

# Sustainable Supply Chain Management The BMW Group approach

W E L C O M E

**BMW Group**



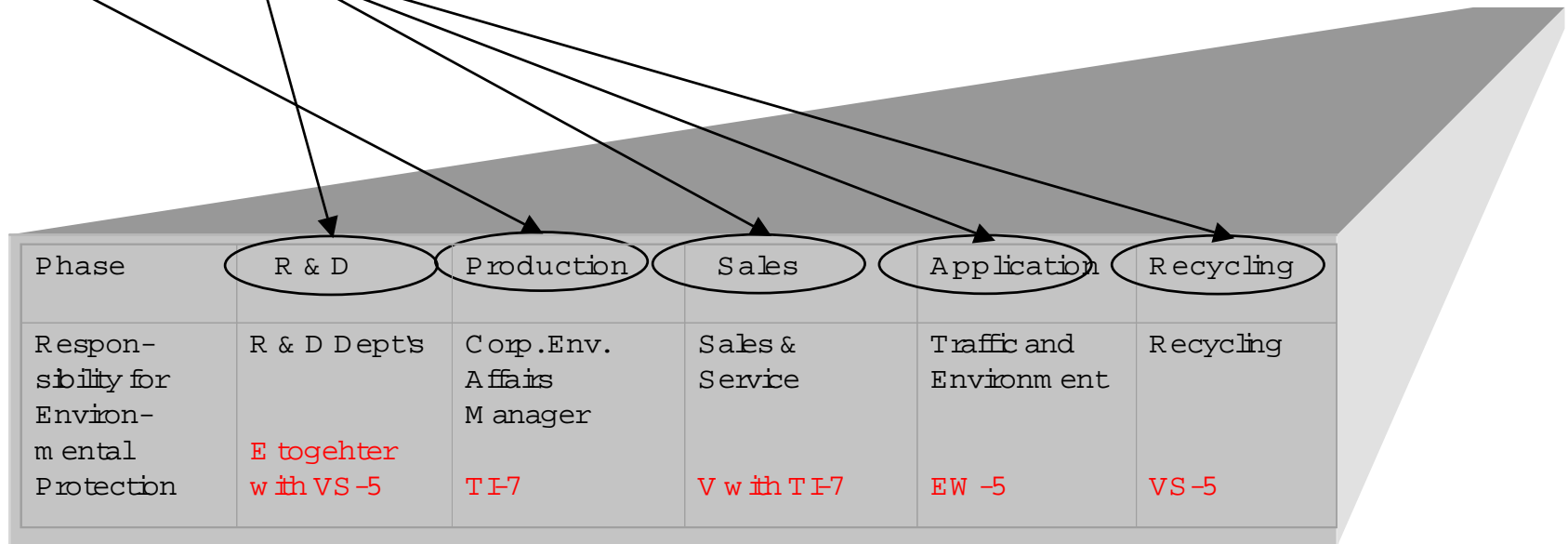
# Sustainable Supply Chain Management Overview

- 1) Sustainable Supply Chain Management –  
the background at BMW Group

# Sustainable Supply Chain Management

## Environmental Protection along the PLC

Production and Product



# Sustainable Supply Chain Management

## Environmental Guidelines BMW Group \*

### Responsibility for our environment

We are all responsible for sustaining and protecting our natural environment.

The BMW Group is called upon to conduct responsible and sustainable environmental policies, which are also economically viable.

This is an obligation we have taken upon ourselves through our competence as a manufacturer of highly technological products and as an employer of a highly qualified workforce around the world. To this end, we strive to reconcile the interests of people and nature, technology and progress with the right of future generations to an intact environment.

These BMW Group Environmental Guidelines are the basis of how we conduct our daily operations:

Approved by the Management Board  
first 1994, updated 1998

\* For more information please go to  
BMW Group Sustainability Report on  
<http://www.bmwgroup.com/sustainability/>

# Sustainable Supply Chain Management

## Environmental Guidelines BMW Group

### 1. Objectives

We use resources in a responsible and efficient manner, and hereby undertake to protect our environment for the long term. All members of the Group are guided by the international environmental charter (TC Charter for Sustainable Development), signed by BMW AG, and the principles outlined in Agenda 21.

### 2. Corporate Commitment and Responsibility

Responsibility for environmental protection lies with all members of the Group. ...

### 3. Responsible implementation of objectives

We will consistently review the success of our environmental protection measures and make further improvements as necessary. In our Group operations, we comply with laws, regulations, official standards and directives. Wherever the technical, scientific and managerial know-how for reducing environmental impact can achieve economically viable standards which exceed those required by law, we will apply such know-how accordingly.

### 4. Group-wide environmental protection

In the areas of development, design, production, the operation of facilities and when conducting other activities, we use appropriate technical and economic means for conserving resources and minimizing the environmental impact.

It is of particular importance, when introducing new production processes and methods, to consider their environmental compatibility in the context of technical, commercial and economic decisions.

BMW Group's objective is therefore, as stated in the TC Charter, to take into consideration the efficient use of energy and raw materials, the sustainable use of renewable resources, the minimization of all adverse environmental impact and waste generation, and the safe and responsible disposal of residual wastes. We implement environmental management systems in order to assess in advance all significant environmental aspects.

### 5. Emergency precautions

In the event of an emergency, our first priority is the protection of health and the environment. We maintain contingency plans for emergencies and other incidents, ... these are consistently updated.

# Sustainable Supply Chain Management

## Environmental Guidelines BMW Group

### 6. Vehicle compatibility with the environment

..we consistently apply advanced technology ..through the optimum design of our products we ensure that any environmental impacts are kept to a minimum... through...information to our customers ..we assist in this process.

### 7. Recycling

In order to avoid waste generation, we are developing solutions for recycling old vehicles, applying these technologies systematically. Our objective is to promote recycling optimised product design and to make use of secondary raw materials... completing the cycle for the reuse of materials.

### 8. Alternative propulsion concepts

In our quest to preserve resources and improve the environmental compatibility of our vehicles, we are developing alternative propulsion technologies which are constantly improved and upgraded. We are also committed to the development of infrastructure aimed at the production and distribution of alternative energy sources required by these vehicles.

### 9. Mobility for the future

By jointly planning and cooperating with all areas of politics, society and government administration, ...we are ...developing transport concepts and technologies with the overriding objective of maintaining mobility without undermining the quality of life.

### 10. Suppliers

With regards to efficient use of resources and the sustainability of our environment, we consider ourselves responsible to include our suppliers in these corporate objectives and to therefore encourage and promote this environmental policy. Our suppliers are required to adhere to relevant BMW Group norms and standards pertaining to product environmental performance. In order to ensure that the integrated environmental compatibility of our processes is maintained, we expect our suppliers to introduce and maintain effective environmental management systems.

# Sustainable Supply Chain Management

## International Chamber of Commerce (ICC)

### Business Charter for Sustainable Development

#### 1. Corporate Priority

To recognize environmental management as among the highest corporate priorities and as a key determinant to sustainable development; to establish policies, programs and practices for conducting operations in an environmentally sound manner.

...

#### 3. Process of improvement

To continue to improve policies, programs and environmental performance, taking into account technical developments, scientific understanding, consumer needs and community expectations, with legal regulations as starting point; and to apply the same environmental criteria internationally.

#### 4. Employee Education

To educate, train and motivate employees to conduct their activities in an environmentally responsible manner.

...

#### 8. Facilities and Operations

To develop, design and operate facilities and conduct activities taking into consideration the efficient use of energy and materials, the sustainable use of renewable resources, the minimization of adverse environmental impact and waste generation, and the safe and responsible disposal of residual wastes.

...

#### 11. Contractors and Suppliers

To promote the adoption of these principles by contractors acting on behalf of the enterprise, encouraging and, where appropriate, requiring improvements in their practices to make them consistent with those of the enterprise; and to encourage the wider adoption of these principles by suppliers.

...

#### 13. Transfer of Technology

To contribute to the transfer of environmentally sound technology and management methods throughout the industrial and public sectors. ...

# Sustainable Supply Chain Management

Next...

## 2) Groupwide Procurement Procedure

# Sustainable Supply Chain Management

## ITCP = International Terms and Conditions

The framework for all purchasing processes are the International Terms and Conditions for the Purchase of Production Materials and Automotive Components. Its environmental and social requirements entail:

- ✓ Requirements for Environment
- ✓ Requirements for Social Responsibility

But how are these requirements implemented?

\* For more information please go to  
BMW Supplier homepage on  
<http://www.zulieferer.bmw.de>

# Sustainable Supply Chain Management

## Supplier Assessment

The „Supplier Assessment“ is part of every Supplier Selection Process of BMW Group, and contains the Minimum Social and Environmental Requirements.

For every BMW Group Supplier Purchasing considers the performance of the possible supplier in the area of:

- ✓ Social Responsibility \*
- ✓ Environmental Management \*
- ✓ Environment-orientated Product Development \*
- ✓ General Questions and Self-Assessment by Supplier

Above that, the items marked with \* plus further questions about general information, quality and security issues form the basis for a regular supplier survey, currently being answered by about 900 suppliers in Germany and worldwide.

# Sustainable Supply Chain Management

## Follow up

The performance of the supplier and its product, agreed in the „Lastenheft“ = Summary of all functions, performances, interfaces and parameters of a product, with all legal requirements and internal BMW Group-standards non-negotiable attachments, is continuously questioned:

- ✓ Is the supplier in the position to supply the component to the required level?
- ✓ Are all pre-requisites fulfilled so that BMW is in the position to produce high quality products with these components?

..and the necessary steps taken to ensure a continuously high level of performance.

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Next...

## 3) Supplier Coaching Approach in South Africa

# Sustainable Supply Chain Management

## Different locations require different approaches

As the socio-economic and therefore infrastructural situation differs from country to country, the approach to social & environmental requirements has to be creative & flexible ...

- ✓ In developed countries  
high amount of regulation, high degree of compliance,  
low need for coaching, implementing & auditing,  
but still a lot of room for improvement, sharing of best practice
- ✓ In developing countries  
rising amount of regulation, low degree of enforcement,  
highest need for coaching, implementing & auditing  
to achieve globally comparable standards –  
key to global success of a global player

# Sustainable Supply Chain Management Environmental Management System as the starting point in South Africa

Agenda 21 & T C 's Business Charter for Sustainable Development:  
..recognize environmental management as among the highest  
corporate priorities and as a key determinant to sustainable  
development...

- ✓ „Combined approach“ to join Environmental and  
Safety & Health Management in 1998
- ✓ Integration in the existing Quality Management System
- ✓ Certification in November 1999 to ISO 9001, ISO 14001  
and BS 8800 in an Integrated Management System ,  
then celebrated as a world's first in the Automobile Industry
- ✓ BMW Group since then the only automobile manufacturer  
with all of its production sites worldwide certified to  
bespoke Environmental Management Systems,  
EMAS and/or ISO 14001

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## Supply Chain Management at BMW South Africa

IC 's Business Charter for Sustainable Development :

...to promote the adoption of these principles by contractors acting on behalf of the enterprise, encouraging and, where appropriate, requiring improvements in their practices to make them consistent with those of the enterprise; ...

- ✓ Immediately after the Certification  
BMW SA started to reach out to the local suppliers
- ✓ March 2000 first Workshop with about 40 suppliers,  
four embarked on the program
- ✓ March 2001 second Workshop with first success stories,  
first voluntary certification, but no further participants  
- time to change the approach ...

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## Supply Chain Management at BMW South Africa

So, as a voluntary approach alone does not always do the trick...

- ✓ The way to EMS via resource usage reporting, legal compliance, target setting for implementation
- ✓ After one year of postponement in 2002 setting of final dates for the implementation of EMS, accompanied by extended coaching through BMW SA SHE-Department
- ✓ Agreed steps of implementation audited with QMS-Audits, including influence on results and corrective action
- ✓ Different strokes for different folks, 92% on track...
- ✓ Results: Currently 60% of all BMW SA's local suppliers have achieved certification to ISO 14001 until now on the basis of this Supplier Program
- ✓ If current commitments are met, 75% will have ISO 14001 by the end of 2003

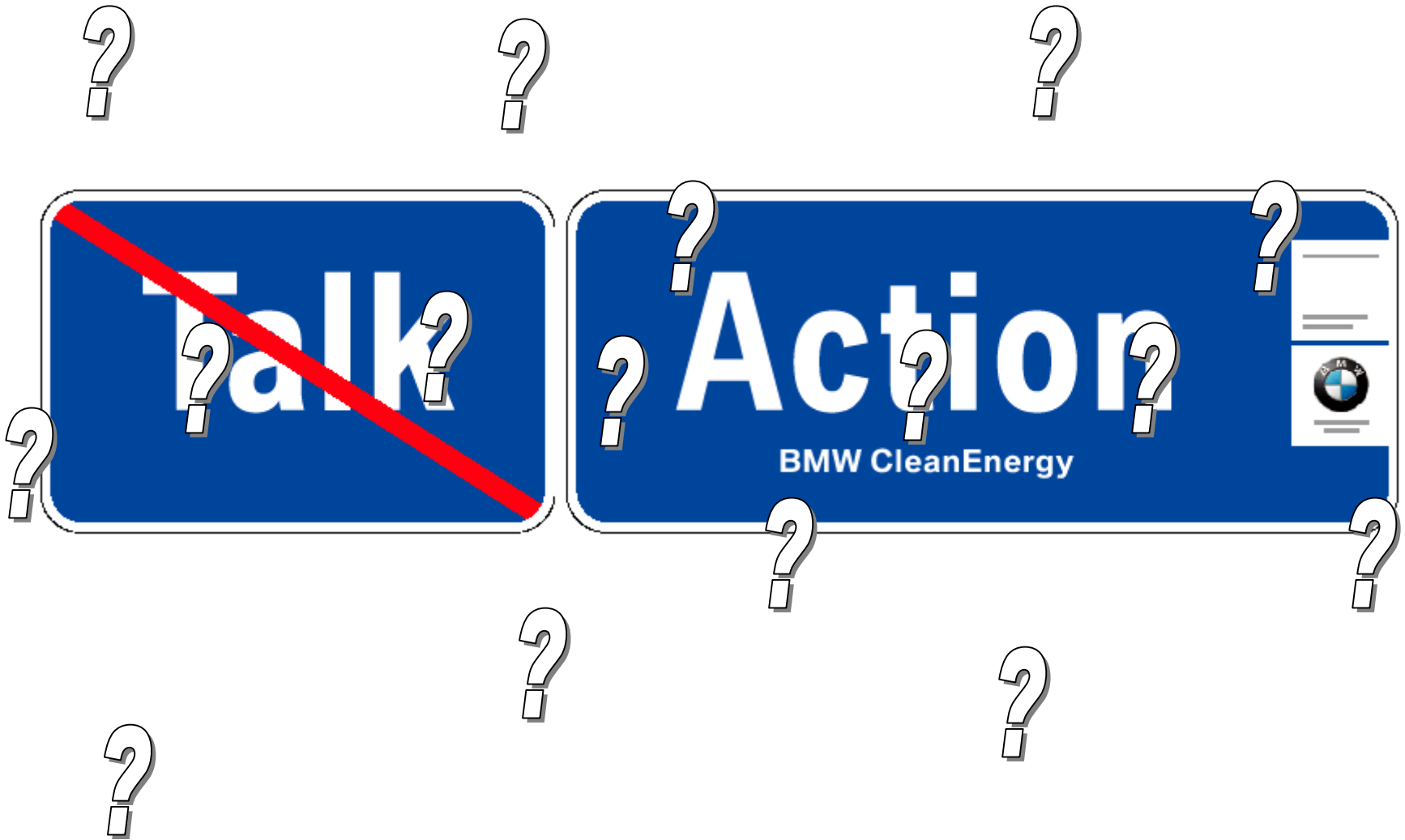
# Sustainable Supply Chain Management

Next...

4) Q & A ...

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Questions?



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## Backup

# Sustainable Supply Chain Management

## Other topics

### UNEP Cleaner Production Program

From Paris conference proposal to join worldwide in BMW Group's CKD & Supplier Coaching,  
UNEP gains mileage and reaches more SME's  
BMW Group has local addressees to support our strive

### OEM-SA-Approach on Supply Chain Management

include competition for free before & for JW SSD 2002 died, as VW and DC were not up to it then.

### UNEP Mobility Forum

A platform for discussion, exchange of information and joint undertaking of selected projects in the field of transport provided through UNEP, requests the full inclusion of the supply chain.

(Members of the Forum are: European Automobile Manufacturers Association (ACEA), AB Volvo, BMW, DaimlerChrysler, Fiat, Ford Motor Company, General Motors Corporation, Hyundai & Kia Motor, Honda Motor Company, PSA Peugeot Citroen, Renault, Toyota Motor Corporation, and Volkswagen)

# Sustainable Supply Chain Management

## The Global Compact

### Human Rights

The Secretary-General asked world business to:

**Principle 1:** support and respect the protection of international human rights within their sphere of influence; and

**Principle 2:** make sure their own corporations are not complicit in human rights abuses.

### Labour

The Secretary-General asked world business to uphold:

**Principle 3:** freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

### Environment

The Secretary-General asked world business to:

**Principle 7:** support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

# Sustainable Supply Chain Management

## Chapter 30 of Agenda 21 on strengthening the role of private industry

In general, Agenda 21 contains recommendations to transnational corporations to „introduce policies and commitments to adopt equivalent or not less stringent standards of operation as in the country of origin“.

1) Business and industry ...should recognize environmental management as among the highest corporate priorities and as a key determinant to sustainable development.

The following objective arises out of this principle:

a) ...should aim to increase the efficiency of resource utilization, including increasing the reuse and recycling of residues, and to reduce the quantity of waste

b) ...should strengthen partnerships to implement the principles and criteria for sustainable development.

c) ...should be encouraged to establish world-wide corporate policies on sustainable development, arrange for environmentally sound technologies to be available to affiliates owned substantially by their parent company in developing countries without extra external charges ...

d) Business and industry, including transnational corporations, should ensure responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects.