

# The BMW Group extended the nine principles to its suppliers.

## Global Compact Practice Example 2003.

The BMW Group joined the Global Compact in 2001 and extended the nine principles to its suppliers in 2003. Thus, the BMW Group's suppliers are selected not only for their innovative strength and expertise, but also according to ecological and social criteria.

The BMW Group formulates its far-reaching requirements of suppliers in its international purchasing conditions. The appendix on the "Environmental compatibility of BMW Group products" has been part of the company's purchasing conditions since 2001. In the spring of 2003, the BMW Group added the company's social standards to its international purchasing conditions. In so doing, the BMW Group went one step further and extended the principles of the Global Compact to its suppliers. In addition to observing the principles of the Global Compact, the BMW Group requires its suppliers to observe the provisions of the International Labour Organization (ILO). The ecological and social standards in the purchasing conditions are put into practice on a cooperative basis.

### **The assessment of suppliers is part of every supplier selection process**

The supplier selection process is in several stages. First of all, the state of the art and potential suppliers are identified by means of purchasing market research. The potential suppliers are then assessed for a defined scope. Finally, a supplier enquiry is made on the basis of specifications. Offers, efficiency, quality, network ability, and environmental and social standards are all decisive when selecting suppliers. In other words, the process takes account of the required environmental and social standards. In the individual case, employees of the BMW Group's purchasing department consider the following:

- Social responsibility
- Ecological responsibility: environmental management system
- Ecological responsibility: requirements of environmentally compatible product development
- General questions and suppliers' self-assessment

In the spring of 2003, the BMW Group launched its first international survey of more than 900 series suppliers worldwide in order to monitor quality guidelines and check whether social and ecological standards are observed. The survey found that more than 90 percent of the purchasing volume came from suppliers with an environmental management system. Around three-quarters of the turnover were achieved with suppliers who implemented the social standards.

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### **Cooperation in implementing environmental and social standards – the example of BMW South Africa**

The socio-economic and cultural environment and thus the state of the infrastructure differ from country to country. That is why any attempt to extend environmental and social standards to suppliers must allow for creativity and flexibility. The example of BMW South Africa shows this clearly.

In 1999, the BMW Group was the world's first car manufacturer to have its own integrated management system, the Safety, Health and Environmental (SHE) Management System, for environmental protection, work safety and health protection and quality at its location in South Africa. The environmental management system is certified in accordance with standard ISO 14001, work safety and health protection in accordance with BS 8800 and quality with ISO 9001. Following certification, BMW South Africa began to encourage environmentally compatible and sustainable production at its supplier companies. The first workshop with around 40 suppliers was held in 2000. The objective of the so-called "Coaching Programme" is to familiarise the suppliers with the latest international standards and legal requirements. Further workshops followed and, with time, more objectives were set as regards suppliers' environmental and quality standards.

### **The outcome of the Actions**

As a result of the "Coaching Programme," 60 percent of the regional suppliers of BMW South Africa have already been certified in accordance with standard ISO 14001. If the promises are kept, approximately 90 percent of the suppliers should be certified in accordance with ISO 14001 by the end of 2004.