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## Human Rights

### 2009 HIGHLIGHTS:

- Trained more than 180,000 of our suppliers' workers in human rights through outreach programs
- Our human rights efforts were ranked first in *CRO* magazine's 100 Best Corporate Citizens list



We understand the positive impact our actions can have on our 176,000 employees and the million people who work for companies in our supply chain.

In 2000, Ford held a meeting with several prominent thought leaders from key stakeholder groups, as part of the development of our corporate citizenship strategy. The stakeholders identified several issues as the most important focus for Ford's strategy. Some issues, such as climate change, were not unexpected. More surprising was the issue of human rights. The stakeholders were asking Ford to take a leadership role in the industry by developing systems and programs to ensure sound working conditions in Ford facilities and our supply chain.

Despite the relative obscurity of the issue (at the time, working conditions in the automotive industry were not in the public eye), we recognized compelling business reasons to take up the cause. We believed then, and we still believe, that people are most likely to excel in an environment that aims for excellence. A safe workplace in which people are treated with respect promotes increased quality, productivity, employee retention and morale. It can also decrease quality problems and health care costs. This is true in our own facilities and in those of our suppliers. Indeed, we think a supplier company's efforts to address working conditions, environmental challenges and other sustainability issues are good indicators of its management's leadership capabilities.

Fast forward 10 years. Ford's Code of Basic Working Conditions (CBWC), adopted in 2003, applies throughout our global operations and \$65 billion supply chain. We require our suppliers to ensure that our products – no matter where they are made – are manufactured under conditions that demonstrate respect for the people who make them. This is just as important to us as quality, cost competitiveness and timeliness of delivery. 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. We also actively participate by invitation in both the Human Rights and Supply Chain Sustainability Advisory Groups convened by the Global Compact. And we are leading an initiative through the Automotive Industry Action Group (AIAG) to develop a common approach to working conditions in the automotive supply chain. We have set [goals](#) that reflect our three-pronged approach to the issue:

- Engagement with Individual Supplier Facilities: Training and capability building form the basis of Ford's supply chain working conditions program, supported by assessments of individual factories (totaling more than 600 to date). Through Ford-administered programs and those conducted in conjunction with other automakers and the AIAG, we have trained 1,773 managers from 1,478 supplier companies on systemic solutions to working conditions

### PERSPECTIVES ON SUSTAINABILITY



Timothy Fort

Executive Director and Professor of Ethics, Institute for Corporate Responsibility, George Washington University

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### RELATED LINKS

This Report:  
[Code of Basic Working Conditions](#)

External Web Sites:

- [United Nations Global Compact](#)
- [The Labour Principles of the United Nations Global Compact: A Guide for Business](#)

### DOWNLOADS

- [UN Global Compact Letter from Alan Mulally \(pdf, 126kb\)](#)



challenges. Training participants are required, in turn, to cascade the training to their own management and employees as well as to clearly communicate expectations to their suppliers, thereby expanding the impact significantly.

- Engagement with Key Suppliers' Corporate Management: Ford is working with its strategic production suppliers at the corporate level to enhance their policies, verification systems and ability to influence their own supply chains. Our 90 Aligned Business Framework suppliers commit to manage and assure proper working and environmental conditions in their facilities and supply chains, and we are measuring their progress in doing so.
- Collaboration within the Automotive Industry: Ford is driving collaboration between automakers and supply chain companies on global working conditions issues through the AIAG.

The following are among the lessons we've learned in our decade of work in this area.

- Almost without exception, the systems and processes in place at Ford-owned facilities and joint ventures – from health and safety management to collective bargaining agreements – are sufficient to ensure compliance with the CBWC. In 2009, we conducted assessments at older facilities with "legacy" practices put in place by the prior owners. We have worked hard to modify and align those practices to achieve compliance with our Code.
- Our concern for human rights does not end at the factory fence line. Issues ranging from environmental pollution to economic conditions in the local communities can affect the human rights of individuals. That's why our CBWC addresses community engagement and indigenous populations, bribery and corruption, and environment and sustainability.
- Assessing working conditions at supplier factories is necessary but not sufficient to ensure alignment with our CBWC. Through our efforts, we have learned the importance of helping suppliers build the capability to manage working conditions, rather than simply assessing their compliance with Ford and legal requirements (though assessments continue to provide important learnings).
- Due to the complex and overlapping nature of the automotive supply chain, action on the part of a single original equipment manufacturer (OEM) is less effective than OEMs working together toward a shared vision through joint programs. We see significant potential for collaborative action by automakers to establish a common, effective and efficient approach to ensuring sound working conditions in the automotive supply chain.
- Affecting the furthest reaches of our supply chain can be challenging. We have set the expectation that our direct (Tier 1) suppliers will not only provide sound working conditions in their own operations, but will expect the same of their suppliers, who in turn are to encourage their own suppliers to do the same. We work very closely with our strategic suppliers to cascade this approach through their supply chains. The further removed the supplier is from Ford, the harder it is to determine our influence on working conditions, and so our dialogue with our Tier 1 suppliers is critical.

We continue to adapt our approach as new opportunities and challenges emerge. Some of the issues we are currently evaluating and responding to include the following.

- As the widespread electrification of automobiles moves closer to reality, concerns are emerging over the environmental and social impacts of extracting and processing lithium (which is needed to make the lithium-ion batteries that will be used in battery electric and plug-in hybrid electric vehicles) and rare earth elements (which are used in electric motors for vehicles, wind turbines and other advanced technologies). We are exploring these issues as part of our approach to [vehicle electrification](#). We are also looking at the raw materials used in information technology components, as we increase the capabilities of our SYNC® system.
- We believe that government can play a role in encouraging companies to manage human rights responsibly in their operations and supply chains. We are working with the U.S. Departments of State and Labor to explore this potential. (See the [Public Policy](#) section for more on this topic.)
- The availability and quality of freshwater is an issue of increasing global importance. Through work on our [water strategy](#), we are exploring the human rights implications of increasing scarcity of and competition for water.

We are proud of our record on human rights and our leadership in the automotive industry. We will continue to deal with emerging issues responsibly, in line with our commitment to human rights, and to learn from our experience.

This section of our report covers the systems and initiatives we have established to communicate

our expectations throughout our own operations and to our suppliers, to assess alignment with the CBWC, to encourage our suppliers to implement similar approaches and to promote a coordinated, industry-based approach to working conditions in the automotive supply chain.

#### FORD ASSISTS WITH U.N. GLOBAL COMPACT STRATEGY

Ford was one of approximately 20 companies invited to join the UNGC's Supply Chain Sustainability Advisory Group – and the only North American automotive company invited to participate. The objective of the group is to produce guidance for Global Compact participants on how to develop more sustainable supply chain practices. The group's work stream will link with the Global Compact's issue working groups on human rights, labor, environment and anti-corruption. The advisory group will be asked to provide input to the overall strategy of the Global Compact on this issue and to the development of guidance material and other outputs. The resulting guidance documents and resources will be launched at the U.N. Global Compact Leaders Summit in June 2010 in New York.

Human rights refers to basic standards of treatment to which all people are entitled. It is a broad concept, with economic, social, cultural, political and civil dimensions. For Ford, this means ensuring that our products, no matter where they are made, are manufactured under conditions that demonstrate respect for the people who make them. It also means respecting the rights of people living in the communities around our facilities, and those of our suppliers, who may be affected by these operations.

Working conditions refers to aspects of human rights in the workplace, as governed by local laws and affected by international standards pertaining to workplace issues such as child labor, harassment and discrimination, health and safety, wages and benefits, freedom of association, working hours and forced labor.

#### THE 10 PRINCIPLES OF THE U.N. GLOBAL COMPACT

##### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

##### Labor Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

##### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

##### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



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## Ford's Commitment to Human Rights

Ford's commitment to human rights is embodied in our [Code of Basic Working Conditions \(CBWC\)](#), which forms the foundation of our work in our own operations and supply chain and our collaboration with others in the industry. The CBWC articulates our commitments on key human and labor rights issues. In effect since 2003, it was more formally adopted as a Policy Letter in 2007. The CBWC is based on fundamental elements of internationally recognized labor standards, including the Universal Declaration of Human Rights, International Labour Organization Covenants, the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises, the United Nations' Global Compact Principles, the Global Sullivan Principles, and standards of the Fair Labor Association and International Metalworkers' Federation. Ford encourages businesses throughout our supply chain to adopt and enforce similar policies, and seeks to identify and do business with organizations that conduct their businesses to standards that are consistent with the CBWC.

The CBWC covers workplace issues such as working hours, child labor and forced labor. It also reflects our increasingly integrated approach to managing human rights and community issues by articulating our commitments on several key issues that extend beyond the fencelines of our facilities, including community engagement and indigenous populations, bribery and corruption, and environment and sustainability.

We encourage employees who have a good-faith belief that there may have been a violation of this Code to report it through established channels, which vary by region, or to Ford's Office of the General Counsel.

These reports are then forwarded to the Manager of Human Rights, who takes action to clarify, validate and correct the situation, if necessary. No retaliatory actions are taken against employees who report concerns about violations of the CBWC.

## RELATED LINKS

This Report:

- [Code of Basic Working Conditions](#)
- [Community](#)



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## Code of Basic Working Conditions

This Code of Basic Working Conditions represents the commitment of Ford and its worldwide subsidiaries. The diverse group of men and women who work for Ford are our most important resource. In recognition of their contributions, we have developed policies and programs designed to ensure that our employees enjoy the protection afforded by the principles articulated today in this Code. While these principles are not new to Ford, they are vitally important to what we stand for as a company. Consequently, we have chosen to summarize them here in an expression of our global commitment.

While this Code of Conduct serves to detail, specifically, our standards for labor and environmental standards throughout our global operations, it also stands as a general endorsement of the following human rights frameworks and charters:

- The UN Universal Declaration of Human Rights
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD Guidelines for Multinational Enterprises
- The Global Sullivan Principles of Social Responsibility

The diverse universe in which Ford operates requires that a Code such as this be general in nature. In certain situations, local legal requirements, collective bargaining agreements and agreements freely entered into by employees may supersede portions of this Code. Nevertheless, we believe this Code affirms important, universal values that serve as the cornerstone of our relationship with employees.

### Child Labor

We will not use child labor. In no event will we employ any person below the age of 15, unless this is part of a government-authorized job training or apprenticeship program that would clearly be beneficial to the persons participating.

### Compensation

We will promote our employees' material well-being by providing compensation and benefits that are competitive and comply with applicable law.

### Forced Labor

We will not use forced labor, regardless of its form. We will not tolerate physically abusive disciplinary practices.

### Freedom of Association and Collective Bargaining

We recognize and respect our employees' right to associate freely and bargain collectively. We will work constructively with recognized representatives to promote the interests of our employees. In locations where employees are not represented by unions, we will seek to provide opportunities for employee concerns to be heard.

### Harassment and Discrimination

We will not tolerate harassment or discrimination on the basis of sex, race, color, creed, religion, age, ethnic or national origin, marital/parental status, pregnancy, disability, sexual orientation or veteran status.

### Health and Safety

We will provide and maintain for all employees a safe and healthy working environment that meets or exceeds applicable standards for occupational safety and health.

## Work Hours

We will comply with applicable law regulating hours of work.

## Community Engagement & Indigenous Populations

We shall consider indigenous peoples among our primary stakeholders in all projects we consider undertaking. We will openly and honestly engage all recognized members of our stakeholder community who have an interest in our activities.

## Bribery and Corruption

We will under no circumstances tolerate the giving or receiving of undue reward to influence the behavior of another individual, organization, politician or government body, so as to acquire a commercial advantage; this extends to all of our regional operations, regardless of whether bribery is officially tolerated and condoned.

## Environment and Sustainability

We will conduct business in an environmentally friendly and responsible manner. We will seek to reduce and minimize the environmental impact of all of our operations in the short term, as we seek to become an environmentally restorative and truly sustainable company in the long term.



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## Working Conditions in Ford Plants

Ford's Code of Basic Working Conditions applies to our own facilities as well as those of our joint venture companies and suppliers. Since 2004, we have conducted 47 formal assessments of Ford facilities, six of which were joint-venture facilities.

During 2009, we conducted assessments at our Oakville plant in Ontario; our Valencia plant in Venezuela; our recently acquired plants – Troeller in Horizonte, Brazil, and Craiova in Craiova, Romania – and our joint-venture plants in Pleukdang, Thailand, and Chongqing, China. These sites were selected by Ford's Sustainability and Environmental Policy and Supply Chain Sustainability functions based on the sites' impact on our supply chain, emerging issues and the views of thought leaders, nongovernmental organization representatives and human rights activists.

The process for assessing Ford facilities includes a questionnaire to be completed by facility management and a detailed review of documents related to the full range of working conditions issues (e.g., collective bargaining agreements, grievance procedure logs, employee hotline records and health and safety audit reports).

The findings of the questionnaire and document review serve as the basis for interviews with facility management. Where procedures and/or documentation are lacking, or where we feel it would otherwise be valuable, the assessments also include facility visits.

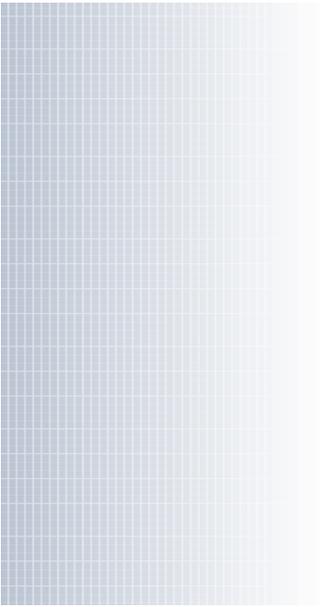
The findings of the assessments are initially shared with human rights organizations with which Ford works and then published on our Web site. We have sought the opinions of neutral third parties who have visited plants and/or reviewed the assessment process, and they have agreed that the process is robust and has integrity.

The findings of the 2009 assessments were generally consistent with those of previous assessments. That is, they confirmed that Ford's wholly and majority-owned facilities are operating in compliance with our CBWC. Reflecting the expanded scope of the CBWC, the assessments also discuss and document community engagement efforts, effects on indigenous populations and environmental initiatives. However, we observed the impact that operating in countries with less-stable governments can make on our own CBWC elements and work rules. We took great care to ensure that these obstacles did not prevent us from achieving our objectives, and we plan to continue to monitor the facilities to detect and address any potential concerns.

We have received considerable and consistent positive feedback from external stakeholders about the policies and systems in place at Ford facilities. While we and our stakeholders have confidence in our systems, we nonetheless believe it is important to continue conducting the assessments given that conditions can change and new issues emerge.

DOWNLOADS

- Santa Rosa Human Rights Assessment (pdf, 61kb)
- Camacari Human Rights Assessment (pdf, 111kb)
- Ford Motor Company of Southern Africa Human Rights Assessment (pdf, 85kb)
- Vsevolozshk Human Rights Assessment (pdf, 85kb)
- Chicago Human Rights Assessment (pdf, 79kb)
- Hermosillo Human Rights Assessment (pdf, 152kb)
- Michigan Human Rights Assessment (pdf, 106kb)
- Broad Meadows Human Rights Assessment (pdf, 133kb)
- Lio Ho Human Rights Assessment (pdf, 103kb)
- Pacheco Human Rights Assessment (pdf, 1.45Mb)
- Changan Human Rights Assessment (October 10, 2006) (pdf, 56kb)
- Changan Human Rights Assessment (June 10, 2009) (pdf, 54kb)
- India Human Rights Assessment (pdf, 41kb)
- Otosan Human Rights Assessment (pdf, 63kb)
- Vietnam Human Rights Assessment (pdf, 73kb)
- Oakville Human Rights Assessment (pdf, 37kb)
- Valencia Human Rights Assessment



(pdf, 40kb)

 **Craiova Human Rights Assessment**  
(pdf, 58kb)

 **Louisville Human Rights Assessment**  
(pdf, 68kb)

 **Pleukdang Human Rights Assessment**  
(pdf, 80kb)

 **Troeller Human Rights Assessment**  
(pdf, 78kb)

 **São Bernardo Human Rights Assessment**  
(pdf, 76kb)

 **Code of Basic Working Conditions**  
(pdf, 14kb)

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## Ford and the Automotive Industry Supply Chain

Our complex global supply chain encompasses several thousand supplier facilities that employ a million people. (See [Supply Chain Profile](#).) We aim to ensure that everything we make – or others make for us – is produced consistent with local law and our [Code of Basic Working Conditions](#). This can be challenging, as we have less control in suppliers' facilities than in our own, particularly at the sub-tier level (i.e., our suppliers' suppliers).

The legal structures governing working conditions, and the level of enforcement, vary widely across the countries in which we operate. Ensuring sound working conditions in the supply chain is ultimately the suppliers' responsibility, and we would like governments to play the lead role in enforcing compliance with laws. However, as customers, we also have an active role to play in supplier development.

Since we began work with our suppliers to ensure alignment with our CBWC, our approach has emphasized building capability throughout the supply chain to manage working conditions effectively. Our primary focus has been on training and education about working conditions issues, in conjunction with assessments of individual suppliers in order to verify performance and progress. We are committed to collaborative action to more effectively influence all levels of the automotive supply chain.

Our long-term vision is for our industry as a whole to converge on a set of common expectations for the global automotive supply chain and then work together to ensure that these expectations are met throughout the supply chain. We are working toward that goal comprehensively, with a three-pronged approach aimed at individual supplier facilities, supplier company management and auto company management. (See the "[Expanding Impact on Working Conditions](#)" graphic.)

183,052

Number of our suppliers' workers who have been trained in human rights based on our supplier outreach programs.

RELATED LINKS

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## Supply Chain Profile

### Production

(Anything that is part of the vehicle)

**60+**

Countries in which suppliers are located

**36**

Emerging markets in which suppliers are located

**17**

Emerging markets considered to have risks of substandard working conditions. These countries were identified as higher risk based on consultation with nongovernmental organizations, other companies with human rights experience, local Ford operations and various media and government reports.

**90**

Ford manufacturing sites

**1,600+**

Supplier companies (Tier 1)

**4,600+**

Supplier manufacturing sites

**130,000**

Parts currently being manufactured

**250+**

Production commodities to manage

### Nonproduction

(Anything that is not in the vehicle, such as services, marketing, construction, computers, industrial materials, health care, machinery, trains)

**9,000+**

Supplier companies

**600+**

Nonproduction commodities

**TOTAL GLOBAL BUY**

**\$65+ billion**



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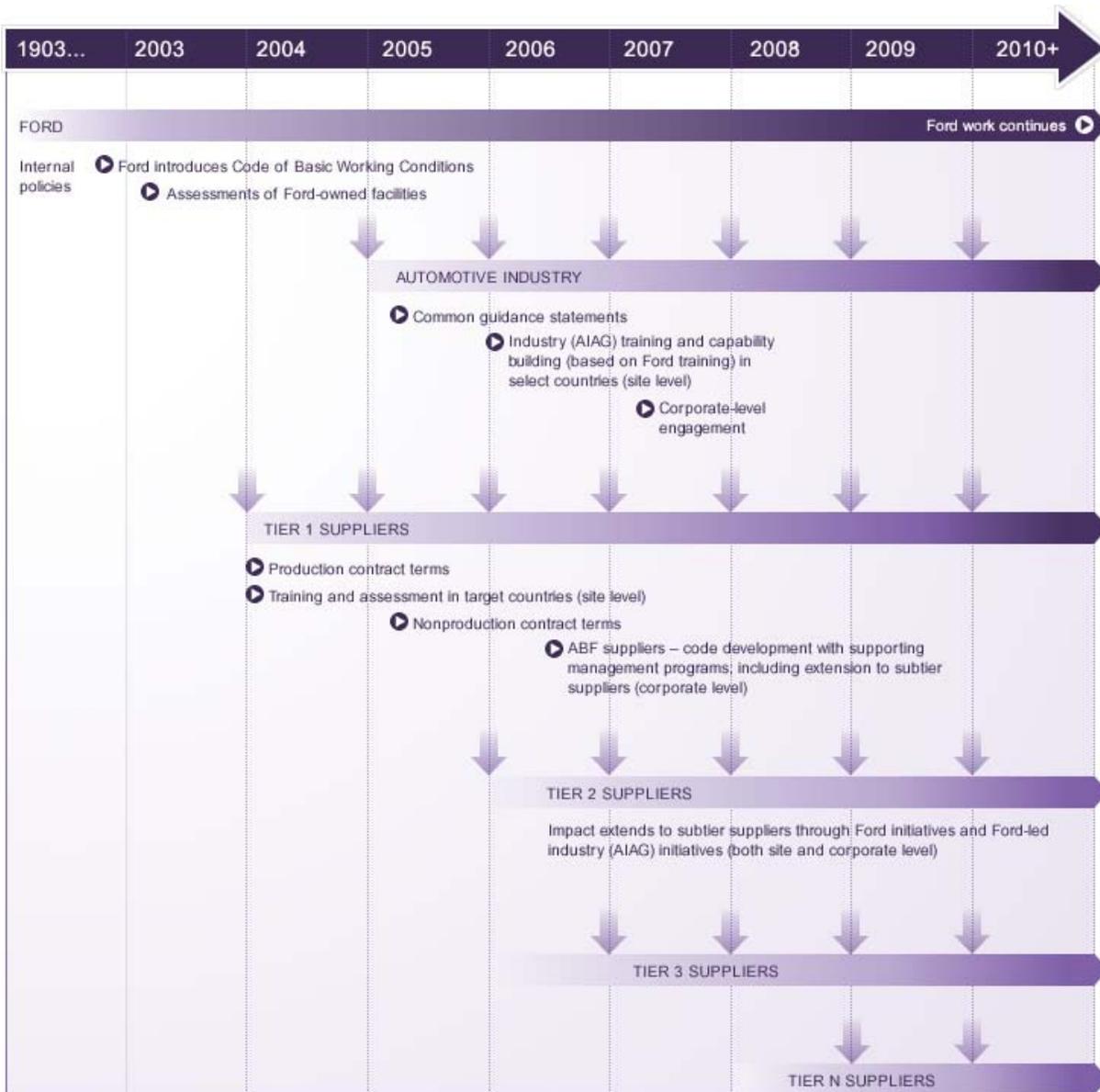
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## Engagement with Individual Supplier Facilities

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  - Building Supplier Capacity
  - Assessing Suppliers

## Setting Expectations for Our Suppliers

Every supplier doing business with Ford is subject to Ford's Global Terms and Conditions. This core contract reflects our prohibition of the use of forced labor, child labor and physical disciplinary abuse. These requirements were added in January 2004 for production suppliers and in September 2005 for all others. We have provided a standard for these areas – the same as we use in our own facilities (Ford's Code of Basic Working Conditions) – that supersedes local law if our standard is more stringent. The Global Terms and Conditions also prohibit any practice in violation of local laws.

In addition, the Global Terms and Conditions serve to:

- Set the expectation that suppliers will work toward alignment with our CBWC in their own operations and their respective supply chains in the areas of harassment and discrimination, health and safety, wages and benefits, freedom of association, working hours, bribery and corruption, community engagement, and environment and sustainability
- Make clear Ford's right to perform third-party site assessments to evaluate supplier performance
- Communicate that Ford can terminate the relationship for noncompliance or for failure to address noncompliance in a timely manner

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## Building Supplier Capacity

The primary focus of our work on human rights in our supply chain is building capability among our suppliers to responsibly manage working conditions. This includes meeting legal requirements and Ford's expectations, as well as promoting sound working conditions in our suppliers' own facilities and supply chains. We have developed and delivered tailored training programs for Ford suppliers in select countries in cooperation with the Automotive Industry Action Group, a North American member-based, nonprofit industry group specializing in supply chain issues.

Ford's training workshops emphasize the interpretation and application of legal standards and international best practices. By interacting with managers from the human resources, health and safety, labor affairs and legal departments of participating companies, the workshops provide for a two-way learning experience touching on the areas of interest for each company.

While Ford's supplier training sessions are customized to align with the unique laws, customs, cultures and needs of each location, in general they consist of:

- A day-long interactive workshop facilitated by qualified trainers and involving multiple automotive suppliers, in which participants develop and confirm an understanding of Ford expectations, local labor law, best practices and management systems, and
- A confirmed communication cascade for providing information obtained during the classroom training to all supplier personnel at each factory and direct sub-tier suppliers.

During 2009, we held training workshops in Argentina, China, Korea, the Philippines, South Africa and Taiwan. Some 1,773 managers from 1,478 different supplier companies have completed a full day of training since the inception of the program in 2004. These suppliers have now moved on to the process of self-assessing their facilities for compliance with local law and Ford expectations, and completing the final stage of the program, which is communication to both workers and their own suppliers on the topic of working conditions expectations.

We continue to focus on the 17 countries we had previously identified as having higher risks of substandard working conditions. Among those countries, locations are prioritized based on production and sourcing trends, sales trends and relative perceived risk based on the input of human rights groups, other companies' experience and other geopolitical analysis. In 2010, we plan to conduct supplier training programs in conjunction with AIAG in Brazil, India and Turkey and by Ford alone in Romania.

### WORKING CONDITIONS PROGRAM COUNTRIES

- Americas and Caribbean: Argentina, Brazil, Colombia, Mexico, Venezuela and Central America (Dominican Republic, Honduras, Nicaragua)
- Asia and Africa: China, India, Korea, Malaysia, the Philippines, South Africa, Taiwan, Thailand, Vietnam
- Europe: Romania, Russia, Turkey



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## Assessing Suppliers

Since 2003, we have conducted more than 600 assessments of existing and prospective suppliers in 20 countries. The assessments provide feedback to Ford and suppliers about how well they are meeting legal requirements and Ford's expectations. They also provide insight into the effectiveness of our training programs. Assessments consist of a detailed questionnaire, a document review, factory visits, and management and employee interviews, and are conducted with the assistance of external auditors.

In 2009, we conducted assessments across the target countries. The findings from the 2009 assessments were generally consistent with those we had previously conducted. Namely, they identified a wide range of general health and safety issues, several wages and benefits issues and a limited number of other types of noncompliance.

The findings from Ford's 2009 supplier assessments included:

- No evidence of forced labor or physical disciplinary abuse
- A range of general health and safety issues, including inadequate emergency systems
- In some cases, a lack of appropriate timekeeping systems, and thus a failure to pay correct overtime wages
- In some cases, a failure to pay the correct local minimum wage or overtime or to provide the correct social insurance
- A general need to clearly define policy on harassment and discrimination
- Limited cases of restricted workers doing hazardous work
- In some cases, limited or restricted access to appropriate documentation regarding subcontracted labor and privacy policies
- In some cases, nonpayment of company contributions to government-mandated social programs
- Working hours violations related to overtime (In some cases, this overtime is a chronic issue resulting from poor capacity planning, but more often, it occurs only during peak production periods.)

Freedom of association has been difficult to verify. While all assessed suppliers have either union representatives or a grievance process, there may be issues we have not been able to identify through our assessment process.

Another common finding is that suppliers often lack fully developed management systems – including continual improvement processes – to support compliance over time. This finding has validated our training approach, which continues to emphasize management systems at both the corporate and factory levels.

We continue to engage with our suppliers to develop and implement appropriate corrective action plans. Through this process, we have the opportunity to encourage change throughout the tiers of suppliers and affect positive change more broadly.

In 2010, we will continue to conduct supplier assessments across the target countries as necessary.

RELATED LINKS

- This Report: Working Conditions Assessment Status for Supply Chain



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- Materiality Analysis
- Climate Change
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## Engagement with Key Suppliers' Corporate Management

Within our global supply base, we have long-term, strategic relationships with a select number of suppliers. Relationships with these suppliers are structured through our Aligned Business Framework (ABF), which is designed to create a sustainable business model to increase mutual profitability, improve quality and drive innovation. In 2010, we expanded the ABF, adding 13 new companies. There are now 90 companies identified as ABF suppliers. Minority- and women-owned suppliers make up nearly 15 percent of the ABF network.

The bilateral ABF agreements comprehensively and formally spell out 22 key business commitments to which Ford and the ABF suppliers must adhere. One element of the ABF agreement is the commitment by suppliers to manage and assure proper working conditions, including responsible environmental management, in their facilities and in their supply chain. (ABF suppliers must also adhere to our Global Terms and Conditions.) This commitment is important for several reasons. Beyond the simple fact that it is the right thing to do, there are specific business benefits to Ford and suppliers in reducing the risk of operational or reputational problems that could affect production. The commitment also provides an opportunity for joint action by Ford and its suppliers to ensure sound working conditions throughout the automotive supply chain.

Ford is facilitating this ABF commitment through a three-phase process, in which ABF suppliers are asked to:

1. Develop or verify that they have a code of conduct aligned with Ford's Code of Basic Working Conditions and internationally accepted principles,
2. Conduct internal awareness training and develop compliance processes supporting their code, and
3. Extend or cascade these expectations to their sub-tier suppliers.

We are making good progress in working through the phases with our ABF suppliers. About 24 suppliers have completed the first phase; 11 suppliers have completed the second phase and seven suppliers have completed all three. We have implemented a robust process of review at each phase, thus ensuring that suppliers have met our expectations.

Ford has committed to providing suppliers with a range of support and assistance based on our experience in this area. We have developed an in-depth resource guide to give suppliers information and background on human rights, generally, and on the development of their own codes, specifically. We are sharing the training materials we have developed, as well as information and developmental guidance on our compliance and training processes. Finally, we have committed to working with suppliers to help resolve issues and concerns.

Through our work with ABF suppliers to date, we have found key success factors that have enabled companies to make notable progress including: (1) the identification of executive decision makers to coordinate cross-functional efforts; (2) the support of executive management and/or the Board of Directors; and (3) facilitation by Ford of discussions and implementation support through individual or regional in-person meetings. In general, companies that have been able to make progress in aligning with these ABF expectations have been those that have not been in significant financial distress and those that may already have aligned values, but had not necessarily institutionalized those values through policies and programs. Many of these companies approach responsible working conditions and environmental management in a systemic manner with implementation and supporting management systems in mind.

During the fourth quarter of 2009, we held two sustainability sessions – one in Dearborn, Michigan, and one in Cologne, Germany – that were attended by senior management from Ford and our ABF suppliers. Topics covered in these meetings included the development of internal trainings as well as best practices from suppliers related to responsible working conditions and environmental management in their owned operations as well as with their suppliers. We also held a workshop

RELATED LINKS

- This Report:
- Suppliers
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discussion on the topic of carbon measurement in the automotive value chain. This introductory dialogue helped to inform Ford's effort to test approaches to [measuring greenhouse gas emissions in the supply chain](#).

Through the ABF, Ford is making strides in improving its working relationships with suppliers on a global basis. We are particularly excited about our sustainability work with our ABF suppliers, which leverages our efforts to manage human rights and environmental responsibility issues in our supply chain in a more collaborative, in-depth, integrated and aligned manner. In our view, it will help embed ownership for social and environmental issues throughout our value chain, and lead to the development of more robust sustainable management systems across the automotive supply chain.

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## Collaboration within the Automotive Industry

Ultimately, we would like all automakers to take a coordinated approach to protecting human rights and environmental conditions in the supply chain. We promoted cross-industry collaboration beginning in North America and have extended these efforts to include global manufacturers. Our view is that all participants in the supply chain – from the original equipment manufacturers (OEMs) such as Ford, to the suppliers themselves, to the government agencies that set and enforce the regulations governing operations – must be involved to make these efforts sustainable in the long run. Such collective action will not only minimize costs and increase efficiency for OEMs and suppliers alike, but will lead to better results than if individual companies take steps in isolation.

RELATED LINKS

- External Web Sites:
- Automotive Industry Action Group
  - AIAG Global Working Conditions Initiative
  - Business for Social Responsibility

### Automotive Industry Action Group Initiative

Since 2004, Ford has worked with the AIAG to implement its capability-building program with global suppliers, with the intent of leveraging that work with other automakers (see diagram below). Ford has taken an "open book" approach to its supply chain work and has contributed an "executive on loan" – the global manager of our Supply Chain Sustainability group – to the AIAG to support the industry's work and share what we have learned from working on these issues within our own operations. Materials developed within Ford to promote responsible working conditions have been offered to the group as a platform for use and development.



In 2005, Ford, General Motors, Chrysler, Honda North America and Toyota North America began collaborative work through AIAG to explore a cooperative industry approach to promoting decent working conditions in the supply chain. We continue to seek the participation of all global OEMs. We have engaged suppliers across a variety of different commodities. Their participation has been important to inform the activities pursued by the automakers at the AIAG, as has engagement with government (both U.S. and local governments in the countries in which training programs are provided) and nongovernmental agencies.

Initiative participants have created a set of guidance statements to establish a shared industry voice on key working conditions issues. The statements cover the core elements of individual companies' codes and policies, joint codes created by other industries and key international standards. The guidance statements cover child labor, forced labor, freedom of association, harassment and discrimination, health and safety, wages and benefits, and working hours. These statements serve as a baseline agreed upon by all the participating OEMs and are used as a platform for training. It should be noted that Ford's specific expectations in the Ford CBWC for child labor exceed the expectations in the industry guidance statements and also include elements not yet addressed by the industry guidance statements, such as community engagement and indigenous populations, bribery and corruption, and environment.

### Training Workshops

Beginning in 2007, the sponsoring OEM manufacturers from the AIAG launched joint factory-level training workshops in China and Mexico. All training materials were based on Ford-developed training. Like Ford's own training programs, the programs carried out by the AIAG reach supplier

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representatives directly, and those individuals are expected to cascade the training to their own organizations and suppliers. With the support of the AIAG and the China Association of Automobile Manufacturers, the mandatory training in China reached 461 Tier 1 suppliers to Ford, GM and Chrysler, including more than 300 suppliers to Ford's joint ventures in China.

AIAG participants engaged stakeholders and further developed training materials before the launch of a training program in Mexico. The work in Mexico was partially funded and supported by a \$185,000 grant from the U.S. State Department to Business for Social Responsibility, a nonprofit group that works with companies to advance responsible business practices. This public-private partnership enabled relationship building with local industry associations, the Mexico national government and domestic suppliers in Mexico. As of year-end 2008, a total of 494 Tier 1 suppliers participated in the Mexico training, including more than 250 suppliers to Ford.

Due to the adverse conditions in the global automotive industry, training sessions planned for 2009 were rescheduled for 2010. The development of training materials and alignment of sponsoring companies continued throughout 2009 to ensure a successful 2010 deployment.

## Corporate Engagement Pilot

In December 2008, the AIAG and the five participating OEMs held two pilot working conditions training sessions targeted at senior management from the procurement organizations of their top supplier companies. During 2009, these classroom training sessions were converted into an online training program on working conditions that was targeted at purchasing or supply chain management. The development of this electronic resource was in response to feedback from supplier participants in the classroom sessions run in 2008. The web-based training was launched in early 2010 by the five participating OEMs to their respective suppliers.

## Next Steps – Industry Cooperation

The AIAG cooperative project continues to work on several fronts:

- Actively reaching out to others in the automotive supply chain, including global automakers and heavy truck manufacturers, industry associations, major automotive suppliers and cross-sectoral initiatives. Broader participation will be needed to achieve the vision of an industry-wide approach to promoting decent working conditions in the supply chain.
- Continuing to expand the training program.
- Increasing supplier ownership of working conditions issues through an expansion of engagement opportunities (i.e., the launch of e-learning programs in 2010 and continued direct engagement in AIAG work groups).
- Development of additional resources and networks that will ensure the successful communication of working conditions expectations throughout the automotive supply chain.



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## Continued Evolution

As the work at the AIAG develops and matures, Ford will maintain a leadership position in our work with the supply chain. We will continue to conduct our own training and assessment programs in countries not covered by AIAG programs. We will also seek further opportunities to strategically leverage our assessment data and training processes to enhance our overall approach to working conditions and environmental responsibility in the automotive supply chain.

In addition, we constantly monitor approaches developed by other organizations and industries in order to incorporate what they have learned into our approach. We will continue to pursue partnerships with direct suppliers that create ownership of working conditions within those supplier organizations. Clear, consistent communication and further business integration of processes that support responsible working conditions throughout the supply chain will be a key component of our continued work.

We are also collaborating with suppliers and other stakeholders to explore additional sustainability issues in our supply chain, including [carbon emissions](#) and a range of sustainability issues related to the raw materials needed to deploy new [electrification technologies](#).

### RELATED LINKS

This Report:

[Climate Change](#)

[Electrification: A Closer Look](#)



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The [data relating to human rights](#) is included in the Society section of this report.