

Ford Human Rights Code of Basic Working Conditions
Ford of Brazil
Camacari (Bahia) Plant
November 5, 2007

Background

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

Assessment of Ford Motor Company owned and operated facilities began in 2004. In 2007, Sustainable Business Strategies and Purchasing Strategy selected sites based on supply chain impact, emerging issues, plant employee representation and the views of thought-leaders, non-government organizations and human rights activists. Site selection was also determined by the exploration of new business opportunities and further advancement of sustainability efforts where Company trustworthiness and community credibility were considered critical to achieve high standards.

Located in the city of Camacari, Bahia (just north of Salvador)—the plant produces the Ford Fiesta and the EcoSport. With its unique business model, including Ford and various suppliers in-site following the same HR practices and Labor agreements, presently Camaçari plant (Ford and Suppliers) employs 8,802 people; just FORD has 3,825 employees in its team, from hourly to administrative workers .

The 4,700,000 square foot facility is able to produce about 250,000 units per year. Production in 2006 was 246,760 units. To achieve this expressive production, the plant operates in three shifts producing cars 24 hours per day, 7 days per week.

The Assessment Process

Step 1: Prior to the Assessment:

David Berdish, Manager of Sustainable Business Development sent a copy of Policy Letter #24, the Human Rights Code of Working Conditions and a communication letter to Maria Costa, Elisa Rosa, and Hugo Moraes, 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 August 30, 2007, Berdish of Sustainable Business Strategies interviewed the Camacari Human Resources team. Interview questions centered around 1) Whether the documents were the best for verifying the Code and if they were easily accessible; 2) Whether plant management saw value in conducting the human rights assessment given that Ford already audits many practices covered by the Code through existing means; and 3) How Sustainable Business Strategies could best conduct the assessment without burdening facilities with additional work.

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

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

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

- To certify the facility complies with the Code and the local legislation.
- Compliance with the working conditions code contributes to a sustainable business environment.
- Assessments of human rights help the organization to be continuously focused on improving people management, keeping the employees motivated and committed with the business and, at the same time, contributing to have Ford as an admirable brand for the community and potential customers.
- The greatest example that Ford of Brazil is connected with the community, social responsibility and aligned with the human rights code is the facility at Camaçari city, located at the northeast of country, in the State of Bahia.
- Ford of Brazil is the only automaker that built a Greenfield facility in this region of the country.
- Camaçari plant was launched in 2001 and since then Ford has been helping to build an industrial / business culture in a largely tourist region.
- Camaçari site privileges hiring people from Camaçari and near region. Presently, Ford employs 3,825 employees being 30% women.

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?

- The elements of the code are being strictly followed by the facility as part of Ford local and corporate procedures and in accordance to the local legislation.
- We do not expect any non-compliance with the code.

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

- It appears to us that the assessment will be well received once it demonstrates and reinforces that the Company values, the adequate relationship with employees and transparency.
- It is an additional tool for the employees to allow them to freely express their points of view and opinions in addition to the local channels of communication. Also, it contributes to demonstrate the importance of Ford of Brazil and Camaçari site for Ford global business.

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.

Policy Letter 24 – Code of Basis Working Conditions and Corporate Responsibility	Ford of Brazil Laws	Ford of Brazil Policies – Camaçari Site
<p>1. Child Labor The Company will not use child labor. In no event will the Company employ any person below the age of 15, unless this is part of government-authorized job training or apprenticeship program that would be clearly beneficial to the persons participating</p>	<p>Federal Constitution of Brazil – Article 7 (XXXIII) and Labor Code of Brazil – Chapter IV According to Brazilian labor law, minors are considered to be between 14 and 18 years of age (incomplete). Minors between the ages of 14 and 16 can work only as apprentices. Minors' (between the ages of 16 to 18) work schedule is the same as for adult employees (maximum of 44 hours per week). Minors between the ages of</p>	<p>Ford of Brazil complies with local legislation and Ford's code hiring apprentices only older than 16 years of age and regular employees only older than 18 years of age. PeopleSoft report can be extracted to show the ages of the employees and apprentices.</p>

	16 and 18 cannot work at night, or under unsafe, dangerous or morally harmful conditions.	
<p>2. Compensation The Company will promote our employees' material well-being by providing compensation and benefits that are competitive and comply with applicable law.</p>	<p>Federal Constitution of Brazil – Article 7 (IV) and Labor Code of Brazil – Chapter III. National Minimum Wage currently is R\$ 380,00 (US\$ 197) Labor Agreement valid to metalworkers of the State of Bahia currently is R\$ 484.</p>	<p>Ford of Brazil complies with local legislation and local collective bargaining agreement. Hourly and Salaried compensation is driven by the collective bargaining agreements once a year. This information is fed into payroll system. LL6+ compensation follows the corporate compensation philosophy. All of them are competitive with local market. Salaries structures are available in HR.</p>
<p>3. Forced Labor The Company will not use forced labor in any form, and will not tolerate physically abusive disciplinary practices.</p>	<p>Federal Constitution prohibits forced labor – Article 5 (II) and Criminal Code of Brazil – Article 149.</p>	<p>Ford of Brazil does not accept forced labor under any circumstance. B 110 policy is cascaded; hot line is implemented and morale meetings are in place to support a respectful and inclusive work environment free of any abusive disciplinary practice.</p>
<p>4. Freedom of Association and Collective Bargaining The Company recognizes and respects its employees' right to associate freely and bargain collectively. The Company will work constructively with recognized employee representatives to promote the interests of its employees. In locations where employees are not represented by Unions, the Company will provide opportunities for employee concerns to be heard.</p>	<p>Federal Constitution – Article 8 and Labor Code of Brazil – Article 544. All employees have the right to join a labor union. Every year, the employees and employers unions shall enter into a collective negotiation and execute a collective bargaining agreement. The collective bargaining agreements generally set forth the rate for the workers category's salary and other rights and benefits that are more beneficial to the employees than the labor code. Collective bargaining agreements can not prevail over the rights in the labor code.</p>	<p>Independently of membership, all hourly and GSR's are considered "unionized". All of them are represented by the Metalworkers Union of Camaçari city and are benefited by the terms of the collective bargaining. The collective bargaining effective date in Camaçari is July 1st. The collective bargaining period covers all metal companies of the State of Bahia. Ford Camaçari presently has 12 members of the Metalworkers Union and 10 members of the Federation of Metalworkers. Besides the Collective Agreement valid to all metalworkers of the state, specific labor agreements are also established granting different conditions (i.e.</p>

<p>5. <u>Harassment and Discrimination</u> As more fully provided in Policy Letter no. 6 – Equal Opportunity and Affirmative Action, and Directive B-110 – Anti-Harassment – Zero Tolerance, the Company will not tolerate harassment or discrimination on the basis of gender, race, color, religion, age, national origin, sexual orientation, gender identity, disability, or veteran status.</p>	<p>Federal Constitution of Brazil – Article 5, III, Labor Code of Brazil – Article 461, Criminal Code of Brazil – Article 216 A. If an employee is discriminated, he/she may file a claim seeking the payment of indemnification for moral damages and/or any criminal penalties, as the case may be (article 186 "Codigo Civil"). Employees who perform the same work must be paid equal salaries. Equal wages are required when work requiring identical levels of productivity and technical skills is performed by persons whose difference in the period of their employment is less than 2 years. Sexual harassment is a crime. Superiors can not force employees to provide any sexual favor. Examples of practices that are prohibited:</p> <ul style="list-style-type: none"> - Advertising an employment offer with a reference to sex, age, color or family situation requirements, among others. - Refusing employment of promotion, or dismissing on the basis of sex, age, color, family situation or pregnancy, - Raising compensation or promoting on the basis of sex, age, color of family situation. - Denying registration for job competition in based on sex, age, color, family situation or pregnancy. 	<p>vacation premium). There are wages structures for all employees establishing salary grades for similar activities and wages levels / ranges per grade. A 0800 hotline is established as an additional anonymous and confidential channel for employees to report suspected or confirmed violations of any law of Company policy. Directive B-110 is cascaded to all employees.</p>
<p>6. <u>Health and Safety</u> As more fully provided in Policy Letter no. 17 – Protecting Health and the Environment, and related directives, the Company will provide and maintain for all employees a safe and healthy work environment that meets or exceeds applicable standards for occupational safety and health.</p>	<p>There are several local legislations related to Health and Safety. Labor Code of Brazil – Chapter V, Administrative Ruling N 5 and 7. Employers must establish an internal committee for accident prevention and meet periodically. Employee</p>	<p>Camaçari Plant has achieved level 8 in the FPS SHARP element. As part of SHARP there are regular senior management reviews on Health, Safety and Ergonomics Matters. SHARP self assessments are performed. Ergonomic committee periodic</p>

	<p>members of health and safety committee have tenured job status and cannot be terminated without good cause.</p> <p>The employees' working conditions and equipment at the work place shall be adequate to their physical characteristics and positions. Only qualified people should manage and operate machines and electric equipment.</p> <p>A company with over 100 employees must have a doctor everyday for at least 3 hours.</p> <p>Companies must have fire protection, exists for fast evacuation, people instructed to use fire fighting equipment.</p>	<p>meetings.</p> <p>Health and Safety issues addressed on weekly Directors' meeting.</p> <p>There is medical center inside the plant to attend Ford and non-Ford employees (with full time doctors).</p> <p>Safety Committee is in place.</p>
<p>7. Work Hours</p> <p>The Company will comply with applicable laws regulating hours of work.</p>	<p>Federal Constitution of Brazil – Article 7 (XIII), Labor Code of Brazil – Chapter II – Work Duration - 44 hours per week</p> <p>Weekly Rest: 24 consecutive hours per week, preferably Sundays.</p> <p>Daily Rest:</p> <p>One non-paid break of 1 hour for 6 hours of work.</p> <p>At least 11 consecutive hours between two days of work.</p> <p>Maximum of 2 hours overtime limit per day (total worked hours per day, including overtime, can not exceed 10 hours except in case of force majeure.</p> <p>Minimum overtime premium of 50%</p> <p>Minimum Night shift premium of 20% for hours worked between 10pm and 5am.</p>	<p>The weekly work pattern at Camaçari settled with the Union establishes 40h50 per week in average with one Saturday (1st and 2nd Shift) / Sunday (3rd Shift) worked each four weeks.</p> <p>Daily rest time (lunch / dinner) is also established in the labor agreement.</p> <p>Overtime premium follows the Collective Agreement parameters that are higher than legislation on Saturdays for example. Night shift premium is being paid under 44.29% also based on a specific labor agreement with the Union.</p>
<p>8. Community Engagement & Indigenous Populations</p> <p>The Company considers local communities and indigenous people to be among our primary stakeholders in projects and activities, and will work constructively with recognized representatives who have an interest in the Company's projects and activities.</p>	<p>NA or Federal Constitution of Brazil – Article 5.</p>	<p>Ford's Social Responsibility Campaigns for the Community:</p> <p>Ford at School: 9 Schools were Reformed</p> <p>Smiling with Ford: A Ford's truck that offers free dental care for people in need</p> <p>Winter Clothing Campaign: 794 Clothes were Distributed.</p> <p>Food Distribution: more than 3 tons of non perishable food</p>

		was donated by Ford's and FSS' campaigns.
<p>9. Bribery and Corruption As more fully provided in Policy Letter no. 3 – Standards of Corporate Conduct, the Company will under no circumstances tolerate the giving or receiving of money, gifts, or favors to influence improperly the behavior of another individual, organization, government employee, politician, or government body in furtherance of a commercial or personal advantage. Bribery is never permitted, even in countries or regions where it may appear to be tolerated or condoned.</p>	Criminal Code of Brazil – Article 333	Cascade of policy letter C3; Web training.
<p>10. Environment & Sustainability As more fully stated in Policy Letter no. 17 – Protecting Health and the Environment, the Company will conduct business in a manner that provides responsibly for the protection of health the environment. The Company will as practicable continue to reduce and minimize the environmental impact of its operations in the short term, and work toward the implementation of environmentally-sustainable Strategies in the long term.</p>	Federal Constitution of Brazil – Article 225, Paragraph 3 rd . Environment Crimes Law 9065/98.	<p>Ford follows the ISO 14000 and, besides that, the Company in Camaçari also follows the most rigorous environment conservation concepts. There is the sewer treatment, with the re-usage of the water. The Company planted a green Belt of 7mil m2 around the Site. The site also recycles the majority of the residues produced (paper, cans, food, etc.), due to all these actions, Ford's facility in Camaçari follows its concept and functions in an environmentally right way.</p>
<p>11. Responsibility and Implementation The Company encourages business throughout our supply chain to adopt and enforce similar policies. Further, the Company will seek to identify and do business with organizations that conduct their businesses to standards that are consistent with this Policy Letter.</p>	NA	Master agreement with full service suppliers. Periodic meetings with suppliers' representatives.

5. Where documents are housed?

- Employees' records (labor contract and personnel documentation – HR Office)
- PeopleSoft data (System)
- Communication to Employees (HR Plant)

- Reports in HR office
- Salaried and Hourly wages structure (HR Office)
- Collective bargaining agreements (Labor Relation Plant)
- Employee hot-line records (GAO – HR STAFF)
- SHARP scorecards (Safety Plant)
- Timekeeping reports (System)
- Work groups surveys (HR Office and Manufacturing)
- Local Labor Agreements (Labor Relation Plant)
- Pulse Survey reports (Training Staff)
- Law suits sentences (Legal area)
- Labor inspection reports (HR Office)
- Master agreement with full service suppliers (Legal area)

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

- The concept of assessing the work conditions throughout Ford's facilities in the world, is a quite important action that will reinforce the idea that, linked to the pursuit of the results, the Company is totally committed to its ethical basis.
- It might be interesting if the corporate governance offers a feedback to the facilities assessed according to the results obtained; this would be a way of promoting improvements and maintaining the process flow.
- If considered appropriate, the results from other facilities that were considered Top Achievers in the subject could also be shared to all the other plants, in order to propitiate a benchmark between them.

7. Any other words of wisdom/advice?

None

Step 2: Site Visit

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

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

Step 3: Leadership

- Environmental initiatives:
 - Environmental Management System
 - Compliance to ISO
 - Waste Minimization Program
 - Selective collection of solid wastes for reuse and recycling
 - Storm water collection
 - Thermal treatment for VOC emissions
 - Use of wetlands technique for sanitary sewer treatment
 - Use of sanitary treated waste water for irrigation
 - Forestation of about 230 hectare with 70,000 planted trees
 - Formation of an ecological ring around the Complex to establish connection with three great region basins.
- The manufacturing complex and supplier park provides:
 - 8.5 direct jobs inside the complex, two years before plan
 - Up to 80,000 indirect jobs outside the complex

- Improvement of health, education and transportation systems
- Improvement of local job qualification
- Foundation of the Henry Ford Technical Center
- One new public high school constructed by the Government
- One new Technical High School constructed by the Government
- Transfer of technology to local schools and universities
- Participation in the Schools Program
- Community actions:
 - Smiling with Ford: A Ford's truck that offers free dental care for people in need throughout the country
 - Winter Clothing Campaign: 794 Clothes were distributed
 - Food Distribution: more than 3 tons of non perishable food was donated by Ford's and FSS' campaigns.

Conclusions

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

<http://www.ford.com/go/sustainability>