

Global Compact Case Study

Final Version 20 April 2007

Better Health and Safety for Suppliers

A partnership project between VOLKSWAGEN, ILO & GTZ

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Better Health and Safety for Suppliers

Case Abstract

This case study focuses on the “Better Health and Safety for Suppliers” project and how Volkswagen AG seeks to strengthen their policy in Health Protection, Promotion and Occupational Safety by promoting social protection, improving safety and health standards and strengthening labour inspection. The project is a partnership project between Volkswagen, the International Labour Organization and the German Corporation for Technical Cooperation.

The project entails first facilitating the participation of selected Volkswagen suppliers in Brazil, Mexico and South Africa in audits with respect to Occupational Safety and Health in their workplace. Based on the findings of these initial audits, several recommendations are given and used to generate a checklist for a second review (conducted up to 6 months after the initial audit). A report is then created which documents the audit findings, including any improvements that have taken place at such supplier. When all the suppliers have been assessed, best practices and solutions found across all project countries will be developed and collected into an online network. This network will provide the necessary information on health and safety for the countries and enterprises involved. The ultimate goal of the project is the development of an international guideline for Occupational Safety and Health and supply chain management. The aim is to provide expert knowledge by developing an information and consultation network. The network can be accessed by those who require advice on problems regarding Occupational Safety and Health and will provide information about best practices and lessons learned.

The project was launched in June 2004 and will be concluded in mid-2008. This case study is written in the beginning of 2007 and takes into account the status of the project at that point of time. The case study looks into what actions have been taken so far, how have they worked, lessons learned and next steps.

Company Profile

The Volkswagen Group (VOLKSWAGEN) is one of the world’s leading automobile manufacturers and the largest carmaker in Europe. The company was founded in 1937 and its headquarters are in Wolfsburg, Germany. VOLKSWAGEN develops, manufactures and markets automobiles and services throughout the world in order to provide its customers with attractive solutions for individual

mobility. VOLKSWAGEN includes VOLKSWAGEN Passenger Cars, VOLKSWAGEN Commercial Vehicles, Audi, SEAT, Skoda, Bentley, Bugatti and Lamborghini. Each brand retains its own identity and operates independently in the marketplace.¹

In the first nine months of 2006, VOLKSWAGEN reached a record breaking sales performance of 4.264 million vehicles delivered to customers, compared to 3.866 million vehicles in the same time period for 2005. These numbers correspond to a 9,5% share of the world passenger car market. Split geographically, VOLKSWAGEN has 19,6% of the passenger car market in Western Europe, 11,7% in Central and Eastern Europe, 2,8% in North America, 18,7% in South America and South Africa, 6,3% in Asia-Pacific and 11,2% in remaining markets.

During the same period, VOLKSWAGEN generated sales revenue of €77 billion and profits after tax of €1,2 billion. 6,4% of this sales revenue is in Asia-Pacific, 8,5% is in South America and South Africa, 13,8% is in North America and 71,4% is in Europe and remaining markets.

At September 30, 2006, the number of people employed by VOLKSWAGEN was 329.075. 52% of these employees worked at VOLKSWAGEN companies in Germany and 48% at VOLKSWAGEN companies abroad.²

Volkswagen AG is the parent company of the Volkswagen Group. The company is registered in Germany as a public limited liability company with a Management Board and a Supervisory Board. The Management Board comprises five members, each responsible for one or more functions within the company. The Supervisory Board is responsible for appointing the members of the Management Board, monitoring the Management and improving important corporate decisions. The Supervisory Board comprises 20 members.³ As of December 12, 2005, the company's Management Board and Supervisory Board orient their activities in accordance to the recommendations of the German Corporate Governance Code as required by section 161 of the German Stock Exchange Act.⁴

VOLKSWAGEN operates 44 production plants worldwide, in eleven European countries and seven countries in the Americas, Asia and Africa. VOLKSWAGEN sells its vehicles in over 150 countries.

¹ VOLKSWAGEN Sustainability Report 2005/2006, p. 4.

² VOLKSWAGEN Interim Report, January - September 2006.

³ <http://www.volkswagen-ag.de/english/defaultIE.html>.

⁴ VOLKSWAGEN Annual Report 2005, p. 31/174.

Production facilities worldwide



Image 1.1

The goal of Volkswagen Group is to *“offer attractive, safe and environmentally sound vehicles which are competitive on an increasingly tough market and which set world standards in their respective classes.”*⁵

Sustainable Development and Corporate Social Responsibility at Volkswagen

Sustainability and social responsibility have been a tradition at VOLKSWAGEN. The company has long been an active member of the regional communities at many of their corporate locations worldwide. For VOLKSWAGEN, Corporate Social Responsibility (CSR) is a *“core element of ethical corporate governance and does not serve to merely garnish our commercial endeavours”*. CSR management at VOLKSWAGEN seeks out win-win situations for VOLKSWAGEN and the greater community turning CSR into a business case rather than a social case.⁶ It is the company’s standpoint that CSR is a natural component of corporate culture.

In 2002 VOLKSWAGEN became a participant in the Global Compact. According to the company’s former CEO, Dr. Bernd Pischetsrieder, *“the Global Compact offers a common platform of values for globally active companies, companies which openly*

⁵ <http://www.volkswagen-ag.de/english/defaultIE.html>

⁶ CSR at Volkswagen – The story of success at a glance.

acknowledge their global social responsibility.”⁷ VOLKSWAGEN has undertaken numerous projects and initiatives that follow the line of the principles of the Global Compact. Examples of these initiatives include the “Hours for the Future” initiative for street children, the “Hope Brick-Making” project and action in the global war against HIV/AIDS.⁸

In 2003, VOLKSWAGEN signed-off on seven Group Values, thereby laying the appropriate foundations and providing concrete and dependable values as a guideline for their employees. Sustainability is one of the seven Group Values. According to the vision of VOLKSWAGEN, sustainability is founded on the following principles:

- maintaining a long-term balance between the economic, environmental and social systems,
- taking responsibility for one’s own actions at all levels: regional, national and global.
- ensuring transparent communications and fair cooperation.⁹

The company’s policy with respect to human resources is supported by successful cooperation with employees’ representatives. This cooperation was internationalized with the creation of the European Group Works Council in 1992 and again in 1999 when VOLKSWAGEN became the first company in the car industry to establish a Global Group Works Council. The Global Group Works Council meets at least once a year with the Management Board and international human resources managers to discuss important issues, such as employment situations at the various locations, development of working conditions and cross-border production movements.

In February 2002, VOLKSWAGEN and the Global Group Works Council signed the “Declaration on Social Rights and Industrial Relations” (The Social Charter). The Social Charter commits the company and its employees to social rights and corporate policies that seek to link globalization with social responsibility. The Charter is partially based on the Conventions of the ILO and makes a social commitment to certain core social rights that apply to VOLKSWAGEN worldwide. These core rights include freedom of association, free choice of employment and rules governing

⁷ Global Compact: Emergence, Future, Responsibility. A brochure published by VOLKSWAGEN about their participation in the Global Compact, p. 4.

⁸ In VOLKSWAGEN-s Global Compact brochure a number of other examples are listed.

⁹ VOLKSWAGEN Sustainability Report 2005/2006, p. 7.

Occupational Safety and Health (OSH) Protection.¹⁰ In order for the Social Charter to be as effective as possible, VOLKSWAGEN has taken the step of publicizing its charter at all of its locations, ensuring that the workforce knows its rights. The Global Group Works Council monitors the charter's compliance and any indication that the behavior code is violated is taken seriously and investigated. The text of the Social Charter itself is in Annex I.

VOLKSWAGEN has been dedicated to develop fundamental principles and obligations on OSH to assure proper health care for the employees in the VOLKSWAGEN group. The main emphasis of VOLKSWAGEN's OSH approach is on preventative measures.

In 1999 the company developed "Guidelines on Health Protection and Health Promotion in the Volkswagen Group" (Group Guidelines).¹¹ The Group Guidelines contain general recommendations, binding minimum standards and obligatory directions for action. As set forth in the Group Guidelines: "*A company is as healthy and efficient as its workforce... The protection and promotion of the health of the employees is therefore not only a social obligation but also an economic necessity*". Furthermore, the holistic view of VOLKSWAGEN in OSH policy can be seen in the guideline's preamble:

Health protection and health promotion are pursued within the framework of an active health policy in the form of holistic health management covering the working situation, the workforce, the company as a whole, the products and the environment of the company.¹²

In September 2004, VOLKSWAGEN defined an Occupational Safety Policy, which lays down procedures for occupational health and safety issues worldwide. The policy provides a far-sighted basis for the strategic direction and objectives of occupational safety activities for the company's different brands and regions. All measures designed to preserve and promote the health and safety of the workforce are based on this policy.¹³

The company's health management system in Germany has been given the status of "Model of Good Practice" at the European Network for Workplace Health Promotion".¹⁴

¹⁰ Global Compact: Emergence, Future, Responsibility, p. 5.

¹¹ The Group Guidelines are available on <http://www.volkswagen-sustainability.com>.

¹² Group Guidelines, p. 1.

¹³ The text of the policy is available on <http://www.volkswagen-sustainability.com>

¹⁴ More information can be found on <http://www.enwhp.org>.

The Better Health and Safety for Suppliers project

The Better Health and Safety for Suppliers project is a partnership project between Volkswagen, the International Labour Organization (ILO) and the German Corporation for Technical Cooperation (GTZ)¹⁵. The project was launched in July 2004 and will be concluded in June 2008.

The partner's common goal is to establish a health and safety culture at work by means of improving labour standards. One of the reasons VOLKSWAGEN chose to address this issue was that the company wanted to strengthen their policy in Health Protection, Promotion and Occupational Safety with its extensive program including the company's participation in the Global Compact, the Social Charter and the Group Guidelines. It is VOLKSWAGEN's opinion that the Occupational Health and Safety policy needs a holistic approach. The idea should not stop at the gates of the company itself, it should relate to the entire value creation chain. Therefore one of VOLKSWAGEN's major aims of the project is to improve the overall OSH knowledge and to identify best practices through project activities and the social partner network.

Selected members of the VOLKSWAGEN supplier's chain in Brazil, Mexico and South Africa joined the project. By participating, the suppliers are aiming to show possibilities of improvement and give examples of best practices for other enterprises. The results will be subsequently collected and disseminated through a competency network. By conducting this communication practice, repetition and duplication can be avoided and the necessary information on health and safety for the countries and companies involved will be provided.

Occupational Safety and Health facts and statistics

According to ILO statistics, two million men and women die as a result of occupational accidents or work-related diseases. Approximately 270 million fatal and non-fatal occupational accidents occur each year and there are some 160 million incidents of occupational diseases. The ILO estimates that 4% of the world's Gross Domestic Product (GDP) is lost with the cost of injury, death and disease through absence from work, sickness treatment, disability and survivor benefits.¹⁶

¹⁵ See further www.gtz.de/social-ecological-standards.

¹⁶ ILO: Facts on SafeWork.

The statistical results vary by geography. Depending on the country and the organizational structure of the workplace, different problems and challenges in the field of OSH may arise. Examples of the problems are:

- Work-related accidents and injuries
- Occupational diseases
- Infection-related diseases, tuberculosis and HIV/AIDS
- Lack of health care
- Lack of occupational safety
- Hazardous substances

There are numerous reasons for work-related accidents and occupational diseases. Among the factors are weak health and safety laws, lack of enforcement mechanisms and unsatisfactory implementation measures at the company level. Health and safety precautions at the workplace itself are frequently insufficient. Additionally, in developing and threshold countries the danger exists that occupational accidents or illness-caused absences entail job losses which subsequently result in poverty, due to inexistent social security systems.

The Project

At the outset, ILO approached VOLKSWAGEN regarding cooperation in the partnership project and referred to the company's innovative policy and progressive thinking on occupational health and safety protection and promotion. VOLKSWAGEN had taken part in a partnership project with ILO and GTZ before, namely a project in South Africa fighting against HIV/AIDS.¹⁷ For VOLKSWAGEN, the excellent experience working with ILO and GTZ in the HIV/AIDS project was an encouragement to participate in the Better Health and Safety for Suppliers project with the same partners. There was no internal resistance within VOLKSWAGEN regarding the company's participation in the project. During the entire project the company has had full support of the Human Resources management board member.

A high-level tripartite committee composed of representatives of the three partners, VOLKSWAGEN, ILO, GTZ, Employers' Association and Trade Union (IMF International Metalworkers Federation) named the Overall Steering Committee (OSC) gives broad direction and approves the general work plan, the process optimization approach to OSH as well as any progress made in this regard. The OSC also approves the composition of the

¹⁷ A case study on the HIV/AIDS partnership project can be found on the Global Compact website, <http://www.unglobalcompact.org>.

National Steering Committees (NSC) for each country in the project. The NSC for each country is the national body that approves the project work plan and provides direction to the project activities. It is composed of government, representatives of employers and workers, and representatives of the project's partners, namely VOLKSWAGEN, ILO and GTZ.¹⁸

Once the suppliers taking part in the project had been selected and agreed to participate, specifically composed teams were sent to each supplier in order to conduct an audit of the suppliers and assess the situation of OSH in the workplace. This process was done to indicate the OSH situation of the suppliers in the beginning of the project by an assessment system. These first visits were called "Process Optimizing Consultation" (POC) and were based on listening, looking, asking and discussing, focusing on identifying strong and weak points and providing good practices and suggestions for improvement. The POC's were conducted in specific and defined timeframes for each country in the project. The POC's in South Africa were conducted in August 2005, then in Mexico in February and March 2006 and lastly in Brazil in August and September 2006.

The teams conducting the first visits were called "Process Optimizing Team" (POT). The members of the teams consisted of a National project coordinator, which served as the head of the team, a representative from VOLKSWAGEN Group (OSH expert), two representatives from Volkswagen in the relevant country (process optimizing expert and OSH), two labour inspectors from the relevant country and in some instances a representative from ILO.

Before the POC consultation took place, special preparatory workshops were conducted in each country. There were two kinds of workshops, one for the suppliers and one for the teams conducting the audits. The methods used in the workshops were presentations, discussions and group work. The main aim of the workshops was to give the participants brief information of the project's goals, methods and the consultation. The project's partners wanted to give everybody who was involved in the project the same information and possibilities to get used to the consultation procedure.

The procedure for the POC was that the teams spent approximately two days at each supplier conducting their audit.

¹⁸ ILO's website regarding the project:
http://www.ilo.org/public/english/protection/safework/li_suppliers/about/index.htm.

On the first day, the consultation procedure took place at the supplier's workplace. This consultation procedure consisted mainly of two activities, POT performed an *inspection* of the supplier's premises and also *interviewed* representatives of the suppliers. Before POT started the inspections and interviews, the supplier's CEO provided brief information about the company.

On the morning of the second day POT reviewed the reports generated from the inspection and interview on the previous day and agreed upon results for the suppliers situation. In the afternoon of the second day POT met the supplier's representatives and conducted a feedback discussion, which included sharing the result report and recommendations for action at the supplier in order to improve the OSH situation.

The inspection checklist used in the POC procedure was based on a checklist already in use by VOLKSWAGEN in Germany but was adjusted to fit this specific project. The issues focused on in the checklist included:

- condition of the workplace;
- condition of the storage facility;
- condition of social rooms;
- operation of machinery;
- all forms of hazards;
- notices on display about OSH issues.¹⁹

For the interviews, a standard questionnaire was used for each interview partner.²⁰ For each supplier, the following persons were interviewed:

- The Chief Executive Officer;
- A representative from Senior Management;
- A representative of the employees;
- Trade union representatives;
- Occupational safety experts, in-house or external (as required);
- Medical Doctors (as required).

On the basis of the results of the inspections and the answers in the interviews as well as the consultants' personal impression, POT produced a report on the findings that described the present situation and gave recommendations for action on the topics of the process. The list of recommendations is used as a checklist for a review that is conducted 4 to 6 months after the initial consultation

¹⁹ The full text of the inspection checklist can be found in Annex II.

²⁰ The full text of the POC Questionnaires for each interview partner can be found in Annex III.

by the same consultation team. The improvements that have taken place at that supplier are documented by photos and a second report is then written.

When all the suppliers taking part in the project have been assessed and audited and the second reports have been written the next phase in the implementation of the project can begin. This phase consists of developing best practices and solutions found across all project countries. This information will be collected and disseminated through an online competency network. This procedure of communication will help to avoid repetition and duplication and will provide the necessary information on health and safety for the countries and enterprises involved.

The preventative service system (PSS)

The ultimate goal of the partnership project is the development of a VOLKSWAGEN and an international guideline for OSH and supply chain management, called the preventative service system (PSS). The aim with the creation of the PSS is to provide expert knowledge regarding the implementation of OSH standards to small and medium sized enterprises by setting up an information and consultation network. This network will be guided by a global safety and health culture and can be accessed by those who need advice on OSH problems. The network will provide information, knowledge about specific national issues, best practices and lessons learned.

The core of the system is a database consisting of all general and sector specific recommendations of the visits to the suppliers. This reflects the partners' view of implementing OSH measures beyond the supply chain.²¹

Project Financing

The estimated cost for the project is approximately €1.1 million. The cost is divided between the three partners. VOLKSWAGEN contributes €300.000, GTZ contributes €600.000 and ILO contributes €200.000. The costs are incurred by working time, travel expenses and cost of materials, such as creating the audit concept, preparation workshops, and document translation.

Implementation of the project

²¹http://www.ilo.org/public/english/protection/safework/li_suppliers/prevention/index.htm.

The first steps in deciding on the process of the project were to approach the relevant national representatives of the governments, unions and Volkswagen plants. When these actors had been approached they were asked for participation and support in the project.

When it came to deciding on the criteria for selecting the suppliers it became clear that the project's partners were not in agreement on the number of the suppliers taking part in the project. Some of the partners wanted to include all of VOLKSWAGEN's suppliers in the respective countries. After discussions and meetings the partners came to an agreement on a more realistic number of 8 – 12 suppliers from each country. The selection of the suppliers to take part in the project was based on the following aspects:

- *Risk potential*: Mechanical and thermal processing of materials, cold reduction of materials or surface treatment (handling of hazardous substances) or production and processing of plastic parts.
- *Social problems*: Preassembly or service provider such as logistics suppliers.
- *Company size*: Mostly small and medium sized enterprises with a number of employees of approximately 10 up to 300.
- *Main supplier*: Based on VOLKSWAGEN's Purchasing Department definition of a supplier who provides the main share of a product in comparison to other suppliers.
- *Nationally acting companies*: The focus of the selection is on nationally acting companies. In order to have further examples for comparison, one or two nationally acting companies that are members of global groups should be involved in the project.
- *VOLKSWAGEN's share of the companies' sales*: The share of sales concerning VOLKSWAGEN should be a minimum of 50% of the total sales volume.

The next step was to create the concepts for the basic modules of the project. This includes the selection criteria for the suppliers that would take part in the project, coming up with a list of questions to ask each supplier, the formulation of the checklists used in the inspections, and deciding on the agenda for the workshops to be held for the suppliers in each country.

Implementation and results in the different countries

As mentioned above, the implementation of the project is now well underway and the plan is for the project to be concluded in June 2008. In this chapter the results so far will be revealed and

discussed.²² The results of the initial POC consultations are given in percentages and the criteria is as following:

- 100 – 85%: Excellent
- 84,99 – 70%: Good
- 69,99 – 55%: Satisfactory
- 54,99 – 40%: Poor
- 40% >: Disastrous

South Africa

South Africa was the first country in the project in which the POC consultation took place. The audits were conducted in August 2005. Eight VOLKSWAGEN suppliers from South Africa with a number of 28 – 900 workers were selected to take part in the project. The audit results in South Africa ranged from 31 – 70%, the average being 54,44%.

Initial audits – results:

The initial audits revealed that there was a significant lack of OSH protection consultation. None of the audited suppliers had a comprehensive policy that was formulated properly through the social dialogue that would ensure effective consultation between management and worker representatives. The elements of risk assessment were not well-articulated and comprehensive guidelines needed to be formulated and distributed to ensure proper risk assessment. All of the suppliers provided personal protective clothing and equipment against hazards to their employees. However, this was done through an unclear system in terms of the selection criteria and required protection. The team found that information on occupational accidents was not being collected through a standard approach. Additionally, the general finding of the consultation was that the suppliers' CEOs were not aware of their responsibility in the OSH area. The overall result of the initial audit of the suppliers in South Africa was that there was a high potential of process optimization and cost saving.

Recommendations:

The POT team conducting the initial audits in South Africa had a positive experience with how the audits were conducted. In that the suppliers displayed a high degree of acceptance and willingness to implement the recommendations. Based on the findings from the consultations, POT made recommendations for improvement. Among the recommendations that POT made was to point out the

²² As of January 2007.

need to define the measures of performance of OSH programmes to provide comprehensive guidance for the Department of Labour Inspectorate of South Africa. POT also pointed out the need to establish a proactive inspection system that would focus on compliance assurance through the implementation of preventive OSH intervention programmes. This would encourage inspectors to move away from the reactive approach of securing prosecutions after the occurrence of adverse effects.

Follow up:

In November 2005, POT conducted follow-up visits to the suppliers in order to determine the progress made since the initial audits and to add further value to the outcome of the project. With the exception of one, all of the suppliers had made significant progress towards the formulation of a comprehensive policy based on a social dialogue through the involvement of workers and management. All of the suppliers had established and documented information on the occupational hazards through a systematic risk assessment process. The suppliers had put in place a system to record and investigate occupational accidents, injuries and illnesses with special emphasis to prevent re-occurrences. POT found that there had been a visible improvement in the usage of personal protective clothing and equipment by the employees.

Pilot phase of PSS:

In the second half of 2006 the Overall Project Steering Committee initiated a pilot phase of the prevention service system in South Africa in cooperation with the South African Department of Labour. The concept for the pilot PSS is based on KomNet²³, a consulting system from the Ministry of Employment, Health and Social Affairs of North Rhine-Westphalia, composed of front desks and back office knowledge management functions.

The methodology used for implementing the pilot phase of the PSS included the compilation of an initial inventory of major web-based information and communication systems providing support and advice on OSH. Although different approaches are used, the comparison of the information revealed some main features that were common to all web-based service systems, such as: toll-free accessibility, use of different interfaces or channels, provision of individual answers and anonymous interaction. As a result, any worker or employer can address the helpdesk by phone, fax or the Internet. The helpdesk officer will take note of the question and

²³ Competence Network NRW. More information on the system is available on <http://www.komnet.nrw.de/index.php>.

transfer it to a group of experts that are invisible to the user. The expert then provides an answer to the question. All questions and answers will be collected in the database and later they will be made available for everyone.²⁴

Mexico

The initial audits of the suppliers taking part in the project in Mexico took place between February and April 2006. Twelve suppliers from Mexico with a number of 75 – 1550 workers were selected to take part in the project. The audit results ranged from 62 – 97%, with the average of 80,31%.

Initial audits – results & recommendations:

The findings of the initial audits were that a management system was already in place. In addition, the documentation on occupational accidents and diseases was excellent. However, there was no systematic communication between management and workers and no practical implementation of OSH policy. POT's overall finding was that there was high potential for implementation of practical and efficient OSH elements.

POT had a positive experience conducting the audits and found that the suppliers displayed acceptance and willingness to implement the recommendations made on the basis of the audit's results.

Follow up:

The follow-up visits to the suppliers in Mexico took place in December 2006. The results were that significant progress had been made towards implementing the recommendations given by POT following the initial audits. Of the total 192 recommendations made, 121 or 63% had already been implemented, 54 or 28% were in the process of being implemented and only 17 or 9% had not yet been implemented.

Brazil

The initial audits of the suppliers taking part in the project in Brazil were conducted in August and September 2006. Seven suppliers from Brazil with a number of 110-300 workers were selected to take part in the project. The audit results ranged from 53 – 86%, with the average of 70,06%.

²⁴http://www.ilo.org/public/english/protection/safework/li_suppliers/prevention/index.htm.

Shortly before the initial audits, the Brazilian government decided not to take part in the project as had been planned. Nevertheless, all of the selected suppliers apart from one continued participation in the project. A two-day workshop was held for OSH experts of SME's. The participation in the workshop was excellent as the participants were actively included in the study of topical issues by team work and individual work sessions. The experience of the POT team was that willingness to accept the recommendations was very good. As of January 2007, the follow up visits have not yet taken place in Brazil.

Key Recommendations Overall

To summarize the results and recommendations from the POC consultations, ILO has put together a list of the key recommendations from the three countries taking part in the project:²⁵

- There is a need for the review of the national inspectorate approach with regard to the proactive approach.
- There is a need for the inspectors to provide technical guidance on compliance with legal provisions through promoting implementation of the remedial action plans based on a proactive thrust.
- Businesses have clearly acknowledged the need to be given technical guidance on the improvement of working conditions through comprehensive structures sustained interventions that are based on proactive OSH programmes.
- The inspectorate needs to adopt an attitude of providing the essential technical advice, assistance and auditing to ensure that enterprises develop and implement long term sustained intervention proactive operational programmes in the world of work.
- The Departments of Labour in each country countries needs training on the ILO Conventions and Technical Guidelines on OSH.
- There is a need to review the overall OSH inspectorate approach to OSH to ensure that the proactive approach is implemented and promoted to realize the principles of social dialogue.

Achievements so far

In the project, both international and VOLKSWAGEN standards formed the professional basis. Examples of good practices

²⁵http://www.ilo.org/public/english/protection/safework/li_suppliers/about/lesson.htm.

in VOLKSWAGEN have also been applied. The experience with the recommendations following the initial visit has been that they have all been of such nature that they could easily and economically be implemented.

Advantages for participants

Participation in the project has had and will continue to have advantages for all of the partners involved. For VOLKSWAGEN the main advantages deriving from participation are the links to the company's participation in the UN Global Compact and implementation of the Social Charter. Furthermore, one of the goals is to improve the quality and productivity in the supply chain and ensuring delivery on time by taking measures to prevent occupational accidents and work-related diseases. Additionally, the external resources and knowledge of the other partners is an advantage for VOLKSWAGEN.

The advantages for the suppliers taking part in the project are numerous. The employees enjoy a safer and healthier working environment. The suppliers receive free process optimizing consultations, which lead to better quality of the work process, higher economic productivity and improved safety and health at the workplace. In the long-term, the occupational safety risks will be reduced which will result in fewer accidents, less work hours lost, higher motivation on the workforce and higher competitiveness.

We, as a management, decided that it was our duty to try and implement as many of the recommendations as possible. In just five days we had already implemented many of the recommendations without any large costs involved.²⁶

Challenges & Lessons learned

One of the primary challenges so far has been to form a team of the experts from varying backgrounds, such as the Occupational Safety inspectors and Occupational Safety experts.

Explaining the project to the suppliers and persuading them to participate by pointing out the project's advantages was also a challenge. The preparatory workshops held in each country proved to be a success in providing all the suppliers with the same information regarding the project. It was very important to VOLKSWAGEN to see and understand each country's specific conditions. This was tackled with numerous meetings and

²⁶ Mr. C Gillet, Managing Director of ZEUS, one of the participating suppliers in South Africa.

discussions and has helped VOLKSWAGEN to improve the company's Group-wide orientation of the OSH policy.

Other challenges were dealt with in a quick manner and appropriate solutions were found. An example is when the Brazilian government withdrew its participation in the project on a short notice and delays of the project starts in the participating countries, which were dealt with quickly and effectively via e-mail and telephone.

Final remarks

The experience in the project has shown that professional competence, cooperation, support and open communication are essential elements of good Occupational Health and Safety. The lessons from participation in the project so far will influence VOLKSWAGEN's Occupational Safety audit system, which was the basis, used for the initial audits conducted in the project.

Volkswagen is proud that the company's approach for auditing was applied in the project. It is essential that the audit system points out strengths and weaknesses and gives recommendations at the same time. The recommendations can often be easily realized without incurring great costs. In many instances it was more a case of helping the companies to help themselves and to introduce a systematic approach of solving Occupational Safety problems. It has become evident from the experience of the project that cooperative behavior improves the collaboration between governments and companies. When there are irregularities and problems with OSH issues, small and medium sized enterprises need support from the government officials to remedy deficiencies.

The overall experience with the project has been extremely positive so far and the outlook for the remaining part of the project is very promising. The experience from the initial audits conducted at the suppliers demonstrated that they were willing to accept the recommendations made and the evidence from the follow-up visits already conducted has shown that implementation of the recommendations is well underway.

Annex I

Declaration on Social Rights and Industrial Relationships at Volkswagen

Preamble

Volkswagen documents fundamental social rights and principles with this declaration. The social rights and principles described in this declaration represent the basis of Volkswagen Corporate Policy. The social rights and principles described in this declaration take the Conventions of the International Labour Organisation concerned into consideration.

The future security of the Volkswagen Group and its employees ensues from the spirit of cooperative conflict management and social commitment, on the basis of and with goal of ensuring economic and technological competitiveness. A particular expression of social commitment is in the security and development of employment opportunities

The globalisation of Volkswagen is essential to secure the future of the company and its employees.

Volkswagen and its employees face the challenges of globalisation together. Together they should utilise the opportunities for the success of the company and the workforce, while limiting potential risks.

Volkswagen AG, the Group Global Works Council of Volkswagen AG and the International Metalworkers' Federation agree on the following goals for the countries and regions represented in the Group Global Works Council. The realisation of the following goals ensues under the consideration of applicable law and prevailing customs in the different countries and locations.

§ 1 – Basic Goals

1.1. Freedom of association

The basic right of all employees to establish and join unions and employee representations is acknowledged. Volkswagen, the unions and employee representatives respectively work together openly and in the spirit of constructive and co-operative conflict management.

1.2. No Discrimination

Equal opportunity and treatment, regardless of race, skin colour, sex, religion, citizenship, sexual orientation, social origin or political persuasion (as far as it is based on democratic principles and tolerance towards persons thinking differently) is assured.

Employees will be chosen, hired and promoted only based on their qualifications and abilities.

1.3. Free Choice of Employment

Volkswagen rejects any knowing use of forced labour and indentured as well as debtor servitude or involuntary prison labour.

1.4. No Child Labour

Child labour is prohibited. The minimum age for acceptance for employment in accordance with governmental regulations will be observed.

1.5. Compensation

The compensation and benefits paid or received for a normal work week correspond at least to the respective national legal minimum requirements or those of the respective economic sectors.

1.6. Work Hours

The work hours correspond at least to the respective national legal requirements or to the minimum standards of the respective economic sectors.

1.7. Occupational Safety and Health Protection

Volkswagen meets at least the respective national standards for a safe and hygienic working environment and in this context will undertake appropriate measures to assure health and safety in the work place so that healthy employment conditions are assured.

§ 2 Realisation

- 2.1. The employees of Volkswagen will be informed about all of the provisions of this declaration. Within the context of the respective plant practice, unions or existing elected employee representatives will have the possibility to inform the workforce together with representatives of management.
- 2.2. Volkswagen supports and expressly encourages its contractors to take this declaration into account in their own respective corporate policy. It views this as an advantageous basis for mutual relationships.
- 2.3. At the suggestion of the Board of Management of Volkswagen AG or the Volkswagen Group Global Works Council, this declaration and its realisation will be discussed and considered with representatives of management of Volkswagen AG within the framework of the meeting of the Group Global Works Council. If necessary, appropriate measures will be agreed upon.
- 2.4. Third parties cannot drive or enforce any rights from this declaration. This declaration enters in to force on the day it is signed. It has no retroactive effects.

Bratislava, 6th June 2002

for

the Group Global
Works Council

for

Volkswagen AG
International

for

Metalworkers' Federation

Annex II

Inspection Checklist

Part 1

- What is the condition of workplaces?
- In what state are the exterior spaces/floors and storage areas?
- Are there any notices displayed regarding occupational safety issues? How would you rate this information?
- Are escape routes, emergency routes and rendezvous points marked?
- Are the escape and emergency routes kept clear?
- Use of personal protection equipment

Part 2

- Are there instructions on working safely and are they actually adhered to (hazardous substances, in particular machines and plants)?
- What is the condition of the storage facility (e.g. stacking height)?
- Are defective containers used?
- Is production material located at the workplace?
- Is the safety equipment sufficiently safe?

Part 3

- Are areas with particular hazards labelled with warning or prohibition signs (e.g. warnings about explosive substances, hazardous substances or smoking bans)?
- Are areas in which personal protection equipment (e.g. eye protection) is required marked in an appropriate way?
- What is the condition of transport vehicles (e.g. elevating trucks and forklift trucks) and how are they used?

Part 4

- Are critical process variables (substance concentrations, pressure, fill levels, temperature, etc.) recorded (e.g. quality, occupational safety and environmental protection)?
- Are critical process variables monitored by the plant operator and is it possible to intervene?
- What is the condition of social rooms (e.g. washrooms, toilets and lounges)?
- How is the safety-conscious behaviour of employees rated?

Part 5

- How ergonomically are workplaces designed with regard to lighting, air conditioning, noise, vibration, ambient air, etc.?
- Are work processes designed ergonomically (e.g. with regard to working posture, work routes, lifting and carrying)?

Annex III

POC Questionnaire

Responsible Chief Executive Officer (Chief, CEO) - Part 1

- In your company, who is responsible for occupational health and safety?
- What are your specific tasks in respect of occupational health and safety?
- Do internal or external experts provide your company with support in respect of occupational health and safety?
- Do you investigate hazards at the workplace?
- Do employees have information about hazards at the workplace?

Responsible Chief Executive Officer (Chief, CEO) - Part 2

- When was the last process and quality audit specified by VOLKSWAGEN carried out and what was the result?
- Have work accidents occurred in your company?
- How often are your employees sick?
- In your company is advice available on specific health topics?
- Are regular occupational health and safety inspections carried out in your company?
- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?

Operational managers (Senior Management) - Part 1

- In your company who is responsible for occupational health and safety?
- What are your specific tasks in respect of occupational health and safety?
- Do internal or external experts provide your company with support in respect of occupational health and safety?
- Who is your contact person for matters relating to occupational health and safety?
- Do you investigate hazards at the workplace?
- Do employees have information about hazards at the workplace?

Operational managers (Senior Management) - Part 2

- If you notice opportunities to improve skills, and manufacturing and work processes, what do you do?
- Have work accidents occurred in your company?

- Are regular occupational health and safety inspections carried out in your company?
- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?

Personnel (Employee)

- Are there hazards at your workplace?
- Have you been informed about hazards at your workplace?
- If you notice opportunities to improve skills, and manufacturing and work processes, what do you do?
- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?

Occupational safety (Occupational Safety Manager)

- In your company who is responsible for occupational health and safety?
- What are your specific tasks in respect of occupational health and safety?
- Do you investigate hazards at the workplace?
- Do employees have information about hazards at the workplace?
- If you notice opportunities to improve skills, and manufacturing and work processes, what do you do?
- Are regular occupational health and safety inspections carried out in your company?
- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?

Medical personnel, company doctor (Medical)

- Do you investigate hazards at the workplace?
- Do employees have information about hazards at the workplace?
- If you notice opportunities to improve skills, and manufacturing and work processes, what do you do?
- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?

Workers representative (Union)

- Do internal or external experts provide your company with support in respect of occupational health and safety?
- If you notice opportunities to improve skills, and manufacturing and work processes, what do you do?
- Have work accidents occurred in your company?
- Are regular occupational health and safety inspections carried out in your company?

- In your opinion, are there ways in which occupational health and safety protection in your working environment can be improved?