SUCCESS FACTOR CORPORATE SUSTAINABILITY.

BMW GROUP
SUCCESS FACTOR CORPORATE SUSTAINABILITY. AGENDA.

How does our holistic approach of implementing sustainability along the entire value chain look like?

What are our sustainability targets for 2020?

What is our management approach to ensure target achievement?
GLOBAL TRENDS ARE DRIVING THE FUTURE OF SUSTAINABLE MOBILITY.

DRIVING FACTORS

Environment
Climate change and the subsequent effects

Urbanization
By 2030, over 60% of world population will live in cities

Politics and Regulations
CO₂- and fleet regulations, Restrictions on imports

Economics
Shortage of resources, increase in the price of fossil fuels

Culture
Sustainable mobility as part of a modern urban lifestyle; assumption of social responsibility

Customer Expectations
Changing values
Sustainability is an integral part of the corporate number one strategy.

**Vision**

**Competitive Advantage**
- Growth
- Shaping the Future
- Profitability
- Access to Customers and New Technologies

**Basic Principles**

Sustainability as competitive advantage is part of the basic principles and embedded in the corporate strategy.
THE ENTIRE BOARD OF MANAGEMENT IS COMMITTED TO SUSTAINABILITY.

„Sustainability throughout the value added chain is inseparable from our corporate self-image.

This is why we choose to take responsibility. Because of our convictions, but also our self-interest, now and in the future.“

Dr. Norbert Reithofer, Chairman of the Board of Management of the BMW Group
OUR CORE PRINCIPLES FORM THE FOUNDATION FOR OUR SUSTAINABLE OPERATIONS.

- **Sustainability Board**
  responsible for strategic alignment

- **Sustainability Circle**
  responsible for drafting proposals

- **Divisions**
  Implementing sustainability targets by initiating appropriate activities and processes

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Corporate Sustainability is established as a corporate target and anchored in the Group Balanced Scorecard.

- **Divisions**
  Agreed objectives and packages of sustainability measures
Quantitative Criteria based on the Group net profit and the Group post-tax return on sales.

Qualitative Criteria to measure the board members contribution to sustainable and long-term performance.

Includes:
- CO2 emissions
- Leadership skills
- CSR

22.9% fixed salary

50% Earnings-related bonus

50% Performance-related bonus

75.1% variable compensation

2.0% share-based compensation


Introduction 2011: 20% of the board members total bonus must be invested in common stock and required to be held for 4 years.
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WE WILL CONTINUE TO LEAD THE WAY. SUSTAINABILITY TARGETS 2020.

PRODUCTS AND SERVICES
- Electromobility: Leader in taking a holistic approach to premium electromobility
- Reduced by at least 50% in the European new vehicle fleet (base year: 1995)
- Establishing the necessary skill set to face the challenges of the future. Workforce health improved and number of occupational accidents reduced
- Overarching leadership concept established. Continuous improvement in employee motivation and capacity to perform
- Diversity within the company (culture, gender, age) increased and innovative strength enhanced

CO₂ Emissions
- Preparing for the future

Mobility Patterns
- Permanent change as a result of integrated mobility services in selected metropolitan areas

Leadership
- Creating value: The Most successful and sustainable premium provider of individual mobility

Diversity
- Resource consumption: Water, energy, waste, solvents per vehicle reduced by 45% (base year: 2006)

PRODUCTION AND VALUE CHAIN
- Leader in using renewable energy for production and value creation

EMPLOYEES AND SOCIETY
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What is our management approach to ensure target achievement for “Employees and Society”? 
DEVELOPING A COMPETITIVE ADVANTAGE THROUGH INNOVATIVE HR STRATEGIES

BMW Group is considered as an attractive employer: Above average-remuneration and extensive social benefits.

Integrated health management, working systems to suit an ageing workforce and a high degree of job safety.

Work–life-Balance: BMW Group offers a wide range of tools to make working hours and workplaces more flexible and to help with childcare and elderly care.
SUCCESS FACTOR CORPORATE SUSTAINABILITY. 
€ 288 MILLION INVESTED IN OUR ASSOCIATES IN 2013.

Investment in vocational training/professional development programs [in €m]

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (€m)</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>181</td>
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<td>2012</td>
<td>282</td>
</tr>
<tr>
<td>2013</td>
<td>288</td>
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</tbody>
</table>
SUCCESS FACTOR CORPORATE SUSTAINABILITY. DIVERSITY MAKES US STRONG.

17.4% share of female employees in total workforce at BMW Group in 2013 (+5.4%).

13.8% share of female employees in management positions at BMW Group in 2013 (+8.7).

20% share of female Supervisory Board members.

1 female Board member at the Management Board.
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STRATEGY NUMBER ONE – MANAGING THE TECHNOLOGICAL CHANGE TO REMAIN FUTURE PROOF.

EVOLUTION
Efficient combustion engines
Innovative technologies

REVOLUTION
Alternative drive trains
Mobility services
Less consumption, more performance

- 1995: 210 g/km CO₂
- 2013: 133 g/km CO₂
- 2020: ~95 g/km CO₂*

* EU target limit
BMW GROUP - LEADING POSITION IN LIGHTWEIGHT CONSTRUCTION.
BMW i PRODUCT STRATEGY.
REDEFINING THE AUTOMOTIVE VALUE CHAIN.

**INTEGRATED APPROACH OF BMW i**

- New Vehicle Concepts
- New Materials and Recycling
- Production Concept of the Future
- New Electric Drivetrain

- New Processes
- Employees
- Pioneering Design
- New Customers
BMW I3 – HIGH CUSTOMER DEMAND.

MSRP starts at 34,950 EUR*

Weight (DIN) 1,195kg
Turning circle 9.86m
Output 170hp/250Nm
Battery capacity 22kWh

0-60km/h (37mph) in 3.7s
0-100km/h (62mph) in 7.2s
Top speed (cut-off) at 150km/h (93mph)

Charging times from < 30min at 50 kW fast charge to ~8h at domestic socket
Range up to 160km (100miles), up to 200km (124miles) in most efficient mode
THE NEW BMW I8 – THE MOST PROGRESSIVE SPORTS CAR OF THE WORLD.

MSRP starts at 126,000 EUR*
Weight (DIN) 1,485kg
Output 362hp/320Nm
0-100km/h (62mph) in 4.4s
Top speed (cut-off) 250km/h (155mph)
Electric driving range 37km (23miles)
Fuel consumption 2.1l/100km (112mpg)
49g CO₂/km
ENTRY INTO URBAN ELECTROMOBILITY. ELECTRIC SCOOTER – C EVOLUTION – LAUNCHED.

MSRP starts at 15,000 EUR*

- Weight (DIN) 265kg
- Output 48hp/72Nm
- 0-50km/h (31mph) in 2.7s
- 0-100km/h (62mph) in 6.2s
- Top speed (cut-off) 120 km/h (75mph)
- Electric driving range 100 km (62 miles)
- Charging times from 3h fast charge to ~4h at domestic socket
BMW GROUP MOBILITY SERVICES PORTFOLIO AIMING AT NEW CUSTOMER GROUPS.

<table>
<thead>
<tr>
<th>Flexible Use</th>
<th>Parking</th>
<th>Information and intermodal routing</th>
<th>Securing innovation and acceleration</th>
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<tbody>
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<td>DriveNow</td>
<td>Park@myHouse</td>
<td>MyCityWay</td>
<td>BMW i Ventures</td>
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<td>Alphacity</td>
<td>ParkNow</td>
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What is our management approach to ensure target achievement for “Production and value chain”?
Target: 45% reduction of resources per vehicle produced by 2020 compared to 2006.

Average improvement in resource efficiency from 2006 - 2013: 41%
NEW PRODUCTION CONCEPT FOR BMW I. NO PRESS SHOP NEEDED. PAINTING OF THE EXTERIOR PLASTIC PARTS ONLY.

Conventional vehicle production

Press shop ➔ Body shop ➔ Paint shop ➔ Assembly

BMW i production
• Total production processing time reduced by ~50%
• ~50% less storage space requirements
• Number of components in the body shop reduced by 1/3 to ~130
• No painting of full body, no anti-corrosion needed

BMW plant Leipzig

Body shop ➔ Assembly

Externally sourced parts

BMW plants Dingolfing & Landshut

CFRP parts ➔ Drive module ➔ Painted plastic cladding exterior

BMW Group SRI Presentation, September 2014
THREE-STEP PROCESS TO MINIMISE RISK IN THE VALUE CHAIN.

1. **Sustainability Risk Filter**
   - Evaluating suppliers with regard to their environmental, social and governance risk potential with a proprietary sustainability risk filter
   - Media-monitoring to identify potential suppliers with location-specific and product-specific risks

2. **Voluntary self-assessment questionnaire**
   - Questionnaire to provide a self-evaluation of suppliers’ sustainability management and related activities
   - In case of a deficit, BMW develops a supplier-specific joint action plan for improvement based on the questionnaire

3. **Sustainability Audits**
   - Sustainability verifications and certifications carried out by external auditors
   - In case of non-compliance, BMW develops a specific joint action plan for improvement based on the external audit
The BMW Group takes all necessary measures to ensure that all employees comply with national legislations. Violations of law by its employees are not tolerated.

- Establishment of a **Compliance Committee** (2007) and BMW Group **Compliance Organization**.


- Over **16,500 employees** have been **trained** in basic compliance since 2008.

- **BMW Group SpeakUp Line** is available 24 hours a day and supports 34 languages for possible violations.

- **All areas** of the BMW Group **report to the Compliance Committee** on a regular and on an ad-hoc basis.
HUMAN RIGHTS AT THE BMW GROUP.

Respect for human rights is firmly established in the BMW Group’s strategy and culture.

- Member of the **UN Global Compact** since 2001 and joined the UNGC Lead Initiative in 2/12.
- Worldwide “Joint Declaration on Human Rights and Working Conditions at the BMW Group”.
- **Freedom of association** is one of the core principles in the joint Declaration on Human Rights and Working Conditions.
- **Human Rights Contact** and various other channels for possible issues.
- **Sustainability self-assessment questionnaire** asks our suppliers to comply with the ILO Conventions 87 and 98.

1. Freedom of association and collective bargaining
2. Elimination of forced or compulsory labour
3. Abolition of child labour
4. Elimination of discrimination