Integrated thinking in action
A spotlight on the BMW Group

Case study
Case studies from the Value Reporting Foundation

The Integrated Thinking & Strategy Group (a special interest group of the Value Reporting Foundation’s Business Network) brings together some of the world’s most innovative companies so that they can collaborate, learn from each other, challenge each other’s thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization’s strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the Value Reporting Foundation refers to as ‘capitals’ in the International <IR> Framework – that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:
- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.
The BMW Group is one of the most successful manufacturers of automobiles and motorcycles in the premium segment worldwide. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the best-known premium brands in the automotive industry, and holds a strong market position in the premium segment of the motorcycle business.

The Group sets itself clear goals in terms of sustainable, individual mobility, resource-efficient value creation, the continued development of its workforce potential and its contribution to society. Operating on a global scale, in 2020 the BMW Group employed a workforce of 120,726 people and consolidated its position as one of the world's most attractive employers.

Sustainability is an integral part of the Group's business model and plays a vital role in ensuring its viability going forward. Informing stakeholders about the BMW Group's business performance in a single integrated report has the objective to provide a clear insight into the BMW Group, making its activities transparent, accountable and measurable for readers.
Deep dive into integrated thinking at the BMW Group

10 minute read

This case study summarizes the journey of integrated thinking at the BMW Group and was developed through the conversations that Tanja Seiler, Investor Relations, Magdalena Podoska, Sustainability & Mobility, Christian Fischl, Sustainability & Mobility, and Leif Steeger, Group Standards & Reporting had with Professor Cristiano Busco, LUISS and Roehampton University, and Dr. Irma Malafronte, Roehampton University.
Deep dive
What led the BMW Group to embed integrated thinking?

The BMW Group has published sustainable value reports since 2001, initially every two years and annually since 2012. Prior to this period, the Group had a long tradition of publishing environmental reports, disclosing the impact of its operations on the environment, including mitigating measures.

Since 2005, the BMW Group has applied Global Reporting Initiative (GRI) standards to report on sustainability matters. Since 2008, it has voluntarily complied with the highest GRI application level. In 2015, the General Assembly of the United Nations (UN) announced 17 Sustainable Development Goals (SDGs). The Group identified the SDGs to which it can make a direct and thus the greatest possible contribution with its own sustainability goals.

After the Board of Management redefined the company’s central sustainability goals in 2020, including reducing the lifecycle CO₂ emissions per vehicle by at least a third by 2030 and measuring the progress of BMW’s journey towards carbon neutrality by 2050 using science-based targets, the decision to publish an integrated report came as the next logical step. Integrated thinking and reporting is a journey and, for the first time, the BMW Group combined its Annual Report and Sustainable Value Report into a single Integrated BMW Group Report, following the International <IR> Framework.

Integrated thinking leading to integrated reporting is a dynamic process for the BMW Group, as it establishes a dialogue underpinned by content, and enables the organization to report in the most effective way. For stakeholders, this means being able to find and categorize the information they are looking for both quickly and reliably.
How did the BMW Group approach integrated thinking?

The BMW Group Report 2020 shows that our business model and sustainability cannot be separated. We manage the BMW Group according to both financial and non-financial parameters and report these in a transparent manner every year. As a premium manufacturer, we seek to set a good example for the industry and take responsibility.

Dr Nicolas Peter / member of the Board of Management of BMW AG responsible for Finance

The BMW Group’s integrated thinking and reporting journey led the organization to set up a cross-functional team that works closely together, rather than several teams working on the annual report and on the sustainability report. In 2020, the BMW Group combined its Annual Report and its Sustainability Report (formerly the Sustainable Value Report) into a single document. The subsequent publication of the Group’s first integrated report is the result of integrating sustainability strategy into corporate strategy.
The starting point for the BMW Group’s corporate strategy is to act in a consistent manner on a customer-oriented and sustainable basis. Products, brands and services are being developed with a clear focus on innovative technologies such as low-emissions drivetrains, digitalization, connectivity and autonomous driving.

Integrated thinking has helped the BMW Group to pursue its sustainability goals. The Group is taking responsibility and placing this sustainability at the core of its corporate strategy and has included sustainability as a prime factor in its corporate decision-making processes. This integrated approach removes the need to pursue a separate sustainability strategy.

Figure 1
BMW Group Strategy
For a detailed view of the model please consult The BMW Group Strategy
How has integrated thinking helped the BMW Group articulate its strategy?

The BMW Group’s strategy comprises four key elements, which are summarized in a strategy arrow that points towards the future.

**Position**
What does the BMW Group stand for? The BMW Group stands for first-class individual mobility and contributes to the sustainable development of our planet. They reconcile economy, ecology, and society. As a result, customers enjoy outstanding products and demonstrate responsibility.

**Direction**
What is the BMW Group’s driving force? The BMW Group offers thrilling products – today and for future generations – secures independence through high profitability, and uses powerful innovations and passion to shape the future of sustainable mobility.

**Strategic approach**
Where is the BMW Group heading? The BMW Group focuses on customers and meets their needs by combining pioneering technologies, emotional products, and personalized customer support to create a unique overall experience.

**Cooperation**
How does the BMW Group ensure cooperation? The BMW Group’s values are the basis for cooperation. By working hand in hand internally and with the external partners, they achieve maximum effectiveness, and together bring success to the company.

Long-term thinking and responsible action are an integral part of the BMW Group’s corporate identity. Indeed, the Group’s business model is intrinsically linked with the principle of sustainability, which is also reflected in the strategic targets. Through the integrated report, financial strategic targets are presented together with non-financial targets, for example CO₂ emission reduction¹.

¹The BMW Group has accelerated CO₂ reduction in the use phase. This means 50% reduction in global CO₂ use-phase emissions by 2030 (from the 40% reduction in the BMW Group Report 2020).

“We don’t just do sustainability at BMW: We are making BMW sustainable.”

Oliver Zipse / CEO, BMW Group
Figure 2
How has integrated thinking helped the BMW Group deploy its strategy?

Integrated thinking supported the BMW Group’s integration of its sustainability strategy into its corporate strategy. This built upon the Group’s solid foundational work, as the Group has repeatedly set itself ambitious sustainability targets and assumed a pioneering role in this area over decades. For example, they were the first organization in the automotive sector to appoint an environmental protection officer back in 1973.

The BMW Group was also the first premium manufacturer to bring a fully electric vehicle to the market. The all-electric BMW i3 launched in 2013, effectively setting the benchmark for sustainable mobility going forwards. In 2020, the Group also achieved its carbon emissions targets for the new vehicle fleet, thanks to its expanding fleet of electric vehicles.

In 2021, the Group developed a new balanced scorecard through integrated thinking, where sustainability data is qualitative as well as quantitative. One of the Group’s targets is to achieve over 40% reduction in CO₂ emissions during vehicle life cycle assessments by 2030, compared to 2019. A further aim is to at least halve CO₂ emissions per vehicle from 2019 levels. The BMW Group is also targeting its own manufacturing plants and sites to reduce CO₂ emissions by 80% and by 20% in its supply chains. Another important strategic target is ensuring compliance with environmental and social standards in the Group’s supply chains.
Integrated thinking has enabled the BMW Group to gain a holistic view of its value creation process. At the Group, value creation is a comprehensive process involving a broad range of factors, some of which interact in complex ways. These factors may be of a financial or non-financial nature and relate to both tangible and intangible assets that are geared towards creating additional value using a minimum of resources. These input factors form the basis that drives the BMW Group's overall performance.

Inspired by the value creation model of the <IR> Framework, the factors on both the input and the output side are divided into six different types of capital in the BMW Group's value creation model, which can be distinguished in the diagram on the following page.

The Group upholds their core values, which are supported by integrated thinking and help drive innovation:

**Responsibility**
We take consistent decisions and commit to them personally. This allows us to work freely and more effectively.

**Appreciation**
We reflect on our actions, respect each other, offer clear feedback and celebrate success.

**Transparency**
We acknowledge concern and identify inconsistencies in a constructive way. We act with integrity.

**Trust**
We trust and rely on each other. This is essential if we are to act swiftly and achieve our goals.

**Openness**
We are excited by change and open to new opportunities. We learn from our mistakes.
How the BMW Group creates value

Input

Financial capital
216,658
Total assets (€ million)

61,520
Equity capital (€ million)

Human capital
120,726
Workforce at end of year

279
Training and education expenditure (€ million)

Intellectual capital
1,561
Employee ideas implemented in conjunction with CRE8 Ideas Management

6,279
R&D expenditure (€ million)

Relationship capital
79
Proportion of production-related purchasing from the CDP Supply Chain programme (in %)

55.5
Purchase volume (€ million)

Produced capital
31
Number of plants

13
Plants producing electrified vehicles

Natural capital
2.12
Energy consumption per produced vehicle (in MWh)

100
Proportion of electricity from renewable energy sources (in %)

Output

Financial capital
1,253
Dividend total (proposed to the Annual General Meeting) (€ million)

4,830
Profit before financial result (EBIT) (€ million)

Human capital
12,244
Wages/salaries/social insurance contributions (€ million)

82
Employee satisfaction (in %)

Intellectual capital
18.2
First-year benefits from implemented employee ideas (CRE8) (€ million)

6.3
R&D ratio (in %)

Relationship capital
60
Proportion of value creation from suppliers (in %)

35
Proportion of suppliers in the CDP Supply Chain programme with an assessment of at least B (in %)

Produced capital
2.33
Deliveries to customers (in million units)

192,662
Deliveries of electrified vehicles

Natural capital
−56.7
Development CO₂ emissions EU new car fleet since 1995 (in %)

−53
Improvement in resource consumption and electric vehicles production (in %, average)

Further information is available at: report.bmwgroup.com

Figure 3
For a detailed view of the model please consult page 57 of the BMW Group Report 2020
Integrated thinking has aided transparency, and the BMW Group maintains a regular dialogue with all of its stakeholders. As the Group operates on a global scale within a complex environment subject to crucial interdependencies, its activities have an external impact and can affect the interests of many individual stakeholders, as well as various categories of stakeholders.

STAKEHOLDER GROUPS AND FORMS OF DIALOGUE

<table>
<thead>
<tr>
<th>BMW Group in dialogue</th>
<th>Capital market</th>
<th>Suppliers</th>
<th>Networks and associations</th>
<th>Political decision makers</th>
<th>Research</th>
<th>Mass media</th>
<th>Business partners</th>
<th>Local stakeholders</th>
<th>Civil society and NGOs</th>
<th>Employees</th>
<th>Customers</th>
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<td>Dialogue, conferences and technology workshops with investors and analysts</td>
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<td>Dialogue in the context of industry initiatives, joint events, training courses, presentations, supplier risk assessments</td>
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<td>Participation of company experts in committees and working groups, memberships of initiatives and associations</td>
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<td>Available to answer questions from policymakers and provide information to political decision makers on relevant topics from the company’s perspective</td>
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<td>Visiting universities and colleges, talks, discussions, dialogue events with students</td>
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<td>Dialogue within the context of press trips, press releases, information events on new products, test drives, trade fairs</td>
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<td>Dialogue with sales organisations and coordinating units of importers</td>
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<td>Discussions with local residents, plant tours, press engagements</td>
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<td>Face-to-face meetings/dialogue, responding to enquiries</td>
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<td>Dialogue with employees and managers, employee surveys, idea management, internal media</td>
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<td>Surveys (including a corporate reputation study), social media, trade fairs, mass media</td>
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Figure 4
How has embedding integrated thinking benefited the BMW Group?

Integrated thinking has helped the BMW Group to view sustainability, social impact and economic and business success as mutually dependent. From a business perspective, these result in opportunities, but also risks that must be minimized. The Group considers these factors in two ways: corporate business has an impact on ESG factors and the economic performance (inside-out) but also vice versa – environmental issues and climate change serving as two of several examples that have a significant impact on business and the decisions the Group makes (outside-in).

For the BMW Group, it is essential structurally to integrate these various influencing factors into its management in order to make intelligent decisions that are sustainable in the long term. Implementing a strategic goal set that links non-financial and financial goals to quantify mutual influences is key. This requires structuring the organization to bring together functional units that are responsible for the financial and non-financial aspects of the business to work together in an integrated way.

Overall, there are some personnel and process costs, but the Group has documented value generation, more transparency, better communication to stakeholders, and lower cost of capital among the main benefits of the integrated thinking journey.
The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value — how it is created, preserved or eroded over time. The resources — including the Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.