

Ford Human Rights Code of Basic Working Conditions
Ford Romania SA Craiova Plant
FINAL 12-7-09

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).

In early 2008, Ford joined the United Nations Global Compact (UNGC), a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. This action reinforces our commitment to outstanding performance and transparency in these areas.

Assessment of Ford Motor Company owned and operated facilities began in 2004. In 2009, 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.

The Craiova (South Romania) plant taken over just 6 months earlier began assembling the Ford Transit Connect in September 09 (we acquired the facility in March 2008). Presently, the plant employs 3600 people, 2650 hourly and 950 salaried. Once fully operational the 290,000 square meter facility will be able to produce about 300,000 vehicles and engines per year.

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 Angella Alexander, HR Director Ford Romania, 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 11, 2009, Berdish of Sustainable Business Strategies sent interview questions to Ms Alexander. 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 does have a long tradition in establishing itself as a leading company and a leading employer worldwide. As part of this it is vital that we deal with our customers, dealers, unions, employees and all other stakeholders in a fair and respectful way – evidently compliant with all internal and external policies, procedures and norms. On this background it is important to set an example and demonstrate our ongoing commitment to our values by validating the procedures on a global basis and in each Ford owned activity.

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

- Compliance with the Code of Basic Working Conditions requires constant vigilance and measurement. Management recognizes the importance of the code and considers regular reviews as an important tool to support understanding and engagement of all stakeholders, but moreover to help to make improvements in the related procedures and the respective application.
- For Ford Romania SA as a newly acquired Ford activity it is crucial to participate in all compliance related processes and to develop further activities e.g. in terms of community engagement in the coming years.
- On the background of the existing Romanian labor code, related local procedures and bargaining contracts, there are no areas of non-compliance.

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 Labour:** Consistent with the Romanian labor law, Ford Romania SA does not employ people with age below 18. HR monitors compliance as part of the recruitment activities. However it is envisaged to set up a new apprentice scheme in the plant that will require people below age 18 to be employed as supported by Romanian legislation and not contradicting to the code.
- **Compensation:** Ford Romania SA seeks to adhere to Ford's global remuneration philosophy. Even though the current compensation and benefits structure for all employees is fully aligned to the national labor code, there is a need to set up a more competitive pay structure in support of Ford's business strategy and plant growth. The new pay structure will take into account benchmarking with other employees but will be consistent with the Ford pay principles of fairness and transparency (i.e. roles and responsibilities based) and evidently also consistent with Romanian labor law.
- **Forced Labor:** Ford Romania SA does not utilize forced labor. HR and the legal department ensure respect of Romanian Criminal Code and all labor regulations which forbid such a breach of human rights.
- **Freedom of Association and Collective Bargaining:** Like in other Ford locations, Ford Romania follows a partnership approach in the way the company deals with employee representatives (unions). An effective, open and trustful relationship with unions is considered a critical success factor in transitioning the plant to a high-volume activity and to maintain employee morale and commitment. It is important to note that nearly all employees, hourly and salaried, except senior management, are unionized. The framework for contract negotiation and dealing with unions is set by 1. the Romanian Labor Code (statutory framework laid down by Parliament); 2. The National Collective Agreement concluded between the country-wide employer and union federations; 3. The branch / sector collective agreements for the machine construction industry.
In terms of EU legislation on the set up of European Works Councils, the Ford Romania SA union representatives were just recently officially recognized as a new member of the existing Ford European Works Council.

- **Harassment and Discrimination:** In line with corporate policies, Ford Romania SA takes a zero-tolerance approach related to harassment and discrimination. In April 2009 an employee bulletin was published requesting all employees to call the toll-free telephone number (Romanian and Ford corporate number) for reporting suspected violations against law and company policy on an anonymous basis. All salaried employees will also be asked to participate in the global mutual respect global compliance online training that was recently launched globally.
- **Health and Safety and Environmental:** All Ford Romania SA employees have been trained to follow all legal and company safety policies. At the plant floor level also regular safety stand-down are conducted in the local team to reinforce the safety message and to transport specific safety rules into working practices. In terms of general governance and reporting, Ford Romania SA applies the corporate manufacturing Ford Health and Safety and Environmental metrics and measure progress as part of the ongoing scorecard process. Moreover, Ford Romania SA has established a central and local Joint Safety Committees which consist out of union, HR and line management representatives.
- **Work Hours:** The work hours for Ford Romania SA employees are fully compliant with national norms and local Collective Labor Agreements. As mentioned above the local agreements need to consider all requirements laid out in the labor code and industry/branch level agreements, but can define specific shift pattern supporting the plant operating needs.
- **Bribery and Corruption:** Ford Romania SA complies with the standard of corporate conduct policy related to bribery and corruption. Actually, the global code of conduct training was the first compliance course that was translated into Romania language and launched for salaried employees in Ford Romania.
- **Community Engagement:** The close linkage to the Craiova community and respective community engagement activities continue to be a critical objective for Ford Romania SA. Our employees are actively encouraged to participate in such events like the City of Craiova "Clean Craiova Day", the Ford tree planting project or the support of social organizations. On the background of the Job One event in September 2009, the first Transit Connect assembled in Craiova was donated to the Craiova Municipal Hospital.

4. Where are documents housed?

- Personnel Records (HR Office/Labor Relations Office)
- Local and National Collective Bargaining Agreements (Labor Relations)
- Open Door Policy (Plant Manager's Office)
- Policy Statements (HR Office/Labor Relations Office)
- Hourly / Salaried Timekeeping System (Payroll Office)
- Health and Safety Policy (Safety Office/Plant-floor Bulletin Boards)
- Environmental Policy (Environmental Office)

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)?

- In terms of a sustainable business strategy it is important that line management demonstrates its ongoing commitment to the company codes and values. A critical success factor will be to evaluate existing and new collective labor agreements as well as working practices against the company norms and policies, specifically with the focus to further improve the application and people's understanding of the code. As such information sharing on established best practices of other European and global plants would be appreciated.

6. Any words of wisdom/advice?

- Ford Romania SA is looking forward to making positive contributions to Ford's corporate standards and objectives. To fully engage all Ford Romania SA employees in this the topic of celebrating

success is critical to us - talking about the content/achievements and honor those that have been contributing will have a motivating effect on those groups that have less experience and knowledge in the subject matter field.

Step 2: Site Visit

Based on this assessment it is evident that Ford Romania SA is compliant with the Code of Basic Working Conditions and that robust processes are in place to monitor the situation. Due to the difficult economic conditions no trip from Ford Motor Company World Headquarters Social Sustainability will be scheduled. However, due to the unique situation of the plant, it's integration into global manufacturing and the high visibility of Romania, Berdish will follow up with Craiova during 2010 and a plant visit may be required. However, we will engage external stakeholders involved with the Code of Working Conditions on our findings.

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>