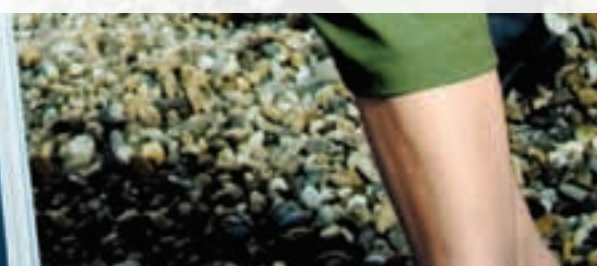


Corporate Social Responsibility
Report 2005/2006



BOSCH
Invented for life



The Bosch Group at a Glance



Bosch Haus Heidehof, the new management and conference center situated on the grounds of the former residence of Robert Bosch in Stuttgart.

This combination of the old and the new is a striking embodiment of the link between tradition and modernity which is characteristic of our company. The clear, unequivocal message it delivers to us is the one the company has built on now for a hundred and twenty years: namely, the future needs a past.

The presence of the Robert Bosch Stiftung in both buildings further underscores this bond.

The Bosch Group is a leading global manufacturer of automotive and industrial technology, consumer goods, and building technology. In fiscal 2005, some 251,000 associates generated sales of 41.5 billion euros. Set up in Stuttgart in 1886 by Robert Bosch (1861–1942) as “Workshop for Precision Mechanics and Electrical Engineering,” the Bosch Group today comprises a development, manufacturing, and sales network with more than 280 subsidiaries and more than 12,000 Bosch service centers in over 140 countries.

The special ownership structure of the Bosch Group guarantees its financial independence and entrepreneurial freedom. It makes it possible for the company to undertake significant up-front investments in the safeguarding of its future, as well as to do justice to its social responsibility in a manner reflective of the spirit and will of its founder. A total of 92% of the share capital of Robert Bosch GmbH is held by the charitable foundation Robert Bosch Stiftung. The entrepreneurial ownership functions are carried out by Robert Bosch Industrietreuhand KG, which holds more than 93% of the voting rights. The Bosch family holds 8% of the share capital and 7% of the voting rights.

► Additional information can be accessed at www.bosch.com.

About this report

The corporate reporting of the Bosch Group has been undergoing a process of continuous further development, and is geared to international standards. International Financial Reporting Standards (IRFS) were used for the first time as the basis for its consolidated financial statements for fiscal 2005. The present report on “Corporate Social Responsibility” takes its lead from the international guidelines of the Global Reporting Initiative (GRI), of which we have been an organizational stakeholder since this year. With this publication, we also present our progress report to the UN Global Compact, which we joined in 2004.

We started reporting on our environmental activities in 1998. This year, we publish for the first time data relating to our associates and to our social commitment. For this purpose, we conducted a survey based both on the GRI criteria and the principles of social responsibility which we signed together with employee representatives in 2004. Both the figures furnished as a result of the above survey and the environmental data cover roughly 75 percent of our global workforce. While the data section discloses aggregate figures, the section dealing with responsibility for our associates focuses on Germany. This is because a large share of our associates – 44 percent – still work in Germany. Together with HR management, we will further extend the global reporting of activities in the future.

This report is addressed to our associates and business partners, as well as to government bodies, public authorities, and the public at large. In it, we present the activities of our three business sectors Automotive Technology, Industrial Technology, and Consumer Goods and Building Technology. The report thus reflects the activities of more than 280 companies of the Bosch Group. Our sustainability program documents what targets we have succeeded in achieving in the past few years, as well as the targets we have set ourselves for putting our social and ecological responsibility into practice in the years to come.

In this report, the terms “Bosch” and “Bosch Group” are used synonymously. If we speak of associates, then this naturally refers equally to male and female colleagues. The closing date for contributions to the report, which is published in German and English, was July 1, 2006.

For further information about Bosch, visit our website at www.bosch.com. For information about the company’s business development, please see our Annual Report. Supplementary information and the latest news on environmental protection is published on our environment portal: www.bosch-umwelt.com.



Timeline 2005/2006

- 01/2005 Passion for the Future: together with other leading companies, Bosch founds the **“Knowledge Factory”**
- 02/2005 **10 years of ESP®**, manufactured by Bosch
More driving safety thanks to the Electronic Stability Program: event to mark the start of the “Year of ESP®” in the Bosch representative office in Berlin
- 03/2005 The members of **Transparency International meet at Bosch** in Stuttgart
- 05/2005 **Substitution of CHC’s** completed in India
- 05/2005 Start of **global associate survey**. Its results are presented in December 2005.
- 05/2005 **Special award of the Federal Ministry of Family Affairs** for milestones achieved in harmonizing the demands of career and family
- 07/2005 In Abstatt, Bosch presents its best suppliers with the **“Bosch Supplier Award 2005”**
- 07/2005 Bosch presents awards to its **best inventors**
- 08/2005 Active **environmental protection in automotive lighting systems**: all Bosch automotive lighting bulbs are now made without lead additives
- 09/2005 At the Frankfurt Motor Show (IAA), Bosch presents an **engine management system for cars run on natural gas**
- 11/2005 Bosch opens a **new development and manufacturing facility** at Wuxi in China
- 11/2005 Award for piezo injection technology: Horst Köhler, the president of Germany, presents the **Deutscher Zukunftspreis 2005** to Bosch developers
- 12/2005 First prize in “Inkom Grand Prix 2005”: *Bosch-Zünder* is Germany’s **best in-house newspaper**
- 01/2006 Award for Flex-Fuel engine management system: **Brazilian innovation award** for alternative fuel concept developed by Bosch
- 02/2006 In Germany, Bosch introduces a **new pension scheme** for its associates
- 02/2006 Iveco minibuses equipped with **diesel hybrid drive from Bosch** are used at the 2006 Turin Winter Olympics.
- 03/2006 For the twenty-first time in succession, **Bosch supports** the Baden-Württemberg heat of the 2006 German competition for **young researchers**
- 04/2006 **Taking back and recycling power tools**: as part of its product liability obligations, Bosch works to implement the new German electric and electronic equipment legislation
- 06/2006 Annual meeting of the **global steering committee for health, safety, and environmental protection** in Paris (France)
- 07/2006 First prize in “Inkom Grand Prix 2006”: *Bosch-Zünder* is once again Germany’s **best in-house newspaper**

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Foreword

Wolfgang Malchow

Board of management member responsible for Human Resources and Social Services; Legal Services; Taxes; Internal Auditing



Ladies and Gentlemen:

Throughout the history of our company, which now stretches back 120 years, it has always been important for us to maintain a balance between business success and social and ecological concerns. This challenge of responsible corporate governance is one that we shall also rise to in the future.

For the first time, the present brochure describes the activities of the Bosch Group for its associates, for society, and for the environment in one single report. It succeeds our Environmental Report, which we began publishing in 1998. This new report, which we have given the title and theme “responsibility engenders trust,” is a complement to our Annual Report. This is because the issues it covers are ones we are sure also contribute to global economic and social development, and thus also create the conditions required for long-term business success.

This publication is a further logical step in our endeavor to make our convictions, our objectives, and our strategies clear – both in our internal communication with our associates and in our external communication with our business partners and the general public. As a result of our strong growth, increasing internationalization, the further expansion of our divisions, and a whole series of acquisitions, there is an increasing need, both internally and externally, for information and dialogue about our values, our ideal for the future, and our management methods. This was why, last year, we brought together our vision, mission, values, core competencies, and the Bosch Business System to create a “House of Orientation,” which forms the foundations on which our daily actions are based.

This report on corporate social responsibility now gives you the possibility to find out, on the

Franz Fehrenbach

Chairman of the
Board of Management
of Robert Bosch GmbH

**Peter Marks**

Board of management
member responsible for
Manufacturing Coordination
and Investment Planning;
Environmental Protection



basis of many different examples, what responsibility and trust mean for us, and how we put them into practice together with associates, business partners, and customers. Moreover, we have asked ourselves how we can ensure that we act worldwide in the Bosch Group according to the standards that we have jointly set ourselves on the basis of our values.

Our objective here is to continuously develop our standards further, taking into account the changing environment in which we do business. To achieve this, we have set ourselves the objective of improving our knowledge about the many challenges faced by our locations around the world.

It is only in this way that we will continue to be able to find answers to the questions that arise as a result of globalization, both economic and ecological.

Our slogan “Invented for life” conveys the ambitious standards we have set for ourselves. Behind these words lie values that Bosch has long stood for. Invented for life stands for reliable technology designed and built to last, technology that accompanies people for a good part of their lives. It also embodies intelligent, innovative, and beneficial technology that contributes to the conservation of resources, and that helps people improve the quality of life, both for themselves and others.

Franz Fehrenbach

Wolfgang Malchow

Peter Marks

The Bosch Group – Facts, Objectives, Values

Bosch is a globally leading supplier of automotive and industrial technology, consumer goods, and building technology. Over the past ten years, the company has been able to more than double its sales, and to further expand its international presence. In 2005, the Bosch Group achieved sales of 41.5 billion euros. The company employs around 251 000 associates in nearly 50 countries – 13 300 more than a year ago

The Bosch Group today includes more than 280 subsidiaries, roughly 250 of which are located outside Germany. Of its 264 manufacturing sites, 58 are located in Germany. The company originated from the “Workshop for Precision Mechanics and Electrical Engineering” which was set up by Robert Bosch in 1886 in Stuttgart. As early as 1898, the first sales office outside Germany was established, in the UK. The year 1906 saw the set-up of our first sales office in the U.S. This was followed shortly afterwards by branch offices in China and Japan. In 1913,

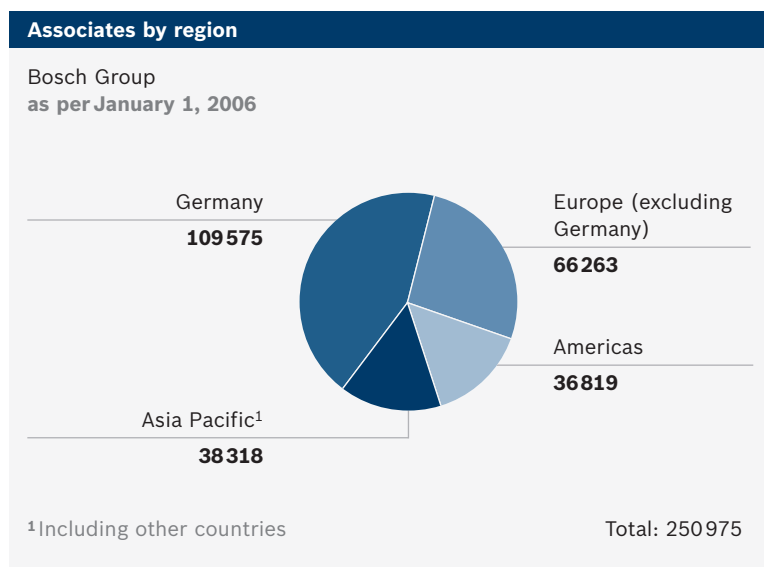
shortly before the First World War, Bosch generated almost 90 percent of its sales outside Germany. Soon after its foundation, therefore, Bosch was already a distinctly international company.

Corporate constitution

Since 1964, the majority of the share capital of the company has been held by Robert Bosch Stiftung GmbH. This shareholding now stands at 92 %, while the remaining 8 % is in family ownership. The foundation carries on the charitable and social endeavors of the company’s founder in contemporary form. It sees itself both as an “operative foundation” that pursues its objectives with programs of its own, and as a supportive foundation that enables others to develop and implement innovative projects or initiatives aimed at tackling the tasks faced by society (see p. 56). At Robert Bosch GmbH, the entrepreneurial ownership functions are performed by Robert Bosch Industrie-treuhand KG.

Strategic orientation

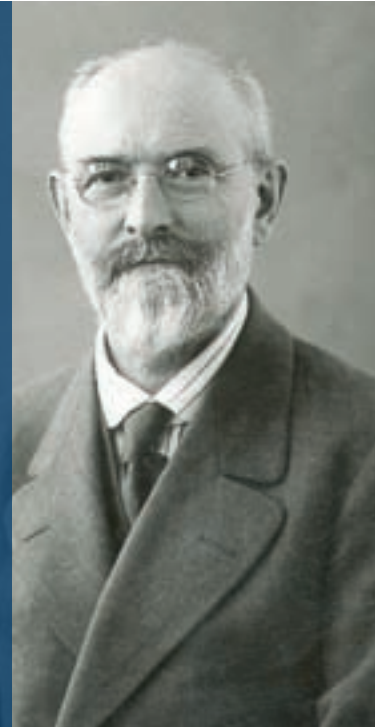
Bosch’s systematic expansion of its international activities is bearing fruit. In 2005, we generated 73 percent of our sales outside Germany. In recent years, we have generated the highest rates of growth in Asia and the Americas. Accordingly, we now make 34



The entrepreneur Robert Bosch

"I would rather lose money than trust." Company founder Robert Bosch acted in accordance with this principle throughout his life. Born in 1861 near Ulm, Robert Bosch opened a workshop in Stuttgart in 1886 that rapidly developed into a prosperous, globally operating company. The southwest German entrepreneur not only shaped Germany's economic development, but also what we now regard as "responsible business practice." Robert Bosch was especially concerned about the training and further development of his associates and a healthy working environment. In 1906, he was one of the first businessmen in Germany to introduce the eight-hour working day.

As a wealthy entrepreneur, Robert Bosch wanted to contribute to the general well-being of the community. In 1910, for example, he endowed 1 million German marks for the construction of the Stuttgart Technical University. In the 1920's, the focus of his commitment turned to sponsoring talented individuals and to reconciliation between Germany and France. One of his greatest wishes, however, was to found a homeopathic hospital. This wish came true on his 75th birthday, when he created a foundation for this purpose. The hospital was officially opened in Stuttgart in 1940, two years before his death. Today, the hospital that bears his name belongs to the Robert Bosch Stiftung.



percent of our sales outside Europe. In the long term, we intend to generate roughly half our sales in the Americas and Asia, and the other half in Europe. With this in mind, we opened and expanded strategically important production and development sites in 2005 - above all in China, but also in India and in various eastern European countries such as the Czech Republic and Hungary.

Dynamic development

Of our approximately 251 000 associates, some 141 400 were employed outside Germany at the end of 2005. We were able to increase the number of associates in Germany slightly despite the downward economic trend, while headcount in the emerging countries grew at an extraordinarily dynamic rate. Most of these new jobs were created in China and eastern Europe. In the last ten years, the total number of associates

outside Germany has more than doubled. However much we need to expand our international presence in order to grow, we must also gear our established locations in the advanced industrial countries to ever fiercer competition.

Our business sectors

Over the past years, our strong position in diverse areas of activity has proved to be a huge advantage for the overall development of the company. Our objective in the longer term is to continue to further increase the share of sales contributed by our Industrial Technology and Consumer Goods and Building Technology business sectors, while at the same time continuing to consistently exploit any opportunities for growth that present themselves in the area of automotive technology.

Automotive Technology

At the end of last year, our Automotive Technology business sector employed a total of nearly 158 000 associates worldwide in its four major business areas: injection technology for internal combustion engines, systems for active and passive vehicle safety, electrical machines, and products for mobile communication systems. With sales of 26.3 billion euros, we once again reinforced our position as the world’s largest automotive supplier in 2005. In past years, we have been able to record stronger growth with diesel systems than was otherwise the case in this sector. The “Imageprofile 2006” study by the German publication *Manager Magazin* confirmed for the eighth time that we are the automotive supplier with the best image.

Industrial Technology

The Industrial Technology business sector, which has approximately 34 000 associates, is active in the fields of automation and packaging technology. In 2005, we generated sales of 5.2 billion euros with these activities. These positive developments were driven above all by Bosch Rexroth.

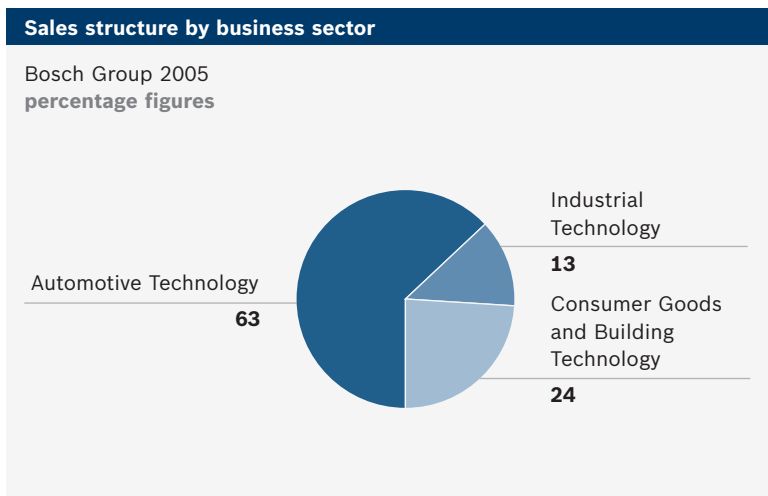
With innovations and an extended range of services, our subsidiary has become the technology leader in the field of drive and control (machine drive, open- and closed-loop control). Our Packaging Technology division plans, designs, manufactures, and installs packaging lines. The product range was rounded off when the Swiss company Sigpack was acquired in 2004.

Consumer Goods and Building Technology

The Consumer Goods and Building Technology business sector includes the Power Tools, Thermotechnology, Household Appliances, and Security Systems divisions. With our brands Bosch, Skil, and Dremel, we are one of the world’s largest manufacturers of power tools, accessories, and garden tools. Around 40 percent of total sales in this sector were generated by products developed in the last two years. Our subsidiary BBT Thermotechnik GmbH strengthened its position as one the leading European manufacturers of heating-technology and hot-water solutions by acquiring the Swedish heat pump manufacturer IVT Holding AB. The strongest contributor to growth in 2005 was BSH Bosch und Siemens Hausgeräte GmbH, a joint venture formed with Siemens AG in 1968. Our Security Systems division is one of the world’s major suppliers of electronic security and communications technology. In 2005, all these divisions together, with 52 000 associates worldwide, generated sales of roughly ten billion euros.

Our corporate culture

Robert Bosch gave the company its name and created values that still apply today. For him, success did not just mean economic growth and good earnings; it also encompassed an improvement in living conditions. His principles have accompanied and guided us to this day. However, the more



international we become, the less we can assume that associates will be familiar with these principles and guidelines and live by them actively. That is why a distinct corporate culture based on common foundations is an important condition for business success in the constantly changing international market environment.

We regard the different backgrounds and cultural characteristics of our associates as a source of creativity and innovation. Associates at many of our locations work in international teams. The staff at our new Engineering Center for Automotive Technology in Abstatt (Germany), for example, come from nearly 40 different countries.

Providing orientation

This is why we have consistently further developed the core elements of our culture over the past years. Today, these elements include our vision, our mission, our values, and our core competencies, complemented by our Bosch Business System. Taken together, these provide the frame of reference for our everyday work. We call this frame of reference our “House of Orientation,” which describes “what drives us, what we have in common, and what we stand for.”

Engendering and maintaining trust

Future and result focus is our foremost value. It is of key importance for securing the company’s long-term future. It is followed by values that are especially important for our everyday actions: trust, openness, and fairness. By providing our associates, business partners, and investors with timely information about important company developments and involving them in the process, we create the basis for a trustful relationship. This sets us on the path to achieving our main goals.

House of Orientation

Vision: Our vision is our shared image of the future. It states where we want to go, and what drives our actions. It points the way forward for a strong and meaningful development of the Bosch Group.

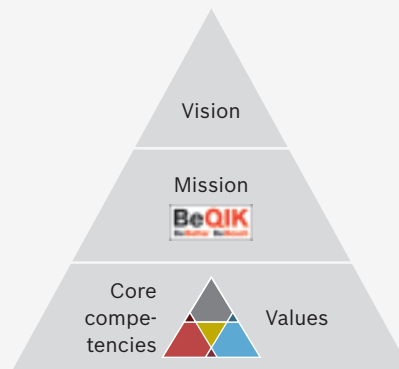
Mission: BeQIK stands for greater speed in everything that we do, and it stands for quality, innovation, and customer orientation. Our objective is to continuously improve our internal processes.

Values: The 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.

Core competencies: For well over a century our company has built upon a unique mix of interrelated core competencies – a mix from which we derive our competitive advantage, and which also forms the basis for the future development of our company.

Bosch Business System (BBS):

To be able to implement our Bosch Vision, we need to continuously develop and to manage change. This requires a systematic methodology that shows us in concrete terms where we need to re-invent ourselves, and how well we are mastering these shifts and structural changes in practice. With our BBS management system, symbolized by the multi-colored triangle, we have created just such a methodology.



We are aware of the challenges involved in balancing economic and social responsibility. However, our vision offers us clear orientation, both for our strategy and for our day-to-day business: “In the spirit of our founder, we particularly demonstrate social and environmental responsibility – wherever we do business.”

The Bosch values

- ▶ Future and result focus
- ▶ Responsibility
- ▶ Initiative and determination
- ▶ Openness and trust
- ▶ Fairness
- ▶ Reliability, credibility, and legality
- ▶ Cultural diversity

For more information, visit:

www.bosch.com
Attitude and commitment

“The coordinates of responsibility”

The entrepreneur bears responsibility for more than just business operations. Franz Fehrenbach, the chairman of the Bosch Board of Management, sees this responsibility at the intersection of business, society, and the concerns of environmental protection and resource conservation. Here, he answers some questions on this topic.

Mr. Fehrenbach, responsibility is a topic that is frequently heard in public debate at present. But isn't this a topic that belongs more in the private sphere? It is perfectly credible if parents speak of their responsibility for their children. Entrepreneurs cannot be that compassionate. Where does your responsibility lie?

As an entrepreneur, I have to assume various types of responsibility. As chairman of the Bosch Board of Management, for example, I regard it as

my task to preserve an overall balance between securing the company's long-term existence and societal, social, and ecological concerns. As I understand it, therefore, Bosch is by no means solely concerned with safeguarding the interests of profit. Instead, the many partnerships our company has entered into also entail responsibility toward these partners – associates, customers and suppliers, as well as society at large. For example, the quality agreement we entered into with other companies belonging to the German Association of the Automotive Industry in mid-2005 would have been inconceivable without the awareness of a commonly held responsibility. Robert Bosch himself was a businessman who believed in partnership. It was for this reason that he said: “I would rather lose money than trust.” To that, I would add: without the trust of our partners, we will not make any money in the long term.

But isn't the age of company patriarchs and their words of wisdom over? After all, the system of coordinates in which large companies such as Bosch find themselves has become considerably more complex.

First of all, let me say that I think it is good to have people to look up to. Not because we want to copy them, but because we want to learn from them. What has always especially impressed me about our company founder was how he sought and found a balance between business and social responsibility. Of course, our system of coordi-



Franz Fehrenbach, born in 1949, became chairman of the Board of Management of Robert Bosch GmbH in 2003.



nates has become considerably more complex than it was when Robert Bosch was alive – above all, ecological interests have now also been added to the equation.

How can a company keep a balance, yet be dynamic at the same time?

The way I see it, this isn't a contradiction. For example, because we at an early stage were aware of our responsibility for clean and economical driving, we have again and again made technologically pioneering contributions to achieving this aim – and our business has done well as a result.

But a sense of responsibility alone will not generate any innovations. What else is it that makes Bosch the ideal company for technologically new solutions?

Without doubt, one thing is its long-term mindset, especially in our research and development. Without the ability to overcome setbacks, our great innovations would not have been possible. For example, it took 15 years of work before our high-pressure diesel-injection systems were ready for series production. And when it comes to technologies such as the hydrogen-based fuel cell, we shall need even more patience.

This long-term mindset could also be seen differently, however, and in very categorical terms – loosely based on the imperative of responsibility formulated by the philosopher Hans Jonas. The burden of proof in the ecological debate might then be turned on its head: it would then not be up to the opponents of a new technology to prove that it was harmful in the long term, but up to its proponents to prove that the opposite was true. The upshot of such an argument is an avoidance of any kind of risk. In this context, how does Bosch regard technology?

Our position here is perfectly clear: we should not always weigh up solely the consequences of technology, but instead grasp the opportunities it offers. We will only improve our living conditions by taking action, not by doing nothing. Of course, we all know that road traffic also causes pollution and accidents. But our response to this is to provide new, and above all intelligent, technologies. With innovations such as ABS and ESP®, for example, we have significantly improved road safety. And, like no other company, we have focused on low-emission combustion processes in the car. If it is understood properly, environmental protection calls not for less, but for more technology.



“The shift in the center of gravity of the global economy toward Asia does not just mean new competition for us, but also new markets.”

In Germany especially, ecology is a prominent issue. Is this true the world over?

More than ever, protecting the environment and conserving resources is an international issue – and especially in countries such as China and India. We can almost speak of “ecological globalization.”

It is quite obvious that the Bosch slogan “Invented for life” reflects this trend. Wasn’t it difficult to gain the support of all your organizational units for this common motto?

It is true to say that in the past, we had a hodge-podge of different slogans. However, once we had included in our vision the formulation that we seek beneficial technological solutions in all our areas of work, it was no longer such a great leap to the common motto “Invented for life.” Final confirmation was provided by a global survey of the entire Bosch Group, in which this proposal came out by far the best. Since then, the motto has been valid for all our units and regions – in the respective national language, of course.

At the same time, however, globalization is an economic issue. How does Bosch face up to this challenge?

Generally speaking, we regard the accelerated integration of the global economy as both a challenge and an opportunity. For example, the shift in the center of gravity of the global economy toward Asia does not just mean new competition for us, but also new markets.

But why do so many people in the industrialized world view globalization as a threat? Do too many entrepreneurs act irresponsibly?

What is true is that Bosch also has to hold its own in a globally tough competitive environment, and simplistic slogans will not make this fact go away. What the critics of globalization forget is that increasing production in the emerging countries means that these countries undergo economic development of a kind no development policy can achieve, how ever good its intentions. And maintaining a mix of high-cost and low-cost locations also helps to secure jobs in the industrialized countries.

But there is no denying that a differentiated location policy like this is also in your economic interest. Where does social responsibility come in?

It is certainly correct to say that we exploit the strengths of our high-cost locations – their integration in well-established industrial clusters, for

example. These locations have to strive to be technologically at the leading edge in international competition. There can be no question that our social responsibility, especially toward the people who work in such high-cost locations, lies in further strengthening this technological basis by means of education and occupational training. But we have to combine this with low-cost locations in each part of the triad. And it is only with this mix that we can live up to our responsibility in all societies - not just those of the industrialized countries, but also those of the emerging countries.

The only question is whether economic and social considerations can always be harmonized so nicely. Future and result focus takes pride of place in the Bosch values, and is followed only later by values such as fairness and trust. Is it "money first, then morality" for Bosch, as Brecht might have said?

Profit maximization for its own sake is not a Bosch corporate goal. Instead, we have defined a target rate of return that makes it possible for us to grow and secure the company's long-term existence. In our values, we set out how we wish to achieve this target - and this is where fairness and trust come in.

These values themselves are part of what you call your "House of Orientation," and were undoubtedly also formulated in order to create identification. But your associates work in all corners of the globe. How can they all find a home in one house?

Perhaps not a home. But by all means a refuge and orientation. And if we clearly state what drives us, what we have in common, and what we stand for, then this creates trust. Our first global associate survey confirmed that the House of Orientation has had precisely this effect. People identify very strongly with Bosch - and not only in places where we have always been present, but also in places where we have only recently become established. All over the world, our associates clearly acknowledge the fact that we do not take our responsibility lightly. But it is precisely this recognition that makes it easier for us to deal with change. After all, we can only be flexible if we can win our team over to our objectives, methods, and values. It is paradoxical but true: Bosch's dynamism rests on solid foundations.



Responsibility

in corporate management means

- ▶ using the “House of Orientation” to provide **251 000 associates** all over the world with a frame of reference,
- ▶ conducting a global survey of roughly **200 000 associates**,
- ▶ that we spent **3.1 billion euros** on research and development in 2005,
- ▶ filing **12 patent** applications every working day,
- ▶ that **145 locations** are certified to the ISO 14 001 environmental management standard,
- ▶ publishing our in-house newspaper *Bosch-Zünder* in **8 languages** and in a total print-run of **160 000**.



Bosch Supplier Award for best suppliers

In July 2005, we presented our Supplier Award for the tenth time to our best suppliers worldwide. At a ceremony in Abstatt, we honored 51 companies for the fact that we are able to rely on them absolutely when it comes to quality, costs, and delivery. Other criteria for the award include willingness to constantly develop further and the right technological potential. Wepler Filter GmbH, from Oberursel, has shown notable continuity: it received the Bosch Supplier Award for the tenth time.

Setting objectives, consistently pursuing them

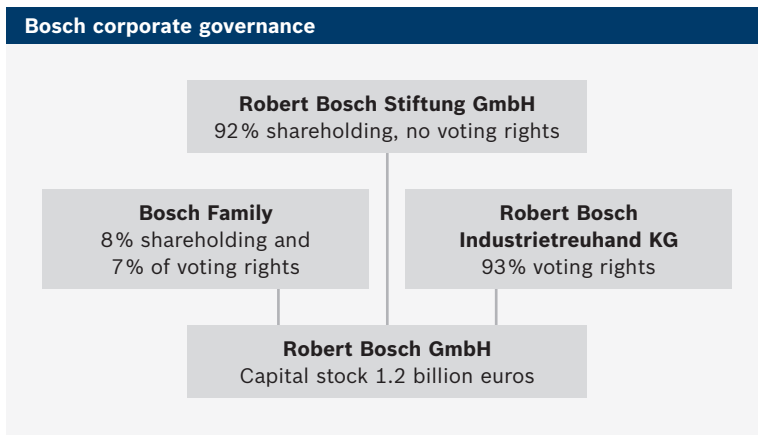
The ownership structure of the global Bosch Group, in which a charitable foundation is the majority shareholder, is unique in the German business world. Large international companies are now expected to assume a particularly high level of social responsibility. At Bosch, this is already anchored in the corporate constitution.

Robert Bosch Stiftung GmbH, which holds 92 percent of the 1.2 billion euros of capital stock of Robert Bosch GmbH, is devoted exclusively to charitable causes and does not have any voting rights. It receives a commensurate portion of the dividend from business activities. Robert Bosch Industrietreuhand KG holds 0.01 percent of the capital stock and 93 percent of the voting rights. Its nine shareholders include two general partners, Hermann Scholl and Tilman Todenhöfer. The Bosch family holds eight percent of the capital stock and seven percent of the voting rights.

Responsible leadership

This special ownership structure provides the basis for our business independence and allows us to pursue a long-term strategy. One of the roles of the Robert Bosch Industrietreuhand is to ensure, as Robert Bosch set out in his will, “that the business activities of Robert Bosch GmbH are carried out and carried on in a manner reflective of my wishes, i.e. of my spirit and will, i.e. to secure for these activities over a long period of time a strong and meaningful development.” In addition to upholding the principles of Robert Bosch’s business policy, the Industrietreuhand is responsible for approving business and financial planning and for proposing new members of the Board of Management to the Supervisory Council.

The Board of Management of Robert Bosch GmbH has entrepreneurial responsibility for the Bosch Group. The Supervisory Council comprises ten employer representatives and ten employee representatives.





Bosch-Zünder voted the best in-house newspaper

In the fall of 2004, the internal corporate communications team at Bosch prepared a crucial step in the development of *Bosch-Zünder*. Half a year later, the in-house newspaper, founded by Robert Bosch in 1919, appeared in different languages for the first time, with a new layout and a new editorial concept. Since May 2005, it has been published every two months in a print run of approximately 160 000 – and now appears in eight languages. The *Bosch-Zünder* title has been retained. In a representative survey, the majority of people surveyed both inside and outside Germany were in favor of the traditional title. *Bosch-Zünder* is a familiar and unmistakable brand name. It stands for credibility and journalistic quality. In 2005 and 2006, *Bosch-Zünder* was honored as “Germany’s best in-house newspaper” by the German Public Relations Society.

The principles of our HR policy

The knowledge and expertise of our associates are fundamental to the sustained success of our company. In order to reinforce and build our human resources, we have systematized the management and optimization of HR processes on a global scale. But a goal-driven managerial culture and clearly defined working conditions are also vital. These conditions ensure that our associates can harmonize their private lives with their careers.

Keeping our associates informed, and communicating with them, are also important elements of a successful HR policy.

Since 2005, we have published our in-house newspaper *Bosch-Zünder* in several different languages. It now appears in eight languages – German, English, French, Spanish, Portuguese, Czech, Japanese, and Chinese. But this is not the only way in which we have sought dialogue with all our associates. We also conducted our first global associate survey in 2005.

Following the guidelines for leadership

One of our guidelines for leadership is entitled: “Trust your associates.” This aims to encourage our managers to take a co-operative approach to management, to avoid excessive control, and to foster more initiative among associates. Feedback and goal agreement discussions are further important tools. Managers review performance with their associates and define goals for the year ahead, particularly in the annual performance review discussion and in the individual development discussion, which takes place as required every two to three years. Agreement on further training activities is also part of these discussions. A sample evaluation of the annual performance review discussions at a number of locations showed that 80 percent of the training courses carried out led to good and lasting success.

Formulating HR policy guidelines

The Bosch guidelines for international HR policy provide a key basis for defining our worldwide human resources management. As the significance of international coopera-

tion increases in all business fields, we expect our associates to be open to other cultures and to learn from them. We therefore foster international exchange between associates in order to

- ▶ develop associates into specialists and managers with international experience
- ▶ enable the exchange of knowledge and experience
- ▶ increase global understanding and cooperation within the Bosch Group
- ▶ enable them to perform tasks at sites where there are not yet any suitably qualified associates from within the country itself.

One long-term HR goal for all units of the Bosch Group is to have an international pool of managers. However, most of the managers in a particular country should be native to that country.

Making HR management more international

The Bosch Human Resources System supports and controls the global change initiative in human resources. We set consistent goals in human resources and evaluate the success of our policies. Processes are standardized worldwide – enabling us to create transparency, avoid unnecessary repetition of tasks in different areas of the Bosch Group, and make international comparisons. We also take account of cultural distinctions and regional conditions. We advise associates and managers on an individual basis and provide them with tools they can use on their own initiative. We promote the development of managers whose experience of working in different countries, functions, and areas of business allows them to act as a role model for our associates and to manage our global businesses.

Learning from associate surveys

We were eager to find out the results of our first worldwide associate survey. We wanted to know where we stand. We also wanted to use it as a way of entering into ongoing dialogue with our associates. A third of our sites had already conducted associate surveys. Between May and December 2005, we requested associates at more than 300 sites around the world to assess their job situation, their professional development, and the company's image. Roughly 200,000 associates received standardized questionnaires, which were complemented by local questions. All in all, an impressive 82 percent of those polled responded to the survey. The results were encouraging, but also showed where there is room for improvement: 75 percent of our associates are proud to work for Bosch – an above-average value. However, the fact that around a third of our associates are unhappy with the management of their unit – citing a lack of feedback and imprecise goals – also shows us where we still have work to do. Associates and their supervisors have discussed the results and used them as the basis for actions whose success will be assessed when the next survey is carried out in 2007.

Our standards

Quality, environmental protection, occupational safety, security, and data protection place tough demands on our company. We set high standards and values in these areas – and do so worldwide. In our guidelines, we have set out what we want to achieve. In 1996, we formulated environmental protection guidelines for the entire Bosch Group. In the same year, we also began the gradual introduction of environmental management systems at all our manufacturing sites.

In 2004, our **principles of work safety and environmental protection** integrated the previously separate sets of guidelines.

Since 2001, strategic responsibility and business practice have been governed by a single management system. This system standardizes our processes in all three business sectors and ensures that we always act in a quality-conscious, safe, and eco-friendly manner at all our locations. In this way, the system plays a decisive role in helping us reach our strategic goals reliably. This integrated management system is therefore also mandatory for all subsidiaries and regional companies.

Setting global standards

The basis for this is the Management System for Quality, Environment, and Safety manual, which covers leadership, value-creation, and support processes, and defines corporate departments’ responsibility for occupational safety, fire, and environmental protection, as well as for quality management. The manual, which was updated in 2005,

helps to guarantee and sustain the high quality of our products and services world-wide. Apart from the external standards (ISO 9001, ISO 14001, OHSAS 18001, and ISO/TS 16949), the management manual includes the Bosch-internal standards and guidelines relating to occupational safety, fire safety, environmental protection, and emergency control.

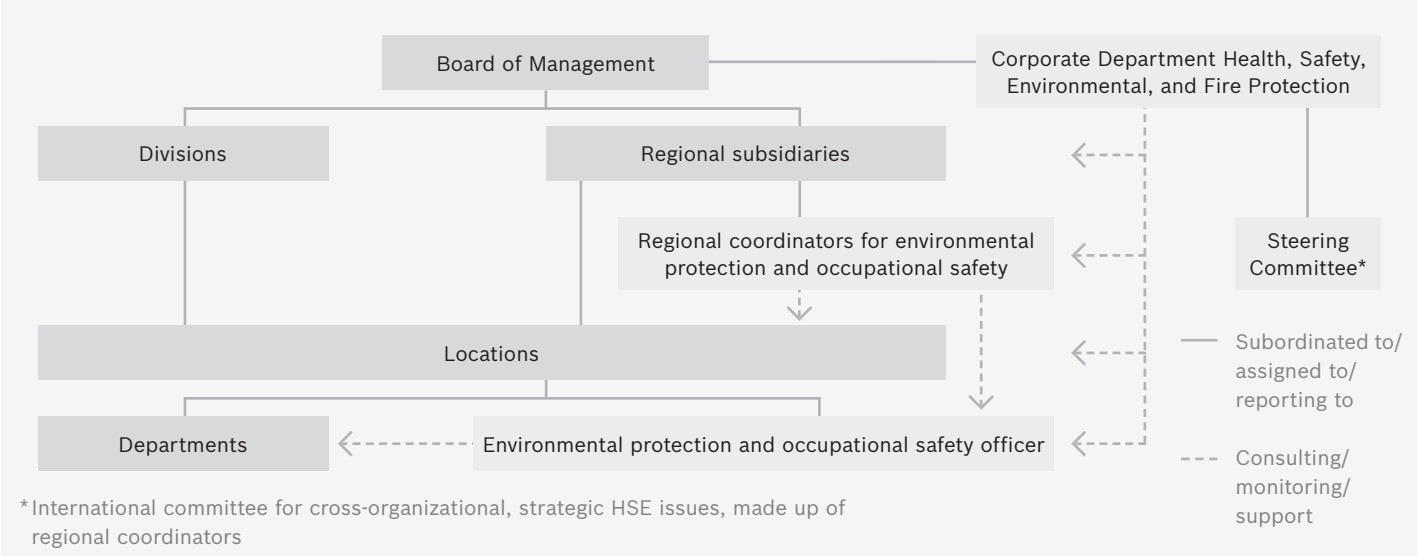
In the continuous further development of our management system, we also draw on the approaches and methods contained in the EFQM (European Foundation for Quality Management) business excellence model. It places particular emphasis on customer satisfaction and helps companies not only to stay within budget but also to improve the services they provide to partners, associates, and society.

Steering internationally

We coordinate our activities in our own steering committee for health, safety, and environmental protection, whose members come from Asia, Europe, and the Americas.

Principles of work safety and environmental protection. For more information, visit:
www.bosch-umwelt.de

Organization of health, safety, and environmental protection





“A systematic approach is useful”

The integration of the management systems for environment, health, and occupational safety is a major step forward that moves us away from corrective “end-of-pipe” approaches. This systematic approach helps us to fulfill the ever increasing statutory and customer requirements. However, a management system is only a tool. It is crucial to anchor environmental and social principles in the corporate culture and to live by those principles day in and day out. Because of the huge social and infrastructural disparities in Brazil, companies already bear a major social responsibility, and legislation is closely aligned with European and American regulations. Fulfilling the many stipulations governing documentation and certification is a huge undertaking. However, I am convinced that our commitment to the environment and

the community also strengthens our competitiveness. It is not enough simply to offer innovative products. Customers increasingly expect companies to pursue a long-term strategy, and take standards such as ISO 14 001 certification into account. At Bosch, responsible practice is a principle that was handed down to us by our founder and has been a firm part of our management and our culture ever since. Many of our associates are actively committed to projects for children and young people through our charitable organization Primavera. In doing so, they make an important contribution to the lives of those who live in the vicinity of our plants.

Edgar Silva Garbade, President, Robert Bosch Latin America

The annual meeting brings together colleagues from different cultural backgrounds and examines ways of joining forces to reach our corporate goals more efficiently (see p. 45).

Managing occupational safety

The Aveiro (Portugal) location of BBT Thermotechnik GmbH produces natural gas-fired heating and hot-water systems. As at many other Bosch locations, however, the spotlight at Aveiro is currently on occupational safety. Currently, the location is in the process of having its management system certified in accordance with the international occupational safety standard OHSAS 18001. The Aveiro plant was audited successfully for compliance with the international environmental management standard ISO 14001 and the European Environmental Management and Audit Scheme (EMAS) in 2003 and 2005 respectively. Its chances of satisfying the OHSAS (Occupational Health and Safety Assessment Series) standards are also very high. In regular drills on site,

fire service and workforce train how to respond safely in the event of an accident. The introduction of such things as technical protection and personal protective equipment also increases safety, as evidenced by the significant drop in occupational accidents from 112 in 2003 to 31 in 2005.

Our supply chain

In 2005, the Bosch Group purchased goods and services around the globe to the tune of 21.4 billion euros. We are continuously expanding our worldwide network of suppliers, and we encourage our suppliers to follow us into the growth regions in Asia, eastern Europe, and the Americas. We also choose local suppliers in those regions. Our purchasing guidelines form the basis for cooperation with suppliers. We help suppliers to broaden their expertise by staging special seminars and development programs. We place particular emphasis on fair and long-term relationships with our suppliers.

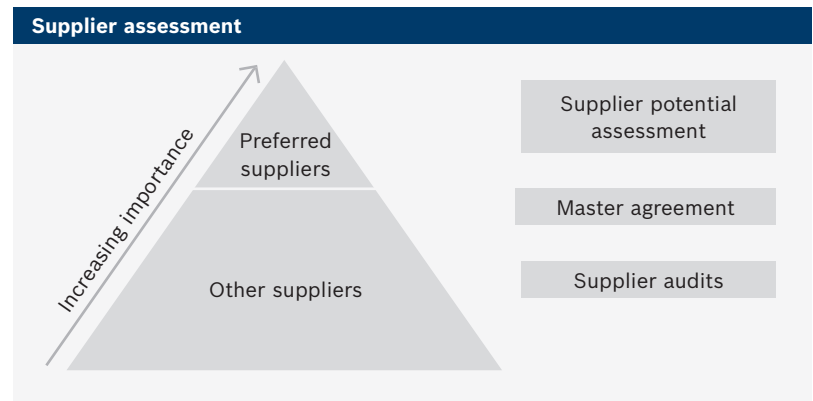
Selecting suppliers

Our suppliers know that we make high requirements of business relationships. This applies above all to the reliability and quality of the products we purchase. We have also prioritized eco-friendly solutions in our purchasing guidelines. Whenever it is possible and economically viable, our associates in the purchasing department are instructed to choose alternatives that conserve resources. Suppliers who fail to comply with the basic labor standards of the International Labor Organization (ILO) are excluded from selection. These principles are now an integral element of any new master agreement we conclude.

The audits we perform during supplier and process evaluation are aimed at ensuring that our partners also adhere to these principles. Auditors trained in using our in-house systems review and document the status of occupational safety and environmental protection at our suppliers' plants. The audit is usually carried out as part of 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 company has an OHSAS 18001 certificate. As a matter of policy, however, we always investigate the issue of child labor. We conduct special audits if we learn of criticism by non-governmental organizations - due to inadequate environmental protection, for example, or to poor working conditions. We expect our 200 preferred suppliers to have a certified environmental management system in place by 2008 at the latest.

Preventing corruption

Corruption distorts competition and causes long-term damage to companies by undermining the trust of customers and suppliers. The Bosch Group advocates fair business relationships based on strict adherence to



the principle of legality, and thus unconditional compliance with the rule of law. We therefore avoid business activities in regions where there is a high risk of corruption. We use the dual-control principle and strictly segregate processing and monitoring systems in order to counteract irregularities. Suppliers are selected solely on the basis of a comparison of quality, performance, and suitability. To prevent bribery, we carry out regular job rotation in those business areas that are exposed to such risks. Above all, our internal audit procedures constantly monitor compliance with these principles. However, this does not absolve any of our associates from personal responsibility for their behavior. Our membership in Transparency International also shows the importance we place on internationally valid ethical standards.



At the meeting of Transparency International's corporate members which Bosch hosted in Stuttgart in March 2005, the company discussed its anti-corruption policies.

Responsibility

for our products means

- ▶ helping to reduce the number of deaths on Europe's roads from **40 000** today to **25 000** by the year 2010,
- ▶ that the level of pollutant emission from a modern diesel engine is a good **90 percent** less than in 1990,
- ▶ that gasoline engines with piezo direct injection consume up to **15 percent** less fuel than traditional gasoline engines,
- ▶ generating **6 percent** of current sales in thermotechnology with systems that use renewable sources of energy,
- ▶ even now generating **2 percent** of our sales at Bosch Rexroth with components and systems that are used to exploit wind power.

**Deutscher Zukunftspreis for piezo-injection technology**

In December 2005, the German president Horst Köhler presented the *Deutscher Zukunftspreis* (Award for Innovation and Advanced Technology) to a team led by the Bosch developer Friedrich Böcking and to two researchers from Siemens VDO, in recognition of their work on fuel-saving piezo technology. Introduced by Bosch in 2003, the third generation of common-rail diesel direct injection with piezo-inline injectors makes a significant contribution to eco-friendly mobility. It reduces pollutant emissions, running noise, and fuel consumption in the diesel engine.

Our products are invented for life

Bosch appliances and components are now indispensable in almost all areas of life, covering everything from traffic, buildings, and household appliances to gardening and industrial production. They are designed to be beneficial for people, making work easier and leisure more enjoyable, providing safety and well-being, and helping to protect the environment and conserve resources – all in keeping with the principle formulated by company founder Robert Bosch that his company's products should benefit the community.

Creating benefit

Innovations secure our future – and Bosch is no exception. This is why we employed 23 600 associates in research and development around the globe in 2005, spending more than 7 percent of our sales revenue on these activities. This enables us to meet increasing technological, ecological, and social demands. We set specific priorities in each of our business sectors and pursue a consistent policy of innovation. In automotive technology, the trend is above all toward conserving resources and protecting the environment, as well as toward safety and preventing accidents. Ever since 1974, the year after the first oil crisis, it has been the aim of our 3S program to make cars safe, clean, and economical. This is why we spend nearly ten percent of our sales on research and development in this business sector.

Active and passive safety systems and their integration considerably increase the safety of drivers and passengers. We are already manufacturing the fourth generation of our diesel-injection systems, and with each generation we have further reduced emissions, consumption, and the level of engine noise.

Promoting safety and health

Researchers and developers in our Consumer Goods and Building Technology business sector are constantly at work on products that increase safety for end users and protect their health. In the case of power tools, for example, sophisticated technology is used to lower the risk of injury and to reduce noise pollution and vibration. To increase safety in transport, public buildings, and the home, our subsidiary Bosch Sicherheitssysteme GmbH not only supplies individual products such as intrusion-detection and alarm systems but also complete security solutions and accompanying services. Demand for networked and internet-based systems is growing.

“Bosch Inventors 2005”



Environmental protection and resource conservation

Petra Kuschel: Ceramic structure of emission sensors and use of thick-film technology in the production of emission temperature sensors.



Accident prevention and safety

Bernd Siber:
Development of the “Invisible” fire detector, which is mounted flush with the ceiling.



Health and product safety

Gerhard Meixner:
Creative further development of hammer drills, e.g. vibration dampening.

Products and resource conservation

Many appliances, systems, and components from Bosch contribute directly to protecting the environment and conserving resources by reducing the demand for energy, using renewable energies, avoiding energy waste, allowing the use of alternative fuels, and reducing emissions. Any Bosch product whose operation involves the consumption of raw materials is continuously developed further so that it gets by with less material, energy, and water. We regard the excellent environmental benefit of our products as vital for securing our long-term position in the world market.

Making driving more fuel-efficient

Stocks of raw materials are decreasing – causing prices to rise, and making fuel consumption an increasingly important criterion when purchasing a car. In a study conducted by consultants KPMG in the run-

up to the Detroit Motor Show (U.S.) in 2005, 84 percent of the automobile managers surveyed cited fuel consumption as the second most important purchasing criterion, surpassed only by quality. Around a third of global carbon dioxide (CO₂) emissions are caused by traffic. This means that highly efficient, low-emission engines not only offer an economic advantage but also make a significant contribution to climate protection. In 2006, the U.S. Congress for the first time passed legislation (the Barton-Domenici Energy Policy Act) promoting fuel-saving vehicles powered by diesel drives or hybrid technology.

We have been working to increase the fuel efficiency of all drive technologies for many years. Thanks to their more flexible injection characteristics, the piezo-inline injectors launched with the third generation of our common-rail system make it possible to build particularly low-consumption, clean, and quiet diesel engines. We are currently

working on increasing the pressure in the common-rail system to 1 800 bar, and to 2 000 bar shortly after that, which will further reduce fuel consumption, as well as nitrogen-oxide and particulate emissions. The president of Germany acknowledged the advances made by Bosch developer Friedrich Böcking's team in developing the fuel-saving piezo technology by presenting it, together with a team from Siemens, with the *Deutscher Zukunftspreis* (German Innovation and Advanced Technology Award) in 2005.

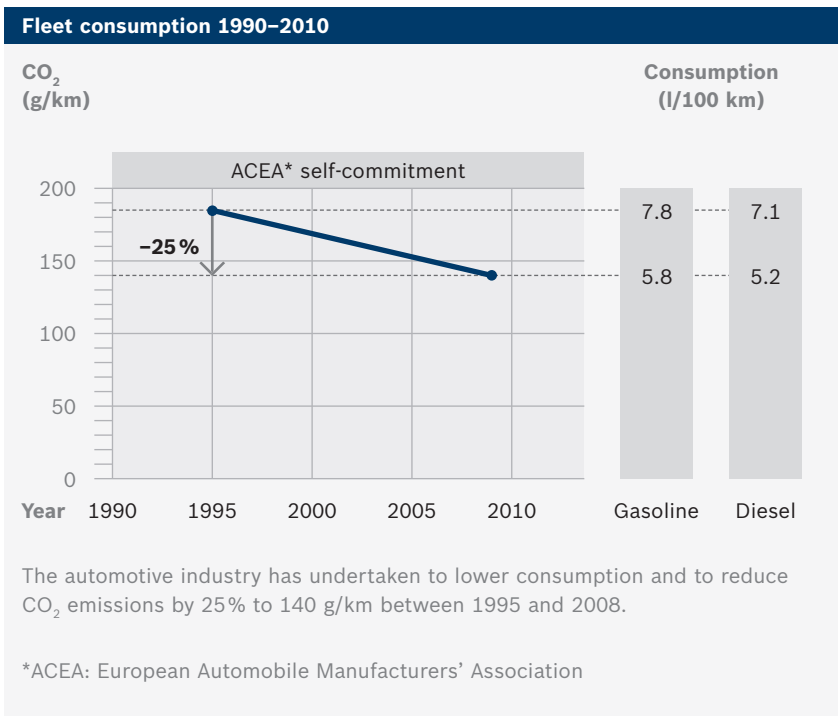
Optimized drive trains and hybrid technology are also helping us to make further progress in lowering fuel consumption. The gear-shift strategies used in the automated manual transmission system make it so economical that it was used in the first 3-liter car. In the case of hybrid technology, carmakers are already using our pro-

totypes. Iveco minibuses equipped with diesel hybrid drives from Bosch were used at the 2006 Turin (Italy) Winter Olympics. From 2007 onwards, as an initial step into this market, we will be offering an entry-level micro-hybrid system that reduces fuel consumption and CO₂ emissions in urban traffic by up to eight percent. The Smart Electronic Start/Stop System (SES) automatically stops the engine in neutral and only starts it again when the driver applies pressure to one of the pedals.

Reducing vehicle emissions

Stricter emissions standards in both industrialized and emerging markets mean that demand is growing for new vehicles with even lower emissions. Our products play a crucial role in ensuring that modern cars emit far lower quantities of carbon dioxide, nitrogen oxides, and particles than their predecessors. Even without exhaust-gas treatment, our diesel-injection systems already lie well within the current European emissions standards.

Our gasoline direct injection already makes gasoline engines compliant with the strict SULEV (super ultra low emission vehicle) standard in the U.S. At the start of 2006, we introduced the second generation of our gasoline direct-injection technology (DI-Motronic), which provides an injection pressure of 200 bar. Thanks to our new diesel technology, engine developers are already capable of meeting, if not surpassing, the values set out in the Euro 5 and US07 emissions standards, both of which will soon come into force. We are redoubling our efforts in development projects with American and European automakers to manufacture diesel-powered vehicles that comply with the new standards.



Innovation award for Bosch do Brasil

We are enjoying great success in South America with our Flex-Fuel engine management system, which is equally suited for use with gasoline, alcohol, and mixtures of the two. In 2005 alone, ten new models of vehicle featuring this system went into series production. In December 2005, the Brazilian government awarded us its innovation prize for this system. Bosch do Brasil unveiled the first concept car to use tri-fuel technology (alcohol, gasoline, and natural gas) in 2003. In 2006, biodiesel will be introduced. Approximately 17 000 Brazilian families are already planting dendê palm trees, sunflowers, castor beans, and soybeans for the production of biodiesel – and this number could increase by as much as 30 000. For Bosch do Brasil, this is a significant outcome of the Brazilian biodiesel program, because it creates work for people who otherwise have few job opportunities. We provide technical support in implementing the program.



Our Denoxtronic system has been used successfully in exhaust-gas treatment in commercial vehicles. It reduces nitrogen oxide emissions by up to 85 percent when used in conjunction with an SCR catalytic converter. We have not yet managed to make the car diesel particulate filter ready for series production as planned. Our development process has shed light on new opportunities for creating much more economical solutions with a longer service life, and we are working on these. Irrespective of these developments, we are supporting filter management with sensors and software – but above all with our diesel-injection systems.

Alternative fuels

The production of engine management systems for natural gas and alcohol-powered vehicles is clear evidence of our expertise in developing state-of-the-art, environmentally friendly drives that conserve resources by using alternatives to gasoline and diesel.

Our flexible NG-Motronic engine management system enables cars to alternate between gasoline or natural gas. It is even possible to switch easily between the two fuels while on the move. We provide the technical solutions required for natural gas drive, which generates 25 percent less carbon dioxide (CO₂) than the gasoline engine and does not emit any particles. Natural gas is an attractive proposition for both the European and Asian markets.

Moreover, natural gas is only one of the alternatives to gasoline and diesel that already exist. In Brazil in particular, alcohol is already being used as a fuel alongside gasoline. Our Flex-Fuel engine management system allows vehicles to run on both gasoline and alcohol. In Brazil, there are two popular types of alcohol fuel based on ethanol and cane sugar – gasoline with 22 percent alcohol and alcohol with seven percent water. The engine management system

automatically adapts ignition and injection patterns precisely to the fuel composition used at any given time.

Using renewable sources of energy

High rates of growth are expected in the next few years for systems that use renewable energies. Our subsidiary BBT Thermo-technik GmbH already occupies a leading position in this field – thanks to its wide-ranging product portfolio. Heat pumps use the thermal energy from the ground, the air, and groundwater. Wood pellet- and fire-wood-burning boilers provide heating and hot water from CO₂-neutral raw materials, while solar thermal systems directly exploit solar radiation as an effective source of energy for heating water and buildings. More and more systems are integrating heating technology systems, boilers, and the use of renewable energies. We also lead by example at our own locations. When our administrative building in Wernau (Germany) was renovated, for example, the new façade was fitted with solar electric panels covering a surface area of 215 m².

Wind energy systems are another market with high rates of growth worldwide. Bosch Rexroth has established itself as the leading supplier and development partner for the most successful manufacturers of wind farms. With a wide range of transmission and hydraulic modules, our subsidiary plays a crucial role in advancing the eco-friendly generation of wind energy and increasing the efficiency of wind farms. Generator, azimuth, and pitch transmissions, pitch drives, and brake systems are just some examples of the complete solutions that cover all the rotational and braking movements encountered in wind farms. Bosch Rexroth is also involved in research projects investigating how marine current energy can be used to generate power using state-of-the-art hydraulics.

Heating efficiently

Condensing technology is the hallmark of efficient, low-emission heating. A new condensing boiler reduces CO₂ emissions by up to 38 percent. Our subsidiary BBT Thermo-technik GmbH expects this tech-

Efficient lightweights

The production department of Solar Diamant Systemtechnik GmbH, a subsidiary of BBT Thermo-technik GmbH, has undergone a complete makeover. A new ultrasound welding station and bonding and joining technologies are now being used to produce the company's new generation of flat-plate collectors. The company's earlier solar collectors were already renowned for their high efficiency and long service life, but the new flat-plate collector lines "Basic" and "Top" are even more efficient. In the "Top" collector, for example, the double-meander pipes on the back of the absorber transmit the heat to the solar fluid even more effectively using turbulent flow. Both collectors are suitable for water heating and as a supplement to central heating. Thanks to their fiber-glass frames, they are 30 percent lighter than conventional collectors, and the use of plug-in technology means they can be mounted easily even at great heights. Solar Diamant's new production plants in Wetrtingen (Germany) have increased their production area by one-third. This has led to the creation of new jobs – headcount has increased from 70 to nearly 120.



nology to have a European market share of more than 70 percent by 2013. Condensing technology is already standard in the Netherlands and Germany, and its success story is now continuing in the United Kingdom. A change to the law in early 2005 caused the market share of condensing boilers in the wall-mounted natural gas heater sector to increase from 27 to 66 percent within a year. The British subsidiary BBT Thermo-technology UK Ltd now devotes 90 percent of capacities at its Worcester plant to producing natural gas-fired condensing boilers.

Conserving resources in the home

Our joint venture company with Siemens AG, BSH Bosch und Siemens Hausgeräte GmbH, is one of the leading players in the market for energy-efficient household appliances. More than 90 percent of the appliances produced by BSH in Germany are classified as European energy efficiency class A, which indicates very low, or better, consumption. Since 1990, BSH has reduced the energy consumption of its refrigerators by up to 78 percent. A fifth of these refrigerators have been rated A⁺ and A⁺⁺. Only introduced in 2004, these new energy efficiency classes certify even greater reductions in consumption. Ninety percent of its electric free-standing ovens, fitted ovens, and dishwashers comply with the requirements in category A, while all its washing machines comply with them. More than 40 percent are even more economical. BSH has introduced the category A^{plus} for these washing machines. Innovative sensor technology that controls the use of freshwater in relation to load and the degree of soiling greatly reduces the water consumption of dishwashers and washing machines. Compared with 1990, these appliances consume between 40 and 55 percent less water.

Products and safety

More than 70 000 people were killed on Europe's roads in 1990. Within ten years, it was possible to reduce this number to roughly 52 000 road deaths. In its Road Safety Charter, the European Union has set itself the goal of reducing the number of accident victims still further: by another half by the year 2010. We were one of the first companies to announce their support in 2004. While it may not be possible to eliminate road accidents completely, our products can help to increase safety on the roads. However, safety, or indeed security, do not just influence developments in automotive technology. They are also high on the agenda in building technology, e.g. in providing protection against fire or intrusion.

Using "assistants" to prevent accidents

Since most traffic accidents are caused by a lapse in attention, the aim of our development is clear - to remove the burden from drivers and support them in critical situations by deliberately intervening in drivers' actions. One example of this is the **electronic stability program ESP®**. This system prevents up to 80 percent of skidding accidents, which account for a large proportion of the accidents involving serious and very serious injury. ESP® achieves this by deliberately intervening in braking and engine management. To ensure that the advantages of this safety system are more widely understood, Bosch has organized the "ESP®erience" training program, which has so far explained the benefits of ESP® to around 25 000 car salesmen. A specially created website also provides information about ESP® and other safety systems. In 2005, 39 percent of all passenger vehicles sold in Europe were fitted with ESP®. By 2010, we are looking to increase this to every second newly registered car.

Electronic stability program

In 1995, Bosch was the first series manufacturer of the electronic stability program. The company made a significant contribution to the practical implementation of the EU Road Safety Charter by organizing the "Year of ESP® 2005".

For more information, visit:

www.bosch-esperience.com

To increase active driving safety, we added new functions and driver assistance systems to our range of technologies in 2005. The new ESP®plus generation reduces braking distance in critical situations. Moreover, we have begun production of a steering assistant and a night vision assistant. The new steering assistant boosts the effectiveness of ESP® and increases stability by correcting steering electronically whenever necessary. The video-based system for night-vision enhancement uses infrared to light up the road over a viewing distance of as much as 150 meters, helping the driver to identify obstacles quickly. Another video-based system is the lane departure warning system which we are currently making ready for series production. The new active safety systems and driver assistance systems ensure that inattentiveness or sluggish response times by the driver will be less likely to cause accidents in the future.

Protecting passengers and pedestrians

Passive safety systems reduce the risk of injury to passengers, as well as to pedestrians and cyclists, in the event of collisions. A solution for protecting pedestrians is already in series development - acceleration sensors fitted in the car's bumpers send electronic signals to actuators, which modify the crumple zone on collision with a pedestrian, e.g. by raising the engine hood.

Future driver assistance systems will require gradual integration of active and passive safety systems, and we are pressing ahead with this integration in our Combined Active and Passive Safety (CAPS) program. These systems support the driver in dangerous situations and prevent or minimize the effects of collisions. Predictive Brake Assist is the first version, and it has been on the

market since 2005. When the system identifies a critical driving situation, it imperceptibly moves the disc-brake pads up close to the discs and thereby gains vital fractions of a second in the event of an emergency braking action. Series production of the Predictive Collision Warning function was launched in 2006. This warns the driver of the threat of rear-end collisions.

Safeguarding buildings

In the aftermath of a major fire, 40 percent of companies have to abandon operations and a further 30 percent close within three years because they cannot cope with the financial loss. Whether in office buildings, data processing centers, production facilities, or warehouses, fire alarm systems can protect businesses against existence-threatening situations and keep people from harm. The automatic fire detectors from our subsidiary Bosch Sicherheitssysteme GmbH detect a fire at the earliest possible stage. Integrating them with firefighting command centers enables a quick and effective response to all kinds of fire risks. Our alarm, video surveillance, and access control systems offer protection against intrusion. In the security field, we have also developed effective biometric technologies for fingerprint identification, retina scanning, and face recognition.

Products and health

For us, "invented for life" means thinking about the people who work with the tools we manufacture or who use the products filled or produced on our production lines. Safety, health, noise protection, and hygiene are all areas of particular focus for our Power Tools and Packaging Technology divisions.

Invisible safety

Glass, steel, and aluminum dominate the sophisticated architecture of the Audi customer center in Neckarsulm (Germany). Around 100 fire detectors, barely visible, monitor the customer center round the clock. Because of their slim-line construction, the automatic fire detectors in the 500 series can be fitted flush to ceilings. Their unobtrusive design has been developed specifically for state-of-the-art showcase buildings. Conventional fire detectors would detract from the beauty of the building. The flat construction of this series is made possible by two smoke-detecting sections located outside the housing. There is no need for the conventional internal metering box. The fire detectors' unassuming design has already seen them receive eight international awards, including Germany's prestigious Design Plus Award.



Preventing injury

Our power tools are used by countless tradesmen each and every day. Eighty percent of them regard the risk of injury as very high, especially when working with angle grinders. The latest generation of the GWS 11-14 Professional angle grinders therefore includes additional functions for increased protection against injury. Intelligent microprocessor electronics identify any locking of the disk - just like the anti-lock system in a car - and react in fractions of a second by switching off the motor. This "kickback stop" function enables tradesmen to keep the angle grinder under control even in difficult circumstances.

Reducing vibration and noise

Users of tools are exposed to vibration, knocks, and jolts that can have a damaging effect on health if sustained over longer periods. We prevent these effects by incorporating vibration-dampening features. The anti-vibration handle, which was first used in professional angle grinders in 2001, now also makes it easier to use saws, grinders, and drills, and reduces vibration pursuant to European standard EN 50 144 by up to 70 percent.

Noise has a damaging impact on regular users of power tools, as well as being a nuisance for others in the vicinity. An example

of our commitment to reducing work noise is the quiet shredder. Its blades do not produce any noise when shredding garden waste, and it was therefore awarded the “Blue Angel” environmental label by the German Environmental Agency. In industrial and automotive technology, the operating noise of the whispering power unit and generators for vehicle electrical systems has been reduced. With an efficiency factor of 70 percent, the powerful highline generators reduce noise levels by up to five decibels.

Noise is also a nuisance when using household appliances. BSH has therefore invested a lot of effort over recent years in reducing the noise level of dishwashers, for example. On average, this is now ten decibels lower

than ten years ago – a 50 percent reduction in volume. In our top-of-the-range dishwashers, the noise level is now 40 decibels, which is no louder than the sound of rustling leaves.

Protecting food and medicines

Our Packaging Technology division’s customers include pharmaceuticals and cosmetics manufacturers and the confectionery and food industry. Their requirements are shaped by the trend toward convenience. In the health sector, self-medication is increasing, and in the food industry, ready meals, health food, organic food, and dietary supplements are becoming ever more prevalent. Overall, the distinction between the food and non-food sectors is beginning to pale in packaging technology.

Useful and easy-to-understand information for consumers

DIY stores have practically everything on offer, apart from consumer advice. In 2005, Bosch introduced a new customer information system for presenting goods. This was in response to increasing feedback from customers that shelves were not clearly marked. User-friendly product cards cite the most frequent uses of the power tool, its attributes, and the benefits for DIY enthusiasts. The product presentation is clearly structured, and the easy-to-understand information gives guidance to the potential customer. In this way, we are helping the retail trade to sell the right power tools to customers. According to independent research, more than 95 percent of power tool users can now find their way around more easily in DIY stores. Moreover, we also offer advice on the internet to help users find the right device for a particular application. And, of course, all the user instructions for our power tools can be downloaded: www.bosch-pt.de.



“Helping to improve the environmental situation through innovations”

Germany currently ranks ninth in the research and development league – and shows signs of falling even further behind. Both the state and companies as a whole are a long way from reaching their self-declared goal of investing three percent of gross domestic product in research and development by 2010. Basic research is at risk, and thus also the attractiveness of Germany as a location for young scientists. Companies too can only be innovative in the future if they offer young talent attractive career opportunities. We have to work together to do all we can to ensure proper investment in training, and to ensure that training does not end with the completion of an apprenticeship or university course. There is a large burden of responsibility on business. Climate change is a further major

challenge. Companies can help to improve the environmental situation through innovations. They are a crucial link in the value chain that leads from inventions to finished products. Some German companies enjoy extraordinary success in these fields, as testified by their excellent export sales. German companies are already competitive, if not world-leading, in the field of climate protection. But it is essential to follow a long-term strategy. The ultimate applications of basic innovations are often far different fields from those originally envisaged. For this reason, we must always keep our eye on the entire innovation chain.

Prof. Ernst-Ludwig Winnacker, President of the German Research Foundation, Bonn



We are responding to this development by increasing the flexibility and modularity of our packaging technology. Our main priority is to fulfill the continuingly high requirements made of product protection and food safety. We use technically mature product protection systems to preserve foods susceptible to oxidization – such as baby food, potato-based products, or soups – for longer periods. Maintaining food quality also includes protecting the flavor of coffee, for example. Our reliable “vacufin” vacuum hard packaging is one of the leading products in this field.

In the pharmaceutical sector, isolator technology ensures that our systems for filling syringes or syringe cartridges meet the most stringent requirements as regards operator and product safety. This technology guarantees that the packaging line operators cannot contaminate the drug and that the drug cannot endanger them.

Responsibility

for our associates means

- ▶ investing more than **200 million euros** a year in the further training of our associates,
- ▶ providing occupational training for more than **6 000 young people** worldwide,
- ▶ sending more than **1 800 associates** on international assignments in order to encourage international exchange,
- ▶ offering more than **100 different models** for part-time and flextime work,
- ▶ reducing the number of occupational accidents by **16 percent** compared with the prior year.



Award for “Women in Business” forum

At the award ceremony for family-friendly companies in May 2005, Bosch and other member companies of the “Women in Business” forum received a special prize for networking from the Federal Minister of Family Affairs. This forum, founded in 1992, is an association of women’s representatives from 20 major German enterprises. Their common objective is to develop projects that increase the share of women in leadership positions and improve the compatibility of family and career.

Placing trust in associates

The knowledge and expertise of our associates is fundamental to the sustained success of our company. This has always been our conviction and it is a cornerstone of our success. The rapid acceleration of working and development processes demands increased flexibility and performance from associates in the Bosch Group. We want to provide them with a basis for building trust and simultaneously motivate them to more entrepreneurial thinking in order to maintain the competitiveness of our products, as well as to safeguard jobs.

“We should all strive to improve on the status quo: none of us should ever be satisfied with what they have achieved, but should always endeavor to get better” – Robert Bosch put this principle into practice by constantly promoting the occupational and further training of his associates. In doing so, he created an innovative and inspiring corporate culture that is still unique. Fair and healthy working conditions, as well as equality of opportunity, contribute to this culture.

Principles of social responsibility

The excellent and trusting cooperation between the Board of Management and employee representatives was expressed in the **principles of social responsibility** that the two parties signed in March 2004. In these principles, we affirm our commitment to internationally recognized human rights, to equal opportunities for all associates, and to the support and integration of people with disabilities. The joint declaration by the Board of Management and employee representatives is intended to underline that the importance we have traditionally attached to our responsibility to associates and society is a benchmark for the whole Bosch Group. Our commitment

to eco-friendly and socially acceptable globalization was also evidenced in 2004 when we signed up to the United Nations’ Global Compact initiative.

Flexible working time

Every fourth associate of the Bosch Group in Germany currently works part time. In total, 5.5 percent of our associates take advantage of this opportunity. More than 20 percent of women managers have chosen to take advantage of one of our many part-time programs. We have over 100 variations across the world, including the 4-day week from Monday to Thursday with a weekly working time of 24 hours, or the 2-week month with alternating full-time and free weeks. Shorter working days, job sharing, or teleworking are possible alternatives that help associates better harmonize the demands of career and family. The number of teleworking contracts, for example, has more than tripled in the past five years. We also regard our wide range of part-time opportunities as a means of getting more people into work. We signed a works agreement to ensure that our part-time associates receive the same development opportunities as our full-time associates and are included in the same

Principles of social responsibility.

For more information, visit:

www.bosch.com
Attitude and commitment



“It is vital to keep the *Familienservice*.”

Annika Dörnemann’s family includes a husband, one son, two stepchildren, a dog, and a horse. She is responsible for 230 associates in the plastics plant in Waiblingen (Germany), where she heads the Technical Functions department. Dörnemann, who has a doctorate in engineering, was employed by a mechanical engineering company in the 1990’s, but discovered that promotion there was out of the question for a woman. At Bosch, she gradually assumed more and more responsibility. When a new career step beckoned following the birth of her son, Annika Dörnemann came into contact via the women’s network with a female colleague who encouraged her to take on a department-head position. Thanks to the *Familienservice*, it was no problem to find a child minder. Moreover, Dörnemann can arrange her working time as she wishes and log in to the Bosch world from home via a network connection. Of course, her daily schedule is full. Ultimately, it is all a question of organization. “You have to make compromises and juggle tasks,” she says. “There are many options, and Bosch is open-minded.” Now a manager herself, her advice to any young woman is to follow their own career path.

training activities. The comparatively high number of part-time managers shows that it is possible to pursue a career even on the basis of a part-time contract.

Introduction of a uniform remuneration system

The remuneration of associates in accordance with different wage agreements dates back to the 19th century. At the beginning of 2007, this outmoded differentiation will be abandoned in Germany. This is when Bosch will introduce its new Single Status Pay Agreement, which will standardize the entire pay structure with basic pay, performance-related pay, and hardship allowance. Each associate will be assigned to a level that corresponds with their function. This level will form the basis for their new basic pay. This restructuring will lead to more transparent classification of associates. It is also important to mention that no associate’s pay will fall when the Single Status Pay Agreement comes into effect.

Career and family

Staff who can arrange their working time flexibly can better balance the demands of career and family, suffer less stress, and are more motivated at work. Creative solutions are also required for parental leave. Our associates can choose to work from one to four days a week during this time or stand in for colleagues who are on vacation. This allows them to remain in contact with their colleagues and keep abreast of new developments in the company. Of course, the new mothers and fathers can also take part in our further training programs, and our in-house newspaper *Bosch-Zünder* is delivered to their door.

Supporting childcare

Bosch also provides childcare services. For example, we work together in Germany with the *Familienservice*, an external service provider which helps locate child minders or nannies on behalf of our associates.

Associates can also use the special childcare exchange on our intranet, either to find out about childcare options or to offer to look after children for others. We provide a child-minding service for children between 8 weeks and 6 years in our crèches at various Bosch sites. This service is organized by childcare managers appointed at every site.

Our in-house social services also provide associates with individual advice about pregnancy, parenthood, and childcare. Our further training seminars on “work/life balance” also help associates to better harmonize their private lives with their careers. Our sites regularly send out invitations to people on parental leave, and we actively support families that relocate to other countries for Bosch. This assistance includes intercultural training, language teaching, and healthcare advice - all of which are also offered to family members.

Training of associates

No associates may be disadvantaged in their development on account of their background, race, nationality, language, religion, age, or gender. This central principle of equal treatment is anchored in our associate development guidelines and applies to all associates in all countries and companies, whatever their status. Qualifications and commitment are all that count. All else being equal, preference is given to associates with international experience.

Associates in all functions and at all hierarchy levels have access to a wide range of further training opportunities, which include programs geared to the strategic corporate goals and the individual development requirements of the associate. The programs are also tailored to the exact requirements of different target groups -

Nurturing talent in China

Bosch has joined forces with the Technical College in Wuxi (China) to develop a special training program. Representatives from Bosch, the Technical College, and the city of Wuxi launched the program at a formal ceremony. Each year, two Bosch study courses will each offer training for 20 students, aimed first and foremost at prospective mechatronics engineers. The training will take three or three and a half years. When they complete their studies, the young, highly qualified graduates will have a good chance of a job at Bosch. We finance the scheme and provide technical know-how and internships. We also award scholarships.



“Life as a learning challenge”

We need to redefine age. We still assume that 60 is the beginning of a life of leisure. However, in the future, we'll have to structure our lives in such a way as to alternate between more and less active phases. Companies will have to consider whether it really makes sense for people between the ages of 30 and 45 to bear the brunt of the workload or if it perhaps makes more sense to maintain the high performance of associates so that they are still capable of working hard at 60 or 65. From an economic perspective, we waste vast quantities of human capital because we believe that older people are no longer able to work hard. Of course, the kind of work they can do is different from that done by younger associates. Combining their experience with the zest for action of young associates creates significant potential for innovation that companies cannot allow to go to waste. To achieve

this, it is essential to motivate associates to regard their lives as a learning challenge by rotating their tasks and offering further training. After all, in the future associates will only carry out a specific duty for a particular length of time during their working life before going on to learn something completely different for a new job. This will be reflected in salaries too. Age will still be rewarded. However, soon there may be income highs and lows throughout the course of a career – depending on performance and position.

Prof. Hans Bertram, Humboldt University, Berlin, Chairman of the expert commission for the 7th family report by the Federal German Government, and member of the “Family and Demographic Change” Commission of the Robert Bosch Stiftung



from associates in production to senior executives. Associates can also register for any of the wide range of further training courses we offer outside of working hours.

High-level further training

The Robert Bosch Kolleg offers practical training at university level in the Bosch Haus Heidehof training center for executives in Stuttgart (Germany). Alongside university-style seminars and colloquium presentations, the company's in-house educational institution, which was founded 25 years ago, also offers extensive management programs and a European Partnership MBA.

Our managers are trained in line with the Bosch competence model, which features the four fields of leadership, entrepreneurial, interpersonal, and specialist and conceptual skills. The programs are geared to the Bosch values, and include intercul-

tural coaching and international leadership dialogue, training in how to build a good working relationship with partners and colleagues abroad, and seminars devoted to the subject of work-life balance. It is obligatory for prospective managers to take part in the 18-month program to prepare them for their new role. The program has been available internationally since 2004.

Providing training in excess of demand

Bosch regards the occupational training of young people as an integral part of its social responsibility. For many years now, it has been training more apprentices than it actually needs – exceeding requirements by more than 30 percent last year. In 2005, more than 6 000 young people received training at Bosch, 65 percent of them in Germany. Around 1 350 have just started their training there, which we provide in over 30 different careers.

At several locations outside Germany – including Brazil, the U.S., and India – we have introduced occupational training based on the dual training system that is so successful in Germany. In addition, more than 20 percent of apprentices each year are given the opportunity to learn different working methods at various Bosch Group locations and in this way get their first taste of working in other countries. We have been operating an international apprentice exchange scheme for more than 50 years.

Life-long learning

Demographic change presents a particular challenge for our associate development programs. Lower birth rates and the extension of working life will increase the average age of our staff in Germany from the present 41 to 48 by 2020, for example. Life-long learning programs that maintain the performance of our older associates are essential, as is healthcare that also meets the needs of older associates.

Equal opportunities for women

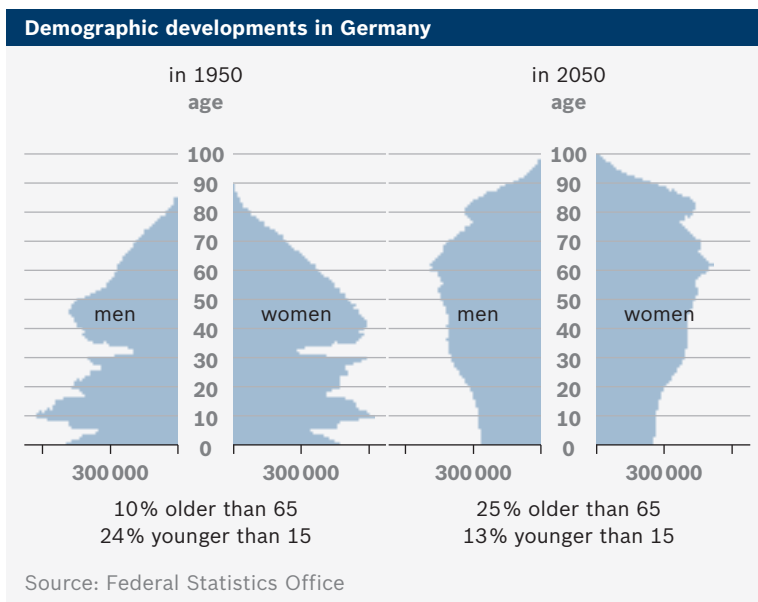
Increasing the proportion of women in the workforce is one of our priorities. The engineering bias of our company means that the proportion of women has traditionally been low. Only around three percent of top management positions are occupied by women. The figure is 6 percent for lower management-level positions. Since the mid-1990’s, the Board of Management has actively supported equal opportunities for women, setting up an “Equal Opportunities” project that formulates appropriate concepts. An active women’s network has also emerged at Bosch in Germany, and now extends to every site in the country.

Career support from mentors

As a means of promoting equal opportunities for women, many sites offer a 12-month mentoring program that enables women to benefit from the management experience of their mentor. Our “Equal Opportunities” project consults with companies in other sectors via the “Forum for Women in Business.” Among other things, this has led to the introduction of cross-mentoring with managers from the IT, pharmaceutical, and financial sectors. Other activities include the annual network meeting and the award of an equal opportunities for women prize to a Bosch manager who has shown outstanding commitment to this cause.

Encouraging young women to take up engineering

We offer “trial” seminars to make Bosch more attractive as an employer for more young women. Young women can visit our technical-industrial training centers during the school vacations and familiarize themselves with their future training location. The Germany-wide “Girls’ Day” that we



have been organizing for some years has the same objective. Almost 2 000 young women took part in 2005. The share of women in the company is now around 23 percent worldwide (see p. 64). The proportion of women apprentices in Germany is now roughly 18 percent.

Involving associates

Showing fairness and respect toward employee representatives is a cornerstone of Bosch's culture, and is expressed through different forms of involvement. A major forum for exchange between the elected employee representatives and the Board of Management is the annual meeting of the works councils. Topics such as the introduction of the Bosch Production System and training were at the top of the agenda at the meeting in April 2006.

It is not only at our German sites that associates are organized into works councils. Since 1977, they have also been organized into a Combined Works Council covering all sites and companies, and since 1998 there has also been a Europe Committee that encompasses more than 30 works councils from 18 countries. Associates at all Bosch

Group locations are free to form representative bodies. The first global meeting of Bosch employee representatives and union representatives from 28 countries took place in February 2006.

Reaching joint agreements on working conditions

In Germany, codetermination laws stipulate that the works council should always play a role in structuring working conditions. The employer and works council can use voluntary works agreements to reach agreement about particular issues. In the case of topics for which codetermination is mandatory, such as the agreements on working time and wages or the principles of performance appraisal, the works council is even entitled to set out the results in a works agreement. For example, the introduction of the new pay system governed by the 2005 Single Status Pay Agreement was set out in a works agreement.

Promoting a good working environment

“Partnership in the workplace” and “Integration of the disabled” are important works agreements at Bosch in Germany aimed at ensuring fair working conditions. Works agreements state that discrimina-



A workplace without handicaps

Bosch intends to integrate the disabled in Latin America through the use of sign language and Braille. The Handicapped Persons Program that is being run from 2004 to 2006 will create jobs for around 720 people. This equates to six percent of the workforce in this region. Those managing the program – a team of representatives from HR, healthcare, and production – must first learn sign language themselves in order to communicate with deaf colleagues.

The first step was to analyze which positions were at all suitable for those with severe disabilities. It was then decided which changes if any were necessary to the buildings or the workplace. For example, special parking spaces had to be created and the elevators fitted with buttons in Braille. The overriding priority, however, was to impress upon managers and colleagues the need for understanding for colleagues with disabilities.



GLOBAL BUSINESS COALITION ON HIV/AIDS

Working together to combat HIV/AIDS

Every Friday, Bosch associates in Midrand (South Africa) meet to exchange information and experience about dealing with HIV/AIDS. These meetings are part of the project that Bosch has initiated in conjunction with the GTZ (German Society for Technical Cooperation) to provide information, prevention, and support. In 2005, 450 associates took part in preventive medical checkups. Despite all these measures, there were seven more infections than in the previous year. Infected associates receive free drugs and intensive medical care. Bosch has also played an active role in the Global Business Coalition on HIV/AIDS since 2003.

“We must make provisions for the health of our associates, not least out of a sense of social responsibility.”

(Wolfgang Malchow, member of the Bosch Board of Management)

tion on account of background, gender, skin color, religion, disability, and nature of employment, as well as bullying and sexual harassment all seriously disrupt relations at the workplace, and must be prevented immediately. Bosch has also introduced activities to promote cooperation in the workplace and has, for example, set up integration teams to formulate suitable policies on training for the severely disabled and on the layout of workplaces.

Occupational health and safety

Healthy and safe working conditions are essential if a workforce is to perform well. Since early 2005, all the units and departments in Germany that can contribute to optimizing healthcare have been integrated into the Bosch health system. These include the company catering services, research and advance engineering, technical functions, cultural activities, sports and leisure, and the social services.

Our healthcare system is driven by a central steering committee, whose members include the vice-president of the occupational health department, a representative from both the Central Works Council and the Central Works Council for the Disabled,

and from the Bosch company health insurance fund. The steering committee, which is chaired by the senior vice-president of personnel and social services, provides ideas for the “health” working groups established at the sites and supports the implementation of various activities on site.

Protecting health

The spectrum of policies for keeping associates healthy extends from the ergonomic design of workplaces to the prevention of noise or noxious gases. The vice-president of the occupational health department provides information and advice about general medical issues and workplace-specific topics such as back pain, infections, or the use of computer glasses. The in-house newspaper *Bosch-Zünder* provides tips about health and nutrition put together by the Bosch company health insurance fund. We address our associates directly at the various locations by holding activity and health days where they can find out more about nutrition.

Systematic approach to occupational safety

Our occupational safety strategy aims to structure our worldwide processes to ensure that the health and safety of our

associates take top priority. We have formulated basic requirements in the principles of work safety and environmental protection. We use systematic risk evaluations of workplaces and activities to identify potential risks.

We carry out safety checks on all new plant and machinery at our production sites. High safety standards also apply for the 23 600 associates in research and development. In a method developed specifically for Bosch research, safety specialists assess risks at the test benches and define specific protective measures. Accident figures at the development sites have been low for many years, which is testimony to the success of these preventive concepts. This also applies to the group accident figures, which are falling continuously (see p. 66).

This is also helped by the targeted preventive measures implemented at our sites in North America. In special workshops, improvements have been developed to combat ergonomic deficiencies – one of the main causes of accidents and illnesses. Our plant in Charleston (SC) stages a health fair every year, attended by local providers of products and services. Our associates also have the opportunity to check how healthy they are.

Providing social advice in-house

Our company social services offer extensive support for those associates with an addiction to alcohol, drugs, or nicotine, social and nutrition-related problems, or job-related difficulties. For example, we train people in the treatment of addiction and release them from their working duties so that they can attend seminars and help colleagues with difficulties. Many sites and subsidiaries have introduced regulations to protect non-smokers. At Bosch Rexroth in Germany, there is already an absolute ban on smoking.

Company pension scheme

The Bosch Group has continued to develop its company pension scheme for its approximately 110 000 associates in Germany. From 2006 onwards, the Capital Benefit Plan and the Bosch pension fund will be merged to form the Bosch pension scheme. Each associate now has a benefit “account” made up of company and associate contributions. The contributions bear interest in line with the investment performance of the Bosch pension fund. The further development of the company pension scheme is accompanied by improved cover in the event of invalidity and death.

This concept has geared the Bosch company pension scheme in Germany to future requirements, and made it more quantifiable for the company. The pension fund’s investment policy also enables associates to benefit from the opportunities offered by the capital market. Risks are minimized by a guarantee equal to the sum of the contributions paid and a portfolio protection concept. Our associates in other countries also have access to state or company pension schemes (see p. 67).

Responsibility

for environmental protection means

- ▶ spending roughly **125 million euros** every year on environmental protection,
- ▶ including more than **200 locations** in environmental reporting,
- ▶ taking back more than **800 metric tons** of end-of-life power tools at our recycling center in Willershausen,
- ▶ recycling more than **400 000 metric tons** of waste,
- ▶ generating nearly **10 000 megawatt hours** of power from renewable sources of energy.

**Sustainability award for large-scale enterprise**

In June 2005, Robert Bosch Pty. Ltd. in Australia was singled out for the Monash World Environment Day Award, in the large-scale enterprise category. With this annual award, the Australian city honors company management geared to sustainability, as well as commitment to associates and society. The judges especially praised our activities to reduce waste and cut energy and water consumption.

Promoting environmental protection worldwide

Our principles of work safety and environmental protection apply to all locations, regional companies, and subsidiaries worldwide. Depending on the specific challenges encountered in different regions, the focal points of our company’s environmental protection concept differ. However, all our locations share the belief that resource-efficient and eco-friendly production is also crucial to the competitiveness of the Bosch Group and to our social responsibility in all parts of the world. We act according to common standards.

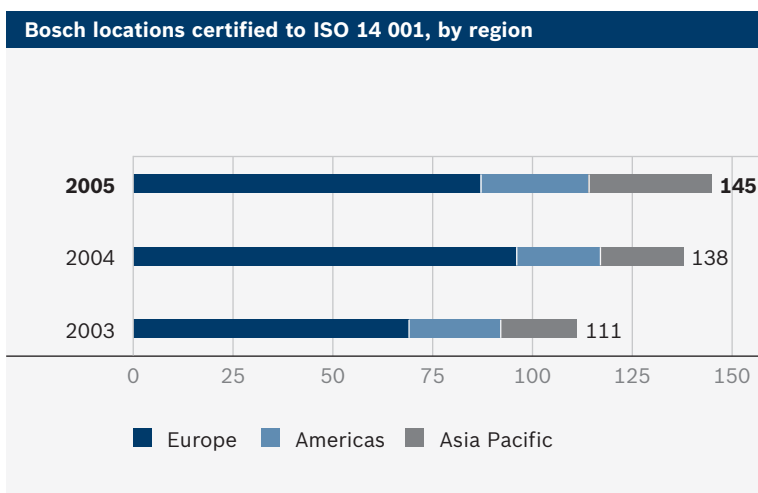
Even in the past, it was not easy to “steer a middle course between the entrepreneur who needs to assert himself, and the socially-minded businessman,” as Robert Bosch put it. Striking a balance between economic, ecological, and social demands is even tougher nowadays. Global competition is putting increasing pressure on companies to produce greater quantities at lower prices. At the same time, the limits to global resources and the pollution of the ecosys-

tem are becoming more and more evident, which raises a need to develop effective solutions to these challenges.

This is particularly evident in China, where the level of air pollution in and around large cities is now seen as a threat. Elsewhere, the shortage of water has been a major challenge for our locations in India for many years. In Europe, the spotlight is on energy efficiency and climate protection. The environmental programs at our locations clearly reflect these different regional priorities.

Striving for continuous improvement

Our BeQIK mission, which addresses quality, innovation, and customer orientation, applies equally to environmental management, aiming to ensure excellence in process quality. Continuous improvement is a defining characteristic of the environmental management systems which we began to establish at our production sites in 1996. Since then, 145 of our 264 sites have been certified to ISO 14001. Training courses increase the environmental awareness of associates and help to ensure economical use of resources and safety-conscious practices. In all our business sectors, only



A steering committee provides coordination

The annual meeting of the global steering committee for health, safety, and environmental protection, which last took place in Paris (France) in June 2006, brings together colleagues from different cultural backgrounds and examines ways of joining forces to reach our corporate goals more efficiently. The agenda of the last meeting included items such as occupational accidents, procedures in the event of earthquakes and flu pandemics, in-house regulations for occupational safety, fire and environmental protection, the use of management systems, the introduction of a goal deployment process within the company, and reports on progress made toward internal targets. One central aim of the conference was to formulate medium and long-term goals for health, safety, and the environment.



between five and 20 percent of all the pollution caused during a product's life cycle is caused during the actual production process. Nonetheless, resource-efficient and eco-friendly production methods form the bedrock of our environmental philosophy, because they minimize risks, improve working conditions, and save production costs.

Environmental protection in Europe

Implementing the stringent European guidelines for improving product-related environmental protection has been a tough challenge for our environmental management teams during the last two years. To comply in time with the RoHS (Restriction of the Use of Certain Hazardous Substances) and the ELV (End of Life Vehicles Directive), we are phasing out use of the heavy metals lead, cadmium, chromium VI, and mercury. In addition, certain soldering processes have been replaced by welding processes.

Since 2005, for example, Bosch has supplied only lead-free bulbs for signal, brake, or parking lights.

Trading emission rights

Only few Bosch locations are involved in the Europe-wide trading of emissions certificates adopted at the start of 2005. As part of their CO₂ reduction plans, the four German sites in Bamberg, Hildesheim, Schwieberdingen, and Reutlingen, which have large furnaces and kilns, are taking a number of steps to reduce their CO₂ emissions.

In Reutlingen, for example, a membrane degassing plant is being used to replace the vacuum degasser. This significantly reduces the energy required for ultrapure water treatment. From 2007, this will mean an annual saving of some 800 metric tons of CO₂ a year.

Implementing energy-efficient solutions

Climate protection is not the only consideration behind Bosch Rexroth's efficient use of energy. In view of increasing energy

prices, it is also increasingly becoming an economic necessity. Many of our plants are using innovative technologies to recover waste heat from compressed air generation and test benches, which is then used in their production processes and for heating. The Engineering Center for Automotive Technology in Abstatt (Germany), for example, uses a heat pump for air-conditioning and heating purposes. It provides heating for almost 50 percent of the overall building complex and saves around five gigawatt hours (GWh) of energy per year. Additional energy for heating the buildings is only required when the outside temperature sinks to below freezing.

Reducing transport-related pollution

We opened a new logistics center for diesel systems in Homburg (Germany) in May 2005 that brings together the distribution activities in the state of Saarland. Previously, these activities had been spread over different locations. The new center reduces the pollution caused by transportation by roughly eleven percent. Calculations had shown that there is less pollution if distribution is organized centrally rather than locally. This allows a saving of some 104 000

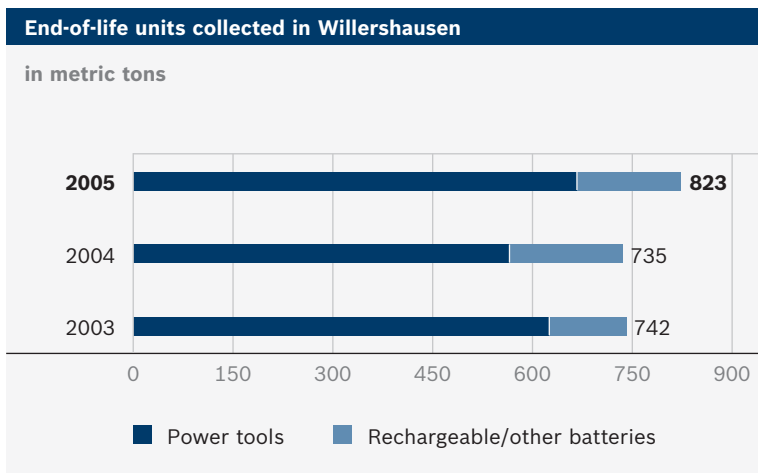
metric ton-kilometers in inter-plant transport, while the transport output in deliveries to external customers rises only slightly, by roughly 5 000 metric ton-kilometers. The new logistics center will therefore improve the environmental situation in the region, which will be welcomed by many local residents.

Recycling power tools

As part of its product liability obligations, Bosch is involved in the implementation of German electric and electronic equipment legislation (ElektroG), which has been in force since March 2005, and is continuing to run its own recycling center. Under the auspices of the German Electrical and Electronic Manufacturers' Association (ZVEI), Bosch played an important role in forming a consortium for manufacturers of electrical power tools, welding, and garden equipment. The new consortium of currently 86 affiliated organizations has commissioned a waste disposal company to collect end-of-life electrical equipment from the municipal collection points and ensure its environmentally friendly disposal. Bosch has run the recycling center in Willershausen in conjunction with other leading power tool manufacturers since its inception in 1993. In this stand-alone recycling system, both DIY enthusiasts and dealers can return end-of-life equipment free of charge. In 2005, the center collected and recycled over 800 metric tons of end-of-life equipment.

Environmental protection in Asia

The ongoing phase-out of chlorinated hydrocarbons (CHC's) is one of the most important environmental goals we have been pursuing at our sites worldwide. CHC's threaten the ozone layer, soil, and water. At the start of 2005, our Indian regional company Motor Industries Co. Ltd. (Mico)





Nature conservation in Eisenach

To compensate for the environmental impact of construction activities, we are implementing various conservation measures at our plant in Eisenach (Germany) – setting up biotopes, for example. The scope of the compensatory measures is commensurate with the environmental impact of the construction work, and is agreed with authorities. Measures include the planting of new trees and bushes. The grazing of sheep and horses helps to maintain the specially protected low-lime turf on our site. This is just one example of our commitment to compensate for soil sealing and to minimize environmental impact. As a matter of principle, we look to set up companies on designated brownfield sites.

also stopped using CHC's. Until recently, Mico was the largest consumer of CHC's in the Bosch Group. While the new plant in Jaipur (India) waived the use of CHC's as cleaning agents from the outset, 158 metric tons of CHC's had to be replaced within two years at the Bangalore, Nashik, and Nagathapura plants (in India). This process was completed on schedule in 2005. These substances have now also been completely replaced at the other Bosch locations that were still using CHC's. Locations that we have acquired are granted a two-year period in which to stop using CHC's.

Efficient use of water in India

For Bosch, it is a matter of course that it should work together with associates to implement projects that enhance environmental protection. With the participation of staff and the wider population, Bosch's Indian subsidiary Mico celebrated the United Nations World Environment Day on June 5, 2005, at all four of its locations. The main resource-conservation measures agreed there include various projects for saving water, devised by an interdisciplinary team. A significant upturn in production in India

has meant that freshwater consumption in the country has increased by about 16 percent – and this despite improved methods of water utilization, the treatment and recycling of wastewater, and the utilization of rainwater. The savings achieved have not been able to cover the increase in demand. This makes it even more important to promote the efficient use of water in the future.

Planning environmental campaigns

Environmental protection is also a concern that is reflected in the programs of our Japanese locations. As part of the third medium-term environmental action plan, measures were taken from 2001 to 2005 to reduce pollution by optimizing operating processes. Most of the goals relating to waste reduction, minimizing the use of hazardous materials, and the environmental management system were reached. But while relative CO₂ emissions were lowered, increased production volumes meant that it was not possible to reduce total CO₂ emission levels. The fourth environmental action plan, which covers the years from 2006 to 2010, aims to make further advances in energy reduction and climate protection.



“China – a home from home”

Only 200 kilometers west of the booming metropolis of Shanghai lies Wuxi, a city with over a million inhabitants, ten universities, 48 research institutes, and 42 hospitals. Bosch opened its new diesel plant there in November 2005, as well as its third engineering center in China. The land covered by the plant and the engineering center is roughly equivalent to 50 football fields.

Protecting the environment with state-of-the-art technology

At the ceremony to mark the opening of the new facilities, Franz Fehrenbach, Chairman of the Board of Management of Bosch, welcomed his guests, including Minister Li Rongrong, representing the Chinese central government, by making a clear commitment: “Bosch wants to participate in China’s growth, but at the same time we are also committed to helping balance the demands of growth and environmental protection.” In Wuxi, Bosch will manufacture its state-of-the-art diesel systems technology. The common-rail high-pressure diesel injection system is 30 percent more fuel-efficient than a gasoline engine, and also reduces emissions. This is urgently required – in Beijing alone, 1 000 new cars take to the streets every day. Since 1990, CO₂ emissions in China have increased by nearly 50 percent. That already makes China the second-largest emitter of CO₂ behind the U.S., and consequently the second-largest energy-consuming country. It looks less and less likely that it will be able to meet the goals it agreed at the Kyoto summit. According to a Chinese study, it would be possible to reduce carbon dioxide emissions by 42 million metric tons per year if the share of registered cars powered by diesel were to increase to 30 percent by 2020.

Helping authorities with laws on emissions

China is expected to be the world’s second largest automobile-producing country by 2011, behind the U.S. but ahead of Japan and Germany. The authorities are reacting to the increasing motorization of the Chinese population and the rapid increase in energy demand with tighter emissions regulations. From mid-2007 onwards, all vehicles in China will be obliged to comply with the Euro 3 standard. We are advising the Chinese environmental authority SEPA on how to introduce and monitor emissions legislation. Since these environmental goals can only be reached using state-of-the-art environmental technologies, we are also contributing our know-how in the area of “clean diesel.” By doing so, and by using our resource-saving and eco-compatible production methods, we are also playing our part in supporting ambitious and essential state environmental programs in China.

Developing sustainability know-how on site

The “International Development Program” that we started in China in 2006 aims to train and develop local managerial staff. The program provides international management expertise and also familiarizes staff with the topic of sustainability. We founded our first trading office in China as early as 1909. In total, we employed around 10 500 associates in China at the start of 2006, 1 700 of whom are employed at the new Wuxi location. Fehrenbach closed his address at the opening ceremony by pointing out that “even if Bosch is a German company, China has long been home for many of its associates.”

Environmental protection in Australia and the Americas

The main aim of the environmental management system at Clayton in Australia, which manufactures electronic and electromechanical products for the automotive industry, is to reduce waste volumes through enhanced recycling processes. Two years ago, a team of associates analyzed the flows of waste with the objective of recycling as much waste as possible. Various measures, including training courses aimed at sensitizing associates to the need to sort waste into different types, have since managed to increase the share of recycled waste substantially. In 2005, more than 530 metric tons of metal and more than 400 metric tons of card and board were recycled thanks to numerous initiatives. Overall, the share of recyclable waste increased to 78 percent of the total volume of waste.

Using waste as raw material

Our locations in Brazil are aiming to completely recycle all waste with their *Descarga Zero* (Zero Waste) environmental program. They are following the principles of recycling management by recording all waste flows and sorting the waste into different types. The results of their efforts thus far have been impressive. Since 2000, the Curitiba location has succeeded in reducing its waste volume by 30 percent despite a substantial increase in production. The quantity of waste for disposal has fallen by as much as 95 percent.

Another topic has been the economical use of water. The Curitiba plant used World Water Day on March 22, 2005, as an opportunity to inform associates and local

residents about successful measures to save water and to heighten their awareness of this precious resource. The location's efforts have borne fruit - 15 million liters of water were saved in the past year.

Installing new wastewater treatment plant

A new wastewater system at our Charleston location in the U.S. has raised the bar for the region. Since 2005, we have been using fine membranes to treat wastewater. The shift to this innovative method was necessitated by new production processes and the expansion of production capacities, both of which placed new demands on water treatment. Tighter threshold values also increased the need for system reliability. The new method fulfills all these conditions. It also reduced the need for pH-adjustment chemicals by ten percent, and the need for precipitants by half. Another positive side effect is the reduced demand for storage capacities. It was also possible to reduce the quantities of chemicals stored by 85 percent, and to cut output of slurry waste by 75 percent.

Environmental award for Bosch in the Americas

In 2005, the Bosch distribution center in Ontario (CA) was presented the Californian waste reduction award for its exemplary waste management system. This was the third time it had received the award.

Responsibility for society means

- ▶ making **3.4 million euros** available to support the victims of the tsunami,
- ▶ supporting, to the best of our ability, the “Primavera – Helping Children in Need” society founded by our associates, which has collected more than **2 million euros** in donations,
- ▶ making more than **1 million euros** available for Brazilian social and cultural projects every year through the Robert Bosch Institute in Brazil,
- ▶ supporting for the **twenty-first time** the German competition to find young researchers,
- ▶ founding the “Knowledge Factory” together with **8 other** companies.



Journalists' award for civic initiatives

With a journalists' award and the Marion Dönhoff Prize, the Robert Bosch Stiftung honors journalists who report about civic initiatives in a way that motivates others. For her article on intercultural understanding in the magazine "chrismon," Hedwig Gafga received the main prize in December 2005. The Marion Dönhoff Prize went to Daniel Boese for his report in the *Frankfurter Allgemeine Sonntagszeitung* on "Fritz," the local Brandenburg radio station for young people.

Supporting society and showing commitment

Contributing to the future well-being of society is one of Bosch’s main priorities. With this in mind, we support a wide range of innovation and education projects in Germany and worldwide. With its sense of responsibility for society, the Bosch Group also provides help where needed with donations and sponsoring. The Robert Bosch Stiftung is devoted solely to public welfare and funds its development programs with the share of the annual dividend it receives from Robert Bosch GmbH.

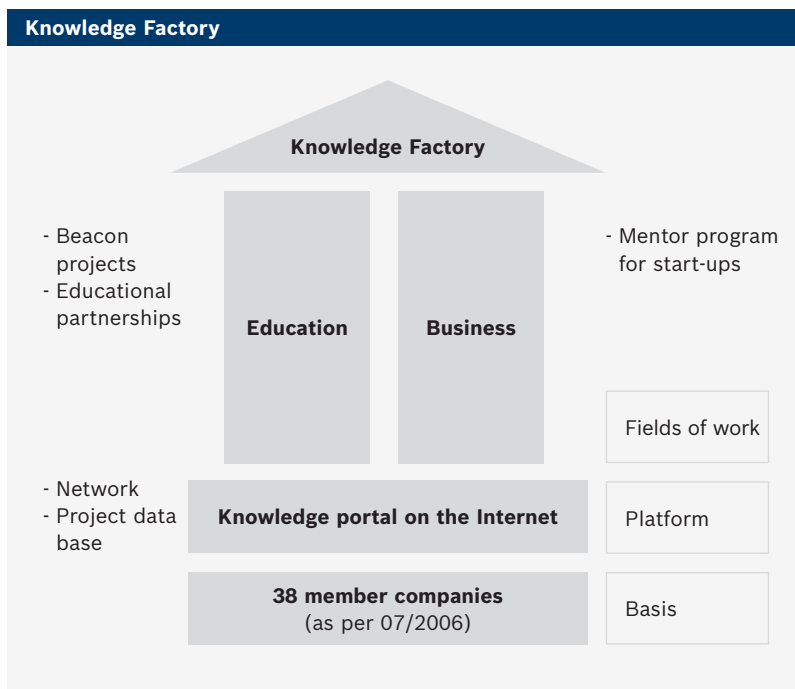
Education plays a key role in an enterprise’s competitiveness and the future well-being of society. As a company that registers some 2 800 patents a year, we know all about “bright ideas.” Competitive challenges can only be met by delivering good work, as Robert Bosch put it.

Starting the “Knowledge Factory”

Bosch joined with other German companies to form the “Knowledge Factory” in 2005, under the motto “Passion for the Future.” It aims to give children and young people access to engineering and economic topics from an early age in order to inspire them to take an interest in these disciplines. We work closely with kindergartens and schools to organize projects that also promote language, an understanding of science and mathematics, and social behavior among children. Over the medium term, we want to enter into 50 educational partnerships with schools and childcare institutions. Another focus of our activities in the Knowledge Factory is to provide a mentoring program to support entrepreneurs. In this program, we help start-ups put their good ideas into practice by making our management expertise available to them.

Promoting education

Six of the Knowledge Factory partnerships launched with educational institutions at the start of 2006 aim to bring engineering and commerce to life for young people. The “Children Discover Industry” project is a cooperation with a day nursery. The chil-



“Demanding more as a means of encouragement”

Germany has always been a country of scientists and engineers. Nowadays, unfortunately, science and technology have lost some of their popularity among young people. Companies therefore have the important task of changing this image. And they are taking on this responsibility. If they allow young people to take a look inside their laboratories and development departments, then these young people will realize that fascinating things happen there, and they will be more likely to develop a passion for science and technology. And in our competition for young researchers, we can see that these activities are paying off. The number of entries is increasing from year to year, and young women now make up 38 percent of the entrants.

At the same time, by staging open days, companies can show that they are attractive employers offering a worthwhile career. What they should be more clear about, however, is the abilities they expect young people to have, and the requirements they make of them. Only then will schools and parents be able to educate and bring up the kind of young people the labor market needs. Companies should support them in these endeavors by demanding more, and in this way providing encouragement.

Dr. Uta Krautkrämer-Wagner, director of the *Jugend forscht* (young people research) foundation, Hamburg (Germany)



dren learn how to use different tools and materials by building a kite. In the “Schoolchildren’s Academy” project, girls and boys with an interest in science can learn about production processes from the initial idea to the end product, by building an electric motor, for example. Under the title “Schoolchildren’s University,” we organized a series of science lectures for young people near Stuttgart (Germany). The keen interest shown by girls has been especially pleasing. They accounted for more than half the participants.

Supporting young researchers

If we are to have innovative engineers tomorrow, today’s young people have to be inspired to take up research. Bosch is therefore one of the sponsors of the German talent competition for young research-

ers, the largest of its kind in Europe. It gives schoolchildren and apprentices an early opportunity to put their creative ideas into effect in real projects. At the start of 2006, we organized the regional competition in Baden-Württemberg (Germany) - for which around 1 000 young people had qualified - for the twenty-first time. Our own young talent has enjoyed repeated success in this competition. In 2005, three apprentices from the Schwieberdingen plant took third prize in the regional competition for the development of a remote-controlled model car powered by hydrogen. Bosch apprentices from the Waiblingen plant took the Baden-Württemberg regional prize in the “Interdisciplinary Project” category in 2006. Their “Servobandit” treadmill is a useful exercise aid for children who have to learn to walk again after an accident.

Our contribution in the regions

With a workforce of roughly 251,000 people worldwide, the Bosch Group bears a huge responsibility for employment and education. This applies not only to our own associates, but also to their families, as well as to suppliers and local communities. In many locations, we are among the largest employers and contractors, and therefore also one of the highest taxpayers. Our actions and the success of our company often have a significant impact on economic development and living conditions in a region.

Training vocational school teachers

The more accurately teaching staff are informed about the latest technical innovations, the higher the quality of training given to future associates and partners will be. In conjunction with Skoda, we have started a further education project in the Czech Republic, which will introduce the latest technical developments in the automotive and supplier industry to 28 vocational

school teachers over the next three years. The initiative is part of a European further education project for teachers.

Helping disadvantaged young people

To support the education and further training of socially disadvantaged young people, we are supporting the *Formare* program in Brazil with a project of our own. This will make it easier for around 20 young people from socially deprived families to start a career and thus improve their chances in the future. The curriculum of the one-year course also covers health, safety, and environmental protection. Experience from the program so far shows that 80 to 90 percent of participants find a job shortly after completing the course.

Providing advice to suppliers

Our “Fit for global approach” program, which started in Brazil in 2003, is showing the first signs of success. This program is helping Bosch suppliers to enhance the quality of their products, optimize logistics



Bosch Day in Japan

The “Germany Year,” during which Germany showcased itself in Japan from April 2005 to March 2006, featured concerts, exhibitions, sports events, and trade fairs. Bosch’s contribution to this event was its “Bosch Day.” A range of events and receptions gave guests the opportunity to cultivate existing contacts and build new ones. The musical highlight was provided with a performance by the Stuttgart Chamber Orchestra in the Hamarikyu Asahi Hall in Tokyo. Speaking at a press conference, Franz Fehrenbach, Chairman of the Bosch Board of Management, emphasized the intercultural intention of the event: “We also want to give you a better idea of our special traditions and values.” To encourage exchange between the two cultures, Bosch awarded scholarships to seven engineering and economics graduates during Bosch Day. The young Japanese will spend two years studying in Germany and will complete an internship at Bosch. Also with the support of the Robert Bosch Stiftung, two Japanese physicians each received a research scholarship for the Robert Bosch Hospital in Stuttgart.

processes, and cut costs. The aim is to make them able to supply their products to Bosch plants outside Brazil in the future. In total, 30 small and medium-sized companies from several Brazilian states have taken part so far. The selection of suppliers was largely based on the future potential of the goods they produce and their previous cooperation with us. Our associates spend 12 to 18 months formulating new solutions with the selected companies over the entire value-added chain.

However, the program is not only about the supply of goods, but also includes occupational safety and environmental protection. Some participants now supply their products to Germany, Spain, and Mexico.

Training tradesmen for Afghanistan

In order to help people help themselves, our Indian subsidiary Motor Industries Company Ltd. (Mico) took part in the “Skills Development Initiative” organized by the Indian Chamber of Trade in 2005. It equipped 25 Afghan citizens with Bosch power tools and trained them in its own training center.

Over the course of 15 days in New Delhi, Mico associates gave the tradesmen instructions on how to use the power tools. They gained skills in joinery, plumbing, and electrical work, and thus have excellent qualifications for future employment. The participants were given a set of tools and a certificate of participation, and were able to pass their knowledge on to their compatriots back in Afghanistan, and in this way to help to reconstruct housing destroyed during the war.

Commitment to charity

With donations and sponsorships at many of its sites, Bosch supports initiatives that contribute to social development or provide emergency aid. As elements of our far-sighted locational policy, these charitable activities are also ultimately of benefit to our regional companies, since they help to improve or stabilize the area in which the company is situated and create trust in our activities.

Helping children with “Primavera”

In the “Primavera” society, present and past Bosch associates voluntarily help children and young people. Founded by ten associates in 1990, “Primavera” now has over 100 volunteers and has raised more and more in donations every year: so far, two million euros have been raised in different countries. Their activities focus primarily on projects at our Brazilian and Indian locations. One example is the *Centro Promocional Tia Ildeide* project in Campinas (Brazil), which provides 735 kindergarten or pre-school places, as well as out-of-school activities. This project was awarded a Brazilian state prize. “Primavera” also funds the building of community centers and kindergartens for children in deprived areas of Bangalore (India).

Cooperating with “Agapedia”

The cooperation between Buderus and “Agapedia” is an example of a successful combination of sports marketing and sponsoring for social causes. The foundation, set up by Jürgen Klinsmann, who was the German national soccer coach until July 2006, carries out projects to support needy children in

Germany, Moldavia, Romania, and Bulgaria. For every condensing boiler sold from February 2005 to August 2006, Buderus donated five euros to the foundation. In return, Klinsmann is appearing in an advertising campaign for Buderus condensing boilers.

Showing commitment to good causes

In the United Kingdom, 13 Bosch associates took part in the 2005 Flora London Marathon to raise donations. Some 11 000 euros were donated to organizations that care for sick children. In Worcester (England), associates have organized several charity events. The Acorns Children's Hospice Trust received a donation of more than 27 000 euros to help it nurse and care for gravely ill children. Roughly 15 000 runners took part in the fourth "Nashik Run" in India in 2006 - an event which raised nearly 120 000 euros for charity.

Giving aid when natural disasters strike

Our associates provided spontaneous help when the devastating tsunami in Asia destroyed vast regions and the livelihoods of many people at the start of 2005. The company topped up the 1.5 million euros raised to 3.4 million euros.

We and our associates raised half a million U.S. dollars for victims of hurricane Katrina in the U.S.

Robert Bosch Stiftung

Robert Bosch Stiftung GmbH is one of the largest company-affiliated foundations in Germany. It has embodied the philanthropic legacy of company founder Robert Bosch for more than 40 years. During his lifetime, he set the standards for the later work of the Robert Bosch Stiftung with his entrepreneurial vision, political far-sightedness,

civil courage, and charitable initiatives. Today, the foundation carries on the mission handed down by the founder in contemporary form, with projects in the fields of science, health, international understanding, education, culture, and society.

Supporting internal and external projects

As well as developing its own programs and projects, the foundation and its roughly 80 associates also support projects put forward by others. On average, around 800 internal and external projects are supported each year. Of these, 60 percent have an international context. In 2005, the programs received some 55.6 million euros. In total, the Robert Bosch Stiftung has made 735 million euros available for projects since it was set up. What is more, it is people and not institutions that are always the central focus of this support.

Conducting model projects

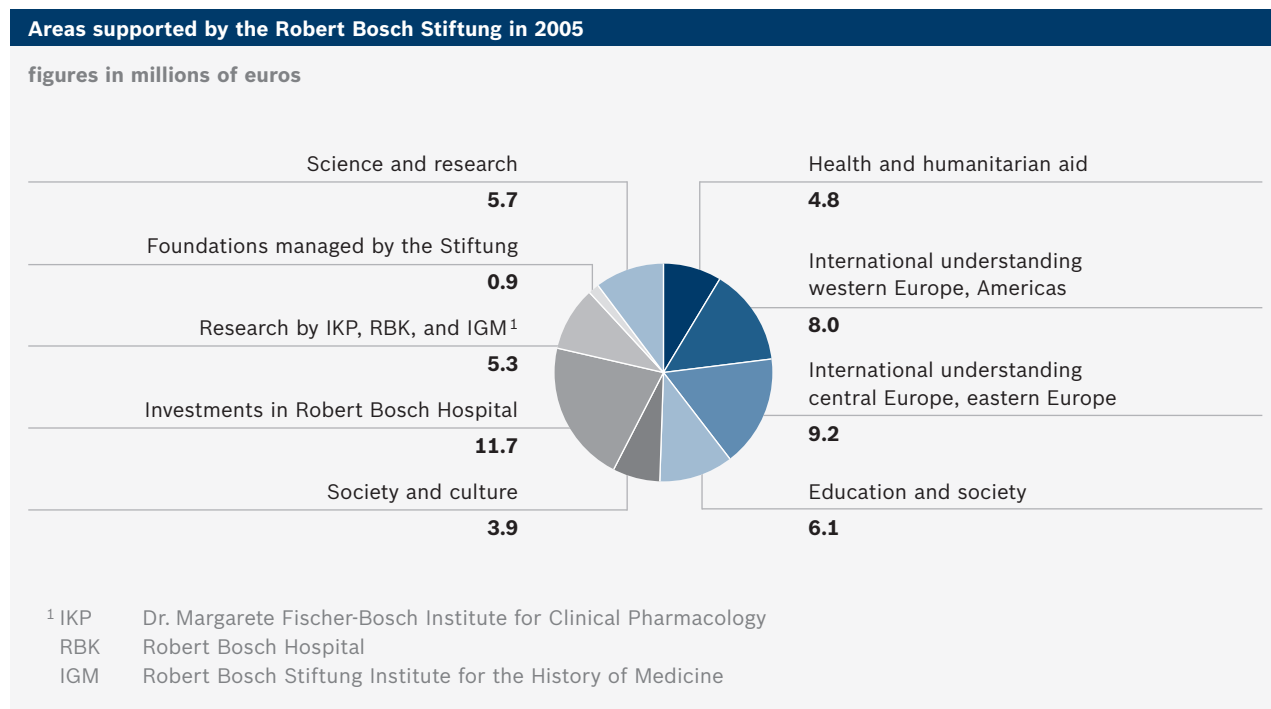
The foundation proposes possible ways of recruiting young talent, researchers outside Germany, and women for science and research. It also sets priorities for specialist dialogue with scientists and journalists, and for its own research programs relating to selected topics such as international agricultural science and forestry, as well as geriatric medicine. Healthcare in Germany is undergoing considerable change, on the one hand because of demographic change, economic forces, and advances in medicine, nursing, and technology, and on the other hand because of the higher demands being placed on product quality and the qualification of medical staff. However, the foundation also confronts issues such as life in old age, appropriate care for the elderly, and the issue of re-integrating older citizens into society. In the field of international understanding,

the foundation uses grant schemes to give tomorrow’s political, media, business, and administrative leaders a head start. It creates encounters on a number of different levels, bringing together journalists, politicians, artists, and scientists to discuss questions of bilateral cooperation or to provide stimuli for social progress.

Tackling socially relevant issues

The foundation tackles the social challenge of demographic change from the point of view of the family and old age, addresses the future of schooling with initiatives relating to school development and the quality of teaching, develops forward-looking educational concepts for infants, and provides educational support for talented migrants as a means of furthering integration. Other social challenges addressed by the foundation include the issues of migration and

integration and ways of ensuring that people of different origins can live together in harmony. Promoting civic initiatives in Germany as a means of strengthening civic society is a programmatic field of work, as is fostering new initiatives in the teaching of history and politics. In its promotion of art and culture, the foundation focuses on literature and film in an intercultural context and on ways of improving the educational value of museums by bringing museums and schools together.



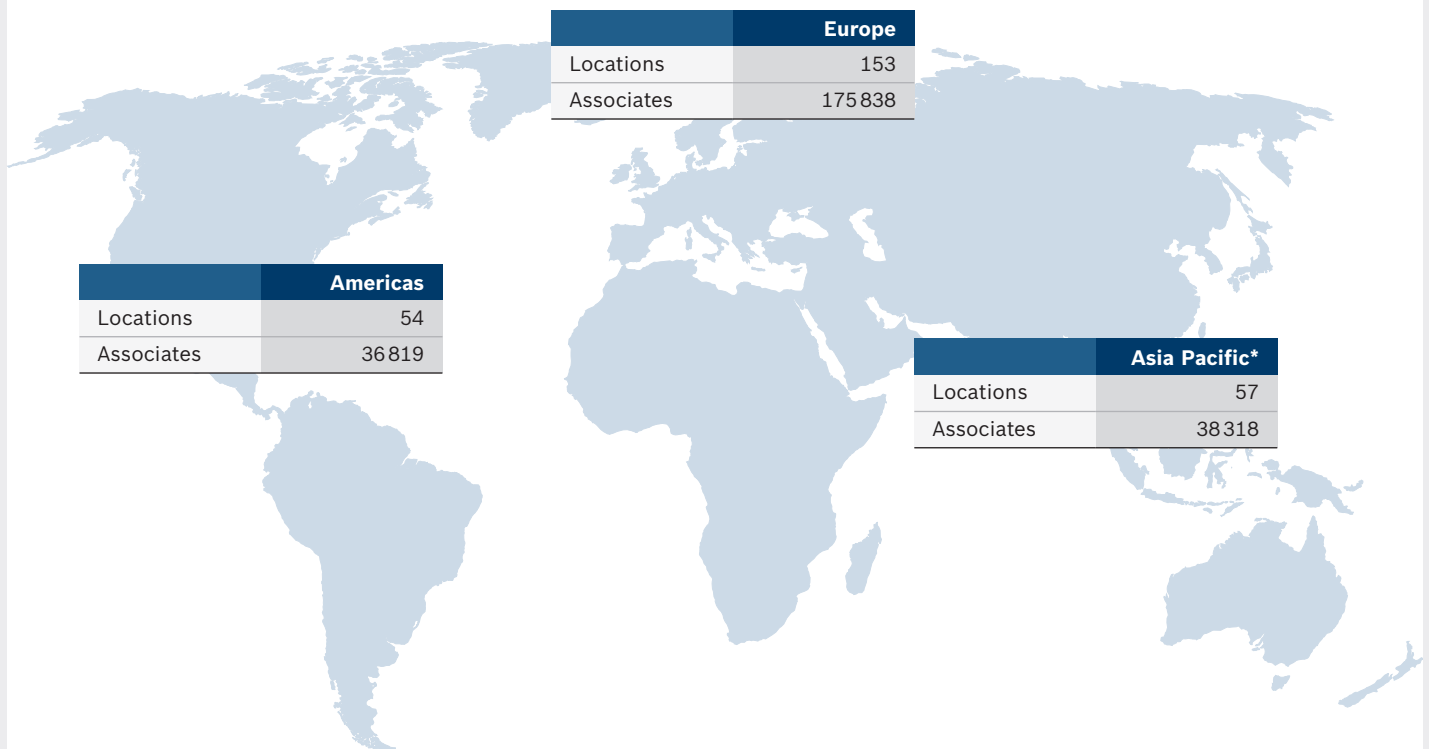
Data and objectives

Bosch published the consolidated environmental data of its worldwide locations for the first time in the Environmental Report 2003/2004.

The scope of the current report has been extended to include social data and selected economic indicators from the Annual Report. The relevant key data for each of the past three years are reported in order to highlight development trends.

Locations and associates by region

Bosch Group
as per January 1, 2006



* Including other countries

Environmental data

The present environmental data, broken down for the three main regions Europe, the Americas, and Asia Pacific, update the data published on the internet for 2004 (www.bosch-umwelt.de). We can now also quantify our expenditure on environmental protection and the data for fire protection and emergency control for our locations worldwide. We have included details about volatile organic compounds (VOC's) in reporting for the first time.

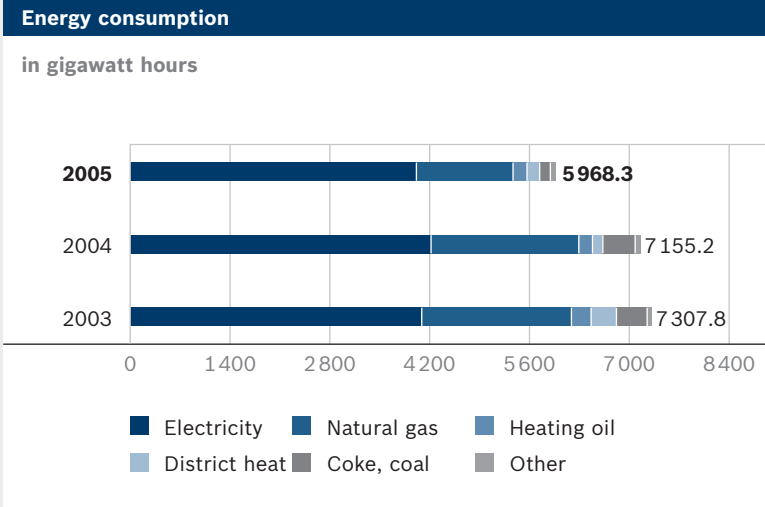
The report encompasses 209 Bosch Group locations, which account for 75.7 percent of associates. Fifty-five joint ventures and companies in which we hold a minority interest are not included – most impor-

tantly, the roughly 50 manufacturing sites of BSH Bosch und Siemens Hausgeräte GmbH, ZF Lenksysteme GmbH, and ZVCC Zexel Valeo Climate Control SA.

Since 2003, Bosch has recorded the environmental data and the environmental objectives of its companies worldwide in an IT-based environmental information system, which is also used to perform internal audits. All environmental key data are included in environmental controlling, which uses an assessment system to track and analyze the development of various indicators down to the individual location level.

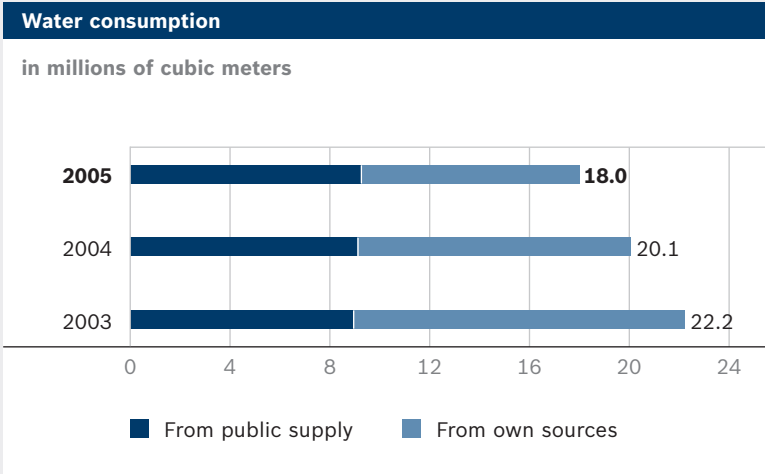
Material and energy flows

	Worldwide	Worldwide	Europe	Americas	Asia Pacific
	Total	Total	Percentage	Percentage	Percentage
	2005	2004	2005	2005	2005
Worldwide sales (millions of euros)	41 461	38 954	66 %	19 %	15 %
Total associates	250 975	237 688	70 %	15 %	15 %
INPUT					
Energy consumption (GWh)	5 968.3	7 155.2	70 %	16 %	14 %
Electricity	4 012.7	4 218.6	68 %	20 %	12 %
Natural gas	1 357.2	2 069.2	82 %	14 %	4 %
Heating oil	194.1	192.9	37 %	1 %	62 %
District heat	177.7	145.3	73 %	0 %	27 %
Coke, coal	153.8	452.1	93 %	0 %	7 %
Other	72.8	77.1	32 %	10 %	58 %
Water consumption (millions of m³)	18.0	20.1	71 %	11 %	18 %
From public supply	9.3	9.1	59 %	15 %	26 %
From own sources	8.7	11.0	85 %	7 %	8 %
OUTPUT					
Atmospheric emissions (t)					
CO ₂	369 733	605 246	75 %	10 %	15 %
CO	61	84	68 %	12 %	20 %
NO _x (as NO ₂)	482	697	74 %	12 %	14 %
SO ₂	62	64	40 %	2 %	58 %
VOC	824	2 214	70 %	22 %	8 %
CH ₄	39	70	83 %	11 %	6 %
Wastewater (millions of m³)	14.6	16.4	77 %	9 %	14 %
Domestic wastewater	5.1	4.8	64 %	16 %	20 %
Untreated process wastewater	7.2	8.8	95 %	2 %	3 %
Treated process wastewater	2.3	2.8	48 %	16 %	36 %
Waste (thousands of t)	705.5	792.1	72 %	21 %	7 %
Waste for recycling	402.9	469.3	68 %	25 %	7 %
Waste for disposal	118.9	259.5	55 %	34 %	11 %
Demolition waste	183.7	63.3	93 %	4 %	3 %



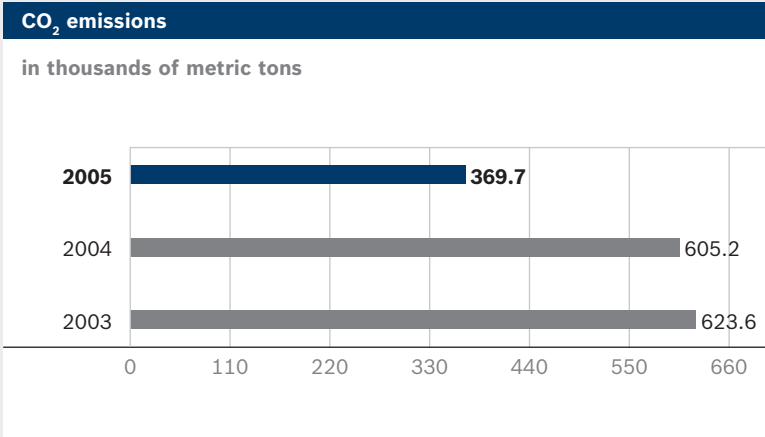
Energy consumption

Overall energy consumption comprises electricity, natural gas, heating oil, district heat, coal, coke, and other energy sources. The energy we generate ourselves from renewable resources comes to some 9.8 gigawatt hours (GWh). In 2005, total energy consumption fell by 16.6 percent to 5968 GWh, and the portion of total energy consumption accounted for by electricity rose by 8.2 percentage points to 67 percent. The portion of total energy consumption accounted for by natural gas is now around 23 percent. A series of energy-efficient and energy-saving measures meant that this reduction in energy consumption was achieved despite increasing associate numbers. The consumption of gas and coke was reduced significantly thanks to the sale of the Castings and Special Steels businesses of Buderus.



Water consumption

Total water consumption fell by 10.3 percent to 18 million cubic meters. While the portion of total water consumption accounted for by freshwater remained almost constant, the use of water from our own sources fell significantly through the sale of the Castings and Special Steels businesses of Buderus and now only accounts for roughly half of total water consumption. Efficient use of this precious resource is assured as a result of the many individual actions carried out by the locations, such as the utilization of rainwater, water-saving sanitary fittings, and water treatment, and, more importantly, as a result of the installation of more recycling systems.

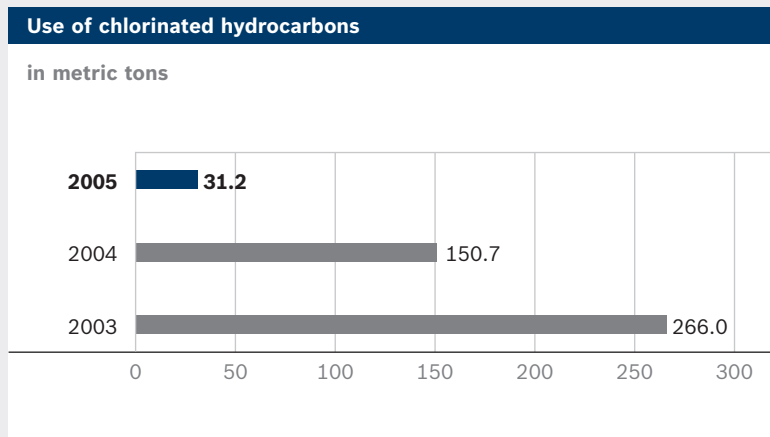


CO₂ emissions from heat use

CO₂ emissions are calculated from the figures calculated for heat consumed. The main sources of the heat used at Bosch are natural gas (70%), coke/coal (15%), heating oil (7%), and district heat (5%). Overall, the demand for heat has fallen significantly. The emissions that arise as a result of the generation of district heat are not taken into account when calculating CO₂ emissions, as they do not originate at Bosch. The main reason for the sharp drop in CO₂ emissions in 2005 was the sale of the Castings and Special Steels businesses of Buderus. Bosch is only involved in European emissions trading at four of its locations (see p. 45).

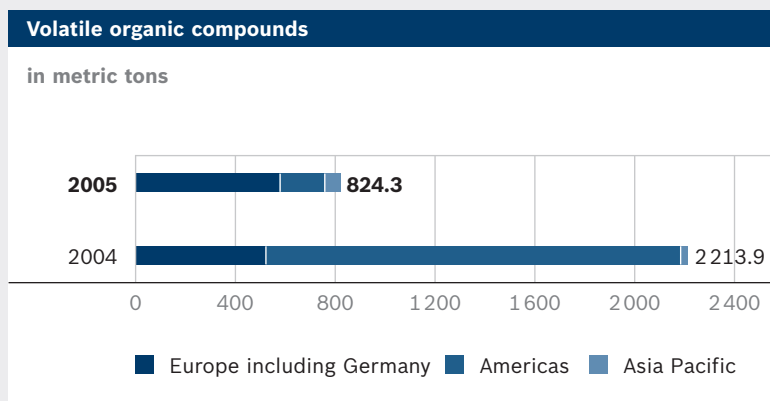
Use of chlorinated hydrocarbons

Our plans to phase out the use of chlorinated hydrocarbons (CHC's) worldwide at Bosch provided for their gradual replacement by 2005. During the reporting period, our Indian subsidiary Mico stopped using CHC's. These substances have now also been completely replaced in the remaining locations that still used CHC's. The only exceptions are locations that we have recently acquired. These have been granted a two-year period in which to stop using CHC's.



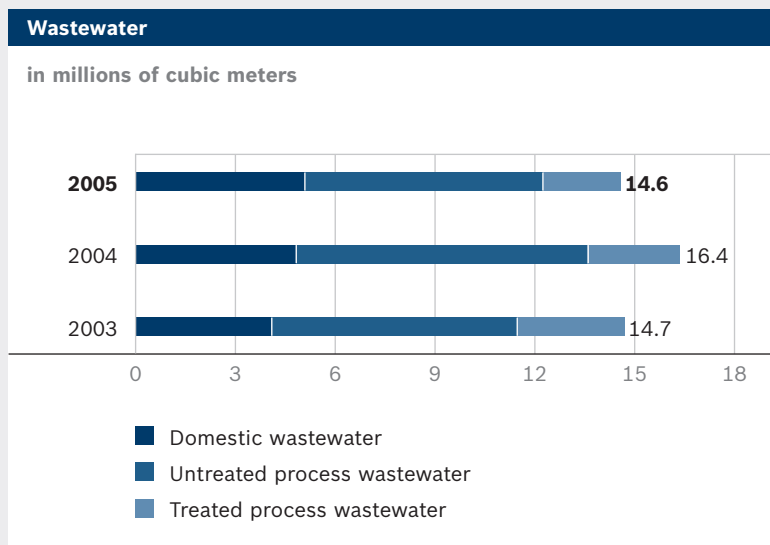
Volatile organic compounds

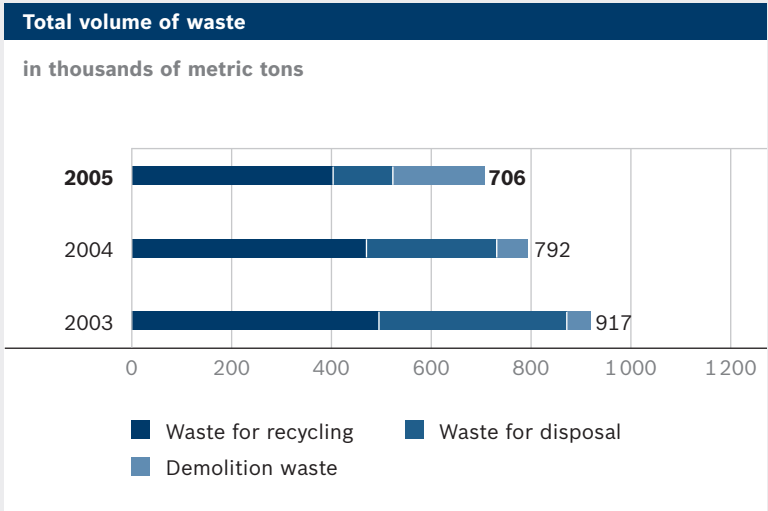
Volatile organic compounds (VOC's) are primarily emitted during coating and cleaning of metal parts. Now, however, many coating methods at Bosch locations have been switched to water-based solutions or powder coating. Moreover, we frequently use water for cleaning instead of organic solvents, which has reduced VOC emissions considerably. It remains our goal to reduce the evaporation of these substances through substitution or at least through effective encapsulation.



Quantity of wastewater

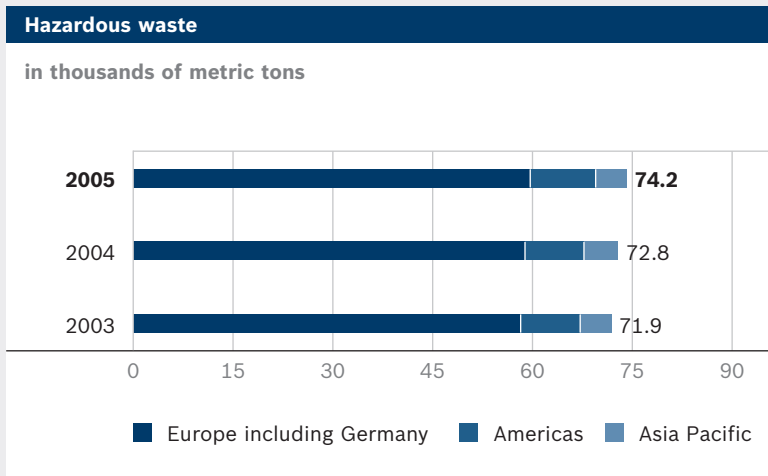
Wastewater includes domestic wastewater, and treated and untreated process wastewater. Any actions that help us to use water efficiently also translate directly into lower quantities of wastewater. The installation of recycling plants with integrated water treatment has had a particularly positive effect. The cumulative effect of these plants and the sale of the Castings and Special Steels businesses of Buderus was a nearly eleven percent fall in the total volume of wastewater in 2005.





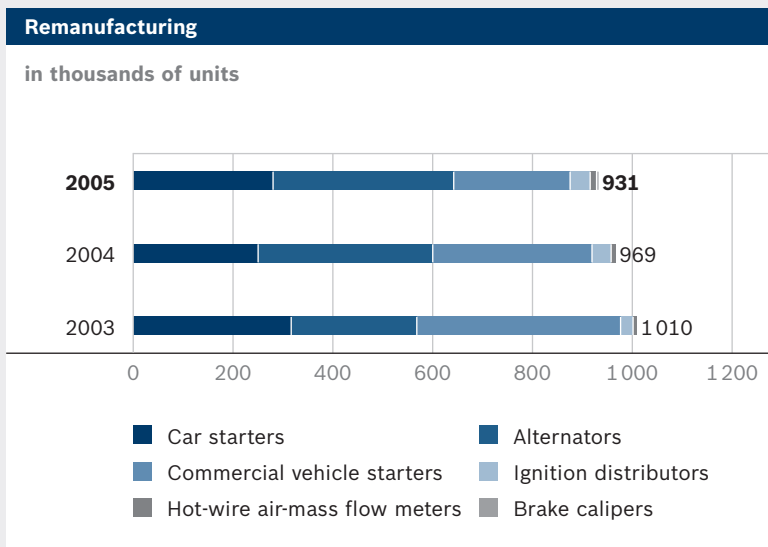
Quantity of waste

In 2005, the total quantity of waste was 705 500 metric tons, which represents a year-on-year reduction of nearly eleven percent. The positive trend reflects sustained efforts by the associates responsible in the plants to find ways of reducing waste. The sale of the Castings and Special Steels businesses of Buderus also contributed to this reduction. The percentage of waste recycled increased from 64 percent to 77 percent in 2005, and the proportion of hazardous waste was only around 14 percent. These figures do not take construction waste into account, since it fluctuates greatly and bears almost no relation to production processes. Last year, construction took place notably at the Bursa (Turkey), Schwieberdingen and Plochingen (Germany), Charleston (SC), and Campinas (Brazil) locations.



Hazardous waste

At 74 200 metric tons, hazardous waste makes up roughly 14 percent of the total waste produced in the company. Most of this hazardous waste is in the form of sludge, emulsion, oil, or dust. We either recycle this or arrange for its disposal.



Recycling

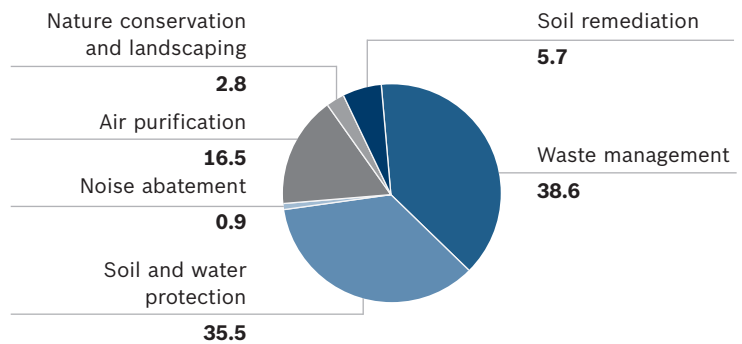
Each year, our Göttingen (Germany) location remanufactures more than 900 000 used automobile components. Starters and alternators account for the greatest share of these components. After intensive testing, the remanufactured parts are given the “eXchange” brand seal, which is the same as the comprehensive guarantee for brand new parts.

Environmental protection costs and investment

As the scope of data recorded has now been broadened, we are now able to quantify our worldwide environmental protection costs and investment for the first time. In 2005, ongoing expenditure on environmental protection in the Bosch Group was roughly 98.0 million euros. Investment was around 23.9 million euros. Waste management and the protection of soil and watercourses accounted for the greatest share of expenditure. Effective measures at the locations and active efforts by the associates responsible led to a slight year-on-year fall in expenditure of around 2.5 percent.

Ongoing expenditure by field of activity

(2005 total: 98.0 million euros)
in percent

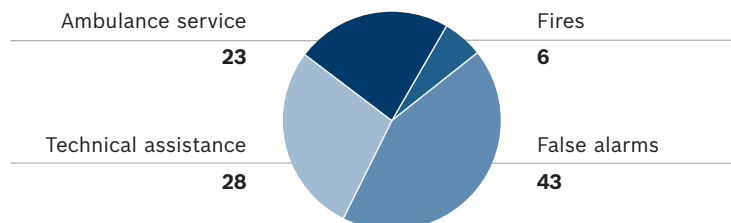


Fire protection and emergency control

The fire protection and emergency control data also cover our locations worldwide for the first time. With a total of 10879 deployments, Bosch emergency services were called upon fewer times in 2005 than in 2004 (12834 deployments). However, the number of fires increased by 15.5 percent to 647. False alarms, which were raised 4653 times, were the most frequent reason for deployment of the fire brigade. In 3023 cases, it was called for technical assistance.

Fire and rescue operations (worldwide)

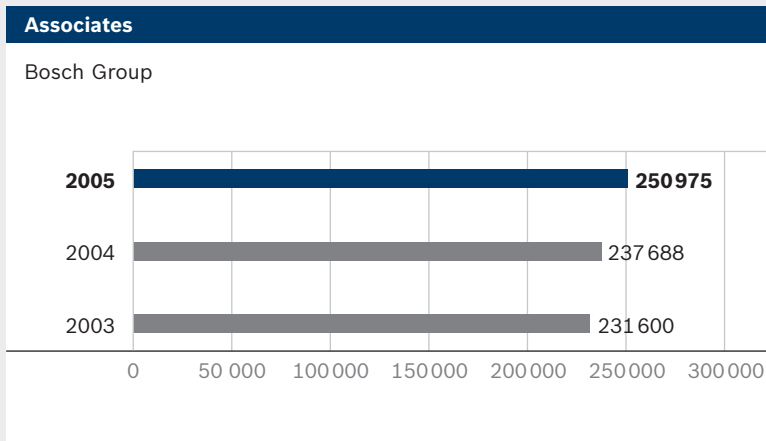
(Total operations 2005: 10879)
in percent



Social data

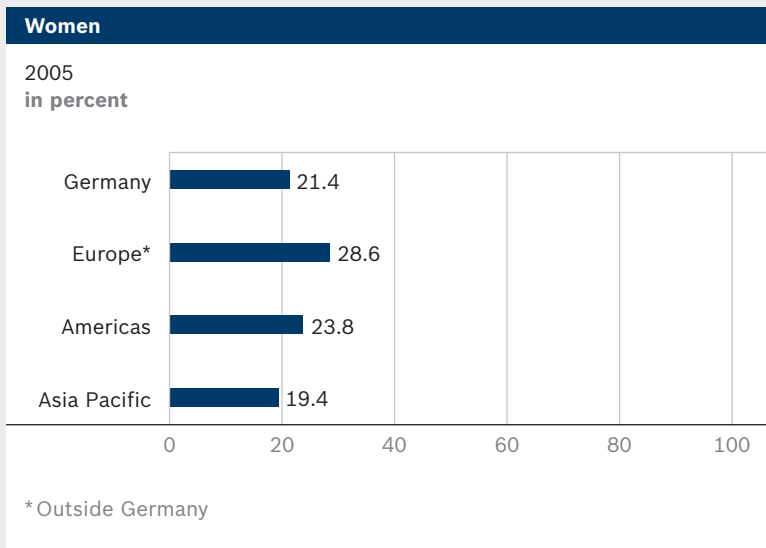
Last year, Bosch began a worldwide survey of social data and conducted a corresponding survey of social responsibility – in addition to human resources management. This survey was based on the principles of social responsibility and the Bosch values. The response received from the

regional subsidiaries outside Germany was representative of more than 100 000 associates, and thus covered 74.5 percent of the workforce outside Germany. The social data for Germany have been systematically recorded for several years.



Employment

In 2005, the Bosch Group employed nearly 251 000 associates in more than 50 countries, roughly 13 300 more than in the previous year. Close to 141 400 associates are employed at locations outside Germany. In Germany, we were able to keep the number of associates stable despite the weak economy, while in the emerging countries it increased rapidly on account of economic growth. The average rate of staff turnover internationally in 2005 was 0.9 percent.

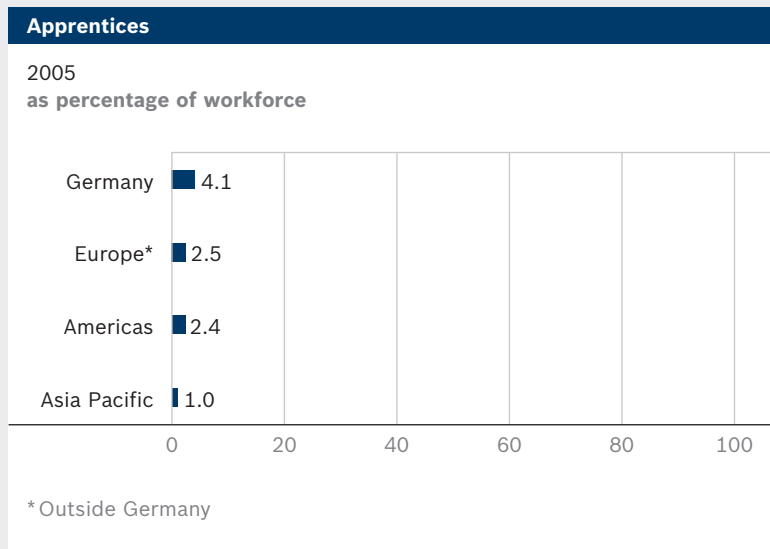


Proportion of women

The proportion of women associates worldwide is around 23 percent. Europe has the highest proportion of women, at 28.6 percent, while in Asia Pacific the figure is roughly 20 percent. Since the mid 1990's, the Board of Management has actively supported equal opportunities for women. Women occupy three percent of senior management positions, and six and seven percent of middle and lower management positions respectively.

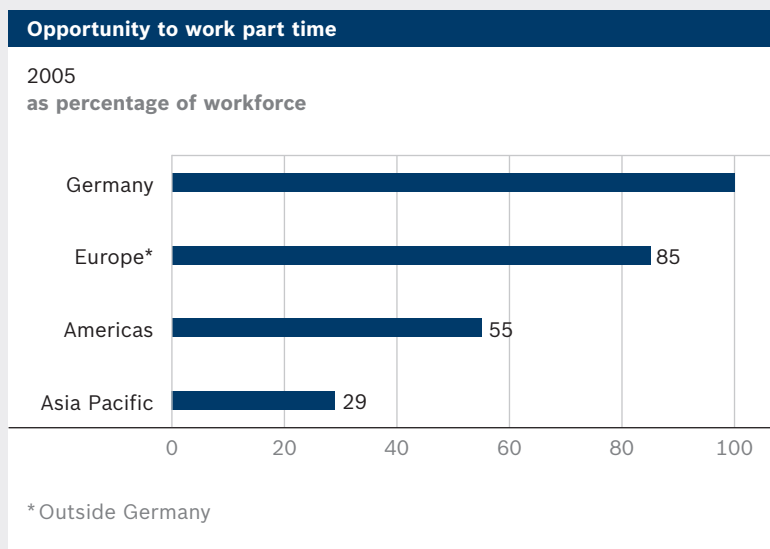
Occupational training

Worldwide, Bosch offers apprenticeships to 6800 young people, which means that it trains far in excess of its own requirements. At the locations outside Germany too, for example in Brazil and the U.S., Bosch has established a training system in line with the highly regarded German dual training system, which combines the acquisition of theory with on-the-job practice. Many apprentices take advantage of the opportunity to take part in our international exchange scheme.



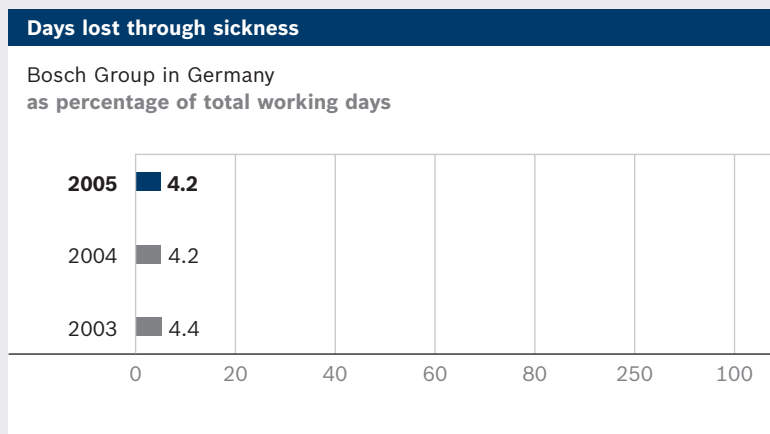
Flexible working hours

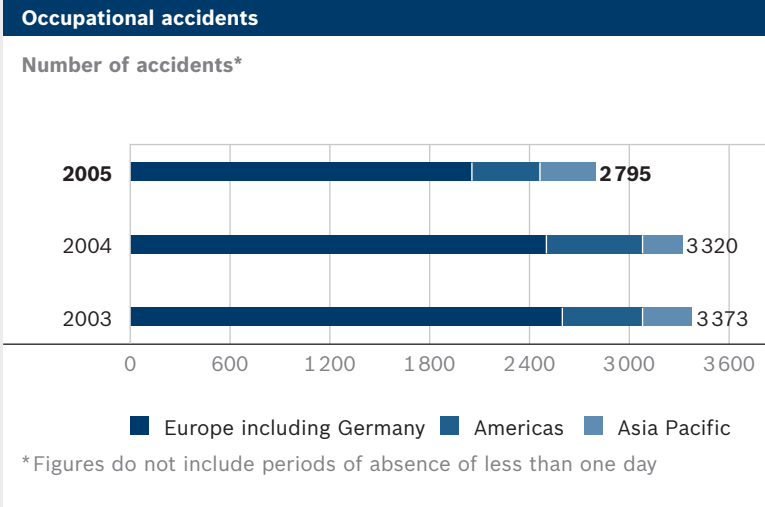
As well as working time models such as flexitime, flexible shift work or telework, Bosch also offers its associates the opportunity to work on a part-time basis. This is open to the majority of associates in the Americas and Europe. Every fourth associate of the Bosch Group in Germany currently works part time. In total, 5.5 percent of our associates take advantage of this opportunity.



Days lost through sickness

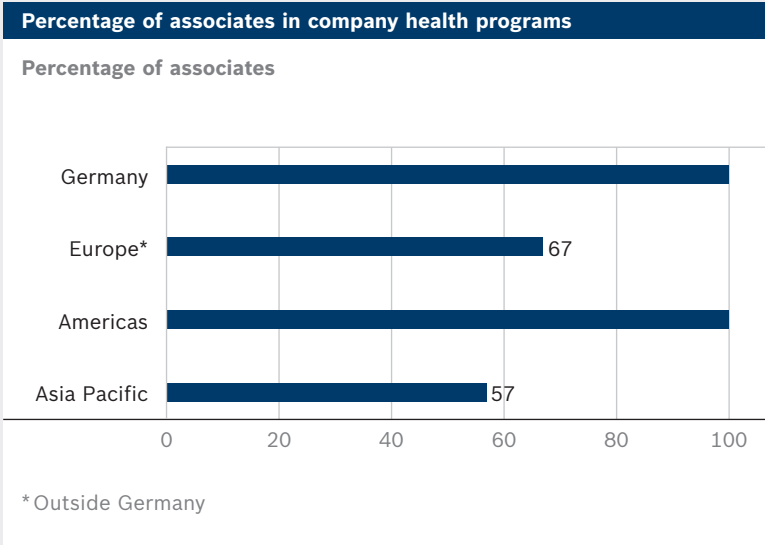
During the period under review, the percentage of days lost through sickness in the Bosch Group in Germany remained unchanged at 4.2 percent. Bosch implements many measures to protect the health of its associates worldwide (see p. 40).





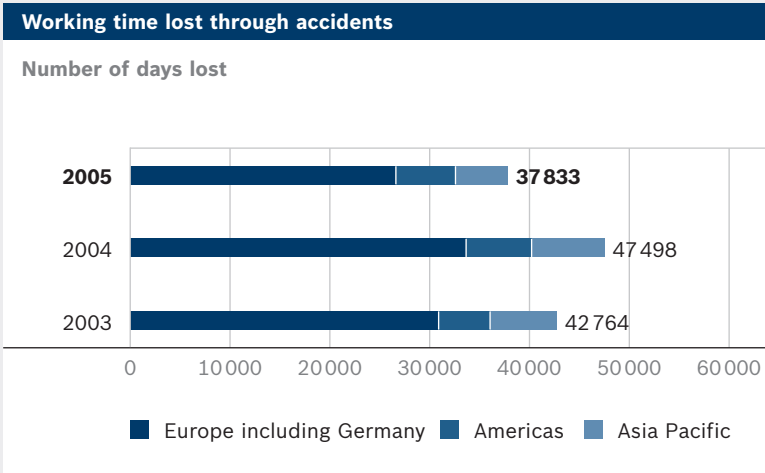
Occupational safety

The accident data includes all locations world-wide for the first time. Fortunately, the number of occupational accidents continued to fall – from 3320 in 2004 to 2795 in 2005. There was only one fatal accident in 2005, compared to three in 2004. Some locations have already been certified to the international standard OHSAS (Occupational Health and Safety Assessment Series) or are preparing to be so (see p. 41).



Health management

Our associates at all locations receive training in health protection and in first aid in the event of emergencies. At our locations in Asia in particular, these measures have been intensified in the past few years. Many of our locations have site doctors and their own ambulances, and strategies to minimize exposure to hazardous substances.

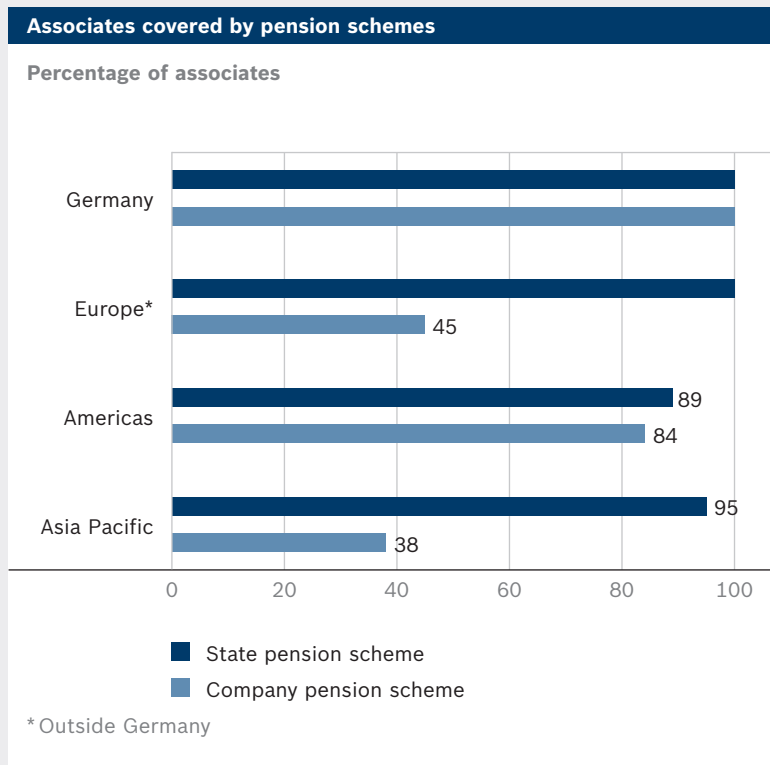


Working days lost

Apart from occupational accidents, which were down 15.8 percent worldwide, the number of days lost as a result of accidents also fell, by 20.3 percent.

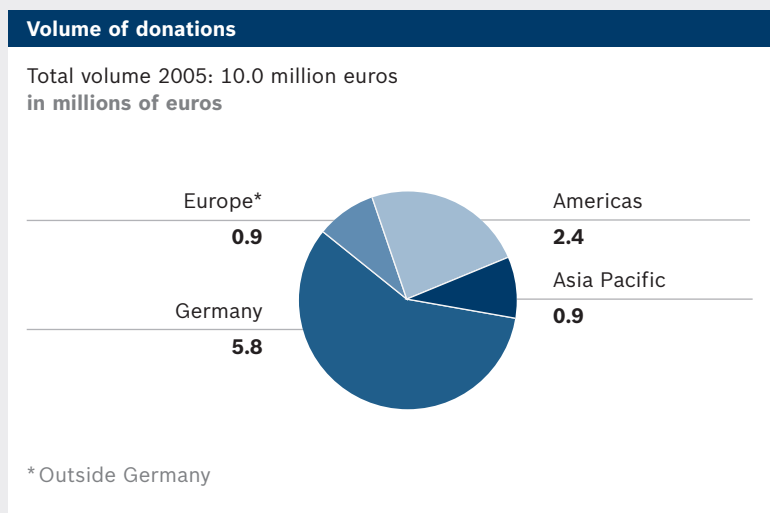
Pension provision

The Bosch Group has continued to develop its company pension scheme for its approximately 110000 associates in Germany. At the start of 2006, the existing Capital Benefit Plan and the Bosch pension fund were merged into the Bosch Benefit Plan (see p. 41). At a minimum, a state or a company pension is provided for Bosch associates worldwide.



Donations

The Bosch companies and the locations are committed to helping out in emergency situations in their immediate environment, and to supporting cultural events and ecological activities financially by making donations in kind or providing personnel resources.

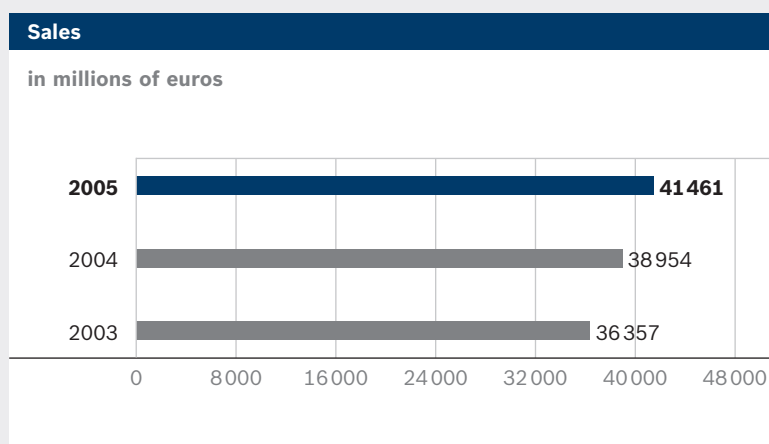


Affiliation

Since 1995, Bosch has been a member of Transparency International and has been active in DNWE, the German national association of the European Business Ethics Network (EBEN). When econsense was set up by leading German companies in 2000 as a forum for sustainable development, Bosch was a founding member. Since 2004, the Bosch Group has belonged to the United Nations Global Compact. As an organizational stakeholder, we support the Global Reporting Initiative.

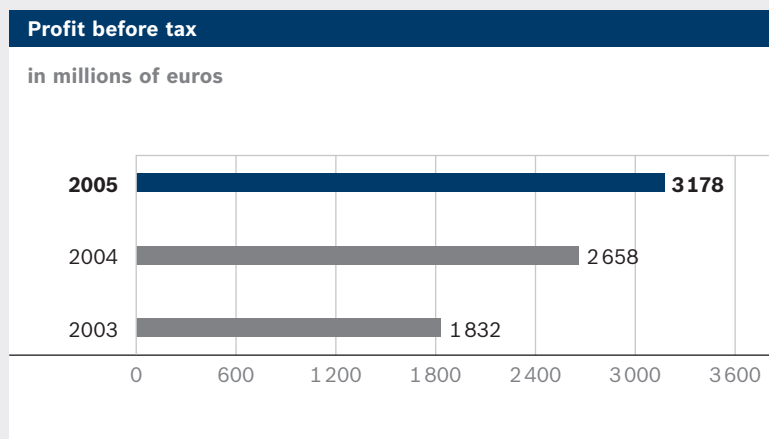
Financial data

For fiscal 2005, the economic figures for the Bosch Group were reported in accordance with International Financial Reporting Standards (IFRS) for the first time. The figures for 2004 have been determined using the same principles. The values stated for 2003 are based on the standards stipulated by German commercial law.



Economic growth

Sales increased to 41.5 billion euros in 2005. Outside of Germany, Bosch was able to increase sales by 8.5 percent to 30.4 billion euros, which represents 73 percent of total sales. Of these global sales, the share contributed by Europe (including Germany) was 66 percent, while the Americas and Asia Pacific contributed 19 percent and 15 percent respectively. We sold the former Buderus Castings and Special Steels businesses last year and acquired the Swedish heat pump manufacturer IVT Holding AB in 2005.



Profit before tax

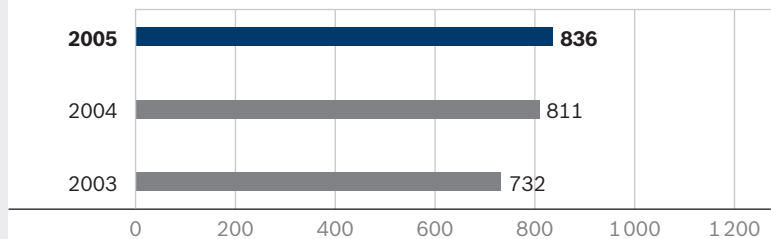
The Bosch Group increased its profit before tax (EBIT) from 2.7 billion euros in 2004 to 3.2 billion euros in 2005. Most of the improvement is accounted for by net financial income, which increased by a solid 300 million euros.

Taxes and subsidies

Income taxes comprise the taxes actually paid or owed in the individual countries plus those deferred taxes that reflect future tax obligations and tax benefits. In 2005, Bosch received state subsidies of 43.2 million euros.

Income taxes

in millions of euros

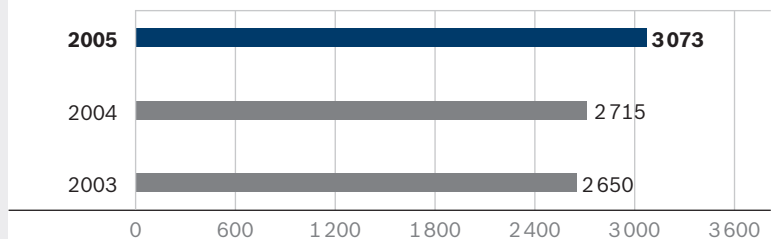


Research and development cost

During the past year, we spent a total of approximately 3.1 billion euros or 7.4 percent of sales on research and development. This is for us an all-time record. Of this amount, some 2.5 billion euros were spent on Automotive Technology alone, or 9.6 percent of sales in this business sector.

Research and development cost

in millions of euros

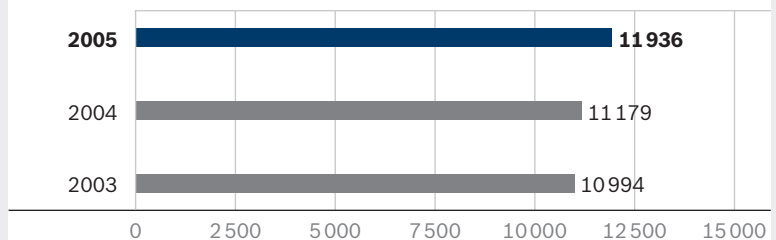


Personnel expenses

Personnel expenses comprise wages and salaries and expenditure on social security and pension provision.

Personnel expenses

in millions of euros



Sustainability program

Target	Date	Remarks	Status
Management system			
Complete uniformity of Bosch's internal environmental protection and occupational safety regulations (Bosch standard).	2005	For historical reasons, there are many environmental protection and occupational safety regulations within the company. The steering committee responsible for these issues is involved in reformulating the individual rules.	achieved
Implementation of environmental management system to ISO 14001.	2007	Since the beginning of 2004, a further 34 locations, especially in Asia and the Americas, have successfully been certified to ISO 14001. The number of certified locations is now 145 (see p. 44). At all locations with an impact on the environment, environmental management systems are being introduced according to a mandatory milestone plan. The systems are reviewed in an internal audit process, and in isolated cases with external certification. Each new location is granted an adaptation period of four years. We no longer pursue integrated audits as a quantitative goal. We conduct combined audits with quality and occupational safety if this makes sense.	adjusted
Integration of environmental protection in preferred supplier concept.	2007	The master agreement with preferred suppliers has been extended to include environmental protection and occupational safety aspects. It is to be agreed with all tier-one and tier-two suppliers by the end of 2007. In pending supplier potential analyses, these aspects will be assessed and reviewed for compliance during supplier audits (see p. 19).	in progress
Products			
Contribution to 25 percent reduction in average automobile CO ₂ emissions.	2008	New product developments help meet the commitment by ACEA (European Automobile Manufacturers Association) to cut vehicle CO ₂ emissions to an average of 140 g/km.	in progress
Reduction in diesel vehicle exhaust emissions.	ongoing	By further developing diesel-injection systems and making other improvements to engine operation, Bosch makes a significant contribution to the reduction in emissions. This is complemented by the management of diesel particulate filters and the use of Bosch Denoxtronic to significantly reduce NO _x emissions by actively treating the exhaust gas of commercial vehicles.	in progress
Contribution to halving the annual number of road deaths in Europe to 25000.	2010	Introduction of driver assistance systems, increase in the number of cars equipped with the electronic stability program (ESP®), and provision of training courses to illustrate the benefits of ESP®.	new
Associates			
Regular global associate survey every two years.	2007	Need for action identified in 2005 associate survey. Necessary programs are derived from this and tackled deliberately on every level of the hierarchy.	new

Target	Date	Remarks	Status
More apprenticeships offered than actually needed; apprenticeship places offered for other companies.	ongoing		new
Globally standardized method for recording the qualification requirements of our associates, derived from strategic targets.	ongoing	Programs to develop competence are to be identified for each individual associate.	new
International education and development program for our executives.	ongoing	Selection and development follow globally standardized criteria, taking local/country-specific requirements into consideration.	new
Greater share of national executives in growth countries.	long term	One long-term HR goal for all units of the Bosch Group is to have an international pool of managers. Most of our executives should be natives of the country in which they work.	new
Greater equality of opportunity, and increase in share of women executives.	ongoing	In all our areas of business, we actively endeavor to hire and promote qualified women. We try to interest young women in particular in technological careers. For this purpose, we carry out a wide range of different programs.	new
Environmental protection in manufacturing			
Complete substitution of CHC's at all sites.	2005	During the reporting period, our Indian subsidiary Mico stopped using CHC's. These substances have now also been completely replaced in Bosch's other older locations that still used CHC's. The only exceptions are locations that we have recently acquired. These have been granted a two-year period in which to stop using CHC's.	achieved
Further development of waste management.	2005	Integration of Bosch Rexroth into waste statistics and waste disposal contractor audits. Reorganization of waste disposal contractor audits.	achieved
Investigate and, if necessary, remedy residual contamination at all manufacturing sites.	2010	360 sites have been classified as potentially contaminated by residual pollution. At 150 sites, we will carry out any outstanding investigations according to a binding milestone plan. Remediation will be carried out as required. Each new location is granted a transition period of two years.	in progress
Increase in resource efficiency (energy consumption, water use, volumes of wastewater and waste).	2007	The major individual objectives and site programs will be presented in the internet in the future.	in progress
Establishment of an indicator system for eco-controlling, and implementation of a policy deployment process.	2007	Environmental database to be extended to include relevant parameters. Implementation of a top-down goal agreement process in the company.	new
Implementation of the newly developed fire protection standards as part of emergency control planning.	2007	Rollout according to fixed milestone plan.	new
Ensure compliance with requirements (customers, legal standards, Bosch regulations) relating to declaration duties and prohibition of pollutants.	2007	Review and adjustment of product creation process.	new

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Our subsidiary BBT Thermotechnik is one of Europe's leading providers of systems for exploiting renewable energy.

Our associates Sumit Kumar, Sonja Schmitz, and Ulrich Alkemade (from left to right) are shown here presenting collectors for solar thermal systems. These systems are developed and produced in Wetztingen (Germany).

Sumit Kumar is a business administrative software expert and works for Bosch in India. For a good year now, he has been supporting our corporate financial department in the rollout of SAP systems.

Sonja Schmitz heads up the team of assistants that founded "Sekretariat Open" in 2001. This is a network for all secretarial colleagues in Germany. She is still active in this organization, helping to organize its annual meetings at which information is exchanged across location boundaries.

Ulrich Alkemade is the director of the Chemical Processes and Technology department in our Corporate Sector Research and Development, Advance Engineering. In this function, he also works on technologies for storing and converting energy.



Construction work impacts the environment. We compensate for this impact with conservation measures. At our plant in Eisenach (Germany), these measures have included the establishment of a biotope (see p. 47).



Every year, we honor our most creative associates. Bernd Siber is one of the "Bosch inventors" of 2005. He helped to develop the "Invisible" fire detector, which is mounted flush with the ceiling (see p. 23).

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Additional information about the company can be found in the Annual Report 2005, in the brochure "Bosch today," or in the internet at: www.bosch.com.

The above-mentioned publications are available in English and German. They can be ordered by email from: bosch@infoscan-sinsheim.de

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Bosch Principles of Work Safety and Environmental Protection

Sustainability

We accept that our actions must accord with the economy, the ecology, and the responsibility we take for the community at large, also with a view to future generations. For this reason, respect for people's health and safety, for an economic use of resources, and for a natural and clean environment are basic principles of our business policy.

Responsibility

It is the task of all associates to help prevent the endangering of people and the environment, as well as to maintain strict compliance with all laws and regulations pertaining to work safety and the protection of people's health and the environment. It is a leadership task to recognize such dangers, to evaluate them, and to undertake appropriate actions.

Products

We develop and manufacture products that are safe, eco-friendly, and economical. Our products enhance people's safety and reduce burdens to the environment, also during their subsequent recycling and disposal.

Processes

We design processes to ensure that - wherever economically feasible - people's health and safety have priority and that effects on the environment are kept to a minimum. We are prepared to cope with emergencies. This is also the spirit in which we cooperate with suppliers of goods and services.

Continuous improvement

We review our processes and our behavior on a regular basis, just as we measure their effects on people and on the environment. This is how we identify weak points and potential for improvement, and ensure the effectiveness of our program for work safety and protection of people's health and the environment.





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