Rolls-Royce
Motor Cars Limited

KEY PERFORMANCE INDICATORS

FIGURE 01 **KEY PERFORMANCE INDICATORS FIVE-YEAR REVIEW**

	2008	2009	2010	2011	**2012**
Ordinary activities of the BMW Group					
Revenues (in € million)	53,197	50,681	60,477	68,821	**76,848**
Profit before tax (in € million)	351	413	4,853	7,383	**7,819**
Return on Capital Employed (in %)	2.3	3.3	19.1	25.6	**23.1**
Sales Volume Automobiles (in thousand units)	1,435.9	1,286.3	1,461.2	1,669.0	**1,845.2**
Product responsibility					
CO_2 emissions of BMW Group vehicles (EU-27) (in g/km)	156.0	150.0	148.0	145.0	**138.0**
Research and development expenditure (in € million)	2,864	2,448	2,773	3,373	**3,952**
Group-wide environmental protection					
Energy consumption per vehicle produced (in MWh/vehicle)	2.80	2.89	2.75	2.46	**2.44**
Water consumption per vehicle produced (in m^3/vehicle)	2.56	2.56	2.31	2.12	**2.1**
Process wastewater per vehicle produced (in m^3/vehicle)	0.64	0.62	0.58	0.54	**0.48**
CO_2 emissions per vehicle produced (in t/vehicle)	0.82	0.91	0.86	0.71	**0.68**
Waste for disposal per vehicle produced (in kg/vehicle)	14.84	10.63	10.09	7.99	**6.11**
Volatile organic compounds (VOC) per vehicle produced (in kg/vehicle)	1.96	1.77	1.60	1.65	**1.68**
Employees					
BMW Group workforce at the end of the year	100,041	96,230	95,453	100,306	**105,876**
Attrition rate at BMW AG (as a percentage of workforce)	5.85	4.59	2.74	2.16	**3.87**
Share of women in total workforce of BMW AG (in %)	13.2	13.1	13.2	13.5	**14.2**
Share of women in management positions at BMW AG (in %)	8.4	8.4	8.8	9.1	**10.0**
Average days of further training per BMW Group employee	1.6	1.6	2.6	3.6	**3.7**
Accident frequency at BMW Group (per one million hours worked)	2.7	3.1	3.6	7.1	**5.8**
Corporate Citizenship					
Expenditure on donations in 2012 by the BMW Group (in € thousand)	5,707	7,619	10,242	12,873	**9,638**[1]
Expenditure on Corporate Citizenship by the BMW Group in 2012 (in € thousand)	5,707	7,619	26,591	36,846	**31,979**

[1] A primary reason for the decrease is that some projects reached completion and no longer needed funding.

KEY

svr127

Quick link to online version of the report

Link to further websites

PREFACE

Dear Reader,

The BMW Group is a company that looks to the future and gears its actions towards the long term. That is the focus of our Strategy Number ONE. Sustainability is an important aspect of our corporate strategy – and we regard it as an investment in our future.

As the automotive industry's top-selling premium car company, we strive to take a leading role in advancing individual mobility. We believe in sustainable mobility and paved the way for it early. In late 2013, we will take the next logical step with our entry into the field of emission-free electromobility.

We have been reducing the CO_2 emissions of our vehicles for years through our Efficient Dynamics technology package; while our Clean Production concept, for example, reduces energy and water consumption at our plants. In 2012, we made significant progress in integrating sustainability aspects into our supply chain management. This illustrates our holistic approach – from the application of innovative materials and technologies to brand-new vehicle concepts, the use of renewable energy in our production, right up to new working environments for our employees and our global corporate social responsibility activities. This is how we implement sustainability along the entire value chain.

We want to understand how people imagine the mobility of the future. We are therefore striving for a high level of transparency with this report and are in ongoing dialogue with our stakeholders, including politicians, academics and NGOs. The stakeholder dialogue events held in Leipzig and New York in 2011 and in Berlin and San Francisco in 2012 are good examples of this. They provide us with important insights that we can integrate into our decision-making and actions.

The BMW Group has been one of the top-rated companies in all major sustainability ratings and rankings for some years: we are considered the world's most sustainable car company. At the same time, we recognise the challenges for the future of our society. We intend to play our part in finding solutions and, at the same time, enhance our future viability. For this reason, my colleagues and I on the Board of Management have defined sustainability targets up to 2020.

Our company signed the United Nations Global Compact many years ago and has since implemented its Ten Principles at all our locations worldwide – because premium comes with responsibility, today and in the future.

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer
CHAIRMAN OF THE BOARD OF MANAGEMENT OF BMW AG

OUR POINT OF VIEW

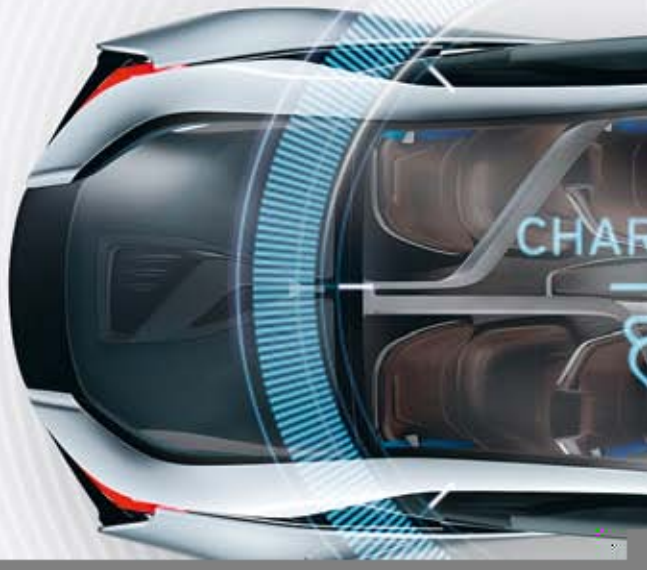
WWW : bmwgroup.com /svr001

Sustainability takes top-level priority at the BMW Group.

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer
CHAIRMAN OF THE BOARD OF MANAGEMENT OF BMW AG

Amidst all of the differences in our global customers' desires, there is one constant: a focus on sustainability.

Dr. Ian Robertson (HonDSc)
MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, SALES AND MARKETING BMW, SALES CHANNELS BMW GROUP



A company is only as good as its associates. Their expertise and ability to perform are our most valuable resource.

Milagros Caiña Carreiro-Andree
MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, HUMAN RESOURCES AND LABOUR RELATIONS

Less is more – that is the motto of Clean Production. Our vision is to achieve zero-emissions production.

Harald Krüger
MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, PRODUCTION

Increasing output by making ever more efficient use of resources is part of our business success.

Dr. Friedrich Eichiner

MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, FINANCE

For us, sustainable operations means keeping track of the entire value chain.

Dr.-Ing. Klaus Draeger

MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, PURCHASING AND SUPPLIER NETWORK

We believe in electromobility – and with BMW i, we are delivering the right answers.

Dr.-Ing. Herbert Diess

MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, DEVELOPMENT

The mobility of the future will be both sustainable and strongly interconnected.

Peter Schwarzenbauer

MEMBER OF THE BOARD OF MANAGEMENT OF BMW AG, MINI, BMW MOTORRAD, ROLLS-ROYCE, BMW GROUP AFTERSALES

AN OVERVIEW OF THE BMW GROUP

WWW : bmwgroup.com /**svr002**

BMW

Three strong global brands

ROLLS-ROYCE

MINI

OUR COMPANY

History

Since 1916

Bayerische Motoren Werke GmbH came into being in 1917, having been founded in 1916 as Bayerische Flugzeugwerke AG (BFW). It became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918.

Aesthetics — Dynamics — Technology

OUR VISION

Premium

The BMW Group is one of the most successful manufacturers of automobiles and motorcycles worldwide and ranks among Germany's largest industrial companies. Vehicles built by the BMW Group set standards in terms of aesthetic appeal, dynamic performance, technology and quality, and underline the company's leading position in innovation and technology.

in over 140 countries

29 PRODUCTION AND ASSEMBLY PLANTS IN 14 COUNTRIES

AUTOMOBILES

Three strong business areas

MOTORCYCLES

FINANCIAL SERVICES

READ MORE ONLINE — You will find more information online about the BMW Group.

www.bmwgroup.com

PROFIT BEFORE TAX IN FINANCIAL YEAR 2012 AMOUNTED TO AROUND €7.82 BILLION

105,876 employees

REVENUES OF AROUND €76.85 BILLION

AROUND 1.85 MILLION VEHICLES SOLD

OUR SUCCESS

Strategy

With the introduction of Strategy Number ONE in 2007, we set the course for a successful future. The strategy keeps the company aligned to profitability and long-term added value at all times. Strategic objectives have been set up until 2020 and are clearly defined: The BMW Group is the leading provider of premium products and premium services for individual mobility worldwide.

Quality — Innovation — Future

OUR AIM

Sustainability

Thinking for the long term and responsible action have always been the basis for our business success. Environmental and social sustainability along the entire value chain, product responsibility in all areas as well as a clear commitment to resource efficiency are an integral part of the company's strategy. As a result, the BMW Group has been ranked as the most sustainable company in the automotive industry for many years.

DIVERSITY AND INTERCULTURAL COMMUNICATION

Over 4,200 apprentices

TODAY FOR TOMORROW

OVER €280 MILLION FOR EMPLOYEE TRAINING AND FURTHER EDUCATION IN 2012

EFFICIENT DYNAMICS

Clean Production

BMW i

BUSINESS PERFORMANCE

WWW : bmwgroup.com /**svr003**

REVIEW

The BMW Group in 2012

2012 with record figures. Despite an increasingly volatile market environment, sales of BMW, MINI and Rolls-Royce brand cars increased by 10.6% to 1,845,186 units (2011: 1,668,982), ensuring that the BMW Group retained pole position in the premium segment.

Although the majority of motorcycle markets contracted considerably during the reporting period, our Motorcycles segment also broke its previous sales volume record. We handed over 117,109 BMW and Husqvarna motorcycles to customers in various markets worldwide, 3.1% more than in the previous year (2011: 113,572 units).

The Financial Services segment can also look back on a successful year. The number of new contracts signed with retail customers worldwide rose by 12.1% to 1,341,296 for the twelve-month period (2011: 1,196,610 contracts). The number of leasing and financing contracts in place with retail customers and dealerships totalled 3,846,364 units at the end of the reporting period (2011: 3,592,093 contracts; +7.1%).

The dynamic rise in new car sales in 2012 enabled the BMW Group to attain new heights in terms of both revenues and earnings. Group revenues grew dynamically, rising by 11.7% to reach € 76,848 million for the year (2011: € 68,821 million). Despite greater investment in technologies of the future, increased intensity of competition and higher personnel costs, earnings also climbed to new heights in 2012. EBIT rose to € 8,300 million (2011: € 8,018 million; + 3.5%) and earnings before tax improved by 5.9% to € 7,819 million (2011: € 7,383 million). At € 5,122 million, Group net profit marked a new record, surpassing the high level reached the previous year by 4.4% (2011: € 4,907 million).

FORECAST

Expectations for 2013

High public-sector debt levels and the prospect of consolidation in spending, particularly in Europe, remain a source of uncertainty in 2013. Other concerns for the global economy have been kindled by slower growth in China and political instability in a number of regions. The situation is exacerbated by the fact that greater volatility in forecasting parameters currently makes it more difficult for the BMW Group to predict future performance with any degree of accuracy.

Our answer to uncertainties in a volatile environment is to follow our Strategy Number ONE, which we have been actively implementing for several years now. The strategic aim we are pursuing is clearly reflected in the excellent figures reported for the past year and enables us to look forward with confidence to 2013. We intend to continue the success story with our strong brands, all of which enjoy a global presence. We will be aided in this endeavour by our attractive range of models and services, comprehensively designed to meet the needs of individual mobility. With our focus on premium, as the world's leading provider we benefit to an exceptional extent from the high demand for premium-segment vehicles.

We forecast that vehicle sales will again rise to new record levels in 2013, enabling the BMW Group to remain the world's foremost premium car manufacturer.

READ MORE ONLINE — You can find more information about the business performance of the BMW Group online.

http://annual-report2012.bmwgroup.com

CH.01

CREATING VALUE

SUSTAINABILITY MANAGEMENT

1.1 _ STRATEGY AND MANAGEMENT, Page 13
1.2 _ STAKEHOLDER DIALOGUE, Page 20
1.3 _ RISK MANAGEMENT, Page 24
1.4 _ COMPLIANCE AND CORPORATE GOVERNANCE, Page 28

WWW : bmwgroup.com/svr100

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A HOLISTIC APPROACH TO SUSTAINABILITY

— 01

— 03

— 04

BMW GROUP

CORPORATE HEADQUARTERS

MUNICH, GERMANY

For us, sustainability means: making decisions weighing up the environmental, economic and social aspects of our actions. But we also examine all decisions on sustainable activities with regard to their profitability. This pays off. On our balance sheet and in terms of sustainability. With a profit before tax of over €7.8 billion, 2012 was the most successful financial year in the company's history. In addition, we were named most sustainable carmaker in the Dow Jones Sustainability Index for the eighth consecutive year.

SALES

over 1.84 million

VEHICLES SOLD IN 2012

MOST SUSTAINABLE CARMAKER

since 2005

INDUSTRY LEADER IN THE
DOW JONES SUSTAINABILITY INDEX

SUCCESS

2012

WAS THE MOST SUCCESSFUL YEAR
IN THE COMPANY'S HISTORY

<< MUNICH, GERMANY

CHAPTER 01

SUSTAINABILITY MANAGEMENT

WWW : bmwgroup.com /svr100

2012

PROGRESS

- **Sustainability targets for 2020 developed:** To further consolidate our leading position and focus on those areas of sustainability in which we can have the greatest impact, we developed a Target Map for 2020 for Products and Services, Production and Value Creation as well as Employees and Corporate Citizenship.
- **Human rights risk analysis implemented:** To ensure that the due diligence requirements set down in the UN Guiding Principles are implemented, we carried out a comprehensive internal risk analysis with regard to human rights along the entire value chain.
- **Stakeholder dialogue intensified:** In the reporting period, we further intensified our dialogue with stakeholders in Germany and abroad. For example, we held Roundtables in Leipzig and New York (2011) as well as Berlin and Silicon Valley (2012). For the first time, we also held a special Roundtable with students. And we were involved in various aspects of the Rio+20 conference.

INDICATORS

€76,848 million / €68,821 million 2011
REVENUES OF BMW GROUP IN 2012

1,845,186 / 1,668,982 2011
NUMBER OF VEHICLES SOLD IN 2012

€7,819 million / €7,383 million 2011
PROFIT BEFORE TAX IN 2012

LISTINGS IN SUSTAINABILITY INDICES

- **Industry leader** in Dow Jones Sustainability Index
- **Industry leader** in Global 500 ranking of Carbon Disclosure Project
- **Listing** in FTSE4Good

2013+

FORECAST AND OBJECTIVES

- **Stay on successful path:** In 2013, we expect another increase in sales to a new record level. We will thus remain the world's leading premium car company.
- **Roll out web-based training:** New training courses on sustainability will be rolled out in 2013: An interactive Web-based course on sustainability for employees, dealers and suppliers.
- **Expand commitment to sustainability networks:** In 2013, the BMW Group will play an active role in the Sustainable Mobility project of the World Business Council for Sustainable Development.

1.1

WWW : bmwgroup.com /**svr110**

Strategy and management

Sustainability management is an investment in our future success. We leverage new business opportunities, minimise risk and seek to overcome social and business challenges such as scarcity of resources, climate change and demographics at an early stage.

By the year 2020, the BMW Group will be the world's leading provider of premium products and premium services for individual mobility. That is the goal we set ourselves in 2007, when we established our Strategy Number ONE, which has undergone continued development ever since. As we strive to achieve our vision, we will focus consistently on growth, profitability, working actively to shape the future, and on access to new technologies and customers. These core areas of action form the four pillars of Strategy Number ONE. Sustainability is one of the BMW Group's core principles and an integral part of each of the four strategy pillars.

For us, however, premium also means setting standards in the development of sustainable solutions for individual mobility needs. We are convinced that the manufacturer with the most efficient and resource-friendly production processes will be the future industry leader – offering its customers state-of-the-art solutions for environmentally compatible individual mobility.

EVOLUTION AND REVOLUTION

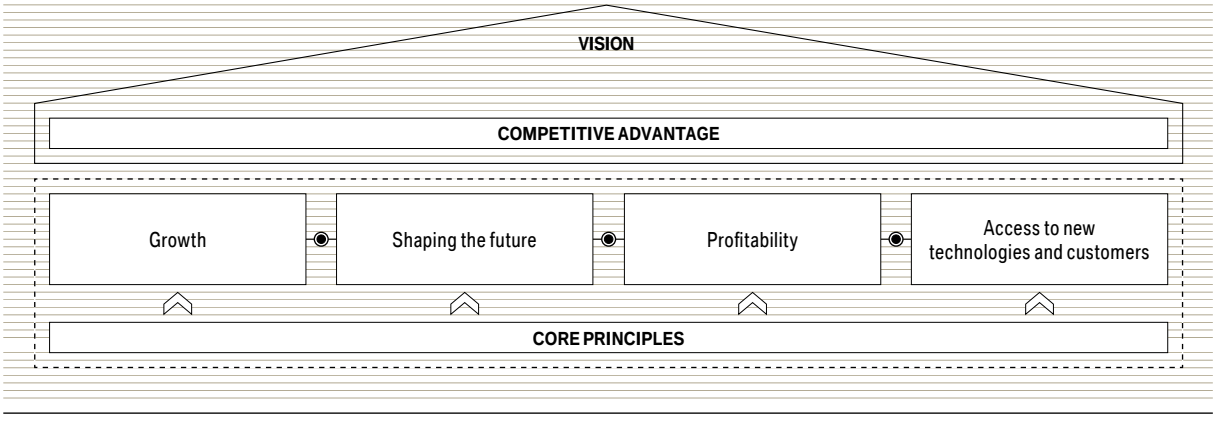
Our industry is currently going through a process of technological transformation. We want to be pioneers and drivers of this transformation process. To do this, we are taking two parallel approaches: evolution and revolution. The further development of highly efficient combustion engines, lightweight construction, hybrid drivetrains and resource-efficient production – that is what we call evolution. Carbon-free mobility with new types of drivetrain, combined with ambitious targets based on resource-efficient production, new materials and innovative mobility services – that is what we call revolution.

With the new BMW i family, we are also positioning ourselves as an innovation leader in the area of electromobility, bringing the integration of sustainability along the value chain to a new level. We are the only premium manufacturer that will be offering vehicles specially designed for electric drivetrains from the end of 2013. For the first time, the body will be made of carbon. The electricity required to assemble the BMW i3 and BMW i8 at the Leipzig plant will come from renewable sources. BMW i and its first models BMW i3 and BMW i8 will launch a new era in urban mobility from 2013 onwards.

OUR SUSTAINABILITY STRATEGY

The sustainability strategy passed in 2009 is derived directly from Strategy Number ONE and is applicable worldwide as the overarching strategy for all corporate divisions. The main aim is to establish sustainability along the entire value chain and in all basic processes – thus creating added value for the company, the environment and society. We derive specific requirements and targets for each individual division from the sustainability strategy, which allow us to systematically establish sustainability criteria in all areas of the company.

FIGURE 02 CORPORATE STRATEGY NUMBER ONE



Our core principles form the foundation for consistently sustainable operations at the BMW Group. They stipulate that taking social responsibility is inextricably linked to the Group's perception of itself as a business enterprise. At the same time, sustainability is seen as making a positive contribution to the business success of the company › see section "Business case for sustainability".

Sustainability has also been established as a strategic corporate objective in the BMW Group Balanced Scorecard since 2009. This means that every project must be measurable in terms of "Sustainability" as a corporate objective, ensuring that, in addition to economic factors, environmental and social aspects are also accounted for in the decision-making process – because we know that today, the value of a company is not measured solely by direct financial indicators but also by so-called non-financial performance indicators. By setting the right course in the early stages of a project, the company saves resources and any necessary corrective measures down the line, which often entail much higher costs. In addition, sustainability as a corporate objective cascades down to personal target agreements for managers and is thus part of their performance-based remuneration.

A set of key performance indicators (KPIs) and the BMW Group's performance in various ratings and rankings are the factors that influence our sustainability management. An overview of the relevant KPIs is provided on the fact sheet at the beginning of each chapter and specific details are provided in the respective chapters.

MATERIALITY ANALYSIS

To identify issues that may present opportunities or risks to our business in the future, we analyse these indicators regularly to find out exactly what they mean for our company, both from the point of view of different stakeholder groups as well as from an internal BMW Group perspective.

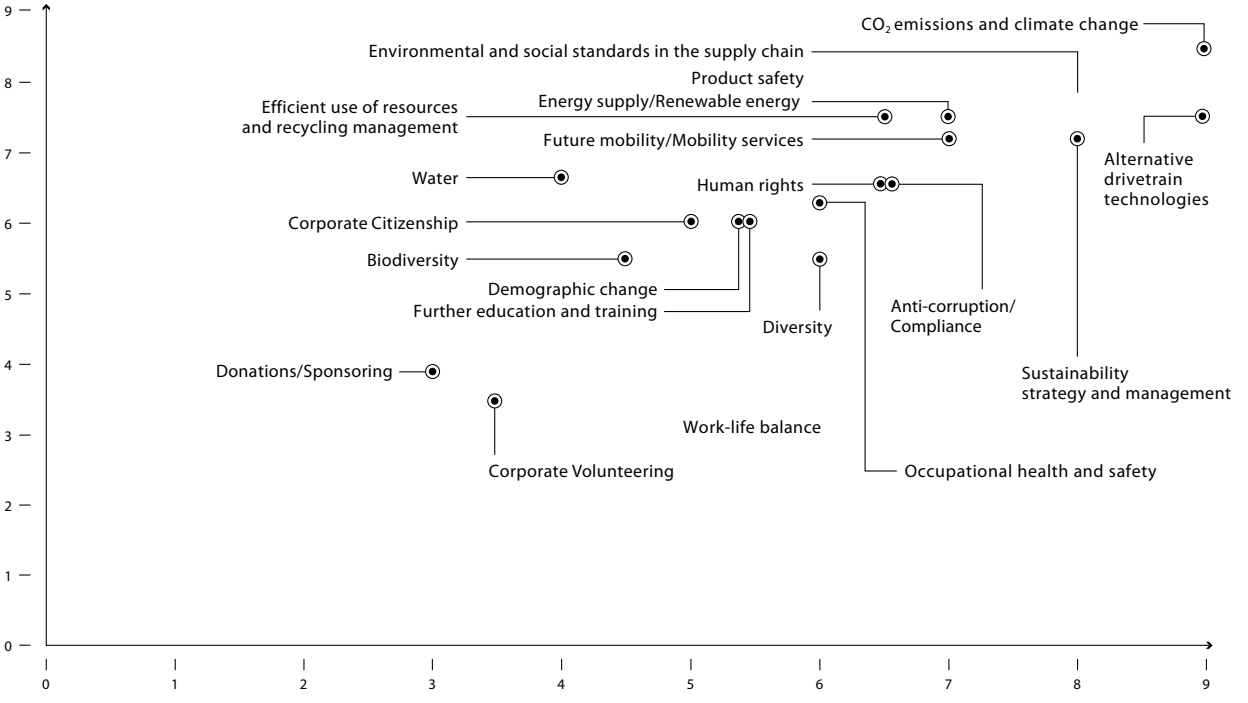
› 1. First, we use specific criteria to internally identify the 20 most relevant issues for society and the company.

› 2. Then our stakeholders (primarily sustainability experts) evaluate these 20 topics in an online survey. To enhance quality, we also carry out a stakeholder analysis. The stakeholder survey and analysis result in a prioritisation of the topics by our stakeholders.

› Finally, experts from the company's strategy offices carry out a materiality workshop to evaluate the significance of the topics for the BMW Group. This makes the results more robust.

The results of the materiality analysis are mapped out below. The y-axis maps the relevance of the topics to our stakeholders, the x-axis shows the relevance of the topics from the company's internal perspective. We judge a core area to be particularly significant if it is categorised as very important by both our stakeholders and the company. The materiality matrix is the point of departure for regular verification of the direction our sustainability strategy is taking.

FIGURE 03 **MATERIALITY ANALYSIS 2012**



OUR SUSTAINABILITY TARGETS

WWW : bmwgroup.com/**svr112**

* A quantitative performance and target indicator is the basis of each of our long-term objectives. However, for competitive reasons we do not communicate all of these indicators outside the company. And when it comes to implementation, we apply established environmental (ISO 14001 and EMAS), quality assurance (ISO 9001) and occupational health and safety (OHSAS/OHRIS) management systems.

OUR SUSTAINABILITY TARGETS

Our vision for 2020

As an active member of the World Business Council for Sustainable Development and the UN Global Compact, we recognise that it is a global challenge to further increase our efforts on sustainable development. It is essential that we take a long-term approach. We intend to further expand our leading position and focus on the topics through which we can have the most impact. With this in mind, we developed a target vision for 2020 in the year under report. This includes efforts in the areas Products and Services, Production and Value Creation as well as Employees and Corporate Citizenship.

READ MORE ONLINE — You can find a detailed overview of the 2012 measures and results in the separate report "Objectives, facts and figures".

www.bmwgroup.com/**svr700**

ORGANISATION AND MANAGEMENT

One important goal of our sustainability strategy is to establish sustainability as a core strategy within our organisation. For this reason, our Sustainability and Environmental Protection department has been directly incorporated into our Corporate Strategy unit since 2007, under the mandate of the Chairman of the Board. Its responsibilities include the continued enhancement of our sustainability strategy and the management of sustainable operations in all its forms. Some of its tasks include:

- Derivation, specification and establishment of a sustainability strategy in individual divisions, taking account of the entire value chain
- Development and monitoring of ambitious targets
- Identification of and internal approach to addressing core challenges
- Central corporate function for environmental protection (Group Representative) and management of environmental protection network
- Management of global centres of competence for a range of environmental issues

The long-term direction of the core areas of the sustainability strategy is set down by the Sustainability Board, which includes all members of the Group's Board of Management. The Sustainability Board convenes twice a year to assess the company's progress. The topics are prepared for presentation to the Sustainability Board by the so-called Sustainability Circle, which comprises department heads from all divisions.

The main focus of work in 2012 was as follows:

- Development of long-term sustainability targets (Target Map 2020)
- Development of an energy strategy
- Integration of sustainability into purchasing and supplier management
- Revision of Corporate Citizenship strategy
- Further entrenchment of the topic of human rights
- Strengthening of international cooperation on the exchange of best practices in the environmental network

We made considerable progress on all of these focal areas in the period under report. Our comprehensive Target Map offers a detailed overview of which measures we carried out in the different divisions as well as the challenges we still face.

READ MORE ONLINE — You will find more information online about our 2012 measures and results in the separate report "Objectives, facts and figures".

www.bmwgroup.com/**svr700**

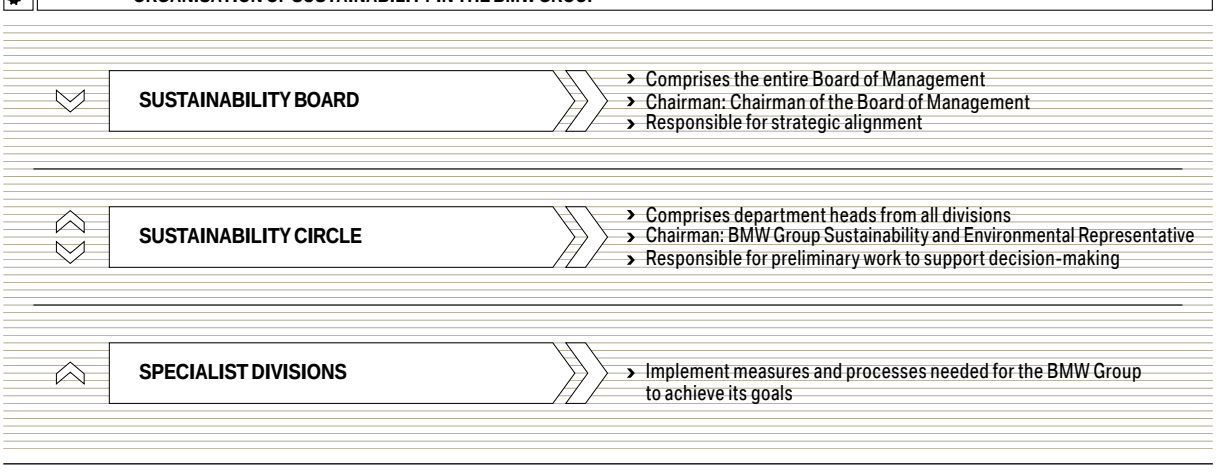
BUSINESS CASE FOR SUSTAINABILITY

Sustainable operations is an investment in our future success and one of the main drivers of our business. We are already demonstrating how sustainability measures have led to cost savings or generated revenue – thus validating the business case for sustainability.

- Between 2006 and 2012, we invested in environmentally friendly plants and technologies as part of our Clean Production Strategy throughout the BMW Group's production network. The resulting reduction in energy, water, waste and VOC emissions of around 36% per vehicle produced led to cost savings of around €100 million.

- Due to global megatrends (e.g. urbanisation, climate change and regulation) customer mobility requirements are also shifting. A range of studies has already shown that environmental awareness on the part of customers is

FIGURE 04 ORGANISATION OF SUSTAINABILITY IN THE BMW GROUP



coming more and more to the fore, while at the same time their focus remains on design, dynamism and comfort – this creates new business potential for the BMW Group. With our new sub-brand BMW i, we will be able to fulfil these customer requirements to an even greater extent than before. This will give us both a clear competitive edge as well as make a significant contribution to the company's future success.

- Direct feedback from our fleet customers indicates that environmental issues are gaining in significance. Many DAX-listed companies are increasingly focusing their car policies on sustainability. Employees are also motivated to use environmentally friendly vehicles via a bonus malus system. Thanks to our efficient vehicles as well as the sustainability advice provided by our subsidiary Alphabet, we can fulfil the changing expectations of our fleet customers. The experience gained by the Alphabet sales team shows that BMW vehicles have a significant edge on the competition – a clear sign that sustainability measures such as our Efficient Dynamics Programme really pay off.

- We are seeing accelerated global growth and already sell around 85% of our vehicles outside Germany. To remain successful worldwide, we need intercultural diversity in our company – people from different countries, different backgrounds – and a good balance between male and female employees. With our intercultural workforce structure, we increase revenues by improving our focus on the customer and finding the perfect fit in global markets with different customer requirements. This increases the appeal of our products at local level and steps up our global growth, resulting in additional earnings potential.

- Our premium standards are at the heart of everything we do. In order to develop and offer top-quality products and services, we need the best employees available. Being amongst the most popular employers in many markets is therefore a crucial competitive advantage. We want to continue to expand this edge. To do this, we rely not only on above-average remuneration and extra social benefits – our leading role in sustainability also increases our attractiveness as an employer.

- As part of the Age/Experience Diversity Dimension, for example, our Today for Tomorrow project reduces follow-up costs and risks. Behavioural measures (e.g. health education) and preventive measures at the workplace (e.g. ergonomically optimised workstations) offset our workforce's age-related physical performance limitations. This can compensate for absenteeism due to illness and reduce the number of employees who can no longer carry out their tasks due to constraints on their performance, allowing us to continue to fulfil our responsibility towards our employees and avoid costs, in spite of the rising average age structure.

- Effective leadership is essential to successful implementation of Strategy Number ONE. Manager training contributes towards establishing the key importance of leadership at all management levels. Managers are given the tools they need to improve their leadership skills in the long run and thus to play their part in achieving the strategic objectives. At the same time, effective leadership increases the employability of the individual, employee satisfaction as well as the attractiveness of the BMW Group as an employer. It makes an important contribution towards the success of the company and ultimately secures jobs.

HUMAN RIGHTS AT THE BMW GROUP

Respect for human rights is integrated in the strategy and culture of the BMW Group. Our management process is aligned with the requirements of the UN Guiding Principles on Business and Human Rights, which were passed by the United Nations in 2011. We use these principles as our main guide to critical reflection and continuous improvement of how we entrench human rights requirements within the company. To ensure that the due diligence processes set down in the UN Guiding Principles are implemented, a comprehensive internal risk analysis along the entire value chain of the BMW Group was carried out in the 2012 financial year.

Our cross-divisional human rights team mainly comprises representatives from the Sustainability and Environment division, Legal Compliance, HR Strategy and Corporate Com-

COMMITMENT TO INTERNATIONAL CONVENTIONS AND PRINCIPLES

In 2001, the BMW Group committed to complying with the Ten Principles of the UN Global Compact and the International Declaration on Cleaner Production of the United Nations Environment Programme (UNEP). As a member of the UN Global Compact, the company commits to complying with internationally recognised human rights, in particular the core labour standards of the International Labour Organization (freedom of association, the right to collective bargaining, elimination of forced and compulsory labour, abolition of child labour and elimination of discrimination in the workplace). The BMW Group reiterated this position with its Joint Declaration on Human Rights and Working Conditions at the BMW Group, which the Board of Management of BMW AG passed in agreement with employee representatives in 2005 and reconfirmed in 2010. The company also abides by the OECD's principles for multinational corporations and by the Business Charter for Sustainable Development issued by the International Chamber of Commerce (ICC) as well as the UN Guiding Principles on Business and Human Rights.

munications. The team monitors current developments in the international human rights debate, analyses potential risks for the BMW Group and – where there are any open issues – promotes further entrenchment of human rights requirements in the BMW Group. It reports to the Sustainability Circle and the Sustainability Board. The respective specialist departments are responsible for the individual operational topics.

We have training courses in place for employees and management to raise their awareness of human rights issues › see Chapter 5. In our supplier management process, we inform suppliers of human rights issues and ensure their commitment to the topic › see Chapter 4. We also address our other business partners, e.g. in the retail organisation, offering them training on our standards and requirements and successively integrating them into our contractual agreements.

To avoid human rights violations, all employees can consult their line managers or the BMW Group Human Rights Contact helpline if they have any questions. Employees also have the opportunity to submit information – anonymously and confidentially – via the BMW Group SpeakUP Line about possible human rights violations within the company. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local free-of-charge telephone numbers in all of the countries in which BMW Group employees carry out activities. Between December 2011 and December 2012, a specific procedure was applied to follow up five queries which were submitted to the Human Rights Contact helpline. Three of these were in connection with discrimination, the other two referred to employee/manager relations. In none of the five cases was any violation of human rights determined.

Human rights requirements are also integrated into our risk management process as well as investment and location decisions.

To protect the physical safety of its employees and visitors, the BMW Group takes the appropriate security measures. These are based on location-specific risk analyses. Our courses train all BMW Group employees on how to implement human rights requirements in the company › see section "Raising workforce awareness".

Security service providers to the BMW Group are obliged to comply with human rights. This is set down successively

possible 100 points, the company is an industry leader and listed on the Carbon Disclosure Leadership Index (CDLI). In addition, the BMW Group is listed on the Carbon Performance Leadership Index (CPLI). The BMW Group is also among the top 3 of all participating companies worldwide in the CDP Global 500 Ranking.

- **FTSE4Good:** The BMW Group was again listed on FTSE4Good in 2012, an index of the British index family on sustainability and corporate governance provided by FTSE in London.

- **Sustainalytics:** This agency rated the BMW Group number one in sustainability among all DAX-30 companies.

- **iöw/future report ranking:** The BMW Group achieved first place for its Sustainable Value Report 2011 among 150 analysed reports.

AWARDS

- **SAM Sustainability Award:** In June 2012, the SAM Group launched the SAM Sustainability Awards in Germany. As one of three German carmakers, the BMW Group's commitment to sustainability was awarded the SAM Gold Class Status and the company was also named industry leader.

- **DuMont-DWS-Preis:** In November 2011, the BMW Group received a further important sustainability award for its performance and activities in this area – the DuMont-DWS-Preis for Verantwortungsbewusstes Wirtschaften (award for responsible operations), which the DuMont-Gruppe and DWS Investments awarded for the first time in 2011.

FIGURE 05 **SUSTAINABILITY RATINGS AND RANKINGS** 2011/2012

Listings		Evaluation and result	
Dow Jones Sustainability Indexes	Dow Jones Sustainability Index (DJSI)	Industry leader for the eighth consecutive year in 2012	✓
CDP	CDP	Industry leader in Global 500 ranking, 3rd place in Carbon Disclosure Leadership Index across industries	✓
FTSE4Good	FTSE4Good	Listed	✓
oekom research	Oekom Research	Industry Focus Automobil 2013: 2nd place (Status Prime B)	✓
SUSTAINALYTICS	Sustainalytics	1st place among DAX 30 companies	✓
iöw	iöw/future Berichtsranking	1st place	✓
Awards		**Listing and results**	
sam sustainability awards	SAM Sustainability Award	Awarded SAM Gold Class 2012	✓
DWS	DuMont-DWS-Preis 2011		✓

1.2

WWW : bmwgroup.com /svr120

Stakeholder dialogue

The BMW Group engages in ongoing dialogue with its stakeholders at its locations and in relevant markets. This is a very important learning process for our company. As a corporate citizen, we fulfil our responsibility by using targeted dialogue to gain various perspectives and input on relevant topics, to identify trends and key topics at an early stage and to enhance acceptance for our corporate activities and decisions.

Our main stakeholder groups comprise our customers, employees, business partners and suppliers. But the media, political decision-makers, researchers and associations as well as non-governmental organisations (NGOs) and representatives of the capital market are also among the groups we address.

Dialogue is based on continuous and specific identification and prioritisation of stakeholders at relevant locations, implementation of different dialogue formats and the systematic communication of results to internal departments, the Sustainability Circle and the Sustainability Board. Measures are also derived and the input is further integrated into strategy development processes.

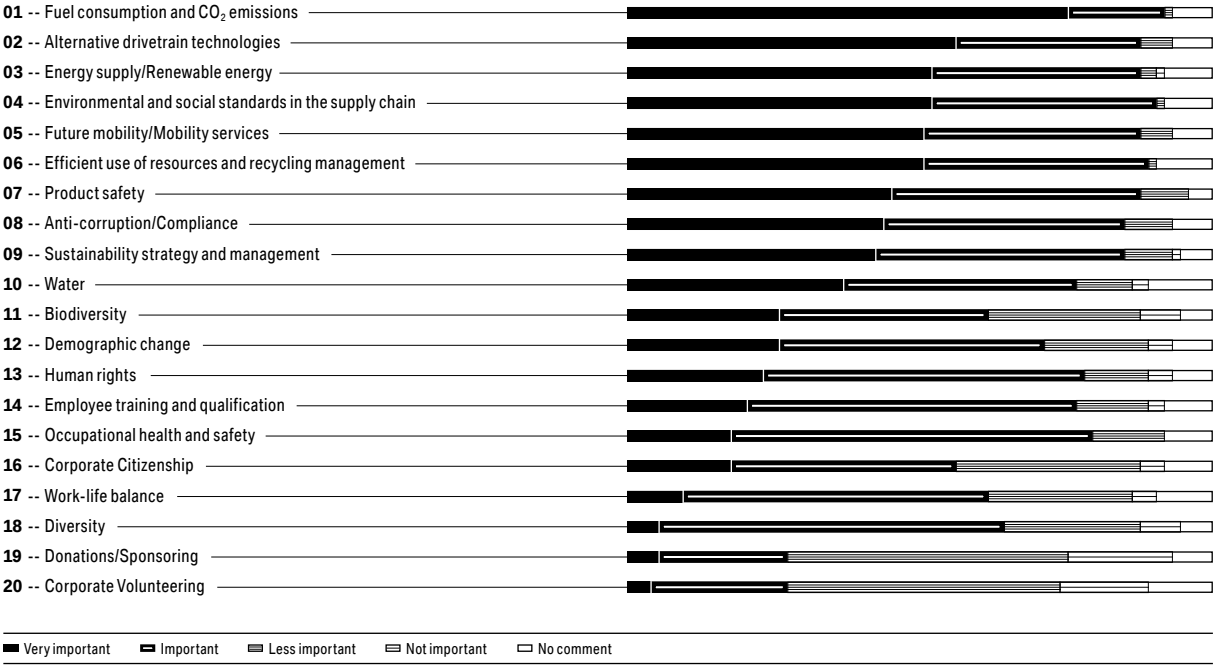
Our "Guidelines on Stakeholder Dialogue at the BMW Group" form the basis of our ongoing exchanges and set down the targets, processes for identification and prioritisation of our stakeholders as well as the selection of dialogue formats and communication principles.

Our relevant stakeholders are systematically identified and prioritised by mapping them on a regular basis with regard to strategically important topics. In addition, our subsidiaries, our political offices in the different markets as well as our plants engage in regular dialogue with local stakeholders on locally relevant topics. A range of committees and channels also allow specialist departments of the company to contact relevant stakeholder groups directly.

RESULTS OF 2012 STAKEHOLDER SURVEY

88 German and international experts from NGOs/civil society, politics, research and the sciences, the capital market, business associations/initiatives and media took part in the BMW Group's 2012 stakeholder survey which took the form

FIGURE 06 BMW GROUP STAKEHOLDER DIALOGUE – STAKEHOLDER SURVEY 2012[1]



[1] In August and September 2012, an online stakeholder survey was carried out with a total of 88 stakeholders (mainly sustainability experts).

OUR ENGAGEMENT AT RIO+20 — The BMW Group Sustainability Pavillon on the conference grounds.

BMW GROUP DIALOGUE IN SILICON VALLEY — Over 30 stakeholders discuss topics such as the future of mobility.

of a quantitative online questionnaire evaluating the relevance of sustainability topics among other things. Figure 06 shows that – from a stakeholder perspective – fuel consumption and CO_2 emissions are still most relevant for the automotive industry as a whole as well as for the BMW Group. Environmental and social standards in the supply chain as well as resource efficiency and recycling management are also considered very important topics for both the automotive industry and the BMW Group.

IN DIALOGUE: LOCALLY, GLOBALLY, DIGITALLY

In the period under report, the BMW Group engaged in dialogue with its stakeholders in regular local and international formats and at specific events. For example, we took part in the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro, Brazil, in summer 2012. At a number of events, the BMW Group presented its view of the future of mobility and provided the Brazilian government and the United Nations with efficient shuttle-service vehicles such as the BMW 7 Series ActiveHybrid. In addition, we have been intensifying dialogue with our stakeholders since the end of 2011. For example, we held Roundtables in New York and Leipzig in 2011 as well as in Berlin and in Silicon Valley in 2012. The BMW Group also initiated a stakeholder Roundtable with students in Berlin in 2012. All of these dialogue formats deal with sustainability, and we received valuable feedback regarding our activities.

By engaging in regular, active and open dialogue with political decision-makers, union representatives and associations as well as non-governmental organisations (NGOs), we are fulfilling the task of playing a constructive role in shaping the general political framework for our business activities, offering our expertise, promoting fair competition for all involved and finding sustainable solutions. The BMW Group's public affairs department ensures that central and strategic corporate decisions are always based on a complete picture of the political and legal situation, and that the requirements of society and government are taken into account in corporate strategy.

In the BMW Group's core markets, branch offices carry out public affairs on environmental, financial and socio-political topics and deal with relevant economic policy and industry-specific issues. In the period under report, the main topics in this regard were how to put CO_2 regulation into practice, how to deal with trade barriers, fair taxation legislation as well as social challenges such as demographic change and the company's commitment to promoting more women to management positions.

In the period under report, we also continued our traditionally intensive dialogue with capital market representatives by holding road shows and conferences, in particular with investors and analysts who focus on sustainability. When making their decisions, investors are increasingly focusing on how the BMW Group integrates aspects of the environment, society and corporate governance into its business model, products and activities. This is particularly true of institutional investors with long-term strategies, such as pension funds.

Communications with stakeholders via social media are playing an increasingly important role. Our BMW Group Facebook page now has over 105,000 followers. The Facebook page is one of the basic tools used to foster discussion of sustainability with stakeholders as well as to identify new trends and receive feedback on our activities.

IN DIALOGUE WITH POLITICAL DECISION-MAKERS

The representative offices in Berlin, Brussels, London, Washington DC and Beijing are the direct point of contact for political stakeholder groups in our main markets. Over the years, we have entered into long-term dialogue on a range of different topics in the political arena. Between 2010 and 2012, additional representative offices were added in Sacramento, Tokyo, Delhi, Moscow and Seoul, in order to strengthen dialogue with politicians and NGOs in these markets. In addition, the sales organisations of the BMW Group in a further 43 countries are responsible for public affairs.

A central department in Munich manages political stakeholder communications. This department ensures that public affairs in all areas and all markets worldwide are always in line with our basic corporate strategy and with the positions, guidelines, codices as well as all basic principles and voluntary commitments published by the BMW Group. In addition, we foster continuous dialogue with political decision-makers, not only directly, via our employees, but also by way of membership in a number of national associations such as VDA, bayME or vbm, umbrella associations such as BDI and BDA as well as international industry representative bodies such as ACEA or AUTO ALLIANCE.

IN DIALOGUE WITH INVESTORS IN SUSTAINABILITY

In 2012 again, a number of individual and group discussions at SRI (Socially Responsible Investment) road shows and conferences in Europe's financial centres and the USA fostered and further expanded our contacts to sustainably oriented investors and analysts. In this context, we informed stakeholders of current progress in the area of sustainability. The Capital Markets Day on Sustainability, which was held in 2011 for the first time in New York and Munich, was very well received by investors and analysts. Sustainability and mainstream investors also participated in the stakeholder dialogues in Leipzig (2011), Berlin (2012) and Silicon Valley (2012).

IN DIALOGUE WITH OUR EMPLOYEES AND SUPPLIERS

When it comes to evaluating employee satisfaction, what they think of their working environment, personal development opportunities, corporate culture, and of the BMW Group as an employer, we hold regular Group-wide employee surveys. The next employee survey is scheduled to take place in the first half of 2013. There are also additional dialogue events for employees and managers and we engage in regular dialogue with our suppliers. You can read more in Chapter 4 "Supply Chain Management".

IN DIALOGUE WITH LOCAL STAKEHOLDERS

In addition, we seek to engage in dialogue with our stakeholders and the public via lectures. For example, we held a talk on environmental protection and sustainability at the BMW Group for employees of the energy agency in Regensburg on 28 November 2012. On 15 May 2012, we also presented our Today for Tomorrow project on age-appropriate workplace design as part of the Zukunftsforum Regensburg (Regensburg future forum). We have also engaged in dialogue with various stakeholder groups at our locations in the UK. For example, we discussed future issues of urban mobility with 110 representatives of industry, government, the sciences and NGOs on 26 April 2012 in London. The same topic was the subject of a panel discussion on 13 November 2012 at our MINI plant in Oxford between representatives of NGOs, the government, the sciences and suppliers. 200 representatives from the industry and fleet management companies were in the audience.

STAKEHOLDER ROUNDTABLES IN THE USA AND GERMANY

- **Roundtable New York City** (3 October 2011, Guggenheim Lab): In three workshops, individual mobility was discussed with 35 representatives from government, associations, industry, the capital market, the sciences and non-governmental organisations (NGOs). The focus of these discussions was on the requirements electric vehicles will have to fulfil in order to play a role in individual and sustainable mobility in the future and how changing mobility needs in urban areas will create new opportunities for mobility services.

- **Roundtable Leipzig** (21 November 2011, BMW plant Leipzig): Following on from the Roundtable New York City, we discussed such topics as sustainable urban mobility and the role of energy in the manufacturing and utilisation phase with 15 stakeholders from different areas.

- **Roundtable Berlin** (10 July 2012, BMW plant Berlin): 21 international experts from various areas accepted our invitation to enter into a European dialogue. Some of the topics of discussion were: What are the main sustainability trends in the coming years? How can we better implement our vision of becoming the most sustainable carmaker?

- **Roundtable Silicon Valley** (27 November 2012, BMW Group Technology Office): Following on from the dialogue in Berlin, 31 participants from government, NGOs, the sciences, the capital market and think tanks continued the discussion of sustainable leadership, mobility services and energy.

IN DIALOGUE WITH STUDENTS – THE OPINION-MAKERS OF THE FUTURE

In 2012, the BMW Group also launched a Roundtable with students as part of a pilot project in Berlin. 20 students from renowned German universities took part in the Roundtable on 9 July 2012. In three workshops with BMW experts, they discussed the topics of greenwashing vs. credibility, electromobility and transformation of the German energy industry. The students had a completely different perspective on many things than experts from government and industry, giving the BMW Group some valuable input.

BMW GROUP PARTICIPATION IN RIO+20

A further example of how the BMW Group is positioned on the international political stage as a responsible carmaker is our regular participation in UN climate and sustainability conferences. In summer 2012, the BMW Group clarified its own position on the future of sustainable mobility at a number of events at the UN Conference for Sustainable Development Rio+20. It also provided the Brazilian government and the United Nations with vehicles equipped with Efficient Dynamics technology such as the BMW 7 Series ActiveHybrid. At a special pavilion on the official grounds

of the UN conference, employees answered critical questions from delegates, press representatives and the specialist public and held their own events to demonstrate the positive contribution a carmaker can make towards sustainable growth – by creating efficient mobility and environmentally friendly production processes. In addition, at the Rio+20 conference in South Africa, the MINI E and BMW ActiveE were made available to politicians and interested members of the specialist public for the first time in order to let them experience the appeal of sustainable mobility.

OTHER ACTIVITIES

Worldwide, the BMW Group participates in a large number of initiatives, forums and events with chief executives as well as technical and other experts, organised by government authorities, political parties, scientific organisations and NGOs. Many national and international delegations from government and industry come to our company each year to inform themselves about the latest technological developments and the BMW Group's strategic direction. This can take on a variety of forms, from bilateral visits to regular dialogue with representatives of government and industry.

For example, to demonstrate the potential and challenges of electromobility in practice and explain what needs to happen in terms of policy, the BMW Group has collaborated with public authorities to carry out comprehensive field tests with electric vehicles such as the MINI E and the BMW ActiveE. In markets where BMW Group electric vehicles have covered over 21 million kilometres in field tests, the information and experience gathered is shared with government, authorities and scientific institutions and can thus be integrated directly into future framework policy.

The BMW Group also plays a central role in the National Platform for Electric Mobility (NPE), a German government advisory committee on electromobility founded by German Chancellor Angela Merkel in 2010. This platform aims to push for progress on electromobility, create a lead market for it in Germany and speed up the introduction of innovative electric vehicles onto the market. Here again, the BMW Group provides the government with its knowledge and research results and actively helps shape political framework conditions via its established political network.

In addition, BMW Group representatives have taken part in panel discussions of the World Business Council for Sustainable Development and Union Investment on the topic of sustainability.

We also carried out a Perception Study to ask investors about their understanding of the financial aspects of sustainability communications and integrated the results into the further development of our SRI communications.

MEMBERSHIPS AND NETWORKS

Through a large number of memberships, we engage in dialogue with other organisations and work towards more sustainability, in particular in the following initiatives, networks and associations:

Business networks on sustainability

- World Business Council for Sustainable Development **(WBCSD)**
- United Nations Global Compact LEAD Platform
- Global Compact Network Germany
- econsense – the Forum for Sustainable Development of German Business

Political and business initiatives and associations

- German Chamber of Industry and Trade/Chambers of Industry and Trade (DIHK / IHK)
- National Platform for Electric Mobility (NPE)
- Federation of German Industry (BDI)
- Confederation of German Employer Organisations (BDA)
- European Research Group on Environment and Health in the Transport Sector (EUGT)
- Association of the Bavarian Economy (vbw)

Industry initiatives and associations

- European Automobile Manufacturers' Association (ACEA)
- AUTO ALLIANCE
- Employers' Associations for the Bavarian Metalworking and Electrical Industries (bayme)
- German Association for the Automotive Industry (vda)

In order to continuously develop our understanding of sustainability, we also participated in the following conferences, networks and projects in the period under report:

- BMW Group was the main sponsor of the Regeneration Roadmap, a project by SustainAbility and GlobeScan which creates specific solutions for sustainable development as well as global challenges for the economy and demonstrates what leadership in corporate sustainability will mean in the future.
- UN Global Compact LEAD event: Symposium in Berlin in autumn 2011 and as part of Rio+20
- World Business Council for Sustainable Development Participation in conferences and co-initiator of the Sustainable Mobility Project II
- econsense (Forum for Sustainable Development of German Business): Participation in a range of working groups (making sustainability measurable, supply chain, human rights)

FORECAST

We intend to continue fostering dialogue with our stakeholders. We aim to integrate even more stakeholder input into the further development of our strategy – but also to communicate openly with our stakeholders to give them a more realistic view of what they can expect in specific areas.

1.3

WWW : bmwgroup.com /svr130

Risk management

Increasing internationalisation of our activities in all our business areas, ever more intense competition and technological challenges are both an opportunity and a risk for the BMW Group. These are evaluated at an early stage by a Group-wide risk management system so that we can install the appropriate risk control measures.

To ensure our success as a company, we utilise the opportunities we are presented with by applying our Strategy Number ONE. To guarantee growth, profitability and sustainable operations, the BMW Group takes calculated risks in many areas. For this reason, it is essential to have a permanent risk management process in place to rapidly evaluate and take account of changes in policy and legislation as well as in general technical and economic conditions or within the company.

The BMW Group has a risk management system in place throughout the company to identify and analyse opportunities and risks early on as well as to apply the appropriate control and monitoring measures. Risk Management is controlled by the central Finance Division, but is set up at local level as a Group-wide network of risk management officers in order to raise awareness of how to deal with risk in a balanced and appropriate manner at all levels of the organisation. The Corporate Audit Department carries out regular audits in this area.

The network structure is officially mapped as part of the organisation. Ownership, responsibilities and tasks are allocated to the network. Integration into the organisational structure enhances transparency and emphasises the importance of risk management within the BMW Group. The risk management process is based on the criteria of effectiveness, functionality and completeness. Risk Management also works in close cooperation with the Compliance Committee, the internal control system and the Corporate Audit department.

The risks identified at local level by the divisions and departments are presented to the Risk Management Circle on a regular basis. If fundamental risk or risk that would present a threat to the company arises, this is reported to the Board of Management and Supervisory Board. Opportunities and risks in the area of sustainability are discussed by the Sustainability Circle. The resulting strategic options and measures that can be taken for the BMW Group are presented to the Sustainability Board, which includes all members of the Board of Management. New aspects of risk are integrated into the Group-wide risk network. The Steering and Sustainability Circles have been merged to guarantee a close interplay between risk and sustainability management.

Regular dialogue with other companies on their experience with risk management ensures that new developments are integrated into the BMW Group's risk management system. Regular seminars, further training courses and informative events at the BMW Group play a fundamental role in preparing those involved in the process to deal with new or additional requirements. For example, all employees who work with personal data take part in a web-based training course on data protection at the BMW Group.

POLITICAL AND GLOBAL ECONOMIC RISKS

In today's global economy, increasing connectivity and fiercer competition are multiplying the risk of immeasurable chain reactions and knock-on effects. Growing interdependence of international economic cycles intensifies this risk. General concern about the stability of the European and global financial system and how the euro and sovereign debt crises are going to develop is another challenge the BMW Group is currently facing.

Other geopolitical and global risks are the danger of a slowdown in growth in China, a sovereign debt crisis in the USA and political instability in the Middle East and parts of Asia as well as protectionist tendencies in some countries.

An escalation of political tension as well as terrorist activities, natural catastrophes or pandemics can lead to scarcity of

resources as wells as production downtime due to problems with material and parts delivery. The impact this has on the global economy and the international capital markets can also lead to indirect effects on the business performance of the BMW Group.

The BMW Group confronts these risks by expanding its international network of sales and production locations.

ENVIRONMENTAL RISKS

The BMW Group minimises natural and environmental risks by implementing a number of technical and organisational measures. These range from fire prevention measures to direct emergency communications in case of fire. To avoid negative ground impact and groundwater pollution, the BMW Group has developed and implemented appropriate preventive strategies and initiatives. When choosing a new site for a facility, we analyse the effects of climate change in the region and the risk factors associated with it.

STRATEGIC AND INDUSTRY-SPECIFIC RISKS

The demands placed on the automotive industry worldwide are also increasing with regard to reduction of fuel consumption and safety. Government intervention into activities that have an impact on climate change is intensifying. Resulting regulations (e.g. city tolls or CO_2 taxes), trends in fuel prices as well as changing values and environmental influences all have an impact on customer behaviour. We are facing these challenges and increasing our competitiveness with our Efficient Dynamics concept and by developing sustainable drivetrain technologies. Lightweight construction is also part of our Efficient Dynamics programme and plays a fundamental role in fulfilling our corporate objectives. Risks that arise in connection with the statutory requirements for vehicle return and recycling are minimised by consistently applying Design for Recycling in product development.

The safety of our customers as well as other road users is an integral part of product responsibility at the BMW Group. We are implementing technologies and measures to promote both active and passive safety and mitigate the effects of accidents. For more details, › see Chapter 2.

In addition to emissions reduction, another challenge facing the BMW Group is the fact that some megacities are now restricting traffic. Changes made to legislation and regulations on short notice present a fundamental risk. These can lead to increases in capital expenditure and budget requirements to deal with the new requirements. Changes in customer behaviour, however, are not only caused by new regulations but also by new attitudes, values and environmental influences. Global climate change also has an impact on legislation, regulations and customer behaviour. Young people in particular have a different understanding of individual mobility than previous generations. Today, it is no longer linked to vehicle ownership. Appropriate measures have to be taken to confront this risk. We are facing the structural changes in demand for individual mobility by offering a range of mobility service › see Chapter 2.5.

OPERATIONAL RISKS: PRODUCTION

Risks from production standstills, whatever their cause, are a fundamental threat for the BMW Group. In addition to risks caused by the elements such as fire, flooding (see also the section “Environmental risks”) and energy or IT outages, problems with logistics and parts supply (suppliers not able to deliver) can also result in production risk.

Our flexible global production systems and our working time models contribute to reducing risk, as does the consideration of environmental and social risks when selecting new production locations. Risks from operational and production standstills due to the elements are also covered by policies with insurance companies that have high levels of creditworthiness. The production and logistics systems are designed to prevent risk or reduce it in case of loss, for example by way of firewalls, sprinkler systems and a secure energy supply.

PURCHASING

The division of labour between manufacturers and suppliers in the automotive industry brings economic benefits on the one hand, but also makes them mutually dependent on the other. For example, suppliers are increasingly joining forces to develop critical future technologies.

Location risks at our supplier companies are playing an increasingly important role in preventive risk management for purchasing decisions. To enhance transparency, we evaluate all of our supplier locations with regard to natural threats such as flooding or earthquakes. Then we take the measures needed to reduce the risk to parts supply.

Standards to manage sustainability risk are in place at our supplier companies › see Chapter 4.

SALES

The regional and structural character of vehicle demand and related services is constantly changing. The sales and production processes of the BMW Group are flexibly designed to ensure that the opportunities resulting from these changes can be leveraged to meet demand effectively. We also offer new, attractive sales promotion and other services tailored to demand behaviour.

WORKFORCE

For many years, we have been in a good position when it comes to the competition for skilled workers and managers. Satisfied and motivated employees are a key success factor for the BMW Group. The further development of next generation programmes focussing on our target groups and the design of consistently attractive HR development measures play a key part in finding, keeping and promoting highly qualified employees. This is how we reduce the risk of losing important expertise.

Demographic developments will have a long-term impact on labour markets. The BMW Group is addressing the consequences of this for the company. We are focusing in particular on designing our working environment for the future, promoting and maintaining performance and employability, training and reinforcing our employees' capacity to work on their own initiative, and time models tailored to suit employees throughout their working careers.

The BMW Group promotes diversity in its workforce, as heterogeneous teams perform better and are more innovative. Both male and female employees with different cultural backgrounds and from different age groups ensure that the focus is kept on the customer in existing and new sales markets worldwide.

INFORMATION, DATA PROTECTION AND IT RISKS

Protection of personal rights, business secrets, innovative developments and process data against unauthorised access, destruction and abuse is a high priority. Protection of information and data is an integral part of our business processes and we comply with the international security standard ISO/IEC 27001. Employees, process design and information technology are integrated into our comprehensive risk and security management system.

The Group-wide regulations are part of our corporate principles and are also documented in detailed instruction manuals. They compel employees to treat information, customer and employee data with care, to be secure in their use of information systems and to deal with IT risks in a transparent manner. Regular communications, awareness-raising and training measures (e.g. online training on information and data protection) increase understanding of the issues for everyone involved. In addition, our employees are also trained by the compliance organisation to comply with statutory and regulatory requirements.

Risk Management regularly monitors both IT risk as well as data protection risks resulting from information processing, and this process is supervised by the responsible departments.

In cooperation and partnership projects, we protect our intellectual property as well as customer and employee data by way of clearly defined requirements on information and data protection as well as on utilisation of information technology. Information relating to core competencies is subject to particularly rigorous security measures

FINANCIAL RISKS

The BMW Group sells around 85% of its vehicles outside Germany. At the same time, materials and finished parts are purchased in foreign currencies. The BMW Group takes both a strategic (medium and long-term) and an operational (short and medium-term) approach to minimising the resulting currency risks.

Availability of certain raw material groups as well as changes in raw material prices represent a significant risk for the BMW Group. To secure supply of production material and to reduce cost risks, raw material markets are monitored and analysed on an ongoing basis.

Controlling liquidity risk secures the BMW Group's financial solvency at all times. When strategic and industry-specific risks, risks from operational business and financial risks occur, they have a direct or delayed impact on the liquidity situation of the BMW Group.

Currency risks result from vehicle sales outside the euro area. The share of the three currencies Chinese renminbi, US dollar and pound sterling in the overall foreign currency risk structure of the BMW Group was around two thirds in 2012.

Financial derivatives hedge against price risks for precious metals such as platinum, palladium and rhodium as well as nonferrous metals such as aluminium, copper, lead and some steel and basic steel substances such as iron ore. Additional security is provided through medium- and long-term supply agreements with fixed prices for raw materials such as steel and synthetic materials.

Price trends in crude oil – which is a basic material for our components – have an indirect impact on our production costs. In addition, the price of crude oil has an impact on currencies as well as on fuel prices, which have a direct influence on customer demand for our vehicles. The BMW Group confronts this risk by developing and offering highly efficient and low-consumption engines as well as alternative drive train technologies.

Based on lessons learned from the financial crisis, a modified target liquidity concept was created some years ago and is complied with at all times. In addition to maintaining liquidity reserves, Group-wide liquidity is secured by a broad spread of refinancing sources.

LEGAL RISKS

Responsible action in compliance with legislation is one of the basic prerequisites for our success. Applicable law forms the binding framework for our diverse business activities. Increasing internationalisation of the BMW Group's business activities, general economic conditions as well as the large number and complexity of legal regulations and taxation lead to a situation in which there may be violations due to ignorance of the law. Several years ago, the BMW Group set up a compliance organisation to ensure that its entities, managers and employees comply with the law.

Like all companies, the BMW Group is or could be confronted with legal disputes with regard to guarantees, product liability, breaches of property rights and legal proceedings regarding claims of legal violations. These can also have an effect on the reputation of the Group and are mainly procedures that are typical of the industry or result from the adaptation of our product or purchasing strategy to changing market conditions. In the US market in particular, class actions and product liability risks can have a considerable impact on the company's finances and reputation. The BMW Group makes sufficient provisions for legal proceedings. If it makes economic sense, a share of the risk, in particular on the US market, is also covered by insurance policies. However, some risks can only be evaluated to a limited extent or not at all. In spite of precautionary measures taken, risk may still occur which is not or not completely covered by insurance policies or provisions.

The high quality standard of our products, which is secured by way of regular audits and continuous improvement measures, also reduces risk. This may give us a comparative competitive edge and generate opportunities.

The BMW Group is currently not involved in any court or arbitration proceedings which would have a significant influence on the financial situation of the Group.

FORECAST

In the future, both the global economy and our own corporate processes will become even more complex. We must therefore further optimise the interplay between risk management, strategy and dialogue with external partners in society.

1.4

– WWW : bmwgroup.com /svr140

Compliance and Corporate Governance

Responsible and lawful conduct is fundamental to the success of the BMW Group. At the same time, it is an integral part of our corporate culture. The Board of Management and all BMW Group employees are obliged to act responsibly and in compliance with applicable laws and regulations. This principle has been embedded in BMW's internal rules of conduct for many years.

In order to protect the BMW Group systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee back in 2007, mandated to establish a worldwide Compliance Organisation throughout the BMW Group. The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law (legal compliance). These activities include training, informational and communication measures, compliance controls and following up cases of non-compliance. The BMW Group Compliance Committee reports regularly to the Board of Management and Supervisory Board on all compliance-related issues.

The decisions taken by the BMW Group Compliance Committee are drafted in concept and implemented operationally by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office is allocated in organisational terms to the Chairman of the Board of Management. Around 200 Compliance Responsibles are integrated into the Compliance Organisation. They regularly report on the compliance status in the different units as well as on any legal risks or infringements and correctional or preventive measures taken.

AVOIDING ANTITRUST AND CORRUPTION RISKS

Compliance Management in the BMW Group has instruments and measures in place to ensure that the Group, its representative bodies and all employees act in a lawful manner. Particular emphasis has been placed on compliance with antitrust legislation and the avoidance of corruption risks. Compliance measures are supplemented by a whole range of internal policies, guidelines and instructions, which in part reflect applicable legislation. The BMW Group Policy "Corruption Prevention" deserves particular mention: This document sets out the framework for dealing with gifts, hospitalities and other benefits in compliance with the law and defines appropriate value limits and approval procedures for specified actions.

Compliance measures are determined and prioritised on the basis of an annually updated Group-wide compliance risk assessment covering 250 business units and functions worldwide within the BMW Group. Since 2012, measures are realised with the aid of a regionally structured compliance management team covering all parts of the BMW Group.

The BMW Group Legal Compliance Code is the cornerstone of the Group's Compliance Organisation, spelling out the Board of Management's acknowledgement of the fact that compliance is a joint responsibility ("tone from the top"). This document explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group. It is available in German and English as well as eleven other languages.

COMPLIANCE AS A MANAGEMENT TASK

Managers in particular bear a high degree of responsibility and must be a role model in the process of preventing infringements. Managers throughout the BMW Group accept

this principle by signing a written declaration, in which they also undertake to inform staff working for them of the content and significance of the Legal Compliance Code and to make staff aware of legal risks.

More than 16,500 managers and staff have received training worldwide in essential compliance matters since the introduction of the BMW Group Compliance Organisation. Participation in the training programme is mandatory for all BMW Group managers. Appropriate processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training. In this way, the BMW Group ensures full training coverage for its managers in compliance matters. In addition to this basic training, in-depth training is also provided to certain groups of staff in specific compliance issues, for example on competition and antitrust law.

QUERIE

BMW GROUP BUSINESS RELATIONS COMPLIANCE

In the same way that the BMW Group is committed to acting responsibly and conducting business in full compliance with the law, it also expects no less from its business partners. In the year under report, the BMW Group developed a new Business Relations Compliance programme aimed at ensuring the reliability of its business relations. Relevant business partners are checked and evaluated with a view to identifying potential compliance risks.

These procedures are particularly relevant for relations with sales partners and service providers, such as agencies and advisers/consultants. Depending on the results of the evaluation, appropriate measures – such as communication measures, training and possible monitoring – are implemented to manage compliance risks. The Business Relations Compliance programme was introduced in selected pilot markets in 2012 and, over the coming years, will be rolled out successively throughout the BMW Group's worldwide sales organisation.

COOPERATION WITH EMPLOYEE REPRESENTATIVES

Compliance is also an important factor in terms of safe-guarding the future of the BMW Group's workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group signed a set of Joint Principles for Lawful Conduct in 2009. In doing so, all parties involved gave a commitment to the principles contained in the BMW Group Legal Compliance Code and to trustful cooperation in all matters relating to compliance. Employee representatives are therefore regularly involved in the process of developing compliance systems within the BMW Group.

CORPORATE GOVERNANCE

The BMW Group manages its business in accordance with principles of responsible corporate governance geared to long-term value creation. In 2002, it confirmed its commitment to these principles in its own Governance Code. Based on the German Corporate Governance Code (GCGC), this document is regularly updated. You can find more information in the Annual Report under "Statement on Corporate Governance" (p. 152 ff.).

FORECAST

In the coming financial year, the BMW Group plans to examine the possibility of certifying the compliance management system and will create a concept to avoid compliance risks when preparing and implementing events. It will also integrate compliance aspects into its international employee survey.

CH.02 SHAPING MOBILITY

PRODUCT RESPONSIBILITY

2.1 _ OUR MANAGEMENT APPROACH, Page 35
2.2 _ FUEL CONSUMPTION AND CO_2 EMISSIONS, ALTERNATIVE DRIVETRAIN TECHNOLOGIES, Page 37
2.3 _ PRODUCT SAFETY, Page 41
2.4 _ RESOURCE EFFICIENCY AND RECYCLING MANAGEMENT, Page 44
2.5 _ THE FUTURE OF MOBILITY, MOBILITY SERVICES, TRAFFIC MANAGEMENT, Page 46
2.6 _ CUSTOMER SATISFACTION, Page 50

WWW : bmwgroup.com /svr200

ELECTROMOBILITY

— 01

— 06

— 07

TEAM LEADER FOR NEW VEHICLE PROJECTS

MIRCO SCHWARZE

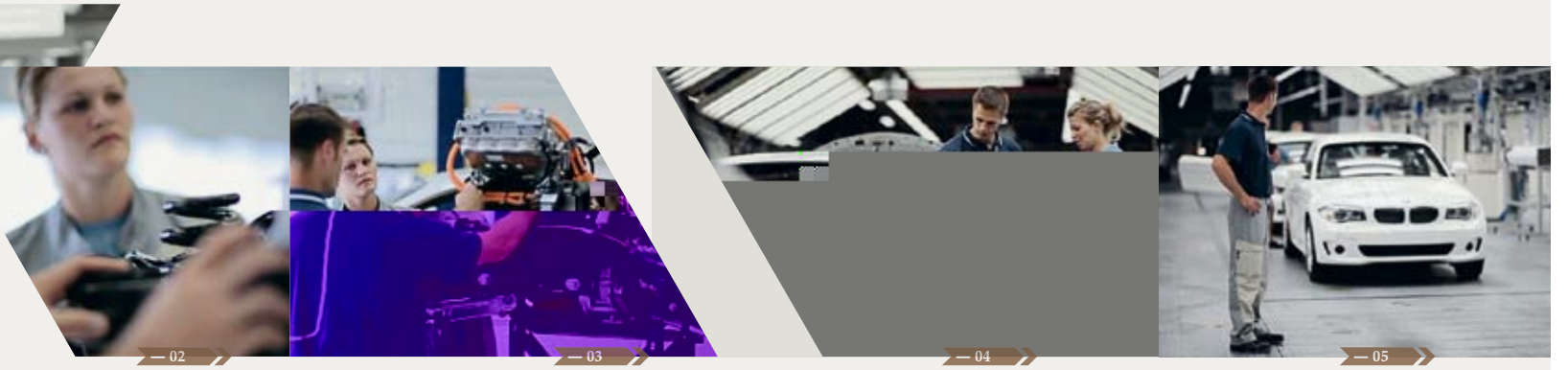
BMW PLANT LEIPZIG, GERMANY

"I want my three sons to grow up in an intact environment. I'd like them to love driving just as much as I do today. They are already huge car fans, like their father. But I'd like them to learn about other values too. That's why I'm looking for a green energy provider at home – maybe I'll even start generating my own electricity on my roof. At work, it's my job to make sure things happen. Those who have driven an electric vehicle like the BMW ActiveE have been delighted with it. Just like I am."

CO$_2$ EMISSIONS

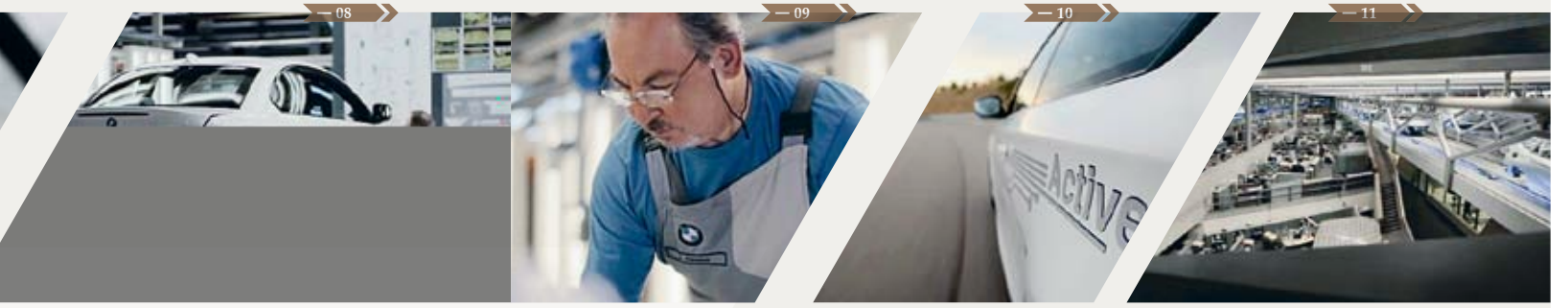
max. of 120 g/km

OF 34 MODELS,
4 ARE ALREADY BELOW 100 g/km



Zero emissions

THE RESULTS



CO$_2$ EMISSIONS

30% fewer

CO$_2$ EMISSIONS SINCE 1995

<< LEIPZIG, GERMANY

CLIMATE PROTECTION

50% fewer

EMISSIONS BY 2020
(BASE YEAR: 1995)

CHAPTER 02

PRODUCT RESPONSIBILITY

WWW : bmwgroup.com/svr200

2012

PROGRESS

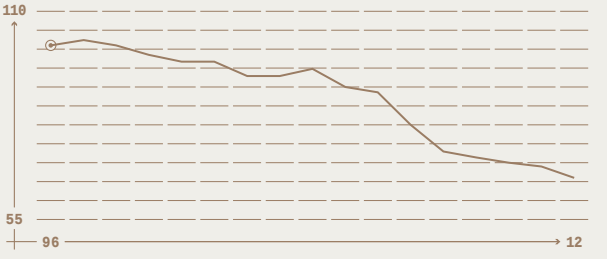
- **CO_2 emissions of our vehicle fleet reduced:** Between 1995 and 2012, we brought CO_2 emissions from new BMW Group vehicles sold in Europe (EU-27) down by over 30%.
- **Development of BMW i vehicles progressed:** From the outset, we set down the global warming potential (CO_2 equivalent) as a measurable target throughout the entire product life cycle. Our environmental footprint now appears alongside other, more established performance indicators such as vehicle weight and costs, CO_2 emissions and fuel consumption.
- **DriveNow established in additional cities:** The car-sharing programme DriveNow, launched in 2011, was extended to Cologne, Dusseldorf and San Francisco in 2012. In the meantime, over 90,000 customers use the DriveNow vehicles (as at March 2013).

INDICATORS

138 g/km

CO_2 EMISSIONS OF BMW GROUP VEHICLES IN EUROPE IN 2012

FIGURE 07 **DEVELOPMENT OF CO_2 EMISSIONS OF BMW GROUP CARS IN EUROPE**[1] in %



[1] Index: 1995 = 100; Basis: Fleet consumption of newly registered cars in Europe [EU-15] measured on the basis of the New European Driving Cycle in accordance with the ACEA self-commitment, measured only on the basis of EU-27 from 2009 onwards.

2013+

FORECAST AND OBJECTIVES

- **Halve CO_2 emissions:** By 2020, we aim to cut CO_2 emissions of our European new vehicle fleet by at least 50% (base year: 1995).
- **Shaping tomorrow's mobility:** We have set ourselves the target of becoming a leader by 2020 in taking a holistic approach to electromobility and to changing mobility behaviour in selected large urban areas over the long term.
- **Develop recycling solutions:** We plan to develop innovative solutions to meet the challenges presented by new materials (such as CFRP) and key technologies (e.g. lithium-ion batteries) due to the successive introduction of new drivetrain types and the accompanying changes in vehicle design.

2.1

WWW : bmwgroup.com /**svr210**

Our management approach

The BMW Group takes a comprehensive approach to product responsibility. For us, it starts with the development of fuel-efficient vehicles that are safe for drivers and other road users. It covers resource-efficient and eco-friendly development and production processes, integrated and high-quality customer care as well as recycling concepts that ensure our cars have minimum impact on the environment even after they reach the end of their life cycle.

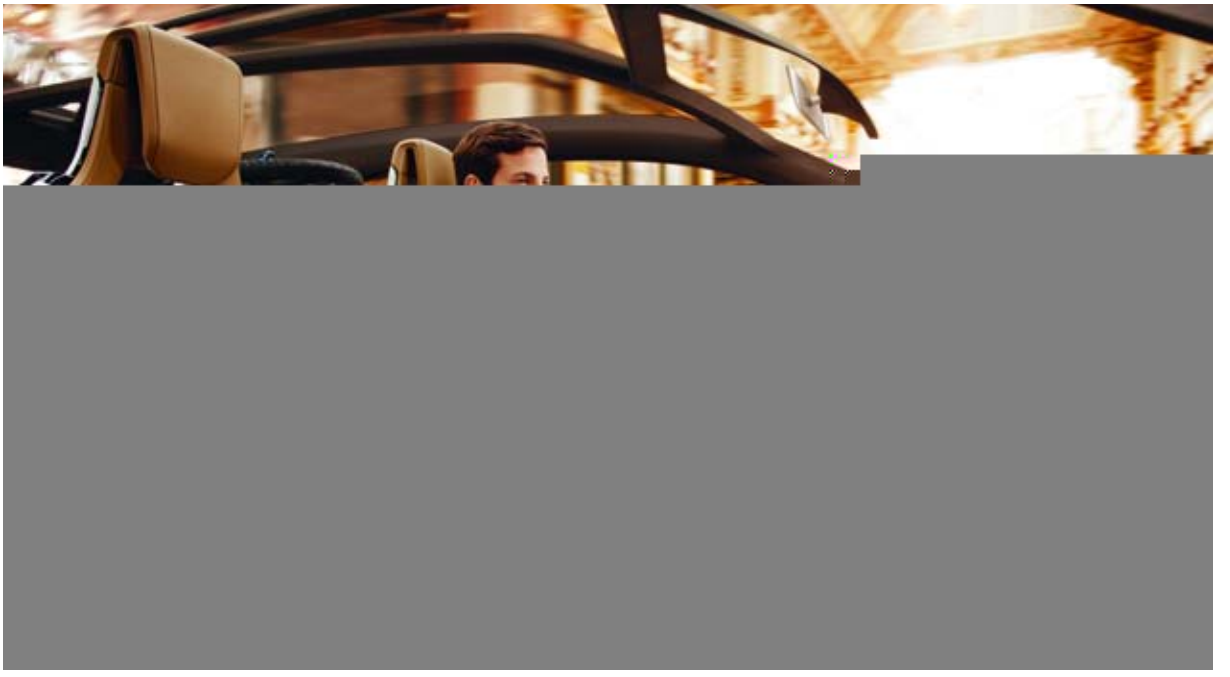
A good example is the BMW i3, which will be produced from 2013. From the outset and along the entire value chain, we developed this electrically powered vehicle in line with measurable sustainability targets – from material and parts purchasing to the sale of the finished vehicle. We are deliberately using it to set a benchmark – both inside and outside the company. We intend to transfer the measures practised in the BMW i3 step-by-step to all vehicle projects in the BMW Group.

CONSISTENT REDUCTION IN EMISSIONS AND MAXIMISATION OF PRODUCT SAFETY

Our visionary vehicles of the BMW i brand are spearheading our efforts to produce completely emissions-free vehicles in the long term. But they are only one part of our Efficient Dynamics programme, our concept for ensuring sustainable individual mobility through constant and consistent reduction of emissions. We achieve the best results here by applying innovative efficiency technologies that are standard in our new vehicles › see Chapter 2.2.

Our product responsibility is however not limited to producing eco-friendly vehicles. As a provider of premium products and premium services for individual mobility, we also view the safety of our customers and other road users as a central component of our product responsibility. Through active safety features we try to prevent accidents, and with passive safety systems to mitigate their effects › see Chapter 2.3.

Other elements in our approach to product responsibility are resource-efficient production and high recycling and reuse standards that close the materials cycle as much as possible › see Chapter 2.4. We set our sights on intelligent services covering the entire spectrum of future mobility. One example is our DriveNow car-sharing service › see Chapter 2.5. Finally, we also strive for a high degree of customer satisfaction, conducting studies, customer interviews and constant analysis of customer feedback to find out how we can improve even further in our customers' eyes › see Chapter 2.6.



MOBILITY OF THE FUTURE — BMW i3 Concept.

4.5 LITRES OF DIESEL PER 100 KILOMETRES — The BMW 520d EfficientDynamics Edition BluePerformance.

BEST-PRACTICE EXAMPLE FOR EFFICIENT DYNAMICS:

BMW 520d

EFFICIENTDYNAMICS EDITION BLUE-PERFORMANCE – THE "CAR OF THE FUTURE"

INTERNATIONAL REQUIREMENTS

International regulatory requirements for BMW Group products are becoming increasingly stringent, particularly in the area of vehicle emissions. 94% of the vehicles we sell are subject to corresponding regulations and tax legislation. Planning for sales is at the same time made difficult by rapid changes in legislation. This means that we have to be prepared to cope with new framework conditions even before they are announced by legislators.

For many years now, the BMW Group has had a Group-wide cross-hierarchy management system in place for this purpose. It ensures that both legal requirements and goals specific to BMW in the field of sustainability and product responsibility are met.

HOLISTIC ACCOUNTING METHODS

The BMW Group assumes responsibility for all of its products and processes. This is reflected in the holistic accounting methods our Sustainability Board approved in 2009 based on our Sustainability Strategy. We assess the environmental, economic and social impact of our products across their entire life cycle. This holistic accounting method complements our long-standing Life Cycle Assessment system (ISO 14040/14044), enabling us to ensure from the architecture phase onwards that our products and processes conform to our sustainability standards. Here again, the BMW i3 is a good example.

BMW's philosophy includes implementing measures for sustainability through Efficient Dynamics not only in niche models, but as a standard component so that all customers can benefit › see Chapter 2.2.

An example of this philosophy is the BMW 520d EfficientDynamics Edition BluePerformance. A recent winner of the ADAC "Yellow Angel" award in the category "Car of the Future", this model exemplifies to the highest degree the principle of sustainability: avoiding losses while using energy to the maximum. Supplementing the full package of BMW Efficient Dynamics measures that are applied in every vehicle are aero wheel rims, reduced rolling resistance tyres, a lowered chassis, a modified transmission ratio on the rear axle and optimised gearshift timing, leading to a low fuel consumption in the EU test cycle of 4.5 litres per 100 kilometres and a CO_2 value of 119 grams per kilometre. And the BMW BluePerformance system with its additional catalyser also reduces nitrogen oxide. With 184 HP, the BMW 520d EfficientDynamics Edition BluePerformance shows that sustainability and driving pleasure are by no means mutually exclusive.

FORECAST

In the coming years, we will continue to focus on reducing CO_2 emissions and expanding innovative mobility services. We have set ourselves some ambitious goals: for example, we want to reduce CO_2 emissions in the European new vehicle fleet by at least 50% by 2020 (base year: 1995). We also want to take the lead with our holistic approach to premium electromobility and to deploy integrated mobility services in order to lastingly change mobility behaviour in selected metropolitan regions.

2.2

WWW : bmwgroup.com /**svr220**

Fuel consumption and CO_2 emissions, alternative drivetrain technologies

We are getting closer and closer to our vision of emissions-free mobility: by using innovative efficiency technologies in all models, increasing fuel economy by gradually electrifying drivetrains and adding electrically powered cars to our model range. By 2020, we want to cut the CO_2 emissions of our vehicle fleet in half compared to 1995.

Legal regulations on emissions are becoming increasingly stringent worldwide, continually posing new challenges to the automotive industry. 94% of the vehicles we sell are subject to corresponding regulations and tax legislation. Long before the official announcement of regulatory changes in the year 2000, the BMW Group had already set the course for reducing fuel consumption and emissions. We integrate our innovative Efficient Dynamics technologies into BMW Group vehicles worldwide and constantly work to make them even better.

Between 1995 and 2012, we reduced the CO_2 emissions of our newly sold cars in Europe (EU-27 members) by more than 30%. Average fuel consumption in 2012 was 6.3 litres of petrol per 100 kilometres or 5.0 litres of diesel per 100 kilometres. Average CO_2 emissions were 138 grams of CO_2 per kilometre.

These are important achievements for the BMW Group, but represent only one step towards our goal. As resources dwindle and climate change continues unabated, we must strive to further reduce carbon emissions, improve energy efficiency and switch to alternative drivetrain technologies. By 2020, we will therefore reduce the CO_2 emissions for our vehicle fleet by 50% compared to the base year 1995.

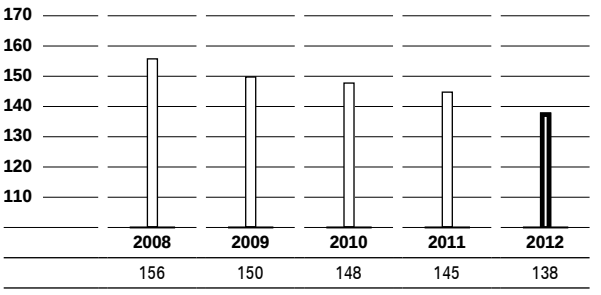
Starting in 2013, electrically powered cars of the BMW i sub-brand will complement our portfolio. We are gradually electrifying drivetrains, including plug-in hybrids, in an effort to lastingly reduce CO_2. These will become an increasingly important part of our model range, enabling us to continue to meet the performance standards for CO_2 and fuel consumption in the future.

A special CO_2 Strategy unit directly affiliated with the Strategy division is responsible for monitoring progress and advancing improvements in this area. Our CO_2 strategy encompasses all BMW Group products and production sites worldwide. The development and implementation of fuel-saving, low-carbon technologies is coordinated by the Complete Vehicle Architecture unit in our dedicated main department for Efficient Dynamics.

We are steadily moving closer to achieving our long-term goal of emissions-free mobility. In 2012, 73 models had maximum CO_2 emissions of 140 g/km, 34 models a maximum of 120 g/km and four models were already under 100 g/km. Figures 08 and 09 show the development of CO_2 emissions in our vehicle fleet.

96	97	98	99	00	01	02	03	04	05	06	07	08	09[1]	10	11	12
101.0	10(12)Tj-62.045 -0.3744 Td(101.0)Tj3.835 0 Td															

FIGURE 09 CO_2 EMISSIONS OF BMW GROUP AUTOMOBILES (EU-27)
Fleet consumption of newly registered vehicles in Europe (EU-27) in the New European Driving Cycle in g/km



THREE STEPS TOWARDS EMISSIONS-FREE MOBILITY

Our Efficient Dynamics Programme consists of several steps:

- **In an initial step,** we set out to integrate innovative, efficiency-enhancing technologies into all BMW Group models.
- **The second step** is to further improve fuel efficiency by gradually electrifying drivetrains and producing comprehensive hybrid solutions such as the BMW ActiveHybrid 3, 5 and 7.
- **From 2013 onwards,** we will add electrically powered cars (BMW i3) and plug-in hybrid models (BMW i8) to our portfolio.
- **In the long term,** vehicles powered by fuel cells/hydrogen technology could be a further potential solution for local emissions-free driving.

STEP ONE: EFFICIENT TECHNOLOGIES FOR ALL NEW VEHICLES

Whether through efficient engines, optimised aerodynamics, intelligent energy management, lightweight design, forward-looking drive control, the Auto Start Stop function, brake energy regeneration, tyres with reduced rolling resistance or air flap control – the BMW Group is developing innovative technologies to lower emissions and fuel consumption. This is not an option for niche or special models but a standard component that has been incorporated into every new vehicle since March 2007.

Our customers benefit from eco-friendly and cost-saving efficiency improvements. But that doesn't mean they have to compromise on performance, comfort or dynamism. This is a clear competitive advantage for the BMW Group. One example: A number of major corporate customers, including German federal states and the Austrian government, have recently switched to BMW Group models for their vehicle fleets to save on fuel.

Efficient Dynamics opens up further promising potential in combination with BMW ConnectedDrive – a package of intelligent technologies that interconnect the driver, vehicle occupants, the vehicle itself and the environment.

REAL-TIME TRAFFIC INFORMATION

Traffic on the main roads is shown in real time on the BMW navigation systems. This enables the driver to avoid congested areas and save on fuel.

ECO PRO MODE

All BMW models now come standard with a button for activating the ECO PRO mode. As well as having the choice between "sporty" or "comfortable" driving modes, BMW drivers can opt for a particularly fuel-efficient drive. Depending on individual driving style, the ECO PRO Mode allows fuel savings of up to 20%. In combination with the Proactive Driving Assistant and Active Coasting, a further 5% can be saved. As this mode is not activated in the usual test cycles, the full fuel savings are realised only in real day-to-day driving.

ACTIVE COASTING

Active Coasting is an innovative function for automatic vehicles that the BMW Group brought onto the market in 2012, available exclusively in combination with the ECO PRO Mode for the models BMW ActiveHybrid, BMW 7 Series LCI and BMW 3 Touring. Further models will follow. The principle involved is extremely simple: by releasing pressure on the accelerator, the driver automatically disconnects the engine from the gearbox. 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

The Proactive Driving Assistant uses data from the navigation system to tell the driver about speed limits, tight bends and roundabouts or turns ahead. By signalling them in the instrument panel and the Head-Up Display, it allows the driver to switch to Active Coasting at just the right moment, enabling maximum possible fuel economy. BMW introduced the Proactive Driving Assistant in 2012 for the BMW ActiveHybrid as well as the BMW 7 Series and BMW 3 Series Touring. Proactive Energy Management will gradually be introduced in other models starting in 2013. The car will then be able to change to the right gear in advance of the corresponding driving situation not only in ECO PRO Mode but also in the sport and comfort modes.

Proactive Energy Management also offers great potential for hybrid and electric vehicles. When a hybrid automobile approaches a longer downhill stretch of road, for example, the on-board computer is informed accordingly and decou-

ON SALE FROM 2014 — The new electric scooter from BMW.

ples the generator in advance so that the battery is ready to be charged via engine braking as the car rolls down the hill. This enables the vehicle to use its charging potential to the full.

As well as reducing the carbon emissions of our vehicles, we are working to bring down other emissions. All BMW Group vehicles available in the European market since 1 September 2010 meet Euro 5 emissions standards. We are also playing a pioneering role in meeting the Euro 6 standards, which call for a significant reduction in NO_x levels beginning in 2015, in particular for diesel vehicles. Thanks to BMW BluePerformance technology, since 2008 customers have already had a choice of several models with particularly clean diesel engines that comply with Euro 6 standards. At the end of 2012, 18 models already met Euro 6 emissions standards with standard features, and compliance with the standard was available as an option for an additional 17 models. As of March 2013, four additional models fulfil Euro 6 requirements with standard components.

STEP TWO: HYBRID SOLUTIONS

The second stage in our Efficient Dynamics programme consists of successive electrification of the drivetrain by way of various hybrid solutions that enable us to realise further fuel-saving potential. We already brought out the first series vehicles with electric drivetrains in 2009 with the BMW ActiveHybrid X6 and the BMW ActiveHybrid 7. Since autumn 2012, the BMW Group has also offered the models BMW ActiveHybrid 3, BMW ActiveHybrid 5 and BMW ActiveHybrid 7. They use up to 20% less fuel than their combustion-powered equivalents.

According to estimates made by the European Automobile Manufacturers' Association (ACEA), between 3% and 8% of all new vehicles registered will be either fully or partially electrically powered by the year 2020. To make sure that we play an active role in this growing market, we will pioneer radical new solutions in this field as we have elsewhere, reaffirming our technological leadership.

STEP THREE: ALTERNATIVE DRIVETRAIN CONCEPTS

Since 2007, our Project i has been developing completely new concepts for individual mobility as well as vehicle architecture and production that integrate sustainable solutions in an even more innovative fashion along the entire value chain. The models produced under the BMW i sub-brand don't simply have a different engine; they were conceived from the start as electric cars (vehicles with electric drivetrains). This includes intelligent lightweight design – using carbon fibre reinforced plastic and numerous new materials in order to produce vehicles of minimum weight – and especially resource-efficient production. This results in visionary vehicles that combine consistent sustainability with a maximum range, a spacious interior, smooth handling and the highest degree of safety.

The fully electrically powered BMW i3 will come onto the market in late 2013. Its development began with recording the car's global warming potential (CO_2e) as a concrete, measurable target across its life cycle. This component of the environmental footprint now takes its place alongside the long-established parameters of vehicle weight, vehicle costs, CO_2 emissions (g CO_2/km) and fuel consumption (l/100 km). Over its entire life cycle, including vehicle use, a BMW i3 based on the European Electricity Mix (EU-25 members) is expected to display at least one-third less global warming potential than an extremely efficient combustion-powered car in the same segment. Running on electricity produced from regenerative energies, the global warming potential can even be reduced by 50%.

The BMW i8, a plug-in hybrid whose battery can also be charged via the electricity grid, will come to market in early 2014, shortly after the BMW i3. It combines the driving performance of a sports car with the fuel efficiency of a compact. Its range when running on electricity will be approximately 30 kilometres and its CO_2 emissions under 50 grams per kilometre.

Also scheduled for 2014 is the market launch of an electric scooter. The fully electrically powered scooter will have 48 HP and a range of 100 km.

Already, BMW Group vehicles have impressively demonstrated their credentials as electrically powered automobiles for day-to-day driving. Since 2008, we have been putting day-to-day electromobility to the test with MINI E in field tests. And some of the functions of the future i Series have also been tested since 2011 with the BMW ActiveE, an electric test vehicle built on the basis of the BMW 1 Series.

MINI E FIELD TESTS

More than 1,000 customers across Europe, Asia and the USA have clocked over 16 million kilometres driving more than 600 Mini E vehicles. Nearly 430,000 comments taken from user interviews have provided us with valuable insights that will be brought to bear on the development of future BMW Group electric vehicles. 90% of field test participants did not feel restricted by the charging times or range of the electric car. The study found that a range of around 160 kilometres and more space inside the vehicle would be enough to cover the needs of most urban drivers using a vehicle like the Mini E.

BMW ActiveE

Some of the requirements identified by the MINI E field trials have now been met with the BMW ActiveE. With four seats, a full-sized luggage compartment, and an extended display and control system, it offers a range of around 160 kilometres. In 2011 and 2012 we loaned around 1,000 test vehicles to customers in order to further consolidate our knowledge of the day-to-day benefits of electromobility. 70 ActiveE cars are included in the DriveNow fleet in San Francisco, enabling drivers to experience electromobility by way of car-sharing.

The BMW ActiveE already incorporates our proprietary electric drive train, the components of which will also be used in the BMW i3. The ECO PRO Mode is also available in the BMW ActiveE, along with intelligent preconditioning that enables the driver to cool or heat the energy storage and/or passenger compartment to optimal operating temperature before taking a drive.

Our tests revealed a high level of customer satisfaction. Users can cover around 90% of their daily driving with the ActiveE, and 47% can even imagine having the ActiveE as their only household car.

In 2013, German DriveNow users will also have a chance to experience the ActiveE. It will also be available for short-term hire from BMW Rent.

Along with electric drivetrains, the BMW Group is also doing research into hydrogen and fuel cells as alternative solutions for local emissions-free driving with a greater range. We have been cooperating with the Toyota Motor Corporation (TMC) in this field since 2012. The aim is to jointly develop a basic fuel-cell-powered vehicle system that also includes a hydrogen tank, engine and battery. The development project is scheduled to be completed by 2020. Both companies are also cooperating on the development of technologies for producing lightweight bodies. We have received several awards for our technological solutions for sustainable mobility.

- **Ökoglobe 2012:** for the DriveNow premium car-sharing concept of the BMW Group in the category Mobilitätsmodelle (Mobility models)
- **Corporate Entrepreneur Award 2012:** DriveNow
- **Green Cars Award 2012: in** the categories “Large family car, Off-road car und Luxury car”
- **ADAC Eco Test 2012:** 5 stars for the BMW 320d EfficientDynamics Edition

CHARGING ELECTRIC VEHICLES WITH ELECTRICITY FROM RENEWABLE SOURCES

During the reporting period, we advanced the development of electric vehicles and thus took a vital step in the direction of emissions-free mobility. But an electric car can only reach its full potential when it runs on electricity that is as carbon-neutral as possible. We therefore entered into a strategic cooperation with Naturstrom AG in 2012 for the supply of electricity from renewable sources. BMW i customers will therefore have the option in future of purchasing a suitable green electricity package for charging their electric car as part of the package.

FORECAST

In the future, there will be different drivetrains for different mobility needs – revolutionary alternative drivetrain technologies and evolutionary conventional drivetrains, as well as hybrid forms. We are therefore deliberately focusing our efforts on building a broad technology base so that in the future we can offer tailored solutions worldwide for wide-ranging individual mobility needs.

The BMW Group is also doing research into improved concepts with cost-saving potential, e.g. innovative tank and fuelling technologies in combination with new cooling concepts for fuel cells. Analogous to the BMW i brand, fuel-cell-powered vehicles will require a specific vehicle architecture when they go into series production – one that makes the most of the technology’s potential while ensuring optimal customer benefits.

We are working to expand the number of our vehicles that meet the Euro 6 standard. Intelligent energy management and forward-looking drivetrain management are two additional development focuses.

2.3

WWW : bmwgroup.com /svr230

Product safety

As a provider of premium products and premium services for individual mobility, we regard the safety of our customers and other road users as fundamental to our sense of product responsibility. We are constantly improving our active and passive safety measures to save lives or mitigate the consequences of accidents.

For more than 30 years, we have been doing systematic research into the causes of accidents and developing technologies and strategies to improve the safety of all road users. We take an integrated approach to this task, which means we analyse 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.

One example is our proprietary driver assistance systems, which are now being increasingly integrated into our model ranges. They help make driving safer by identifying critical traffic situations in order to warn the driver and make sure they are handled safely. Assistance technologies also provide support for the growing number of older road users. Driving will become even safer and more comfortable in the future thanks to increased automation. In long and monotonous driving situations, for example in traffic congestion, the vehicle helps keep the car laterally positioned in the lane, easing the strain on the driver. In the medium term, these new driving features will even be able to assist the driver at higher speeds. Technologies are also being developed that go beyond today's state-of-the-art for detecting the surrounding driving situation.

Another example is the optional Advanced Emergency Call system that forms part of our ConnectedDrive package. Directly after a collision occurs, this feature delivers not only exact position data, but also information with which the vehicle can be identified. This saves valuable time that can in extreme cases even make the difference between life and death. The Advanced Emergency Call is a forward-looking safety feature with functionality that already exceeds the EU regulations under discussion today.

BMW Group products are developed and manufactured in strict adherence to quality management systems. The BMW Group monitors its products on the market and examines all feedback on the topic of safety. If necessary, the responsible authorities are informed and all measures that serve customer safety are initiated. The BMW Group has established the relevant committees, processes and organisations for this purpose. A wide variety of events communicate our safety concepts on a regular basis to fire departments, rescue forces and salvage operations.

PASSIVE SAFETY SYSTEMS

Energy-absorbing crumple zones, safe passenger cells, restraint systems, airbags and a host of other passive safety features protect the lives and health of drivers on a day-to-day basis. Launched by the BMW Group in 1997 as the first of its kind in series production, the side head airbag has dramatically reduced the number and severity of head injuries in side impact collisions.

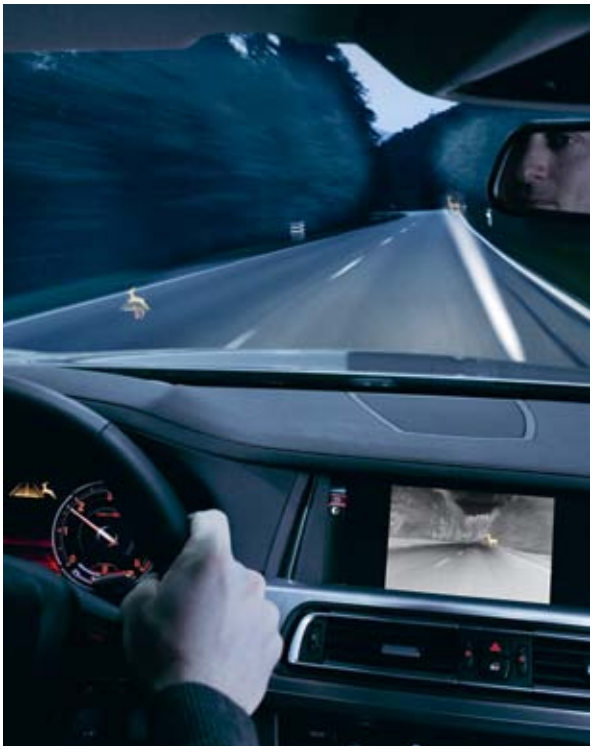
In order to afford drivers and passengers the greatest possible protection in the event of a collision, various safety elements work hand in hand.

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. The passive safety system is intelligent: if the sensors register a collision, the hazard lights are automatically activated, the battery decoupled from the engine/generator and the cabin lights turned on. In combination with the Professional, Bluetooth and BMW Assist navigation systems, an accident also triggers an automatic emergency call, transmitting data on the position of the vehicle.

Our passive safety systems have among other things helped the current BMW 3 Series and BMW 5 Series Sedans to achieve top ratings in worldwide consumer protection tests, thus setting a benchmark in their categories.

ACTIVE SAFETY SYSTEMS

Active safety is primarily about control. Perfect chassis coordination, optimal traction and effective brakes contribute to preventing accidents, as do chassis control systems such as Dynamic Stability Control (DSC) and Electronic Damper Control (EDC). Added to these are the driver assistance systems with which we continue to make progress. Automatic warning systems are already available as options for the BMW 1 Series and the BMW X3, and automatic braking systems for the BMW 3 Series, BMW 5 Series, BMW 6 Series and BMW 7 Series. They make an important contribution to preventing accidents or mitigating their effects. In the BMW 7 Series, for example, Driving Assistant Plus uses a combination of camera and radar technology to achieve particularly good results. As an individual system, the approach control warning signals to the driver when the distance to the vehicle ahead or to any obstacles is insufficient – and if desired initiates a braking procedure. In combination with BMW Night Vision, the vehicle can detect persons on the road and illuminate them



BMW NIGHT VISION — More safety while driving at night.

with a Dynamic Light Spot. If the risk of collision increases, the approach warning feature of the Driving Assistant, if activated, brakes automatically.

We are also doing research into car-to-car communication, which promises considerable potential for added traffic safety.

In future, car-to-car communications, a number of sensors and assistance systems will be able to use mobile WLAN networks to transmit data to surrounding vehicles. So a car up ahead can warn motorists following it in good time of congestion, severe storms or sudden icy patches on the roads.

Forward-looking traffic information of this kind will contribute to safer driving and can also be used as a basis for adaptive cruise control, consequently enabling a better overall flow of traffic while also saving on fuel. It is exactly this technological potential that we are currently exploring in conjunction with other companies in a joint project entitled "Safe Intelligent Mobility – Test Area Germany", the results of which will be assessed in 2013. Interim results indicate that significant progress on traffic safety and efficiency can be achieved.

The European Car2Car Communication Consortium, of which the BMW Group is a member, signed a Memorandum of Understanding in 2012 that provides for the introduction of systems for car-to-car communications from about 2015. Data protection plays a central role here and was already taken into consideration in the interpretation and standardisation of the protocol. Thanks to a so-called pseudonym signature, the data transmitted cannot be traced back to vehicles or persons.

PRODUCT LABELLING

The BMW Group is obliged to inform customers about risks, hazards and the proper use of its products and services.

The BMW Group issues reports in accordance with the relevant statutory regulations. In the European Union, for example, it reports on the fuel economy of its vehicles based on the NEDC (New European Driving Cycle). Fuel consumption and CO_2 emissions for each vehicle model are also reported on the websites of the individual brands.

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 available online.

Technical assessment during the release process ensures that product and service information for customers (manuals in particular) meets all requirements.

DRIVING SAFETY TRAINING

The BMW Group also contributes to protecting road users through driver safety training.

Safety, vehicle control in critical traffic situations and the typical BMW or MINI driving experience are the focus of these offerings. Today we offer some 50 different training courses in 24 countries worldwide on BMW, MINI and BMW motorcycles – from driver safety training, to winter and off-road training, to training on race courses and adventure trips to Namibia. We thus offer training for every need. Last year more than 17,000 participants in driving safety courses learned how to identify critical driving situations and respond properly, and how to avoid such situations in the first place if possible.

The BMW Group also provides police units with approximately 80 vehicles each year for their own driver training. This promotes safety in police operations. Additional vehicles are delivered to fire departments and the Fire Fighters' Association so that they can learn rescue techniques using modern cars.

OUTSTANDING VEHICLE SAFETY

BMW 1 Series

- EuroNCAP 5 stars and EuroNCAP Advanced Award for BMW Assist Advanced eCall (Advance Automatic Emergency Call)

BMW 3 Series

- Euro NCAP 5 stars and Euro NCAP Advanced Award for BMW Assist Advanced eCall (Advance Automatic Emergency Call)
- Australasian NCAP (ANCAP) 5 stars

environmentally relevant substances). The system documents all hazardous properties of chemical products as well as where they are used and provides tips on handling, first aid, storage and transport. ZEUS also controls and documents the approvals of “chemical products for use” in a particular workplace according to the BMW Group guideline Approval of Chemical Products. This approval is a prerequisite for their use. The on-going development of legislation on product

2.4

WWW : bmwgroup.com /svr240

Resource recycling management

Intelligent design and the use of secondary raw materials enable us to reduce our consumption of valuable resources. By optimising our recycling structures, we are already preparing for increasing volumes of electric vehicles in the future.

In the initial development and architecture phase, we already design our vehicles and processes with a view to minimising the use of valuable resources. By processing manufacturing waste, we gain secondary raw materials while protecting the environment. We can draw on established systems for the recycling of end-of-life vehicles, components and materials.

FROM 2015 ONWARDS LEGISLATION REQUIRES A RECYCLING RATE OF

at least 95%

THE BMW GROUP HAS FULFILLED THIS REQUIREMENT SINCE 2008

The BMW Group meets the legally required recycling rate of at least 85%. Since 2008, the required recycling rates for 2015 – namely 85% reuse and recycling of materials and 95% overall recovery – have been an integral part of type approval. Thus, all vehicles brought to market since 2008 already meet the requirements set for 2015.

Initially implemented on the German and European markets, the BMW Group's recycling systems are gradually being rolled out internationally across some 60 different countries and are undergoing continuous optimisation. European dealers are contractually obligated to meet BMW retail standards for old-parts recycling. These standards, along with our global network for returning used components, for example old catalytic converters and in the future thermoelectric generators, are helping us to protect resources and make more efficient use of raw materials. By expanding and optimising our recycling structures, we are already today taking into consideration the increasing proportion of electric vehicles that will take to the roads tomorrow.

NEW DRIVETRAIN CONCEPTS, NEW CHALLENGES

The successive introduction of new forms of drivetrain and the modified vehicle concepts that result are presenting new challenges in the use of resources. One example is the increased use of components made of innovative, lightweight carbon fibre reinforced plastic (CFRP), which will be used for the passenger compartments of the BMW i3 and BMW i8. When talking about carbon fibres, we have to distinguish between pure carbon fibres and fibres with a resin matrix. All fibres without a resin component can be reused directly as a raw material. Plastic-reinforced parts are first separated from the resin using an established method and then processed further.

In 2012, we entered into a joint venture with the aircraft manufacturer Boeing, which works with carbon fibre composite materials in its aircraft. The aim is to take advantage of our shared know-how to further explore the best recycling options for carbon fibres.

DESIGN FOR RECYCLING

For us, dealing intelligently with raw materials and resources begins long before the time comes to dispose of them. Even in the early stages of vehicle development, the decisions our designers and engineers make, including the selection of

materials and components, will determine the reusability of our vehicles decades into the future. In line with our principle of "Design for Recycling", we create our vehicles in such a way that their components can largely be reused or recycled efficiently once the vehicle reaches the end of its life cycle. At the same time, our BMW Group Recycling and Dismantling Centre (RDZ) near Munich at the earliest in 2016 in Shenyang (in conjunction with our joint venture partner BMW Brilliance Automotive) is working continuously to come up with new solutions for vehicle recycling to be made accessible to external recycling businesses.

The RDZ is currently trialling recycling concepts for the new vehicle components found in hybrid and electric models. Batteries from vehicles of this kind can either be passed on to existing networks of recycling businesses or they can be used to produce photovoltaic systems.

END-OF-LIFE VEHICLE RECOVERY AND RECYCLING

In the early 1990s – long before the legal regulations were established – the BMW Group began to build an extensive network in the European Union for the recovery and recycling of end-of-life vehicles. Each ELV returned to the BMW Group in this network is recycled at no charge to the last owner. In Europe, the BMW Group has contracts with 1,700 vehicle recyclers.

CLOSED MATERIAL CYCLES FOR POLYMERS

Secondary raw materials are finding more and more applications in our vehicles. Up to 15% of the thermoplastic materials in our automobiles are already made from secondary materials or recyclates approved by the BMW Group for the respective component. One example is the substrate used for the centre console and the door balustrade. The use of recyclates in our vehicles enables us to offset the rising prices of raw materials (for example plastic components made from mineral oil, for instance) while contributing to resource efficiency and saving energy.

USE OF RENEWABLE RAW MATERIALS

Wherever it makes technical, business and environmental sense and is socially acceptable, we replace artificial materials with natural, renewable materials. In addition to leather for the interior, the focus here is on alternative materials with natural fibres as a substitute for classic plastics. Examples are wool upholstery, cotton in sound insulation panels, flax and sisal fibres in substrates for door panels and parcel shelves, or wood fibres in seat back panels.

FORECAST

In the coming years, we want to further improve our resource efficiency and increasingly close our material cycles. An example: Due to a new air purification system used in the painting plants, pulverised limestone results as a by-product. Currently, various methods are being researched worldwide for reusing this pulverised limestone in cement factories or coal-fired power plants.

We are also looking into innovative solutions for the reuse of old batteries from electric cars. The aim is to extend the life cycle of lithium-ion batteries designed specifically for use in the BMW i3 as far as possible. To this end, we are developing various concepts for potential reuse. Used batteries can for example serve as stationary power storage, thus optimising the use of renewable energy sources as well as providing a reliable power supply to buildings.

2.5

WWW : bmwgroup.com /svr250

The future of mobility, mobility management

We want to shape tomorrow's mobility. To do this, we are working to develop not only forward-looking vehicles under the BMW i brand, but also sustainable and intelligent mobility services such as our car-sharing service DriveNow.

The BMW Group today faces the challenge of how to anticipate changing mobility needs early on and meet them successfully. What is the future of individual mobility in cities with increasingly dense populations? What concepts are needed in order to make mobility climate-friendly and easy on resources?

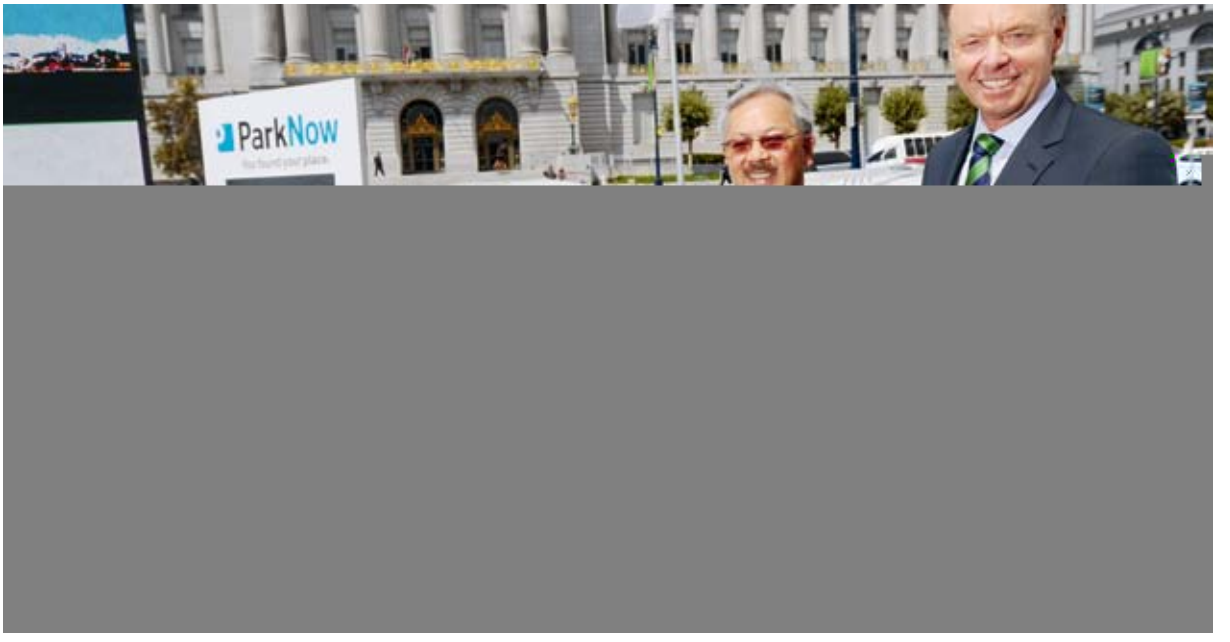
Our traffic researchers and engineers are hard at work on new solutions. An example of our holistic approach is our 360° Electric product and service package. It includes not only the electric vehicle, but also recharging at home and at local charging stations as well as mobility assurance through our Assistance Services. 360° Electric also offers flexible mobility by providing access to conventional BMW vehicles for long-distance trips and by integrating further mobility concepts such as DriveNow. It thus provides for easy and convenient electromobility in virtually any situation. In the context of BMW i, ConnectedDrive likewise stands for the networking of various forms of mobility such as driving your own vehicle, accessing various mobility services and using local public transport.

The BMW Group aims to make the entire value chain of future mobility as sustainable as possible. Environmental sustainability is a focus here, along with social impact and economic viability.

PREMIUM CAR-SHARING

In 2011, the BMW Group and Sixt AG launched the car-sharing service DriveNow. It is the first car-sharing concept to build exclusively on efficient premium automobiles and comprehensive service. Cars can be picked up and left wherever the customer wishes within certain city limits. So far, the offer is available in Munich, Berlin, Dusseldorf, Cologne and San Francisco. As of March 2013, there were 90,000 registered members.

We are increasingly combining our car-sharing offers with our electric drivetrain solutions. Since June 2012, 70 electrically



ENVIRONMENTALLY FRIENDLY CAR-SHARING WITH BMW ActiveE ELECTRIC VEHICLES — San Francisco Mayor Ed Lee and BMW Group board member Dr. Ian Robertson at a news conference announcing the launch of ParkNow and DriveNow, August 20, 2012 at Civic Center Plaza in San Francisco.

powered BMW ActiveE cars have been available to members in San Francisco. In the second quarter of 2013, a total of 60 BMW ActiveE cars will join the DriveNow fleets in Munich and Berlin. With a powerful electric engine, an aerodynamic body and modern lithium-ion battery technology, the BMW ActiveE stands for visionary, zero-emissions mobility.

PARKNOW

Drivers in the greater San Francisco area can use our ParkNow service to locate free parking spaces in multi-storey car parks, saving not only time but also fuel and doing both their finances and the environment a favour. The service countries, ChargePoint is drafting business plans for Cloud-based billing and customer service solutions for electric car drivers. This gives businesses the flexibility they need to optimise the operation and processes at their charging stations for electric vehicles.

MYCITYWAY

MyCityWay is a free app for smartphones. It supplies traffic information in real time and identifies shops, restaurants and ATM cash machines in the user's direct vicinity in 70 cities worldwide. MyCityWay is an example of how we are offering premium services under the BMW i sub-brand that simplify customers' lives and give them access to real day-to-day benefits – regardless of whether or not a car is involved.

EMBARK

BMW i Ventures is a partner in the mobility app Embark, which is designed to facilitate the use of urban public transport systems. Among other things, the app includes train and bus schedules and sends the user push messages in case of delays.

BMW i VENTURES

BMW i Ventures makes high-potential investments in "mobility services". We look for long-term strategic partnerships in the areas of e-mobility, navigation, parking, car-sharing and intermodality. BMW i Ventures belongs to the sub-brand BMW i and stands for visionary vehicles and mobility services, inspiring design as well as new concept of what premium means, which is more strongly based on sustainability.

OUR MOBILITY RESEARCH

Our efforts in the field of mobility research already took a step forward in 1995 with the founding of the Inzell Initiative. Within this platform, the city of Munich and the BMW Group are working in close cooperation with other stakeholders to search for new and intelligent solutions for improving the traffic situation in the greater Munich area. Innovative new mobility concepts and traffic systems are playing an important role in paving the way to the future.

One successful result of the cooperation is the Intermodal Route Planner pilot project. The goal here is to develop an integrated mobility service enabling simple, convenient door-to-door trip planning using multiple modes of transport. To accomplish this, a working group made up of representatives of the Munich public transport companies and the public sector developed a vehicle demonstrator to prove the technical feasibility of an intermodal route planner integrated into a navigation system. This has laid the cornerstone for a future-oriented mobility information system that meets the increased flexibility requirements in large cities. Research is currently under way on how the service can be tested in Munich on a wider scale. The goal is to integrate not only cars and public transport in the routing, but also pedestrian routes, bicycles and car-sharing services.

In the project Vision Mobilität 2050: Region München (Vision Mobility 2050: Munich Region), the participants in the Inzell Initiative have undertaken the development of a roadmap for transport in the greater Munich area that can act as a set of guidelines for future urban and traffic planning.

In 2012, we also launched the research project WiMobil. Here, the BMW Group is investigating the impact of e-car-sharing systems on mobility and the environment in urban areas. Funded by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the project is scheduled to run for three years. Project partners are the BMW Group and DB Rent GmbH with its Flinkster car-sharing system. Also participating are the cities of Berlin and Munich as well as the Universität der Bundeswehr in Munich and the Institute of Transport Research at the Deutsches Zentrum für Luft- und Raumfahrt e.V. Starting in the second quarter of 2013, user surveys, mobility tracking and backend data recording conducted as part of the research project should be able to provide insights on how e-car-sharing is used and by what target groups, which regions demonstrate a demand for this service, what the environmental impact of the systems and charging infrastructure might be, and which development scenarios result for e-car-sharing systems.

PROJECT MINI E POWERED BY VATTENFALL

As part of the "MINI E Berlin Powered by Vattenfall" project, the BMW Group was able to gain new insights between 2009 and 2012 with an intermodal mobility assistant that is undergoing testing as an iPhone application. The app is currently being further enhanced as part of the Inzell Initiative. Its purpose is to provide people with intermodal route information via a range of different media, both for planning their journeys in advance and for finding answers to questions while they are on the move. Work is under way to enable the seamless transitions needed between PCs, mobile device-based Web services and in-car navigation systems in order for the system to work.

LONG-DISTANCE COMMUTERS IN LEIPZIG

In the first quarter of 2013, together with the TU Chemnitz and the Leipzig public utilities, the BMW Group is launching a user study of long-distance commuters in the greater Leipzig area to determine the benefits of the BMW ActiveE. The project is funded by the German Government. It will examine the question of the viability of an electrically powered vehicle in ranges of 40 to 100 kilometres per day. In a total of five phases until 2014, fifteen private users in each phase will use a BMW ActiveE over a period of twelve weeks.

PROJECT CONTROLLED CHARGING V2.0

The "Controlled Charging V2.0" project is a further enhancement of the charging concept developed within the framework of the project "MINI E Berlin Powered by Vattenfall" for the purpose of a function demonstration. The goal is to improve the charging of electric vehicles using wind energy considering the limited temporal and local availability of this renewable energy source. Charging should be confined here as much as possible to the timeframe during which wind power availability is high while the grid load is low.

VISIO.M

In the group project Visio.M, scientists at the Technical University of Munich have been working since April 2012 with

experienced automobile engineers on concepts for electric cars that are not only efficient and safe, but also inexpensive to manufacture. BMW AG is leader of the consortium. Supported by the Federal Ministry of Education and Research, the project has a total volume of euro 10.8 million.

INSTITUT FÜR MOBILITÄTSFORSCHUNG (INSTITUTE FOR MOBILITY RESEARCH)

Since 1998, the Institute for Mobility Research (ifmo), a research organisation that is part of the BMW Group, has been studying the mobility challenges various means of transport will be facing in the future. The BMW Group is currently deputy chair of the institute's Board of Trustees. Other members of the board are high-ranking representatives from the German railway company Deutsche Bahn AG, Deutsche Lufthansa AG, MAN AG, SIEMENS and the World Bank, as well as scientists from various disciplines. Two new members joined the Board of Trustees in 2012: Siemens AG and the World Bank Group. These new members demonstrate the increasing internationalisation of ifmo research. The institute's research results are incorporated into the strategy process of the BMW Group.

RESEARCH FOCUS ON MOBILITY CULTURES IN THE WORLD'S MEGACITIES

In the project "Mobilitätskulturen in Megacities weltweit" (Mobility Cultures in the World's Megacities), ifmo researchers are analysing the future challenges individual mobility will face in megacities like London, Peking and Sao Paulo. The results are summarised in the Springer publication "Megacity Mobility Culture", published in January 2013.

SCENARIOS FOR THE FUTURE OF MOBILITY

The tradition established by ifmo in 2001 of drafting future scenarios for the transportation of people and goods in Germany by various means was taken to the international level in 2012. In late 2013, the first ifmo scenarios for future mobility in the USA will be published, and in late 2012 a study for China was launched.

GLOBAL MOBILITY MONITOR NETWORK

Major trends in the development of mobility are being regularly monitored by an international network of universities and research institutes worldwide and their significance for future mobility offerings evaluated. Regionally, a special emphasis is placed on the BRIC markets.

Data analyses from the BMW Group's MINI E field test have also delivered realistic insights into mobility in the megacity of New York. Information relating to residual ranges, individual speeds and the positions of eight electrically powered MINI E automobiles has been examined in detail and made available to the city of New York. This information will support better traffic management in the metropolis on the Hudson River.

URBAN DRIVING EXPERIENCE IDEA COMPETITION

To complement our own development and research activities, we launched the idea competition "Urban Driving Experience Challenge" in 2012 in cooperation with Local Motors. The Local Motors community, made up of more than 30,000 designers, engineers, manufacturers and enthusiasts, was asked to develop features and functions for premium vehicles with a focus on environmental protection. Nearly 3,500 different designs were submitted.

FORECAST

In the coming years, we intend to further expand our car-sharing service both nationally and internationally, increasingly integrating electric cars. At the same time, we will study the impact of car-sharing and e-car-sharing systems on mobility and the environment in urban areas.

2.6

WWW : bmwgroup.com /**svr260**

Customer satisfaction

in 2012. It is geared toward customers who value not only design and sportiness, but also functionality and variability.

In recent years, we have been recognised in multiple independent studies for our high level of customer satisfaction. At the same time, we strive through customer surveys and evaluations of customer feedback to achieve a deeper understanding of customer needs, while contributing to their satisfaction through a series of measures such as retail sales training and driver training courses.

AWARD-WINNING SATISFACTION

›

clients had rated our BMW and MINI dealerships. This approach was applied in all European markets in 2011. Since then, it has been extended to other markets as well.

The basis is formed by the constant use of customer satisfaction surveys. These are conducted by phone, in writing and online. The results are evaluated using a 5-star rating system (5 stars = excellent, 1 star = disappointed) and are published on the respective dealer's website along with brief customer comments. This gives other customers an instant impression of how our service is rated at the respective dealership. The feedback refers to both the sales and the service areas.

This transparency reflects the customer orientation strategy of the BMW Group and gives us and our dealers added motivation for improving customer focus even further in future. It leads to individualised solutions for the customers surveyed, as well as to general improvements that benefit all customers.

RETAIL PERFORMANCE MANAGEMENT

In the context of our Retail Performance Management programme (RPM), over 1,500 dealers in 25 countries have received or are receiving personal coaching, or will begin a coaching programme in 2013. The RPM has demonstrated measurable success: dealerships that received coaching performed 10.6% better than others in terms of new car sales.

IMPROVED PARTS MANAGEMENT

As part of Strategy Number ONE, our global aftersales services have seen significant improvements in terms of shortening customers' waiting times for spare parts. In order to supply our service garages with the spare parts they need as quickly as possible, we are currently expanding our network of Dealer Metro Distribution Centres (DMDCs) from 43 in 2011 to around 50 by the end of 2013. These deliver parts to local dealers up to four times a day, for the shortest possible waiting time.

BMW DRIVING EXPERIENCE

To make sure our customers can experience the benefits of our cars to the full, we offer them various driver training opportunities. Participants in the BMW and MINI Driving Experience can for example build greater self-confidence in handling the vehicle. The safety training ranges from various exercises for emergency and target braking to dynamic lane changes and a fuel-saving and environmentally conscious driving style (e.g. economy training, which teaches fuel-efficient driving, basic elements of which are incorporated into all training sessions).

APPROACH TO ADVERTISING

Advertising by the BMW Group complies with all relevant legislation and does not discriminate. The BMW Group operates worldwide according to existing voluntary codes of conduct and rules on self-monitoring (for example those of the Code of Conduct on Advertising of the European Automobile Manufacturers Association, ACEA, in Germany according to the specifications of the ZAW Zentralverband der deutschen Werbewirtschaft e.V., or in France the BVP Bureau de verification de la publicité).

The BMW Group develops central advertising campaigns for its brands. The campaigns are adapted by the respective country markets to the local/national circumstances and requirements, which in turn correspond to the country-specific guidelines. By way of internal committees and its own standards, the BMW Group ensures that advertising complies with appropriate principles and ethical guidelines. The BMW Group constantly reviews its standards and rules of conduct with regard to advertising.

The BMW Group does not sell any products whose sale is prohibited in specific markets. It provides its customers with all the information necessary for a prudent and deliberate decision. Essential information is neither concealed nor presented in a misleading manner. Our principles also include incorporating sustainability as a theme in advertising. This is done both by means of stand-alone campaigns (e.g. campaigns advertising the highly efficient "EfficientDynamics models" or the "CO2 Finder" on our website) as well as through continuous vehicle-integrated communication.

Complementary to sustainability in advertising, the BMW Group's "What's Next" campaign also aims to provide information for customers and the general public on the company's sustainability activities.

During the reporting period, the BMW Group did not violate any regulations pertaining to advertising.

COMPREHENSIVE DATA PROTECTION

The BMW Group meets all data protection requirements when handling personal data from its customers, prospects, employees and business partners. Led by the corporate data protection unit, the data protection officers at the various BMW Group companies support the specialist departments in this area. Personal data is only collected, processed or used if this is legally permissible, or with the consent of the interested party.

If customers or prospects lodge any complaints regarding data protection, for example with respect to advertising campaigns, such complaints are promptly addressed and the data for the respective customer or prospect is immediately and permanently removed from the address list if requested.

The BMW Group is committed to the principles of data processing transparency and data minimisation. In the field of vehicle communication (ConnectedDrive) as well, data security and prevention of misuse are a key concern.

CUSTOMER SURVEYS

Every year, we survey around 1.5 million customers in 75 markets to find out about their wishes and experiences. This

GREEN BUILDING — BMW dealer Sung Hyeun Lim's business in Daegu (South Korea).

PER YEAR BMW DEALER SUNG HYEUN LIM'S BUSINESS IN DAEGU (SOUTH KOREA) USES

30%
LESS WATER

20%
LESS ELECTRICITY

6,300 kg
LESS OF CO_2

feedback is then incorporated into the development and optimisation of our products and services. Feedback on the new BMW 1 Series, BMW 3 Series, BMW X1 and BMW 7 Series models was extremely positive and showed clearly that optimisations compared with previous models on the basis of customer surveys are successful.

Our customer surveys show that our customers' needs are very different from country to country, so we must take these national and cultural differences into account. We constantly survey our customers. In 2012, we implemented stricter standardisation requirements for the customer satisfaction surveys carried out in our subsidiaries in order to ensure the completeness and comparability of the results. The results for each country are evaluated at country level every month so that we can rapidly identify trends and the subsidiaries and central specialist departments can derive any measures necessary. In parallel, the country-specific data is also evaluated in the subsidiaries to enable rapid reaction to any issues affecting customer satisfaction. Customers have the opportunity to directly submit comments or voice concerns during the survey. Our dealers therefore also use the system of continuous customer satisfaction surveys in their day-to-day operations to respond to these specific customer concerns. The surveys comply with local data protection legislation to guarantee the privacy of individual customers.

Since 2011, 53 dealers have been trained in applying the Customer Satisfaction Index (CSI). They reached a 1.6% higher CSI value than the comparison group. In 2012 and 2013, a total of 500 CSI dealer coaching sessions will be carried out or are in the planning phase.

SUSTAINABILITY IN SALES AND SERVICES

We want BMW Group customers to be able to directly experience our philosophy of sustainability. Selected sales facilities have been constructed as green buildings with low energy consumption, high energy efficiency as well as natural light and air conditioning, thus bringing our sustainable approach to life. We have also ensured that green building requirements are being met for new builds by integrating them into the Europe-wide Retail Standards of our retail partners. In addition, sustainability has become an integral part of sales training courses.

FORECAST

In the coming years, we want to further increase customer satisfaction and expand opportunities for direct contact with customers. To this end, we launched the Future Retail sales programme in 2012, which is to be extended in the future. In essence, this means that we will try even harder to see things from the customer's point of view and to increase points of contact with customers and potential customers.

This also includes expanding our test drive offerings and intensifying follow-up after delivery of a vehicle. To date, customer follow-up has extended up to seven days after delivery. Improvement measures that have already been initiated focus on lastingly measuring the impact of the purchase.

One action that has already been launched, and which we want to build on further in 2013, is "Let's help". Our employees are often addressed 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 the intranet now enables employees to pass on these concerns quickly and easily to Customer Service.

CH.03

CARING FOR OUR ENVIRONMENT

GROUP-WIDE ENVIRONMENTAL PROTECTION

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3.2 _ ENERGY CONSUMPTION AND EMISSIONS, Page 59
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3.4 _ WATER, Page 65
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ENERGY MANAGEMENT

ENERGY AND FACILITY MANAGER

CLEVE BEAUFORT

BMW PLANT SPARTANBURG, USA

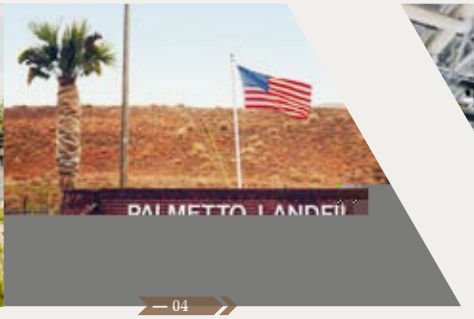
"For me, the requirements of future generations are just as important as my own. That's why I separate my trash at home and control the heating and air conditioning. I also teach my kids about how to make efficient and sustainable use of resources. And at the end of the day, it even saves us money. It would be wasteful not to recycle the methane gas from the refuse site in Spartanburg. I'm really proud of the fact that our model is now being considered for application at other BMW plants."

RESOURCE EFFICIENCY

around 36% lower

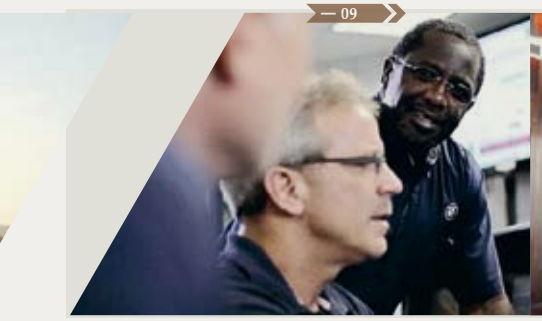
CONSUMPTION OF RESOURCES AND EMISSIONS PER VEHICLE PRODUCED SINCE 2006

<< SPARTANBURG, USA



Use resources efficiently

— THE RESULTS



ENVIRONMENTAL MANAGEMENT

100%

COVERAGE RATE OF THE BMW GROUP PRODUCTION FACILITIES WITH ENVIRONMENTAL MANAGEMENT SYSTEMS

WASTE AVOIDANCE

65% less

WASTE PER VEHICLE PRODUCED SINCE 2006

CHAPTER 03

GROUP-WIDE ENVIRONMENTAL PROTECTION

WWW : bmwgroup.com /svr300

2012

PROGRESS

- **Consumption of resources reduced:** In 2007, we set ourselves the target of reducing our resource consumption and emissions per vehicle produced by 30% by 2012 (base year: 2006). We even managed to exceed this ambitious target by achieving efficiency improvements of around 36%.
- **Most sustainable automotive plant in China opened:** The joint venture plant in Tiexi, which started operations in May 2012, is a role model for production locations worldwide.
- **Use of environmentally friendly energy sources increased:** A range of projects with local partners, for example at our Spartanburg plant, enabled us to reduce our reliance on fossil fuels and improve our sustainability footprint.

INDICATORS

RESOURCE CONSUMPTION AND EMISSIONS IN 2012

2.10 m³ / 2.12 m³ 2011
WATER CONSUMPTION IN 2012
PER VEHICLE PRODUCED

0.48 m³ / 0.54 m³ 2011
PROCESS WASTEWATER IN 2012
PER VEHICLE PRODUCED

2.44 MWh / 2.46 MWh 2011
ENERGY CONSUMED IN 2012
PER VEHICLE PRODUCED

6.11 kg / 7.99 kg 2011
WASTE FOR DISPOSAL IN 2012
PER VEHICLE PRODUCED

1.68 kg / 1.65 kg 2011
EMISSIONS OF VOC* IN 2012
PER VEHICLE PRODUCED

* volatile organic compounds

2013+

FORECAST AND OBJECTIVES

- **Further improve resource efficiency:** In the future, we will continue to implement our Clean Production concept. Therefore, by 2020, we plan to reduce our consumption of resources and emissions by 45% per vehicle compared to the base year 2006.
- **Closer to our vision of emissions-free vehicle production:** Carbon-neutral electricity will be used for the entire production process of the BMW i3 in Leipzig. To achieve this, four wind turbines will be commissioned on the premises in 2013.
- **Group-wide roll-out of best-practice approaches:** In the future, our plants will continue to collaborate on finding new approaches to resource-efficient vehicle production. Clean Production innovations thus become the benchmark worldwide.

3.1

WWW : bmwgroup.com /**svr310**

Our management approach

We aim to be the most resource-efficient carmaker in the world. In order to achieve this goal, we are pursuing a policy of comprehensive, Group-wide environmental management. This entails integrating environmental considerations into all our major investment decisions at an early stage as well as tracking and monitoring all the relevant environmental indicators. We set the bar high and transfer best-practice solutions from within the company to the whole production network.

Our Group-wide environmental protection approach is based on a Clean Production strategy which aims to keep our consumption of resources and the environmental impact of all our production processes as low as possible. In 2001, we committed to achieving this goal when we signed the International Declaration on Cleaner Production of the United Nations Environment Programme. The Group established its own environmental guidelines back in 1993 based on the ICC Charter for Sustainable Development and Agenda 21.

CLEAN PRODUCTION: FIRST MILESTONE REACHED

We reduce our environmental impact and the level of resources we consume by integrating environmental management into all production processes throughout our worldwide production network. We see this as an ongoing process. In 2007, we set ourselves the goal of reducing our consumption of resources and emissions per vehicle produced by an average of 30% between 2006 and 2012. The parameters we use to measure this are energy, water, process wastewater, waste for disposal and solvent emissions. In the end, we improved efficiency by over one third (35.7%), so we even managed to exceed this ambitious target.[1] This equates to savings of around €9 million in the 2012 financial year.

We were able to achieve the following reductions in the past six years:

Energy consumption	–26%
Water consumption	–30%
Process wastewater	–36%
Waste for disposal	–65%
Solvents emissions	–27%

You will find more details of the individual parameters in the following › see Chapters 3.2 to 3.6.

The BMW Group plays its part in limiting greenhouse gas emissions, and CO_2 emissions in particular, by manufacturing efficient vehicles, implementing effective production processes, using renewable energy sources and carefully selecting its production locations. This is our contribution towards combating climate change. It is a challenge to achieve further reductions when processes are already very efficient. In spite of this, we have set ourselves an ambitious new target for 2020. We want to reduce our consumption of resources by 45% compared to 2006.

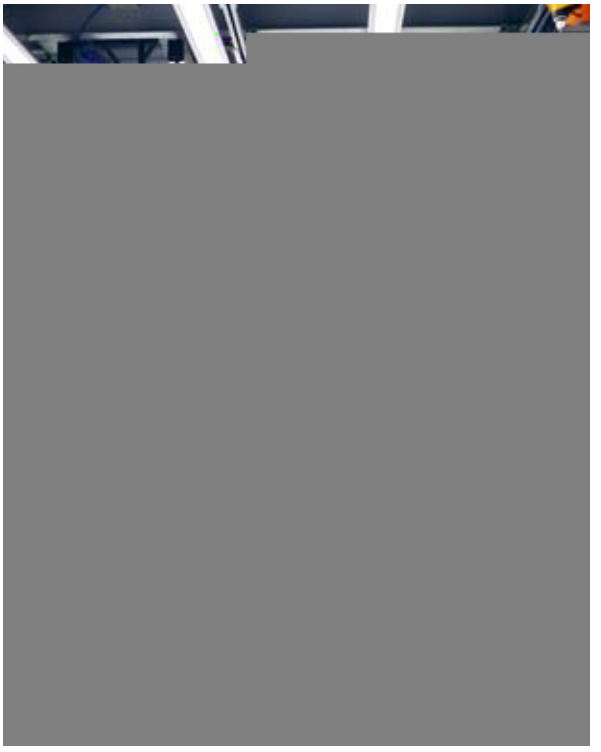
ENVIRONMENTAL PROTECTION FIRMLY ANCHORED WITHIN THE ORGANISATION

Environmental management is part of our sustainability management. The steering committee of the international environmental protection network, which is headed up by the Group Representative for Environmental Protection, is responsible for environmental management. In the delegation chain, operating responsibility is transferred to plant management. Every machine, building and space at each plant is allocated to an operator. Each operator is responsible for the products, processes, machines and technical systems in their allocated area.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Environmental management systems are in place in all of our production facilities worldwide as well as in our central planning departments. With the exception of the Manaus and Cassinetta locations (national standard), these systems are certified in accordance with ISO 14001. The German and Austrian sites have undergone additional external audits and meet European Eco-Management and Audit Scheme (EMAS) standards. Environmental management systems coverage of BMW Group production facilities is therefore at 100%. We have also installed environmental management systems at our dealerships in Germany, Austria and Switzerland. In summer 2012, the German dealerships were also successfully certified in accordance with ISO 14001/OHSAS 18001.

[1] Our Group-wide environmental efficiency indicator was 0.64 for the 2012 financial year. In 2006, the values for energy, CO_2, water, solvents and wastewater per vehicle produced were standardised and set to 1.00 for the environmental efficiency index. Then they were added up and divided by the number of resources. Thus, the initial environmental efficiency figure was 1.00 when it was launched in 2006. In 2012, we exceeded the agreed targets by achieving a value of 0.64.



THE NEW BMW PLANT IN TIEXI — the most sustainable automotive production location in China and a world-class model.

PROTECTING THE ENVIRONMENT FROM THE WORD GO

One main method of enhancing resource efficiency is to consistently take account of environmental aspects when planning new investments. This allows potential improvements in efficiency to be identified and implemented at an early stage. If they are found to be insufficient, more environmentally friendly alternatives can be sought.

Improvements that have been effective at one location are implemented at other locations wherever possible. Our six competence centres (for water, waste, energy, emissions, training and environmental management system) are staffed by environmental experts from the different plants and by specialists from Corporate Environmental Protection. They discuss legal requirements and best-practice solutions with technology experts from the production plants and develop reference systems on which to base future planning and process improvements.

One recent example is the newly opened Tiexi plant in China, a joint venture with our partner Brilliance Automotive Ltd. State-of-the-art manufacturing processes based on the combined experience of the BMW Group's global network ensure that production is particularly resource efficient. Environmental aspects were taken into account from the word go – even as early as the building planning stage. The plant is the most sustainable automotive production facility in China with regard to energy and water consumption, waste efficiency and process wastewater as well as the emission of solvents. It is a role model for environmentally friendly projects worldwide. The new plant is one of the most sustainable within the global production network of the BMW Group.

Another example of best-practice solutions transfer is a recycling centre close to our Chinese facility in Shenyang, which should be opening in 2016. The centre will be designed along the same lines as our tried-and-tested recycling centre close to Munich. In the future, all prototypes and pre-series vehicles from the Chinese development departments are to be recycled at the centre. This means that the Chinese development departments can meet the same high standards as their counterparts in Munich. For details on the recycling of series vehicles, › see Chapter 2.4.

ENVIRONMENTAL PROTECTION AT SUPPLIER AND PARTNER COMPANIES

Beyond our own production lines, we also promote compliance with and improvement of environmental standards on the part of our suppliers. For example, in cases where environmental management is relevant and necessary, we require proof that suppliers have installed such a system › see Chapter 4.

We also work closely with our partners SGL Group and Brilliance Automotive Ltd. to implement continuous improvement. For example, our joint venture with SGL Automotive Carbon Fibers in Moses Lake uses renewable hydro-power to produce its carbon fibres.

EFFICIENCY IMPROVEMENTS IN PRODUCTION

approx. 36%

2006 – 2012

FORECAST

In the future, the BMW Group will continue to implement its clean production philosophy. We will intensify our efforts to achieve zero-emission energy supply › see Chapter 3.2 and roll out best-practice solutions Group-wide from our different locations (e.g. Leipzig in Germany, Steyr in Austria and Spartanburg in the USA).

3.2

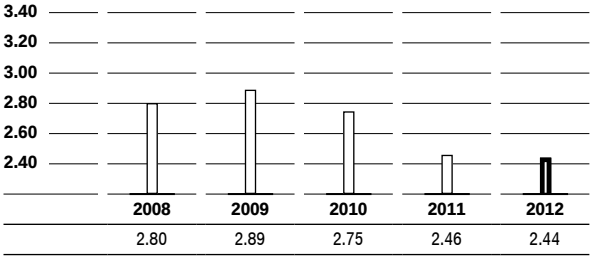
WWW : bmwgroup.com /**svr320**

Energy consumption and emissions

Our vision is to achieve a completely carbon-neutral energy supply for the BMW Group. With this in mind, we set ourselves the goal of becoming a leader in the use of renewable energy by 2020. Each year we are also reducing our energy consumption and our emissions per vehicle produced.

By 2012, we had reduced our energy requirements per vehicle from 3.28 MWh to 2.44 MWh compared to the base year 2006 (Figure 10). This 26% improvement means that we almost achieved our stated aim of a 30% reduction by 2012. We plan to further reduce energy consumption per vehicle by 2020 – by 45% compared with 2006.

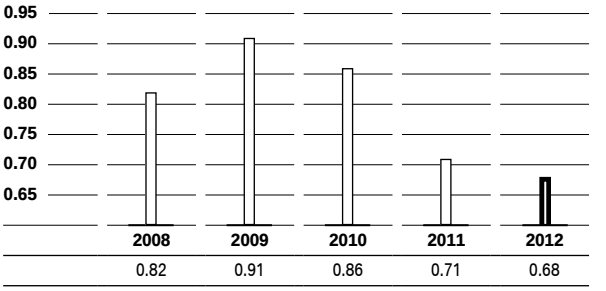
FIGURE 10 **ENERGY CONSUMPTION PER VEHICLE PRODUCED**
in MWh/vehicle



The BMW Group faces the challenge of guaranteeing a secure and economical, but also environmentally friendly energy supply. The share of renewable energy in our overall energy consumption is currently 36.1% (2011: 27.5%), and we plan to significantly increase this in the near future.

We face the challenging task of increasing our vertical range of manufacturing the amount of energy we produce ourselves. In 2012, two of the main areas of focus in this regard were CFRP production and the global installation and commissioning of state-of-the-art facilities. Once they are up and running, new facilities such as the Tiexi plant in China will make a contribution towards further enhancing our resource efficiency. We are also expanding our highly efficient and

FIGURE 11 **CO_2 EMISSIONS PER VEHICLE PRODUCED**
in t/vehicle



environmentally sustainable combined power and heat systems. Gas is used in these systems to generate energy and heat simultaneously. By installing these systems on site at our facilities, a very high efficiency rate can be achieved. However, during this process, more energy is consumed due to conversion which would otherwise be generated outside our production facilities, and it is thus not included in the scope of our reporting.

In order to further enhance our energy efficiency and to move forward with the use of renewable energy, we have defined five strategic areas of action:

- Further development of an integrated energy management system (transparency of consumption, targets management, monitoring at all locations) for which we collaborate with a range of process partners
- Continuous improvement of ongoing operations
- Planning and implementation of energy-efficient property, plants and technologies
- Implementation of renewable energy projects
- Raising awareness, training and motivating managers and employees on the topics of energy and energy efficiency

LESS ENERGY CONSUMPTION, MORE SECURITY OF SUPPLY

Continuous reductions in energy requirements as well as a strategy of producing our own energy or drawing energy from local renewable sources increase our autonomy and ensure security of supply for the BMW Group. As a result, the probability of our production lines being affected by energy bottlenecks decreases.

We monitor and optimise our energy consumption on an ongoing basis. To do this, we use an energy management system based on the environmental management systems ISO 14001 (at all production plants worldwide, the Research and Innovation Centre, the German BMW dealerships, increasingly at our international dealerships and at selected dealers) and EMAS (at all German and Austrian plants). We are continuously improving this system, for example by introducing tools to track the effectiveness of our energy efficiency measures.

BMW PLANT STEYR — Electricity generated from biomass.

BMW PLANT ROSSLYN — Plans for a twin-unit power station fuelled by landfill gas.

BMW PLANT LEIPZIG — electricity generated by wind power for production of the BMW i3.

In addition to renewable energy expansion, we are also focusing on the intelligent use of energy. To this end, we have installed combined power and heat systems at a total of eight locations. These systems allow us to use both the electricity generated as well as the resulting waste heat. We are also continuously improving our vehicle production processes. Innovative technologies such as IPP (Integrated Paint Process in paint shops) and body press tools as well as optimisation of ventilation systems and the closing of energy cycles in our paintshops help us to achieve our efficiency targets. Reducing energy costs in the face of rising energy prices makes the BMW Group more profitable and more competitive.

ENERGY SAVINGS PAY OFF

In times of emissions trading and allowances, reducing CO_2 emissions not only makes environmental sense – it is also a business opportunity for the BMW Group. In the third period of the European CO_2 emissions trading system (2013 – 2020), emissions rights allocations will be further reduced. Therefore, every unit of energy saved pays off twofold, as the costs of energy consumption and the purchase of emissions allowances can be reduced as a result.

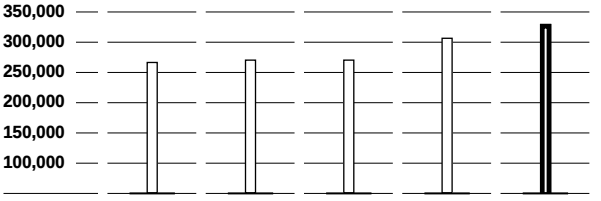
RENEWABLE ENERGY CONSUMPTION

Our vision is to draw 100% of our energy requirements from renewable energy sources. Instead of relying on energy from one specific source, we will decide which concept makes most sense at each location, based on local conditions. In 2010, we implemented a development plan to assess the potential of each production facility.

- From 2013 onwards, around 30% of the heat required for our engine plant in Steyr will be supplied by a neighbouring biomass thermal power plant (fuelled by timber waste from the region). This will mean an annual reduction in CO_2 emissions of up to 3,000 tonnes.
- At our Rosslyn plant in South Africa, the new independent operator Bio2Watt will provide 40% of the required electricity from a twin-unit power station based on landfill gas (biogas firing, i.e. waste from cattle ranches or chicken farms as well as food waste). This could reduce CO_2 emissions by 8,300 tonnes per year.
- Carbon-neutral electricity will be used for the entire production process of the BMW i3 in Leipzig. For this purpose, four wind turbines will be commissioned on the plant's premises in the first half of 2013, each with a capacity of 2.5 megawatts. We also plan to install wind turbines at our plant in Tiexi, China.

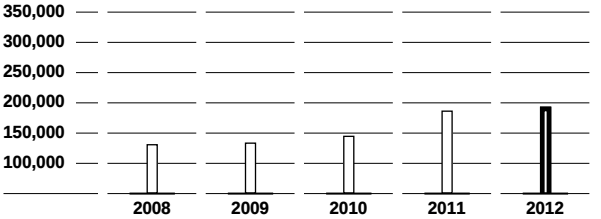
NEW IMPULSES — The BMW Group Research and Innovation Centre in Munich, known as FIZ.

FIGURE 12 NUMBER OF CO_2 EMISSIONS ALLOWANCES ALLOCATED BY THE EU EMISSIONS TRADING SYSTEM in t



2008	2009	2010	2011	2012
267,789	271,599	271,599	307,744	330,576

FIGURE 13 CO_2 EMISSIONS OF LOCATIONS PARTICIPATING IN THE EU EMISSIONS TRADING SYSTEM[1] in t



2008	2009	2010	2011	2012
132,009	134,582	145,854	187,443	194,077

[1] 4,463 tonnes of emissions relevant for EU emissions trading from operation of BMW-owned planes are not included in this figure.

SUSTAINABLE CONSTRUCTION AND PROCESSES

In general, every new plant is designed to raise the bar in terms of energy efficiency and to become a benchmark for all other plants. The most recent example of this is our plant in Tiexi, China, which opened in 2012. Lessons learned and innovations from other plants were integrated into the design of this plant. Over 50 measures were taken to optimise consumption levels of energy, water and waste.

The reference system for sustainable construction is the basis for new-build projects and building conversions at the BMW Group. It sets down principles and concepts for buildings throughout the BMW Group and enables the measures taken during the individual project phases to be monitored. The aim is to minimise consumption of energy and resources and put as small a burden as possible on the environment during all phases of building lifecycles – from planning, construction, use and renovation right up to demolition and renaturation.

Sustainability is also an integral part of any new build advice provided to our dealers by the BMW Group's international construction and facility consultancy. Dealers, investors and local architects are informed about the benefits of green building measures when planning new buildings and modernisation measures for our dealers' operations. This enables

us to protect the environment and at the same time enhance our image, save on operating costs and increase the value of the buildings.

When the Retail Standards 2013+ are introduced, the reference system for sustainability in real estate projects in dealer organisations will become the mandatory sustainability standard and its implementation at dealer organisations will be verified by a sustainability audit carried out by an external organisation.

RAISING WORKFORCE AWARENESS

Vocational training courses at the BMW Group already teach trainees how to deal with energy efficiently. In addition, we offer courses on value-creating production systems. This is a systematic approach to improving efficiency in technical and administrative processes.

FORECAST

In the next few years, we will focus on achieving our energy targets. We will continue to expand our use of renewable energy. And we will design processes and buildings even more efficiently in order to achieve a 45% reduction in energy requirements by 2020 compared with 2006.

3.3

WWW : bmwgroup.com /**svr330**

Materials use and waste management

What we think of as waste is often a valuable resource. With raw materials worldwide becoming increasingly scarce, the BMW Group engages in recycling management throughout material life cycles.

When we recycle waste, we comply with the five-step hierarchical model set down by the EU:

- **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. Then the material can be reused for other purposes.
- **Recovery:** We incinerate most non-recyclable waste materials. 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.

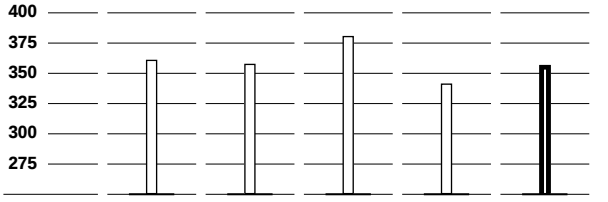
The volume of waste for disposal is a good indicator of how successful we have been in achieving our goal of avoiding or reusing waste wherever possible. With 6.11 kg of waste for disposal per vehicle produced in 2012, figures are down by 23.5% compared with the previous year and even by 65% compared to 2006. We thus significantly exceeded our target of a 30% reduction compared with 2006. The main contributing factor here was improvements in recycling at our plants in the UK. Figures 14 and 15 show the trend over the past few years.

Fulfilling all product-specific legal regulations is a challenging task. The BMW Group mastered this challenge again in 2011 and 2012. New cleaning processes that make more sparing use of water were introduced at BMW's paintshops › see Chapter 3.4. Our innovations in the area of electromobility and lightweight construction go hand in hand with new recycling processes for residual materials from vehicle production or recycling. A new handling machine is now in use at our recycling centre. It separates materials such as copper or aluminium from old vehicles, leading to an increase of 150% in the recycling rate for copper in 2012.

The process of recording and reusing the waste we produce is managed worldwide by our own BMW waste information system ABIS, which was designed for the German plants in accordance with the law on life cycle management. In the 2012 financial year, a further plant, in Rayong, Thailand, was integrated into ABIS. ABIS can be applied worldwide to determine the best method of disposal for a particular type of waste. The method specified is then implemented at all plants, providing this is possible in the individual countries. ABIS is also used to document the individual waste flows and categorises waste as hazardous or safe. This categorisation takes place in accordance with country-specific regulations. There were no incidences of the import or export of treated or untreated hazardous waste in the reporting period.

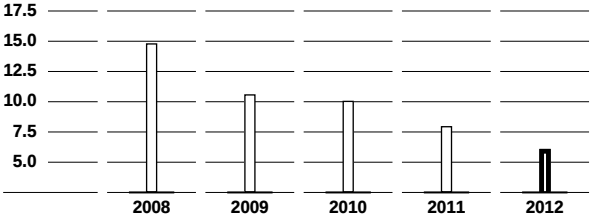
In the 2012 financial year, the total waste volume increased due to the modification of our metal casting process in Landshut (30,000 tonnes of foundry sand recycled). Since 2006, we have been able to reduce the volume of materials that are removed from the life cycle and not reused by 65% per vehicle produced (2012: 23.5% per vehicle produced). Paintshop waste in particular is now recycled rather than disposed.

FIGURE 14 **TOTAL WASTE PER VEHICLE PRODUCED** in kg/vehicle



2008	2009	2010	2011	2012
361	358	381	342	357

FIGURE 15 **WASTE FOR DISPOSAL PER VEHICLE PRODUCED**[1] in kg/vehicle



2008	2009	2010	2011	2012
14.84	10.63	10.09	7.99	6.11

[1] "Waste for disposal per vehicle produced" became a performance indicator in 2007 and has been reported since then.

WASTE SEPARATION — Recycling efforts at the BMW plant Spartanburg, USA.

At least four times a year, every positive step we take with regard to waste prevention and recycling is the subject of discussions by our worldwide network of waste management officers. As a result, best practice solutions can be successively applied to other plants. The Center of Competence Waste and Recycling Management, which has now been expanded to cover all plants worldwide, also makes a contribution here. The Center of Competence is made up of the environmental experts from the different plants as well as the experts from the Environmental Protection department. They discuss best-practice solutions and develop reference systems for future planning and process improvements.

BEST PRACTICE SOLUTIONS FOR WASTE AVOIDANCE AT OUR PLANTS

We implement a whole range of measures to work towards achieving our vision of waste-free production. In 2012, the recycling rate at our UK plants increased significantly compared to the previous year. To achieve this, the BMW Group is willing to pay a higher price per tonne of waste. At our plant in India, we send all waste that is similar to household waste to a waste facility which produces agricultural fertiliser.

At our Regensburg plant, a screw compacter was introduced in 2012 to dispose of recyclable synthetic packaging that has reached the end of its lifetime. The compressing process has saved us 24,000 truck kilometres that would have been necessary to transport the synthetic waste to the recycling plant.

FORECAST

In 2013, we will continue to focus on closing material life cycles. In future, we will work intensively with new materials that will have to be developed for our new recycling processes.

Carbon fibres will be used in the production of the new BMW i3 from 2013 onwards. They will be made into non-woven carbon fibre materials that will be the basis for new CFRP components as well as serve to reinforce synthetic materials and make them electrically conductive.

3.4

WWW : bmwgroup.com /**svr340**

Water

Water is a valuable resource – not only for the BMW Group. For this reason, we are working hard to reduce our water consumption and are developing wastewater-free processes for our production lines. By 2020, we aim to reduce our consumption by 45% compared to 2006.

For the BMW Group, water is an important resource. Without it, operations at our paintshops would come to a halt.

At the same time, water is becoming increasingly scarce worldwide. For this reason, we aim to achieve significant reductions in our water consumption. In 2012, it was at 2.10 m^3/vehicle. This drop of 30% compared to 2006 was in line with our water consumption reduction target. Figures 16 and 17 show how our water consumption has developed over time.

WHERE WE PLAN TO SAVE ON WATER

The three largest water consumers at the BMW Group are the sanitary facilities for our workforce (46%), evaporation mainly at cooling towers (31%) and the production processes, in particular at the paintshops (23%). We are continuously improving our resource efficiency in all three areas by:

- replacing sanitary fittings with water-efficient versions,
- gradually replacing open cooling towers by closed ones,
- closing water cycles at the paintshops and introducing waterless processes (dry separation).

Currently, there is no risk to water supply at the BMW Group's production plants, even though we are active in countries with high water risk, such as South Africa, the USA and China. In these countries in particular, we are continuing to reduce our water consumption. For example, in the USA we halved water consumption between 2006 and 2012. We try to use drinking water only when it is necessary for reasons of hygiene. We want our wastewater to contain only as many substances as can be broken down naturally. Worldwide, we fulfil the applicable legal requirements on wastewater processing. At all international production plants and at our German and many international dealerships, we have implemented an environmental management system in accordance with ISO 14001 and which also manages our water consumption.

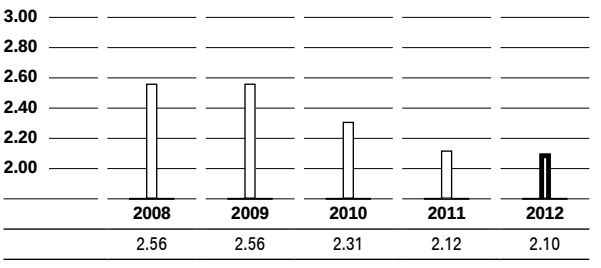
By 2020, we aim to reduce our current water consumption by 45% compared to 2006. Our vision is to achieve wastewater-free production processes.

A STEP-BY-STEP APPROACH TO WASTEWATER-FREE PRODUCTION PROCESSES

After carrying out tests to identify the three largest sources of water consumption, we introduced the following measures:

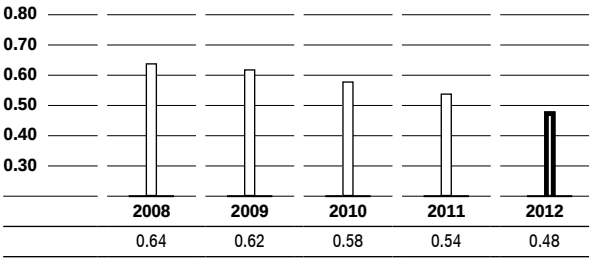
- To identify potential for optimisation at our paintshops, we carried out a feasibility study on operations that were almost wastewater-free. As a result, technically and economically feasible measures are being implemented on an ongoing basis.
- At the Spartanburg plant in the USA, we are already using a state-of-the-art dry separation process at the paint shop. The overspray paint, which does not reach the body of the vehicle during the painting process, can be bound by stone powder and then discharged using this process. No water is used. As a result over 26,000 m^3 of water was saved in 2012.
- Since 2012, part of the purified wastewater that is created in the corrosion protection process in the paintshop at the Munich plant has been reused in another paintshop process. The overspray paint is washed out of the process and discharged. This led to a reduction in water consumption of over 21,000 m^3 in 2012.

FIGURE 16 **WATER CONSUMPTION PER VEHICLE PRODUCED**[1] in m^3/vehicle



[1] This figure refers to the production sites of the BMW Group.

FIGURE 17 **PROCESS WASTEWATER PER VEHICLE PRODUCED** in m^3/vehicle



The key figures on process wastewater refer to production wastewater.

PAINT SHOP AT THE BMW PLANT LEIPZIG — Innovations lead to gradual introduction of wastewater-free production processes.

- At the Dingolfing plant, an old ion exchanger was replaced by a more efficient one. The number of regenerations that consume water and chemicals was significantly reduced as a result. In addition, the wastewater produced during regeneration is reused in another process. As a result, around 15,000 m^3 of water was saved in 2012.

- At many plants, for example in Shenyang, China, we replaced the bathroom fittings to reduce sanitary water consumption by up to two thirds. At our store in Parklane, London, we have also installed water-saving fittings throughout.

- In South Africa, we installed measuring devices to manage our consumption of resources there.

The measures taken in Spartanburg, Munich and Dingolfing alone led to savings of €155,974 in 2012.

88% of the water used by the BMW Group comes from the public drinking water system. 12% is ground water. There was no consumption of water from sensitive sources in the reporting period.

INDIVIDUAL SOLUTIONS TO CONFLICTS IN MEETING TARGETS

In the period under report, we made great progress in reducing our water consumption. However, we did run into some conflicts when it came to meeting our targets. Individual solutions had to be found. For example, we changed our procedure for generating completely desalinated water (reverse osmosis instead of ion exchange). This reduces the use of chemicals but increases water consumption. So we only use the procedure if there is no acute scarcity of water or if the wastewater from the system in question can be reused.

FORECAST

We aim to further reduce our water consumption in the coming years. Our target is to reduce water consumption by 45% by 2020 (base year: 2006). To achieve this, we will continue to close the water cycles in the paintshops and in engine production as well as replace old sanitary facilities and open cooling towers.

3.5

WWW : bmwgroup.com /**svr350**

port logistics

As a global supplier of premium products and services, the BMW Group transports large volumes of goods, and people within the Group are always on the move. We keep our CO_2 emissions as low as possible by continuously optimising our transport logistics. In addition, we are successively expanding the number of low-emission transport vehicles we use.

We also have to keep the CO_2 emissions resulting from our transport activities as low as possible if we want to fulfil the BMW Group's targets on efficient use of resources. As part of the Group's sustainability strategy, we are currently developing an efficient transport logistics strategy. This pools our activities in this area and defines clear key indicators which will enable us to formulate specific targets, for example for reducing CO_2 emissions. We are also identifying the main influencing factors on the development of transport capacity and CO_2 emissions.

The global transport volume required for the supply of materials to the production plants, for delivery of our vehicles and for spare parts supply to the markets has grown considerably in the past few years. This is primarily due to an increase in global production and sales volume, combined with regional shifts in these volumes. Above-average growth in North America and Asia means that long transport distances must be covered.

In 2012, we had a total transport volume of around 30.9 billion tonne-kilometres, emitting 1.25 million tonnes of CO_2 in the process. Compared to 2011, transport volume increased by 10.6%. This equates to the increase in the number of BMW and MINI brand vehicles sold worldwide, which also lies at 10.6%.

To keep CO_2 emissions caused by our transport logistics as low as possible, our basic principle is "production follows the market". In addition, we are successively expanding our share of low-emission transport vehicles.

RAIL TRANSPORT TAKES PRIORITY

To optimise our transport logistics, we developed a concept to avoid large transport volumes and to shift to environmentally friendly transport carriers. As a result, rail transport will be given preference as a carrier wherever possible.

The share of rail transport in overall transport volume rose from 8.2% in 2011 to 8.9% in 2012.

FIGURE 18 **LOGISTICS: CARRIERS AND CO_2 EMISSIONS[1]**

	2008	2009	2010	2011	**2012**
Inbound (material provision of the plants and spare parts delivery)					
Transport capacity (in million tkm)	3,586	2,673	3,810	9,072	**10,703**
CO_2 emissions (in t)	232,818	201,376	320,526	518,157	**547,049**
Outbound (distribution vehicles and spare parts)					
Transport capacity (in million tkm)	12,163	9,942	15,088	18,854	**20,195**
CO_2 emissions (in t)	126,712	106,040	145,501	677,730	**700,051**
Total (inbound and outbound)					
Transport capacity (in million tkm)	15,749	12,615	18,898	27,926	**30,898**
CO_2 emissions (in t)	359,530	307,416	466,027	1,195,887	**1,247,100**

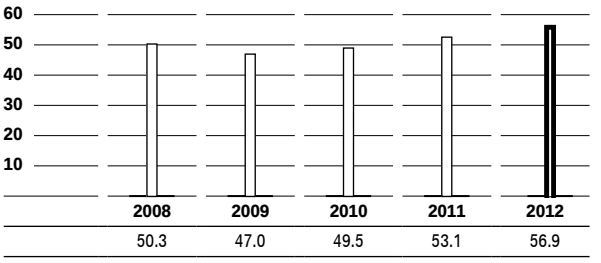
Total (inbound and outbound)	2008		2009		2010		2011		**2012**	
in %	tkm	CO_2	tkm	CO_2	tkm	CO_2	tkm	CO_2	**tkm**	**CO_2**
Sea	79.1	15.1	78.0	14.0	79.9	14.1	78.9	51.3	**79.2**	**53.1**
Road	14.5	71.9	15.8	73.4	13.3	61.2	11.9	24.2	**10.7**	**20.2**
Rail	6.3	7.9	6.0	7.1	6.3	7.3	8.2	5.5	**8.9**	**4.6**
Air	0.1	5.1	0.2	5.5	0.5	17.4	1.0	19.0	**1.2**	**22.1**

[1] Figures refer to BMW and MINI, excluding Rolls-Royce automobiles. Conversion factor for CO_2 emissions from road, rail and sea freight according to Tremod. Conversion factors from sea freight are reported back directly by shipping companies. Since the 2011 financial year, the scope has expanded significantly and currently comprises: Inbound volumes (material supplies to plants and spare parts delivery) are included for BMW and MINI vehicles in Germany, the UK, the USA, South Africa, China, Thailand, India and CKD/SKD locations as well as for delivery of spare parts to the parts supply centre ZTA in Dingolfing; Outbound volumes (distribution of vehicles and spare parts) are included up to arrival at the distribution centres in the markets worldwide.

As part of our network strategy, we sent out a new invitation to bid for Europe-wide transport of material supplies to the German plants. As a result, the existing rail transport arrangements were secured for the long term.

Vehicles for export from the MINI plant in Oxford are now transported by rail to the port. This led to a further increase in the average volume of rail transport of BMW Group vehicles from the plants to 56.9%. This was up from 53.1% in the previous year (Figure 19).

FIGURE 19 SHARE OF VEHICLES SHIPPED BY RAIL FROM BMW GROUP PLANTS[1] in %



[1] Excluding Rolls-Royce automobiles.

EMPLOYEE MOBILITY

Staff commuting is a major concern on the BMW Group's logistics balance sheet. We try to keep our impact on the environment in this regard as low as possible.

Among the measures that are in place are our plant buses which reduce the number of individual drives to work. Works buses make sense when they are heavily used by shift workers and employees who live close to one another. Public transport is the better solution if working hours are more flexible and employees are travelling from further afield.

We have plant buses in operation both in Germany (Munich, Landshut, Dingolfing, Regensburg, Berlin) as well as at our international locations (Tiexi in China, Rosslyn in South Africa). Around 85% of employees in China and South Africa use the buses to travel to work.

Most of our buses are recent, energy-efficient models. All newly purchased works buses comply with the Euro 5 standard. A twelve-metre bus with about 50 seats consumes around 28 litres of diesel per 100 kilometres.

In 2011, the BMW Group also launched its very successful ProBike programme in Munich. ProBike allows employees to cycle between BMW locations in the city of Munich. A total of 42,000 such trips were made in 2012. This not only saves on fuel and reduces CO_2 emissions: with the ProBike programme, we also motivate our employees to be more health conscious and use bikes more often – for example to cycle to work with their own bike.

The CO_2 footprint per employee at our German locations was 4.5 kg CO_2 per employee and day of production in 2012. From 2013 onwards, we plan to add one large international location each year to our calculations of CO_2 footprint per employee.

FORECAST

One way in which we wish to reduce transport volume is by further optimising packaging on inbound transports in the future.

Rail transport will be increasingly used for outbound transport. For example, from 2014 onwards, all transport between Leipzig and Bremerhaven will be shifted from truck to rail. This will save over 1,000 tonnes of CO_2 emissions per year.

As part of our rail transport strategy, around 75% of the relevant rail transport capacity available in Central Europe was secured long term. This is essential in order to continue to maintain and increase the high share of rail transport of vehicles leaving the plants.

FIGURE 20 MEANS OF TRANSPORT USED BY BMW GROUP EMPLOYEES AND INDIRECT CO_2 EMISSIONS FROM EMPLOYEES' COMMUTER TRAFFIC

	2009[1]		2010[2]		2011[3]		**2012[4]**	
	in %	in t CO_2	in %	in t CO_2	in %	in t CO_2	**in %**	**in t CO_2**
Cars	43	40,984	45	43,414	45	43,008	**47**	**53,036**
Public transport	16	4,827	16	4,816	16	4,947	**17**	**3,738**
Plant bus	36	13,028	33	13,049	33	12,867	**30**	**15,869**
Bicycle/on foot	5	0	6	0	6	0	**6**	**0**
Total	**100**	**58,839**	**100**	**61,279**	**100**	**60,823**	**100**	**72,643**

The figures include trips to and from destinations.
[1] Headquarters, including Research and Innovation Centre Munich; the Munich, Dingolfing and Regensburg plants account for some 58% of employees of the BMW Group and 78% of employees in Germany. CO_2 emissions dropped as a result of short working weeks at the plants. In the car consumption figures, the general reduction trend was accounted for.
[2] Headquarters, including Research and Innovation Centre Munich; the Munich, Dingolfing, Regensburg and Berlin plants account for 59% of employees of the BMW Group and 81% of employees in Germany.
[3] Headquarters, including Research and Innovation Centre Munich; the Munich, Dingolfing, Regensburg and Berlin plants account for 60% of employees of the BMW Group and 81% of employees in Germany.
[4] Headquarters, including Research and Innovation Centre Munich; the Munich, Dingolfing, Regensburg and Berlin plants account for 64% of employees of the BMW Group and 90% of employees in Germany.

3.6

WWW : bmwgroup.com /**svr360**

VOC emissions and biodiversity

In our Group-wide environmental efforts, we aim to reduce emissions of volatile organic compounds (VOC). Furthermore, we monitor the impact our business activities have on flora and fauna and use a biodiversity indicator to determine the environmental status of some selected properties.

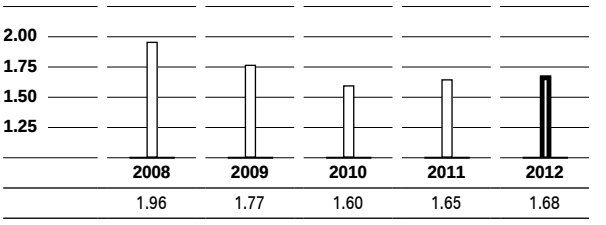
VOC EMISSIONS

The BMW Group aims to keep emissions of volatile organic compounds (VOC) as low as possible. With an average of 1.68 kg VOC per vehicle produced, we are below the maximum levels stipulated in Germany at all plants worldwide, with the exception of our Chinese plant in Dadong and our plant in Rosslyn, South Africa.

In 2010, we already achieved our target of a 30% reduction compared to 2006. However, due to unexpected volume increases in China, emissions have risen since. The reason for this was that the paintshop in the new Tiexi plant is not yet operational and the older paintshop at the Dadong plant has higher levels of VOC emissions. Although we were able to significantly reduce VOC emissions at our other plants, the overall decrease was only 27% by 2012 compared to 2006. Figure 21 illustrates this trend.

We identified the relatively high VOC emissions issue in Dadong in 2011, and in 2012 we decided to construct a treatment system. The system will be ready to go live in the second half of 2013, and VOC emissions in Dadong will decrease considerably as a result.

FIGURE 21 **VOC EMISSIONS PER VEHICLE PRODUCED**
in kg/vehicle



Changing over from powder paint to 2K clear paint was a challenging task. Powder paints cause no VOC emissions, whereas clear paint does. However, because the other carmakers have continued to use clear paint, it was no longer economically viable for our supplier to provide us with the necessary range of powder paint colours. Nevertheless, we were still able to make the shift to clear paint without causing additional VOC emissions. At our Regensburg, Leipzig and Dingolfing plants, the emissions are concentrated and then burned to minimise their impact on the environment.

BIODIVERSITY

At all our locations, we monitor the impact our business activities have on the animal and plant world. We have gathered environmental evidence at selected locations such as Leipzig and Regensburg to identify local animal and plant species and introduce special protective measures for endangered species. For example, at our testing centre in Aschheim, we identified the butterfly species Polyommatus bellargus and Colias hyale/alfacariensls, both of which are on Germany's red list of endangered species.

We use a biodiversity indicator to regularly identify the environmental status of properties at selected locations in order to gain an understanding of which flora and fauna are present

there. Our Spartanburg plant in the USA as well as our testing centres in Miramas (France) and Aschheim (Germany) are the only locations that directly border on a protected area. In the period under report, there were no significant emissions of hazardous substances. We are not aware of any impact our products and services have had on protected areas or regions of high biodiversity.

We try to protect and restore natural habitats. Just a few years after construction of the Leipzig plant, the location was certified as having a high biodiversity factor due to its natural landscape design. The testing centre in Miramas (France) was built away from natural habitats. Driving is only allowed on marked routes at the Enduropark in Hechlingen. Maintenance measures are carried out regularly to further improve biological diversity. We continue to gather data at locations where the protection of nature is relevant (e.g. Miramas, Regensburg, Wackersdorf, Leipzig and Aschheim).

FORECAST

In 2013, we plan to work hard on the topic of biodiversity management and to define the next steps in this area. By 2020, we want to reduce our VOC emissions by 45% compared to the base year 2006.

CH.04 SHARING IDEAS

SUPPLY CHAIN MANAGEMENT

4.1 _ OUR MANAGEMENT APPROACH, Page 75
4.2 _ INTEGRATION OF SUSTAINABILITY INTO THE PROCUREMENT PROCESS, Page 77
4.3 _ FOCUS ON OPPORTUNITIES, Page 78

WWW : bmwgroup.com /svr400

www : bmwgroup.com /**svr400**

PROJECT i

PLANNING AND CONTROL OF SUSTAINABILITY BMW i

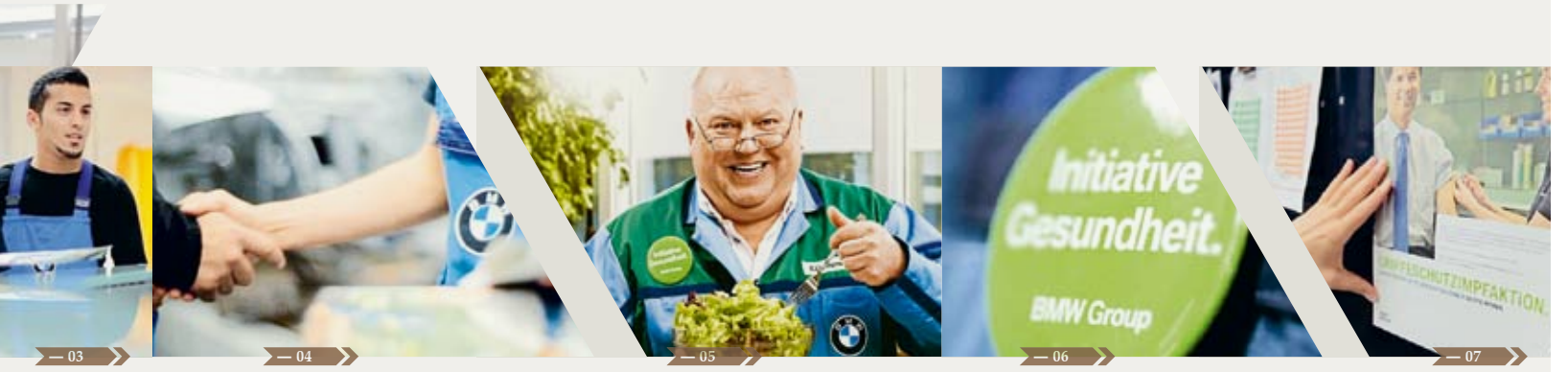
SIMONE LEMPA-KINDLER
BMW GROUP RESEARCH AND INNOVATION CENTRE MUNICH, GERMANY

"I consider myself to be a responsible individual. Even in very mundane situations. At the supermarket, I check where the products come from. While I'm brushing my teeth, I turn off the tap, and when I air the room, I switch off the heating. Each of us is responsible for more than just ourselves. Each of us can make a difference. Like we are doing on Project i. We are breaking ground here by ensuring these products are sustainable from the onset, along the entire value chain."

DIVERSITY

90 countries

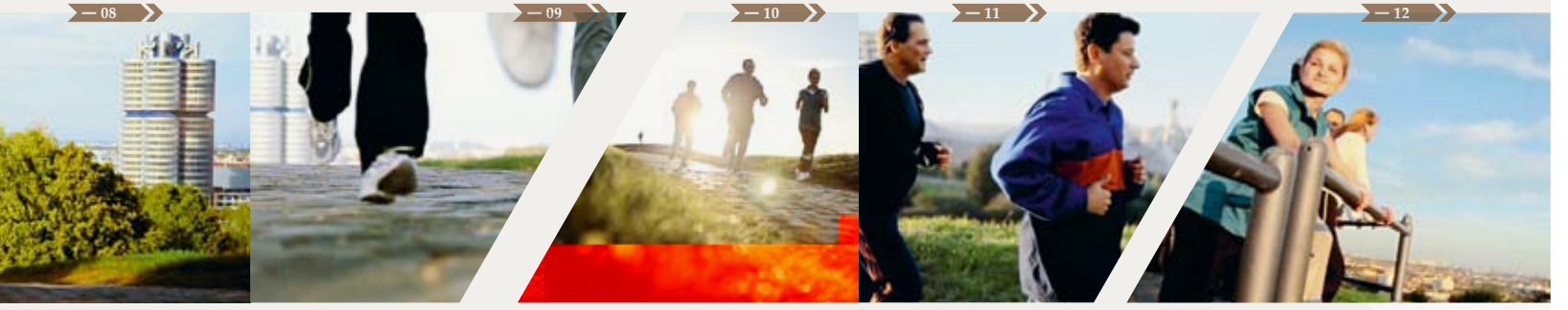
EMPLOYEES FROM OVER 90 COUNTRIES
AT THE MUNICH LOCATION ALONE



— 03 — 04 — 05 — 06 — 07

Intercultural diversity

THE RESULTS



— 08 — 09 — 10 — 11 — 12

INTERNATIONAL

150 countries

THE BMW GROUP IS REPRESENTED
IN OVER 150 COUNTRIES

APPRENTICESHIP

>4,200 apprentices

WORLDWIDE

CHAPTER 05

EMPLOYEES

WWW : bmwgroup.com /**svr500**

2012

PROGRESS

- **Attractiveness as an employer further enhanced:** We determined the skill sets based on the corporate and departmental strategies, and expanded our recruitment and further education programmes accordingly.
- **More focus on health:** As part of the BMW Group's health initiative, we developed additional seminars that raise managers' awareness of the impact they have on the health of their employees.
- **New diversity objectives defined:** In 2012, we developed strategic goals to promote cultural diversity within the BMW Group.

INDICATORS

BMW GROUP WORKFORCE IN 2012

105,876 / 100,306 2011
NUMBER OF EMPLOYEES AS AT 31 DECEMBER 2012

3.87% / 2.16% 2011
ATTRITION RATE

17.3% / 16.1% 2011
SHARE OF WOMEN IN THE WORKFORCE

3.7 days / 3.6 days 2011
AVERAGE DAYS OF FURTHER TRAINING PER EMPLOYEE

5.8 occupational accidents / 7.1 occupational accidents 2011
ACCIDENT FREQUENCY RATE IN THE BMW GROUP WORLDWIDE

2013+

FORECAST AND OBJECTIVES

- **Further enhance appeal as an employer:** At the heart of this is the strengths-based development of talent to secure employability in the long run.
- **Further reduce number of accidents:** It is our aim to maintain an accident frequency rate of a maximum of five work accidents with days absent per one million hours worked.
- **Leverage diversity to enhance our innovative strength:** By 2020, we aim to engage more locally recruited managers in our companies abroad and step up employee exchanges between headquarters and local sites.

5.1

WWW : bmwgroup.com /**svr510**

Our management approach

Our success is based on the dedication and technical expertise of our employees. To attract the best employees and keep them at the company, we offer secure and attractive jobs, a personnel policy geared to the long term, above-average pay and a variety of ways to reconcile work and private life.

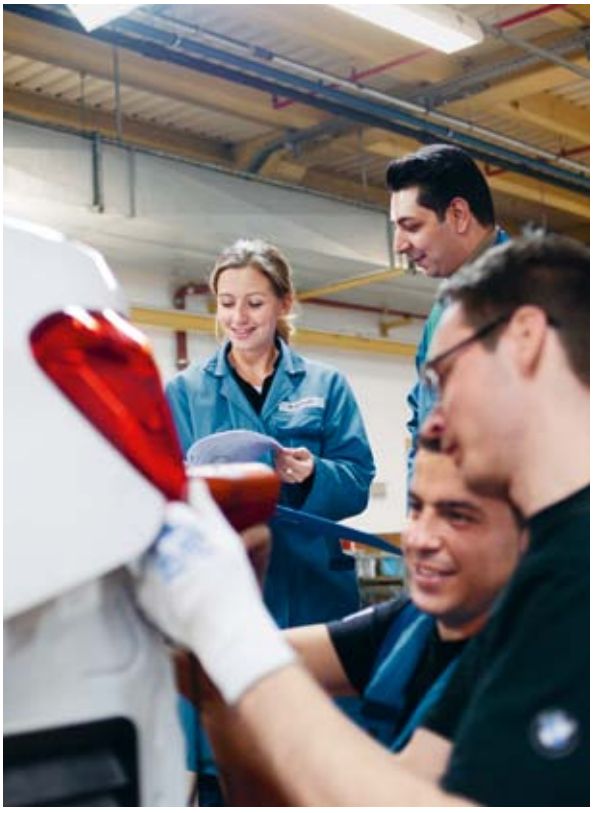
Despite some difficult general economic conditions for the automotive industry, the BMW Group was able to achieve very good results in 2012. This is mainly due to the commitment, creativity and expertise of our employees. We make every effort to attract the best people to join us and offer the greatest possible job security. Apart from the fixed and variable salary components, we also offer our employees a wide range of social benefits. Our employees are deployed according to their individual strengths and talents, which they can continue to develop by taking advantage of targeted, future-focused further education and training programmes.

At the same time, we face many challenges. Particularly in Germany and other Western industrialised nations, skilled workers are becoming increasingly scarce. Demographic change is also leading to an ageing workforce. We will therefore continue to increase our attractiveness as an employer as we adapt the working environment to accommodate the changing age structure. We constantly develop the skills of our employees to meet our high commitment to innovation. One example is the field of electromobility, which thanks to our sub-brand BMW i is gaining in importance throughout the Group.

From an international perspective, the challenges are different depending on the cultural environment. In the countries where we do business, we address these differences with country-specific concepts derived from our worldwide corporate standards. Particularly when it comes to employees, we are able to combine our Group-wide intercultural competence with our local expertise.

SUSTAINABILITY MANAGEMENT AND STRATEGIC FLEXIBILITY

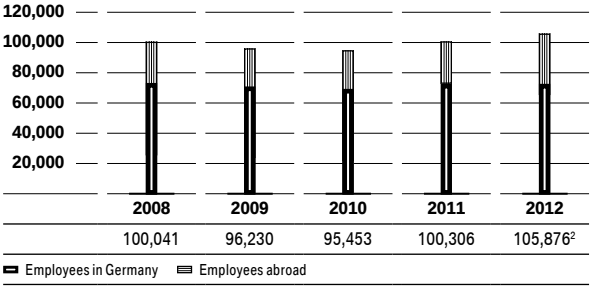
In order to continue to be successful in the future and to be able to secure jobs in the long term, we have made it our mission to reconcile sustainability management with strategic flexibility. Ensuring flexibility entails not only alternative work schedule models that can be adapted at short notice, but also employees who work for the company temporarily.



QUALIFICATION — BMW Group employee training for the new BMW 3 Series.

Based on our Strategy Number ONE, the BMW Group human resources strategy was passed in 2008 and has been continuously developed since then. Key decisions that affect employment are taken by the entire Board of Management. BMW AG Human Resources is responsible for the various aspects of employment. Progress on the implementation of the human resources strategy is regularly reported to the Board of Management.

FIGURE 24 **BMW GROUP EMPLOYEES AT END OF YEAR[1]**



[1] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement arrangements and low-income earners.
[2] 35.2% of whom are tariff-bound production employees of the BMW Group.

Within the scope of our target system (BMW Group Balanced Scorecard), we have set objectives in four areas: attractiveness as an employer, competitive remuneration, demand-oriented skills and excellent leadership. These areas also include the sustainability objectives in the area Employees and Corporate Citizenship. These are broken down into concrete, measurable targets.

One of the many parameters applied in the areas of employees is the number of employees working at the BMW Group. This number increased worldwide by 5.6% to a total of 105,876 by the end of 2012, partly due to an increase in the number of skilled workers recruited as a result of high demand for our vehicles (Figure 24).

Human Resources and the specialist divisions bear equal responsibility for successful implementation. Further objectives, alongside employee diversity in the company, are promoting the health of our staff as well as offering opportunities for continuous personal development.

We were able to make significant progress in many areas in 2012. We inaugurated the strategic Talent Management initiative, which involves putting all processes for employee recruitment, retention and development to the test › see Chapter 5.2. We made progress on developing our health management cycle › see Chapter 5.3, expanded our investments in further education and training programmes › see Chapter 5.4 and increased our share of female managers through the Diversity initiative › see Chapter 5.5. Moreover, we added the BMW Familienpflegezeit (Family Care Time) to our existing offers for balancing work and private life, and will continue to expand our childcare offerings in September 2013 with a new BMW childcare facility › see Chapter 5.6.

The BMW Group pursues a total remuneration approach in which salary as well as our extensive range of benefits are considered part of a total package. For every location worldwide, the total remuneration package must be aligned with the top third of the respective labour market.

OUR WORKFORCE IN FIGURES (AS AT YEAR-END 2012):

105,876 employees
AT BMW GROUP / 2011: 100,306 EMPLOYEES

4,266 apprentices
AT BMW GROUP / 2011: 3,899 APPRENTICES

17.3%
SHARE OF WOMEN IN TOTAL WORKFORCE AT BMW GROUP / 2011: 16.1%

12.9%
SHARE OF WOMEN IN MANAGEMENT POSITIONS AT BMW GROUP / 2011: 11.8%

3.7 days
AVERAGE DAYS OF FURTHER TRAINING PER EMPLOYEE AT THE BMW GROUP / 2011: 3.6 DAYS

5.8 occupational accidents
PER ONE MILLION HOURS WORKED AT THE BMW GROUP / 2011: 7.1 OCCUPATIONAL ACCIDENTS

HR POLICY DESIGNED FOR THE LONG TERM

In our current "long-term employment policy", we formulate the targets by which the company is to be measured. The principles of our personnel policy are binding for every employee. In addition, our twelve Group-wide basic principles form the foundation for the recruitment and conduct of managers and employees. Group management as well as the national and international employee representatives are committed as well to assuming their social responsibility and to the basic principles of the UN Global Compact (=> Chapter 1).

In order to ensure adherence to the principles in daily operations, the BMW Group has established a multi-level monitoring system. When potential legal violations by BMW Group employees are involved, assistance is provided by the BMW Group Compliance Organisation. As an additional point of contact for human rights issues, each employee has access by phone to our Helpline Human Rights Contact. To prevent human rights abuses in the supply chain, we identify risks and take action against any violations of our standards › see Chapter 1.4 and › Chapter 4.1.

SAFEGUARDING JOBS

Long-term job security, in particular for our core employees, is one of the priorities of our human resources policy. Our company agreements on BMW working time accounts, safeguard-

ing employment and strategic flexibility help us to achieve this goal. These agreements with employee representatives contain a wide range of options for flexible work hours as well as defining a basic flexibility through temporary work. These components, together with the collectively agreed framework conditions and in extreme cases the use of short-time work as provided for in German law, enable us to withstand considerable demand slumps over an extended period of time without redundancies. At the same time, the company agreements are designed to help us to respond to increasing demand at short notice with the existing workforce. The flexibility requirements apply to all BMW Group locations.

The BMW working time account is one of the central tools for safeguarding jobs, allowing working time and remuneration to be decoupled. This means for example that when demand drops working hours can be reduced while income remains constant. The resulting negative account balance can then be reconciled when orders increase again. In 2012, this system once again allowed us to adapt the volume of work to the regular market fluctuations. Furthermore, our core strategy of in-house production also safeguards jobs within the BMW Group. Contracts may only be awarded to external contractors after strict examination of the circumstances. Priority is given to deploying the staff of BMW AG.

Cooperation with international employee representatives is steered through "Global Labour Relationship Management". We have built up an international network for this purpose which ensures that topics of general importance are handled in a uniform manner in line with corporate strategy.

WORKFORCE CO-DETERMINATION

The timely and comprehensive involvement of employee representatives, in particular in the case of major operational changes, is ensured in the BMW Group in a variety of ways and is an integral part of our corporate culture.

In accordance with the German law on co-determination, BMW AG has a Supervisory Board with equal representation of all parties, including external representatives of the competent trade union as well as company representatives from the works councils formed at the BMW AG company sites.

- **In the German BMW AG locations and the subsidiaries** within Germany, works councils are formed according to the German Works Constitution Act. The works councils of BMW AG also delegate representatives to the Group Works Council of BMW AG.

- **In addition,** so-called Economic Affairs Committees are formed in BMW AG and its German subsidiaries in accordance with the German Works Constitution Act.

- **For the European sites of the BMW Group,** there is a European Works Council composed of employee representatives from the European production sites of the BMW Group.

- **Employee representation** at the international sites of the BMW Group follows the respective national regulations. Management informs the Economic Affairs Committees of BMW AG and the German subsidiaries of BMW AG in full and in a timely manner of the economic affairs of the company and provides them with the requisite documents in accordance with the legal duty stipulated in Article 106 of the German Works Constitution Act. The economic affairs that fall under this information duty include, but are not limited to:

- the economic and financial situation of the company;
- the production and sales situation;
- the production and investment programme;
- economisation projects;
- manufacturing and working methods, the introduction of new working methods;
- operational environmental protection issues;
- the downsizing or closure of plants or company components;
- the relocation of plants or company components;
- the merger or division of companies or operations;
- any change in the company organisation or purpose;
- a takeover of the company if this involves another party taking control, as well as
- other activities and projects that could significantly affect the interests of the employees of the company.

In general, according to Paragraph 80, Article 2 of the German Works Constitution Act, the works councils and Group Works Councils have a right to be informed comprehensively and in a timely manner, including presentation of the requisite documents.

While in Germany employee co-determination is regulated by law, in other markets we act in line with local conditions. Staff at our Chinese sites, for example, are represented not only by a classic workers' union but also by an in-company Assembly of Staff Representatives. These are elected by all the employees working at these sites and play an active role in shaping company agreements, developing training and education programmes, and in making decisions that relate to the workforce as a whole.

5.2

WWW : bmwgroup.com /**svr520**

Attractive employer

We are one of the most attractive employers worldwide. And we intend to build further on this competitive advantage: through above-average remuneration and social benefits, but also by taking feedback from our employees seriously and offering them opportunities to develop their individual strengths within the BMW Group. Our leading role as a sustainable business significantly strengthens our appeal to employees.

Our premium standards are at the heart of everything we do. In order to develop and offer top-quality products and services, we need the best employees available. Being among the most popular employers therefore gives us a crucial competitive advantage.

At the same time, we face many challenges. Highly skilled workers are becoming increasingly scarce. Today, we are already facing a lack of experts in some key areas. As an innovative and sustainable business enterprise, it is important that we break new ground and develop new technologies. In the area of electromobility, for example, we want to attract specialists who are prepared to pioneer new solutions, creating added value for the company and for society. Still, for all our focus on performance, we know from experience that good performance is only possible when our employees are able to achieve a good work-life balance.

In the emerging markets such as China, India and Brazil, demand for qualified employees is rising steadily. Attractive recruitment programmes and market-specific human resources marketing are therefore an integral part of our international human resources policy.

We try to identify today the skills we will need tomorrow and to set the course early on to cover these needs in the long term. We therefore determined in 2011 and 2012 the skill sets that would be called for in the coming years based on the corporate and departmental strategies, and aligned our recruitment and further education programmes accordingly.

Also highly relevant for qualitative human resources planning are demographic effects on the structure of the workforce. Foreseeable, age-related retirements have therefore been systematically analysed, for example in the Development division and in the central areas of the Production division.

The attrition rate in 2012 is representative of the development of our workforce structure: At 3.87%, it rose slightly compared to 2011 due to a higher retirement rate. However, the actual attrition rate is still very low, as the measures taken and programmes introduced by BMW AG to position the company as an attractive employer continue to take effect (Figure 25).

The satisfaction of our employees is a key element of our corporate philosophy. We therefore supplement our employee satisfaction survey with regular additional surveys on topics such as health or customer orientation.

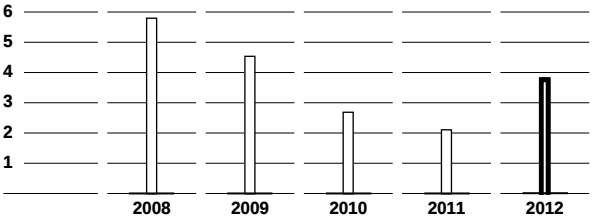
We have also initiated various programmes designed to increase employee satisfaction. For example, managers can obtain feedback from employees, colleagues and their own supervisor through a 360° process.

FEEDBACK AS A MANAGEMENT TOOL

Employee surveys and other feedback systems are key management tools. We use them not only to monitor the achievement of objectives in terms of excellent leadership, but also to measure the satisfaction of our employees and determine areas for improvement.

A Group-wide employee survey is conducted every two years. In 2011, 78,000 employees participated, which corresponds to 85% of the workforce. 82% of those surveyed were satisfied on the whole with the BMW Group. Very positive ratings were also given to “attractiveness as an employer” (84%), social benefits (79.6%) and job security (81%). The next Group-wide survey will take place in the summer of 2013. The results will be available online.

FIGURE 25 **EMPLOYEE ATTRITION RATE AT BMW AG[1]**
as a % of the workforce



2008	2009	2010	2011	2012
5.85[2]	4.59[2]	2.74	2.16	3.87

[1] Number of employees on unlimited employment contracts leaving the company.
[2] Increase due to voluntary termination agreements during the global financial crisis 2008/2009.

Participants in our young talent recruitment programmes are also surveyed regularly in order to evaluate their satisfaction with the BMW Group as their new employer and with the programme they were part of. In addition, we survey all students who did a period of practical training with BMW. These surveys enable us to obtain a realistic picture from the young talent target groups of how they perceive the BMW Group. We can then derive ideas for future measures.

Employees are free to address feedback or complaints at any time to the works council delegates or the young talent and trainee representatives at the respective company sites. Because we strive for continuous improvement, we analyse this feedback to determine whether there is a need to take action. Some employees have suggested, for example, that there is room for improvement in leadership (in particular role modelling, appreciation of employees as a success factor, motivation and employee development) and in corporate culture (promoting a culture of performance, dissent and innovation). They would also like to see a clearer definition of decision-making processes and interface ownership.

To promote employee satisfaction from the outset, new recruits participate in an "onboarding programme" with the aim of establishing loyalty to the company from their very first year. Later, we give them the opportunity to introduce their own topics and ideas for improvement in advance of the annual performance assessment process. This enables employees to take an active role in this process, further contributing to employee retention.

Using an online-assisted tool, managers can initiate a 360° process to obtain anonymous feedback from their employees, colleagues, interface partners and fellow managers. This gives our managers an opportunity to reflect on their own behaviour and to discuss it voluntarily in workshop formats. A similar tool is currently being rolled out at the company's international locations.

EMPLOYER AWARDS

Our attractiveness as an employer is reflected in a number of awards that we received in 2011 and 2012.

2011:

- Universum Graduate Survey: number 2 in engineering and business, number 10 in IT
- Universum Professional Survey Germany 2011: number one in business and engineering, number 3 in IT
- Trendence Graduate Barometer Germany 2011: number 2 in engineering and business, number 9 in IT

2012:

- Trendence Graduate Barometer Germany 2012: number 2 in business and engineering, number 10 in IT
- Universum Graduate Survey 2012: number 2 in business and engineering, number 10 in IT
- Trendence Graduate Barometer China 2012: number one in manufacturing
- Global Reputation Institute 2012: 1st place (across industries and worldwide)
- Trendence Europe's Top 500 Employers 2012: number 11 in business, number 5 in engineering
- Universum Global TOP 50 Survey: number 11 in business, number 4 in engineering (thus the top automotive company and top German company)
- Trendence Pupil Barometer Germany 2012: number 4 (thus the top automotive company)
- Absolventa Award for career-promoting trainee programmes: Awarded to companies that have designed fair and high-quality trainee programmes.
- Trendence Young Professional Barometer Germany 2012: 1st place in the categories business, engineering and IT Universum Professional Survey Germany 2012: 1st place in business and engineering, number 3 in IT
- The BMW Group rates 14th in Fortune Magazine's current World's Most Admired Company ranking. We are the only carmaker and the only European company among the top 15 of the 500 most admired companies in the world.

A STRONG EMPLOYER BRAND

We continued to develop and expand our "employer brand" in 2012. In order to capture the core of our "employer brand" even better, all processes for recruiting, developing and retaining employees are being put to the test in the Talent Management initiative. We also conduct internal employee surveys and culture analyses. The findings enable us to pursue even more targeted employer branding worldwide.

Within the scope of our cooperation with universities that help us to alert graduates to the BMW Group as a potential employer, we were able to take on some new partners, for example the Georgia Institute of Technology. We furthermore expanded our human resources marketing activities in relevant European countries, both online and on site.

The Facebook career page we launched in 2010 is today among the most visited career portals operated by companies in social networks. Using a dialogue approach, we provide visitors to the site with information, motivate them to submit a targeted application and assist them with the application process. An added benefit is the user feedback we

APPRENTICESHIP — 4,266 young people are currently undergoing vocational training at the BMW Group.

receive, which is useful both for the company and for human resources marketing. In 2012, 5,230 candidates indicated that a social media platform like Facebook prompted them to apply to BMW. We are currently working on a concept for standardised evaluation of our Facebook activities.

FAIR AND ABOVE-AVERAGE REMUNERATION

- **We reward** the above-average performance of our employees with above-average remuneration. Our remuneration is aligned with the upper third of the respective labour market worldwide. The BMW Group thus pays considerably above the local minimum wage.

- **In addition to a fixed salary,** our employees receive a variable share in the company's profits. Due to the positive business development in 2011, the employees took home a significantly greater profit share in 2012. This amount was equivalent in Germany to around 2.5 months' salary, the highest in the company's history.

- **Individual remuneration packages** are complemented by a standardised profit-based component for all of our employees. Calculated on the basis of dividends, Group profit after tax and Group return on sales after tax, this bonus tracks the profitable, sustainable growth of the company. With a consistent calculation method across all hierarchical levels right up to the Board of Management, our profit-sharing system is unique both in the automotive industry and in the DAX 30.

- **Our remuneration system is gender neutral.**

- **The compensation** received by temporary workers employed in our company is geared towards collective agreements applicable to our core employees.

Our remuneration system is gender neutral. To make sure that this is the case all over the world, all BMW Group companies were interviewed in the 2012 financial year to confirm that a gender-neutral compensation system is in place. There were no discernible differences between the base salaries of women and men for either tariff employees in administration, IT, development and production or for the non-tariff employees.

Based on a voluntary commitment by BMW AG, the compensation received by temporary workers employed by the company is oriented on the collective agreements applicable to our core employees, i.e. primarily the collective agreements in the metal and electrical industries and not the collective agreements in the temporary work sector. This ensures that compensation for core employees and temporary workers is largely the same.

EXTENSIVE SOCIAL BENEFITS

Apart from the fixed and variable salary components, the BMW Group also offers its employees a wide range of social benefits. In Germany, the BMW Group has long since established a number of proven models for company benefits. The employees at our international sites are similarly offered numerous social benefits geared toward supplementing the social services available in their country. In 2012, for example, a programme of benefits for our employees in China made far-reaching improvements in their accident and health insurance as well as insurance for surviving dependants. These are areas where the government offers only the bare minimum of coverage. A survivor's benefit as well as a savings plan with which employees can save for their retirement with the help of the company are also part of the programme.

JUST LIKE IN CHINA, OUR COMPANY PENSIONS CONTRIBUTE IN ALMOST ALL COUNTRIES TO OUR ATTRACTIVENESS AS AN EMPLOYER.

In the UK and the USA, for example, employees can opt for a higher than average company pension. Additional comprehensive health insurance is available to our employees in the USA. Those working at our subsidiary in India, where the health insurance network is still being developed, can benefit from our health insurance offer to obtain cover not just for themselves, but also for their families and a parent.

In South Africa, our "BMW Caring Together Project" supports healthcare for BMW Group employees and their families. So far, more than 5,300 employees, family members and neighbours have had health checks through the project – and have a much better chance of staying fit and healthy as a result.

By offering all of these benefits, the BMW Group assumes social responsibility for its employees. And the benefits also represent a competitive advantage in attracting the best employees.

A SECURE PENSION

In all major markets, the BMW Group offers attractive models for supporting the transition to retirement and ensuring that adequate provisions are made for the retirement years. Employees in Germany, for example, receive a company-funded pension and can set aside additional retirement provisions through a deferred compensation scheme. These systems also include survivors' benefits in case of death of the employee, as well as a benefit in case of a reduction in earning capacity.

In Germany, the BMW Group offers members of management (ca. 2% of the workforce) a defined-contribution pension commitment. This means that a monthly contribution is paid into a retirement account. At the beginning of retirement, the amount accrued on the retirement savings account is available to the retiree. All other employees in Germany (98% of the German workforce) are offered a commitment based on a benefit plan (fixed amount per year of service). In addition, employees can make voluntary pension contributions through a salary conversion scheme. Approximately 20% of employees participate in the voluntary, employee-funded pension models.

The BMW Group is directly responsible for paying out the pension entitlements acquired by employees. However, already existing obligations are deposited with separately managed capital and secured by an independent legal entity (BMW Trust e.V.). The amount of these obligations is determined annually using an actuarial method and taking into account trend assumptions. This amount corresponds to the present value of the entitlements acquired by employees.

As the assumed interest rate and return on investment are strongly dependent on external factors, the liquidity ratio of the pension obligations can fluctuate. At the end of 2012, pension obligations in Germany totalled euro 8 billion, while pension assets amounted to approximately euro 6 billion. In recent years, BMW has gradually externalised the pension obligations. In future, pension obligations incurred in the current fiscal year will be deposited as they arise with separated assets. Targeted asset-liability management will minimise any risks of a funding gap. Even with full externalisation of pension obligations, however, balance fluctuations cannot be ruled out, as the valuation regulations for financial reporting generally do not reflect the actual state of the capital market.

In principle, all benefits are also available to part-time and temporary employees. The full payment of some of the benefits, such as profit-sharing, is however tied to a minimum period of employment with the company.

FORECAST

In the next two financial years, we intend to make all our processes for recruiting, developing and retaining employees even more sustainable through the Talent Management initiative. At the heart of this programme is the strengths-based development of talent to sustainably preserve employability. In this context, the BMW Group intends to implement a target-group-oriented, structured retention management programme to reinforce employee loyalty to the company.

We are also working on a pilot project to introduce Total Reward Statements in China and the UK. These statements make the total remuneration package, including profit-sharing and benefits, more transparent for employees. The aim is to further enhance the appeal of the BMW Group and thus its competitiveness.

5.3

WWW : bmwgroup.com /svr530

Occupational health and safety

Integrated health management, working systems to suit an ageing workforce and a high degree of job security help us to support and promote our employees' health. We aim to ensure the highest possible level of employee performance throughout their working lives while at the same time fulfilling our social responsibility as an employer.

Occupational health and safety management systems based on the pillars of occupational safety and the promotion of health were introduced at BMW's German-speaking plants as far back as the mid-1990s. This system was further refined with the introduction of a complementary health management system.

Our integrated health management approach helps our employees to stay healthy. For the BMW Group, this is also of considerable strategic importance. We can only remain competitive at an international level if we ensure that our employees can perform to the highest level possible.

Demographics pose a particular challenge here, as the BMW Group workforce is also an ageing one. We have responded to this challenge, in particular on the production lines, by implementing our demographics programme Today for tomorrow. We are currently working to extend this programme to additional locations and corporate divisions.

OUR HEALTH MANAGEMENT 2020 PROGRAMME

Our Health Management 2020 programme takes an integrated, operational approach. We provide needs-based health-care measures to promote and maintain the best possible performance on the part of our employees throughout their working lives and to foster healthy lifestyles. Safe, ergonomic workplaces and accident prevention are among the factors that will help us to ensure our employees stay healthy. We also offer extensive prevention, rehabilitation and exercise programmes.

The main steering committee on health sets strategic objectives and decides the basic direction health management should take. The various measures are managed by strategic and work groups. The company agreements on presence management and integration management focus on promoting health and thus decreasing absenteeism within the company.

The health management cycle introduced in 2011 and 2012 continues to develop health programmes on an ongoing basis. It builds up knowledge, determines health conditions, derives and develops targeted measures and evaluates all activities. New measures are developed and existing ones modified based on the results of the evaluation.

In 2012, our various health promotion programmes met with rising demand.

HEALTH PROMOTION AS A MANAGEMENT TASK

How our managers behave influences the health of our employees as well as their satisfaction at work. Raising awareness for health-oriented management styles is therefore an integral part of the BMW Group's manager training courses and the further training of our employees. We further expanded these measures in 2012. As part of the BMW Group's health initiative, we developed additional five-day seminars that raise managers' awareness of the impact they have on the health of their employees. They are mandatory and were rolled out in mid-2012. A total of 153 managers already took part in these seminars in 2012.

The BMW Academy has also expanded its range of healthcare courses. For example, it now offers seminars for shift workers as well as on stress and time management and time-zone management for employees working abroad.

We received several awards for our health management programmes between 2010 and 2012.

- Dfg-Award 2010 in the category "Herausragendes Management/Gesundheitswesen" (outstanding management/healthcare) for the "Gesundheitslotsen" project of BMW BKK
- AARP International Innovative Employer Award 2011 for Best Practice in Age Management
- TRIGOS sustainability prize: First prize in the category "Arbeitsplatz" (workstation) for the BMW plant in Steyr
- Deutscher Unternehmenspreis Gesundheit 2012 in the category „Industrie" (industry)

REHABILITATION SUPPORT

The BMW Group supports employees who want to go to rehab after a long period of illness, both through its reintegration management programme and its "Netzwerk Reha".

In 2006, Netzwerk Reha set up a partnership between the health management programme of the BMW Group and the company's health insurer BMW Group BKK on the one hand and the German pension insurance as well as eight rehabilitation clinics on the other hand. Close dialogue takes place between the company and rehabilitation doctors during the rehabilitation process so that workplaces can be adjusted appropriately. This significantly increases the probability of successful reintegration. A partnership agreement was signed in 2011 to make Netzwerk Reha a long-term programme.

We also offer a range of training courses to promote our employees' health: for example, the in-company PROAKTIV Center, the preventive PROAKTIV exercise concept and special health programmes for managers. In 2012, we also made progress with our Associate Family Health Center at our Spartanburg plant in South Carolina, USA. The centre opened in January 2013. In the UK, we also offer our employees annual health check-ups. In 2012, as part of our Health Initiative, we introduced a number of measures to promote our employees' health.

TRAINING COURSES

- Every employee at our German locations is entitled to use our company-owned PROAKTIV Centres and join the low-cost fitness and health programmes as well as other training courses on offer at these facilities. Employees insured with the BMW BKK insurance company can become members at a considerable discount, the full costs of any health courses they visit are covered and they can do preventive or rehabilitative muscle training at a special reduced rate. In addition, we offer a variety of preventive healthcare programmes, ranging from precautionary checks for bowel cancer to foot care programmes.

- We offer our PROACTIV exercise concept at our German locations and in Steyr, Austria. PROACTIV has been designed to provide therapy and preventive care for muscle and skeletal diseases – always in close proximity to the workplace.

- At the BMW Group, healthcare is an integral part of further training for our employees and managers. We offer special seminars to raise awareness among managers of the links between how they behave as role models and the health of their staff.

HEALTH CHECKS – FOR THE WHOLE FAMILY

Our Associate Family Health Center at our Spartanburg plant in South Carolina now provides low-cost employee healthcare close to the workplace. Medical and primary healthcare services, a pharmacy, dental and eye care as well as a laboratory and x-ray department can all be found under one roof. The centre also offers physiotherapy. Its services are available both to employees of the BMW Group as well as direct family members and retired BMW staff. US dollar 5 million were invested in the centre. Over 60 medical experts and physicians are available, providing outstanding healthcare services to BMW employees.

HEALTH CHECKUPS FREE OF CHARGE

In the UK, we began to offer our employees annual health checkups at the various locations (Oxford, Swindon, Hams Hall, Bracknell, Hook und Goodwood) in 2011. Similar to Checkup35+ which is offered by the statutory health insurers in Germany, a physical check-up is administered and the patient's vital parameters monitored. Then a urine sample is taken and a blood test is carried out (cholesterol, blood sugar). Lung function is also examined. This screening process covers the four main disease groups in the UK (coronary heart failure, kidney disease, strokes and diabetes mellitus). The so-called "MINI Health Check" is free of charge for BMW employees. In 2012 again, around 800 employees went for the check-up.

HEALTH INITIATIVE

- The ProBike project allows employees in Munich to cycle from one meeting to the next. The bikes are provided free of charge and can be unlocked via mobile phone. ProBikes were used 40,000 times to get to and from business meetings in the space of eleven months. The distance covered is equal to travelling twice around the globe.

- Our "Treppe statt Aufzug" (stairs instead of elevators) campaign uses amusing slogans to encourage employees to climb the stairs instead of using the lift. The pilot project at the Research and Innovation Centre in Munich led to a 34% increase in stair use. As a result, the campaign was initiated at other locations.

- The ProHaut campaign for skin cancer prevention was implemented at all locations in 2012. Under the motto "protect the surface", employees can access all the information they need about skincare. This includes advice on how to protect your skin against the effects of the sun as well as on skincare in general, presentations by experts and a skin cancer prevention check-up by dermatologists.

- The "Wochen der Psychischen Gesundheit" (health weeks) took place at our sites in Munich, Leipzig and Berlin in October. Seminars and workshops on topics such as relaxation techniques and stress management were offered during these weeks. Information was also provided on physical health and addiction prevention. Employees also had the opportunity to have their own stress levels measured.

- To ensure our colleagues with migratory backgrounds also have access to healthcare and prevention campaigns, a pilot project for in-company intercultural healthcare management was launched in Munich. Voluntary health ambassadors serve as intercultural disseminators of information, motivators and contact partners for all healthcare topics. This successful pilot project has now been implemented at our plant in Berlin as well.

PROVIDING FOR AN AGEING WORKFORCE

With our Today for Tomorrow project, we are constantly adapting our production lines to suit our ageing workforce. We started by launching a pilot project at a segment of our production line in the Dingolfing plant to map the expected age structure in 2017. The average age at this segment is around 47; in the plant as a whole it is currently around 42. The production processes were adapted by introducing a number of ergonomic measures, employee rotation designed to balance out physical strain as well as age and health-related shift models. This culminated in the automotive industry's first component production system worldwide that is specially designed to meet the needs of older workers.

The result: An area with an older age structure can function just as efficiently as comparable areas with much younger employees – provided the workplace is designed along the lines of the Dingolfing pilot. The knowledge gained from this project is now to be implemented across other BMW Group sites. An international roll-out is also planned.

It has already been introduced across all technologies at all German speaking BMW Group locations. Since 2011 it has been functional in several hundred areas. Over 10,000 employees now benefit from "Today for Tomorrow".

An international roll-out is also planned. In 2012, we were able to gain some experience in transferring the project to locations outside Germany at our plant in Hams Hall (UK). Along the same lines of "Today for Tomorrow on the production line", we developed an additional concept we call "Today for Tomorrow in the office world". It was tested as a pilot project at the Munich and Steyr plants and the results will used to further develop the concept.

NEW OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES

In 2012, targeted health and safety programmes were developed at the plants to further reduce the number of accidents. Ongoing campaigns such as Give [AS] Five in Munich and 5TOP in Steyr have demonstrated the impact good management has on the incidence of accidents. At our Steyr location alone, the accident frequency rate was reduced from 15.1 to 5.5 and in Munich from 10.1 to 8.9 accidents per million hours worked.

At every plant in Germany, there are health and safety committees as well as a Health, Safety and Environment Committee which includes employer and employee representatives as well as a number of health and safety experts. A similar set-up exists in the UK.

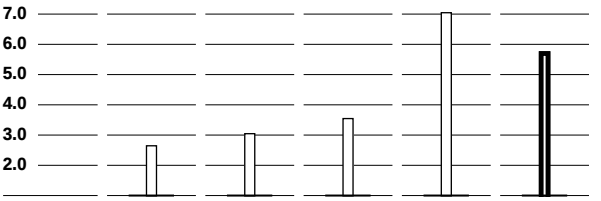
The BMW locations in Germany and the international plants are well equipped in terms of health and safety. At our Tiexi plant in China, for example, the highest ergonomic standards are applied on the production line, material is transported along very safe, reduced speed tracks and employees receive safety training throughout the year.

At present, OHRIS and OHSAS-certified occupational health and safety management systems are in place at 18 of our 29 production plants; the other facilities work with systems that meet national standards. OHSAS certification was introduced at the Thailand plant in 2012 and in the USA in February 2013. Further certification is planned for plants in Indonesia and Russia in 2013 and 2014 and for plants in UK in 2014 and 2015.

ACCIDENT PREVENTION

For the past seven years, BMW AG has not seen a single fatal accident. All accidents at BMW AG are captured and reported using the ISIS computer system. Accident frequency rates were redefined as of 1 January 2012. This system no longer bases its calculations on reportable occupational accidents causing more than three days of absence from work (in accordance with the German Social Code VII), but on all occupational accidents with absence from work. The accident frequency rate at BMW AG (not including dealerships) was 6.6 in 2012; the rate at the BMW Group was 5.8 accidents per million hours worked (Figure 26).

FIGURE 26 **ACCIDENT FREQUENCY AT BMW GROUP**
per one million hours worked



2008	2009	2010	2011	2012
2.7[1]	3.1[1]	3.6[1]	7.1[2]	5.8[3]

[1] Occupational accidents with more than three days of absence from work (calendar days) per one million hours worked.
[2] Occupational accidents with at least one day of absence from work per one million hours worked (data cover around 84% of BMW Group employees due to system constraints).
[3] Occupational accidents with at least one day of absence from work per one million hours worked (data cover around 86% of BMW Group employees due to system constraints).

We aim to reduce the accident frequency rate Group-wide to 5.0 per million hours worked by 2020, and to secure this level in the long run. To achieve this, measures are to be installed at each production plant in line with its respective health and safety culture.

For example, we have installed the Null Unfälle (zero accidents) initiative at the Munich plant: At regular manager meetings, risks are identified at an early stage and appropriate steps are taken. Every prevented accident means that we have healthy employees and thus healthy workers for the company.

SAFETY FIRST WITH FUTURE TECHNOLOGIES

As electric drive systems become firmly established in automotive production and maintenance, questions as to how to that crash standards are met and safety for series hybrid and electric vehicles is guaranteed. It will be implemented at all national and international locations where tests are carried out.

MINIMISING DANGER AT THE WORKPLACE

In 2010, we produced a safety tool for use in machine and system purchasing. This is now ready for use and is accompanied by documentation that meets legal requirements. Meanwhile, our worldwide assessments of the risks posed by hazardous substances and psychological stress are based on the ZEUS and ABATech systems. The latter forms the basis for any modifications to systems or machines on a local level. In addition, a new planning tool is helping our planners adhere to legal requirements in their work.

Employees and their family members who will be working abroad receive health check-ups and advice.

FORECAST

In the next two financial years, we will develop a safety standard for accident prevention on large-scale construction sites that will go far beyond what is required by law. Our Today for Tomorrow project will continue to be rolled out to adapt additional areas in the company to our ageing workforce. Our ergonomics training concepts are also being revised and will be included in the BMW training catalogue from mid-2013.

5.4

WWW : bmwgroup.com /svr540

Training and further education

In the face of new technological advances in the automotive industry as well as wide-ranging changes on the labour market, the education and further training of our employees is becoming more and more important. Our further training courses aim to cover our requirements in this area by promoting the individual strengths of our trainees, skilled workers and managers.

In the coming years, there will be a significant increase in the demand for well-trained and skilled workers. To meet this demand, we try to attract talent early and to offer them further education and training throughout their careers. We also offer a range of development, further education and training measures to establish life-long learning within the Group (Figure 27).

We want to enable our employees to make full use of their personal strengths. To do this, we make sure that jobs are filled by employees whose personal talents are in line with the specific requirements of the position. In addition, we offer suitable measures to support staff members who want to develop their skills. With the aid of an IT-based tool, we are also increasingly working with educational needs analyses that draw comparisons between operational skills requirements (planned) and existing skills (actual).

OUR FUTURE: YOUNG TALENT

To recruit and train young talent, we consistently invest in our many recruitment programmes as well as in the long-term development of future managers worldwide. Between 2011 and 2012, the number of people starting our practice-oriented Bachelor and Master programmes almost doubled in some cases. At the end of 2012, a total of around 220 young potentials were participating in the studies-based programmes (Bachelor, Master, German Diplom).

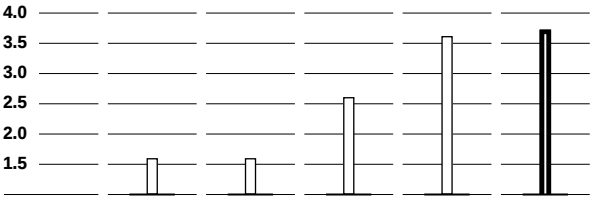
HR development modules that will have a long term impact were added to the PhD programme in 2012. For example, seminars on communication and creativity were introduced. A total of around 200 internal PhD candidates are carrying out research for BMW AG. A large number of PhD students working in cooperation with BMW at various universities are involved in BMW projects. Special additional training programmes for high-potential trainees round off our next-generation portfolio. In addition, our locations worldwide are investing in local next-generation programmes. In principle, we aim to keep our young talent within the BMW Group as far as possible.

The BMW Group has tailored its Group Graduate Programme to requirements in Germany, while the Management Associates Programme offers attractive next-generation programmes at the international locations. In addition to comprehensive technical and general training, participants become familiar with several BMW Group locations both in their own countries and abroad.

In Germany, our Drive onboarding programme for all new non-production employees (administration, IT, development) is a standardised twelve-month induction programme. From 2013 onwards, we will pilot this programme internationally.

A detailed evaluation system measures the effectiveness of our efforts to bind young talent to the company. At least once a year, participants in BMW's next-generation programmes are asked for their opinions. Some courses are also evaluated during the course of the year.

FIGUR 27 **AVERAGE DAYS OF FURTHER TRAINING PER BMW GROUP EMPLOYEE**[1] Quantity



2008	2009	2010	2011	2012
1.6	1.6	2.6	3.6	3.7

[1] Data retrieved by direct capture of the number of participants as well as a small share by qualified extrapolation. Due to a modification in the calculation method, the figures in this row are not directly comparable with those in the previous year's report.

In 2012, we had 1,376 apprentices worldwide, 1,200 of which were in Germany. We have 4,266 trainees worldwide, 3,608 of whom are in Germany. Our capital expenditure on education and further training amounted to €282 million. This figure is up 15% on 2011. On average, our employees participated in 3.7 days of further training in 2012. By comparison: In 2011, this figure was 3.6 days.

SELECTIVE EDUCATION AND FURTHER TRAINING

The BMW Group is a pioneer in selective education and further training. The company's vocational training programme for an additional qualification in specific electric work on hybrid vehicles won the Hermann-Schmitt award for innovative vocational training. The brand new TaLEnt training concept was introduced at all German locations at the beginning of the 2012 training year. TaLEnt stands for Talentorientiertes Lernen und Entwickeln (talent-oriented learning and development). TaLEnt focuses not only on good-quality academic training, but the personality of each individual is also taken into account. The new concept is flexible, as it offers broad basic training to all technical trainees, with subsequent needs-based specialisation. In certain cases, it is even possible to switch to another vocational course after completing their basic training. Seminars fostering young people's strengths promote an awareness among all trainees of what they are capable of, and enable the trainers to identify talents and strengths more effectively. This allows us to align personal capabilities very closely with the needs of the company.

We have also adapted our vocational education system to integrate company-relevant special qualifications such as the Hybrid tool. This goes above and beyond the specifications laid down in the German vocational training regulations. We also include the new technical requirements in further training, for instance by offering a 90-day additional qualification to become a "BMW Group technician for electric drives".

We are also setting up vocational training along the lines of the German dual system at various international locations. One example of this is the launch of a training workshop in Oxford. A range of attractive programmes for the next generation of German and international managers rounds off the programme.

We have had very good experience with vocational training based on the German dual system. To make sure the content of our vocational training is standardised internationally within the BMW Group, we have introduced dual vocational training concepts based on the German model at our locations in Spartanburg, South Carolina (USA) and Shenyang (China).

The BMW Group promotes specialisation for technicians and managers worldwide. To this end, we have a range of possibilities on offer for the next generation to make use of during their studies and careers. In addition to our German and international management trainee programme, we offer bachelor's and master's courses as well as a funding programme for Ph.D. students. BMW Group employees have the opportunity to gain state-of-the art expertise by taking part in funded study courses outside working hours.

INTERNATIONAL PROMOTION OF YOUNG TALENT

We plan to make our education and further training programmes for the next generation even more international in future. All of the BMW Group's next generation programmes therefore include either optional or mandatory periods abroad, in the form of a study semester or deployment to our international locations. In certain cases, we also support our Ph.D. researchers in their work abroad.

We have realigned our partnership with leading technical universities in order to attract young talent from other countries. The BMW Group is establishing strategic partnerships with a number of renowned institutions such as Technische Universität München, Karlsruhe Institute of Technology (KIT), University of St. Gallen, Georgia Institute of Technology, Clemson University in South Carolina and Massachusetts Institute of Technology. Additional partnerships with top international universities are planned for 2013.

TRAINING OUR MANAGERS

Our vision of corporate leadership is based on the three pillars Managing Business, Leading People and Leading Yourself. We communicate this philosophy to our managers early on in their careers. Our experienced managers also regularly participate in measures to further develop and reinforce our understanding of what leadership should be.

A Corporate Leadership programme has been in place since 2010. In various settings, new and experienced leaders at all levels regularly discuss leadership topics. In 2011 and 2012, we extended the programme to include current corporate strategy requirements as well as HR development. Today, we also offer the high-potential programmes Ready GO and Ready for Leading Leaders, which prepare managers for their first position as general head of department or head of department. The Health and Leadership Programme raises awareness among managers of measures and strategies to secure long-term performance. We launched the optional programme Leading from a Distance for managers who are responsible for employees at different locations.

We aim to continuously improve our vision of Corporate Leadership and to firmly establish it among our managers. We will achieve this by fostering continuous dialogue between BMW Group managers. For this purpose, we set up a dialogue platform called Treffpunkt Führung (platform for leaders) in Germany 2010. It went international in 2011 as the Leadership Platform. Here, groups of managers discuss the demands placed on them and their vision of leadership, and derive measures for day-to-day management. In addition, we encourage our employees at all functional levels to enter into dialogue with their line managers.

Deployment to other locations enables our employees to become familiar with other cultures and ways of working. In addition, it is very important to us to raise our employees' awareness of sustainability and human rights.

INTERNATIONAL EXCHANGE

We promote exchange between employees from our different locations. This results in a more international workforce and makes us a more attractive employer.

During their careers at the BMW Group, many skilled workers are deployed abroad. In the past 10 years, over 2,700 employees were deployed internationally for longer periods of time. A large number of employees were also deployed abroad for shorter periods.

In 2012, the number of deployments to a third international location increased considerably. In addition, employees at the different locations work together every day on their various networks. This is particularly true of processes such as IT and finance, which are in place across locations. New locations, e.g. a new BMW plant in Brazil, also contribute to the international character of our company

TRAINING COURSES ON SUSTAINABILITY AND HUMAN RIGHTS

The BMW Group strives for sustainability in its business, environmental and social activities. To raise employee awareness of these topics at an early stage, new employees attend a one-hour lecture at an introductory event on sustainability at BMW. 2,500 employees participated in these events in 2012. In their first week with the company, our trainees at the Munich location take part in a half-day course on sustainability. At some locations, sustainability is integrated into practical workshops in the second and third year of vocational training.

Our Campus and Academy programmes offer managers training in sustainability and environmental management. Sustainability is also addressed in the "Managing Business" module, a mandatory one-day course for all heads of departments and team leaders. Sustainability is also addressed in the high-potential programmes for top managers as part of their leadership training.

Not only our managers and trainees but also employees from all divisions, dealers and suppliers should recognise the importance of sustainability. With this in mind, we have developed an interactive web-based training (WBT), which will be rolled out in 2013. The focus is on making sustainable environmental, business and social decisions to ensure we have room for manoeuvre and remain autonomous in the long run. We also aim to act sustainably when it comes to making the company fit for the future.

After joining the company, all employees take part in an introductory course on the topic of human rights. Comprehensive information as well as course materials are available on the employee portal. In 2012, all employees of the BMW Group at all hierarchical levels attended informative events on the position of the BMW Group and current developments in human rights. This topic was also addressed in management seminars.

In 2012, BMW carried out a number of other training measures. These include:

- Comprehensive courses on operating the new SAP SRM purchasing system.
- A catalogue of measures on the topic of carbon fibre reinforced plastic (CFRP): To implement this technology on the production line, it is necessary to train employees comprehensively and in good time. The training academy offers around 20 different seminars on this topic.
- Health training: At BMW, we not only focus on technology, but also on our employees. For this reason, a number of health training courses were introduced for development and production-line employees.
- The "Corporate Summer School" took place in 2012 for the first time, with participants from 15 countries. Participants had the opportunity to interact in an international environment and to become more familiar with processes, process partners and procedures at headquarters. The Corporate Summer School was a resounding success and will take place again in 2013.
- Training courses on internationalisation: Here, the main focus is on intercultural competence, language competence and acting internationally.

FORECAST

We plan to gradually roll out our established next-generation programmes at international level in 2013. We also intend to launch an international pilot project for the Drive onboarding programme no later than 2013.

5.5

WWW : bmwgroup.com /**svr550**

Diversity

We attract a truly global workforce made up of talented individuals, all of whom are given the opportunity to earn appreciation, respect and opportunities. We have established specific objectives to make our workforce even more diverse. We believe that this further enhances our competitiveness.

Today's society is characterised by diversity and demographic changes. Globalisation and shifting values are resulting in major shifts in population structure and lifestyle choices. In this situation, a multi-cultural workforce, an appropriate gender balance and a good mix of ages are essential.

To further promote diversity among our workforce, the Board of Management passed a targeted diversity concept in November 2010. This defined three dimensions of diversity that apply across the company, with due consideration for local conditions:

- Cultural background
- Age/experience
- Gender

We signed the Diversity Charter in 2011. This initiative is intended to promote the recognition, appreciation and inclusion of diversity as part of the corporate culture in Germany. The organisations who have committed to the Charter aim to create a working environment that is free from prejudice. We also joined the association Charta der Vielfalt e.V. (Diversity Charter) in 2012.

INNOVATION THROUGH DIVERSITY

As a company that is currently involved in over 150 countries, we see diversity among our workforce as an opportunity. In Munich alone, we currently have employees from over 90 countries working together successfully. The systematic use of different but complementary talents enhances the company's performance and innovative strength. The diversity of our employees helps us to understand the specific needs of our customers worldwide, enabling us to provide the best-possible service for our existing markets and to tap into new ones.

At all of our locations, we seek to prevent discrimination on the grounds of gender, origin, age, disability, religion or sexual orientation. Our employees can report any incident of suspected discrimination at any time. Our SpeakUP Line offers a central reporting system to which all employees worldwide are able to log complaints and comments anonymously. Employees can also speak to their own managers, the HR department, the Works Council or the diversity office. No incidents of discrimination were logged during the reporting period.

INTERCULTURAL — Diversity at the BMW Group.

In 2011, we also set up a hotline for questions and complaints regarding human rights. Here, too, no human rights violations were ascertained during the reporting period. If such cases are reported, they are handled by an ad-hoc team comprising representatives from HR, the Works Council, Corporate Communications and our Sustainability team.

Diversity is a fundamental element in our HR strategy. Changes, including defined indicators, are regularly reported to the Board of Management and the Supervisory Board of the BMW Group.

INCREASING THE SHARE OF WOMEN

In 2011, the Board of Management and the Supervisory Board approved target ranges for increasing the share of women in our workforce. Our vision is for women to make up 15% to 17% of our workforce by 2020, both in the general workforce and in management positions within the BMW Group, in Germany and worldwide.

In 2012, the total share of female employees in the BMW Group workforce reached 17.3% (BMW AG: 14.2%). The number of female managers increased from 11.8% in 2011 to 12.9% in 2012 (BMW AG: from 9.1% in 2011 to 10.0% in 2012). 20% of our Supervisory Board members are currently women (previous year: 15%). In July 2012,

one woman joined the BMW Board of Management (12.5%). These positive changes show that our measures are having an effect (Figures 28 and 29).

FIGURE 29 **SHARE OF WOMEN IN MANAGEMENT POSITIONS AT BMW8 BDv.25100 1/ActualText<FBWPGU**

	2010	2011	**2012**
Supervisory Board	15.0	15.0	**20.0**
Board of Management	0.0	0.0	**12.5**
Non-tariff employees			
BMW AG	8.8	9.1	**10.0**
BMW Group	11.1	11.8	**12.9**

[1] Figures are only available from 2010 onwards for the share of women in management positions (non-tariff employees) of the BMW Group worldwide.

PROMOTING FEMALE EMPLOYEES AND MANAGERS

The BMW Group's diversity concept aims to bring the share of women in management positions into line with the overall employee structure. This will also mean that we are complying with the recommendations of the German Corporate Governance Code. In 2011, together with the other DAX-listed 30 companies, we made a commitment to increase the share of females in management positions. On 28 June 2012, the second status report was submitted to the Federal Minister for Family Affairs, Senior Citizens, Women and Young People.

Both male and female employees in Germany, Japan, Malaysia and South Korea participate in a 100-day business coaching programme to acquire the skills they need to move up in the organisation as managers. In 2012 a total of 189 people worldwide took part in this programme, 56% of whom were women. The programme is being extended to the US and China in 2013.

Female employees have also initiated a network called "Female Managers in Dialogue". This network now has 90 members. In 2009, a complementary network was set up for other female staff on collective agreements and in 2012 a third network was established for part-time employees of both sexes. We are also involved in the "Cross-Mentoring" programme in Munich. The purpose of cross-mentoring is to encourage young female managers by providing individual support from a mentor of either sex. Mentees are accompanied for a year by a mentor from another company. Over 30 women have participated in this programme since 2002.

To attract more female employees in the long term, we are encouraging an interest in the technical professions among girls who are still at school. One example is the BMW Junior Campus, which 17,100 girls and boys aged 7 to 13 (2nd to 7th grade) attended in Munich in 2012, and a further 8,126 in Berlin. At the annual Mädchen für Technik Camp (Girls for Technology Camp), girls are given a two-week practical insight into the technical professions as part of the BMW vocational training programme in Munich, with lots of fun activities and a camping atmosphere. There were 20 participants in 2012. Many BMW locations in Germany are also involved in our annual Girls' Day, with over 400 participants in 2012.

We place a special emphasis on women in both our academic young talent programmes and our vocational training programmes. The proportion of women in the BMW Group's trainee programmes grew to over 30% during the reporting period (Group Graduate programme: 35.9%, Management Associates programme: 40.0%). This creates the basis for a more feminine, culturally sensitive and well networked leadership in the future.

TRAINING FOR TOP FEMALE MANAGERS

We offer our female managers training programmes such as "BMW Women – High Ambition, High Impact". The goal is to identify success factors in a management environment that has tended to be male-dominated and to enable participants to become more aware of their own strengths. During the reporting period, 75% of female senior managers took part. This training programme is offered on an ongoing basis.

The one-day "BMW Group Inside" event also took place for the first time in 2012. This gave graduates and young professionals an insight into technical working areas within BMW. Female managers in technical professions also reported on their day-to-day professional routines, their career paths and how they combine their professional and private lives.

ENHANCING CULTURAL DIVERSITY

In 2012, we defined strategic goals to promote cultural diversity within the BMW Group worldwide. The appropriate measures are being implemented as part of our Cultural Background concept. In the long term, we want to recruit more

new employees in our growth markets and thus increase the cultural diversity of the BMW Group workforce. Among our top management worldwide, we plan to increase the share of non-German senior managers in the long term, or engage more senior managers with experience of working abroad. In Germany, we intend to increase staff exchanges with companies abroad and recruit more employees from other countries.

The diversity of our employees leads to a very special kind of creativity.

IDEAS MANAGEMENT

For over 70 years, our Ideas Management system has enabled employees to have a direct influence on the development of the company. Every year, over 10,000 employees in Germany alone contribute to BMW AG's Ideas Management. Since 1999, this has led to some euro 2 billion worth of savings in Germany as well as countless other improvements. In 2012, suggested improvements in Germany and our international plant locations combined led to savings of around €37 million.

Our employees offer suggestions from a wide range of areas, e.g. the environment, quality and occupational health and safety. Some suggestions have resulted in real savings. For instance, improving the filling levels of Skeleton containers brought about a noticeable reduction in transport volume.

We are constantly working to improve our Ideas Management. The result is the CRE8 programme, comprising a user-friendly IT system, simplified and transparent processes and attractive prizes of up to euro 120,000. Ideas Management replaces our previous imotion programme, and combines creativity and a total of eight decades of ideas management.

An "ideas process expert" supports managers in processing complex ideas, thus speeding up the entire process. Ideas Management will be introduced at an international level in 2013, and will also be available at home via the HomeNetwork online access system for employees who do not have a PC workstation. The aim is clear: worldwide implementation will get as many employees as possible involved and generate a large number of ideas. The emphasis is on improving the transfer of knowledge as well as generating a large number of high-quality, feasible ideas. This should result in synergy effects and multiple use of the ideas, while avoiding unnecessary duplication of work.

DIVERSITY CHARTER

After we signed the Diversity Charter in 2011, we also joined the Charta der Vielfalt e.V. (Diversity Charter) association in 2012. This enables us to finance numerous projects throughout Germany that encourage increased diversity and tolerance. One example is the project Jugend denkt Vielfalt in NRW (Young people think "diversity" in North Rhine-Westphalia). Here, innovation games and youth forums are used to encourage dialogue with young people on the subject of diversity and show them what diversity means for the economy.

BALANCED AGE STRUCTURES

At our newest plant in Leipzig, Germany, we deliberately recruited employees from a range of age groups from the outset. A varied age structure can lead to higher-quality team results, and a lively exchange between the generations makes it easier to deal with our ever-changing world. In Leipzig, the varied age structure and outstanding skills base create the ideal conditions for starting production of the innovative BMW i3 and BMW i8 models in 2013. In recognition of the balanced age structure at the Leipzig plant, the German association Initiative 50Plus awarded BMW AG the Preis für Generationenverantwortung (Prize for Generational Responsibility). We will also take care to establish a balanced age structure as we set up future locations within the BMW Group (e.g. at the planned facility in Brazil).

The BMW Group also supports diversity beyond the borders of the company itself. For instance, at a Matchmaker Conference, companies owned by women and by members of minority groups are given the opportunity to introduce themselves to the BMW Group and our suppliers as potential business partners.

We also promote diversity in the narrower context of the company, particularly among our suppliers. This is why we organised a Supplier Diversity event in Spartanburg, South Carolina (USA) in 2012. At this Matchmaker Conference, over 400 "Women and Minority-Owned Companies" had the opportunity to present their products and services to 50 BMW Spartanburg suppliers.

By the third quarter of 2012, direct revenues at the BMW plant in Spartanburg from companies owned by women and members of minority groups had almost tripled compared to the previous year, amounting to just under US dollar 200 million. At the same time, indirect revenues from these companies (via our suppliers) more than quadrupled, amounting to over US dollar 492 million by the third quarter of 2012.

FORECAST

Diversity is a standard feature in many areas of the BMW Group. Nevertheless, we are working hard to further expand cultural diversity within our company. In particular, we want to engage more locally recruited managers in our companies abroad, step up exchanges between headquarters and the decentralised locations, and attract more employees from abroad to take up positions in Germany.

5.6

WWW : bmwgroup.com /**svr560**

Work-life balance

We support our employees in finding the right work-life balance. We offer a wide range of tools to make their working hours and workplaces more flexible and that help them with childcare and other dependants who require care.

In today's world, working and private lives are becoming increasingly interlinked. Ideally, the two should complement each other, but in reality they sometimes do the opposite. The BMW Group would like to help its employees to achieve a harmonious work-life balance. However, this is a challenging task. As society becomes more individualised, the range of different lifestyles also increases. This means that not every tool is right for every employee. Added to this is the fact that the BMW Group is becoming more and more international. This leads to more international activities, including work across different time zones, which can be difficult to reconcile with your personal life. Needs and requirements can also differ quite significantly from country to country.

Because we know that not every tool will work for every employee, we have developed a range of options that our employees can choose from. Each BMW Group location develops individual measures with a view to country-specific conditions.

FLEXIBLE WORKING TIMES AND WORKING TIME TOOLS

When it comes to ensuring the competitiveness of the BMW Group, flexible working times that can be adjusted to suit demand for our products and tailored to meet changing economic conditions are essential. But variable working time tools and individual working time accounts also offer our employees' greater leeway. The option of working without being tied to a specific location also helps to ensure a positive work-life balance. Over 27,000 employees within the BMW Group can benefit from the option of teleworking.

"BMW STROLCHE" — Childcare facilities at the BMW Group.

Our Fulltime Select working time tool allows employees in Germany and Austria to take 20 additional days of leave each year with corresponding adjustments to their salaries without any complicated red tape. Meanwhile, BMW Group employees in Germany, Austria, the USA and the UK can also take sabbaticals of up to six months (in the UK, this initiative is open to our managers). In the UK, up to 40 weeks' parental leave can be taken on full pay, well in excess of the basic statutory allowance. We have further extended our partial retirement programme in Germany, and employees at many of our overseas facilities can take early partial or full retirement based on their personal early-retirement models. Our employees are making increasing use of the alternative working forms offered: the number of employees doing telework and taking advantage of sabbaticals and parental leave has increased further since 2011 (Figure 30).

In 2012, we also introduced BMW Family Care Time. If employees provide proof that they are caring for a close relative, they may reduce their working hours for the length of time that care needs to be provided. For up to a maximum of two years, this will not affect employees' entitlement to the work's pension scheme.

The BMW Group is currently developing a policy for working hours that formulates how we see ourselves and our efforts in this area. This provides the individual locations with a guideline and guarantees a standard of quality for BMW working time tools and models.

CARE SERVICES FOR CHILDREN AND DEPENDANTS

The BMW Group supports its employees with a series of accompanying measures to enhance their work-life balance. In Munich, we have been working since 1992 with a business partner that, with funding from the BMW Group, offers advice and consultation services on all questions of childcare. In 2010, this was extended to include "Home and Elder Care" for dependants who are ill or otherwise require care. In early 2012, the entire programme was extended to cover all of our locations in Germany, including our subsidiaries.

A similar service is offered by the Bavarian Employers' Association for the metal and electrical industries. Since late-2010, this has been providing free support for the care of children and dependants, and we are making this available to our own employees within the Association's catchment area.

We have also established childcare services at many of our locations both in Germany and abroad. In Munich, Dingolfing and Regensburg, childcare facilities are available to parents with small children. These day-care facilities are supported by the BMW Group and can accommodate up to 150 children. In Leipzig, a facility near the plant has offered childcare for 30 children of BMW Group employees since 2012, and a similar service is available in Berlin. In Munich, too, we have made places available at a private childcare service in addition to the facilities near the plant.

In September 2013, BMW Group will also open its own childcare facility with places for 220 children aged between three months and six years. In Regensburg, the number of places available has been increased to almost 50. These various measures have doubled the total number of places in childcare facilities at BMW locations in Germany to over 440. At BMW Group facilities around the world, childcare services meet local and regional requirements.

In 2012, we also began a pilot project involving splitting full-time jobs into two part-time positions.

In 2012, as part of a pilot project in the Development division, a number of full-time positions were split and expressly advertised outside the company as part-time positions. Despite the stringent requirements in this area, the offer met with strong interest from candidates. Of the total, 75% of the positions were filled by women.

GREATER COMMUNICATION AND INTEGRATION WITHIN THE COMPANY

In 2012, we intensified our efforts to communicate existing offers within the BMW Group, as our employees can only take advantage of the offers that they know about. Particular effort has been made to communicate such offers at management level, so that managers can encourage employees to take advantage of them. Thus, for instance, all managers were directly informed about the introduction of BMW's Family Care Time via the Management Communications Network and were asked to communicate the details to their staff.

FORECAST

During the next two financial years, we intend to set strategic objectives for maintaining work-life balance, and we will further refine measures that are already in place. We also want to establish this topic more firmly within the company's culture, to promote the perception of the various offers that are available. In addition, we are currently developing a uniform, internationally applicable working hours policy.

FIGURE 30 ALTERNATIVE WORK FORMS AT BMW AG[1]

	2008	2009	2010	2011	**2012**
Part-time employees	2,794	3,133	3,709	3,825	**3,948**
in % of total number of employees	3.9	4.5	5.3	6.0	**5.8**
Teleworking positions	7,702	7,636	9,209	11,717	**15,235**
in % of total number of employees	10.8	10.9	13.2	16.4	**22.5**
Sabbaticals	1,366	704	498	450	**514**
in % of total number of employees	1.9	1.0	0.7	0.6	**0.8**
Parental leave	1,062	1,313	1,600	1,513	**1,674**
in % of total number of employees	1.5	1.9	2.3	2.1	**2.5**

[1] Figures refer to employees with permanent and part-time contracts.

CH.06

POOLING OUR RESOURCES

CORPORATE CITIZIENSHIP

6.1 _ **OUR MANAGEMENT APPROACH,** Page 107
6.2 _ **CORPORATE CITIZENSHIP,** Page 109
6.3 _ **CULTURAL ENGAGEMENT,** Page 113
6.4 _ **FOUNDATIONS,** Page 116

WWW : bmwgroup.com /**svr600**

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WWW : bmwgroup.com/sustainability

— 01

— 02

— 03

— 08

AWARDEE 2012: CHINTAN – ENVIRONMENTAL RESEARCH AND ACTION GROUP

BHARATI CHATURVEDI, DIRECTOR CHINTAN

CORPORATE CITIZENSHIP, INDIA

"With Chintan, I struggle every day for more social justice in India. It's not a job, it's a vocation. We can't work any miracles. But New Delhi is developing so fast. Everyone is needed. That's what motivates the waste collectors here. They work all day up to their hips in rubbish which they then sell to recycling stations. With their earnings, they pay the extortionate rents for their huts in the slums as well as their children's school fees. They have a real chance of their children or grandchildren making it into the middle class. That motivates me, too, every day."

WASTE SEPARATION

150,000

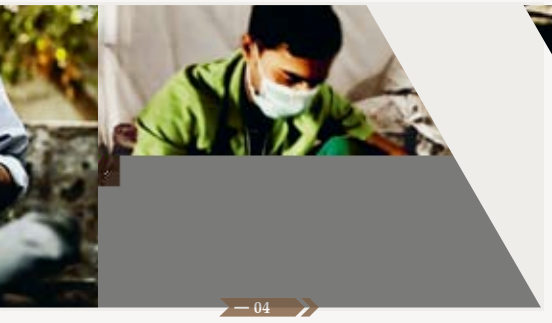
RUBBISH COLLECTORS SEPARATE ALMOST 60% OF THE RUBBISH IN NEW DELHI

<< NEW DELHI, INDIA

OUR INVESTMENT

€31,978,858

TOTAL EXPENDITURE ON CORPORATE CITIZENSHIP ACTIVITIES IN 2012



Intercultural communication and social integration

THE RESULTS

ENVIRONMENT

8,000 t of rubbish

ARE GENERATED IN NEW DELHI EACH DAY

THE PROJECT

The Chintan environmental project, which supports the inte-

CHAPTER 06

CORPORATE CITIZENSHIP

WWW : bmwgroup.com /**svr600**

2012

PROGRESS

- **Strategy revised:** Alignment of Corporate Citizenship Strategy to our core competencies – future focus areas: intercultural innovation, social inclusion and resource efficiency.
- **Commitment globalised:** In 2012, we further internationalised our Intercultural Innovation Award and received over 500 applications from 92 countries.
- **Junior Campus internationalised:** We stepped up internationalisation of our Junior Campus, opening the first Junior Campus in South Korea.

INDICATORS

€9.6 million

EXPENDITURE ON DONATIONS BY THE BMW GROUP IN 2012

€32 million

EXPENDITURE ON CORPORATE CITIZENSHIP BY THE BMW GROUP IN 2012

2013+

FORECAST AND OBJECTIVES

- **Continue to develop focus areas:** We will concentrate on further developing our focus areas intercultural innovation, social inclusion and resource efficiency.
- **Expand cultural activities:** From 2013 onwards, the BMW Group will be sponsoring the art film festival Kino der Kunst in Munich and the art fair Paris Photo Los Angeles. The BMW Tate Live cooperation in London will add in-gallery performances and creative workshops to its programme.
- **Intensify collaboration:** In the future, we intend to further intensify our collaboration with the BMW Foundation Herbert Quandt and BMW AG's Eberhard von Kuenheim Foundation.

6.1

WWW : bmwgroup.com /**svr610**

Our management approach

Corporate Citizenship forms an integral part of the BMW Group's vision of itself as a business enterprise. We place the focus of our Corporate Citizenship activities on those areas in which we can apply our core expertise to achieve specific and measureable improvements.

Our aim is to help in areas in which we can utilise our expertise. Because we believe that this is where we can be most effective. In 2012, we continued to hone our profile in this respect. Whereas in the past we focused on education, intercultural understanding, road safety, health, community relations and cultural issues, we will be concentrating on two main areas in the future: efficient use of resources and intercultural innovation and social inclusion. In October 2012, we decided to adapt our strategy accordingly.

Due to economic growth and a rising global population, today's society faces the challenges posed by scarce resources. We believe that we can play a part in overcoming this challenge. The BMW Group has a wealth of engineering expertise and knows how to turn innovations into market reality. We can also offer our experience in recycling and sustainable raw material extraction.

Preventing intercultural conflict and social instability is another global challenge. As a company that is active in over 140 countries, intercultural understanding is an integral part of our day-to-day work. Many of the markets we serve are characterised by high levels of inequality. We know what is really happening in these regions. This is why we believe we can contribute towards more intercultural understanding and social inclusion.

We aim to be a good corporate citizen by focusing our Corporate Citizenship activities on these two areas. We also believe that our Corporate Citizenship activities will enable us to gain new expertise which, in turn, will be of benefit to our core business.

Our commitment in this area is based on the principle of "helping people help themselves". Our solutions are internationally transferable and will have tangible long-term effects. In addition to our two global themes, we will continue to carry out Corporate Citizenship activities in the neighbourhoods around our locations in order to make a contribution towards community development at a local level.

The job of managing our social responsibility activities lies with central Corporate Communications in close cooperation with the people responsible for sustainability strategy. Local initiatives are taken care of by local production and sales organisations, although the focus of these is agreed upon with Group headquarters. We are also active in corporate networks, such as UPJ (the German national network of engaged businesses and non-profit intermediary organisations) and WIE (Wirtschaft. Initiative. Engagement - Business. Initiative. Commitment), where we are committed to promoting cross-sector collaborations. Since 2010, we have been measuring the results of our CSR activities using the so-called iooi method, which was developed in cooperation with other DAX-listed corporations in a working group established by the Bertelsmann Foundation.

CSR ACTIVITIES AT A LOCAL LEVEL

The BMW Group has 29 manufacturing and assembly plants in 14 countries. Our sales network is made up of 42 National Sales Companies. Wherever we are represented in the world, we are committed to social responsibility. While our local activities generally follow strategic guidelines, we also provide immediate assistance when major disasters occur. In 2011, for example, we donated euro 1 million to the victims of the earthquake in Japan via the Japanese Red Cross and "Save the Children".

Our disaster relief activities have sometimes evolved into longer-term commitments as well. One example of this is the BMW Warm Heart Fund, which was established by the BMW China and Brilliance Automotive joint venture partners in 2008 to provide aid and support development in the Sichuan province where 80,000 people died and around 400,000 were injured in an earthquake.

With start-up capital of euro 930,000 provided by the BMW Group, the BMW Warm Heart Fund in China went on to collect donations totalling RMB 78.6 million in June 2012. This money goes towards funding education, culture, environmental protection and social programmes. For instance, the BMW Joy Home childcare programme was set up in 2011 to help children from economically disadvantaged regions to develop their potential. Each Joy Home has 10,000 books as well as computers and sports equipment. By the end of 2012, Joy Homes had been established at 52 Chinese schools. Over 50,000 children have taken part in the programme.

Another example of our activities at local level is South Africa, where we have had a production facility in Rosslyn since 1975. Almost one in five people there have HIV/AIDS. To combat this, the BMW Group introduced a HIV/AIDS pro-

gramme to test employees and their families at their workplace and provide them with medical care.

We also support a community centre that combats AIDS in Soshanguve (not far from the Rosslyn plant). The number of patients treated there has increased from 5,000 to 7,500 per month since 2011. We founded the BMW Y-Center in Knysna in collaboration with the LoveLife organisation. The centre offers education and sports programmes as well as advice on AIDS prevention all under one roof. Up to 6,000 young people come to the centre each month.

Each year, a significant amount of money is raised by the Vienna Life Ball for the fight against HIV/AIDS. As one of the largest charity events in Europe, the Vienna Life Ball is working to beat this pandemic. Every year since 2000, the BMW Group has donated a special MINI to the event, created by a renowned designer. It is auctioned for charity after the ball is over. To date, the auctioning of these one-off MINIs has raised over euro 500,000 for the fight against HIV/AIDS.

The BMW Family Day was a great success in 2012, with around 75,000 visitors and an infotainment and entertainment programme at all locations in Munich: Over 4,000 employees helped organise the event, and they all worked for free. The euro 250,000 they would have normally earned for the hours worked went to five non-profit organisations: Diakonie Hasenbergl und Moosach, Arche Moosach-Allach e.V., Förderverein Kindernotarzt e.V., Klinik Clowns e.V. as well as Björn-Schulz Stiftung.

Since August 2012, the emergency vehicle that the BMW Group donated to the Munich children's emergency services has been on the road 24/7. The BMW X3 xDrive 20d was specially equipped for medical emergencies and has done 2,800 trips so far. In around 25% of these cases, on-call paediatricians arrive at the scene before the ambulances or fire brigade, and can provide essential first aid support.

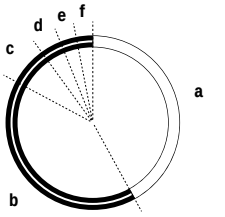
REWARDING EMPLOYEE COMMITMENT

In 2011, the BMW Group award for employee social responsibility went nationwide in Germany for the first time. In 2012, it went global and employees worldwide could apply. This award is the company's way of thanking those employees who do voluntary work. A total of 131 projects from 14 countries went up for the award. The Doppelfeld-Stiftung also awarded a special prize in 2012 again. This award was set up explicitly for young employees. At a ceremony in the BMW museum, two projects from Panama and South Africa and one from Germany were presented with the award, receiving a financial donation of euro 15,000 in total to support their future work. The special prize of euro 5,000 went to a French employee.

In 2012, we spent a total of €31,978,858 on our Corporate Citizenship activities. €9,637,598 of this took the form of donations. Figures 31 and 32 show how these funds were allocated to our various areas of focus.

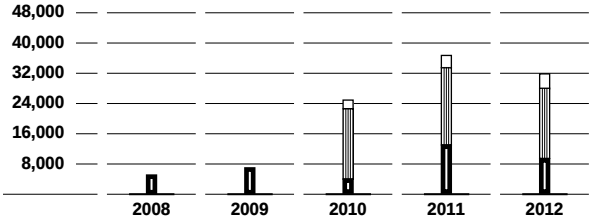
FIGURE 31 BMW GROUP DONATIONS WORLDWIDE IN 2012
in %, Total sum: €9,637,598[1]

a – Science/Education	42
b – Society/Community	41
c – Culture	7
d – Politics	4
e – Environment/Sustainability	3
f – Sport	3



[1] The sum indicated here does not include either cause-related marketing or sponsorship and does not contain the projects and activities carried out in the context of the company's social and cultural commitment.

FIGURE 32 AMOUNT OF EXPENDITURE ON SOCIAL COMMITMENT, BY TYPE OF ACTIVITY OR DONATION in € thousand



	2008	2009	2010	2011	2012
Total	5,707	7,619	26,591	36,846	31,979

Donations/contributions in kind; Community investment; Commercial activities (sponsoring, cause-related marketing)

Total expenditure for Corporate Citizenship activities decreased compared to the 2011 financial year. The main reason for this was special event-related and one-off project funding in 2011, which was not repeated in 2012.

FORECAST

In 2012, we decided to focus on the two areas intercultural understanding and social inclusion as well as efficient use of resources. In 2013, we will add further detail to the content and structure of these two areas. The aim is to integrate the BMW Group's core competencies even more comprehensively into our Corporate Citizenship activities. In the coming financial year, we will also define goals to work towards in this respect.

We see ourselves as a corporate citizen and aim to play a role in overcoming the challenges presented by society. Intercultural understanding and responsible use of global resources are two essential ingredients in a joint approach towards resolving the issues that arise between cultures.

We are familiar with the conditions of the countries in which we work. We intend to put this expertise to good use in our Corporate Citizenship activities. Long-term educational projects are a suitable tool to pursue and achieve these goals. After all, education leads to more mutual understanding and social inclusion.

The BMW Group itself also benefits from its Corporate Citizenship activities. If we contribute towards reducing inequality we will gain an even better understanding of local social structures. Better intercultural understanding also enables us to address new target groups and to take a novel approach to finding solutions. Our Corporate Citizenship activities make an essential contribution towards remaining a successful global player.

INTERCULTURAL INNOVATION

As a global corporation with a multi-national workforce, the BMW Group has been working for many years now to promote understanding between nations, religions and ethnic groups. Between 1997 and 2010, the BMW Group Award for Intercultural Learning went to a large number of innovative projects and individuals worldwide who support sustainable, open relations in the international community.

In 2011, the Intercultural Innovation Award, a partnership between the BMW Group and the United Nations Alliance of Civilizations (UNAOC), was established. The award is presented to exceptionally innovative projects that promote dialogue and understanding between different cultures worldwide, thus making an essential contribution towards safety and peace in civilised society. In 2012, 514 applicants from 92 countries went up for the award; in 2011, there were over 400 applicants from 70 countries.

The chosen projects receive both prize money and mentoring support from the World Intercultural Facility for Innovation (WIFI) network, which was set up specifically for this purpose. The aim is to increase the effectiveness of the projects and make them transferable to other contexts. The mentoring support provided is tailored to the individual needs of the awardees.

After receiving the award and the mentoring support that goes with it, several 2011 awardees have already produced concrete results and have replicated their efforts.

MIDDLE

more important for life beyond the pitch. 5,000 youngsters took part in the projects in 2011; in 2012 this figure rose to 33,200, with participants from Germany, Paraguay, Chile, Brazil, Cambodia, Israel, Ruanda and Kenya.

IRENIA – GAMES OF PEACE

Irenia is a Spanish collective comprising professionals and teachers with many different levels of education and experience. The members of Irenia are committed to creating a new culture of peace by offering educational projects for responsible citizenship. Irenia actively supports and uses teaching and learning approaches based on both emotional commitment and academic knowledge. The Spanish collective has branches in Egypt, Tunisia, Greece, Jordan, Turkey, Italy, Rumania and Palestine.

PROMOTING AN OPEN SOCIETY

The BMW Group supports the Adam Institute for Democracy and Peace – a leading organisation for teaching democratic values throughout Israel. Since 1999, we have been supporting a programme that teaches democratic values in Jewish and Arab schools. We aim to support the education of Arab and Jewish adolescents and thus make a contribution towards intercultural understanding and to securing peace. The BMW Group's long-standing commitment has earned the company the Teddy Kollek Award.

LONG-TERM EDUCATION PROJECTS FOR SOCIAL INCLUSION

One of the BMW Group's largest long-term educational projects is in South Africa. The Schools Environmental Education Development (SEED) project aims to raise young people's awareness of environmental issues and promote social responsibility. Pupils at the participating schools learn skills such as how to grow vegetables and look after a garden. They also learn about hygiene. This project places particular focus on integrating children from disadvantaged areas.

Each participating school is also responsible for an environmental project. The schools are inspected annually and their performance evaluated. They receive a financial reward based on how well they have performed.

The SEED project was launched in 1996 at 15 schools close to the BMW plant in Rosslyn. The project has had a positive impact both on the children themselves as well as on their families and friends. SEED also plays an important role in communities affected by HIV/AIDS. Over 60 schools are now taking part in the project. BMW is reaching an ever-increasing number of children by bringing more schools into the project each year. The company plans to expand the SEED project in the next few years.

SEED PROGRAMME — Funded project for education on the environment at schools in South Africa.

EXPERIENCING MOBILITY AND SUSTAINABILITY

To complement our main topic of intercultural innovation and social inclusion, we have many educational projects that promote understanding of technology and sustainability. One example is the BMW Group's Junior Campus. Together with renowned educators and scientists, the company developed a concept that enables people to use all their senses to discover mobility and sustainability. For example, children are given the opportunity to independently and interactively explore, test and experiment the sustainability aspects of a car's life cycle. We adapt this international project to the specific needs of the different markets.

The first Junior Campus was opened in autumn 2007 in Munich. Some 17,100 children and adolescents took part in 1,400 workshops. 21,000 guests visited the open laboratory, where once a day they could interact free of charge with various exhibits to delve deeper into the topic of mobility.

In 2012, we opened our Junior Campus Berlin. It is based on the educational concept of the Junior Campus in Munich and was further developed in cooperation with the Deutsches Technikmuseum by adding the areas of natural science and mathematics.

At the end of 2012, the BMW Korea Future Fund opened the first international Junior Campus in South Korea. The mobile laboratory, which is installed in a truck, contributes towards social inclusion by offering educational opportunities to underprivileged children from rural regions of the country.

EXPERIENCING MOBILITY AND SUSTAINABILITY

To complement our main topic of intercultural innovation and social inclusion we have many educational projects that promote understanding of cultures, technology and sustainability. One example is the BMW Group's Junior Campus. Together with renowned educators and scientists the company developed a concept that enables people to use all their senses to discover mobility and sustainability. For example, children are given the opportunity to independently and interactively explore, test and experiment with the sustainability aspects of a car's life cycle. We adapt this international project to the specific needs of the different markets.

The first Junior Campus was opened in autumn 2007 in Munich. Five to 13-year-olds are introduced to topics such as sustainable production or alternative drive systems. In 2012, we realigned our Junior Campus activities to place even more focus on sustainability. Some 17,100 children and adolescents took part in 1,400 workshops. 21,000 guests visited the open laboratory, where once a day they could interact free of charge with various exhibits to delve deeper into the topic of mobility.

In 2012, we opened our Junior Campus Berlin. It is based on the educational concept of the Junior Campus in Munich and was further developed in cooperation with the Deutsches Technikmuseum by adding the areas of natural science and mathematics. In its first year, 8,126 children and adolescents took part in the workshops.

At the end of 2012, the BMW Korea Future Fund opened the first international Junior Campus in Korea. The new mobile laboratory, which is installed in a truck, contributes towards social inclusion by offering educational opportunities to underprivileged children from rural regions of the country. Junior Campus is designed to serve children at primary schools, community centres, libraries and other public institutions. The modules are based on the model used in Munich, but were adapted to the requirements of the Korean education system. The aim is to awaken an interest in science, technology, engineering, art and mathematics in children between the ages of nine and twelve.

INTERNATIONAL UNIVERSITY NETWORK

We are currently expanding our partnerships with universities worldwide. This includes setting up or expanding strategic partnerships with universities such as Technische Universität München, Karlsruhe Institute of Technology, University of St. Gallen, Clemson University, Georgia Institute for Technology as well as Massachusetts Institute of Technology – all universities that the BMW Group wishes to work with in the area of research and technology transfer as well as the promotion of young talent and industry-relevant education. Partnership projects range from joint research programmes to integration into the BMW Group's young talent programmes. For example, we cooperate with the universities of Deggendorf, Ingolstadt and Esslingen on our "SpeedUp Bachelor" programme. The BMW Group also supports the work of universities through donations. For example, from 2009 to 2011, we made a major contribution to the construction of the Institute for Advanced Study at TU München. We also support universities by installing endowment chairs, providing vehicles for research and teaching purposes as well as having employees engaged as lecturers. In addition to its work with universities, the BMW Group also cooperates with and supports the work of vocational schools. For example, in 2012 we provided a BMW Active Hybrid 3 – a fully hybrid vehicle – to the vocational school Städtische Berufsschulzentrum für Fahrzeugtechnik in Munich.

The vehicle, worth euro 52,000, is used at the school for teaching and training purposes. The BMW Group is an important player in Germany's dual vocational training system and had previously provided the same school with a vehicle worth euro 70,000 in 2008.

SAFETY FOR ALL ROAD USERS

For the BMW Group, it is not only vehicle safety that matters, but also the safety of all road users. We are committed to increasing safety levels around the world through numerous social initiatives.

Since 1984, walks to and from school have become safer every year in Munich. The majority of Munich's year one schoolchildren are provided with School Route Maps. These show children where there is a risk of danger and chart alternative routes to help them get to school safely. In Munich, the number of schools participating has increased from 55 in 1984 to 138 in 2012. According to the Munich police authorities, the number of accidents on the way to and from school dropped in the same period from 357 to 99 – even though the population of Munich is growing constantly. Among the 15 largest German cities, Munich has the lowest child pedestrian accident rate. According to the traffic authorities in Munich, the School Route Maps have contributed towards this decrease. In 1998, the BMW Group launched the project in Berlin, where around 280 schools have been provided with 146,000 maps so far.

In the UK, similar efforts have focused on the Internet. Our Safe on the Street programme has provided a designated website for children, parents and teachers since the year 2001. With 237,538 visitors in 2012, the portal received the International Visual Communications Gold Award for its innovative and user-friendly approach.

In the USA, over 15,000 adolescents and adults visit our BMW Performance Driving School each year. As part of a cooperation project with dealers nationwide, The Performance Driving School also offers the Teen Driving School for beginners. The BMW Car Club of America's Teen Driver Safety Program also targets beginners and reaches around 4,000 teenagers in over 90 schools. 2011 saw the launch of an additional campaign called DON'T TXT & DRIVE. This uses the full range of media channels to warn young people of the dangers of distractions at the wheel.

Since 2009, the BMW Group's "Stay Alert. Stay Alive" programme has been promoting the use of safety belts and child seats in the United Arab Emirates. Only one third of drivers in the United Arab Emirates use safety belts, and only two percent of children are protected by child seats. We have raised awareness of road safety with an extensive campaign ranging from radio advertisements to Public Awareness Days at BMW dealers. We also informed around 3,000 students about the consequences of dangerous driving and provided more than 4,500 child seats. The campaign received awards from a number of associations, for example from the Middle East PR Association in 2012 as the best initiative in the area of Corporate Social Responsibility and as Best Integrated Campaign at the Dubai Lynx Awards.

FORECAST

We will continue to expand our main areas of intercultural innovation and responsible use of resources to enhance our contribution towards better intercultural understanding. Our educational projects are the tool we use to promote this understanding. In the area of road traffic, we will continue to work at local level, placing the main focus on children and learner drivers.

6.3

WWW : bmwgroup.com /**svr630**

Cultural Engagement

The BMW Group has been promoting culture for over 40 years. We support hundreds of projects worldwide in the areas of classical music and jazz, contemporary art as well as architecture and design.

Our commitment to the promotion of culture helps us to meet our social responsibility as a corporate citizen. Our activities in this area also enhance the reputation of our corporate brands and open up dialogue with opinion-makers. They also raise the profile of our company.

In 2012, we began to implement the BMW Group Cultural Commitment strategy, which standardises our activities in this area. This umbrella strategy will be implemented worldwide and is based on the corporate and brand strategy approved by the Board of Management as well as on the sponsorship strategy launched in 2010. The German market also introduced its own cultural strategy based on this umbrella strategy.

The Corporate Communications and Policy departments select the projects that are to receive funding. However, the individual locations also support local cultural engagement. Within the company, proposals can be submitted to the cultural commitment office. Project proposals can also be submitted to the BMW Group from outside the company. The cultural commitment office reviews the proposals to determine whether they are in line with corporate strategy and either implements them itself or in cooperation with other BMW Group departments.

The challenge here is in choosing suitable cultural partners and in working together to create an appropriate format, as the strategy does not provide for funding of individual events or artists. This requires time and long-term planning.

We are working with the cultural organisations to develop long-term collaborations that do not compromise the independence and artistic freedom of our partners on any project.

In 2012, we successfully expanded our cultural commitment at international level. The feedback we receive from creative artists, customer surveys and in the form of positive media reports demonstrates the high level of public acceptance of our cultural commitment.

BMW GUGGENHEIM LAB

The BMW Guggenheim Lab, an initiative of the Solomon R. Guggenheim Foundation in association with the BMW Group, is a mobile research lab that travels to a number of cities all over the world. International teams of young people from the areas of urban planning, architecture, art, design, the sciences, technology, education and sustainabil-

THE BMW GUGGENHEIM LAB IN BERLIN — Richard Armstrong, Director Solomon R. Guggenheim Museum and Foundation, at the opening.

THE BMW GUGGENHEIM LAB IN MUMBAI — 165 free programs over 29 days.

THE BMW LSO OPEN AIR CLASSICS — on Trafalgar Square in London.

ity work on projects and experiments and engage in public dialogue on issues of modern urban living. The purpose is to carry out research and experiment with new concepts as well as to develop forward-looking solution concepts for city life.

The BMW Guggenheim Lab was launched in New York in 2011. In 2012, it came to Berlin. The general public was invited to visit the lab to find out how tools and ideas developed in collaboration with others can help them to actively design their urban environment. The project has been a success, with 27,000 visitors over 33 days and three long-term urban projects set up as a result. In addition to an interactive biking map for Berlin and a neighbourhood gardening project, an online city map of vacant public property was developed. The aim of this online map is to involve Berlin citizens in the planning of the future use of these public spaces.

At the end of 2012, the BMW Guggenheim Lab moved on to Mumbai.

In collaboration with the Dr. Bhau Daji Lad Museum, the Lab toured six locations throughout the Mumbai metropolitan area between December 2012 and January 2013, thus reaching the maximum number of people possible with its programmes and participative studies. Just under 23,900 visitors of all ages took part in 165 events over 29 days, participating in design and research projects, surveys, guided tours, discussions, workshops and film screenings.

The Mumbai Lab building, designed by Tokyo architects Bow-Wow in cooperation with SDM Architects from Mumbai, will remain in Mumbai after the Lab has moved on. The L-shaped structure, mainly made of bamboo and specially designed for the square on which the Dr. Bhau Daji Lad Museum is located in Mumbai's Byculla neighbourhood, will become an informal meeting place for the museum and its future visitors.

The BMW Guggenheim Lab has received a number of international awards and nominations.

The BMW Guggenheim Lab was recognised by the United Nations as a showcase project that motivates people to become more involved in public discussion and projects on important urban topics. It has also received a number of awards, including the following:

- **International Design Communication Award 2012:** Interactive Lab Logo winner in the Best Logo category
- **2012 MUSE Awards:** The Urbanology game receives gold in the Games and Augmented Reality category; the BMW Guggenheim Lab website receives an Honorable Mention in the Online Presence category.
- **Goldener Bulle 2012 (Art Investor):** Winner in the Kunst und Kultur (Art and Culture) category
- **"CITATION"** for Design Excellence from the jury of the 2012 AIA New York State Design Awards
- **Kulturmarken-Award 2012:** BMW Guggenheim Lab is a prize winner in the Trendmarke des Jahres (trend brand of the year) category

Meanwhile, the award-winning Opera for All has been offering the Munich public a very special musical experience since 1997, with a similar format established in Berlin in 2007. These open-air events are organised in conjunction with the Bavarian State Opera in Munich and the Berlin State Opera Unter den Linden, which put on performances in public spaces for an audience that would otherwise probably not have access to opera. For example, a total of around 60,000 people came to Bebelplatz to see a live transmission of "Don Giovanni" on 30 June 2012 and an open-air concert with the Staatskapelle Berlin on 1 July 2012.

We have now gone international with this format. In 2012, the first BMW LSO Open Air Classics concert took place. In the future, the renowned London Symphony Orchestra will be

ports jazz festivals and concerts in various cities in Europe, South America and Asia.

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6.4

— WWW : bmwgroup.com /**svr640**

Foundations

We believe it is possible to successfully shape a society that is based on social cohesion and innovation if the competencies and skills of each individual are harnessed for the general good and used to implement social change. Our foundations contribute towards making this happen.

The BMW Foundation Herbert Quant promotes international dialogue and collaborations between government, business, the sciences and citizens. One of its central themes is the role of managers in advancing society.

BMW AG's Eberhard von Kuenheim Foundation sees itself as a service provider for initiatives that are important to society. As an incubator for the seeds of social initiatives, it works under the motto Freude am neu:wagen to bring together organisations from many various areas. The aim is to set up forward-looking pilot projects which then, after a successful test phase, become independent.

With a mix of their own projects, long-term funding and advice services, the foundations are highly relevant to society as a whole. It is a challenging task to design projects in such a way that they can continue on their own after the funding and support phase. To meet this challenge, the foundations create a strong structure at an early stage. In 2012, they invested a total of €4.76 million in non-profit programmes and projects. The foundations provide clear and comprehensible evidence of the success of their various activities.

Both foundations are independent, legally and with respect to their content. They plan and manage their programmes themselves. In some areas, the foundations collaborate with the BMW Group in order to make their commitments more effective. In 2012, the BMW Foundation Herbert Quandt expanded its Young Leaders programme in Africa and Latin America. The Eberhard von Kuenheim foundation also made progress in 2012. For example, the JOBLINGE project, which helps young people who have no training to move towards a normal working life, progressed to the stage where it could become independent.

In addition, the BMW Korea Future Fund was established in 2011. This foundation, run by BMW Korea, promotes initiatives for environmentally friendly mobility.

THE WORK OF BMW FOUNDATION HERBERT QUANDT

Since 1995, the foundation's Young Leaders forums have been encouraging upcoming managers to become aware of their responsibility to society. The foundation's forums are held in North and South America, Europe, Asia and Africa. Participants visit social institutions, government offices and companies to gain an understanding of the day-to-day life of local players who want to have an active role in shaping change.

The extent of the contribution these forums can make was clearly illustrated by their collaboration with Matthew Spacie, founder of the non-profit organisation Magic Bus in

— FOUNDATION:

Eberhard von Kuenheim Stiftung

Stiftung der BMW AG

— AREAS:

- Education
- Work
- Sustainable action

— ABOUT THE FOUNDATION:

This BMW AG foundation was established in honour of Eberhard von Kuenheim, who was Chairman of the Board of Management and Supervisory Board for many years. The foundation works with pilot projects to create long-term change in areas of society that are in need of reform.

— DATA:

10

— EMPLOYEES

— FOUNDED IN THE YEAR

2000

€1.26 million

— EXPENDITURE IN 2012 ON NON-PROFIT PROJECTS

— FOUNDATION:

BMW Stiftung

Herbert Quandt

— ABOUT THE FOUNDATION:

The BMW Foundation inspires and supports people in working for the general good and making society fit for the future. It is involved in partnerships worldwide. Together, we look at government, the economy and society to seek innovative solutions which will unite people and cultures and reinforce social cohesion.

— DATA:

21

— EMPLOYEES

— FOUNDED IN THE YEAR

1970

€3.5 million

— EXPENDITURE IN 2012 ON NON-PROFIT PROJECTS

€4.76 million

— **WAS INVESTED BY THE FOUNDATIONS OF THE BMW GROUP** IN NON-PROFIT PROGRAMMES AND PROJECTS

India. Magic Bus is the largest mentoring programme in Asia for children growing up in poverty. Since learning about the programme at the BMW Foundation in 2009, the Young Leaders have been supporting it with both their expertise and the benefits of their network. Today, BMW Group India also supports the project with euro 150,000 annually.

Magic Bus helps 250,000 children get a better education and enjoy better health. They also learn about gender equality and many are working on promising start-ups to secure their future. Some 90% of the Magic Bus children express the wish to continue with their education after tenth grade. With the support of the BMW Group, Magic Bus programmes have been set up in the Delhi and Chennai regions.

The BMW Foundation also collaborated closely with the winners of the BMW Foundation Young Leaders Awards 2012 (Generationsbrücke in Germany, Earth Security Initiative in UK and Teach me to Fish in Bulgaria), which aims to leverage creativity and entrepreneurship to create a better society. The foundation was able to convince the Young Leaders to provide pro bono support to the organisations.

The foundation's funds amount to euro 50 million and some euro 3.5 million were spent on non-profit projects in 2012.

Over the next few years, the BMW Foundation Herbert Quandt plans to set up international locations in cooperation with local organisations. The aim is to support international dialogue on the regulatory framework of society and to exploit the potential of the global Young Leaders network to the full. Since 2012, the foundation has been cooperating with the American Taproot Foundation to work out how to structure managers' volunteering activities for social organisations in Germany in a more professional way. The resulting concept was presented to the public. In September 2013, some 250 participants of the 4th World Young Leaders Forum will deal with the topic "Going Sustainable – Towards Quality Growth in China and the World".

Read more about the work of the BMW Foundation Herbert Quandt at www.bmw-stiftung.de

THE WORK OF THE BMW AG EBERHARD VON KUENHEIM FOUNDATION

In 2007, the foundation collaborated with the Boston Consulting Group on launching the JOBLINGE project to support young people without training or employment. The six-month programme helps young people move towards a normal working life by providing them with individual mentoring and practical experience. In 2012, three new locations in Leipzig, Cologne and Essen were added to the four existing ones. The programme has so far supported almost 1,000 young job-seekers, over 60% of whom have succeeded in finding training positions or jobs.

Since the project was launched, the BMW Group has provided over euro 250,000 in funding and offers participants a large number of training positions and practical experience. In 2012, the project was handed over to the JOBLINGE umbrella organisation and will now be managed independently as a social franchise.

Also in 2012, the education project tat:funk in which schoolchildren organise and produce their own radio programme was handed over to the independent foundation Stiftung Zuhören. Over 2,000 schoolchildren in 10 German federal states have taken part in this project so far, producing some 250 radio programmes.

At the Lehr:werkstatt workshop, trainee teachers work in tandem with a school teacher for a full school year to improve the quality of lessons. About 100 of these tandem arrangements were carried out at two universities in 2012. More universities will introduce the Lehr:werkstatt concept in 2013/14.

The Junge Vor!Denker pilot project uses a philosophical approach to help raise children's awareness for sustainability issues. UNESCO praised the project for the contribution it has made towards the World Decade of Education for Sustainable Development. In 2012, the schoolbook Wie wollen wir leben? (how do we want to live?) was published. This practical guide provides teachers with philosophically structured units for lessons on sustainability.

In order to strengthen sustainable business operations, the foundation launched the Verantwortung Unternehmen (A Responsible Business) initiative. Participating companies from various industries engage in dialogue on the challenges they face in the area of sustainable operations. They train their managers and exchange advice on how to implement specific measures – for their own benefit and that of society as a whole. To date, 20 companies have taken part in the initiative and have implemented projects in their own core business areas. The initiative was praised by UNESCO for its contribution to the World Decade of Education for Sustainable Development. The BMW Group is participating with the Gesundheitsmanagement 2020 project.

The Eberhard von Kuenheim Stiftung spent a total of euro 1.25 million on its projects in 2012.

With the approval of the board of trustees, the foundation revised its investment principles in 2011 to provide more leeway for mission-related investment of foundation funds. With its project "Sinnvestition – Vermögensanlage mit bewusster Wirkung" (Positive Impact through wise Investments), the foundation aims to further expand this approach in the coming years.

Read more about the work of BMW AG's Eberhard von Kuenheim Foundation at www.kuenheim-stiftung.dew

INDEPENDENT ASSURANCE REPORT

TO BMW AG, MUNICH

We have been engaged to perform a limited assurance engagement on the "objectives, key facts and figures" part of the Sustainable Value Report of BMW AG, Munich (the Company), for the business year from 1 January to 31 December 2012 (the report[1]).

MANAGEMENT'S RESPONSIBILITY

The Company's Board of Managing Directors is responsible for the proper preparation of the report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the Global Reporting Initiative (GRI):

- Materiality,
- Stakeholder Inclusiveness,
- Sustainability Context,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability and
- Reliability.

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the data of the report of the Company for the business year 2012 has not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI. We also have been engaged to make recommendations for the further development of sustainability management and sustainability reporting based on the results of our assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement (for example, an audit of financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code")), and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgement.

[1] Our engagement applied to the German version of the report. This text is a translation of the Independent Assurance Report issued in German language - the German text is authoritative. Selected information of the "objectives, key facts and figures" part are published in the report "Adding Value – Sustainable Value Report 2012" available both as a printable version and as an online version on BMW's web presence www.bmwgroup.com/svr. The following figures were subject to our engagement: 6 to 22, and 24 to 32.

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of personnel responsible for the preparation of the report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the sustainability strategy as well as understanding the sustainability management structure, the stakeholder dialogue and the development process of Company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the chapters Sustainability management, Product responsibility, Group-wide environmental protection, Supply chain management, Employees and Corporate Citizenship;
- Recording of the systems and processes for collection, analysis, validation and aggregation of sustainability data and its documentation on a sample basis;
- Performance of site visits as part of the inspection of processes for collecting, analyzing and aggregating selected data:
  – in the corporate headquarter in Munich,
  – in the production plant in Munich,
  – in the production plant in Landshut,
  – in the production plant in Hams Hall (UK),
  – in the production plant in Rosslyn (South Africa);
- Analytical procedures on sustainability data of the report;
- Comparison of selected data with corresponding data in the Company's Annual Report 2012;
- Gaining further evidence for selected data of the report due to inspection of internal documents, contracts and invoices/ reports from external service providers.

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the data of the report of the Company for the business year 2012 has not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI.

EMPHASIS OF MATTER – RECOMMENDATIONS

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and sustainability reporting:

- Further formalization of the internal control system for sustainability data;
- Further harmonization of worldwide reporting systems to facilitate sustainability data collection.

Munich, April 26, 2013

PricewaterhouseCoopers
AKTIENGESELLSCHAFT
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Andreas Menke
WIRTSCHAFTSPRÜFER
(German Public Auditor)

Hendrik Fink
WIRTSCHAFTSPRÜFER
(German Public Auditor)

COMPANY GUIDELINES AND MANAGEMENT SYSTEMS	SUBSTANTIAL PROGRESS MADE	REFERENCES*	GRI
PRINCIPLE 6: ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION			
BMW Group: › see Principle 1 › Diversity Management › BWM Group Verhaltenskodex **Suppliers:** › see Principle 1	**BMW Group:** › Continued development of Human Resources and Social Policies and thus also personnel work in keeping with Strategy Number ONE › Definition of strategic targets to promote cultural diversity, implementation of corresponding measures as part of "cultural background" concept › BMW Group Human Rights Contact helpline installed for questions regarding and reports on human rights violations and cases of discrimination; in addition, employees can make anonymous reports of human rights violations and cases of discrimination via the BMW Group SpeakUP Line › Raise awareness at the company for diversity issues	10-12, 14-16, 17-18, 21-22, 28, 58-62, 66-70, 75-76 svr121, 542 KF 6-9, 30-31, 36-38, 40, 43-45 Further documents: [1,2,3]	EC7 LA2 LA13-14 HR1-4 SO5
PRINCIPLE 7: SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES			
BMW Group: › Sustainability management › Environmental management in accordance with ISO 14001 and EMAS › Clean production philosophy › BMW Group Environmental declaration › BMW Group Legal Compliance Code › Life cycle assessments › Sustainability aspects considered in product design phase › Design for Recycling › Consistent development of environmentally friendly technologies **Suppliers:** › BMW Group Supplier Sustainability Standard › Purchasing conditions › Supplier management	› Determination of new 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 in consumption of resources and CO_2 emissions per vehicle produced between 2011 and 2012 by an average of 11.6% Thus, the BMW Group has reduced its consumption of resources and CO_2 emissions by an average of 36%, exceeding the target set for 2012 of 30% › Increased use of environmentally friendly energy sources, e.g. at the Spartanburg location › Establishment of an integrated environmental management system at all production locations worldwide as well as in the central planning departments. The management system covers the topics environment, occupational health and safety and energy- and cost management › Application of biodiversity indicator to calculate the environmental status of properties › The BMW Group joined the Aluminium Stewardship Initiative (ASI) in 2012 › Successful certification of the German branches in accordance with ISO 14001 und BS OHSAS 18001 in June 2012	11-12, 14-15, 17-22, 26-31, 34-36, 39-54, 55-62 svr001, 121, 223, 241 KF 6-31 Further documents: [3,5,6]	EC2 EN18 EN26 EN30 SO5
PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY			
› see Principle 7	**BMW Group:** › New, location-specific initiatives to reduce consumption of resources and emissions › Ongoing implementation of the ABIS waste information system (Rayong, Thailand in 2012) › More focus on rail as a mode of transport when issuing new invitations to tender › Combining our car-sharing offerings with our electric vehicle solutions › Large number of measures to reduce water consumption, for example water-efficient fittings at sanitary facilities, replacement of open cooling towers by closed ones, closing of water cycles and introduction of waterless processes › Commissioning of four wind turbines in the first half of 2013 on the plant premises in Leipzig, each with a capacity of 2.5 MW **Suppliers:** › Stronger integration of sustainability aspects in selection, monitoring and training of suppliers	11-12, 14-15, 17-22, 26-31, 34-36, 39-54, 55-62 svr223, 241 KF 6-31 Further documents: [3,5,6]	EN1-30 SO5 PR3-4
PRINCIPLE 9: DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES			
› see Principle 7	› Between 1995 and 2012, we brought CO_2 emissions from new BMW Group vehicles sold in Europe (EU-27) down by over 30%. › Pioneer in fulfilling Euro 6 standards (valid from 2015): At the end of 2012 18 models already met the Euro 6 standards with standard features and compliance with the standard is available as an option for an additional 17 models. Since March 2013, a further four models fulfil the Euro 6 requirements with standard components. › Testing of electromobility in day-to-day use with MINI E since 2008. Testing of several functions of future i Series since 2011, also using BMW ActiveE, an electric test vehicle based on the BMW 1 Series › Development of electric-drive series vehicles; at the end of 2013, the first series model with electric drive will be available for purchase	26-34, 42-54, 62 svr121, 223, 241 KF 10-14,16-29 Further documents: [3,5,6]	EN2 EN5-7 EN10 EN18 EN26-27 EN30 SO5
PRINCIPLE 10: WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY			
› BMW Group Legal Compliance Code › Corporate Governance Code › BMW Group Compliance Committee and BMW Group Compliance Committee Office › BMW Group Compliance Organisation › BMW Group Principle "Personal Behaviour" › BMW Group Principle "Business Trips" › BMW Group Principle "Purchasing" › BMW Group Principle "Memberships and Donations" › BMW Group Principle "Signatures and Approval Processes" › Risk management	› Since the BMW Group Compliance Organisation was introduced: training of 16,500 managers and employees Group-wide › The BMW Group Policy "Corruption Prevention" sets out the framework for dealing with gifts, hospitalities and other benefits in compliance with the law and defines appropriate value limits and approval procedures for specified actions › Compliance control activities are coordinated by the BMW Group Panel Compliance Controls established in 2011	21-22 svr121, 141-143 Annual Report Further documents: [4,7]	SO2-6

* Page numbers refer to the BMW Group SVR 2012 print edition, KF stands for BMW Group SVR 2012 Objectives, facts and figures section (bmwgroup.com/svr700), bmwgroup.com/svr127 (example) is a deeplink that refers to the BMW Group SVR 2012 online texts.
Further documents:
[1] Joint Declaration on Human Rights and Working Conditions at the BMW Group – http://www.bmwgroup.com/bmwgroup_prod/e/0_0_www_bmwgroup_com/verantwortung/lieferkette/_pdf/BMWGroup_Human_Rights.pdf
[2] Long-term Human Resources and Social Policies of BMW Group: The 8 guidelines of the personnel policy of the BMW Group – http://www.bmwgroup.com/e/0_0_www_bmwgroup_com/verantwortung/publikationen/downloads/_pdf/BMWGroup_Personnel_Policy_Guidelines.pdf
[3] BMW Group Supplier Sustainability Standard – http://www.bmwgroup.com/e/0_0_www_bmwgroup_com/verantwortung/lieferkette/_pdf/BMWGroupSupplierSustainabilityStandard.pdf
[4] BMW Group Legal Compliance Code – http://www.bmwgroup.com/e/0_0_www_bmwgroup_com/unternehmen/unternehmensprofil/compliance/BMWGroup_Legal_Compliance_Code.pdf
[5] BMW Group Efficient Dynamics strategy – http://www.bmw.com/com/en/insights/technology/efficientdynamics/phase_2/index.html
[6] BMW Group Environmental Declaration – http://www.bmwgroup.com/e/0_0_www_bmwgroup_com/verantwortung/publikationen/downloads/_pdf/BMWGroup_Environmental_Guidelines.pdf
[7] BMW Group Corporate Governance Code – http://www.bmwgroup.com/e/0_0_www_bmwgroup_com/investor_relations/fakten_zum_unternehmen/CGCode_BMW_AG_December_2012_English.pdf

Global Reporting Initiative™

Statement

[redacted]

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2.5 Countries where the organisation operates	--	4, svr002, AR 180-181
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3.8 Basis for reporting on joint ventures	--	Cov, AR 180-181
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A9	EN29 – relevant indicator for automotive sector	--	44, KF 24-25
A10	Weight of vehicle and percentage breakdown of generic, recyclate and renewable material of a best-selling vehicle	--	34, svr241, KF 13

[1] -- This indicator is reported in full. - This indicator is partially reported. / This indicator is not reported.
[2] GRI Sector Supplement Automotive Sector, Pilot Version 1.0, 2004

KF BMW Group SVR 2012 Objectives, key facts and figures section which comprises objectives, key indicators and explanatory texts – to be found at bmwgroup.com/svr700
AR AR stands for the BMW Group Annual Report 2012 (pdf version), available online at: annual-report2012.bmwgroup.com
svr127 Deeplink for each section in the SVR 2012 online report can be found at: bmwgroup.com/svr127 (example)
All core indicators are printed in bold

C Comments on this indicator; these may be found in the GRI Index online at bmwgroup.com/svr800
Cov Cover
a additional information

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A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

BMW Group Sustainable Value Report 2012 awarded the Blue Angel eco-label. The paper used (Enviro Top) was produced, climate-neutrally and without optical brighteners and chlorine bleach, from recycled waste paper. All other production materials used also comply with the requirements of the Blue Angel eco-label (RAL-UZ 14). The Blue Angel is considered to be one of the most stringent eco-labels in the world.

The CO_2 emissions generated through print and production were neutralised by the BMW Group. To this end, the corresponding amount of emissions allowances was erased, with the transaction identification EU-96334 on 25 April 2013.