



Environmentally Compatible Economic Growth

Agreement between
the Bavarian State Government
and
the Bavarian Business Community
of October 25, 2005

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Preamble

Since the initial signing of the Environmental Pact of Bavaria in 1995 it has become a model approach in environmental protection. It is based on the principles of voluntary commitment, direct responsibility and cooperation. The goals of the Pact are to enhance innovative drive and environmentally compatible economic growth under the guiding principle of sustainability.

The Environmental Pact

- Expresses the responsibility of the State and Industry to maintain the natural basic living conditions through preventive action and independent of the legal requirements in force,
- Creates scope for the implementation of effective measures, because it relies on the experience and innovative drive of companies,
- Implements the principle of eco-efficiency because it focuses on tailor-made strategies along economic lines,
- Makes a decisive contribution to a trusting atmosphere between the Bavarian state government and the Bavarian business community with all its companies and organisations,
- Is a driving force for new approaches, methods and topics directed towards the sustainable development of our country.

Against the background of experiences gathered with the Environmental Pact of Bavaria to date it is now to be continued for a further five years. It is the declared belief of the Bavarian State Government and Bavarian Industry that the natural basic living conditions can be better protected with the help of a voluntary and reliable cooperation between State and Industry than through laws and regulations alone. The emphasis is not only placed on the remediation of environmental damage but also on foresighted avoidance of future pollution.

The Bavarian State Government is committed to further enhance the partnership between the business community and the State with the aim of achieving a sustainable development which secures economic growth in an intact environment, now and for future generations.

Bavarian Industry remains aware of its ongoing responsibility for the protection of man and nature. It is on this basis that it agrees to assume increased responsibility for a sustainable management. It is the declared goal to consistently enhance corporate environmental protection. Environmental management systems will play a major role in this context. Bavarian Industry underlines its commitment to guarantee through direct responsibility the observance of national and international material standards, while state regulations and inspections are gradually stepped down.

I. Working Groups

Working Groups will be established to clearly mark the cooperation between the state and the business community. The objective of the Working Groups is to generate impetus for sustainable economic growth.

Within the scope of their specific field of competence it is the task of the Working Groups to

- Identify key problems,
- Prepare proposals on how the Bavarian State Government together with Bavarian Industry can contribute to solving problems as well as
- Initiate appropriate projects.

First of all Working Groups will be organised on the following key topics:

- A. Reduction of emissions
- B. Energy efficiency and renewable energies
- C. Simplification of administrative procedures
- D. Integrated Product Policy (IPP)
- E. Climate dialogue and emissions trade
- F. Chemical substances policy
- G. Water summit
- H. Management systems.

The Working Groups will submit an interim report on their work to the Working Committee “Environmental Pact of Bavaria“ by the mid-term of the current Environmental Pact at the latest. Where work on a Working Group topic has been completed, a final report will be prepared.

If required, new Working Groups can be set up during the term of the Environmental Pact according to these principles, upon the initiative of a partner to the Pact. The Steering Group “Environmental Pact of Bavaria” will decide on the setting up of new Working Groups and the closing of existing Working Groups.

Members of the Working Groups are appointed by mutual consent among the organisations of the Industry (Bavarian State Congress of Crafts Representatives, Association of Bavarian Chambers of Industry and Commerce, Association of the Bavarian Industry) as well as by the departments of the State Government (Bavarian Ministry of the Environment, Public Health and Consumer Protection and the Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology). The Working Groups appoint their own chairman and deputy chairman. The Working Groups are to be small and efficiently working units. If necessary, the Working Groups

informally draw on outside experts (e.g. for technical consultation on specific issues). The Working Groups are supported by the Agency "Environmental Pact of Bavaria" in the handling of the required administrative activities.

A. Reduction of emissions

Emissions are having an impact on people and the environment every day and in many different fields. These include emissions from atmospheric pollutants such as fine dust, for example, which originate from private households, industrial plants, traffic and other sources, and also increasing pollution from noise. It is the mission of a future-oriented policy of the Bavarian State Government and Bavarian Industry under the aspect of a sustainable development to reduce emissions and thus minimise risks.

The Working Group will focus in particular on the following key tasks:

- Development of solution approaches on the issue of fine dust
- Discussion of required measures for air pollution control in the sectors of private households, industrial plants as well as other sources of pollution
- Analysis of the future Euro-5 exhaust gas limits for cars
- Speedy market launch of new commercial vehicles which meet the future, already adopted exhaust gas standards
- Use of synthetic fuel additives to reduce atmospheric pollution emissions
- Reduction of fuel consumption in cars
- Further development of hydrogen technology and other alternative power drives
- Development of measures for reducing traffic noise
- Enforceable and practical layout of the regulation on distinguishing signs for vehicles with a low impact on atmospheric pollution.

B. Energy efficiency and renewable energies

In view of the challenges arising from the growing global energy requirement and the simultaneous need for a restriction of CO₂ emissions to protect the climate, more and more importance is being attached to the efficient handling of energy and the development of renewable energies. The Bavarian State Government and Bavarian Industry seek to maintain and enhance the high ecological and economic standard of energy supply in Bavaria by pursuing further measures to save energy, increase energy efficiency and by an increased use of renewable energies. Technical-economical efficiency is the key to accomplishing the equal-

ranking goals of security of supply, environmental compatibility and reasonably-priced energy supply in this respect. Reduced energy consumption achieved especially on the basis of energy saving and improved efficiency also opens up the opportunity to reduce costs besides saving resources and climate protection.

The Working Group will focus in particular on the following key tasks:

- Use of adequate energy efficiency technologies both in the process and in the building sector
- Introduction of a systematic corporate energy management
- Exploitation of the high energy saving potential in space heating through measures implemented in the building and in the heating system
- Increased use of biomass, photovoltaic engineering, solar thermal as well as geothermal energy.

C. Simplification of administrative procedures

Simplification of administrative procedures through substitution and deregulation is a prerequisite for a modern lean administration of Bavaria. The Bavarian State Government must follow this road in order to contribute towards strengthening Bavaria as a business location in the face of growing challenges from global competition and thus secure prosperity. The Bavarian State Government will put a stronger emphasis on relaying this responsibility to the administrative bodies.

The implementation of this approach also means an introduction of special relief in administrative procedures and privileges for companies which assume direct responsibility for the environment (e.g. through the introduction of environmental management systems).

The Working Group will focus in particular on the following tasks:

- Creating more leeway for companies showing environmental awareness
- Further simplification and deregulation of regulations at a European level
- Adherence to the implementation of European law into national law on a one to one basis
- Developing basic principles for a procedure within the e-government framework which is oriented along the lines of presumption of approval.

D. Integrated Product Policy (IPP)

Integrated product responsibility on a life cycle basis is a future-proof concept. As a comprehensive strategy Integrated Product Policy (IPP) seeks to consistently improve the environmental impact of products throughout their entire life cycle. In doing so, economic and social aspects are to be taken into account. IPP substantiates the concept of sustainable development and enhances the classic sectoral environmental policy addressing pollutants and environmental media by the product dimension.

The industry sees in IPP a coherent future-proof approach for developing and marketing innovative products in compliance with the principle of sustainability and thus acquiring competitive advantages. The business community seeks to use and further develop IPP in direct responsibility. The State Government identifies in IPP a concrete form of direct responsibility of the Industry for its products. It sees itself first and foremost in the role of promoter in this respect and seeks to contribute towards Bavarian Industry acquiring an economic and ecological leading edge. In doing so, new regulatory law is to be avoided as much as possible.

The Working Group will focus in particular on the following tasks:

- Further development of IPP with cooperative and non-bureaucratic solution approaches while avoiding a regulatory approach
- Integration of experiences gathered in Bavaria with IPP in company practice
- Public campaigning and communication on the topic of IPP
- Launching and financing research and development projects.

E. Climate dialogue and emissions trading

Global climate change is one of the biggest ecological challenges of the 21st century. The international community of states is called upon to define common objectives and instruments for an efficient and effective climate protection policy. Unilateral efforts at national level or excessive pioneering roles are to be rejected as these only lead to emissions, production sites and workplaces being shifted to countries with lower environmental standards and, in view of the developments in emerging countries such as India and China, contribute little towards a solution to climate problems. A particular example of non-coordinated measures is also the emissions trade which has been in force in the European Union since 1.1.2005 at company level, and is having a negative impact on the competitiveness of the German and Bavarian industry. The Bavarian State Government and Bavarian Industry will work towards a sustainable, internationally coordinated climate protection policy which meets

ecological interests without having a negative impact on economic growth and social development.

The Working Group will focus in particular on the following key tasks:

- Further development of the Kyoto Protocol leading up to an effective Kyoto Plus agreement incorporating the main CO₂ emitters
- Revision of the EU Emissions Trading Directive with the aim to reduce distortions of normal trading conditions and cut back bureaucracy
- No further competitive distortions at the expense of the German economy in the preparation of the allocation plan for the years 2008 – 2012
- Support for companies in the implementation of climate protection projects (Joint Implementation/Clean Development Mechanism).

F. Chemical substances policy

The substances law valid in Europe today treats old and new substances differently and necessitates extensive and expensive inspections on the part of the authorities. The European Commission has submitted a proposal for a comprehensive new orientation in the chemical substances policy which transfers the main responsibility for risk assessment to the producer. The proposal of the Commission concerning this “Regulation on the Registration, Evaluation and Authorisation of Chemicals REACH“ as well as comments of the Council of Ministers of the European Union and the European Parliament are, however, a threat to the competitiveness of the entire business community and consequently jeopardise a large number of jobs. The Bavarian State Government and Bavarian Industry are therefore undertaking joint efforts to guarantee competitiveness of European industry.

The Working Group will focus in particular on the following tasks:

- Simplification of the REACH system making it practicable
- Marked reduction in expense for the registration of substances
- Introducing expedient regulations to guarantee the protection of company secrets
- Avoiding duplication in law for the chemical substances.

G. Water summit

The high quality and sufficient quantity of potable water are elementary basic requirements for a positive economic development in Bavaria. A close coordination is required between the

Bavarian State Government and Bavarian Industry in order to reconcile the areas of interest of the industry, municipalities and the state relating to the issues of “preventive drinking water protection, sewage disposal and necessary flood control“. This focuses particularly on issues and concerns relating to water protection areas as well as priority and reserve areas in regional planning.

The Working Group will focus in particular on the following key tasks:

- Political stipulations on preventive groundwater protection
- Technical and procedural transparency in the designation of water protection areas
- Technical and procedural transparency in the definition of priority and reserve areas for securing the public water supply in regional planning
- Concepts for increased involvement of affected parties in institutionalised procedures.

H. Management systems

Environmental management systems have proved to be a valuable tool in the systematic reduction of negative environmental impact in companies. It is the set goal to further increase the number of companies operating environmental management systems and other instruments of systematic corporate policies for environmental protection.

The Working Group will focus in particular on the following key tasks:

- European Eco-Management and Audit Scheme EMAS
- The continuation of systematic approaches in environmental management including ISO 14.001, Quality network of ecologically aware craft businesses (QuH) and Oekoprofit as well as the continuation of OHRIS.
- Integrated approaches linking with quality and industrial safety management systems
- Other approaches for improving corporate environmental management such as corporate environmental advisory services, production-integrated environmental management systems (PIUS), corporate benchmarking, material flow management, performance indicators
- Further developments and new approaches for interested companies and for an improved networking of environmentally oriented companies.

II. Projects and commitments in the sectors of the manufacturing industry, the trade and service providers

The Bavarian Association of Retailers (Landesverband des Bayerischen Einzelhandels e. V. (LBE) represents 12,000 companies in Bavaria with 25,000 business establishments. The LBE will encourage its members to join the Environmental Pact of Bavaria.

Together with the Bavarian State Government the Bavarian Association of Retailers is preparing specific criteria for retail businesses in view of joining the Environmental Pact of Bavaria (30-point programme).

The Bavarian Association of Retailers is considering together with the Bavarian State Government an update of the publication for the environmentally conscious retailer "Der umweltbewusste Einzelhandelsbetrieb".

The Bavarian trade association for large and medium-sized retail businesses (Handelsverband BAG Bayern e.V. - BAG Bayern) represents the interests of department stores, specialist dealers and chain stores in towns as well as the mail order business in Bavaria. The BAG Bayern represents some 500 medium-sized and large retail businesses and vigorously encourages its members to participate in the Environmental Pact of Bavaria.

Together with the Bavarian State Government the BAG Bayern is preparing specific criteria for retail businesses in view of joining the Environmental Pact of Bavaria (30-point programme), within its nationwide segment "Environmental Protection and Social Standards in Trade".

A. Reduction of emissions

AUDI AG and BMW AG will fit their new vehicles as swiftly as possible with diesel particulate filters of the latest generation and also offer retrofitting solutions for older vehicles.

St. Gobain IndustrieKeramik is developing extremely innovative diesel particulate filters of silicon carbide (SiC) with optimised low fuel consumption in Rödental in Upper Franconia. With these newly developed SiC filters it is also possible to filter 99.9% of the particles. Parallel to this, a competence centre is being set up in which an international team of 15 experts from research and development will further develop filter technologies and production methods.

To reduce fine dust pollution in cities MAN Nutzfahrzeuge AG offers innovative particulate filter systems (MAN PM-KAT®) for commercial vehicles of the Euro 4 stage, which are particularly effective in the event of nanoparticulate.

MAN Nutzfahrzeuge AG is developing filter systems on the basis of the PM-KAT® as retrofitting solutions for trucks with Euro 3 engines which appreciably reduce the total particulate emission. These systems are to be granted technical approval for practically all series and engine outputs and sold through authorised dealers and garages.

MAN Nutzfahrzeuge AG is pursuing the goal to reduce the series noise limit values in force since 1995 for commercial vehicles with a laden weight of over 3.5 tons by 1 dB(A) through engine, unit and component acoustics optimisation in vehicle types predominantly used in cities, by October 1, 2010 at the latest. In doing so, the new noise measuring method will already be applied which takes the real tyre/road noise development into account. In vehicles used for public transport a noise reduction of up to 2 db(A) is to be accomplished.

MAN Nutzfahrzeuge AG heads a consortium in the Association of the Automobile Industry (Verband der Automobilindustrie e.V.) for describing and optimising measuring surfaces to enable noise measurements with uniform quality in the detection and conclusion when carried out at different locations.

MAN Nutzfahrzeuge AG advises its customers on the noise reduction that can be achieved with low-noise tyres and works towards new commercial vehicles being fitted with low-noise tyres wherever technically feasible.

The Bavarian State Government will award priority to vehicles with low fuel consumption and low noise emission when procuring or leasing vehicles for official use.

Süd Chemie AG, in cooperation with INCO Special Products, is developing an innovative catalytic soot particulate filter which is based on a new metal foam structure.

Süd Chemie AG is developing in cooperation with a manufacturer of closed fireplaces, an insert for closed fireplaces with catalytic afterburner for reducing CO and particulate emissions.

Under the given economic and regulatory competitive conditions the Deutsche Bahn AG will focus on traction vehicles with particulate filters or equivalent exhaust reduction technologies when purchasing new vehicles. To accomplish this goal Deutsche Bahn AG supports manufacturers of diesel engines and components for exhaust after-treatment by testing new techniques in its rail operations.

Deutsche Bahn AG considers the expansion of electric traction as the most effective measure for reducing local pollution loads through rail operation and together with the Bavarian State Government advocates the expedient expansion of the electric railway network (e.g. the Munich – Mühldorf-Burghausen/Freilassing line and the Munich - Lindau line).

Deutsche Bahn AG is advocating at a European level the area-wide use of composite brake blocks (K-Sohle) to ensure the effective impact of this measure in the reduction of drive-by noise of freight wagons especially in the transit through the Alps.

Deutsche Bahn AG is operating the implementation of the noise remediation programme on the federal track system in close coordination with the affected Bavarian municipalities.

The Bavarian gas industry is promoting the launch of vehicles that run on natural gas with its campaign “Bayern gibt Gas” within the scope of its new initiative on the use of natural gas as fuel “Erdgas als Kraftstoff (IEK)”. In this context a special target group, particularly with regard to the fine dust issue, is the delivery traffic in towns. The Bavarian gas industry undertakes to double the number of natural gas filling stations in Bavaria to 160 by the end of 2007.

The department for sand and gravel in the Bavarian Association of the Industry for Non-metallic Minerals (Bayerischer Industrieverband Steine und Erden e.V.) encourages member

companies to take measures to reduce noise emissions and to further reduce water consumption by using circulation systems.

The Bavarian member companies in the Federation of the Electrical Engineering and Electronics Industry ZVEI (Zentralverband Elektrotechnik- und Elektronikindustrie e.V.) – section of Bavaria, in the Industrial Energy Association VIK (Verband der Industriellen Energie- und Kraftwirtschaft e.V.) and in the Association of Network Operators VDN (Verband der Netzbetreiber e.V.) (as part of the Electricity Association (Verband der Elektrizitätswirtschaft e.V.) undertake within the framework of voluntary commitment to minimise emissions of sulphur hexafluoride (SF₆) in the manufacturing of electrical equipment, in the commissioning and operation thereof as well as in the recovery, recycling and in the disposal of SF₆.

B. Energy efficiency and renewable energies

E.ON Energie AG and Siemens AG will implement a new gas turbine power plant at the site in Irsching by 2007, which will be extended to a highly efficient gas and steam turbine power plant with an output of approx. 530 MW and an efficiency of over 60 % in the final stage by E.ON Energie AG. The Siemens AG alone will invest some 500 million € in development and construction of the prototype plant. The increase in efficiency achieved through advanced turbine technology will make a substantial contribution towards climate protection.

Wacker-Chemie GmbH is issuing a 300 million € investment programme for expanding the production capacity of polysilicon (polycrystalline pure silicon) in the manufacturing of solar panels for the solar industry, from today's 5000 tons per annum to 9000 tons from 2008. The additional capacities are to be used in the solar industry for the production of solar panels. Approximately 120 new jobs are being created at the site in Burghausen.

The Bavarian State Government is implementing projects in cooperation with the Chamber of Commerce and Industry for Nuremberg and Middle Franconia and the Energy Agency of Middle Franconia (EnergieAgentur Mittelfranken e.V.) on the employment of efficient compressed air systems in order to make use of the existing energy saving potential in support of the environment and to save operational costs.

The Bavarian State Government is preparing an internet-supported interactive checklist on compressed air applications for business enterprises, which it will present at events of the

Chambers of Commerce and Industry and the Bavarian State Congress of Crafts Representatives.

Süd Chemie AG is developing together with MTU CFC Solutions GmbH a demonstration project on the use of biogas in fuel cells.

E.ON Bayern AG will erect another biomass heating plant in the area of Markt Schwaben by mid 2006, in addition to the eight already existing plants. In the total of then nine biomass heating plants which E.ON Bayern AG owns or has a share in, there will be a thermal energy generation from biomass in the magnitude of approx. 35 GWh/a.

E.ON Bayern AG is carrying out studies at six locations in Bavaria on the possibility of erecting biogas plants for heat and power generation.

By using natural gas in the regional bus service the Deutsche Bahn AG will continue to rely on an innovative and environmentally friendly technology in the coming years. Natural gas fuel is currently the environmentally friendliest drive technology for the bus service sector that is ready for series production. The Bavarian regional bus companies of the Deutsche Bahn AG already operate environmentally compatible gas-fuelled vehicles to a large degree. With 207 vehicles (approx. 25 % of the total fleet) the regional bus companies boast the largest natural gas bus fleet in operation in Germany. This number will increase further over the coming years.

C. Simplification of administrative procedures

In the planned amendment to the list of charges, the Bavarian State Government is considering handling charges for hazardous waste flow inspection in such a way that companies which have certified environmental management systems, especially EMAS, are granted substantial relief under the condition that the use of these systems also reduces expenses for the authorities.

The Bavarian State Government and Bavarian Industry are working towards an acceleration and simplification of specific approval procedures within the framework of e-government.

The Bavarian State Government seeks to implement a pilot project for a General Permit in water, pollution control and waste legislation, among others, with OMV Deutschland and In-

fraserv Gendorf, taking an oil refinery and an industrial park as example.

The Bavarian State Government is investigating the degree to which more administrative leeway can be offered to companies with certified environmental management systems, especially EMAS, in addition to the currently valid reduction in fees in approval procedures relating to pollution control, among others, and the preference awarded in public tendering procedures, as far as the use of these systems also reduces expenses for the authorities.

The Bavarian State Government has installed the internet portal www.begleitschein-bayern.de and will advocate anchoring the electronic waste control certificate (“Begleitschein”) in the ordinance relating to documents accompanying waste recovery and disposal in support of deregulatory relief for the industry and administrative bodies. Bavarian Industry agrees to encourage as swift a use of the electronic waste control certificate as possible through its organisations and to implement it as quickly as possible within the permissible scope, even ahead of a federal regulation.

D. Natural resources

The companies of the paper industry organised in the Association of Bavarian Paper Manufacturers (Verband Bayerischer Papierfabriken e.V.) undertake to continue the sustainable development of the supply chain “Forestry - Wood/Waste Paper – Paper products“ in Bavaria together with the Bavarian State Government. In this context particular importance is attached to the economically and ecologically efficient approach to the key topics “energy supply“, “flow of goods and production processes on the basis of renewable raw materials” as well as “recycling systems for waste paper and other production residues”. The Bavarian paper industry will address the following individual topics in cooperation with the Bavarian State Government within the framework of projects and measures, under the aspect of optimising business management and economic processes, and will report on the results:

- Use of combined heat and power (CHP) under the special conditions of the paper industry: high level of efficiency in the use of primary energy based on the need for process heat throughout the year; high annual operating hours of the company power generating plants.
- Economically sustainable long-term supply of energy from outside.
- Increased development of a sustainable timber supply in the region and increased use of the raw material within specific product chains.
- Multiple use of paper fibres through waste paper utilisation in corresponding recycling systems.
- Utilisation of wood-based and other residues from production as secondary raw material or as recoverable fuel in the individual processing stages and recycling systems.

The company Infraser v Gendorf is expanding the waste incinerator plant in Burgkirchen an der Alz in order to be able to additionally carry out thermal recycling of sewage sludge in future. There will be an increase in capacity of approx. 10.000 tons of dry mass per annum. The generated energy is used again as steam in the company network. This provides the companies and municipalities in the region with an environmentally compatible and sustainable service for the local recycling of industrial and municipal sludge.

The Bavarian State Government and large hydroelectric power operators under the management of E.ON Wasserkraft GmbH and Lechwerke AG will agree on a paper containing milestones aimed at improving the framework conditions for hydroelectric power as a mainstay in the production of renewable energy in Bavaria, to provide relief in law enforcement and remove obstacles for further developing the sustainable use of hydroelectric power against the background of the EU Water Framework Directive implementation.

E.ON Wasserkraft GmbH agrees to appreciably increase the flow rate of the river Lech in the area of the nature conservation area „Litzauer Schleife“ in the tailwater of the Lech barrage weir 4. This increase in flow will reduce negative impact on the environment.

E.ON Wasserkraft GmbH, Rhein-Main-Donau AG and the Bavarian State Government seek to enable the overflow from the Danube into the flood plains in the area of the barrage weirs upstream of Ingolstadt in the event of high water levels. The aim is to create a dynamic system in the flood plains which will improve the eco-situation.

Rhein-Main-Donau AG will make the Dettelbach power plant on the river Main available for the pilot project for investigating the migration behaviour of eels and other fish species, with the objective of a sustainable reduction in the known fish damage. The loss in production will be tolerated by the Rhein-Main-Donau AG without compensation.

The Bavarian State Government is further developing the internet-supported Bavarian waste guide system “Abfallratgeber Bayern“ in cooperation with the Chambers of Commerce and Industry as well as the Bavarian State Congress of Crafts Representatives and the waste disposal companies in Bavaria.

The Bavarian Association of the Industry for Non-metallic Minerals (Bayerischer Industrieverband Steine und Erden e.V.) will continue to encourage its member companies to recycle construction waste in compliance with the rules without harmful impact on the environ-

ment and will work towards increasing the recycling rate of construction waste to 75 % by 2010.

The Bavarian Association of the Building Industry (Bayerischer Bauindustrieverband e.V.) will encourage its member companies to reach as high a recycling rate as possible in the re-use of reclaimed asphalt.

The Supervision and Certification Association for Pit, Quarry and Mine Backfilling (Überwachungs- und Zertifizierungsverein für die Verfüllung von Gruben, Brüchen und Tagebauen e.V.) will encourage as many backfilling companies as possible to introduce and implement efficient certified quality assurance systems for a sustainable and harmless re-use of excavated soil and construction waste in their pits, quarries and mines.

The Bavarian State Government will set up a best practice database on the internet to provide municipalities and the industry with information on sparing land use in urban development and will provide an indicator system for the monitoring of land used for housing and transport as well as aids on matters concerning the re-use of contaminated sites for building purposes.

The Bavarian State Government will investigate the possibility of changing the legal requirements for crediting investments in water protection against sewage tax, in compliance with § 10 Clause 3 of the sewage tax law, in such a way that in the case of so-called industrial parks the requirement for the investor and the person liable to pay the tax being the same person will be relaxed.

The Bavarian Association of Waste Disposal Companies (Verband der Bayerischen Entsorgungsunternehmen e.V.) Recycling and Municipal Cleaning seeks to introduce a certification for all members as certified disposal companies by 2010. This is linked with a participation in the Environmental Pact of Bavaria.

E. Integrated Product Policy (IPP)

Audi AG, BMW AG and MAN Nutzfahrzeuge AG agree to a joint initiative for the integration of the IPP concept in automotive component supplier companies, which includes the presentation of key elements and results of IPP at component supplier companies using own concrete examples, and also outlining ways to implement IPP. The different management systems will play a major role in this context.

The Bavarian State Government supports group counselling on the topic of Integrated Product Policy for small and medium-sized companies from funds of the Bavarian Environmental Advisory and Audit Programme, and provides additional co-financing funds for integrated product policy projects with companies from the Bavarian business community.

The Bavarian State Government and the Chamber of Commerce and Industry for Munich and Upper Bavaria will continue their website on Integrated Product Policy www.ipp-bayern.de which will be updated on a regular basis. This also applies to the maintenance and continuous updating of a secured communication platform for confidential exchange of information among the interested parties.

The Bavarian State Government promotes the evaluation of the guides on Integrated Product Policy (IPP) in the fields of “medical technology”, “marketing”, “management” and “small and medium-sized enterprises (SMEs)” in companies not yet familiar with IPP. The participating companies input personnel and expertise. The objectives are to strengthen Bavaria’s pioneering role in IPP and to establish the IPP strategy in medium-sized businesses.

Faber-Castell AG will present a model on how the trade can be included in the marketing of products manufactured according to IPP criteria. The focus in this context is placed on relaying the value added of such products, including the development of a sales concept and training of the trade enterprises participating. The aim is to prepare practicable solutions independent of companies and sectors.

Hans Huber AG will carry out the following projects to demonstrate the concrete implementation of IPP under the aspects of economic efficiency, innovation and transferability:

- Determination and presentation of life-cycle costs as a measure for the overall efficiency of units and machines must be comprehensible to customers. In this way it will be possible throughout the lifespan of a plant manufactured in compliance with IPP criteria, to assess the accruing costs in advance and compare them with other plants.

- Comprehensive and consistent participation of all departments and employees in the IPP process for utilising all innovation and efficiency potentials.
- Design of (small) decentralised thermal recovery plants for sewage sludge, under the aspects of IPP, with the goal of establishing a regional sewage sludge disposal for energy use.
- Design of decentralised treatment plants for grey water (water for industrial use), under the aspects of IPP, for substantially reducing fresh water use and to protect water resources.

Siemens Medical Solutions will carry out the following projects to implement IPP:

- Preparation of life-cycle relevant product information on medical equipment together with other manufacturers (General Electric, Philipps) to meet the request of companies and consumers for concrete and comparable environmental information.
- Representative presentation of life-cycle related information for a comprehensible product comparison under IPP aspects.
- Drafting of a uniform questionnaire for component suppliers jointly with partner companies. IPP-oriented action necessitates the knowledge of product constituents and their effects as manufacturers of complex equipment procure up to 80% of the parts.

The scientific foundation Georg-Haindl-Wissenschaftsstiftung is organising an in-depth course in the field of Integrated Product Policy with the chair for production and environmental management (Georg-Haindl foundation chair) at the economic science faculty of Augsburg University. The key focus in this course is the design of sustainable production and component supplier networks. There is a particular emphasis on issues concerning consecutive use of products or components on primary and secondary markets, and recommendations are developed on how to implement recycling systems on a worldwide scale.

Wacker-Chemie GmbH will describe by way of examples how different management systems and voluntary commitments already successfully put into practice, such as Responsible Care, Product Stewardship, Environmental Management Systems etc., can be transferred to other sectors and companies within the conceptual framework of Integrated Product Policy.

Deutsche Bahn AG is making an important contribution towards the sustainable handling of natural resources with the Re-Design of 59 ICE-1 traction vehicles.

F. Climate dialogue and emissions trade

OSRAM GmbH is further developing innovative low-energy lighting systems for both private and professional applications in cooperation with the European Lighting Industry. This is a major contribution towards implementing set targets in the Kyoto Protocol and the European Climate Change Programme (ECCP). The outlined potential saving in lighting facilities in Europe of 24 million tons of CO₂ emissions per annum is to be achieved.

Over the next five years Süd Chemie AG will erect plants abroad together with Uhde GmbH for catalytic N₂O reduction in fertilizer production with a reduction of at least 2 million tons of CO₂ equivalents, as projects in the Clean Development Mechanism(CDM) sector.

By 2020 the Deutsche Bahn AG will reduce specific CO₂ emissions in rail operations by 15 percent compared with the reference year 2002. With suitable framework conditions a further ten percent reduction is possible.

The Bavarian State Government and Bavarian Industry together encourage pilot projects on climate protection in developing and emerging countries (CDM projects) and are launching projects in the field of Joint Implementation/Clean Development Mechanism for making full use of the opportunities resulting from emissions certificate trading.

The Bavarian State Government and Bavarian Industry are together supporting a feasibility study which will reveal to Bavarian enterprises the rules and opportunities of CDM using examples and provide instructions on how to organise and handle CDM projects.

G. Finance and banking

The Association for Environmental Management in Banks and Insurance Companies (VfU) (Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen) is setting up a pooling system for small and medium-sized financial service providers in collaboration with the Bavarian State Government. The project is aimed at introducing a certified environmental management system in the participating branches.

The Bavarian State Government supports the efforts of the Munich Financial Centre Initiative (Finanzplatz München Initiative) which is aimed at creating improved framework conditions for credit institutions, exchanges, insurances and financial service providers in competition. This measure also supports the joint efforts of the financial service providers in Bavaria in the implementation of sustainable environmental management (e.g. cooperations in the field of Private-Public-Partnership, in the field of joint studies on flood control and climate change) in the different business segments of the companies.

The companies that have joined forces in the working group of Munich financial institutions "Arbeitskreis Münchener Finanzinstitute" seek to reduce their energy consumption in kWh per square meter of office space by some 5 % by 2010 as an appreciable contribution towards climate protection and to promote the use of renewable energies.

HypoVereinsbank AG, the Münchener Rückversicherungs-Gesellschaft (Munich Re) and the Bayerische Landesbank (BayernLB) will optimise existing in-house environmental management systems on an ongoing basis for continuous improvement of corporate environmental protection achievements. Above and beyond this, the BayernLB will further develop its EMAS- registered environmental management system placing a greater emphasis on aspects of sustainability. Dresdner Bank AG has ring-fenced all branches in Bavaria in an environmental management system in compliance with ISO 14001 and will continue this system. The Bavarian savings banks (Sparkassen) are committed to the goals of systematic environmental management in their general services; some savings banks also have an Environmental Certificate. The number of banks with a certificate is to be stepped up wherever possible.

HypoVereinsbank AG warrants the compliance with environmental and social standards in corporate procurement. To this end, it will undertake obligatory questioning of suppliers within the scope of an in-house management system. In corporate procurement the Bayerische Landesbank demands statements on environmental and social standards from its suppliers. These have a significant impact on the awarding of contracts.

HypoVereinsbank AG, Bayerische Landesbank and Dresdner Bank AG consider an environmental management system that accommodates the risk of the respective sector in granting loans and in the Basel II-Rating. The HypoVereinsbank undertakes to assess all company, foreign trade and project financing on the basis of an environmental risk analysis.

Dresdner Bank AG investigates environment and climate-related risks when granting loans to corporate clients. The Bayerische Landesbank and the HypoVereinsbank AG consider the ecological and social standards of the World Bank in funding projects.

The Bayerische Landesbank (BayernLB) and the HypoVereinsbank AG offer their customers services in the handling of emissions trading, within the scope of their climate protection activities. Beyond this, the BayernLB offers advisory services on topics of climate protection according to the Kyoto Protocol and EU emissions trading together with Energy & Commodity Services GmbH, which is a 100% subsidiary, and the HypoVereinsbank AG does the same with its Carbon Solutions department.

HypoVereinsbank AG offers sustainable forms of investment for amounts of every size. The Savings Bank Financial Group (Sparkassen-Finanzgruppe) sells “Sustainability Funds“ through its investment company which invest in companies excelling on the basis of reduced environmental pollution. Savings banks provide information, in compliance with their public mission, on the possibilities of public environmental support measures locally, on a case-by-case basis, but also in special campaigns and programmes. The Bayerische Landesbank and the Bayerische HypoVereinsbank AG actively negotiate support loans related to the environment.

The banks and financial service providers participate in a campaign jointly implemented by the State Government and Bavarian Industry to intensify rehabilitation measures in buildings, with a particular focus on specific finance offers.

The Bavarian State Government and financial service providers enhance information exchange through reciprocal traineeships in the sector of environmental risk analysis.

The Bavarian State Government is examining the possibility of giving financial service providers access to data from the land register on contaminated sites, which is currently in preparation, for in-house investigation purposes.

The Bavarian Association of Savings Banks (Sparkassenverband Bayern) and the Bavarian Cooperative Association (Genossenschaftsverband Bayern e.V.) encourage their member banks to continue emphasising the necessity of individual case examination when evaluating land in conservation areas and flood plains. For a more objective approach in the evaluation of land in conservation areas, training sessions are to be given, wherever necessary. The

Bavarian State Government can provide specialists from the water management administration for a joint information campaign, where there is a demand.

In the support activities of the Bavarian Savings Bank Foundation as well as when donating funds from the premium-aided saving earmarked for social purposes (Sozialen Zweckertrags des PS-Sparens und Gewinnens) in the savings bank organisation, measures which support nature conservation and environmental protection will continue to be awarded preference.

H. Management systems: Environment and industrial safety

The Bavarian State Government and Bavarian Industry are developing an environmental management system for small and medium-sized businesses of the manufacturing industry and for service providers. The Bavarian Hotel and Catering Association (Bayerische Hotel- und Gaststättenverband e.V. (BHG)) is participating in this pilot project and is implementing a field test in the catering sector to this end. Upon completion of the test phase the BHG will support the expansion of the system within its sector. The Association of Bavarian Chambers of Industry and Commerce will secure appropriate companies from the manufacturing industry to implement the project.

The Bavarian State Government and the Association of Bavarian Chambers of Industry and Commerce use a joint project as an example for demonstrating how EMAS can be adapted to the business concerns of SMEs. The project illustrates how expense can be reduced, especially with regard to documentation and auditors. The results of this project will be communicated to the Bavarian SMEs in an appropriate manner.

The Bavarian State Government and the Association of Bavarian Chambers of Industry and Commerce seek to simplify the requirements in the amendment of the EC Regulation 761/2001 (EMAS) currently in preparation. Before the European Commission and in the legislative process they will together encourage restrictive regulations being dropped and the introduction of opening clauses for testing new improvements. They agree that in order to strengthen EMAS it is necessary to make the system leaner, more dynamic and less expensive for the organisations taking part, without forfeiting any quality of contents.

The Bavarian State Government and the Association of Bavarian Chambers of Industry and Commerce will provide information on the new requirements of the EMAS regulation immediately after the amendment and will offer assistance in the adaptation to the new requirements.

The Bavarian State Government will step up incentives to introduce and maintain environmental management systems (EMS) in compliance with EMAS and other systems eligible for certification (QuH and others), by informing public tendering departments that and how preference can be awarded to environmental management systems in public tendering procedures.

To improve EMAS appreciation in public, the Association of Bavarian Chambers of Industry and Commerce and the Bavarian State Government invite all companies to take part in an "EMAS Week".

The Association of Bavarian Chambers of Industry and Commerce is developing a model project in cooperation with the Bavarian State Congress of Crafts Representatives using an EMAS-validated company from industry and its component suppliers. Within the scope of the project the introduction of systematic environment protection measures is to be investigated, also at the supplier companies, e.g. the introduction of environmental management systems.

The support given to the Oekoprofit rounds in Bavaria through the Association of Bavarian Chambers of Industry and Commerce and the Bavarian State Government will continue. The Bavarian Chambers of Commerce and Industry will also launch Oekoprofit rounds, independent of the municipal initiatives. Above and beyond this, it will be investigated whether and how further topics, such as quality assurance and social factors, can be taken up in the Oekoprofit approach.

The Association of Bavarian Chambers of Industry and Commerce will campaign for the introduction of environmental management or industrial safety management systems in companies with a quality management system. The companies will receive expert advice in the expansion of their quality management system to an integrated system. The Bavarian State Government supports the project with a presentation concept as well as leaflets to be handed out at events.

To assist companies in the implementation of corporate environmental protection the Bavarian State Government will continue the Bavarian Environmental Advisory and Audit Programme (BUBAP) with the tried and tested financial support and add new measures for efficient organisation of corporate material and information flow to the support scheme.

In a pilot project the Bavarian State Government promotes environmental pollution reduction through the technical and organisational optimisation of production processes and production plants (referred to as PIUS measures). The results will be presented to Bavarian companies as best-practice examples.

The environmental label granted by the Bavarian State Government to enterprises in the hospitality business has become well established as a label for enhanced corporate environmental commitment and as a mark of excellence in the tourist trade. The Bavarian Hotel and Catering Association will increase efforts to propagate the environmental label. This includes specifically addressing hotels and restaurants to participate in the system and to integrate the environmental label in public relations work.

The 'Destination Nature' scheme ("Fahrtziel Natur") of the Deutsche Bahn AG is an effective programme which links environmentally friendly mobility concepts with close-to-nature tourist activities and offers corresponding services for the National Park and the Nature Park "Bayerischer Wald", the Berchtesgaden National Park, the Nature Park Frankenwald and the Alpine nature conservation area "Allgäuer Hochalpen".

III. Projects and commitments in the trades and crafts sector

The Bavarian Associations of Guilds for the Shoemaker Trade, the Baker Trade, the Orthopaedic Equipment Trade and the Butcher Trade will enter the Environmental Pact of Bavaria as additional new trades and crafts associations.

The Bavarian Association of Crafts and Trades pledges to attract 1,000 new members from the crafts and trade sector to participate in the Environmental Pact 2005 by the year 2010.

The associations of the Bavarian joiners and timber trade pledge to attract 100 new member companies to the Environmental Pact by 2010.

The Bavarian Guild for Orthopaedic Equipment seeks to attract 100 new member companies to the Environmental pact by 2010.

The environmental advisors of the Bavarian Chambers of Trades and Crafts will carry out 1,200 consultation sessions, each lasting several days (in-depth consultations) in trades and crafts enterprises.

To support companies in the implementation of in-house environmental protection the Bavarian State Government will continue the Bavarian Environmental Advisory and Audit Programme (BUBAP) with the tried and tested financial support scheme.

The Bavarian State Government will carry on supporting the environmental information service departments of the chambers of trades and crafts.

A. Reduction of emissions

In organised initiatives Bavarian trades and crafts and their associations work consistently towards member companies undertaking measures to step up the reduction of emissions, while observing economic aspects, and to appropriately employ modern energy technology. The Bavarian trades and crafts and their associations will inform member companies on reliable and high-quality particulate filter retrofit kits for diesel vehicles as soon as these are available in series.

The tyre trade and specialist workshops provide customers with information on tyre noise characteristics, as far as such data are available. They generally draw attention to low-noise tyres in their advisory service.

The Bavarian trades and crafts will further improve qualification in energy advisory services for customers through cross-sectoral training measures (e.g. the training course leading up to the qualification as energy counsellor (HWK)).

B. Energy efficiency and renewable energies

The Bavarian trades and crafts, and the respective associations and member companies support initiatives promoting the energy-saving rehabilitation of buildings. The Bavarian chimney-sweeping trade will also provide information on the positive impact of energy saving measures on fine dust pollution to this end, within the framework of the Bavarian "Save Energy Check" (Energiespar-Check Bayern) in which the Bavarian State Government supports 10,000 energy-saving first advisory sessions for detached and semi-detached houses and small blocks of flats with 1 million euros.

To encourage energy-saving rehabilitation of old buildings the Bavarian State Government will develop a communications strategy across all trades, which is supported by the guilds active in this sector. The campaign will cover regional information events as well as the setting up of an internet portal on the rehabilitation of old buildings.

With the support of the Bavarian State Government, the Bavarian butcher trade will develop a trade concept for members of the trade which focuses on the rational use and saving of energy.

C. Simplification of administrative procedures

In the planned amendment to the list of charges, the Bavarian State Government is considering handling charges for hazardous waste flow inspection in such a way that companies which have certified environmental management systems, especially EMAS, are granted substantial relief under the condition that the use of these systems also reduces expenses for the authorities.

The Bavarian State Government and Bavarian Industry work towards accelerating and simplifying certain approval procedures within the framework of e-government schemes.

D. Natural resources

The Bavarian State Government and the Bavarian State Congress of Crafts Representatives will encourage the participation of companies in corporate benchmarking systems such as the Environmental Data Analysis (BUDA). In consultation with interested associations services of this kind are to be extended to other sectors. Corporate benchmarking is vigorously encouraged by the chambers, guilds and associations. The aim is to provide significant and reliable key figures on environmental protection measures in enterprises which can serve as a basis for introducing an environmental management system.

The Bavarian State Government is further extending the internet information system "Waste Guide for Bavaria" in cooperation with the Bavarian State Congress of Crafts Representatives and waste disposal companies in Bavaria.

The Bavarian State Government will provide a best practice database on the internet to provide municipalities and the business community with information on sparing land use in urban development and develop an indicator system for monitoring land used for housing and transport as well as aids on matters concerning the re-use of contaminated sites for building purposes.

E. Management systems: Environment and industrial safety

The Bavarian State Government is stepping up incentives to introduce and maintain environmental management systems (EMS) in compliance with EMAS and other systems eligible for certification (e.g. the Quality Network of Ecologically Aware Craft Businesses - QuH) by informing public tendering departments that and how preference can be awarded to –QuH environmental management systems in public tendering procedures.

After amendment of the EC regulation 761/2001 (EMAS) the Bavarian State Government and the Bavarian State Congress of Crafts Representatives will immediately report on the new regulations and offer practical assistance in the adaptation to the new requirements.

In cooperation with the Association of Bavarian Chambers of Industry and Commerce the Bavarian State Congress of Crafts Representatives is developing a model project with an EMAS registered industrial plant and its suppliers. Within the scope of the project the introduction of systematic environment protection measures is to be investigated, also at the supplier companies, e.g. the introduction of environmental management systems.

The Bavarian State Congress of Crafts Representatives is developing a modular system for interested craft enterprises through the Quality Network of Ecologically Aware Craft Businesses (QuH) which is supported by the Bavarian State Government. On the basis of the existing QuH approach, there is to be an additional module for process orientation in quality management, a module on food hygiene (HACCP) and a module on industrial safety. The suitability of these modules in practice will be tested in pilot projects.

The Bavarian State Congress of Crafts Representatives will promote the introduction of environmental management or industrial safety management systems in enterprises with a quality management system. The companies are given specialist assistance when expanding their quality management system to an integrated system. The Bavarian State Government supports the project by preparing a presentation concept as well as leaflets for handing out at events.

The Bavarian State Government encourages and supports the introduction of industrial safety management systems on the basis of OHRIS. It provides advanced aids for the introduction of OHRIS, organises workshops and carries out sector-related projects. The trade inspection authorities in the governments give advice to companies introducing the system free of charge and also carry out the certification of the system free of charge. The Bavarian State Congress of Crafts Representatives supports the Bavarian State Government in the introduction of OHRIS.

IV. Communication and framework conditions

A. Communication between industry and the authorities

In order to face up to the social challenges of growing globalisation of the economy, the state and the industry must be in a position to make a concerted effort to handle economic upheavals. The objective is to reduce friction between the State and the business community and promote the willingness to engage in a cooperative approach. As direct responsibility of the Industry is strengthened through voluntary commitment, opportunities are also opening up for reducing governmental control and regulation. It is therefore essential to develop an understanding for instruments serving cooperative environmental protection – supplementing existing regulatory law – within in the framework of state and municipal environmental administration. The willingness to communicate at all levels is a prerequisite for accomplishing this goal. The parties to the pact therefore agree to enhance interaction between industry and the authorities. The following measures are planned to this end:

- The project and process management systems set up in the governments also serve to accelerate procedures in the sectors of pollution control, water and waste law. To this end, close cooperation is fostered with the chambers of commerce and industry and with the county administrative authorities. To clarify issues of disagreement relating to scientific-technical and/or legal problems these can act as a voluntary mediation body. An example of such an arrangement is the tried and tested model of the Swabian initiative intended to accelerate approval procedures in pollution control, waste and water legislation, which equally comply with the applicable laws, while stimulating business development throughout the state.
- The Bavarian University of Applied Sciences for Public Administration and Administration of Justice is ready to expand its training and advanced training concept with the module “Instruments of cooperative environmental protection” with support from the ministry. The concept of the university of applied sciences - with its course of studies leading up to qualification as Dipl.-Verwaltungswirt/in (FH) (certified administrative officer) as well as the Qualification Offensive II - is particularly well suited for training students and people working in the authorities.
- More weight is to be awarded to cooperative environmental protection based on traineeships in administration and companies. This well-proven arrangement between the state and the business community will continue to promote the temporary exchange of person-

nel between the authorities and business enterprises, enabling participants to get an insight into the working methods and organisation of the other side. Cooperative approaches in environmental protection can have a particular impact in technical departments and law enforcing departments of the authorities and are particularly suited for practical implementation. To encourage more dialogue and mutual trust the exchange programme will in future also be open to members of the technical service, especially in the technical and operational departments of the authorities, and also to corresponding personnel in industrial enterprises. Besides the companies which are already participating in traineeship schemes organised by the Education and Training Organisation of Bavarian Industry (Bildungswerk der Bayerischen Wirtschaft e.V.), the firms listed below have the following new offers:

InfraServ Gendorf provides five internship positions each year to candidates for the higher service in construction and environmental administration, MAN Nutzfahrzeuge AG offers two to three positions, Siemens AG offers two internship positions and the Bavarian Associations of Paper Manufacturers one internship position each year.

B. Cooperations

- In the year 2005 E.ON Bayern AG announced the environmental award "E.ON Bayern Umweltpreis" for the first time. This award is presented every year to reward the introduction and implementation of innovative energy projects and environmentally compatible projects aimed at reducing primary energy consumption and pollutant emissions, as well as the protection of natural resources and ecologically-oriented construction. The environmental award is endowed with a total sum of 250,000 €. From 2006 the presentation of the main award will take place in close coordination with the Bavarian State Ministry for the Environment, Public Health and Consumer Protection.
- Advisory centre for emissions trading (BayCO₂)
The advisory centre for emissions trading - organised by the Bavarian State Ministry for the Environment, Public Health and Consumer Protection together with the Association of the Bavarian Industry (vbw) – had been approved up until 30.11.2005. Within the framework of the Environmental Pact of Bavaria the Bavarian State Government will participate in the financing for another year. BayCO₂ gives comprehensive support to Bavarian companies concerning questions on emissions trading and accompanies international climate protection projects (Clean Development Mechanism as well as Joint Implementation Projects).

- Infozentrum UmweltWirtschaft (IZU) - Information centre for corporate environmental management

The IZU is a project of the Environmental Pact of Bavaria and is financed from the Bavarian High-Tech Funds. IZU is a service for the Bavarian business community – first and foremost for small and medium-sized companies from all sectors - and also for the Bavarian authorities. The core focus of the service introduced to users in 2004 is placed on providing information via the internet which is supplemented by events, publications, a newsletter and individual contacts. The Bavarian State Government, the Association of Bavarian Chambers of Industry and Commerce and the Bavarian State Congress of Crafts Representatives inform companies on the IZU offers and are jointly expanding this information service on the basis of regular experience exchange.

- REACH information centre

The Bavarian State Government and Bavarian Industry plan to inform and assist companies with regard to registration and authorisation requirements from REACH.

- GSB – Sonderabfall-Entsorgung Bayern GmbH – a joint company for the disposal of hazardous waste

The Bavarian State Government and Bavarian Industry will continue this well-proven cooperation in hazardous waste disposal. The aim is to guarantee safe disposal and high-quality waste management in the long term and to ensure that hazardous waste continues to be disposed of cost-effectively and in an ecologically compatible manner throughout Bavaria.

- GRB – Sammelstelle Bayern für radioaktive Stoffe GmbH - a company specialising in the treatment of radioactive waste

The Bavarian State Government and Bavarian Industry will continue their well-proven cooperation in the treatment of radioactive waste (particularly waste from research and medical facilities). The basis for this cooperation is formed by the GRB which guarantees a safe collection and treatment in compliance with the regulations as well as intermediate storage, before the material is passed on for final storage under the responsibility of the federal government.

- GAB with the partners from the Bavarian Industry and top-level local government organisations

The Gesellschaft zur Altlastensanierung in Bayern mbH (GAB mbH), a company for rehabilitation of contaminated sites, will continue as a cooperation model between the Bavarian State Government and Bavarian Industry. To this end, Industry and the State Government will contribute 6.9 million euros to the GAB by 2008. In addition to this, the Bavarian State Government will support the rehabilitation of contaminated sites originating from trade and industry with income from the fund set up to remediate contaminated sites. Also the top-level local government organisations of Bavarian municipalities and self-administered towns see the rehabilitation of contaminated sites as a direct responsibility. The shareholders of the GAB mbH agree to an expansion of the tried and tested cooperation model of the GAB mbH to include the Bavarian top-level local government organisations (Bayerischer Gemeindetag and Bayerischer Städtetag); in this case the financing will have to be renegotiated.

- The State Government already entered a first Mobile Phone Pact with the mobile phone companies operating in Bavaria in 1999. This was advanced to the Mobile Phone Pact II to enable local authorities to participate in the search for locations, while reducing their impact to a minimum and also featured a simultaneous restriction of emissions. The Mobile Phone Pact II was signed in 2002 by the former Bavarian Ministry for Regional Development and Environmental Affairs, the mobile phone operators and the top-level local government organisations of Bavarian municipalities and Bavarian counties (Bayerischer Gemeindetag and Bayerischer Landkreistag). The partners have agreed to continue the Mobile Phone Pact to the end of 2007.

- Bavarian Environmental Technology Cluster

Cluster policy is a new element in establishing Bavaria as a world-class location for industry and science, based on intensified value-added oriented networking between companies and between companies and research institutions. The aim is to strengthen competitiveness of the Bavarian industry, with a particular focus on small and medium-sized companies, and consequently secure and create jobs in all areas of the state by stimulating even greater momentum in innovation and development. Cluster management is essential for successful operation of the cooperation platforms. The cluster management for the environmental technology sector is to be set up in Augsburg.

- BAIKUM “Bavarian Initiative for Innovation and Cooperation in Environmental Technology“
BAIKUM is a joint initiative of the Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology, the Bayern Innovativ GmbH, the Association of Bavarian Chambers of Industry and Commerce and Bayern International GmbH, which is aimed at promoting innovative drive as well as the internationalisation of environmental technology companies based in Bavaria. As a follow-up to BAIKUM partner meetings there will, in future, be extended discussions directed towards coordinating the various activities for exporting environmental technology from Bavaria and picking up emerging developments as quickly as possible.
- KUMAS
The environment competence centre of Augsburg-Swabia (KUMAS) now has 170 active partners from the business community and is a major network of competent companies. The State Government will continue to support this centre of excellence.
- Technology Transfer Water
The project “Technology Transfer Water (TTW)“, based in Hof, successfully promotes the approach of integrated water resources management with more than 300 Bavarian partners to date. The key focus is placed on the implementation of projects with international partners including the sharing of specialist know-how. Within this framework support is given to export agreements on environmental technology in order to allow Bavarian companies to present themselves as a consortium on the European market. The Bavarian State Government will continue to support the “TTW“ project.

C. Regionalisation

In order to implement the idea of cooperative environmental policy on a broad scale the objectives and contents of the Environmental Pact of Bavaria must also be made known at a regional and local level and be filled with life. Governments and the regional chamber organisations have established “Regional Working Groups” for this purpose. The aims of these groups are as follows:

- To communicate and implement the Environmental Pact of Bavaria, its individual objectives and measures more forcefully – especially at regional and local level.
- To use the Environmental Pact of Bavaria as an integral approach for Agenda processes at county level and

- To intensify the exchange of information among governments, county administrative authorities, chamber organisations and individual operators within the framework of Round Table sessions, and develop projects for putting the cooperation principle into practice.

The regional working groups will

- Organise information events and participate in events on the topics concerning: participation in the Environmental Pact, implementation of sector-related environmental concepts, environmental management systems and their promotion
- Support exemplary environmental projects at a regional and local level as well as facilitate their transfer to other counties/municipalities
- Take on representative duties in dealing with participants to the Environmental Pact.
- A key instrument for expanding the Environmental Pact at a regional and local level is the network for corporate environmental protection. Based on the tried and tested model in the county of Bad Tölz-Wolfratshausen it is the aim to set up a similar network with 50 companies in 50 counties or towns. The network is committed to the goal of establishing corporate environmental protection in counties and towns, as an approach to long-term sustainable and future-oriented corporate management. The intensive cooperation of authorities and businesses linked up in the network will simultaneously have a positive economic impact on the entire region.

D. Communication of the Environmental Pact

Communication

The success of the Environmental Pact will also grow through improved public relations work. In this way, public awareness of environmental protection can be further enhanced and the number of parties participating in the Environmental Pact increased further. Major objectives of this public relations work are to:

- motivate companies to join the Pact,
- support participants in their environmental commitment,
- network the multipliers of the environmental pact as well as
- inform the public on the targets and contents of the Environmental Pact.

To this end, the measures of the communication concept are, among other things, intended to

- improve the information given to the participants in the Environmental Pact,
- encourage exchange among all parties involved,
- specifically provide information to sectors that are still underrepresented,
- directly approach individual companies as well as
- use communication means and communication paths more efficiently and in particular step up the integration of electronic communication (e-mail and internet).

The Bavarian State Government undertakes to provide an Environmental Pact Schedule Planner on the homepage of the Environmental Pact of Bavaria (www.umweltpakt.bayern.de) in this context, which can be viewed by the public and which:

- provides a fast overview of relevant dates in corporate environmental activities
- enables fast access to contact data of other multipliers and
- enables easy downloading of brochures, sample texts, logos etc. which can also
- be used to manage own appointment dates and contacts.

The Bavarian Industry undertakes to present and communicate topics of ecological relevance as well as the contents of the Environmental Pact in its publications (e.g. journals of chamber organisations, internet) and to encourage companies to participate in the Environmental Pact. The business community also undertakes to use the Environmental Pact Schedule Planner to announce relevant dates and joint events relating to environmental issues.

Concept of Ambassadors

Motivating and convincing companies to engage in environmental protection measures is best carried out by addressing companies personally, on the spot. It is to this end that Ambassadors or Special Ambassadors are to be appointed with a view to relaying the Environmental Pact of Bavaria to the general public.

Appointed Ambassadors of the Environmental Pact of Bavaria are representatives of enterprises or persons working in an honorary capacity who implement the set goals of the Environmental Pact of Bavaria in an exemplary manner and with personal dedication. Through the appointment of Special Ambassadors the basic idea of the Environmental Pact – voluntary commitment and direct responsibility – is to be extended to other sectors of society as well (e.g. sports) where it is hoped it will spark awareness.

The appointment of Ambassadors and Special Ambassadors of the Environmental Pact of Bavaria is regulated in Attachment 1.

E. Participants and Organisation

Parties entitled to participate are individual companies, associations and other institutions of the industry. The requirements for participation as well as the process for entering the pact are laid down in Attachment 2.

In compliance with their duties the partners to the Environmental Pact undertake to create lean organisation structures sparing financial and personnel resources (please refer to Attachment 3).

F. Controlling

The projects still being implemented under the Environmental Pact of Bavaria that expires in October 2005, will be transferred to this new Environmental Pact of Bavaria, as far as this is desired by the participating project partners. The Bavarian State Government and Bavarian Industry have agreed to continuously follow up the implementation of common goals outlined in the agreement and to take action in case of any major deviations from the targets set to ensure that these goals are reached. The Steering Group "Environmental Pact of Bavaria" will document the status of achievement of the goals before expiry of this agreement and submit proposals for continuing the Environmental Pact of Bavaria.

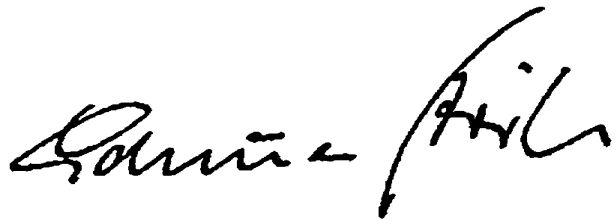
G. Framework conditions

The implementation of all services of the Bavarian State Government outlined in the Environmental Pact of Bavaria will be subject to the availability of capacity and budgetary funds of the State of Bavaria.

In the same way, the implementation of the outlined services of Bavarian Industry will be subject to the general economic conditions and capacity.

Munich, October 25, 2005

For the Bavarian State Government



Dr. Edmund Stoiber, MdL
Bavarian Minister-President

For Bavarian Industry



Randolf Rodenstock
*President of vbw
Association of the Bavarian Industry (Ver-
einigung der
Bayerischen Wirtschaft e.V)*



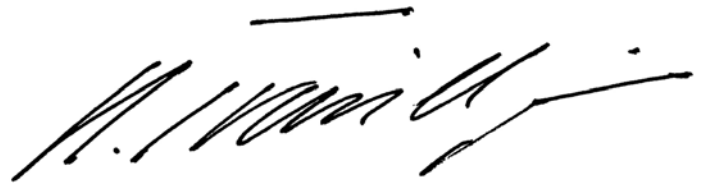
Dr. Werner Schnappauf, MdL
*Bavarian Minister of the Environment,
Public Health and Consumer Protection*



Dr. Claus Hipp
*Honorary President of the Association of
Bavarian Chambers of Industry and
Commerce
(Bayerischer Industrie- und
Handelskammertag)*



Hans Spitzner, MdL
*Deputy Minister of Economic Affairs, In-
frastructure, Transport and Technology*



Heinrich Traublinger, MdL
*President of the Bavarian State Congress
of Crafts Representatives (Bayerischer
Handwerkstag e.V.)*

**Procedure for the Appointment
of Ambassadors and Special Ambassadors
of the Environmental Pact of Bavaria**

- Any and all natural persons being participants in the Environmental Pact of Bavaria either themselves or through the organisation represented by them can be appointed Ambassador and Special Ambassador of the Environmental Pact of Bavaria. Other persons may be appointed if they are particularly committed to realising the objectives of the Environmental Pact of Bavaria, and intend to remain committed in future as well.
- Proposals should be forwarded either directly to the Office of the Environmental Pact of Bavaria or via the competent Chamber (for trades and crafts, the local Chamber of Trades and Crafts; for industry, the local Chamber of Commerce and Industry, or the respective regional office of the vbw (Association of the Bavarian Industry); with a statement of reasons to be provided in each case. Proposals by way of self-nomination will on principle not be considered.
- Decisions relating to the appointment of Ambassadors or Special Ambassadors will be taken by the Working Committee of the Environmental Pact of Bavaria. Details will be stipulated by the Working Committee itself.
- The appointment of an Ambassador / Special Ambassador will be documented towards the general public by the award of a certificate. The certificate will be signed by the Bavarian State Minister for the Environment, Public Health, and Consumer Protection. Concurrently, the names of the Ambassadors will be posted on the Internet site of the Environmental Pact of Bavaria (www.umweltpakt.Bayern.de).
- The function of Ambassador, or Special Ambassador, is an honorary one. Ambassadors, or Special Ambassadors, will be provided with the information material required for the performance of their honorary function, and supported by the Office of the Environmental Pact of Bavaria.

**Basic Principles
Applicable to Participation
in the Environmental Pact of Bavaria**

Individual companies, associations, and other business institutions who provide services to the environment in Bavaria will be eligible for participation.

A participant will provide one or several specific services within the framework of the Environmental Pact of Bavaria, or undertake to provide such services. Efforts eligible for recognition may include services mentioned expressly in the Environmental Pact, or other voluntary environmental achievements which in terms of both quality and quantity are in line with the objectives and contents of the Environmental Pact, and go beyond statutory requirements.

Under these principles, any person who has provided, or undertaken to provide, any of the following voluntary environmental services during the term of the Environmental Pact (until 2010) will be eligible to participate:

- Introduction or continuation at plant level of a corporate environmental management system
 - under the "Eco-Management & Audit Scheme" (EMAS),
 - under ISO 14.001,
 - pursuant to the criteria set by the Quality Network of Ecologically Aware Craft Businesses (*Qualitätsverbund umweltbewusster Handwerksbetriebe* ("QuH"));
 - under *Oekoprofit* (i.e., the *Ecological Project for Integrated Environmental Technology*).
- A substantial voluntary contribution:
 - to integrated environmental protection and sparing use of resources,
 - to recycling systems,
 - to reducing CO₂ emissions through energy savings; e.g., through measures towards combined heat and power (CHP) or the utilisation of renewable energies;
 - to the increased utilisation of renewable raw materials, particularly through converting vehicle fleets and machinery — even in part — to biogenous fuels or supplies,

through the utilisation of biomass heating plants, small-scale furnace installations using wood, or products made of biomass,

- to securing environmentally compatible mobility, particularly through measures towards reducing pollutant emissions, increasing the share of freight or passenger transportation by rail, or utilising alternative drive mechanics,
- to improving pollution control, water conservation, nature preservation, or soil protection.
- Certification, or re-certification, of the company as a unit specialising in waste disposal,
- reduction in the operational input of substances being particularly harmful to the environment, through the voluntary introduction of ecologically beneficial substitute materials.

Furthermore, participation in the Environmental Pact of Bavaria will be open to businesses:

- which have conducted an ecological audit at plant level, within the framework of environmental counselling under the Bavarian Environmental Advisory and Auditing Programme,
- which, as part of the "Environmentally Friendly Hotel and Catering Operations" campaign, have earned the Environmental Label awarded by the Bavarian State Government,
- which, by being members of the Gemeinschaftseinrichtung zur Altlastensanierung in Bayern e.V. (GAB e.V.), a joint organisation for the rehabilitation of contaminated sites in Bavaria ("GAB"), participate in the remediation of contaminated sites in a manner characterised by eco-friendliness and solidarity,
- which have achieved the necessary score levels in the criteria lists developed by the Bavarian State Congress of Crafts Representatives for certain craft branches,
- which have earned an Environmental Label as awarded by a recognised supervisory organisation (e.g., DEKRA, TÜEV, etc.), or are entitled to the continued use of such label,
- which have been utilising ecologically beneficial and innovative products/technology or ecologically beneficial and innovative services that contribute in a quantifiable manner to improving environmental protection at plant level;

as well as to associations:

- which participate in the development and implementation of industry-specific environmental concepts,
- which have promised to provide in any other way voluntary environmental services for their association or its member companies or facilities.

Services provided predominantly in locations outside Bavaria cannot be considered.

Except as otherwise provided for, a service should have been rendered within the term of the Environmental Pact of Bavaria.

Admission to the group of participants will be conditional upon written application.

Participation in the Environmental Pact of Bavaria will include the grant of written permission to use the "Environmental Pact of Bavaria" logo. The logo may be used only in advertising not related to a particular product, with the specific environmental services recognised by the "Environmental Pact of Bavaria" Working Committee being mentioned concurrently.

Participation in the Environmental Pact of Bavaria will be free of charge.

Termination of participation will be effected:

- through a statement by the participant:
Each individual business undertaking may terminate its participation in the Environmental Pact of Bavaria at any time with immediate effect. The participation certificate shall be returned;
- through expiration of the term of the Environmental Pact:
Upon the expiration of the term of the Environmental Pact, participation in the Environmental Pact of Bavaria will cease as well. Subject to certain conditions being fulfilled, participation may be renewed upon the conclusion of a new Environmental Pact. Details will be stipulated by the "Environmental Pact of Bavaria" Working Committee;
- in the event of any environmental offences:
If the competent enforcement agency reports any contravention of relevant environmental legislation at a company's location, with such location having been identified in a conclusive and final manner, participation in the Environmental Pact of Bavaria will as a matter of principle be cancelled, or temporarily suspended, until that company has remedied such contravention, and taken precautionary measures to prevent recurrence. In this context, the gravity of the offence should be taken into consideration. A decision in any individual case will be taken by the "Environmental Pact of Bavaria" Working Committee.

In the event of any termination of participation, the "Environmental Pact of Bavaria" logo may no longer be used.

**Organisation
and
Environmental Pact Office**

The "Environmental Pact of Bavaria" Steering Group

The Steering Group is comprised of representatives of the signatories to the Environmental Pact of Bavaria. Its task is to agree and co-ordinate among the partners to the Pact the control of the implementation of the Environmental Pact of Bavaria. The Steering Group is headed by the Director-General of the Bavarian State Ministry for the Environment, Public Health, and Consumer Protection.

The "Environmental Pact of Bavaria" Working Committee

The Working Committee supports the "Environmental Pact of Bavaria" Steering Group. It is comprised of representatives of the signatories to the Environmental Pact, its task being in particular to agree and co-ordinate among the partners to the Pact the activities under the Environmental Pact of Bavaria. The head of the "Sustainability in Industry and Agriculture" section in the Bavarian State Ministry for the Environment, Public Health, and Consumer Protection has been entrusted with managing the activities.

The "Environmental Pact of Bavaria" Office

The Office has been established at the Bavarian State Ministry for the Environment, Public Health, and Consumer Protection. The establishment of the Office at the Bavarian State Ministry for the Environment, Public Health, and Consumer Protection fulfils a commitment by the Bavarian State Government, and reflects the great significance attached to the Environmental Pact of Bavaria. The task of the Office is to handle administrative matters in connection with the implementation of the Environmental Pact of Bavaria, to maintain the database of participants in the Environmental Pact, and to look after the Ambassadors of the Environmental Pact. In all its activities, it will act on behalf of the "Environmental Pact of Bavaria" Work Committee.

Address:

Bayerisches Staatsministerium für Umwelt, Gesundheit und Verbraucherschutz¹

- Geschäftsstelle Umweltpakt -²

Rosenkavalierplatz 2

81925 München

Internet: www.umweltpakt.bayern

E-mail: umweltpakt.bayern@stmugv.bayern.de

Fax: 089/9214 - 2471

Rainer Guse Phone: 089/9214 - 3391

Paula Dickmann Phone: 089/9214 - 2353

Katrin Raebisch Phone: 089/9214 - 2287

¹ The Bavarian State Ministry for the Environment, Public Health, and Consumer Protection

² Environmental Pact Office

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Rosenkavalierplatz 2, 81925 München

Internet www.umweltministerium.bayern.deE-Mail poststelle@stmugv.bayern.de

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