

Ford Human Rights Code of Basic Working Conditions
Ford Motor Company of Southern Africa
October 26, 2007

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 2007, 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.

Ford Motor Company of Southern Africa has two Plants in South Africa. A Vehicle Assembly Plant located in Tshwane and an Engine Manufacturing Plant located in Port Elizabeth.

The Vehicle Assembly Plant produces the Ford Ranger, Ford Bantam, Ford Focus, Mazda BT-50 and Mazda 3 vehicles. The site area is 113 hectares and the Assembly area is 157 000 square meters in size. The Plant has a capacity of 74 000 units per shift/per annum. The plant employs 2820 hourly paid employees and 635 salaried employees.

The Struandale Engine Plant has 2 Engine assembly lines (1.3 and 1.6 Rocam Engine and Ranger 4.0L V6) and 8 machining lines producing 200,000 engines per annum for customers in Europe, South America, Africa and Asia. The Struandale Engine Plant site area is 125 hectares with a building area of 38 000 square meters. The plant employs 680 hourly paid employees and 85 salaried employees.

The Assessment Process

Step 1: Prior to the Assessment:

David Berdish, Manager of Social Responsibility and Organizational Learning sent a copy of the Human Rights Code of Working Conditions and a communication letter to Cerita Douglas and Anton van der Walt 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.

David Berdish requested the above employees to conduct a review relating to the following: 1) If the documents provided 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 review confirmed that the documentation is appropriate for verifying compliance with the Code. However, the review 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 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?

We are pleased to know that our organization complies with the code.

The working conditions code is in line with what is practiced by FMCSA. We also strongly believe that communicating the basic working conditions code would definitely aid each of Ford's owned/operated facilities in being aligned towards corporate values and guidelines. It is important that Ford communicates that it cares about people and is committed to a fair and equitable system. It also communicates Ford's intentions and image globally.

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?

We don't anticipate any areas of non-compliance. However due to a fluid job market, competitive compensation remains a challenge in the face of an ability to pay. All the elements as mentioned in the code are monitored for compliance.

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

In general the assessments will be perceived in a very positive, progressive and fair manner. There could be employees or representatives that will view the assessments with some skepticism.

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 Labour:** In terms of the Basic Conditions of Employment Act (no. 75 of 1997) South African Law prohibits an employer to employ a child who is under the age of 15 or who is under the minimum school-leaving age in terms of any law. In addition, no employee is recruited below an educational level of grade 12 which means that employees recruited are at least 18 years or older. Personal details are kept on file for verification purposes.
- **Compensation:** Hourly paid employees are unionized. Freedom of association and the right to belong to a Trade Union is enshrined in the South African Constitution and covered by the Labour Relations Act of 1995. All FMCSA hourly paid employees are part of a national bargaining unit called the National Bargain Forum (NBF). The NBF negotiates wages and conditions of employment. All OEM Manufacturers in South Africa are covered by this agreement. 3-year Agreements are negotiated and implemented.

Salaried employees' compensation and benefits are derived through competitive analysis (salary and benefit surveys) as well as a Company ability to pay principle. Annual increases are based on a pay for performance principle

- **Forced Labour:** Forced labour is strictly prohibited by the Law and is strictly adhered to.
- **Freedom of Association and Collective Bargaining:** As indicated above, all employees are entitled to belong to a Trade Union. This right is protected by law. Collective bargaining rights are similarly protected in SA labour legislation. All hourly employees are covered by a collective agreement derived through the National Bargaining Forum.

Though salaried employees have the right to belong to a Trade Union, no collective agreement exists as salaried employees have elected not to organise into a bargaining unit. However a Salaried Forum is in existence to liaise on behalf of the needs of salaried employees. Forum members, as per various salaried constituencies, are elected. These members represent salaried employees and matters of mutual interest are discussed and agreed upon.

- **Harassment & Discrimination:** Harassment and discrimination of any employee on the basis of sex, race, colour, creed, religion, age, ethnic or national origin, marital/parental status, disability or sexual orientation is prohibited by the South African Constitution as well as by various Labour Legislation such as the Basic Conditions of Employment Act, the Employment Equity Act and the Labour Relations Act. FMCSA has a Zero Tolerance Policy for any form of discrimination and harassment. In addition the Human Resources structure has recently established a Diversity and Employment Equity Specialist position, reporting to the Human Resources Business Operations Manager. This position monitors and guides the Company with respect to matters such as the implementation of the global Zero Tolerance policies, Open Door Policy, Policy on the Relationship with employees as well as Diversity and Equity matters. A local "hotline" is also in operation. Personnel Relations Reviews, Pulse Results and Hotline calls are used to monitor and to ensure implementation of various Company policies in this regard
- **Health & Safety and Environmental Responsibility:** FMCSA regards the proactive management and leadership of Health and Safety and the Environment as a business imperative. All Health and Safety processes are governed by the SHARP process. Shop floor level, Plant and Executive reviews take place on a regular basis. In addition, the Occupational Health & Safety Act of 1993 governs Health and Safety in South Africa.
- **Work Hours:** The Basic Conditions of Employment Act regulates working hours as well as maximum overtime hours. FMCSA policies regulate these hours and in addition the hourly paid employees are governed by the NBF Agreement. Overtime payment is governed by the Basic Conditions of Employment Act, Company Policy and the Collective Agreement
- **Bribery and Corruption:** As provided in policy C3 – Standards of Corporate Conduct, FMCSA will under no circumstances tolerate the giving or receiving of money, gifts, or favors to influence improperly the behavior of another individual, organization, government employee, politician, or government body in furtherance of a commercial or personal advantage. All salaried, contract and agency employees are required to make annual declarations in terms of Policy letter C3. Exception reports are developed to ensure that all employees do make this declaration.
- **Community Engagement:** FMCSA considers local communities a primary stakeholder in projects and activities. Year to date 2007 more than 400 hours by more than 100 employees have been dedicated to community projects.

4. Where are documents housed?

- Employee related details are maintained on personnel files for both salaried and hourly employees. In addition People Soft retains record of past and present hourly and salaried employees.
- Salaried scales & Hourly employee's wage structure are maintained by Compensation and Benefits within the Human Resources structure.
- Collective bargaining documents and agreements are maintained by Labour Relations within the Human Resources structure.
- Grievance Procedure documents are kept on file with either HRBO or Labour Relations.
- Employee hotline records are maintained by the Hotline service provider (KPMG).
- Human Resources Policies and Procedures are documented and kept on the Powerway system and displayed on the Company's Intranet site. In addition, all Personnel Relations Policies are maintained and kept on the company's Intranet site.
- SHARP scorecards: FPS Metrics are maintained by each Team which includes SQCDME

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)?

- Ensure periodic assessment of facilities takes place in order to ensure compliance
- Objective metrics are required

6. Any other words of wisdom/advice?

- Many measurement tools are in place that is able to gauge and measure successful implementation of Company policies. These tools are Pulse reports, Personnel Relations reviews, C3 Violations, Hotline calls/cases and employee grievances

Step 2: Assessment

Based on its history of knowledge and compliance with local legislation, collective bargaining agreements and Ford Motor Company global policies, it is evident that FMCSA can comply with the Code of Basic Working conditions. Robust corrective action processes are in place to monitor compliance and provide remediation. FMCSA can prove its Leadership in human rights issues such as employment equity and HIV/Aids.

Step 3: Leadership

The Company has established a number of sustainable projects within the FMCSA structure as well as within the community

- **FMCSA HIV/AIDS and Wellness Program:** The program objectives are to create wider awareness of HIV/Aids among employees, cultivate a culture of knowing ones HIV status, creating a supportive environment for those living with the virus within the company and in the community. The primary focus has been on employees of the company and their spouses. There has been a need to expand on the programme and extend to the community level hence structures like local clinics and non government organisation have been identified as partners.

FMCSA is committed to provide care and support for employees living with the virus. Employees are encouraged to "Choose Life" consistent with Company's mission, to have a healthy workforce. The HIV programme was introduced in 1999, and began with the formulation of an HIV/AIDS policy. Enhancements to the program include education and awareness activities, a Peer Education programme, referrals to disease management programmes for those in need of anti retroviral treatment and ongoing on-site VCT services for all employees.

The components of the program cover the following:

- Awareness and Prevention
- HIV/AIDS Education and Training
- Voluntary Counselling and Testing
- Wellness Campaigns and Health Days
- Referrals to Disease Management Programmes
- Care and Support
- Information Sessions
- Monitoring & Evaluation

In 2006, the programme was broadened to include general health education and nutrition to focus on all aspects of the employee's total wellbeing. Education and information sessions are designed to inform employees about the importance of STI's (sexually transmitted infections) and TB and the impact of opportunistic diseases on Aids prevalence.

- Other projects include the Ford Care Centre, Mazda Wildlife Fund, SOS Children's Village and the MEDICOS School for handicapped children.

Conclusions

Based on this assessment, it is quite evident that FMCSA complies with the Code and those robust processes are in place to monitor compliance and provide remediation methods at all facilities.

In fact, the strong FMCSA presence and reputation among its community makes it a candidate for leading edge sustainability business practices, including Megacity Mobility, and can prove its leadership in social dimensions of sustainability, like sustainable transportation, human rights, diversity, health, discrimination and a more systemic evaluation around the country.

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>