

Ford Human Rights Code of Basic Working Conditions
ChangAn
FINAL: June 24, 2009

Background

In May 2003 at the Centennial Shareholders meeting, Ford Motor Company announced the development of Ford's Code of Basic Working Conditions as part of its commitment to corporate citizenship and making the world a better place. The plan is to make Ford a leader in human rights practices and to differentiate the company on social issues for potential business benefits (see attachment for a copy of the Code).

In early 2008, Ford joined the United Nations Global Compact (UNGC), a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. This action reinforces our commitment to outstanding performance and transparency in these areas.

Assessment of Ford Motor Company owned and operated facilities began in 2004. In 2009, Sustainable Business Strategies and Purchasing Strategy selected sites based on supply chain impact, emerging issues, plant employee representation and the views of thought-leaders, non-government organizations and human rights activists. Site selection was also determined by the exploration of new business opportunities and further advancement of sustainability efforts where Company trustworthiness and community credibility were considered critical to achieve high standards.

Located in Changan--the plant produces the Focus (4 door and 5 door), Mazda 3, Volvo S40 and S80 LWB, Mondeo and S-max. Presently, the plant employs 6,000 including 4,400 hourly and 1,600 salaried respectively. The 528,000 square meter facility is able to produce about 350 units/ per shift. Production in 2008 was 186,037 units.

The Assessment Process

Step 1: Prior to the Assessment:

David Berdish, Manager of Sustainable Business Development sent a copy of Policy Letter #24, the Human Rights Code of Working Conditions and a communication letter to Frank Chuang, explaining:

- Background, descriptions, commitments and the expectations of the assessment (explicitly stating desire not to replicate but to ensure consistency across all operations)
- A streamlined pre-assessment checklist, focused on gathering information regarding management systems and past compliance issues at the facility.

On March 11, 2009, Berdish of Sustainable Business Strategies sent interview questions to Chuang. Interview questions centered around 1) Whether the documents were the best for verifying the Code and if they were easily accessible; 2) Whether plant management saw value in conducting the human rights assessment given that Ford already audits many practices covered by the Code through existing means; and 3) How Sustainable Business Strategies could best conduct the assessment without burdening facilities with additional work.

The interviews confirmed that the documentation is the appropriate documentation for verifying compliance with the Code. However, the interviews also revealed that there are several processes currently implemented by different departments within Ford to audit compliance with various aspects of the Code.

A summary of the interview questions and answers are as follows:

1. In your opinion, what is the greatest value-add of conducting human rights assessments at Ford's owned and operated facilities?

- The assessment could be seen as a health check of the operation and help to ensure Ford's owned and operated facilities compliance with the code.

2. When you look at the code, and imagine using it to assess current practice at Ford facilities, what are the greatest areas of non-compliance that you might predict? How do you think management, workers, and employee representatives at Ford facilities will view these assessments?

- Based on the "Paid Annual-Leave Implementation Act" enacted on September 18, 2008, the calculation of employees' annual leave days shall be based on employees' length of service year, the service year should be accumulated by current employment service year and previous employment.

CFMA current practice does not include employees' previous employment service year as the service year base for granting annual leave. This is a violation to the law and might have penalty implication to the company in the future.

While this is a big challenge for CFMA to get and confirm the information of employees' previous employment service year, since there is no government department can provide this record and service at this moment. This is also a big challenge for other company in China, so most of the local enterprises are adopting the "wait and see" strategy now. However, there is a plan to review the feasibility to comply with the law in CFMA HR's agenda this year.

For JV partners, they may not understand the purpose of this assessment, and may feel a little bit uncomfortable however we would continue to work with them for compliance and support. Ford WHQ HR and Ford China HR may provide the consultant to work with JV partner HR leadership for breakthrough that situation.

3. To help us understand any unique conditions at your facility, please describe how you meet each of the seven facets of the Code of Basic Working Conditions. Please speak to the policy/law that you follow and the process you use to ensure that the policy is being correctly implemented.

- Child Labor: We don't use child labor, strictly adheres to Labor Contract Law.
- Compensation: The local Chongqing minimum wage is 680RMB per month. Normal CFMA workers' average wage are about 1300RMB including overtime premium as well as an annual bonus. This is well within the legal limit. Benefits include:
 - The factory provided the required benefits as the national law. Contract employees' benefits are provided by the contracting agent.
 - Social insurance including the pension insurance, medical insurance, un-employment insurance is provided to workers.
 - Employees were provided the paid statutory holidays, such as the Labor Day, National Day, Spring Festival, and New Years Day (total 11 days)
 - There is a paid annual leave for workers, various from 5- 15 days depend on the service length of the factory. Paid maternity leave is provided to female employees, wedding and bereavement leave provided to the employees as well.
 - In addition, the paid job-injured leave and illness have been implemented in the factory.
- Forced Labor: We don't use forced labor.
- Freedom of Association and Collective Bargaining: There is of a Union organization in the company. Employees can join the organization on a voluntary basis. Major working conditions change need communicate with the Union. Collective Bargaining agreement has been signed with the Union in 2008.
- Harassment and Discrimination: "Zero tolerance of harassment" and "Diversity " training has been included in the new hire employees' orientation training. The policies also listed in the employee "Work Rules".

- Health and Safety and Environmental: There is a continuous employee training regarding the health and safety beginning as soon as the employee starts working at the factory. The fresh workers will receive orientation training with 5 days including the factory introduction, health and safety, quality control and the production process. After that on job training will be provided after the worker has been in the workshop for a period of time.

There is a specified department responsible for the health and safety issue including the training, audit and follow up and so on. All the issues identified in the review will be recorded and followed up. The SHARP system is used in the factory and used to set safety targets, Environment - Level 7 just evaluated by APA EQO in Q1 2009.

- Work Hours: Working hours at Changan Ford are from 8:30 – 12:00; 12:45- 17:15 for office staff, 45 minutes of lunch break; for workers including the contract workers, there are two shifts; day shift from 8:00- 4:40; afternoon shift from 4:40- 1:20 pm; 10 minutes break in the first and second half work hours for every shift respectively, and 40 minutes of meal break. All the working hours will be recorded by the time scan which will be as the base to calculate wage; in addition, the supervisor of the workshop will record the attendance and ask leave record. If there is any conflict in the working hours, two records will be compared.

The employees work 5 days per week and 8 hours per day, and overtime in accordance with the government order requirement.

- Bribery and Corruption: "Integrity" policy and "Code of Conduct" have been listed in the "Work Rules"; all employees are requested to comply with the policy.
- Community Engagement: Volunteering work on community service has been organized periodically by Administration department; PA department also sponsored charity or environmental activities non-periodically.

4. Where are the documents housed?

- Employee' records: HR Office and CFMA-HR on-line
- Salaried/Wage structure: HR office-C&B
- Timekeeping reports: HR system and HR office
- Overtime approval paper: HR office
- Collective bargaining agreement: HR office
- SHARP scorecard and material: Safety Department

5. What would you suggest is most important for Sustainable Business Strategies to keep in mind in order to make this effort successful (both in terms of gathering information and creating a sense of partnership and shared purpose with the facilities)?

- Clearly communicate the purpose

6. Any other words of wisdom/advice?

- No.

Step 2: Site Visit

It is evident that the ChangAn plant should be able to comply with the Code and if the processes were more robust as a result of a shared purpose of the partners. A trip should be required, though unlikely due to economic difficulties. In addition to a site visit and assessment, JV partner HR leadership can be invited to learn and observe more practice of the Code organized by Ford HR in Dearborn or some where else. That trip will broaden their view to emphasize the importance of the Code for application after coming back Chongqing in China.

Step 3: Leadership

ChangAn's leadership in environmental initiatives:

- Changan Ford Mazda was evaluated as the first demonstrative enterprise of hazmat management on March 2009 in Chongqing.
- Changan Ford Mazda participated in "Environment Day" activity on June 5th, organized by Environmental Bureau of Chongqing city government.
- Changan Ford Mazda was assessed to win "Ford APA Environment Leadership Award" because of "body ski burning system" on Aug 2009.

ChangAn's leadership in community initiatives:

- Changan Ford Mazda organized a volunteer activity to clean the train station of Jianbei on Oct 2008.
- CFMA Volunteer Group won Ford "Corporate Honorees" of 2008 Diversity & Inclusion Summit Award

Others initiatives:

- Participated in QC Circle achievement presentation organized by Chongqing
 - Quality Control Association won the 2nd and 3rd prize of QC circle presentation.
- Changan Ford Mazda was evaluated as Excellent Enterprise of QC activity.
- A QC circle – " Heart with Love Circle " from Body Shop was certified as the "Trust Group for Quality Control" by National Quality Control Association.

Conclusions

The next steps include the release of this report to global manufacturing and then further dialogue with ICCR and/or other Human Rights stakeholders on most value-added follow-up. This report will be published in our website:

<http://www.ford.com/microsites/sustainability-report-2007-08/issues-humanrights>