

Ford Human Rights Code of Basic Working Conditions Valencia Plant FINAL 7-28-10

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 2010, the Social Sustainability Manager-- with input from the Ford Motor Company International Labor Affairs and the Purchasing Strategy team-- 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 Valencia Plant, located in Almussafes (20 kilometers away from Valencia), is the largest single Ford site. Production facilities comprise:

- Vehicle operations, including stampings
- Engine Plant
- Parts Distribution Center for Spain and Portugal

Also located in the site there is a Training Center for employees and a dealer training facility. There is also a medical center in the site manned with Ford personnel.

The car plant assembles two models: Fiesta and Focus. A new vehicle, the C-Max will be launched in August this year. Combined daily capacity is 1.915 cars/day in three shifts as a maximum. Individual maximum capacity is Fiesta 900 upd, Focus 1.015 upd, C-Max 750 upd. Annual capacity is 420.000 cars.

Peak production in history has been 450.000 cars in 2004. Current actual volumes are lower, with 300.156 cars assembled last year (2009) and a forecast for 245.000 in 2010. Since May 2009, the plant operates only two shifts per day.

The engine plant machines 5 major engine components and assembles gasoline I4/Ecobost engines. Daily capacity is 2.000 engines, but the plant has never been any near to this capacity. Annual capacity would be equivalent 438.000 engines and actual production in 2009 was 183.446, with a forecast of 192.800 in 2010. The plant operates two shifts for machining and one shift for assembly.

Extension for the total site is 2.7 million square meters.

Total site employment at end June 2010 is 5.038 (408 salaried, 4.630 hourly) employees at full time and 1.337 partial retirees (27 salaried, 1.310 hourly) who only work 15% of the work days – partial retirees are aged 60 to 64 years.

The Assessment Process

Step 1: Prior to the Assessment:

David Berdish, Manager of Social Sustainability sent a copy of Policy Letter #24, the Human Rights Code of Working Conditions and a communication letter to 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 February 25, 2010, Mr. Berdish sent interview questions to Mr. Abargues. 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 Social Sustainability 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.

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?

The main value is the assurance that all plants comply with a set of basic working conditions that Ford, as a respectful and respected employer, I am sure that exceeds the minimum required from an ethic, caring and generous point of view.

Also, by having a worldwide perspective of the working conditions, the company management can assess trends and opportunities to be tackled where necessary.

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?

There is nothing in the code that Ford Spain has not acted proactively time ago. Some of the rules in the code would not even be legal if Ford Spain was to contravene them (e.g. child labor, forced labor, health & safety, environment).

Management has always been conscious that working conditions at Ford are well above the average, in all senses and that, almost always, legal regulations are exceeded favorably by Ford local or corporate policies and practices.

The Works Council, as the body representing the workforce, also is conscious of this situation. In particular, Ford is the major industrial employer in a region populated by 3 million people. In the area near the Ford factory (in a radio of 100 kilometers) Ford is the factory most people would like to work for.

3. To help us understand any unique conditions at your facility, please describe how you meet each of the nine 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:**

Minimum employment age in Spain is 16 years. Employees younger than 18 cannot either work in night shift or perform overtime hours. This is a mandatory legal requirement.

For all legal regulations on Labor, Spain is ruled by the Estatuto de los Trabajadores (Workers' Statute), which has the rank of fundamental law in Spain.

The practice in Ford Spain is that we do not hire personnel younger than 18 years.

- **Compensation:**

Compensation for non management personnel is ruled by the Contract Agreement negotiated between management and the Works Council.

Valencia renewed the contract in 2009 for duration of 5 years. The agreed contract acquires the rank of law-inter-parties and both parties must stick to it.

The contract regulates not only compensation, but also labor relations and labor aspects related to the relationship employer-employees.

Separately a copy of the current agreement is attached to this questionnaire.

- **Forced Labor:**

Forbidden by law. Not applied in Ford Spain.

- **Freedom of Association and Collective Bargaining:**

This freedom is legally mandatory and is ruled by the Spanish Law of Union Freedom (Ley de Libertad Sindical), which has also the rank of fundamental law.

Ford Spain fully fulfills the law. Works Council members are elected by the workers every four years. Currently the Works Council in Valencia has 35 seats, owned by the following unions:

UGT	(Union General de Trabajadores)	19
CCOO	(Comisiones Obreras)	8
CGT	(Confederacion General de Trabajadores)	5
STM	(Sindicato de Trabajadores del Metal)	3

Workforce is unionized at 88%.

- **Harassment and Discrimination:**

Forbidden by the Spanish Constitution and the Workers' Statute.

Reinforced internally by the agreement signed between management and Unions as a "Dignity at Work policy" in 2002. Copy of it attached separately to this document.

- ***Health and Safety and Environmental:***

Ruled and mandated by the Ley de Prevención de Riesgos Laborales (Law for the Prevention of Risks at Work). This is a law effective since 1995.

Ford Spain follows the law and the corporate policies which, in many cases, exceed the law favorably.

- ***Work Hours:***

The Workers' Statute sets the maximum work hours at 40 hrs/week, and a maximum of 48 weeks per annum, leaving freedom to the companies to negotiate in the collective bargaining for the labor contract anything below this ceiling.

In Ford Spain, our labor contract establishes 38.75 hrs/week for 46 weeks.

- ***Bribery and Corruption:***

Bribery and corruption are considered a crime in Spain and ruled by the Spain's Penal Code (Codigo Penal).

Ford Spain follows, apart from the law, the corporate policies to avoid and identify bribery and corruption cases.

- ***Community Engagement & Indigenous Populations***

We do not have indigenous populations in Valencia.

For community engagement we do not have any specific policy, but our main actions are as follows:

- Ford Spain has 25% ownership in two Special Employment companies (non Ford employees). Those companies employ more than 95% of their payroll with disabled people. The two companies are:
 - F.M.V, which employs 49 people (47 of them disabled)
 - M.L.V., which employs 154 people (143 of them disabled)
- Ford Valencia follows, where applicable, the allowance of 16 hours per annum offered to those who voluntarily make service to the community. Each department organizes their outings, covering areas like: schools for disabled, old people centers, charity institutions, NGOs that require physical help or work
- Ford Spain has an initiative called "Solidarity cents" by which employees who decided so donate every month the decimal cents resulting in the pay slip. So far 3.900 employees are making such a donation. Some of them have chosen the option 1 Euro + cents. Funds collected are handed to NGOs elected by the local Diversity council.
- Participation in the week of caring, though we encourage activities with the community along the year, not only concentrated in one week.
- Employees organize random collections of goods (old clothes, glasses, mobile phones) and non-perishable food (rice, beans, flours, etc.) to be donated to people in need in a broad countries

4. *Where are documents housed?*

Documents that represent local or corporate policies are housed in the Valencia factory building and electronically in the hardware equipments.

Legal texts are housed in the factory office and also electronically, though they are accessible outside with ease.

5. What would you suggest is most important for Social Sustainability 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)?

For Social Sustainability it is very important to act in, at least, two fronts.

- The people's front: people must be fairly remunerated according to the quantity and quality of work they perform. We are convinced Ford Spain clearly fulfills that principle. We are very competitive in the Valencia region and the whole of Spain for pay and benefits.
- The environmental front: nothing that we do must be in compromise of a sustainable environment. Ford Valencia does not drop any water that has not been previously deputed. Wastes of special nature (paint sludge, solvents, machining lubricants) are adequately disposed of and we have our control and response teams to ensure adequacy and prompt reaction, respectively.

Step 2: Site Visit

Based on this assessment it is evident that Valencia is compliant with the Code of Basic Working Conditions and that robust processes are in place to monitor the situation. The concern for Spanish law and Corporate Standards prove that the people at Valencia take social sustainability quite seriously. There is no need for a specific trip to Valencia for an on-site assessment by Sustainability & Environmental Policy.

The Valencia site was recertified last June for the ISO 14001 standard.

Step 3: Leadership

Please describe leadership in environmental initiatives.

Here are some exemplary initiatives taken by Ford Valencia with respect to environment:

- We are the first large company in the Valencia region that has obtained the Integrated Environmental Authorization, which is an accreditation promoted by the regional Ministry for Environment
- Industrial water treatment monitored by the regional Ministry for Environment and the Confederation of Water Resources from the River Jucar, especially designed to guarantee a water cleanness level compatible with the water conditions in the nearby natural lake and park La Albufera
- Preservation of the natural habitat for birdlife in the water reservoir to air used water at the factory. This reservoir, totally integrated in the shape of an artificial lake, is the habitat for some autochthonous birdlife, where they live and nest and incubate eggs.
- Management of waste treatment, supervised by the regional Ministry for Environment, so that we keep the keep the dumping to landfill as the minimum
- Granting an overall study for waste treatments in the firms located in the Industrial park adjacent to the Valencia factory

Please describe leadership in community initiatives.

There are several actions and initiatives in which Ford of Spain, and its workforce, has had a recognized impact. Last year over 260 employees actively participated in different projects during the Global Week of Caring. The result of such action was that more than 370 people benefited directly from this action, as well the environment, since several of the actions were focused on environmental activities.

During the course of the year, Ford personnel also took part in conferences to inform the general Valencia community about the initiatives that arise from within the company, be it from management or production levels. Also, in 2009 Ford of Spain was elected as one of the few private companies to be part of the jury that votes the Valencia Regional government's Volunteer Awards, and it is the seventh consecutive year that this occurs.

Again during the months already past in 2010, groups of employees have been taking full days to work in charity institutions that require workforce for several repairs and refurbishments. Examples are:

- Employees from Accounting and other guest areas: household works in the Valencia House of Charity and in the Cotelongo Centre (place for elderly people)
- Employees from the Engine plant: paint, electrical and minor build works in centers who host mentally disabled children
- Employees from Assembly and Quality Control: build works in a daytime center for severe mentally handicapped children
- Employees from Cost Analysis: cleaning of waste in the natural water reserve of La Albufera
- Employees from IT: telecommunication and computer enhancements in a charity house near to Valencia
- Employees from several areas: housekeeping in the Valencia Ford Social & Sports Club
- Diversity Council members and other guests: repairs in a place for abandoned dogs that was flooded as a consequence of severe rains

Others initiatives

- Ford Spain, together with the regional Ministry of Industry, created a Foundation called Fundación para el Desarrollo y la Innovación (F.D.I.) whose main objective is to disseminate the Ford industrial culture in the Valencia's region industrial network. The foundation is based in the factory premises and provides the following social services:
 - Training courses to other companies (suppliers or non suppliers to Ford)
 - Vocational training to private persons and to other students that get scholarships from their respective town halls to study at Ford Spain
 - University studies on subjects of industrial interest (environmental initiatives, IT solutions, labour affairs, research on new energies, electric cars and engines consumption and emissions)
 - Conferences by external experts on industrial and economic matters
- Ford Spain created in year 2000 a company which is co-owned by Ford, the Regional Ministry of Industry and the Fundación ONCE (Spain's organisation for the blind and disabled people). The company called Fabricación Modular Valencia (F.A.MO.VAL) qualifies as a centre of special employment (i.e. more than 90% of employees are disabled) and provides subassemblies to the Valencia car plant, plus does sequencing of parts for both the engine and car plants). FAMOVAL is located within the building of the Valencia car assembly plant.

The success of FAMOVAL led to the creation of another similar company called Modular Logística Valenciana (M.L.V.) in 2004, this time located in the adjacent Industrial Park. MLV is also a centre of special employment and provides parts, sequencing and services to Ford, as well as parts for other Spain and foreign customers.

FAMOVAL employs currently 49 people (47 disabled) and MLV employs 154 people (143 disabled)

Both companies are certified for ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Safety and Health at work).

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/microsites/sustainability-report-2009-10/issues-humanrights>