

BROADMEADOWS PLANT ASSESSMENT

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).

The Code was written and developed by a cross-functional team including Corporate Governance, Office of General Counsel, Human Resources, Labor Relations, Manufacturing, Purchasing and Sales and Marketing as well as with assistance from Business for Social Responsibility (BSR), a non-profit organization that has been a partner to Ford in the development and implementation of their Business Principles overall. The Code is based on the fundamental elements of internationally recognized labor standards, including the UN Declaration of Human Rights, the International Labor Organization Covenants, the UN Global Compact Principles, the Global Sullivan Principles, the Fair Labor Association and the International Metalworkers Federation. Moreover, it was reviewed by leading Human Rights experts including the Interfaith Center for Corporate Responsibility, the Lawyers Committee for Human Rights, the Prince of Wales International Business Leaders Forum, Amnesty International, Human Rights Watch, and faculty from Columbia and George Washington Universities.

Assessment of Ford Motor Company owned and operated facilities began in 2004. The sites were selected by the Corporate Governance Manager, International Labor Relations, and the Business Strategy Offices of North America, Europe, Canada-Mexico-South America and Asia-Pacific. Selection criteria included regional "hot spots", specific emerging issues (and plant impacts), plant employee representation and the views of thought-leaders, non-government organizations and human rights activists.

The Broadmeadows plant was among the initial plants and the first among the Asia-Pacific operations. Located in Campbellfield, Victoria in Australia, Broadmeadows Assembly produces the Falcon and its derivatives the Falcon UTE, Fairlane and the LTD, and Territory 2WD and AWD. As of 2005, the plant employs 1914 people (1790 as hourly employees and 124 as salaried employees).

The size of the facility is 1,759,807 square feet (or 163,487 meters squared). Production in 2004 was 111,007 units.

The plant is 100% unionized for hourly employees with members belonging to two unions: the Amalgamated Metal Workers Union and the Communications, Electrical, and plumbing Union. 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, Corporate Governance Manager sent a copy of the Human Rights Code of Working Conditions and a communication letter to Rachel Connor, Gail Rodgers, Kim Flanagan, Cindy Neenan and Robert Crowley, 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. This information already exists in the management system and includes:
 - A HR management system report showing the ages of our personnel and written contracts of every employee on file to comply with employment status to check age (for child labor) and employment status (for forced labor)
 - Salaried Wage Structure to check non-union employee compensation and benefits.
 - Collective Bargaining agreements to check union compensation and benefits. Collective Bargaining agreement or other documentation to check employees' right to associate freely and bargain collectively; recognized representatives to promote the interests of our employees; and opportunities for employee concerns to be heard.
 - Case documents in employee folders to check misconducts, policy violations, harassment and discrimination on the basis of sex, race, color, creed, religion, age, ethnic or national origin, marital/parental status, disability, sexual orientation, or veteran status.
 - Employee hot-line to also check misconducts, policy violations.
 - SHARP scorecards to check health and safety and other OH&S systems and scorecards.
 - Collective Bargaining agreements or other documentation to check union employees' hours of work.

BROADMEADOWS PLANT ASSESSMENT

From July 14 to September 16, 2004, David Berdish of the Corporate Governance office sought information from Rachel Connor, Gail Rodgers, Kim Flanagan, Cindy Neenan, and Robert Crowley. 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 the Corporate Governance Office could best conduct the assessment without burdening facilities with additional work.

The feedback confirmed that the documentation is the appropriate documentation for verifying compliance with the Code. However, it was 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?

Human Rights assessments outline a basic level of operating conditions that meet international human rights standards. Ford Australia aims to exceed the basic level of operating conditions and achieve a high standard of human rights at our facilities.

Our facilities comply with the Code.

We believe Human Rights processes and assessments enable us to demonstrate our concern for the welfare of our employees and the community in general. We are proud of the policies, processes, and programs we have developed around Diversity, Employer of Choice, Flexible Work Options, Worklife Integration, Indigenous Employment Strategy, respect for religious/cultural holidays, Education Programs and Career Progression processes.

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 anticipate any areas of non compliance.

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

The ethics and values of the code are intrinsic in the Australian culture, which has a diverse community and strong legislative practices to ensure compliance with standards.

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.

- Corporate policy prohibits child labor. The Child Employment Act 2003 came into effect June this year and prohibits the employment of children under 15. You can access more information on this from the Industrial Relations Victoria site <http://www.irv.vic.gov.au/>. An employee detail sign on form is completed to show the ages of our personnel. Ages are verified by employee contracts.
- Compensation is determined by the 2003 Enterprise Bargaining Agreement at <http://www.foa.ford.com/hrsc/web/hrsc-temp/hr-all.htm>.
- Forced Labor: Corporate policy prohibits forced labor and detailed in sections on physical abuse and sections in the Workplace Relations Act 1996.
- Freedom of Association and Collective Bargaining is enabled via the relevant sections in the Workplace Relations Act 1996, from the Australian Industrial Relations Commission site-- Part XA-Freedom of Association s.298 and Ford law is summarized in the Policy and Procedures under Labour Relations. Listed there is our current Enterprise Agreement 2003 and the Ford Consolidated Award 1998.
- Discrimination and harassment is monitored through the Equal Opportunity for Women in the Workplace Agency audits of organisations to ensure that they comply with the Equal Opportunity for Women in the Workplace Act (1999). Ford Australia has policies and processes that prohibit discrimination and harassment,

BROADMEADOWS PLANT ASSESSMENT

promote equal opportunity and provide a complaint resolution processes. Case documents are stored in employee folders when a breach of policy has occurred.

- Health and Safety: The OH&S Act (2004) and associated legislation outlines minimum standards and requirements for OH&S practices. (www.worksafe.vic.gov.au has more information on the OH&S Act 2004). Annual SafetyMap audits are reported to Worksafe and external audits are conducted every three years. The Ford Production System includes SHARP. The Management reviews of the Broadmeadows plant show a very effective monitoring system of the status of investigations and corrective actions.
- Work Hours: Ford Australia complies with Industrial Agreements which specify hours of work.

5. Where documents are housed?

- Employee Contracts are in Ford of Australia Labour Relations offices
- Salaried Wage Structure to verify non-union employee compensation and benefits. (On-line)
- Collective Bargaining agreements (Printed and publicly available)
- Grievance Procedure log (Each facility has summary information)
- OH&S scorecards are maintained in each area. Special commendation was given for the recently introduced Area Emergency Evacuation Boards and the training program for contractor safety induction. Legislation is referenced in operating procedures and training programs, and published on line.
- Hours of work agreements are printed and are publicly available.

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)?

7. Any other words of wisdom/advice?

Step 2: Site Visit

Site visit was not conducted. Alternative information sources used.

Step 3: Leadership

- Employer of Choice for Women - Ford is recognised as an Employer of Choice for Women by the Equal Opportunity for Women in the Workplace Agency (EOWA), a statutory authority within the portfolio of the Australian Commonwealth Department of Employment and Workplace Relations.
- Network of Women at Ford (NOW!). The NOW! Forums provide opportunities for women to build networks and discuss a range of issues that are particularly relevant to women working in a manufacturing environment. Recent topics discussed have included how to manage and avoid sleep deprivation, and returning to work following maternity leave.
- Ford has a Flexible Work Options policy which provides access to part time, job share and telecommuting. We have men and women, including a number of managers using flexible work options.
- Ford is the first automotive vehicle manufacturer in Australia to offer a formal Flexible Work Options Policy.
- Maternity, Paternity and Family Leave - Ford provides a range of paid and unpaid leave to support employees with their family commitments including:
 - Fourteen weeks paid maternity leave (six weeks paid in full, and eight weeks capped at \$800 per week). Ford offers a total of twelve months paid and unpaid maternity leave.
 - One week paid paternity leave.
 - Up to fifty two weeks of unpaid parental leave.
- Ford has volunteers across the company who are trained as Diversity Contact Officers. These employees champion the Diversity Program and provide advice to employees on diversity policies and processes. As Diversity Contact Officers retire from the voluntary role, and new employees become Contact Officers, the Diversity message continues to spread across the company.
- Harmony Day - Ford is a partner to the Federal Government's Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) in Harmony Day. Harmony Day is a celebration of the cultural diversity of Australia.

BROADMEADOWS PLANT ASSESSMENT

Harmony Day promotes Australia's successes as a multicultural society and encourages goodwill and understanding between all Australians of all backgrounds; and reinforces that racism is not to be tolerated.

- Religious holidays are scheduled around PDO's.
- Health Promotion - Health promotion and wellbeing activities are conducted regularly.
- Gym- On-site supervised gym and fitness programs are available to all employees at minimal cost.
- Consultative mechanisms - Consultation occurs on all aspects of Health and Safety with employee representatives through OH&S committees, risk assessment processes and training.

Indigenous Employment Strategy

- In November 2002, Ford Australia developed an Indigenous Employment Strategy that was adopted by the Australian Operating Committee.
- One of the key objectives within the strategy has been the establishment of relationships and partnerships within local Indigenous communities. The considerable time that has been spent developing these connections, listening to and learning from these key stakeholders, has ensured the success achieved to date.
- Implementation of a pre-employment training program for Indigenous employees who required support to obtain employment within Ford (or organisation of preference), has been the catalyst to creating access for Indigenous people to employment at Ford. To date, 35 Indigenous people have been employed within the Broadmeadows and Geelong Plants.
- Also critical to success was a 1 day Cross Cultural Training program delivered to over 200 Ford employees including all members of the AOC. This positively changed perceptions held by employees of Indigenous people and culture. Another component of the training program was the education and training of Ford volunteer mentors to support Indigenous participants on a "one on one" basis.

Community Affairs Committees

- An employee Community Affairs Committees has been operational in Broadmeadows since 2000. The charter of the committee is to be a representative and a voice for past & present employees at Ford, establishing partnerships within local community groups, educational institutions and other organizations where appropriate, to support the sustainability of the community.

Ford Employees Charitable Contribution Scheme

- Similar to United Way, an employee charitable payroll deduction scheme was introduced for Broadmeadows employees in 2000. In conjunction with the establishment of the Community Affairs committee, one of it's first tasks was to research the operation of a possible scheme and make recommendation to employees and management of an appropriate program. 5 charities were selected to whom employees may contribute. Volunteer project opportunities have also been developed with the 5 charities along with relationships with the charities that have been of assistance to employees and their families.