,000 disadvantaged children.

Together, we will continue to build the BMW China Culture Journey to include greater participation from BMW dealers and customers to protect Chinese culture. We will enhance our communications on cultural engagement on social platforms to raise awareness and strengthen the connection with the BMW Brand. In 2014, the BMW China Culture Journey will be themed “Embracing the Colourful Guizhou – a Spiritual Homeland of Harmony”. Cultural exploration as part of the journey will include local cuisine, folk customs, handicrafts and traditional songs and dances.

6.4

Education

As the foundation of social progress and development, education needs the unremitting dedication of all sectors of society. BMW Brilliance believes education is of paramount importance, and as such we support education in a variety of ways. For over a decade, our flagship BMW Children’s Traffic Safety Education programme has been advancing children’s safety education. We also provide training opportunities and internships for outstanding undergraduates. We advocate for innovation through ideas put forward by university students at our BMW Day.

ENSURING CHILDREN’S ROAD SAFETY THROUGH
EDUCATION PROGRAMMES

The Children’s Traffic Safety Education programme was introduced by BMW in China in 2005. The programme is designed to educate children between four and nine years of age with traffic safety knowledge. It also reinforces children’s awareness of safe travel and self-protection through dynamic educational activities and unique events. The programme has set the benchmark for public programmes in road safety education within the automotive industry. Compared with other projects we run, the BMW Children’s Traffic Safety Education programme has its own unique aspects which are detailed below.



Long-term commitment

For a decade, we have been running the BMW Children's Traffic Safety Education programme. It shows our long-term commitment and the difference BMW Brilliance can make in advancing children's safety education.

Innovative education model

We use a wide variety of activities and interactive games to encourage children to learn about traffic safety. We have innovated education models which help children to develop safety awareness and knowledge in a multidimensional way. From an early age, it helps children develop ideas about safe travel and healthy lifestyles. The programme has developed over the years, expanding significantly from a themed classroom into a traffic safety theme park.

Multichannel communication

The programme has extended into 63 cities and benefited the children of migrant workers and vulnerable children in remote regions. Since 2010, BMW Brilliance has worked with the Ministry of Education to publish a BMW traffic safety textbook for schoolchildren. So far, over 260,000 textbooks have been distributed to children in China's third and fourth tier cities. We have also produced a TV cartoon for children's urban safety, called AnAn's Story.

Widespread participation

In the last ten years, the BMW Children's Traffic Safety Education programme has resulted in positive social impact and directly benefited over 360,000 children in China. We also developed the Family Day concept which encourages parents to take part in the event with their children. The Family Day has brought together more than 40 BMW dealers and over 5,000 BMW customers across China in the past nine years.

In a bid to enlarge the beneficiary group, the BMW Children's Traffic Safety Education programme has strengthened its cooperation with the Ministry of Education and continues to link with Warm Heart Fund, expanding its reach to more children in need of road safety knowledge.

In 2013, the BMW Children's Traffic Safety Education programme in each city was extended to seven days from the three to five days in previous years, to benefit more children.



PROVIDING QUALITY MANAGEMENT EDUCATION
FOR STUDENTS

In November 2013, we held the BMW Brilliance Quality Education Open Course for primary and secondary students at the Tiexi plant. BMW Brilliance carefully selects related teaching materials for students at different ages and teaches them knowledge about quality and safety in a vivid and interactive way, including on-site visiting and teaching at the production line. The training content includes quality and safety awareness, automotive production process and technologies.

BMW Brilliance's commitment to corporate citizenship is long term. Therefore, we take a lasting approach for our programmes such as BMW Brilliance Quality Education Base. In the future, the training course will be held regularly and reach more children from primary school up to high school students all over China.

ENCOURAGING INNOVATION WITH STUDENTS

As a flagship campus event, the BMW Day has been hosted by Tongji University every year since 2006. In total, over 150,000 students nationwide have participated in the BMW Day activities. This event is aimed at encouraging young people to come up with innovative ideas and have the courage to pursue their dreams.

FORECAST

In 2014, BMW Brilliance will continue to run several programmes that contribute towards education. These include the BMW Children's Traffic Safety Education programme, the vocational education programme, BMW Day and the quality education open course.

About this report

Reporting period

This report covers the period 1 January 2013 to 31 December 2013. It is BMW Brilliance's first Sustainability Report, based on the requirements of the UN Global Compact Communication on Progress. In future, BMW Brilliance plans to report on a yearly basis, in parallel to the reporting process of the BMW Group.

Reporting scope

The sustainability figures include the following production and operation sites of BMW Brilliance: Shenyang plants as well as the branch company in Beijing and regional offices.

The data focus primarily on BMW Brilliance. Joint initiatives with BMW China Automotive Trading Ltd. are included in the areas of customer relationship management and corporate citizenship.

UN Global Compact Index

Communication on Progress: Implementation of the UN Global Compact Principles in 2013

BMW Brilliance has committed to the ten principles of the UN Global Compact in 2013, and is now continuously working on integrating sustainability criteria into all corporate processes. The company actively promotes compliance with internationally adopted standards and regulations in the fields of human rights, occupational standards, environmental protection and the fight against corruption. The following chart lists examples of established BMW Brilliance guidelines and management systems that support compliance with the ten principles as well as progress made.

Principle 1

Support and Respect the Protection of Internationally Proclaimed Human Rights

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

- BMW Brilliance:**
- Commitment to the UN Global Compact Initiative
 - Commitment to the ILO Declaration on Fundamental Principles and Rights at Work
 - Human Resource Guidelines and Employee Handbook
 - BMW Brilliance SpeakUP Line

- Suppliers:**
- BMW Group sustainability standard for the supplier network
 - Purchasing conditions
 - Supplier management

SUBSTANTIAL PROGRESS MADE

- BMW Brilliance:**
- Protecting human rights related to our employees
 - Protecting human rights related to the communities we live and work in

- Suppliers:**
- Including human rights clauses in supplier contracts
 - Pilot implementation of the new supplier risk management process, including evaluation of six suppliers
 - Yearly supplier audits to ensure suppliers are not complicit in human rights abuses and to avoid child labour

REFERENCES

BMW Brilliance:

- 1.1 ▶
5.1 ▶



Suppliers:

- 1.1 ▶
4.1–4.3 ▶



Principle 2

Make Sure There Is No Complicity in Human Rights Abuses

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

- BMW Brilliance:**
- ▶ See principle 1

- Suppliers:**
- ▶ See principle 1

SUBSTANTIAL PROGRESS MADE

- BMW Brilliance:**
- ▶ See principle 1

- Suppliers:**
- ▶ See principle 1

REFERENCES

BMW Brilliance:

- 1.1 ▶
5.4 ▶



Suppliers:

- 1.1 ▶
4.1–4.3 ▶



Principle 3
Uphold the Freedom of Association and Recognition of the Right to Collective Bargaining

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:
► See principle 1
■ Human Resources Policy consisting of Associates Handbook and Human Resources Guidelines which is binding for every employee, including health, safety and environment practices, handling of hazardous substances as well as anti-discrimination and anti-harassment measures

Suppliers:
► See principle 1

SUBSTANTIAL PROGRESS MADE

BMW Brilliance:
■ By the end of 2013, the Labour Union covered all local employees
■ As a result of the Labour Union and management working together, an 80% cumulative increase in salary rate was achieved in 2013, compared with that in 2007

REFERENCES

BMW Brilliance:	
1.1 ►	■
5.1 ►	■
Suppliers:	
1.1 ►	■
4.1–4.3 ►	■

Principle 4
Elimination of All Forms of Forced and Compulsory Labour

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:
► See principle 1
■ Human Resource Guidelines in compliance with China’s Labour Law and relevant regulations in relation to forbidding forced, compulsory and child labour

Suppliers:
► See principle 1

SUBSTANTIAL PROGRESS MADE

Supplier:
■ Pilot implementation of the new supplier risk management process, including evaluation of six suppliers

REFERENCES

BMW Brilliance:	
1.1 ►	■
5.1 ►	■
Suppliers:	
1.1 ►	■
4.1–4.3 ►	■

Principle 5
Effective Abolition of Child Labour

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:
► See principles 1 and 4

Suppliers:
► See principle 1

SUBSTANTIAL PROGRESS MADE

Suppliers:
■ Pilot implementation of the new supplier risk management process, including evaluation of six suppliers
■ Yearly supplier audits to ensure suppliers are not complicit in human rights abuses and to avoid child labour

REFERENCES

BMW Brilliance:	
1.1 ►	■
5.1 ►	■
Suppliers:	
1.1 ►	■
4.1–4.3 ►	■

Principle 6
Elimination of Discrimination in Respect of Employment and Occupation

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:
► See principles 1

Suppliers:
► See principles 1

SUBSTANTIAL PROGRESS MADE

- Suppliers:**
- Diversity and inclusion programmes in place: pilot programme to develop and increase the diversity of the workforce in Research and Development, Young People Development strategy, intercultural training
 - Increase of the number of female managers from 25% in 2012 to 26% in 2013
 - In 2013, the total share of female non-production employees within the workforce was 37%

REFERENCES

BMW Brilliance:

1.1 ► 

5.5 ► 

Principle 7
Support Precautionary Approach to Environmental Challenges

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

- BMW Brilliance:**
- ISO 14000 certification for all plant locations
 - BMW Group internal Centres of Competence (CoCs) for water, process wastewater, energy, waste for disposal, and VOC emissions
 - Consideration of environmental impacts in investment decisions
 - Application of Cleaner Production Strategy of the United Nations Environment Programme (UNEP)
 - BMW Group Efficient Dynamics strategy
 - Strategy to develop and promote electric vehicles
 - Certification of all products according to ISO 14020, ISO 14024 and the Chinese standard HJ 2532
 - Guidelines on interior emissions in vehicles
 - 5S certification of dealers including ecological criteria

Suppliers:


- BMW Group sustainability standard for the supplier network
- Purchasing conditions
- Supplier management


SUBSTANTIAL PROGRESS MADE

- Contributing to BMW Group environmental goals: achieve a 45% reduction in energy consumption as well as water, wastewater, waste and solvents per vehicle produced between 2006 and 2020
- Reduction of carbon footprint by 25.9% at Dadong plant
- Reduction of energy consumption by 13.9% at Dadong plant
- Reduction of water consumption by 14.4% at Dadong plant
- Reduction of VOC emissions by 35.5% at Dadong plant
- Reduction of waste for disposal by 64.9% at Dadong plant
- Reduction of process wastewater by 18.6% at Dadong plant
- Reduction of hazardous and non-hazardous waste for disposal, increase of hazardous and non-hazardous waste for recycling
- Increasing low carbon transport for logistics
- Launch of BMW Brilliance's first electric vehicle, the ZINORO 1E
- Reduction of the BMW Brilliance corporate average fuel consumption to 7.30 litres of petrol per 100 kilometres

REFERENCES

BMW Brilliance:

3.1–3.6 ► 

2.1–2.4 ► 

Suppliers:

4.1–4.3 ► 

Principle 8
Undertake Initiatives to Promote Greater Environmental Responsibility

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:
► See principle 7

Suppliers:
► See principle 7

SUBSTANTIAL PROGRESS MADE

- Training and campaigns on environmental protection among employees to raise awareness
- Collaborating with vendors for waste disposal
- Promote and support supplier network to follow environmental standards and to implement continuous improvement regarding environmental protection initiatives
- Promote the 5S dealer concept by encouraging the voluntary involvement of authorised dealers nationwide to improve sustainability standards
- Promote and support the ecological protection programme in Sanjiangyuan Nature Reserve areas in Yushu

REFERENCES

BMW Brilliance:

3.1–3.6 ▶

2.1–2.4 ▶

6.2 ▶

Suppliers:

4.1–4.3 ▶



Principle 9

Development and Diffusion of Environmentally Friendly Technologies

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

BMW Brilliance:

▶ See principle 7

Suppliers:

▶ See principle 7

SUBSTANTIAL PROGRESS MADE

- Relying on the latest state-of-the-art technologies to achieve our efficiency targets

REFERENCES

BMW Brilliance:

3.1–3.6 ▶

2.1–2.4 ▶

Suppliers:

4.1–4.3 ▶



Principle 10

Work against Corruption in all Its Forms, Including Extortion and Bribery

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS

- BMW Brilliance Legal Compliance Code
- Corruption Prevention Policy
- Anti-Fraud Policy
- Fraud Response Procedure

SUBSTANTIAL PROGRESS MADE

- BMW Brilliance Compliance Committee (BCC) established
- Data Privacy Protection Committee established
- Pilot on Business Relations Compliance carried out
- Managers and employees trained on Compliance

REFERENCES

BMW Brilliance:

1.4 ▶



Imprint

Report published by:

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