

Ford Human Rights Code of Basic Working Conditions
Ford Otosan Kocaeli Plant
September 8, 2006

Background

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

Assessment of Ford Motor Company owned and operated facilities began in 2004. In 2006, Sustainable Business Strategies and Purchasing Strategy selected sites based on supply chain impact, emerging issues, plant employee representation and the views of thought-leaders, non-government organizations and human rights activists.

Located in the city of Kocaeli, Turkey, the Ford Otosan Kocaeli plant produces the Ford Transit and Transit Connect. The plant employs 6,030 people (5,002 hourly employees and 1,008 salaried employees).

The 3,444,451 square foot facility is able to produce about 250,000 units per year on 2/3 shifts. Production in 2005 was 116,000 units on one shift.

The plant is fully unionized with members belonging to Turkish Metal Union (employees) and Turkish Employers' Association of Metal Industries (Employers) A review of recent press and media regarding human rights issues at the plant did not reveal any issues of concern.

The Assessment Process

Step 1: Prior to the Assessment:

David Berdish, Manager of Social Responsibility and Organizational Learning sent a copy of the Human Rights Code of Working Conditions and a communication letter to Yasar Onay, Michael Flewitt, and Heike Plankemann, explaining:

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

On March 28, 2006, David Berdish of Sustainable Business Strategies interviewed Heike Plankemann at Kocaeli. Interview questions centered around 1) whether the documents were the best for verifying the Code and if they were easily accessible; 2) whether plant management saw value in conducting the human rights assessment given that Ford already audits many practices covered by the Code through existing means; and 3) how Sustainable Business Strategies could best conduct the assessment without burdening facilities with additional work.

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

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

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

Ford Otosan's facilities comply with the Code.

Assessments at Human Resources activities including those in the human rights allow one to monitor his or actions and question whether these applications are accurate.

It also gives chance to see various alternatives and make alterations if necessary.

Also for the Turkish case, it allows us to see whether our applications are in line with the new Turkish Labour Law.

2. When you look at the code, and imagine using it to assess current practice at Ford facilities, what are the greatest areas of non-compliance that you might predict?

We do not expect any non-compliance.

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

As indicated above, it will be a good opportunity to review what we are doing already and question whether it is the best practice if not already indicated by law. Therefore, support from various levels is provided.

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

- **Child Labor:** In line with the Article # 71 of the Turkish Labour Law, child labour is strongly prohibited. By definition, any employee who is less than 18 years old cannot be employed in a factory operating in a so called heavy industry such as automobile industry. Therefore, it is required that all employees to prove their age by an official document received from Government district officials which are to be kept in the personnel files. A report showing all employee ages generated by Bilin (a database used to store HR data and allows activities) can be provided upon request.
- **Compensation:** Hourly compensation is driven by the collective bargaining agreements between MESS (Employer Union) and Turkish Metal Union (Employees' Union) once in two years. Accordingly, the terms and clauses of the wage is agreed and declared to Ford Otosan upon approval. This information is then fed into payroll system (Bilin).

For salaried employees, salaries are determined by the salaried wage structure determined by the inflation rate and performance grades of the employees and fed into payroll System (Bilin).

- **Forced Labor:** The most prominent problem occurring in Turkey related with the forced labour issue is the problem of employees with no social security records. To prevent this, Social Security Law (Article 506) is in place to prevent any employees from working with no social security records or records stated with less than the actual amount. Ford Otosan, informs Social Security Institution about all employee records on the electronic database at the start of their employment.

- Harassment and Discrimination: Given the homogenous structure of Turkish Culture, it is very unlikely to discriminate on the bases of race or ethnicity in Ford Otosan. In terms of gender, the proportion of females working on the production areas is considerably low given that not enough female candidates are available to fill in the open positions.

Besides, in line with the Labour Law Article # 30, a certain percentage of its current number of employees has to be separated for those who are handicapped, victims of terror, handicapped or former convicts.

Nevertheless, as indicated in the Personnel Guide in Ford Otosan, any form of harassment (verbal, nonverbal, physical) due to sexual, racial, gender, religious, disability and cultural differences is strictly prohibited by the Company. Any cases for the violation of the human rights will be taken very seriously and sensitively. In case such a complaint occurs for a harassment of any form, HR Management evaluates the situation very confidentially and acts in accordance related article of the Turkish Labour Law and Collective Labour Agreement.

Besides, employees can use Global Hotline if they have any grievances they would like to report to.

- Freedom of Association and Collective Bargaining: All blue collar employees are unionized. There is a distinct team (Industrial Relations Team) located in HR which is involved with the interactions with union. The Union in Ford Otosan has representatives in the areas which meet occasionally with the chief union to discuss and review certain problems that may occur.
- Health and Safety: The Ford Production System includes SHARP. The FPS team goes to manufacturing facilities and assesses them (logs and track injuries, meet regularly to address health and safety issues, etc). It's an annual assessment. We have a Safety and Health Auditing Review Process. Last year, our goal was to achieve a level of 7 and we were successful.

Accordingly, the results indicate that loss time case decreased from 2.72 in 2002 to 2.13 in 2003 and consecutively 0.59 (2004) and 0.49 in 2005. The Plant is in the green status with these points. In addition, the severity rates are 31.4 (2002), 21.9 (2003), 11.9 (2004) and 11.77 (2005).

- Work Hours: There is a timekeeping system for both blue and white collar employees in which the data is automatically transferred into Bilin system. According to Turkish Labour Law Article # 41, the maximum working time in a week is 45 hours and any above is paid accordingly.

5. Where documents are housed?

- Bilin reports in HR office.
- Salaried Wage Structure for white collar employees. (HR office)
- Collective Bargaining agreements for blue collar employees (Printed and publicly available)
- Social Security Reports (data submitted online)
- Employee hot-line records (HR office)
- SHARP scorecards (Each division maintains data)
- Casual overtime reports (Printed and publicly available; payroll maintains timekeeping)

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

Ford can help its facilities by giving benchmark data it obtains. This will help us compare different applications, and make adaptations if necessary. If we exclude culture specific factors, Ford can maintain global rules and

7. Any other words of wisdom/advice?

No response.

Step 2: Site Visit

In May, 2006, Ian Olson, Manager, Purchasing Strategy visited the Kocaeli facility for separate reasons. Based on his view, complemented by the interview questions, it was quite evident that the Ford Otosan Kocaeli plant could comply with the Code and those robust processes were in place to monitor compliance and provide remediation methods at all facilities.

In fact, Kocaeli' strong presence and reputation among its community makes it a candidate for leading edge sustainability business practices, and can prove its leadership in human rights issues like diversity, health, discrimination and a more systemic evaluation around countries and issues.

Step 3: Leadership

- Role in the community: "This is a very important investment for the Turkish economy bringing new jobs and valuable export earnings. It also demonstrates the faith of two major industrial groups, Ford and Koc, in the future development of Turkey and its growing importance in the industrialized world."
- The Kocaeli site is not only one of Ford's newest plants, but also one of the greenest. Right from the planning stage it was designed to be a responsible new addition to the local area. There was some initial unease about building the plant because of an existing population of trees, so planners took these into account and not a single tree was felled. During construction, 400 trees were relocated and Ford has since planted 17,000 new trees on its premises, creating a special park.
- Inside the plant, the paint shop is one of the most environmentally friendly of its kind in Europe, with near zero emissions. It uses exclusively water-based paints for the electro coat, primer coat and base coat stages. In the body shop Kocaeli uses the latest generation spot welding transformers, which use 40 percent less energy than previous models.
- Ford Otosan actively holds concerts, and picnics with families to entertain in addition to the museum and historical place visits for cultural development of the employees. In addition, the company holds football and bowling tournaments in spring and autumn
- In order to relieve from the daily hassles at work, Ford Otosan has founded many social clubs for its employees among which are Windsurfing & Sailing, Scuba Diving, 2 Wheels- Bikes & Motorbikes, Chess, Ski, Cinema and Theatre as well as Motor sports Clubs. The aim of these clubs is not only to bring together employees who share similar interests but also give technical trainings on site, and held competitions amongst people. In addition to these clubs, there are "In Company Courses" which are held for employees at reasonable fees. These include "Painting", "Latin Dances" and "Theatre Courses".

- Ford Otosan has actively engaged Corporate Social Responsibilities Programs from the beginning of its foundation where it helped the community by renovating city high school and university and medical diagnosis center.

In the past years, several paint contests for the primary school students at nearby regions, and educational trips to Anıtkabir and Çanakkale were organized for those students who are less fortunate than their peers, including occasions such as Paint Gallery on “Women’s Day” and Commemorial Day for Atatürk and the collected money was donated to “Women Protection Foundations” and “Child Protection Founds”.

- Ford Otosan also holds annual circumssion feasts for its employees’ children and organizes activities to entertain people.
- In addition, a major corporate social activity which is to modernize Fidanlık Primary School in the nearby region. The aim is to create a modern learning environment by repairing school facilities, building computer labs and make necessary maintainance which will eliminate the current physical hardship conditions adversely affecting children.
- To realize this on going project both financial and physical help is necessary. To sustain the financial help, employees made contributions and Ford Otosan made donations as the Company itself. Yet, since money is not the sole method of contribution for this project, voluntary employees will be physically helping such as painting walls etc. What is specific to this project is that it does not solely include Ford Otosan as the Company but also its employees, the Labour Union, suppliers and one of its dealers.

The deadline for the project is the following semester which will start on September, 2006 and continuous maintenance such as cleaning of the classrooms will be periodically followed up. Besides , during the school semester, the students will be trained about earthquakes occasionally by Ford Otosan Rescue Team.

- Considering the structure of Turkish Culture, people are pretty alike coming from similar ethnicity, religion etc. Accordingly, when compared with a European Society which is composed of various races, and religions, it can be said that diversity or discriminatory practices does not very often become a problem. When looking at the subject from a matter of discrimination against handicaps and those who formerly committed crimes, Ford Otosan acts in line with the laws and keeps the required number among its employees.
- Education of its employees is a very crucial concept in Ford Otosan culture where 93% of its employees have graduated from high school and above. In order to increase even this high percentage, the Company provides necessary help such as paying school fees, purchasing school books and consultation services for those who would like to upgrade their education status via open school.
- Ford Otosan also has a collaborative program with Boğaziçi University, which is one of the most prestigious universities in Turkey. Accordingly, a graduate program in Automotive Engineering is opened for those employees who would like to have a profound understanding of the automobile as an engineering system as a whole. Ford Otosan contributes to its employees by providing transportation services and pays back the full to partial transportation who graduates with high honour degrees.

- The Company actively collaborates with local vocational school students who get on the job training in Ford Otosan. The program lasts for a year in which the students continue their training at school as well as getting technical training at the Plant. Similar to this program, there is the Apprenticeship Program in line with the Turkish Law of Apprenticeship where the graduates receive specific training and those who are found to be successful are employed for available positions within the Plant.
- Ford Otosan has been awarded by National Productivity Center for 3 consecutive years as the employee of the year (from various departments from Paintshop to Welding) and 2 times as the employer of the year because of the support it provides to the successful projects and the R&D opportunities that are generated.
- Ford Otosan received the Most Successful Koç Member Awards held between Koç Group of Companies for the 3 consecutive years (in both blue and white collar categories), but especially all of the 3 categories for blue collar employees.

Conclusions

It is evident that Ford owned and operated facilities could comply with its own Code and that robust processes were in place to monitor compliance and provide remediation methods. It is now evident that our joint-venture operations not only comply with the standards of the Code, but can clearly show leadership as part of the operating culture of our partners.

In Sustainable Business Strategies, there are no major areas of concern.

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

http://www.ford.com/en/company/about/sustainability/default.htm?source=rt&referrer=company_default