



Codes of conduct and international framework agreements: New forms of governance at company level

Case study: Bosch

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This case study is based on interviews with Bosch representatives carried out in February 2007 at the corporate headquarters in Stuttgart, Germany. Management and employee representatives opted for a joint discussion on the Bosch experience in which the management was represented by the head of the corporate social responsibility department and the employees by the chair of the Bosch Group's works council and the Bosch Europe Committee.

Information about the company

The Bosch Group is a leading global supplier of technology and services. The company is engaged in three core business sectors in the field of automotive and industrial technologies and consumer goods and building technology. The total sales of the Bosch Group amounted to 41.4 billion euro in 2005 and 43.7 billion euro in 2006, of which nearly three-quarters was generated outside Germany. The main pillar of business at Bosch is the automotive division, with 62% of total sales. Consumer goods and building technology contributed about 25% and the industrial technology division accounted for 13% of total sales.

Table 1: *Bosch divisional structure*

	Automotive technology	Industrial technology	Consumer goods and building technology
Sales 2006 (€, billion)	27.3	5.5	11.0
Employees 2006	161,108	34,776	56,912
Subdivisions	Gasoline systems Diesel systems Chassis systems – brakes Chassis systems – control Electrical drives Starter motors and generators Car multimedia (Blaupunkt GmbH, 100% Bosch-owned) Automotive electronics Automotive aftermarket Steering systems (ZF Lenksysteme GmbH, 50% Bosch-owned)	Automation technology (Bosch Rexroth AG, 100% Bosch-owned) Packaging technology	Power tools Thermotechnology (BBT Thermotechnik GmbH, 100% Bosch-owned) Household appliances (BSH Bosch und Siemens Hausgeräte GmbH, 50% Bosch-owned) Security systems (Bosch Sicherheitssysteme GmbH, 100% Bosch-owned)

Source: *Annual Report 2006*.

Founded in 1886 as a Workshop for Precision Mechanics and Electrical Engineering by Robert Bosch, the company's majority shareholder is a non-profit foundation, the Robert Bosch Stiftung GmbH. This institution carries out charitable and social activities which go back to Robert Bosch's time and are thus strongly rooted in the company's traditions. Entrepreneurial ownership functions are carried out by the Robert Bosch Industrietreuhand KG.¹

¹ The ownership structure of the Bosch Group is as follows: the Robert Bosch Foundation holds 92% of the equity shares but has no voting rights; the Bosch family holds 7% of equity shares and 7% voting rights; Robert Bosch GmbH holds 1% of equity shares but has no voting rights; and the Robert Bosch Industrietreuhand KG holds 93% of the voting rights.

Today, the Bosch Group has about 300 subsidiary companies with a global workforce of roughly 260,000. Though a global player, Bosch is still a company with a strong German–European bias, which is also illustrated by its workforce – there are around 30 Bosch subsidiary companies in Germany, which in 2006 employed a staff of approximately 110,000.² The second largest production area is Europe (excluding Germany), with approximately 70,000 employees (France has a workforce of 9,500 and the Czech Republic has 8,900 employees), followed by the Asia-Pacific region (42,000) and North and Latin America (38,000).

The Bosch Group has grown steadily in recent years. Worldwide sales increased by around 28% between 2001 and 2006 and global employment increased from 218,000 to 258,000. While this is mainly a result of Bosch's growing presence on global markets, the development in Germany was also positive, where the workforce increased from approximately 99,000 in 2001 to 110,000 in 2006.

An important milestone in Bosch's history in recent years was the acquisition of Mannesmann Rexroth AG and its merger with the automation technology division to form the Bosch Rexroth AG in 2001. Another major acquisition was that of Buderus AG in 2003 and its merger with the thermotechnology division to form the BBT Thermotechnik GmbH. Therefore, the present structure of the company is a result of major reorganisation and restructuring processes, which have accelerated during the last decade. However, internationalisation is putting pressure on Bosch's traditional family-oriented corporate culture.

Table 2: *Profile of Bosch*

Features	Data
History	Founded in 1886
Industry sector	Automotive, industrial technology, automation, consumer goods
Ownership structure	Foundation
Employment in Germany	110,000
Employment worldwide	258,000
CSR context	Member of UN Global Compact, Transparency International, European CSR Initiative and CSR Round Table Germany

Source: *Voss/Wilke*.

Industrial relations context

Traditionally, Robert Bosch GmbH combines economic success with strong commitments to their employees and elements of social responsibility. The founder, Robert Bosch, was as a wealthy entrepreneur concerned about training and further development of his employees. In fact, Bosch was one of the first companies to introduce the eight-hour working day in 1906. The one million German Marks donation for the construction of the Stuttgart Technical University in 1910 and the founding of a large homeopathic hospital in 1940 also illustrate the company's social responsibility. These traditional social values still shape the corporate culture developed by Bosch, which aims to achieve economic growth and sustainable profits while improving living and working conditions for the employees at the same time.

² Figures taken from the Bosch Annual Report 2006.

In Germany, employee interest representation is organised in a dual system – by the works council in every factory and in a general works council for all factories in Germany on the one hand, while on the other hand, representatives from the metal workers' union and the works council are also members of the company's advisory board. Employer–employee relationships are traditionally good and consensus based. Bosch has a reputation as being a good employer and pays attractive salaries, including profit-sharing schemes and other incentives.

Interest representation and transnational cooperation have been evolving during the last decade at Bosch due to the increasing internationalisation of the company. In 1998, the Bosch EWC, the Bosch Europe Committee, was established, which today comprises 33 employee representatives from 18 European countries. In 2006, the first global meeting of Bosch employees took place in Germany, with trade union representatives from 28 countries worldwide.

Bosch thus faces the same challenges and problems as other companies in the field of international interest representation structures, social dialogue and labour standards. Against this, the German and the European works councils at Bosch have been involved in joint projects, such as the one carried out in Brazil with the Observatório Social and other partners, and have been actively promoting the idea of an International Framework Agreement at Bosch since the beginning of this decade.

Bosch corporate social responsibility (CSR) agreement

Background

The *Basic principles of social responsibility at Bosch*, which was signed by management and employee representatives, as well as the International Metalworkers' Federation (IMF), has to be seen in a wider context of CSR and corporate Codes of Conduct. In 2002, the Bosch Group introduced the 'The Bosch Code of Values', which was regarded as functioning as a 'beacon for all associates and managers in the turbulent period of cultural change in which we find ourselves.'³ The Code consists of seven 'core values', which are:

- future and result focus;
- responsibility;
- initiative and determination;
- openness and trust;
- fairness;
- reliability, credibility and legality;
- cultural diversity.

According to the most recent CSR report, these Bosch values are 'the foundation upon which the successes of the past were built, and upon which we will build our future. They guide our actions and tell us what is important to us and what we are committed to.'⁴ Together with core business competencies, the company regards the corporate values as the foundation of a joint 'House of Orientation'.

³ See also Bosch GmbH, *Global Responsibility. Environmental Report 2003/2004*.

⁴ Bosch GmbH, *Corporate Social Responsibility Report 2005/2006*, p. 7.

Figure 1: Bosch 'House of Orientation'



Source: Bosch CSR Report 2005/2006, p. 7.

In order both to harmonise and improve the efficiency of the corporate social and environmental commitments and orientations, Bosch has developed an integrated management system consisting of the following elements:

- Environmental Protection Guidelines have been introduced for the entire Bosch Group in 1996 and implemented from the same year onwards through an environmental management system at all manufacturing sites.
- Since 2001, strategic responsibilities and business practices have been governed by a single management system, the Management System for Quality, Environment and Safety, which covers principles of leadership, value creation and support processes and defines corporate departments' responsibilities for occupational safety and environmental protection.
- In the field of global HR policy and in order to reinforce a systematic HR approach, Bosch has also carried out various activities recently, e.g. the in-house newspaper (*Bosch-Zünder*), which has been published in eight languages since 2005 (the journal has been produced since 1919 in the German language), or the conduction of the first global employee survey in the same year. The company has also formulated guidelines for international HR policy.

The company has also increased activities in the context of supplier compliance with corporate principles. Purchasing and Logistics Guidelines have been formulated that apply for all purchasing and logistics activities. These consist of certain common requirements in the context of purchasing and logistics activities at Bosch.

In 2006, the Bosch Group purchased 23 billion euro of goods and services. In selecting their preferred suppliers, Bosch applies an audit system including quality criteria, but also environmental and social criteria based on International Labour Organization (ILO) labour standards. Suppliers who fail to maintain the basic labour standards are excluded.

*'The audit is usually carried out as part of the quality audits or during the supplier potential assessment. There is no need to assess environmental protection if the supplier is certified to ISO 14001, and the same applies to occupational safety if the supplier has an OHSAS 18001 certificate. As a matter of policy, however, we always investigate the issue of child labour.'*⁵

⁵ Bosch corporate social responsibility report 2005/2006, p. 19.

Bosch runs special audits if there is any criticism by non-governmental organisations due to inadequate environmental protection or poor working conditions. The company also expects that their 200 most important suppliers will have a certified environmental management system in place by 2008.

This clear policy was accelerated by the fact that big retail companies are increasingly demanding certificates and confirmations stating that goods have been produced in a socially responsible way. As such, Bosch management decided to actively introduce their own worldwide Bosch standard.

Motives and drivers of CSR

Several developments and external requirements at Bosch resulted in the development and adoption of an International Framework Agreement in 2004: the general developments and requests for supplier codes at major car-making companies like Volkswagen and DaimlerChrysler (which had already established their own global framework agreements); problems in single consumer markets; and pressures from the Bosch employee interest representation in Germany and Europe as well as the International Metalworkers' Federation to introduce an International Framework Agreement on basic labour norms and principles. This idea was also supported by the results from a project on labour and social standards at Bosch subsidiaries in Brazil which was carried out in 2002 together with Brazilian, Dutch and German trade union partners. Based on this project, the Bosch EWC intensified its cooperation with employee organisations in Brazil and entered into discussions with the management on binding principles of minimum social standards at the company worldwide.

While Bosch management had previously been undecided on this issue, serious negotiations started in 2002–2003 and in 2004 resulted in an agreement signed by the Bosch management along with the employees' Europe Committee and the International Metalworkers' Federation called *Basic principles of social responsibility at Bosch*. This document, which is binding for all Bosch subsidiaries, should support the promotion and enforcement of basic human and labour rights at the company worldwide.

Key actors in the process of negotiating and signing the agreement were the employees' Europe Committee and the Bosch management. While the contents of the concise document (see annex) were not a controversial issue, the agreement as such and the role of actors on the employee and trade union side were more difficult and were the main reasons for the rather long period of negotiations.

A major role in the initiation and installation process was played by the European Works Council, which itself is driven by the Bosch Group's works council structures at Bosch in Germany. Established in 1998, plenary sessions of the Bosch Europe Committee take place once a year, usually at the Bosch Group headquarters in Stuttgart. The daily business of the Bosch EWC is run by an Executive Committee composed of three members (the German chairperson of the EWC plus two members elected by EWC delegates). Executive Committee meetings usually take place quarterly on operative issues, preparing the EWC plenary meetings and representing the EWC to the management as a discussion partner in transnational matters. Major topics for the EWC are issues like transnational relocations, cross-border restructuring and their effects on employment development. From the point of view of central management representatives at Bosch, the Europe Committee is the major forum of international information, consultation and social dialogue. The global agreement on *Principles of social responsibility at Bosch* in this context might be seen as a kind of common basis of understanding and joint minimum norms and principles for industrial relations and labour conditions at Bosch in the global context.

From the point of view of the employee representatives, there is a simple reason for the IMF's involvement as the second signatory party on the employee side in the document: since the European Works Council is not formally allowed to deal with extra-European issues of industrial relations and labour conditions, there is a need to involve an additional partner

which functions globally. In practice, however, the Europe Committee and in particular the Executive Committee play a key role in overseeing the implementation of the agreement and in organising the employee side – the first global employee meeting in 2006 took place after an EWC plenary session.

Contents and role of actors

The agreement on *Basic principles of social responsibility at Bosch* has two major sources: first, the traditional commitment of Bosch towards social responsibility, and secondly, international human rights and labour norms as defined by the ILO:

‘The assumption of responsibility for society and future generations has a long tradition at Bosch. In the early days of the company, Robert Bosch pioneered the launch of welfare programmes for associates and their families; in non-business areas, too, he played an active philanthropic role. Today, the Robert Bosch Foundation promotes health care, international understanding, welfare, education and training, art, culture, and science. (...) In the following declaration, the Board of Management of Robert Bosch GmbH and the associate representatives affirm their commitment to common principles of social responsibility. The principles described in the following take their lead from the basic labour standards of the International Labour Organization (ILO).’

(Preamble, *Basic principles of social responsibility at Bosch*)

Based on core ILO norms, the agreement defines basic principles and norms in the following 10 areas:

- human rights;
- equal opportunities;
- integration of handicapped people;
- free choice of jobs;
- rights of children (ILO Conventions No. 138 and No. 182);
- relations with representatives and their institutions (ILO Convention No. 98, also when they are not stipulated in the national legal regulations);
- fair working conditions (remuneration and social benefits according to ILO Convention No. 100);
- occupational health and safety;
- qualification;
- environment.

Paragraph six of the agreement covers the right of employees to join trade unions and the right to collective bargaining:

‘We recognize the fundamental right of all associates to form trade unions and to join these trade unions of their own free will. Associates will neither receive undue advantage nor suffer any disadvantage as a result of their membership in trade unions.’ (*Basic principles of social responsibility at Bosch*, paragraph 6)

However, while referring to the respective ILO norm no. 98, the collective bargaining right should also be carried out ‘within the frameworks of respective legal regulations’.

Regarding the implementation of the agreement, it was agreed that the document should be integrated in the above-mentioned Management System for Quality, Environment, Safety and Security in the Bosch Group.

The scope of the agreement is the entire Bosch Group. However, there is a special clause in the document regarding suppliers: Bosch will not work with those suppliers who ‘demonstrably’ do not comply ‘with basic ILO norms’ (*Basic principles of social responsibility at Bosch*, paragraph 11).

Table 3: *Basic features of the Bosch Basic principles of social responsibility*

Features	Data
Title of the document	Basic principles of social responsibility at Bosch
Original date of signature	2004
Signatory parties	Bosch management, EWC, IMF
References	ILO norms
Contents	Basic labour and environmental standards
Scope	Worldwide, including suppliers

Source: *Voss/Wilke*.

Implementation and monitoring

Operational issues such as the implementation of the agreement are mentioned in the document. A major step in implementing the 10 basic principles of social responsibility throughout the Group was to include those principles in the internal *Management System Manual for Quality, Environment, Safety and Security in the Bosch Group*. The document also stipulates that the main actors responsible for implementing the principles are senior management representatives of the respective divisions, regional subsidiaries and local companies.

Dissemination of the agreement is carried out in cooperation with employee representatives. In consultation with the respective employee representative organisations, individual employees will be informed ‘through proper channels about contents of the principles’ (*Basic principles of social responsibility at Bosch*, paragraph 11). For that purpose, the document was translated into all the major Bosch languages and employees have been informed by local works councils, trade unions, as well as through internal information channels like the Bosch intranet, blackboards or the intra-company newspaper, *Bosch-Zünder*.

Regarding complaints about breaches of the Bosch principles, it is stated in the document that all complaints will be investigated by the responsible actors, i.e. local management representatives. It is also stated that ‘any action will be discussed and implemented by senior management and employee representatives responsible’ (*Basic principles of social responsibility at Bosch*, paragraph 11).

While the IMF does not play any active role in the implementation of the Bosch agreement, the European Works Council, namely its Executive Committee, functions as an overseeing and steering institution, though it is not directly involved in the implementation, monitoring or enforcement process. The Executive Committee will be informed about complaints ‘that cannot be dealt with satisfactorily at a national level’, e.g. only in those cases where local, regional and national solutions are not possible.

However, the Bosch Europe Committee has prepared a detailed list of factors in order to efficiently oversee the agreement and its implementation.

Table 4: *Bosch agreement: Actors and activities*

Activities/actors	Regional/ local management	Central management	EWC/ group works council	Local employee organisation	National trade unions	IMF	NGO
Translation of the document	X		X	X	X	X	
Employee information			X	X	X	X	
Public information	X				X	X	X
Information/training of trade unions and employee representatives			X		X	X	
Incorporation in management manual	X	X	X	X			
Incorporation in suppliers' guidelines	X	X	X				
Incorporation in supplier auditing checklists		X	X	X			
Implementation of audits		X		X			
Complaints on non- compliance		X		X	X	X	X
Activities reacting to non- compliance	X	X	X	X			
Developing a reporting system	X	X	X	X	X	X	X

Source: *Bosch Europe Committee*.

Outcomes and impact

Both management and employee representatives see a real impact arising from the *Basic principles of social responsibility at Bosch*, mainly with regard to the integration of certain principles of labour standards and basic ILO norms into the general Bosch values and respective compliance auditing processes, which will also affect more and more suppliers and business partners.

The global agreement particularly affects labour standards and relations outside the Bosch home country (Germany) and most European countries, since ILO standards are already implemented in Europe. Thus, the agreement will have hardly any beneficial effect on employee rights, which are already widely respected in Europe.⁶ Therefore, concrete effects of the agreement on employees' situations are most likely to be seen in countries like Brazil, India or China.

Through the supplier audit procedure, which has been continuously developed and extended during the last few years, the agreement has also had direct influences on social regulation beyond the company.

⁶ However, in the new EU Member States, where Bosch has some large production facilities, there have been local disputes on company-based trade union structures and the organisation of employee interest representation, i.e. in the Czech Republic. Against this, the Bosch agreement might also have an effect on labour relations and basic labour rights in these countries.

In general, the Bosch IFA is seen as a successful example for introducing and reinforcing social values and fair labour standards in the practice of the company.

The main problems are the consequent follow-up of the agreement and the effective monitoring of compliance. So far, few complaints have been reported to the European Works Council on cases where it was not possible to find a national solution. Another issue of concern results from the integration of the agreement and its implementation into the corporate CSR strategy, as this might result in a strong focus of audit processes, particularly at suppliers, on environmental standards and consequently less interest in social and labour standards. Therefore, employee representatives see a certain need for the development and introduction of some kind of social and labour performance assessment measures and controlling processes.

Annex

Basic principles of social responsibility at Bosch

Preamble

The assumption of responsibility for society and future generations has a long tradition at Bosch. In the early days of the company, Robert Bosch pioneered the launch of welfare programmes for associates and their families; in non-business areas, too, he played an active philanthropic role. Today, the Robert Bosch Foundation promotes health care, international understanding, welfare, education and training, art, culture, and science.

Combining the pursuit of economic objectives with consideration for social and environmental factors is a priority at Bosch. We accept that our actions must accord with the interests of society. Above all else, we place our products and services in the interests of the safety of people, the economic use of resources, and environmental sustainability.

In the following declaration, the Board of Management of Robert Bosch GmbH and the associate representatives affirm their commitment to common principles of social responsibility. The principles described in the following take their lead from the basic labour standards of the International Labour Organization (ILO).

1. Human rights

We respect and support compliance with internationally recognised human rights, in particular as regards those of our associates and business partners.

2. Equal opportunities

We uphold and affirm equal opportunity among our associates, regardless of the colour of their skin, race, gender, age, nationality, social origin, handicap, or sexual preference. We respect the political and religious convictions of our associates as long as they are based on democratic principles and tolerate those of different persuasions.

3. Integration of handicapped people

In our view, handicapped people possess equal rights as members of society and business life. Encouraging them, integrating them into the enterprise, and working with them in an atmosphere of cooperation are pivotal elements of our corporate culture.

4. Free choice of jobs

We reject forced labour of any kind and respect the principle of freely chosen employment.

5. Rights of children

We condemn child labour and respect the rights of children. All enterprises in the Bosch Group will adhere to the stipulations of ILO Convention no. 138 and no. 182.

6. Relations with associate representatives and their institutions

We recognise the fundamental right of all associates to form trade unions and to join these trade unions of their own free will. Associates will neither receive undue advantage nor suffer any disadvantage as a result of their membership in trade unions.

Within the framework of respective legal regulations – insofar as these are in harmony with ILO Convention no. 98 – we respect the right to collective bargaining for the settlement of disputes pertaining to working conditions, and endeavour together with our partners to work together in a constructive manner marked by mutual confidence and respect.

7. Fair working conditions

Our remuneration and social benefits conform at the very least to national or local statutory standards, provisions, or respective agreements. We observe the provisions of ILO Convention no. 100 with respect to the principle of ‘equal remuneration for work of equal value’. We comply with national provisions regarding working hours and vacation.

Any associate may complain to their respective line manager or senior management if they believe they have been subjected to unfair treatment or have suffered disadvantages with respect to working conditions. Associates will not suffer any disadvantage as a result of lodging such complaints.

8. Occupational health and safety

Safety at the workplace and the physical well-being of our associates has top priority. Bosch adheres at the very least to the relevant national standards for a safe, hygienic working environment and takes appropriate action within this framework to ensure its associates’ health and safety at their workplace in order to guarantee working conditions which are not harmful to health.

9. Qualification

We encourage our associates to train to acquire skills and knowledge and to expand and enhance their professional and specialist know-how.

10. Environment

We can look back on a very long tradition of commitment to preserving and protecting the environment. In addition, we contribute to the further improvement of living conditions at our locations. Our basic principles of environmental protection reflect our duty towards the environment and are the basis for many initiatives which are implemented throughout the company.

11. Implementation

Our aim is to implement these principles throughout the Bosch Group. These principles will be incorporated into the *Management System Manual for Quality, Environment, Safety and Security in the Bosch Group*. Responsibility for their implementation lies with the senior management of the respective divisions, regional subsidiaries and company locations.

Bosch will not work with any suppliers who have demonstrably and repeatedly failed to comply with basic ILO labour standards.

Following consultation with the respective associate representatives, associates will be informed through the proper channels about the content of the above principles.

Complaints regarding possible breaches of the above principles will be investigated; any action required will be discussed and implemented by the senior management and associate representatives responsible. The Executive Committee of the Europe Committee of the Bosch Group will be informed about any complaints that cannot be dealt with satisfactorily at a national level. If necessary, the implementation of this declaration will be discussed at meetings between the Board of Management and the Europe Committee.

Stuttgart, 2 March 2004

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