

Ford Human Rights Code of Basic Working Conditions
Ford Philippines
Santa Rosa, Laguna Assembly Plant
FINAL June 4, 2008

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).

Assessment of Ford Motor Company owned and operated facilities began in 2004. In 2008, 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 Laguna—the plant produces the Focus, Mazda Tribute, Mazda3 and Ford Escape, and employs 719 people. The 325,000 square foot facility is able to produce about 24,000 units per year. Production in 2007 was 7,165 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 Noel De la Paz, 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 April 17, 2008, Berdish of Sustainable Business Strategies interviewed the Santa Rosa Human Resources team. 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 this greatest value-add of conducting human rights assessments at Ford's owned and operated facilities?

- This would provide a check on the extent we are practicing the principles outlined in Policy letter no. 24.

2. When you look at the code, and imagine using it to assess current practices 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?

- Harassment & Discrimination, Bribery and Corruption. This is because these may involve so many of us who have different personalities, behavior traits, previous work experiences, culture and even upbringing...

3. How do you think management, workers, and employee representatives at Ford facilities will view these assessments?

- Positively but with some apprehensions. I would think all believe in the principles and the importance of making sure we all abide by these principles. There could be some apprehensions about this turning out to be an audit though with corresponding sanctions in case of any violation is found.

4. To help us understand any unique conditions at your facility, please describe how you meet each of the seven facets of the Code 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. As a policy we employ only those that are at least 18 years old.
- Compensation. Our minimum hiring rate is at least 6% above the statutory minimum. We benchmark with companies in the local auto industry and our target market companies for compensation and benefits planning.
- Forced Labor. We do not engage in forced labor nor do we have physically abusive disciplinary practices.
- Freedom of Association and Collective Bargaining. Since we do not have a union, our employees are able to express their concerns through our Employee Committees, skip level meetings, dialogues with Sr. Leadership, suggestion box and our open door policy.
- Harassment & Discrimination. We have a zero tolerance policy in place and have in fact terminated a supervisor who has violated our harassment policy. Unlike other auto companies, we have employed females on the shopfloor. Our recruitment policy, including advertisements for jobs do not show any preference for gender or age.
- Health & Safety and Environmental Responsibility. Safety is a priority in the company. Our Safety structure (Safety Committee headed by the President, Safety Council in Manufacturing, Safety partners in our Self-Managed Teams, Wellness Center and our Safety and Health Assessment Review Process (SHARP) contribute to zero lost time case last year and over 3million safe work hours to date.
- Work Hours. Our work hours (45.5hrs) are within the prescribed work hours (48hrs) per week. We follow a compressed work week schedule where we work only 5 days instead of 6 days, but have extended hours per day. Employees are given 1 hour lunch breaks and 25 minutes snack break in the afternoon. Overtime work is pre-approved and monitored to ensure there would be no excessive overtime work.
- Bribery and Corruption. We have cascaded our Integrity policy to all employees and have stressed the impropriety of giving and receiving gifts. We send letters to our suppliers and dealers, particularly during Christmas season asking them to refrain from sending gifts to employees. We have developed a procedure on giving and receiving of gifts. Our employees know that we can not engage in any under-the-table dealings with any organization or government entity, even if this is common to many other companies.
- Community Engagement. We have a very strong Corporate Citizenship program that funds projects on environment and conservation and even road safety. Our employee committees are very active in projects that involve donating funds to indigenous school children, the elderly; projects on tree planting, mountain clean-up, medical and dental mission. Our efforts were recognized last year when we were given a special award for Social Accountability by the Employers Confederation of the Philippines.

5. Where are these documents housed?

- Our policies (in ISO format) may be found in our website

6. 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)?

- Transparency, openness and trust. That we are one Ford and we are all partners in the business. We all have a stake in the success of our company and in keeping the image and reputation of Ford unblemished.

7. Any words of wisdom/advice?

- None.

Step 2: Site Visit

Based on this assessment, it is evident that the Santa Rosa plant can comply with the Code and those robust processes are in place to monitor compliance and provide remediation methods at all facilities. No trip will be required.

Step 3: Leadership

Ford's takes seriously its role in being stewards of the environment for succeeding generations. As of 2007, Ford's Conservation and Environmental Grants program poured over Php 18million (US\$400,000) in funding some 62 projects all over the Philippines.

Environmental Compliance

- Meets and exceeds Environment Compliance on all legal and other government requirements
- Acquired ISO14001 Re-Certification from TUV-Rheinland in October 2007

Continuous Improvements

- Greenhouse Gas Accounting (Note: The first and only automotive company I the Philippines to submit in Phil (GARP)
- Improved chemical approval procedure through Global Material Approval Process (GMAP)
- Improvements in Ford Environmental metrics for Volatile Organic Compound (VOC) and General Refused Wastes

Environmental Program

- Haribon – Clean and Green, Tree Planting
- Commemorative Tree Planting at Ford premises (10th anniversary)
- Earth Day Celebration through film Showing on Global Warming and Climate Change
- Lead Acid Battery Donation to support Environment Preservation Projects

Ford Conservation and Environmental Grants

- La Mesa Dam Watershed Reforestation
- Marsh mangrove and coral reefs protection
- Wildlife protection for indigenous birds
- Low carbon diet for a healthy climate advocacy to schools
- Conservation and rehabilitation of T'Nalak Production
- Orchidarium and Butterfly Pavillion, Philippine Flora Conservation
- Recycling waste chicken feathers for low cost building material in the Philippines

Ford was also instrumental in a shining breakthrough in tapping the sun as a source of sustainable energy. Together with the other sponsors, Ford was a major sponsor of SInag, the first Philippine solar-powered car that competed in the World Solar Challenge in Australia in October 2007

Ford employees actively initiate corporate citizenship programs through the Partners' Pillar on Corporate Citizenship. These include medical missions, tree planting at the La Mesa Forest, Mt. Banahaw clean-up drive, and donations in various forms: annual school supplies for Aetas, engines, bicycles, and used batteries for technical schools, quarterly donations for the home for the elderly; soda cans for wheelchairs for the disabled. In 2004 we also donated two Ford Ranger pick-up trucks and cash to the Philippine National Red Cross for their relief operations.

In support of Ford's global education campaign on road safety, Ford in April 2004 embarked on a full – pledged campaign dubbed as "Road Safety: Our Lives Depend On It". It was designed to underscore the importance of road safety, which is generally taken for granted. Projects under the program included Responsibility in Drive Education (R.I.D.E.), Child Safety Seats Program and Ford Road Safety Youth Council. It's most recent Road Safety Program involving the Road Safety Youth Council is the "I don't Drink and Drive" Campaign aimed at pumping youth's awareness on responsible driving and the perils of drunk driving.

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/go/sustainability>