

Ford India Limited

  
moving forward ▶

## *A Review of Ford's Economic, Social and Environmental Performance in India*

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## Introduction

*“Companies have begun to understand that, ultimately, they can only be as successful as the communities and the world that they exist in. They are realizing that environmental and social issues are business issues.”*

- Ford Motor Company Corporate Citizenship Report 2000

At Ford India Limited (FIL), indeed throughout the Ford Motor Company, we recognise the importance of operating in a socially responsible manner. To do so effectively we need to understand the impact of our activities on society. We appreciate that there are growing expectations within society regarding both business conduct and the role that business plays in making the world a better place.

Corporate citizenship, like any other area of the business, is better managed if it is measured. As a first step in measuring our impact in India, and to monitor our relationship with society, we have undertaken a self-assessment process and external consultation. This work examined our relationships with those who have a direct interest in the business and whom our activities impact. This included:

- shareholders
- employees
- consumers
- suppliers
- dealers
- government, local communities and wider society; and
- the environment.

For ease of analysis, we have treated employees as separate stakeholders but of course, they are also members of the local community. The environment was considered separately, however, it affects all stakeholders as well as future generations.

The self-assessment exercise identifies the strengths, weaknesses and emerging issues in each of our stakeholder relationships. This report summarises our findings and highlights both our successes and those areas where we have identified a need to further develop.

In conducting the assessment, we were assisted by the Ford Motor Company, Dearborn, USA, by two student interns and by the external



London-based consultancies - The Corporate Citizenship Company and SustainAbility.

The report is based on data for the fiscal year April 2000 to March 2001 except where indicated. The commentary, however, reflects our position at the point of publication.

During the course of our assessment, we found that the stakeholder expectations of FIL are high with regard to its environmental stewardship, engagement in public policy and responsibilities towards local community. There was little differentiation in the minds of those interviewed between the global Ford Motor Company - the second largest car manufacturer in the world - and the local Ford India affiliate. In view of our multinational brand and strong local presence, stakeholders are looking to us to continuously improve and demonstrate leadership in our social and environmental performance. They also have an appreciation of our need to succeed as a business in order to have a positive influence on society. They have commented positively on our community development initiatives. The strong management systems and processes of Ford are seen as one of our major strengths.

We are a relatively young Indian company, and this is our first impact assessment. Our objectives are to create a solid platform on which to build, to gain a good understanding of where we are now, and, more crucially, to identify to what level we must grow.


Ford India is moving forward. This report places a stake in the ground towards measuring and

reporting our corporate citizenship performance and developing indicators to demonstrate progress over time.

We need your views on our direction and speed, as we strive to meet the needs of our customers and behave at all times as a responsible corporate citizen.



David Friedman  
Chennai, March, 2002



*Ford India is moving forward. This report places a stake in the ground towards measuring and reporting our corporate citizenship performance and developing indicators to demonstrate progress over time.*

### Global Reporting Initiative

The Global Reporting Initiative (GRI) is an international effort to create a common framework for voluntary reporting of organisations' economic, social and environmental performance, based on a transparent process. It recommends that organisations report their corporate policies and management systems, and present their performance using a list of common indicators. The Ford Motor Company and Ford India Limited support the GRI and we have incorporated many of its recommended measures in our self-assessment process. Focused on a single country, this first report cannot provide the full depth of detail; we are committed to developing our future reporting along GRI guidelines.

[www.globalreporting.org](http://www.globalreporting.org)

### Management responsibility

Overall management responsibility for corporate citizenship rests with the Ford India executive committee, comprising the heads of the main departments. This body meets weekly to manage and co-ordinate all aspects of the operations. Day-to-day operational responsibility for implementing corporate citizenship initiatives rests with individual department heads. Co-ordination and reporting of these activities is managed by Vinay Piparsania, Vice President of External Affairs, who is the primary point of contact for external comments on this report.

**For more information, visit**

[www.india.ford.com](http://www.india.ford.com)

[www.ford.com](http://www.ford.com)

**For more information on corporate citizenship, visit**

[www.corporate-citizenship.co.uk](http://www.corporate-citizenship.co.uk)

[www.sustainability.com](http://www.sustainability.com)

## Ford Motor Company Worldwide

Ford Motor Company is the world's second largest automotive company. It makes vehicles sold under the Aston Martin, Ford, Jaguar, Land Rover, Lincoln, Mercury, Volvo and Th!nk brands.

Ford Motor vehicles are sold in over 200 countries worldwide. The company employs over 300,000 people, and sold over 7 million vehicles in 2001.

Ford Financial Services, providing automotive financing, and The Hertz Corporation, providing car rental services, are the other major components of Ford Motor Company.

Ford Motor Company is publicly owned and listed on the New York, Pacific Coast and several European stock exchanges (NYSE: F). Its headquarters are in Dearborn, Michigan, USA.

Ford Motor Company is engaged with Indian society on a number of projects, in cooperation with Ford India Limited. These include an emissions modelling project in Delhi, and a study of the opportunities and barriers associated with Clean Development Mechanism transport investments, also in Delhi. The latter project is in partnership with Tata Energy Research Institute (TERI) and Transport & Environment (T&E).

A graphic with a blue top section containing the text 'moving forward' in white lowercase letters, with a stylized orange car silhouette above it. Below this is an orange section containing the text 'Ford Motor Company Mission' in bold, followed by a mission statement in italics, and the Ford Motor Company logo at the bottom.

*moving forward*

**Ford Motor  
Company Mission**

*We are a global, diverse family  
with a proud heritage  
passionately committed to  
providing outstanding products  
and services that improve  
people's lives.*

*Ford Motor Company*

## Ford in India

### **Our mission:**

*Ford India Limited is a nationwide leader in automotive products and services. Our mission is to improve continually our products and services to meet our customers' needs, allowing us to prosper as a business and to provide a reasonable return for our stockholders, the owners of our business.*

Ford India Limited (FIL) was formed as Mahindra Ford India Ltd in 1995 in a 50:50 partnership with Mahindra & Mahindra Ltd., to assemble and distribute the Ford Escort. In 1999 we phased out production of the Escort and began producing a brand new model, the Ford Ikon, in a purpose built, integrated production facility. At the same time a change in the equity arrangement led to Ford Motor Company becoming the majority shareholder and adoption of the name Ford India Ltd. We are part of Ford Motor Company's regional operating unit, Ford Asia Pacific.

Ford India's production plant and corporate offices are located forty-five kilometres from Chennai at Maraimalai Nagar. The site covers 350 acres and has the capacity to manufacture up to 50,000 vehicles per annum.



We have almost 900 full-time staff in production, 94 Indian suppliers, and a network of 33 dealerships with a total of 67 sales and service outlets.

We produce five variants of the Ford Ikon, all of which are classified in the "affordable luxury" segment of the Indian car market. This segment — cars costing between four and eight lakh

(hundred thousand) rupees — accounts for about 10 percent of total car sales. The Ford Ikon has a 23 percent share of this segment with sales of over 15,000 in 2001. We have exported over 28,000 CKDs (Completely Knocked Down kits) to South Africa and Mexico, in 2001, constituting over 66% of total car exports from India.

The next major stage in our development takes place in 2002 as we begin selling the Ford Mondeo.

A number of subsidiaries of Ford Motor Company and affiliates of FIL also operate in India. Ford Credit India Limited (FCI), headquartered in Mumbai, has been set up to



*Our mission is to improve continually our products and services to meet our customers' needs, allowing us to prosper as a business and to provide a reasonable return for our stockholders, the owners of our business.*

provide financial solutions and services to consumers of Ford branded cars and Ford authorised dealers. Ford Business Service Centre (FBSC) services the accounting requirements of Ford Motor Company globally, including the Asia Pacific region. Ford Information Technology Services India (FITSI) caters to the software requirements of Ford Motor Company in the region and around the world. Both FBSC and FITSI are headquartered in Chennai.

#### The passenger car industry in India

The passenger car industry in India has undergone dramatic changes in recent years. In 1993 it was deregulated, encouraging both Indian and foreign companies to enter the market. This has led to the introduction of over thirty new models in under ten years.

The industry has also increased its production capacity; total capacity in 2000 was estimated at over 1.2 million vehicles\*.

Car sales have tended to increase each year since deregulation, with particularly large increases in the last few years. Total sales of 376,000 in 1998 compare with 563,000 in 2001. Of the total car sales, the affordable luxury segment constitutes 12% and includes the Ford Ikon and car variants manufactured by Hyundai, Honda, GM, Fiat and Maruti. Sales are projected to continue growing at a rate of about 10% annually through 2005.

\*Source: India infoline sector report - automobiles, India Infoline.com, 2001.



## Listening to our Stakeholders

As part of this performance assessment, we wanted to understand the key concerns and issues that our stakeholders - both those impacted by us, and those that impact us - had regarding our business operations and behaviour. We solicited input from approximately ten stakeholder representatives based on one-on-one interviews conducted by our consultants, SustainAbility in July 2001. The different groups included were:

- shareholders
- business partners
- industry associations
- regulators
- non-government organisations
- local village panchayat  
(a local governing council)

From 'the lesser cars the better' to 'Ford is a demanding customer' to 'Ford does a lot of local community projects', the stakeholders covered a wide variety of topics and sentiments.

A summary of their views and our response are presented, as stakeholder perceptions, at the end of each relevant section. These views are important in informing our understanding, however, they are not a statistically significant sample size.

This engagement is just the start, providing the basis for on-going communication and exchange of information between FIL and our stakeholders.



## Sharing Value among our Stakeholders

Ford India makes a significant contribution to the Indian economy. This includes the wages paid to employees which are ploughed back into the economy, the revenues paid to government in the form of taxes, rates and excise duties, and the support given to other businesses through the purchase of goods and services.

Our operations create substantial 'value added'. We measure 'value added' as the net income from customers after paying our suppliers for goods and services purchased. This amount is available for distribution among the other stakeholders. During the financial year 2000/01 we distributed more 'value added' than was actually created.

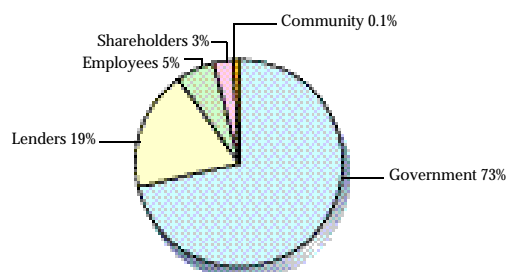
### Stakeholder perceptions

Our shareholders have supported us in meeting our obligations to our stakeholders, through their ongoing investment in the company in the fiscal year April 2000 to March 2001. Since March 2001 our business structure has considerably improved and we have moved towards becoming cash positive for the coming year.

Shareholder feedback on our business structure is supportive, and we are committed to enhance the business structure, to sustain the value creation and distribution to our stakeholders.

Ford India 'value added'	Rs.crore (ten million)
Income from sales	1,065
Purchased in goods and services	(653)
'Value added' created	413
'Value added' distributed to stakeholders	(493)

**Share of 'value added' distributed per stakeholder (total Rs.493 crores)**



## Rewarding our Shareholders

*"...to prosper as a business and to provide a reasonable return for our stockholders..."*

### **- Ford India Limited Mission**

While our primary obligation to our shareholders is to provide them with a reasonable financial return, our fiduciary responsibility goes further, as we are committed to achieving this in a manner that is ethical and has integrity.

In the financial year ending March 2001, we achieved sales of over Rs.1,065 crores. In the same period the company recorded a loss of over Rs.100 crores. This is mainly due to depreciation and amortisation, which is typical for a newer capital intensive company, and is in line with our overall strategy, which is to be:

- cash positive by the end of fiscal year 2000/01.
- profitable from an accounting standpoint in 2004.
- profitable on a cumulative basis by 2008.

We have two major shareholders. The Ford Motor Company holds 84% of the equity, with founding partner Mahindra and Mahindra holding the remainder.

As the major shareholder, Ford Motor Company has indicated that it is satisfied with our progress in moving towards profitability with the ultimate goal of the Chennai plant, currently running at about 40% of capacity, working closer to full capacity.

### **Ethics in management**

To help ensure the company operates in an ethical manner, we have instituted policies on a range of issues including:

- honesty and integrity
- harassment
- open communication
- smoking/alcohol/drugs
- empowerment.

These are outlined in a handbook, distributed to all employees, which also contains details of our mission statement, company strategy and equal opportunities policy.

The company also complies with all of Ford Motor Company's global ethical standards. For example, till date, there have been no instances of bribery or fraudulent accounting at FIL. We adhere to Ford Accounting Standards, International Accounting Standards and Indian Accounting Standards. Our independent accountant, the Indian affiliate of PricewaterhouseCoopers (PWC), certifies our preparation of accounts and compliance with the accounting standards.

### **Stakeholder perceptions**

Shareholder feedback is positive overall. The Ford Ikon is seen as a 'strong brand' and the company itself is viewed as operating fairly and with a large degree of transparency.

## Valuing our Employees

*"Our people are the source of our strength. They provide our corporate intelligence and determine our reputation and vitality. Involvement and teamwork are our core human values."*

**- Ford India Limited Values Statement**


We are committed to ensuring our employees receive competitive wages and benefits, that they are able to develop skills to perform their jobs to the best of their abilities, and that all individuals receive treatment that is fair, equitable and consistent.


Structure of the workforce, Dec. 2001:	Total
The number of employees working for FIL (all full time positions)	895
Female employees	14%
Technicians - hourly paid: average age is 24 yrs	68%
Managerial/administrative staff - salaried: average age is 28 yrs	32%
Number of employees entering the business during the year	56
Number of employees leaving the business during the year	43
The number of internal promotions	60
Total salary and benefits costs, fiscal year 2000/01	
Total salary paid	Rs.19.8 cr
Total health care & staff welfare costs	Rs.0.65 cr

The impact that FIL makes on its employees has been assessed by examining its effect in five key areas: pay and benefits, health and safety, training and personnel development, dignity at work, and communications. The results of FIL's Annual Staff Attitude Survey have also been used to gauge employee perceptions of FIL as an employer.

### Competitive pay and benefits

To assess the competitiveness of the FIL pay, the average salaries paid to different grades are compared to the average earnings of engineering / automotive industry comparator group of companies in India. The comparison reveals a difference in the competitiveness of earnings between staff and technicians in India.





" Our people are the source of our strength. They provide our corporate intelligence and determine our reputation and vitality. Involvement and teamwork are our core human values."

- Ford India average annual wages for technicians, is greater than the average paid in the comparator group for new auto and auto component entrants into the Indian market.
- Ford India staff employees are paid salaries greater than the average when compared to new and existing auto and auto component companies.

Other factors contributing to Ford India's competitiveness are:

- lower cost of living in Chennai
- lower average age and years of work experience of the staff, relative to other companies

FIL provides health care benefits for both employees and their dependents. Employee dependents receive healthcare under this provision. The company facilitates loans to employees through its on-site bank facility. Other benefits such as the provision of subsidized meals, uniforms and transport are provided, consistent with local practice.

#### Health and safety

During 2000/01 all FIL sites were fully audited for health and safety. The table below details FIL health and safety performance against key measures.

Issue	Performance
Deaths in service	0
Convictions for breach of health and safety regulations	0
Lost time accident rate (occurrences per 200,000 employee hours)	0.64
Severity rate (man days lost per 200,000 employee hours)	15.6
% employees referred to general practitioners for job related reasons	5%

Employees are provided with a minimum of two days training in health and safety issues each year. Weekly meetings are held to discuss issues including: personal protection, rules and work permits, contractor safety, emergency preparedness and industrial hygiene and to review accidents and incidents.

#### Investing in training & personnel development

Provision for training is made for all employees although the amount received varies from grade to grade. Managers receive between two and five days each year, while technicians and entry level staff generally receive between five and six days each. The training spends for 2000/01 was over Rs.1 crore.

We have deputed our employees on overseas assignments and Visiting Engineer programmes. Over 30 employees have benefited from such opportunities and many more are in the offing.

We have collaborated with Birla Institute of Technology (BITS) at Pilani, one of the premier engineering institutes in India, to offer a Manufacturing Engineering Program. The objective is to provide FIL employees a chance for professional development and to act as faculty and share their knowledge with students. This programme was inaugurated in October 2000 and at present 19 FIL students are enrolled in the programme and 15 FIL employees have been faculty for this programme.

### Providing dignity at work

The company is an equal opportunity employer. Selection and promotion are based on merit. Respect for diversity is reflected in the holiday calendar, where six of the ten paid holidays each year are chosen to ensure majority and minority faiths are respected.

For a manufacturing company, FIL has a comparatively high proportion of female employees, making up 17% of the staff and 12% of technicians.

### Communicating openly

Employee and management meetings are conducted to openly communicate functional business strategies and status on achieving company objectives. 'Skip level' meetings are held to further establish open channels of communication for employees with the management.

A representative body of employees, Ford Employees Leadership Team (FELT), operates actively and effectively to discuss and resolve work-related issues and serves as a strong communication forum for employees.

### Employee perceptions

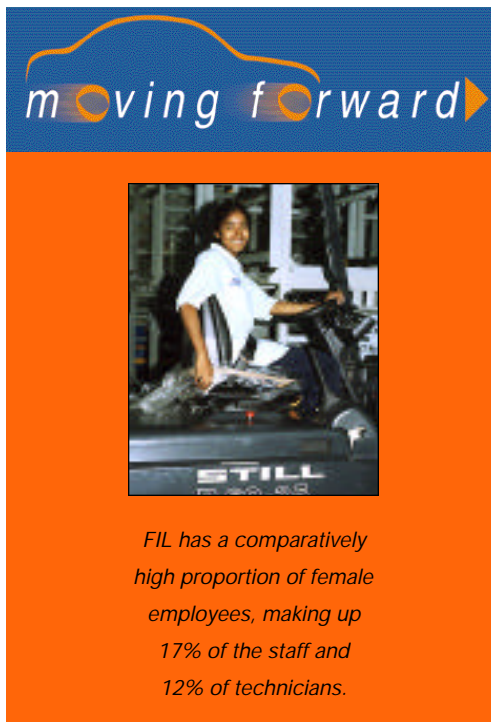
Employee perceptions of FIL are captured through an annual survey of Ford employees. The survey measures levels of employee satisfaction over a range of indicators. Results from the survey, conducted in 2000, show that employees were most satisfied about:

- quality
- business issues
- work group and teamwork

Areas where employees were least satisfied are:

- stress
- training and development
- workload

The results of the 2001 survey show improvement in the satisfaction percentages of stress, training and development, and workload. This has been achieved through training for employees on time management and specific skill-related training to manage work pressures.



*FIL has a comparatively high proportion of female employees, making up 17% of the staff and 12% of technicians.*

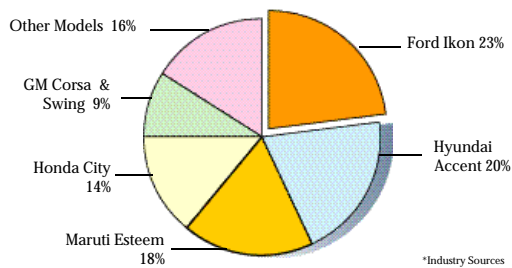
## Serving our Customers

*" Customers are the focus of everything we do - our work must be done with our customers in mind, providing better products and services than our competitors. "*

### - Ford India Limited Guiding Principles

#### Meeting the needs of the market

Domestic sales of the Ford Ikon totaled 15,211 in 2001. This equates to over 23 percent of the market share in the affordable luxury category, making the Ford Ikon a segment leader.



The Ford Ikon variants have experienced modest price increases since April 2000, all below the rate of inflation.

We are sensitive to the use of appropriate images for advertising and communication. Only one advertisement was the subject of a public complaint, and this was immediately rectified.

#### Developing and improving our products

FIL was the first subsidiary of a multinational car manufacturer in India to launch a car designed specifically for India. We have consistently adapted the specification of the Ikon to ensure it meets the needs of our consumers.

We have improved the horn and the steering column switch so that they are more robust; the

new combination switch has proved so effective that it is used worldwide. We have also developed a hydraulically activated clutch system, improved ground clearance and upgraded air conditioning to satisfy the specific needs of the Indian customer.

This is part of a continuous improvement process.

#### Satisfying our customers

We have introduced initiatives to assess customer satisfaction and to act on their concerns. The Intensified Customer Concern Definition (ICCD) is a telephone survey of customers conducted to assess problems in three areas:

*We recognise the need for additional products. We are working towards introducing products to match our customer's dynamic lifestyle, products which have progressive styling and are great to drive.*

- vehicle quality concern
- design and general comments
- negative sales and service

Through ICCD, we were able to identify a problem with jammed window motors and replace fault prone components in 4,500 cars within 90 days.

In the six months to June 2001, FIL itself recorded 565 complaints from sales of 8,500 cars, a rate of 67 complaints per 1,000 units sold. Of these complaints, 59% received a response within 48 hours.

### Customer perceptions

Customers were not directly canvassed as part of the external stakeholder engagement process. However, those stakeholders interviewed highlighted several issues relevant to customers. The Ford Ikon is regarded as having a high level of safety features. Ford Assured, the first second hand dealership selling cars in the organised sector to be set up by a car manufacturing company, is highly regarded, as providing guarantees on performance and product. The consultation found, however, some concern about overall product features in the Ikon and a recommendation that we engage further with customers.

We are engaging with customers on a periodic basis, using in-depth consumer research initiatives conducted by external and internal agencies. This has helped us in continuously improving our product design and quality,

proactively, to suit the needs of our customers. As a result of this initiative the Ford Ikon won the 'Best Entry Mid-size Car - year 2001, awarded by J.D Power'.

Several independent surveys regularly measure customer satisfaction. In one of these, the 'J.D. Power Asia Pacific 2001 India Sales Satisfaction Index Survey', FIL was ranked third of 11 car manufacturers in terms of overall satisfaction with the vehicle sales and delivery process, for both 2000 and 2001.

We are upgrading our product features in line with the customer wants, wherever possible. We recognise the need for additional products. We are working towards introducing products to match our customer's dynamic lifestyle, products which have progressive styling and are great to drive.

With robust systems and processes in place, we are committed to further improve our responsiveness to the consumer and resolve customer concerns quicker.



## Working with our Suppliers

*"The Company must maintain mutually beneficial long-term relationships with dealers, suppliers and our other business associates."*

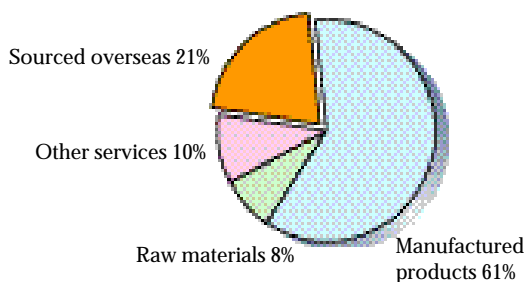
### - Ford India Limited Guiding Principles

It is in our interest to build effective long-term relationships with our suppliers, to share best practice and, where possible, to transfer technologies between businesses to promote development.

### Sustaining jobs

During the fiscal year 2000/01, FIL purchased goods and services worth Rs.652 crores, almost three quarters of which were sourced in India. The vast majority of overseas sourcing is for engine components and we are implementing plans to transfer production to India. Of the purchases sourced in India, over 70% are sourced locally in the Chennai area.

### Goods and services sourced in India by type, and total overseas sourcing



It has been estimated that each job in the motor industry in India supports 12 to 35 jobs in its forward and backward linkages\*. Using the most conservative of these estimates suggests that FIL could be responsible for sustaining over 15,000 jobs.

### Setting standards

FIL has more than 90 suppliers manufacturing products in India and has a written contract with each. We are putting processes along with monitoring systems, in place to ensure that suppliers operate to a high standard in terms of quality, social responsibility, and in their treatment of the environment. We are industry leaders in developing and implementing best practices for in-bound and out-bound logistics systems and procedures, in the country.

ISO 14001 is a management system that provides a framework for understanding and managing the environmental aspects of a facility. We have made it a requirement of FIL purchasing policy that all primary ('tier 1')

The graphic features the 'moving forward' logo at the top, with the word 'moving' in white and 'forward' in blue, set against a blue background with a stylized orange car silhouette. Below the logo is a photograph of a diverse group of approximately ten people, including men and women, standing in a factory or industrial setting. They are all smiling and giving a thumbs-up gesture. The background of the photo shows industrial equipment and a high ceiling.

*India is the base for the design and product development of our present and future product offerings, with participation and support from many of our local suppliers. The activities in our home market will mature over time.*

\* Sources include The Hindu and Autoindia.com.

suppliers achieve ISO 14001 certification by 2003. By June 2001, six suppliers had achieved certification.

### Transferring technology

We also have several programmes in place to help suppliers with training, environmental standards compliance and management advice, and to promote technology transfer. These include:

- Design capability through global supplier association and C3P (Computer aided design, engineering and manufacture of products) capability
- Quality Operating System - a management tool to identify customer expectations, key processes, means of delivery and problem solving
- Total Cost Management - enables suppliers to manage a sustainable cost reduction programme
- 6 Sigma concept - training has been given to suppliers in this problem solving tool

### Stakeholder perceptions

Our key strengths as indicated by our suppliers are our emphasis on the transfer of technology and the quality of our systems and processes. We are seen as a 'demanding customer', but one who provides assistance where required. It was also commented upon that we rely on overseas suppliers for engine components, and for design and development services. There was also a request to extend performance

monitoring of key suppliers to include issues such as underage working.

We have taken steps to address the desire for local production of engine components. Hindustan Motors India Limited (HMIL) will begin manufacturing engines and transmission units for Ford Ikon cars at its Pithampur plant. HMIL will manufacture approximately 20,000 engines and transmissions for the Ikon in the first year. Production will increase to 50,000 units by the end of the third year.

India is the base for the design and product development of our present and future product offerings, with participation and support from many of our local suppliers. The activities in our home market will mature over time.

We emphasise best practice in people development and labour related matters with our suppliers.

## Supporting our Dealers

*"Dealers and suppliers are our business partners."*

### **- Ford India Limited Guiding Principles**

Just as with our suppliers, we aim to build mutually beneficial relationships with all our dealers. We have a network of 32 dealers, who have a total of 61 sales and service outlets throughout India, almost twice as many as in 1999. A total of 15,211 vehicles were sold through the network in 2001, a 350% increase over 1999.

### **Consulting about standards among dealers**

We have a written contract with all dealerships. Contract renewal is based on dealer achievement of performance targets in areas such as customer satisfaction, vehicle sales objectives and compliance with FIL initiatives. In addition, many of our dealers have become involved in our community programmes. For example, many raised contributions for disaster relief and several participated in the Ford Conservation and Environment Grants programme.

We provide training support to dealers in areas including:

- customer satisfaction
- sales
- technical / non-technical
- management / finance.


We support the advertising costs and promotional activities of dealerships.

A dealer council has been established to assist communications between FIL and the

dealerships. It meets four times a year and consults FIL on customer satisfaction, product, sales promotions and parts & service initiatives. Membership is rotated among dealers to maintain a good spread across different regions and types of dealership.

### **Stakeholder perceptions**

Dealer perceptions of FIL are generally positive. Our dealership procedures and the quality of our training programmes are seen as our strengths. Dealers appreciate the sales and marketing support we provide and would like to see this developed further. Dealers have expressed some concern over the timeliness and availability of parts and about vehicle reliability and delivery times.



*Ford India is committed to helping its dealers provide better sales and service support to its customers.*

'J.D. Power Asia Pacific 2001 India Customer Satisfaction Index Survey' measures the service usage and customer satisfaction with dealer service. In the survey, FIL was ranked sixth of 11 car manufacturers for 2001, moving up two ranks since the 2000 survey.

We have a centralised distribution warehouse and have new systems in place to ensure ongoing service support of present and past models. We are committed to helping our dealers to provide better service support to our customers through our Quality Care initiatives.

With the improvement in logistics, the delivery time for vehicles and vehicle parts, has been considerably reduced.

## Engaging with Government, the Community and Society at Large

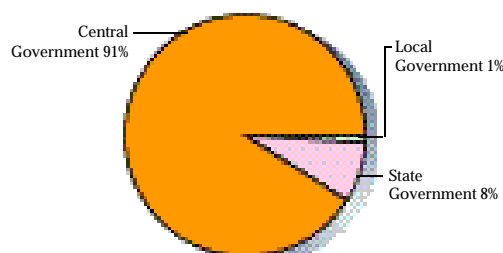
*"The conduct of our company worldwide must be pursued in a manner that commands respect for its integrity and for its positive contribution to society."*

- Ford India Limited Guiding Principles

### Contributing to the exchequer

FIL has made tax contributions to local, regional and national government as detailed in the chart below. The total contribution of Rs.364 crores, amounts to nearly three quarters of the total 'value added' distributed during the period.

### Taxes paid to government - April 2000 to March 2001



We have completed all statutory documentation and no breaches of economic or social legislation have taken place.

### Participating in the community

During 2000/01, FIL made contributions totalling Rs.44 lakhs towards community development projects. The vast majority of this (Rs.33 lakhs) was spent on health projects. Support was given to a wide range of programmes in different areas as well. Our projects include:

- Health - Sanjeevi Health Centre for free primary medical support for people around Maraimalai Nagar, funding of ambulances

- Education - tuition and scholarship programmes and donations of books, bags etc., to two local schools
- Disaster relief - provided to victims of earthquake in Gujarat, and floods in Orissa and Tamil Nadu
- Conservation & Environment Grant Programme - initiated to encourage individuals actively involved in environment related activities
- Henry Ford Research Chair - established at IIT Madras and IIT Delhi for research in Vehicle Emissions and Biomechanics, and Transportation Safety respectively
- Ford Academy of Manufacturing Sciences - started to strengthen education in the local

*FIL has made tax contributions to local and national government. The total contribution of Rs.364 crores, amounts to nearly three quarters of the total 'value added' distributed during the period - April 2000 to March 2001.*

community to provide employment opportunities for the workforce of the future.

### Developing the local community

Since building the Maraimalai Nagar plant, we have recruited 36 managers from the Chennai area, and 116 technicians from the more immediate local area. There are schemes in place to increase the proportion of workers recruited locally and to prepare local people to work at FIL. We provide coaching for students in a neighbouring village and educational support for particularly deserving students.

We also impact the local area through our supply chain, where the ten largest of our suppliers are all based in the Chennai area.

### Stakeholder perceptions

In terms of the local community, our positive impacts are perceived as:

- Relocation into the local area of a more highly skilled population (professionally trained factory technicians)
- Increase in professional tax collected by the local panchayat
- Local employment generation
- Reduction in accidents and better treatment of casualties (due to our ambulances)
- Improvement in health care and education facilities

Less positive feedback identified activities FIL is capable of doing, but perceived as not being done. Such issues include improving environmental standards in the industry in terms of cleaner fuel and increasing customer awareness, and also contributing more to the local community and society in terms of employee involvement and more direct engagement.

Our work on congestion and infrastructure issues with the Society of Indian Automobile Manufacturers is seen as a benefit to wider society.



*Sanjeevi is the Health Centre established by Ford India to provide free primary medical support for people around Maraimalai Nagar.*

## Protecting the Environment

*"...as much as we care about giving you the finest in automobiles, we also care about the world we live in."*

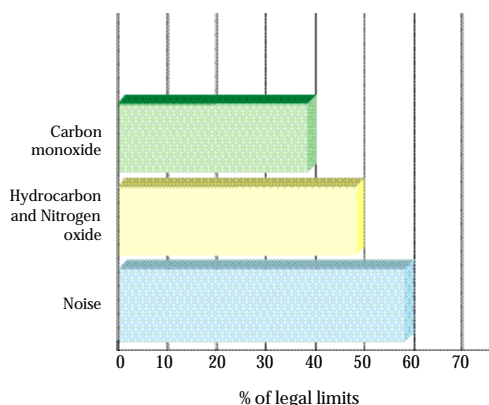
- Ford India Limited Guiding Principles

### Improving our environmental performance

We are actively pursuing several means of reducing the impact of FIL on the environment. In August 2000, our environmental management system was ISO 14001 certified.

An independent survey of environmental management in the Indian automobile sector, published in October 2001 by the Centre for Science and Environment, ranked FIL 8th of 27 companies\*. Our overall score was 37.6%, compared to the leading company's 43.5%. A work plan is in place to improve our emission and fuel efficiency performance. The activities include 'greening of the supply chain', working towards developing alternative fuel vehicles and exploring new technology in engines.

One of the key aims of our environmental policy is to improve air quality. The following graph demonstrates that the Ford Ikon 1.6 Petrol emissions are well below legally stipulated limits.



\*Green rating project: Environmental rating of Indian automobile sector, Centre for Science and Environment, New Delhi, 2001.

### Working towards sustainable use of resources

We are keenly aware of the need to minimise use of key resources such as water (of which there is a shortage around Chennai) and fuel and power, in a sustainable manner, both in our production processes and our finished products.

We are investigating and introducing innovative measures to limit the amount of waste we incur and increase the amount of recycled and recyclable materials we use.

The hazardous waste output for the plant has increased marginally due to a change in the paint shop process. We have a work-plan in place to reduce the output for this coming year.

*"...as much as we care about giving you the finest in automobiles, we also care about the world we live in."*

## Environment stewardship in manufacturing and products

We have introduced several initiatives to eliminate, re-cycle or treat waste products:

- Wastewater - We have an onsite wastewater treatment facility that treats all water discharged from both our plant and the surrounding supplier park, which is then used for landscaping on the FIL site. We also treat the wastewater of suppliers.
- Sale of waste solvent and waste oil - FIL has set up a Pollution Control Board authorised recycler to buy and recycle waste solvent and waste oil that could previously only be stored at the plant.
- Recycling of waste sealer - waste sealer generated during the process is collected and sent back to the manufacturer for recycling and reuse by FIL.
- Packaging waste reduction project - We have introduced a scheme where all suppliers within a 100 km radius pack goods in re-usable plastic containers, which are returned to them once we have used the contents. The annual reduction in packaging achieved so far is equivalent to 62 mature trees. We plan to extend this scheme to suppliers in a 300 km radius.

Our products are designed to meet environmental performance standards during manufacture, when in use, and at end of life. Examples of recent innovations to achieve this are:

- rare earth catalysts for the Ikon - reducing precious metal usage.
- revised engine management software to reduce fuel consumption.
- developing a LPG (Liquified Petroleum Gas) fuelled Ikon ready for production once the infrastructure (filling stations) necessary is in place.
- designing products for 'end of life' recycling - 85% of materials used have the potential to be recycled and assemblies have been designed for dismantling and segregation of components.





We have taken a proactive approach to vehicle emissions. Current regulations require cars to comply with Euro II emission standards in certain cities - FIL has exceeded this requirement by configuring all cars to be Euro II compliant. The Mondeo has Euro III technology. Along with other manufacturers in India, FIL has proposed introduction of a three year / 80,000 km emission warranty to cover the emission performance of vehicles.

We also produce an educational publication for consumers advising on how to reduce the environmental impact of a car when in use.

#### **Stakeholder perceptions**

Stakeholders are broadly satisfied with the environmental performance of our manufacturing operation. The question of investment in alternative fuels was raised, but as noted above, we are already developing LPG vehicles. It was also suggested that we might develop a more coherent strategy for measuring and reporting our environmental performance, especially on Volatile Organic Compounds. Stakeholders also expressed concerns about the fuel economy of the Ikon.

We are continuing our efforts towards protecting the environment by making commitments towards number of related projects. Since launch, we have improved the fuel efficiency on our products, by improved engine management systems and new generation technologies for our diesel and petrol engines. We are continuing our efforts towards increasing the fuel efficiency of our present and future products.

## Moving Forward

This report, our first published account of Ford India's commitment to be a good corporate citizen, has tried to present a clear and straightforward picture of our performance to date.

Our commitment to India is reaffirmed by the establishing of affiliates in Chennai to service the IT and business service requirements of Ford Motor Company's global operations. We have entered into unique strategic partnerships with our suppliers and other automobile manufacturers to deliver our future product programmes in India.

The highlights of some of our successes are:

- a safe and rewarding work environment for our employees, with competitive pay and a commitment to involve them and develop their skills
- a commitment to protect the environment
- investment in the local community
- achieving the targets set by our shareholders to move into surplus and then cumulative profit by 2008
- making India a strong base for export of Ford Ikon
- offering our customers quality, reliable cars that represent value for money in their segment

However, as this report has tried to make clear, we fully recognise there are areas where our performance can be improved. We will:

- further our commitment and help develop the Indian economy, for example by starting local production of engines
- engage more in the local community immediately adjacent to our plant
- continue to expand our product range by introducing the Mondeo and examining other

opportunities to provide products to more customers

- improve our responsiveness to customer complaints
- continue to involve our employees and improve their satisfaction with training and rewards
- work with Ford Motor Company as they develop a global human rights policy, which will address labour issues through the value chain
- set and aim to meet higher standards in environmental protection, notably on water consumption, CO<sub>2</sub> emissions, waste and sustainable resource use

Overall, we believe we are moving forward to become a more sustainable company - and we welcome your help in achieving these goals.



*We are a young Indian company, with high ideals and big ambitions. We are moving forward, both as a successful business and as a member of Indian society.*

## What They Say

*"FIL's first report on their environmental and social performance is a welcome move stressing the need for business operations to realise and analyse minutely the impacts resulting from their activities. The involvement of all stakeholders in the process is well in tune with the principles of growing sustainably."*

**Mr R K Narang,**

Distinguished Fellow,  
Tata Energy Research Institute (TERI)

*"We are delighted that Ford India is trying to measure the effect of their sustainability impacts. We are very keen that more and more companies take interest in social activity and give back to society to some extent what they have taken from it."*

**Mr. S Sen,**

Deputy Director General,  
Confederation of Indian Industry (CII).

*"The challenges of sustainable development are more complex and different in developing countries than the developed world. The social, economic and environmental dimensions of sustainability is so inter-linked and inter-dependent in countries like India that it requires major effort on the part of companies to even define their sustainability goals in the long term. Ford India has started a process of understanding and defining sustainability at the corporation level, which is both timely and praise-worthy."*

**Mr. Chandra Bhushan,**

Coordinator-Green Rating Project,  
Center for Science and Environment (CSE), India.

Please contact us and tell us what you think.

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# feedback

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