

## The Board's introduction to the progress report to the UN Global Compact

BSH joined the Global Compact in 2004. During the World Economic Forum in Davos in 1999, former UN Secretary-General Kofi Annan proposed the setting-up of a Global Compact. Annan invited economic leaders from all over the world to join this compact to intensify the UN's interactions with businesses and help to achieve its Millennium Development Goals. This initiative is an appeal to businesses to ensure that all people will benefit from globalization.

BSH played a leading role in drawing up a code of conduct based on the Global Compact for the European Committee of Domestic Equipment Manufacturers (CECED) in 2005. We then drafted our own Business Conduct Guidelines on this basis and implemented them throughout the Group in 2006. Our code of conduct for suppliers, which has been included in supply contracts since 2007, is also based on the UN Global Compact. BSH's yearly Sustainability Report presents the progress made at BSH on realizing the Global Compact principles.

As a manufacturer, our understanding of sustainability centers on a very comprehensive notion of product responsibility and the tireless pursuit of better ways to use BSH's products, value creation processes, expertise and engagement to achieve the objectives of sustainable development worldwide. Our innovative and super-efficient home appliances will in particular enable us to make a crucial contribution to addressing the global issues of climate protection, energy efficiency and resource conservation.

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Chairman of the Board of BSH



Matthias Ginthum

Sales, Brand Management, Logistics



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## Communication on progress of the realization of the UN Global Compact's principles

**BSH is a member of the UN Global Compact.** The Global Compact is based on ten principles relating to human rights, labor standards, environmental protection and the fight against corruption. The following table indicates the guidelines and management systems that BSH has implemented to realize the Global Compact principles. It also summarizes BSH's specific progress on realizing the Global Compact principles in 2013. Our 2013 Sustainability Report "Creating Transparency" provides a detailed communication on progress for 2013. In addition, we inform our employees and external stakeholders about the realization of Global Compact principles in a staff newsletter and on the intranet and internet.

Principle	Guidelines & systems	Measures	Action in the period under review (2013)
<b>Human rights</b>			
<p><b>Principle 1:</b> support for human rights</p> <p><b>Principle 2:</b> non-complicity in human rights abuses</p>	<ul style="list-style-type: none"> <li>▪ CECED Code of Conduct</li> <li>▪ Code of Conduct for BSH suppliers</li> <li>▪ Business Conduct Guidelines (mutual respect, honesty and integrity as the basis for collaboration at BSH), updated in 2011</li> <li>▪ Sustainability Strategy</li> <li>▪ Occupational Health and Safety Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>▪ All suppliers obliged to sign declaration of undertaking of BSH Code of Conduct (social and ecological standard based on Global Compact and ILO Declaration), BSH conducts audits and monitors corrective measures</li> <li>▪ Overarching operational model for Group-wide governance-risk-compliance activities established, realignment and expansion of risk management, stronger emphasis on prevention in compliance management (anticorruption, antitrust law, data protection legislation and the prevention of money laundering)</li> <li>▪ Compliance management and</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Procurement Governance" programme launched: Group-wide clear, seamless chain of responsibilities and reporting structures (social and environmental criteria) for procurement processes as well as a system of compliance management for working together with business partners</li> <li>▪ Social Compliance Programme continued: systematic audit (social and environmental criteria) of 200 key suppliers with work-intensive or environmentally relevant production processes</li> <li>▪ Development of a CR manual for BSH procurement officers</li> <li>▪ Workshops on CR at subsidiaries in Belgium, Poland, Spain and Turkey</li> <li>▪ In 2013, over 19,000 employees around the</li> </ul>

		<ul style="list-style-type: none"> <li>contact partners at all sites worldwide</li> <li>ERGO-Check as ergonomic standard for all factory workplaces</li> </ul>	<ul style="list-style-type: none"> <li>world completed web-based compliance training courses</li> <li>Group-wide anonymous reporting system "Trust and Tell" for employees installed</li> <li>Area-wide deployment of ERGO-Check to ensure that workplaces at our production facilities are ergonomically set up (expanded)</li> </ul>
<b>Labor standards</b>			
<p><b>Principle 3:</b> upholding freedom of association and collective bargaining</p> <p><b>Principle 4:</b> elimination of all forms of forced and compulsory labor</p> <p><b>Principle 5:</b> abolition of child labor</p>	<ul style="list-style-type: none"> <li>CECED Code of Conduct</li> <li>Code of Conduct for BSH suppliers</li> <li>Business Conduct Guidelines, updated in 2011</li> <li>Sustainability Strategy</li> </ul>	<ul style="list-style-type: none"> <li>All suppliers obliged to sign declaration of undertaking of BSH Code of Conduct (social and ecological standard based on Global Compact and ILO Declaration), BSH conducts audits and monitors corrective measures</li> <li>BSH's European Committee (annual meeting of employee representatives of the Group's European sites with the Board of Management since 1996)</li> <li>Member of the initiative „Fair Company“ guaranteeing a fair remuneration of interns</li> </ul>	<ul style="list-style-type: none"> <li>European Committee Meeting on 25<sup>th</sup> and 26<sup>th</sup> of October 2013, in Ljubljana/Slovenia</li> <li>Social Compliance Programme continued: systematic audit (social and environmental criteria) of 200 key suppliers with work-intensive or environmentally relevant production processes</li> </ul>

<p><b>Principle 6:</b> elimination of discrimination</p>	<ul style="list-style-type: none"> <li>▪ CECED Code of Conduct</li> <li>▪ Code of Conduct for BSH suppliers</li> <li>▪ Business Conduct Guidelines, updated in 2011</li> <li>▪ Human Resources Principles</li> <li>▪ Sustainability Strategy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Diversity (emphasis on internationality, gender and age) as a Group-wide strategic sustainability issue and Group-wide Diversity Management developed further, process improved and comments on diversity KPIs added to the business plan and incentive systems</li> <li>▪ Independent ombudsman and anonymous reporting system employees can report non-compliant conduct to</li> <li>▪ Since 2010, member of „Münchner Memorandum für Frauen in Führung“ (Munich Memorandum for Women in Management)</li> <li>▪ Special assembly lines at four German sites for integration of employees with health restrictions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Targets set with respect to the proportion of international employees and women in eleven countries and for the Product Areas; proportion of employees exchanged internationally (outside Germany) increased by 16%; stage of life working models extended</li> <li>▪ Proportion of women among total workforce (30.5%) and management (20.7%) increased</li> <li>▪ Initial workshops for local diversity concepts in Spain and Turkey</li> <li>▪ Anonymous reporting system for incidents of compliance violation installed</li> </ul>
<p><b>Environmental protection</b></p>			
<p><b>Principle 7:</b> precautionary approach to environmental protection</p>	<ul style="list-style-type: none"> <li>▪ BSH's Environmental Policy</li> <li>▪ Definition of environmental focal issues within the Group-wide Sustainability Strategy/Environmental Strategy "Resource excellence":</li> </ul>	<ul style="list-style-type: none"> <li>▪ Product Environmental Analysis (PEA) for continuous improvement of ecological aspects during product development</li> <li>▪ Group project "Resource Efficiency 2015" that aims to reduce the Group-wide specific consumption of non-product related resources from</li> </ul>	<ul style="list-style-type: none"> <li>▪ Environmental management audits conducted at nine locations</li> <li>▪ Three BSH production sites in Germany certified according to ISO 50001, the standard for energy management systems</li> <li>▪ Expansion of the Product Environment Analysis (PEA) – beyond energy efficiency –</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Decoupling BSH's growth from resource consumption</li> <li>▪ Resource efficiency along the value chain</li> <li>▪ Responsible handling of materials and substances</li> <li>▪ Unified standards for planning and building of production plants</li> <li>▪ ISO 14001 certification at 40 of 41 factories</li> </ul>	<p>2010 to 2015 by 25 percent, provision of technical guidelines on how to work in an energy-efficient way when operating environmentally relevant machinery and equipment</p> <ul style="list-style-type: none"> <li>▪ Update of Ecoprofiles for the preparation of life-cycle-analyses for selected products of each product category (project 2012/2013)</li> <li>▪ Resource officers at all BSH-sites to ensure achievement of reduction targets regarding resource consumption</li> <li>▪ Goal of reducing CO<sub>2</sub> emissions in goods transport activities by 20 percent by 2020 compared with 2006, esp. by increasing the share of transport by rail, BSH-owned container terminals in Germany and Turkey, and combining the transportation of production materials with finished appliances</li> </ul>	<p>to recovery of resources and their recirculation into production processes</p> <ul style="list-style-type: none"> <li>▪ Energy efficiency as part of new construction: i.e. factory in Chennai (India) in 2013</li> </ul>
<p><b>Principle 8:</b> promotion of greater environmental responsibility</p>	<ul style="list-style-type: none"> <li>▪ ISO 14001 certification of the environmental management system at 40 of 41 factories</li> <li>▪ Definition of environmental</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recording and further development of BSH's carbon footprint</li> <li>▪ A certified quality assurance system to inspect the process of recycling fridges adopted by our disposal</li> </ul>	<ul style="list-style-type: none"> <li>▪ Workshops on the Sustainability Strategy at subsidiaries in Belgium, Poland, Spain and Turkey</li> <li>▪ Participation in a project led by the World Wide Fund For Nature (WWF) and the</li> </ul>

	<p>focal issues within the Group-wide Sustainability Strategy/Environmental Strategy “Resource excellence”:</p> <ul style="list-style-type: none"> <li>▪ Decoupling BSH's growth from resource consumption</li> <li>▪ Resource efficiency along the value chain</li> <li>▪ Responsible handling of materials and substances</li> <li>▪ Participation in the energy efficiency initiative launched by ZVEI, the German Electrical and Electronic Manufacturers' Association</li> </ul>	<p>service providers in Germany, committed to introducing a standard Europe-wide audit system</p> <ul style="list-style-type: none"> <li>▪ All suppliers obliged to sign declaration of undertaking of BSH Code of Conduct (social and ecological standard based on Global Compact and ILO Declaration), BSH conducts audits and monitors corrective measures</li> <li>▪ Annual audits at German disposal companies, exceeding legal requirements</li> <li>▪ Since 2011 member of the German energy efficiency initiative (DENEFF), to accelerate public discussion on energy efficiency</li> <li>▪ Since 2001, trainees have been planting trees once a year at the BSH site Çerkezköy in Turkey</li> <li>▪ Since 2011, financial allowance for BSH's company cars that fall below the limit of 130 grams of CO<sub>2</sub> per kilometer</li> </ul>	<p>Carbon Disclosure Project (CDP) that elaborated a uniform methodology for climate reporting, calculation of corporate carbon footprint to be developed further</p> <ul style="list-style-type: none"> <li>▪ Social Compliance Programme continued: systematic audit (social and environmental criteria) of 200 key suppliers with work-intensive or environmentally relevant production processes</li> <li>▪ Committed to incorporating European standards for taking back and recycling electric home appliances into the respective national legislation</li> <li>▪ 49 audits at German fridge disposal companies, exceeding legal requirements</li> <li>▪ Launch of the fifth BSH annual innovation prize for employees, awarded the prize of Technology of the Year 2013: product area washing for a new, thin walled tub design in washing machines, saving 20 percent of raw material (about 44 Mio. Euros savings until 2020)</li> <li>▪ Regular retailer trainings on energy efficiency, energy saving projects at Spanish schools, teaching materials on resource efficiency within the German project “Focus macht Schule”</li> </ul>
<p><b>Principle 9:</b> diffusion of environmentally-friendly technologies</p>	<ul style="list-style-type: none"> <li>▪ Expansion of the Super Efficiency Portfolio,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Product Environmental Analysis (PEA) for continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compared to 2012, European sales of super-efficient appliances rose by 15 percent: 35 percent of our appliances sold in</li> </ul>

	<p>including the most resource-efficient appliances of each category, which has also been confirmed by external auditors annually since 2009</p> <ul style="list-style-type: none"> <li>▪ Environmental Strategy “resource excellence” focusing on environmentally friendly product development (Design for Environment)</li> </ul>	<p>of ecological aspects – esp. energy efficiency - during product development</p> <ul style="list-style-type: none"> <li>▪ Member of the EEBus Initiative e.V.: where home appliance manufacturers, technology companies and power utilities engage with each other in efforts to develop tomorrow’s electricity network, known as the Smart Grid, into a marketable concept, thus contributing to the energy revolution</li> <li>▪ Founding member of the initiative “Hausgeräte +”, that provides criteria to customers regarding replacement of old household appliances, as well as tips how to use energy efficiently</li> <li>▪ Energy Champions in all countries, to drive forward the issue of energy efficiency in home appliances</li> <li>▪ Free retailer trainings regarding energy efficient appliances</li> </ul>	<p>Europe in 2013 belong to our Super Efficiency Portfolio</p> <ul style="list-style-type: none"> <li>▪ Introduction of a washing machine with a power consumption rating of 50 percent below the limit value for the best energy efficiency class A+++</li> <li>▪ Evaluation of our latest series of induction units for stoves by means of a comprehensive LCA in a joint project with the University of Zaragoza in Spain; elaboration of a simpler way for product designers to use LCA in the development of new hobs</li> </ul>
<b>Anti-corruption</b>			
<p><b>Principle 10:</b> action against corruption</p>	<ul style="list-style-type: none"> <li>▪ Business Conduct Guidelines</li> <li>▪ Compliance office and</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comprehensive web-based training program in several languages, which is mandatory for senior and middle management as well as for</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate Compliance management was further expanded; enhancement of prevention in compliance (anticorruption, antitrust law, data protection legislation and</li> </ul>

	<p>management system</p> <ul style="list-style-type: none"> <li>▪ Code of Conduct for BSH suppliers</li> </ul>	<p>officers and employees with customer and supplier contact</p> <ul style="list-style-type: none"> <li>▪ Since 2009 the compliance program has been an integral part of the management training courses offered by BSH Academy</li> <li>▪ External Ombudsman and anonymous reporting system employees can report non-compliant conduct to</li> </ul>	<p>the prevention of money laundering)</p> <ul style="list-style-type: none"> <li>▪ In 2013, more than 19,000 BSH employees successfully completed web-based compliance trainings (offered in 11 languages)</li> <li>▪ Social Compliance Programme continued: systematic audit (social and environmental criteria) of 200 key suppliers with work-intensive or environmentally relevant production processes</li> </ul>
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