Supply Chain Sustainability Management

Supplier management and key facts
Volvo Cars has approximately 700 business partners delivering production materials and roughly 3,500 preferred suppliers delivering indirect products and services.

Volvo Cars’ cooperation with our suppliers is vital not only in terms of business continuity and effectiveness but also in managing sustainability. The majority of the components used in our vehicles are manufactured by suppliers, therefore their environmental and social responsibility footprint is very important to Volvo Cars. The foundation of Volvo Cars Procurement operations strategy is to incorporate and adapt sustainability activities into Procurement’s day-to-day processes and tools. The Senior Vice President Procurement is responsible for supporting and managing environmental and social responsibility related to the supply chain.

Sustainability risk assessment
Volvo Cars Procurement uses a model for rating our suppliers and the countries where they produces from a sustainability risk point of view. The model assesses countries based on aspects relating to social responsibility. e.g.:
• Lack of democracy, civil and political rights
• Living standards
• Corruption

The country risk model is updated annually and is mainly used to prioritize activities such as supplier training and supplier audits. Because of the extensive variety of purchased commodities in the Indirect Purchasing (IDP) supplier category, Volvo Cars uses two additional models: a risk rating model related to the supplier’s environmental impact and a social responsible risk rating model on commodity level.

Ensuring supplier compliance
To ensure that business is executed in a responsible way across the supply chain. Different Sustainability activities are used to identify, indicate and verify social and environmental compliance on supplier parent and site level. The work is proactive with a coaching approach to encourage continuous improvements, not policing.

• Assessing suppliers
Volvo Cars’ global Manufacturing Site Assessment (MSA) evaluates whether a production materials supplier is performing according to customer expectations and requirements regarding manufacturing quality. The MSA is performed on site by the Supplier Quality Management Department and reviews the fundamental areas of the supplier’s manufacturing processes and metrics. The assessment also includes areas related to health and safety, risk management and environment. MSA is conducted for new suppliers before sourcing and on a recurring basis for existing suppliers.

• Evaluating suppliers
Volvo Cars has a global Supplier Evaluation Model (SEM) that supports the selection of new suppliers. The model evaluates potential suppliers from a holistic perspective, covering areas such as working conditions, business ethics and environmental impact. The model can also be used for analyzing current suppliers.
• Supplier Sustainability Self-Assessment
  The Supplier Sustainability Self-Assessment Questionnaire (SAQ) is exercised by suppliers upon request and cover social and environmental sustainability, business conduct and compliance, and sub-supplier responsibility. The purpose of SAQ is to ensure that business is performed in a responsible way across the supply chain. As part of the SAQ, supplier’s improvement areas are identified in order to take action and comply. This includes cooperation with suppliers to strengthen their performance within prioritized areas in order to comply with Volvo Cars’ requirements for suppliers.

• Sustainability Audit
  Volvo Cars’ supplier sustainability audit assessment criteria are based on Volvo Cars’ Code of Conduct for Business partners included as a part of our Contractual agreement with suppliers. We have a risk-based approach and select suppliers for monitoring activities based on different risk factors. Areas covered in the Sustainability Audit are Basic working conditions and human rights, Caring for the environment, Business integrity, Consequences of violations and Tell Us reporting, grievance mechanism. Including labor conditions, business ethics, health and safety (including risk management and emergency preparedness), environmental protection, compliance and management system. If non-conformities are identified from the audits, Volvo Cars works with concerned suppliers to improve and verify implemented corrective actions.

• Supplier Escalation Process
  The Supplier Escalation Process is a procedure used when suppliers deviate from the agreed deliverables part of the agreements and therefore pose a risk for quality/delivery, environmental and social responsibilities.

Supply chain management training
All procurement employees are annually invited to face-to-face Sustainability training.

Activities for ensuring supplier’s compliance

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