

Ford Human Rights Code of Basic Working Conditions Vsevolozshk Plant December 14, 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 on the outskirts of Vsevolozshk, Leningrad Oblast, Russian Federation, the Ford Vsevolozshk Plant has produced the Focus since its inauguration in July 2002.

The 61, 200 sq meter Plant is facilitated to produce 72, 000 units annually on 3 shifts. The Plant will be expanded to 63, 300 sq meters to facilitate Focus capacity expansion up to 100, 000 units and Mondeo production of 25, 000 units by end 2008.

We presently employ 2,425 people (1972 hourly, 173 salaried and 180 agency employees). This will increase to approx 3,500 employees following the expansion.

The Plant is 50.5% unionized - mainly hourly, but including some salaried employees (2.9%) with members belonging to the Inter-Regional Trade Union of Automotive Industry of Russia.

A review of 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 Sustainable Business Development sent a copy of the Human Rights Code of Working Conditions and a communication letter to Adrian Stead explaining:

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

David Berdish requested the above employees to conduct a review relating to the following: 1) If the documents provided were the best for verifying the Code and if they were easily accessible; 2) Whether plant management saw value in conducting the human rights assessment given that Ford already audits many practices covered by the Code through existing means; and 3) How Sustainable Business Strategies could best conduct the assessment without burdening facilities with additional work.

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

A summary of the questions and answers are as follows:

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

Human Rights assessments provide a methodology to assess a basic level of operating practices which meet international Human Rights standards whilst complying with applicable legislative requirements.

We invariably exceed these minimum provisions in most areas, but nevertheless need to stand back and conduct regular assessments to ensure ongoing compliance.

We want to ensure we visibly demonstrate our concern for the welfare of our employees and, through developing social support initiatives, for the broader community in which we work.

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

We do not anticipate any areas of non-compliance.

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

The assessment will be viewed as an opportunity to review our present practices in relation to corporate policies and legal requirements and ensure we are doing the best we can do in this area.

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

Child Labor:

In compliance with the Russian Federation Labor Code, child labor is specifically prohibited. Individuals under 16 cannot be employed on a full-time basis. Below that age, minors aged fifteen may enter into employment on completion of their basic education or upon leaving school (16 –17) in accordance with Federal Law. With the consent of one of the parents or guardians, an employment contract may be concluded with a person who has reached the age of fourteen for the performance of light of work in their free time from studies. Ford Vsevolozhsk does not employ any persons younger than 18.

Prospective employees are required to prove their age by producing their Passports. A report showing all employee ages can be generated from the HR 1S system upon request.

Compensation:

Compensation is driven by the Employment Contract between employee and employer, Collective Bargaining Agreements, local regulatory acts about compensation and by Russian Federation law (minimum statutory monthly wage).

Presently Collective Bargaining takes place on an annual basis (according to RF law it can be concluded for a period not exceeding three years). Substantive improvements to terms and conditions of the Collective Agreement are authorized by Ford of Europe prior to implementation.

Salary Surveys are conducted to review existing pay structures, and increases take into account CPI, competitive practice, company performance, market forecast increases. In line with Ford compensation and benefits strategy, Ford aims to be a leading employer in the Vsevolozhsk and Saint Petersburg region.

Forced Labor:

Ford Vsevolozshk employs people freely, and only on the basis of valid legal documents listed by Russian Labor Law, such as passport, Labor Books, state pension insurance certificate, military service registration.

The following are deemed to be basic principles for the legal regulation of employment relations stipulated by Russian Labor law:

Freedom of employment, including the right of employment, which each individual freely chooses or voluntarily agrees to, and the right to use his work skills, and to choose an occupation and type of occupation;

Equal rights and opportunities for employees

Forced labor is prohibited. Criteria of forced labor are stipulated by federal Law and also listed in the terms of labor which are included in forced labor definition.

Regarding suppliers, we conclude agreements on the basis that they must conform to the requirements of Policy Letter 24 and all legal requirements of the Russian Federation. Any failure to comply with these requirements on the part of Suppliers could result in cancellation of Agreements and contracts.

We can, therefore, confirm that Forced Labor is not employed either directly or indirectly by Ford Vsevolozshk.

Harassment and Discrimination:

Ford Motor Company ZAO Zero Tolerance Policy is described in the Employee Handbook.

Labor Code and Collective Agreement positions:

No one may be restricted in their employment rights and freedoms or enjoy any privileges, as a result of their gender, race, skin color, ethnic status, language, origins, property status, social standing, origins, age, place of residence, attitude to religion, political convictions, affiliation and non-affiliation with legal associations and other.

Diversity statistics – we monitor gender and age only. We are unable to record nationality or ethnicity data since employees are not legally required to disclose.

HR maintains confidential Hotline (ext 320) enabling employees to report any violation of Policies or Procedures. Relevant calls received would be classified as an "Unusual Event" and processed through GAO. However, there have been no calls in this respect to date.

Freedom of Association and Collective Bargaining:

In line with the Ford Corporate Basic Working Conditions Russian Law provides employees with the right to associate with other employees, including the right to establish trade unions and join the same in order to have their employment rights, freedoms and lawful interests, to share in managing the organization through collective bargaining agreement or by other forms (i.e. representative body of employees), to engage in collective bargaining etc.

Ford Vsevolozshk employees established an Employee Representative Body in 2003, which was then replaced with Trade Union representation in 4Q 2005.

Health and Safety:

The Ford Production System incorporates the Safety and Health Auditing Review Process (SHARP). The FPS and Health & Safety teams conduct workplace assessments, log and track accidents/injuries and meet regularly to resolve issues.

We conduct regular Safety Audits and have an effective system in place which monitors the status of investigations and corrective actions.

We maintain OH&S scorecards in each Area and Conference Room #1. Emergency evacuation boards are in place in all areas, together with lists of emergency telephone numbers. We reference legislation in our operating procedures and provide all necessary safety induction and training programs for employees and relevant supplier personnel.

In 2006 we succeeded in reaching our safety targets and we are presently on track to achieve our 2007 targets.

Results indicate that lost-time decreased from:

2002	1.2
2003	1.2
2004	0.7
2005	0.6
2006	0.44

In the same time-frame severity rates were:

2002	20.8
2003	12.7
2004	10.7
2005	7.1
2006	5.57

Working Hours:

Ford Motor Company ZAO complies with the Labor Code of the Russian Federation which specifies hours of work (40 per week), together with applicable overtime and shift premium.

Community Engagement & Indigenous Populations

There are no legally constituted Indigenous Populations in the Russian Federation. However, we utilize fair employment practices and employ people from diverse backgrounds.

We continue to pursue our strategy of Supplier localization and development. We are now supplied by a total of 17 vendors producing glass, wiring, exhaust, filters, wiper mechanisms, seats, NVH, Plastic Mouldings, small stampings and auxiliary materials.

We work constructively with the Administration in Vsevolozshk Region and city of Saint Petersburg. We recently received Company approval to donate \$150, 000 toward the cost of installing an MRI scanner in a local Hospital. Our Care in the Community initiatives include donating PCs to Schools and charitable organizations and providing community transport for school's and veterans' events. We have plans to further increase our community involvement initiatives in 2008 by increasing the number of organizations which we will support and including Volunteering initiatives by employees.

Bribery and Corruption

We ensure that our employees and suppliers are aware of the requirements of Policy Letter No 3 and Directives A-107 and A-109.

Salaried employees are required to respond to the annual Policy Letter No 3 solicitation.

Under no circumstances do we tolerate the giving or receiving of money, gifts or favours or any other form of bribery to influence improperly the behaviour of any individual, organization, government employee, politician or Government body in furtherance of commercial or personal advantage.

Environment & Sustainability

We comply with all legally-mandated and Company-initiated core environmental requirements. All of our manufacturing installations are carried out either directly or under the supervision of Ford of Europe Group Staffs, including Environmental Quality Office, Environmental and Safety Engineering, Health & Safety Staffs, in a manner that provides responsibly for the protection of health and the environment.

4. Where are documents housed?

Document Type	Stored
HR 1S reports: Salary data, pay structure, overtime reports	HR Archive
Employee contracts and Labor Books	HR Archive
Collective Bargaining Agreements	HR Archive
SHARP Assessments, Master plan and Area scorecards	Computer files and hard copies on area boards and Conference Room #1
Employee Hotline Records	We have had no calls in this respect. However, records of any calls received would be placed in the HR Archive.

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

Create Corporate Governance website or shared drive, with practical tools for operational use, to support sharing information and best practice

Agree what standard data; reports need to be maintained by the locations

Step 2: Assessment

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

Step 3: Leadership

- Employee health promotion
- Medical Insurance
- Environmental Friendliness, monitored by our Environmental Engineering Supervisor
- Free transportation for employees (bus to/from work)
- Role in the community:
 - Community Transportation for Vsevolozshk local Schools
 - Veterans' organizations etc through "Social help to region" program.
 - Additional Volunteer Corps activities being developed
- Social events – e.g. Family Day 2007
- Internships
- Educational Liaison e.g. Summer Internships
- Personal growth opportunities include internal and external education and training courses, English lessons
- On-site Gym and instructor
- Employee welfare loans available for force major/emergency situations, as well as medical costs not covered by the medical insurance program and child education costs.

Conclusions

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

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>