

Ford Human Rights Code of Basic Working Conditions Chicago Assembly Plant FINAL May 15, 2008

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 2008, 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 Chicago—the plant produces the Ford Taurus, Ford Taurus X, Mercury Sable and Lincoln MKS and employs 2,311 people. The 2,700,000 square foot facility is able to produce about 239,000 units per year. Production in 2007 was 130,512 units.

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 Christina Peace, 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 April 16, 2008, Berdish of Sustainable Business Strategies interviewed the Chicago 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 this greatest value-add of conducting human rights assessments at Ford's owned and operated facilities?**
 - Ford is a global business with partnerships and customers all over the world. Conducting human rights assessments is an integral activity to both demonstrate and verify the company's commitment to the fair treatment of its employees and other key stakeholders. It is a necessary step to strive beyond merely complying with all local and national laws.

2. **When you look at the code, and imagine using it to access current practices 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?**
 1. Given Ford's commitment to the code, I can not predict non-compliance in any area. Our employees understand Ford's corporate values and the organization's desire to position itself as a global leader in the area of human rights. Consequently, they will view these assessments as yet another example of Ford taking the lead to improve the communities in which we conduct business. The easy access to the reports on the web allows for a level of transparency that employees will appreciate.
3. **To help us understand any unique conditions at your facility, please describe how you meet each of the seven facets of the Code 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 – Chicago Assembly Plant complies with Ford's position on Child Labor. Employment consideration is only given to those applicants who are age 18 and over. The plant does not currently participate in any government-authorized job training or external apprenticeship programs.

Compensation – Chicago Assembly Plant complies with Ford's corporate compensation philosophy for both wages and benefits. Hourly employees are compensated in both wage and benefits in conjunction with the terms detailed in the National Collective Bargaining Agreement with the United Autoworkers Union. Salaried employees receive competitive wages based on their comparative performance to their objectives. Salaried benefits, to include regular vacation, are based on competitive analysis of local industry averages.

Forced Labor – Chicago Assembly does not utilize forced labor. Additionally, the plant employs administrative disciplinary procedures as described in the National Collective Bargaining Agreement for hourly employees and within corporate guidelines for salaried employees.

Freedom of Association and Collective Bargaining – At Chicago Assembly Plant, all hourly employees are members of the United Autoworkers Union. The plant's Operating Committee works constructively with the Union to negotiate local operating agreements in support of the collective bargaining process. These negotiated agreements provide the blueprint for how the business is run from the hourly employees' perspective. Though salaried employees are not unionized, Chicago Assembly provides numerous outlets to raise issues for prompt resolution. Management has a published open door policy and regular meetings are set up with supervisors/managers to create two-way communication exchanges. Also, the Human Resources Department maintains a steady presence in the facility to assist in the resolution of salaried concerns.

Harassment and Discrimination – In compliance with corporate policy, Chicago Assembly takes a zero tolerance stance on the issue of harassment and discrimination on any basis. To this point, the organization has gone beyond the corporate required trainings and conducted anti-harassment refresher training. There is a clear policy in place that indicates all instances of alleged harassment/discrimination must be immediately turned over to the Human Resources Department for appropriate investigation and resolution. Additionally, the corporate anonymous reporting line (1-888-735-6650) is prominently displayed in high traffic areas within the plant.

Health and Safety and Environmental Responsibility – Chicago Assembly takes seriously its responsibility for the health and wellness of its employees. The plant has replicated its Safety Operating System as a best practice in other North America assembly plants. There is a regular bi-monthly proactive review of key safety indicators; DART (days away restricted), FTOVs (first time office visits) and LTC (lost time cases). Compliance to safety protocol is a part of every salaried employee's yearly performance objectives. Furthermore, the plant has assembled a local ergonomics team that is highly trained to address high-hurt operations as well as many other related ergonomic concerns.

Chicago Assembly strives to be the environmental leader in our local community. We are both donors and active participants in the local Hegewich Marsh where we plant trees and clear fields in support of the environment. In acknowledgment of our efforts, we have been the past recipient of an Energy Star Award for Energy Management.

Work Hours – Chicago Assembly schedules work hours for its employees in accordance with the Collective Bargaining Agreement for the hourly workforce and corporate policy for the salaried workforce. Hourly employees work hours are determined by shift assignments. Each Monday through Friday shift is scheduled to be at least 8 hours and do not exceed ten hours. There are two production shifts: 2nd shift starts at 6am and 3rd shift starts at 4pm. Salaried employees work hours are dictated by their job functions and are not necessary congruent with the production shifts. Regardless of start time, they are assigned at least an 8 hour work day with some casual time included if necessary.

Bribery and Corruption – Chicago Assembly complies with the standard of corporate conduct policy related to bribery and corruption. To this point, all salaried employees are required to complete training on the subject and the completion of such training is audited by the Finance function within the plant.

Community Engagement – Chicago Assembly supports the corporate initiative on community service. Management encourages the use of the 16-hour community service opportunity by developing projects that the entire plant population can participate in. Examples include the March of Dimes marathon, the local tree planting efforts and our Juvenile Diabetes charity golf outing.

4. Where are these 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)
- Salaried Timekeeping System
- TWOS Timekeeping System (hourly)
- 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)?

- Feedback to the plant, possibly by meeting with the Operating Committee, to share the results of the plant's efforts around basic working conditions would go far to keep this important initiative in the forefront. Also, possible suggestions to improve upon any potential deficiencies would go far in solidifying the partnership.

6. Any words of wisdom/advice?

- It would be a value-add to celebrate those facilities or organizations that have made significant improvements in their basic working conditions to serve as model for their peers. A positive trend is great motivation and could produce a ripple effect for those groups in need of some measure of improvement.

Step 2: Site Visit

Based on this assessment, it is evident that the Chicago plant can comply with the Code and those robust processes are in place to monitor compliance and provide remediation methods at all facilities. No trip will be required.

Step 3: Leadership

- Environmental Management System – CAP has a very mature Environmental Management System that has been in place for over 10 years. It is currently evolving into a more robust process that is preventative maintenance and verification-driven by direct operators. In the previous years, one or two individuals had responsibility for EMS across the facility. Now a more standardized system has been created within Ford Motor Company that centers on departmental verifications and a more participative approach.
- Compliance to ISO – Chicago Assembly is compliant with both ISO 9001 and 14001.
- Waste Minimization Program – CAP has a waste minimization program that has decreased waste by approximately 5% year over year. The plant is pursuing additional opportunities for waste segregation improvements. One example of this is having Group Leaders collect waste in clear plastic bags to be placed in the appropriate dunnage receptacle for sorting prior to disposal.
- Selective collection of solid wastes for reuse and recycling – CAP participates in a program where selective plastic waste is purchased by an outside company who then creates composite 2X4s for reuse in decking and construction projects.
- Storm water collection – Storm water tests are conducted quarterly to ensure the plant is compliant with the terms of our storm water permit issued by the Metropolitan Water Reclamation District of Greater Chicago.
- Thermal treatment for VOC emissions – CAP has two thermal oxidizers that are 95% efficient in the destruction of VOC. One oxidizer is connected to the e-coat and enamel oven and the other is connected to the prime oven in the Paint department.
- Ford Environmental Center – Groundbreaking for a new Ford-funded environmental center will take place in Fall 2008. This center will be located across the street from the plant on a revitalized 10-acre parcel of land. Beyond preserving nature and functioning as sanctuary for endangered bird nests, the purpose of the center is to educate the community on how industry and nature can effectively co-exist. The grand opening is scheduled for Spring 2009.
- Juvenile Diabetes Research Foundation – For several years, CAP sponsors several events to raise funds for Juvenile Diabetes; the largest being the annual golf outing. In 2007, the plant raised just over \$10,000 for the cause.
- March for Babies – So far this year, the plant has donated over \$1600 to improve the health of babies by preventing birth defects and premature birth.
- Local Charitable Endeavors – Each year at Christmas time the plant sponsors a local foster home for teenaged boys – Aunt Martha's Youth Service Center – by providing Christmas gifts and participating in recreational activities with the youths. During the same timeframe, we also sponsor the Nazareth Home; a local church-sponsored orphanage for newborns and children up to the age of five. We provide essentials such as clothing, diapers and appliances to support the home.
- Hegewish Marsh Clean-up – Each year CAP organizes an environmental initiative to remove trash and plant trees in the local Hegewish Marsh as part of our responsibility of being good corporate citizens in our community.

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>