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Sustainability 2011/12



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Supply Chain

Ford's suppliers are critical allies in helping our Company to achieve success in the marketplace and meet our sustainability goals. We promote long-term [relationships with our suppliers](#) and seek alignment with them on sustainability-related issues such as greenhouse gas emissions management and human rights.

The basis of our work with suppliers is the [Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#). This Code was formally adopted in 2003 and applies to our own operations. We also seek to do business with organizations that conduct their businesses to standards that are consistent with this Code, and we encourage our \$75 billion supply chain² to adopt and enforce similar codes. Ford's Code of Human Rights, Working Conditions and Corporate Responsibility addresses workplace issues such as working hours, child labor and forced labor, as well as nondiscrimination, freedom of association, health and safety, the environment and other issues.

We work to ensure that Ford and our suppliers have management systems in place to mitigate potential risks, ensure continuity of supply and improve the overall sustainability of the complex global automotive supply chain. Our aim is to leverage our supply chain – and our industry – to make a positive impact in the markets in which we do business.

We take a three-pronged approach to engagement with suppliers on sustainability issues:

- **Building Capability at Individual Supplier Facilities:** We work with suppliers to encourage the management of sustainability issues. We conduct supplier training supported by assessments and remediation at individual factories.
- **Engaging with Strategic Suppliers:** Ford and our strategic production suppliers work together at the corporate level to align and enhance approaches to a range of sustainability issues.
- **Collaborating with Peers in the Automotive Industry:** To achieve truly lasting change, we are leading work with our counterparts in the automotive industry, through the Automotive Industry Action Group (AIAG), to develop common approaches to a full range of sustainability issues.

Accomplishments

More than

1,750

Ford suppliers trained on human rights and environmental sustainability issues to date

\$6.14 billion

worth of goods and services purchased by Ford from approximately 400 minority- or women-owned suppliers in 2011

Conflict Minerals



We have engaged internal teams and external networks to ensure appropriate due diligence for conflict-free sourcing.

In 2011, our human rights and environmental responsibility accomplishments in the supply chain included the following:

- Together with other automakers through the AIAG, we trained 387 supplier companies in India, Mexico, Turkey and Brazil. Of these, 111 were Ford suppliers. The industry-wide total across five countries now exceeds 1,500 suppliers trained. To date, the global total for Ford suppliers trained through both industry-wide training and Ford-specific training sessions now exceeds 1,750.
- We surveyed 128 suppliers representing nearly 60 percent of our annual purchases regarding greenhouse gas emissions, and we achieved an 86 percent overall response rate. More than 50 percent of respondents said they publicly report their emissions.
- Ford has driven industry action at the AIAG to address the need for common guidance and tools in the automotive industry and beyond for responsible sourcing from conflict-affected and high-risk regions.

Ford feels strongly that cooperation within industry, as well as with multiple stakeholders, will be required to effectively address the human rights and environmental impacts of mining and other raw material production processes. Due to the depth and breadth of the automotive supply chain, supplier engagement is critical and must be pursued by individual automakers and collectively as a global industry. In 2011, we have actively engaged suppliers through communications, training, events and workgroups.

This section provides background on our [relationships with our suppliers](#) and details our supply chain work to support [human rights](#), promote [environmental sustainability](#) and explore human rights and environmental issues related to [raw materials](#). We also detail our efforts to promote [diversity among our suppliers](#).

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1. \$65 billion is Ford's annual purchase amount as of year-end 2010.
 2. \$75 billion is Ford's annual purchase amount as of year-end 2011.



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Creating a Sustainable Supply Chain: Strong Relationships, Shared Commitment, and Capacity Building

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Related Links

This Report

- [Setting Expectations for Our Suppliers](#)
- [Supply Chain Profile](#)

The automotive supply chain is one of the most complicated of any industry. Automakers like us rely on thousands of suppliers to provide the materials, parts and services to make our final products. (See [Supply Chain Profile](#).) Many suppliers serve numerous automakers. And each of those suppliers, in turn, has multiple suppliers. There are often six to 10 levels of suppliers between an automaker and the source of raw materials that eventually enter the manufacturing process. The breadth, depth and interconnectedness of the automotive supply chain make it challenging to effectively manage business and sustainability issues.

Ford and its suppliers must work jointly to deliver great products, have a strong business and make a better future. In today's economic environment, achieving lower costs, improving quality and meeting sustainability goals require an unprecedented level of cooperation with suppliers and strong supplier relationships.

Our efforts to manage supply chain sustainability issues are based on building strong relationships with suppliers, developing a shared commitment to sustainability throughout our supply chain, and helping our suppliers build the capacity needed to manage sustainability issues internally and throughout their supply chain.

Building Strong Supplier Relationships

Building strong relationships with suppliers is central to our ability to create a sustainable supply chain. Without strong supplier relationships, we lessen our ability to encourage and influence the sustainability goals and management processes of our suppliers. We believe that strong relationships with our suppliers must be based on open communication, clear expectations and consistent requirements and processes. We work to maintain strong relationships with our suppliers by:

- Deploying a single, global product-creation process that combines aggressive execution of product plans with minimal variances
- Enhancing process stability, commonality and reusability
- Improving communication by providing real-time performance data to the supply base
- Providing suppliers with greater access to senior Ford managers in small-group settings
- Establishing organizational stability models in manufacturing, product development and purchasing
- Improving order fulfillment
- Engaging the supply base in discussions about process stability, incoming quality and corporate responsibility, and involving suppliers in coalitions to create awareness of industry issues

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Building Shared Commitment and Capacity to Manage Sustainability Throughout Our Supply Chain

It is equally important that our suppliers share our commitment to environmental and social responsibility. Shared commitment improves the flow and quality of information critical to continuity of supply and compliance with regulations. It also helps to ensure efficiency and quality throughout the supply chain. Shared commitment helps us avoid risks to our operations and reputation that can arise due to substandard practices in our supply chain.

We encourage our suppliers to manage sustainability issues and risks within their own operations and supply chains. We are also committed to providing suppliers with a range of support and assistance to develop their capacity to manage sustainability issues, based on our experience in this area. We have developed in-depth resource guides and coordinated presentations by subject matter experts to give suppliers information and background on human rights and greenhouse gas emissions estimation. We have provided tools such as worksheets for emissions tracking and reporting and code of conduct development. We are also sharing the training materials we have developed, as well as information and guidance on our compliance and training processes. Finally, we have committed to working with suppliers to help resolve issues and concerns.

Many of Ford's Tier 1 suppliers are major multinational companies that already have the capacity to implement and manage sustainability initiatives for their own operations and their own supply chains. We encourage all of our suppliers to develop their own systems for managing sustainability throughout their supply chain. Ford's ability to assess and influence the sustainability performance of our supply chain decreases the further removed suppliers are from us in our supply chain. For example, we have less ability to influence and assess our Tier 1 supplier's third- and fourth-tier suppliers. As a result, we work hard to align our Tier 1 suppliers to our sustainability goals and rely on them to help us maintain a clear and consistent message as far up our supply chain as possible. Our Aligned Business Framework program, described below, is the primary way we work with Tier 1 suppliers to help them develop the capacity to manage their own supply chain sustainability issues.

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Creating a Sustainable Supply Chain through Our Aligned Business Framework

In 2005, we introduced an Aligned Business Framework (ABF) with our strategic suppliers to increase mutual profitability, improve quality and drive innovation, and to help us encourage shared commitment to sustainability goals.

We sign bilateral agreements with our ABF suppliers that comprehensively and formally spell out business commitments. One element of the ABF agreement is the commitment by suppliers to manage and assure proper working conditions and responsible environmental management in their facilities and in their supply chain. (ABF suppliers must also [adhere to our Global Terms and Conditions](#).) This commitment is important for several reasons. Beyond the simple fact that it is the right thing to do, there are specific business benefits to Ford and suppliers in reducing the risk of operational or reputational issues that could affect production. The commitment also provides an opportunity for joint action by Ford and its suppliers to ensure responsible behavior throughout the automotive supply chain.

We encourage our ABF suppliers to develop a shared commitment to our sustainability goals and effective systems for managing sustainability issues through a three-phase developmental process:



1
Verify Supplier Code of Conduct

We ensure that our ABF suppliers already have or develop a code of conduct aligned with our Code of Basic Working Conditions, Human Rights and Corporate Responsibility.

2
Training and Compliance Process

We provide training as needed to our suppliers and ask them to conduct their own internal trainings to ensure understanding of their code of conduct. We also ask suppliers to develop a rigorous compliance process supporting their code.

3
Extending Expectations to Their Supply Chain

Finally, we ask our suppliers to extend our shared sustainability goals and expectations to their own suppliers, expanding the impact of our sustainability goals throughout the multiple tiers of our supply chain.

The Ford Supply Chain Sustainability staff have implemented a robust process of review at each of the three phases, or milestones, thus ensuring that suppliers meet our expectations. We are making good progress in this developmental work with our ABF suppliers. Twenty-four percent of our strategic suppliers have met all three Ford milestones – that is, they have codes of conduct in place that are aligned with international standards and supported by robust management systems governing their own operations and their supply chain. The intent is for our ABF suppliers to wholly own responsibility for sustainability expectations and performance in their supply chain. As of 2011, ABF suppliers still participate in our factory-level Working Conditions Program if requested by Ford, but over time, we expect the need for their participation to decline.

Through our work with ABF suppliers to date, we have found key success factors that have enabled companies to make notable progress, including: (1) the identification of executive decision makers to coordinate cross-functional efforts; (2) the support of executive management and/or the Board of Directors; and (3) facilitation by Ford of discussions and implementation support through individual or regional in-person meetings. In general, companies that have been able to make progress in aligning with these ABF expectations have been those that may already have aligned values, but had not necessarily institutionalized those values through comprehensive policies and programs. Many of these companies approach responsible working conditions and environmental management in a systemic manner with implementation and supporting management systems in mind.

The extension of working conditions and environmental expectations to the ABF companies' own supply base has proven to be the biggest challenge, given resource constraints and general lack of expertise and knowledge of the issues. The creation of tools and guidance by workgroups at the AIAG, and by the United Nations Global Compact, have been useful to our ABF suppliers in their development of sustainable supply chain systems.

During the first quarter of 2012, we held our annual production ABF supplier sustainability meeting in Southeast Michigan. The meeting included sessions on the value of collaboration in pursuing supply chain sustainability, updates on the Ford and AIAG supply chain greenhouse gas management initiatives, and an overview of emerging expectations regarding regulatory requirements and industry activity related to conflict minerals and supply chain transparency.

Ford is making strides in improving its working relationships with suppliers on a global basis. We are particularly excited about our sustainability work with our ABF suppliers, as it leverages our efforts to manage human rights and environmental responsibility issues in our supply chain in a more collaborative, in-depth, integrated and aligned manner. In our view, it will help embed ownership for social and environmental issues throughout our value chain, and lead to the development of more robust sustainable management systems across the automotive supply chain.

Ford's ABF Suppliers

As of June 2012, the ABF network included 102 companies, including 76 production and 26 nonproduction suppliers from around the world. Minority- and women-owned suppliers make up more than 10 percent of the total.

ABF Production Suppliers

- Akebono
- Asahi Glass Co. Ltd
- Autoliv
- JCI
- Johnson Matthey
-

- Automotive Lighting
- BASF
- Benteler Automobiltechnik GmbH
- Bing Group+
- BorgWarner Inc.
- Bosch
- Brembo
- Brose
- Bruhl
- Central Glass
- Clarion
- Continental
- Cooper Standard
- Dakkota+
- Dana
- Delphi
- Denso Corporation
- Diamond Electric Mfg.
- Dicastal Wheel
- Diversified Machine Inc
- Dupont
- Emcon Technologies
- Engelhard
- Faurecia
- FCC Adams LLC
- Federal Mogul Corporation
- Flex-N-Gate+
- Foster
- Getrag AWS
- Getrag GFT
- GKN plc
- Grupo Antolin Wayne+
- Hankook
- Hayes Lemmerz International
- Hella
- Inalfa Roof Systems
- Inergy Automotive Systems
- International Automotive Components (IAC) Group
- Key Safety Systems, Inc.
- Kiekert
- Kolbenschmidt Pierburg AG
- Lear
- Linamar
- Magna
- MANN & HUMMEL Group
- Martinrea International Inc.
- Michelin
- Neapco
- Nemak
- Panasonic
- Pirelli
- Piston Automotive+
- PPG
- Prime Wheel+
- Rieter Holding AG
- Ronal GmbH
- Samvardhana Motherson Reflectec
- Sanyo
- Saturn Electronics & Engineering+
- Siemens
- Sonavox
- Superalloy
- Superior Industries
- Takata Holdings, Inc.
- Tenneco
- Thai Summit
- ThyssenKrupp
- Tokico
- Toyoda Gosei
- Trelleborg AB
- TRW
- Umicore
- Visteon
- Webasto
- Yazaki
- Zeledyne
- ZF

ABF Non-Production Suppliers

- Active Aero
- Aristeo
- Blue Hive
- Cisco
- Cross Country Automotive Services
- Devon Industrial Group+
- Evigna+
- EWI Worldwide
- EWIE Co., Inc.+
- Federal Express
- Global Parts and Maintenance+
- Gonzalez Production Systems+
- Imagination
- Jack Morton Worldwide
- Kajima Overseas Asia
- Kuka Flexible Production Systems
- MAG Industrial Automation Systems
- Microsoft
- MSX International
- Penske Logistics
- Percepta
- Roush
- Schneider Electric
- Synovate
- Team Detroit
- The Dürr Group
- Uniworld Group+
-

Walbridge Aldinger

■ Zubi Advertising+

+ indicates Minority- or Women-owned Business Enterprise Supplier

Corporate Responsibility Recognition of Achievement

For several years, Ford has recognized supplier companies that demonstrate leadership in environmental and social performance with a corporate responsibility award. Suppliers must meet several criteria, including ISO 14001 certification at all manufacturing sites, an operational code of conduct aligned with international standards, an exemplary material management reporting record and demonstration of overall sustainability leadership by incorporating environmental and social considerations into their business.

In May 2012, Ford selected one winner for the 2011 Corporate Responsibility Recognition of Achievement Award: Saturn Electronics and Engineering.

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Setting Expectations for Our Suppliers

Every supplier doing business with Ford is subject to Ford's Global Terms and Conditions. This core contract dictates our prohibition of the use of forced labor, child labor and physical disciplinary abuse. These requirements were added in January 2004 for production suppliers and in September 2005 for all others. We have provided a standard for these areas – the same as we use in our own facilities ([Ford's Code of Human Rights, Basic Working Conditions, and Corporate Responsibility](#)) – that supersedes local law if our standard is more stringent. The Global Terms and Conditions also prohibit any practice in violation of local laws.

In addition, the Global Terms and Conditions serve to:

- Set the expectation that suppliers will work toward alignment with our Code in their own operations and their respective supply chains in the areas of harassment and discrimination, health and safety, wages and benefits, freedom of association, working hours, bribery and corruption, community engagement and environmental responsibility
- Make clear Ford's right to perform third-party site assessments to evaluate supplier performance
- Communicate that Ford can terminate the relationship for noncompliance or for failure to address noncompliance in a timely manner

Our Terms and Conditions are accompanied by Supplier Human Rights and Environmental Guides to assist suppliers in the application of expectations. For example, the supplier guide that covers human rights and working conditions amplifies the expectations set out in the Terms and Conditions, providing context on Ford's expectations for the automotive supply chain. Among other resources, it provides specific guidance and recommendations for self-assessments and alerts suppliers to the factory-level training. In April 2012, we reissued both of these Guides with extensive edits such that clear guidance is provided to all suppliers on due diligence for conflict-free sourcing, business ethics, anti-bribery actions, environmental specifications for engineering and working conditions expectations.

Related Links

This Report

- [Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#)



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Supply Chain Profile

Production

(Products that become part of the vehicle)

60+

Countries in which suppliers are located

38

Emerging markets in which suppliers are located

17

Emerging markets considered to have risks of substandard working conditions. These countries were identified as higher risk based on consultation with nongovernmental organizations, other companies with human rights experience, local Ford operations and various media and government reports.

70

Ford Manufacturing sites

1,300+

Supplier companies (Tier 1)

4,400+

Supplier manufacturing sites

130,000

Parts currently being manufactured

500+

Production commodities to manage

Nonproduction

(Products and services that do not become part of the vehicle, such as construction, computers, industrial materials, health care, machinery, transportation, advertising)

11,000+

Supplier companies



600+

Nonproduction commodities

Total global buy

\$75+ billion

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Industry Collaboration

We believe that collaborative action within our industry allows us to more effectively influence all levels of the automotive supply chain. We have taken an “open book” approach to our supply chain work, sharing best practices, challenges and opportunities with others in our industry. We primarily work at the automotive industry level through the Automotive Industry Action Group, or AIAG. The AIAG is a North American member-based, nonprofit industry group specializing in supply chain issues. It supports industry efforts to establish a seamless, efficient and responsible supply chain. Member companies donate the time of individuals to work at the AIAG, which operates as a noncompetitive, open forum that is intended to develop recommendations and best practices for reducing complexity and ensuring alignment on common issues across the industry.

We work on supply chain sustainability issues through the AIAG’s Corporate Responsibility Committee, which we chair. This committee currently focuses on five main issues: global working conditions, conflict minerals, greenhouse gases, chemicals management and reporting, and health care value. Ford staff chair three of these work groups: chemicals management and reporting, working conditions, and conflict minerals. Ford has also contributed an “executive on loan” to the AIAG to support the industry’s work and share what we have learned from working on these issues within our own operations.

Focus Areas for Industry Cooperation on Supply Chain Management

The work of the companies at the AIAG continues on several fronts:

- Exploring an industry response to raw materials sourcing and transparency challenges
- Providing common guidance and tools for responsible procurement
- Continuing to expand the factory-level supplier training program for a responsible supply chain
- Increasing supplier ownership of corporate responsibility issues through an expansion of engagement opportunities
- Developing additional resources and networks that will ensure the successful communication of responsible procurement expectations throughout the automotive supply chain

For all workstreams, the AIAG and the companies are actively reaching out to others in the automotive supply chain, including global automakers and heavy truck manufacturers, industry associations and major automotive suppliers, as well as cross-sectoral initiatives. Broader participation will be needed to achieve the vision of an industry-wide approach to promoting supply chain sustainability.

Related Links

External Websites

- [Automotive Industry Action Group](#)



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Human Rights in the Supply Chain: Ford's Global Working Conditions Program

We aim to ensure that everything we make – or others make for us – is produced consistent with local law and our [Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#). This can be challenging, as we have less control in suppliers' facilities than in our own, particularly at the sub-tier level (i.e., our suppliers' suppliers), where the risk for substandard working conditions is often heightened. For this reason, we have had to define our approach carefully and involve suppliers, other automakers, governments, nongovernmental organizations (NGOs) and other stakeholders.

The legal structures governing working conditions, and the level of enforcement, vary widely across the countries in which we operate. Ensuring sound working conditions in the supply chain is ultimately the suppliers' responsibility, and we would like governments to play the lead role in enforcing compliance with laws. However, as customers, we also have an active role to play in supplier development.

Since we began work with our suppliers to ensure alignment with our Code of Human Rights, Basic Working Conditions and Corporate Responsibility, our approach has emphasized building capability throughout the supply chain to manage working conditions effectively. Our primary focus has been on training and education regarding working conditions issues and management systems. We use third-party assessments of individual supplier factories to verify performance and progress. Our assessments are announced and coordinated with the supplier and Ford business owners. We do not conduct unannounced audits, as the risk profile of our Tier 1 supply base does not include significant indication of the types of issues intended to be "caught" during an unannounced audit.

Our long-term vision is for our industry as a whole to work together to ensure that high expectations around human rights and working conditions are met throughout the supply chain. We promoted cross-industry collaboration beginning in North America and have extended these efforts to include global manufacturers. Our view is that all participants in the automotive supply chain – from the original equipment manufacturers (OEMs) such as Ford, to the suppliers themselves, to the government agencies that set and enforce the regulations governing operations – must be involved to make these efforts sustainable in the long run. Such collective action will not only minimize costs and increase efficiency for OEMs and suppliers alike, but will lead to better results than if individual companies take steps in isolation. More information about the corporate responsibility accomplishments and ongoing work of the industry through the AIAG can be found at www.aiag.org.

See the [Expanding Human Rights Impact on Supply Chain](#) graphic to see how we are working toward our vision using a three-pronged approach aimed at individual supplier facilities, supplier corporate management and OEM corporate management.

Related Links

This Report

- [Assessing Suppliers](#)
- [Expanding Human Rights Impact on Supply Chain](#)
- [Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#)

External Websites

- [Automotive Industry Action Group](#)



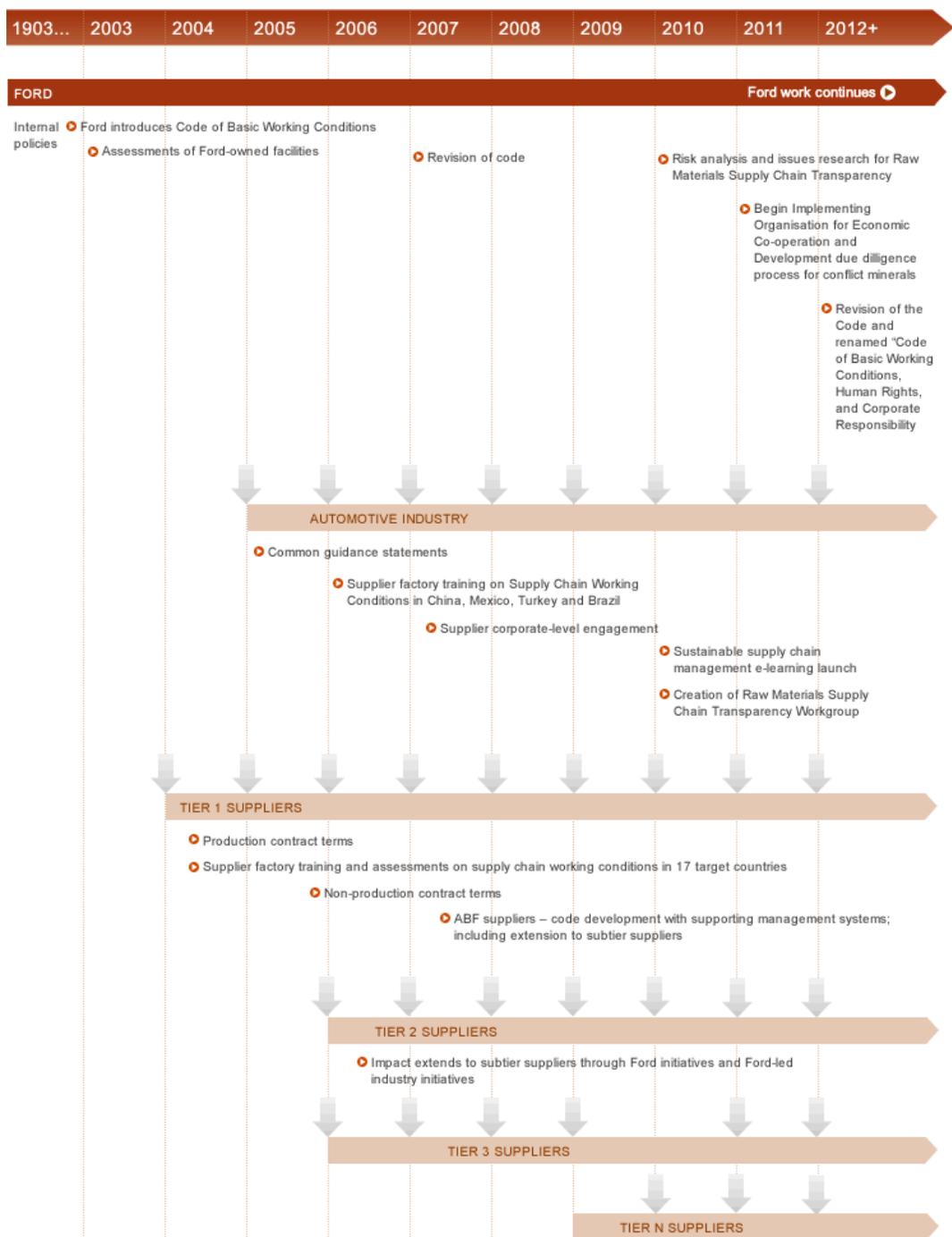
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Expanding Human Rights Impact on Supply Chain





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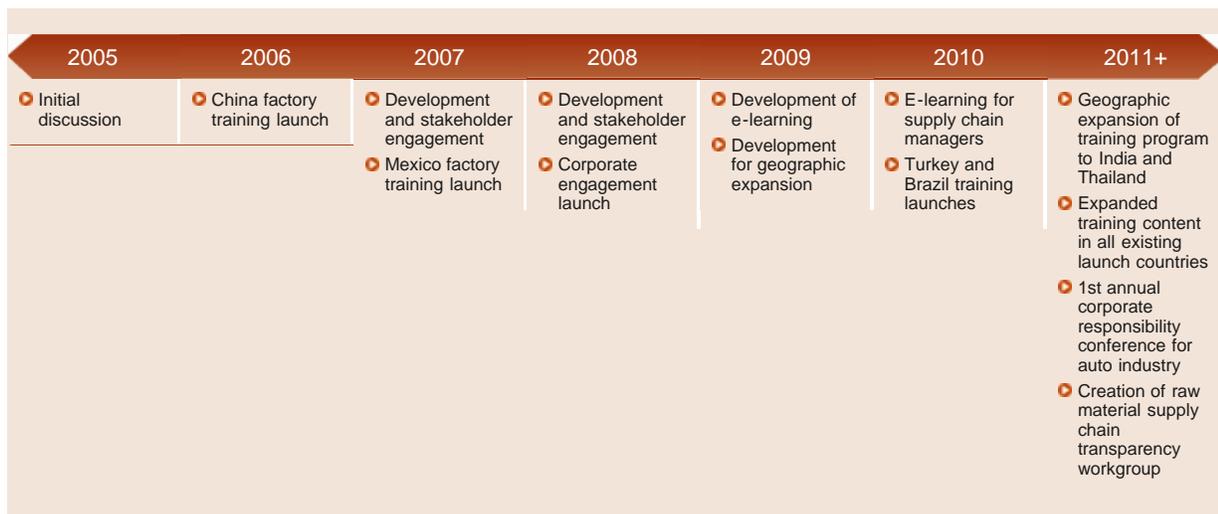


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Building Supplier Capability through Localized Training and Collaboration

The primary focus of our work on human rights in our supply chain is building capability among our suppliers to responsibly manage working conditions. We began this work by developing a training curriculum and approach that we used with Ford suppliers in 17 priority countries and surrounding areas. (See the [Working Conditions Program Focus Countries](#) box below.)

We recognized from the outset that a joint effort with other automakers would reach a greater number of suppliers more efficiently – as many of those suppliers are shared across multiple automakers – and would ultimately be more successful in embedding a sound approach to working conditions throughout the automotive supply chain. So we initiated a workgroup within the Automotive Industry Action Group (AIAG), and we recruited other automakers in North America, Asia and Europe to participate. Materials developed within Ford to promote responsible working conditions have been offered to the group as a platform for use and development. We now co-sponsor supplier factory-level trainings whenever possible and supplement those with Ford-specific workshops as needed.



In 2005, Ford, General Motors, Chrysler, Honda North America and Toyota North America began collaborative work through the AIAG to explore a cooperative industry approach to promoting decent working conditions in the supply chain. We continue to seek the participation of all global OEMs. Nissan and Daimler have since joined the AIAG and have begun participation in a number of established and emergent workgroups. We have engaged suppliers across a variety of different commodities. Their participation has been important to inform the activities pursued by the automakers at the AIAG, as has engagement with government (both U.S. and local governments in the countries in which training programs are provided) and nongovernmental agencies.

Initiative participants have created a set of guidance statements to establish a shared industry voice on key working conditions issues. The statements cover the core elements of individual companies' codes and policies, joint codes created by other industries and key international standards. The guidance statements historically covered child labor, forced labor, freedom of association, harassment and discrimination, health and safety, wages and benefits, and working hours. These statements have served as a baseline agreed upon by all the participating OEMs and are used as a platform for training. In 2010, we reached agreement with the other automakers to expand the guidance statements and training curriculum to cover business ethics and environmental responsibility. These expanded trainings – entitled Supply Chain Responsibility – are

being implemented in 2012 in China, Mexico, Brazil, Turkey, Argentina, Russia and Thailand.

It should be noted that Ford's specific expectations in the Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility for child labor exceed the expectations in the industry guidance statements and also include elements not yet addressed by the industry guidance statements, such as community engagement and indigenous populations.

At Ford, we continue to focus on the 17 countries and surrounding regions we had previously identified as having higher risks of substandard working conditions. Among those countries, locations are prioritized based on production and sourcing trends, sales trends and relative perceived risk based on the input of human rights groups, other companies' experience and other geopolitical analysis. We periodically review the list of countries in comparison with our global sourcing footprint. We did not find it necessary to add countries in the most recent review.

The companies at the AIAG discuss and agree on priority locations for the training workshops. Beginning in 2007, the sponsoring OEMs launched joint factory-level training workshops in China and Mexico. All training materials and the overall approach were based on Ford's prior work. The launch of each series of in-country training involves participation by OEM representatives and Tier 1 suppliers as well as local industry associations and government support where possible.

Whether delivered by Ford alone or with other automakers at the AIAG, the training workshops emphasize the interpretation and application of legal standards and international best practices. By interacting with managers from the human resources, health and safety, and legal departments of participating companies, the workshops provide for a two-way learning experience touching on the areas of interest for each company. The sessions utilize a "train-the-trainer" approach, so as to expand the scope and impact of the training.

While the supplier training sessions are customized to align with the unique laws, customs, cultures and needs of each location, in general they consist of:

- A day-long interactive workshop facilitated by qualified trainers and involving multiple automotive suppliers, in which participants develop and confirm an understanding of customer expectations, local law, best practices and sustainability management systems.
- Verification that the course attendee subsequently delivered training on the information obtained during the classroom training to all supplier personnel at each factory and communicated customer expectations to their direct sub-tier suppliers. Ford collects this verification within four months of course completion.

In 2011 Ford trainings were coordinated through the AIAG. These trainings included both in-person classroom training sessions and e-learning trainings.

2011 Classroom Training

In 2011, the AIAG jointly sponsored with participating OEMs supplier training sessions held in Brazil, India, Mexico and Turkey. A total of 387 suppliers attended these sessions. Of these, 111 were Ford suppliers and may also have been a supplier to other participating automotive manufacturers. This brings the global total for trained Ford suppliers to more than 1,750. (This figure includes dedicated Ford supplier training sessions conducted with the AIAG as well as industry training sessions in which Ford participated along with AIAG and other automakers). The industry total for the AIAG training sessions across five countries (Brazil, China, India, Mexico, and Turkey) now exceeds 1,500 suppliers trained.

Consistent with the format of Ford's original design, the attendees were required to subsequently complete a cascade of the training and expectations to the entire factory population and suppliers. Through this process, the training of suppliers in India alone affected nearly 7,000 workers and more than 800 Tier 2 suppliers.

Suppliers trained in 2011 have now moved on to the process of self-assessing their facilities for compliance with local law and Ford expectations and completing the final stage of the program, which is communication to both workers and their own suppliers on the topic of working conditions expectations. In 2012, we plan to conduct additional supplier training sessions in conjunction with the AIAG in China, Mexico, Brazil, India, Turkey and Thailand.

Where possible, these courses will be open to any interested company, and thus Tier 1 suppliers will have the option of asking their own suppliers to attend. The intent is, once again, to increase the scope of impact of the training and push working conditions expectations further down the supply chain.

E-Learning for Responsible Supply Chain Management

The automakers collaborating at the AIAG have developed an online training program on supply chain working conditions and responsible procurement targeted at purchasing and supply chain management professionals. The web-based training was launched in early 2010 by the five participating OEMs free of charge to their respective suppliers and continues to be available. The

training has also been deployed internally at a number of the sponsoring OEMs for their own global purchasing and supply chain staff.

Next Steps in Industry Training

As the AIAG initiatives develop and mature, Ford will maintain a leadership position in our work with the supply chain. We will continue to conduct our own training programs in countries not covered by AIAG programs. We will also seek further opportunities to strategically leverage our audit data and training processes to enhance our overall approach to working conditions and environmental responsibility in the automotive supply chain.

Working Conditions Program Focus Countries

Countries

- Americas and Caribbean: Argentina, Brazil, Colombia, Mexico (and Central America region), and Venezuela
- Asia and Africa: China, India, Korea, Malaysia, the Philippines, South Africa, Taiwan, Thailand and Vietnam
- Europe: Romania, Russia and Turkey



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Assessing Suppliers

Since 2003, we have conducted more than 830 third-party audits of existing and prospective Tier 1 suppliers in 20 countries. The audits provide feedback to Ford and suppliers about how well they are meeting legal requirements and Ford's expectations. They also provide insight into the effectiveness of our training programs. Audits consist of a detailed questionnaire, a document review, factory visits, and management and employee interviews, and are conducted by external, qualified social auditors.

In 2011, we conducted audits across the 17 target countries. The findings from the 2011 audits were generally consistent with those we had previously conducted. Namely, they identified certain general health and safety issues, several wages and benefits issues and a limited number of other types of noncompliance.

The findings from Ford's 2011 supplier audits included:

- No evidence of forced labor or physical disciplinary abuse
- Some health and safety issues, including inadequate emergency systems
- In some cases, a lack of appropriate timekeeping systems, and thus a failure to pay correct overtime wages
- In some cases, a failure to pay the correct local minimum wage or overtime or to provide the correct social insurance
- A general need to clearly define policy on harassment and discrimination
- Limited cases of restricted workers doing hazardous work
- In some cases, limited or restricted access to appropriate documentation regarding subcontracted labor and privacy policies
- Working hours violations related to overtime (in some cases, this overtime is a chronic issue resulting from poor capacity planning, but more often, it occurs only during peak production periods)

Freedom of association has been difficult to verify. While all assessed suppliers have either union representatives or a grievance process, there may be issues we have not been able to identify through our assessment process.

Another common finding is that suppliers often lack fully developed management systems – including continual improvement processes – to support compliance over time. This finding has validated our training approach, which continues to emphasize management systems at both the corporate and factory levels. We continue to engage with our suppliers to develop and implement appropriate corrective action plans. If any issues are identified during an audit, suppliers are required to complete corrective action plans, which Ford reviews and approves. The corrective action plans outline how a supplier will resolve issues uncovered in audits and include clear responsibility and timelines for completion. We return to the facility within six to 12 months as required to confirm resolution of the issues.

The audit tool that Ford uses with Tier 1 suppliers has been an important means for furthering our understanding of both the issues and the root causes for noncompliance. If issues are identified or allegations made of a sub-tier supplier, Ford makes available our assessment tool and guidance to our responsible Tier 1 supplier. In this way, we hope to affect positive change more broadly and enable our suppliers to effectively manage their supply base.

In 2012, we will continue to conduct supplier assessments across the target countries as necessary. We constantly monitor approaches developed by other organizations and industries in order to incorporate what they have learned into our approach. We will continue to work with direct suppliers to help create ownership of working conditions within those supplier organizations. Clear, consistent communication and further business integration of processes that support responsible working conditions throughout the supply chain will be a key component of our continued work.

Related Links

This Report

- [Supply Chain Data](#)



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Sustainable Raw Materials

As automobiles incorporate more advanced technologies, the material content of vehicles becomes more varied. Ford has a long history of seeking to use [sustainable materials](#) in our products and source from suppliers that demonstrate sustainable business practices, including respect for human rights and the environment. Although the majority of what we buy is parts and assemblies used directly in vehicles, there is a need to take a closer look at the farthest reaches of the supply chain, including raw material extraction.

The extraction of raw materials can have significant social and economic impacts, both positive and negative. Extractive processes for raw materials can create employment and economic growth, but also have the potential to disrupt or displace communities and endanger public health. Raw material extraction may result in environmental impacts, such as water scarcity, air and water pollution, and waste generation that must be minimized and mitigated. If the extraction is managed by unscrupulous operators, workers risk exploitation, and the economic, social and environmental risks are multiplied. In addition, the concentration of strategic materials in a limited number of locations can present significant geopolitical risks to companies all along the supply chain.

Most raw materials are not supplied directly to Ford; rather, they are provided to our suppliers or our suppliers' suppliers. On average, raw materials pass through six to 10 suppliers before reaching Ford. (See, for example, the [known supply chain stages](#) associated with [conflict minerals](#).) This makes tracing the source of raw materials very challenging. We have analyzed several select raw materials from a strategic perspective to identify sustainability risks and opportunities related to extraction, use and end-of-life treatment. Our approach to promoting sustainable raw material supply chains includes the following:

- Advancing transparency in our supply chain by working to better understand the relative material content of our products. We strive to know, where possible, the original source of the raw materials that reach us through our supply chain and to know and influence our direct suppliers' policies and practices.
- Engaging with policy makers and global stakeholders. We have been invited by the U.S. State Department, the International Labour Organization, the United Nations Global Compact, the Organisation for Economic Co-operation and Development and the Interfaith Center for Corporate Responsibility to participate in forums on eradicating forced labor, child labor, trafficking and other issues that can result from abuses in the extractive sector.
- Collaborating with others in our industry and related industries through the Automotive Industry Action Group (AIAG) and other forums to promote effective industry-wide approaches.
- Promoting recycling by maximizing the economic viability of recycling, where feasible.
- Seeking flexibility of supply through the proactive identification of potential supply and material alternatives. In those instances where the continued use of a material or supplier is impossible or misaligned with Ford's stated values, we will explore the potential of a responsible viable alternate source or material.

In the last six years, public awareness of the potential and actual risks regarding raw material extraction has increased, due to investor interest, campaigns by nongovernmental organizations (NGOs), media coverage and greater access to information. In addition, there have been growing calls for transparency in raw material supply chains, in order to inform investors' evaluations of risk and to help governments and NGOs monitor and address issues in raw material extraction.

Communication is a key aspect of due diligence for responsible sourcing. We are continuing to fine tune all aspects of our communication in this area. Historically, the information that we have shared with stakeholders has been voluntary. We have primarily shared this information through direct communication and through this Sustainability Report. We increasingly face mandates for public disclosure statements, such as those required by the California Transparency in Supply Chains Act of 2010 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502

Related Links

This Report

- [Conflict Minerals](#)
- [Conflict Minerals: Known Supply Chain Stages](#)
- [Forced Labor and Human Trafficking in Supply Chains](#)
- [Sustainable Materials](#)

External Websites

- [Automotive Industry Action Group](#)

(conflict minerals). Our Sustainability Report will continue to be our primary means of communication with the general public and other stakeholders on supply chain sustainability. We also communicate our positions and requirements on these issues directly to our suppliers through our contract terms, written communications on our expectations, and regular supplier meetings. We reinforce our positions and expectations in communications between suppliers and Ford purchasing and quality personnel. We also hold training sessions on these issues at AIAG industry forums.

Certain raw materials are of particular concern to Ford, and in this section we address two areas in more detail.

- [Conflict Minerals](#)
- [Forced Labor and Human Trafficking in Supply Chains and the California Transparency in Supply Chains Act of 2010 \(SB657\)](#)

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Conflict Minerals

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- ▼ [Smelter Verification](#)
- ▼ [Annual Reporting](#)
- ▼ [Conflict Minerals: Known Supply Chain Stages](#)

In the U.S., a new law passed by Congress and signed by President Obama in 2010 – the Dodd-Frank Wall Street Reform and Consumer Protection Act – included a provision relating to conflict minerals. The provision requires many manufacturers to report to the Securities and Exchange Commission (SEC) annually on whether their products contain metals derived from conflict minerals, and if those metals are necessary to the functionality and production of their products. The sourcing region subject to full reporting includes the Democratic Republic of Congo (DRC) and the nine surrounding countries. According to the federal legislation, columbite-tantalite, cassiterite, wolframite and gold ores – which are refined into tantalum, tin, tungsten and gold, respectively – are considered to be conflict minerals.

The term *conflict minerals* generally refers to those minerals originating from the DRC and neighboring countries that may have directly or indirectly contributed to the financing of armed groups. Such armed groups may be responsible for violence – often toward women and children – and human rights violations in the DRC. Armed groups may directly manage a given mine or tax the mine and/or the transport routes for the minerals. The minerals then typically change hands six to 10 times before they are incorporated into end products. (See the [known supply chain stages](#) associated with conflict minerals.) The metals ultimately derived from conflict minerals may be used in a variety of automotive applications, including onboard electronics, metal alloys, lubricity coatings, hot-dip coatings and trim components.

Ford is concerned with the potential connection between the automotive industry and conflict in the DRC region and is working with multiple stakeholders, including the automotive industry, to address these supply chain concerns. Initial research and engagement have demonstrated that the underlying causes of conflict in this region are complex. A multilateral approach to solutions will be required, and we believe that companies in the downstream supply chain for these minerals have a role to play. We intend to require suppliers to use only metals that have been procured through a validated supply chain, so as to ensure that they have not, at any point, financed conflict. The processes to support validation are in development by local governments, industry groups, international organizations and NGOs, with support from governments outside of Central Africa. While these processes are being developed and implemented, Ford is taking action to educate ourselves and our suppliers, initiate automotive industry activity and begin the necessary due diligence.

Ford's Conflict Minerals Due Diligence Process

Ford has found the guidance provided by the Organisation for Economic Co-operation and Development (OECD) to be particularly useful in designing due diligence processes for the Company. This framework, which Ford helped to develop through multi-stakeholder dialogue, provides practical guidance to companies throughout the supply chain on a set of actions that can be taken to ensure responsible due diligence. We are currently working through the OECD's five-

Related Links

This Report

- [Creating a Sustainable Supply Chain through Our Aligned Business Framework](#)
- [Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#)
- [Materials Management](#)

External Websites

- [AIAG Conflict Minerals Work Group](#)
- [Conflict Free Smelter Program](#)
- [Public-Private Alliance for Responsible Minerals Trade](#)

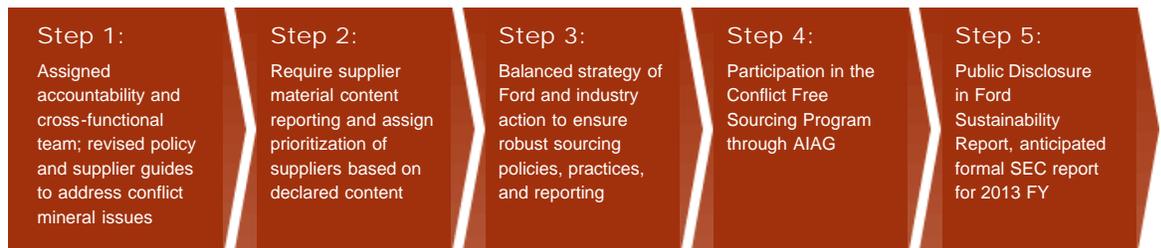
step process while also participating directly in the pilot implementation phase of the framework with the OECD.

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OECD Five Step Process



Ford's Actions to Date



Multi-Stakeholder Collaboration



Ford's actions



Industry Collaboration



Greater Global Impact

Establishing Corporate Management Systems

Ford has established a cross-functional team to address the challenge of conflict minerals in the supply chain. This team is led by the Supply Chain Sustainability function within Global Purchasing and is supported by the Materials Management, Corporate Sustainability, Government Affairs, Public Affairs and Legal teams. A clear target has been established for 2012 supplier due diligence reporting, which covers the majority of the identified material use in parts provided to Ford. The Purchasing organization is responsible for working with suppliers as well as tracking progress,

reporting and achieving the target.

In 2012 we revised Ford's [Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#). Since 2004, our contract terms with suppliers have expressly encouraged our suppliers to adopt and enforce a similar code of practice and to have their subcontractors do so. We have also provided very clear guidance on supply chain due diligence and sourcing from conflict-affected and high-risk areas in our Supplier Social Responsibility Web-Guide, which is incorporated into our Standard Terms and Conditions.

In addition to encouraging our suppliers to adopt and enforce a code of practice similar to Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility, we also include explicit human rights terms in all of our contracts with suppliers. We engage with our suppliers on the topics of policy and management systems through our strategic supplier framework (the [Aligned Business Framework](#)). Our ongoing work with these suppliers includes the development or enhancement of supply chain sustainability management. It is important that we fully align with our suppliers on the approach to responsible sourcing of raw materials so as to avoid, where possible, unintended consequences, such as absolute bans on sourcing from the 10 countries listed in the U.S. legislation.

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Identifying and Assessing Risk in the Supply Chain

Starting in 2011, we have been asking our global production supply base to identify the use of tantalum, tin, tungsten, gold and their derivatives and report that use by material weight into an existing automotive industry database (the International Materials Database System or [IMDS](#), which we use to track the material content of our vehicles). Though the database currently tracks material content to monitor for the presence of certain regulated substances, it does not indicate where materials originated. The results from 2011 have been used to assess risk in the supply base for the use of the materials and to prioritize follow-up with suppliers for further information. The expectation for 2012 is that suppliers will continue to track and improve material content reporting for conflict minerals while also identifying smelters used. A red flag system is applied based on materials reporting (or lack thereof), and the system will evolve as the scope of information collected from suppliers grows.

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Responding to Identified Risks

We understand our assessment of risk to be an evolving process as more information is made available to our suppliers and to us from all parties involved in validation pilot projects in Central Africa and along the supply chain routes that may ultimately lead to our vehicles. Therefore, our strategy is purposely dynamic, to allow for continued development and improvement. Given the scope and complexity of the issue, it is also a balanced strategy that relies on both Ford and collective industry action to maximize impact. A key source of insight for us on trends and practices is the multi-stakeholder forum provided by the OECD for the pilot implementation phase of the due diligence framework.

Upon initial engagement with our global supply chain, it has become clear that there is a need for information, education, guidance and tools. We are filling this need in several ways:

1. Ford is pursuing two-way communication with suppliers in face-to-face meetings, direct dialogue and surveys. We anticipate our communication with suppliers to be part of an iterative information-gathering process in which we collect information, evaluate the validity of that information and improve upon it with each cycle of reporting. This will contribute to a robust and complete picture of Ford's efforts to ensure responsible mineral sourcing throughout our supply chain of 1,400+ production suppliers.
2. Ford is leading the [Conflict Minerals Workgroup at the AIAG](#). In addition to providing common guidance from our executives and an informational webinar to the automotive population on the subject, the Workgroup has hosted in-person events intended to provide information, guidance and dialogue on responsible sourcing and conflict minerals.
3. As a leading member of the AIAG, Ford has advocated for and helped to establish formal cooperation with electronics and telecommunications industry groups so that the various sectors can commonize tools for suppliers. These tools include a reporting template as well as software and web-based tools that will enable robust reporting.
4. Ford sits on the Governance Committee of the [Public-Private Alliance for Responsible Minerals Trade](#) (PPA), a new, joint initiative between governments, companies and civil society that seeks to support supply chain solutions to conflict minerals challenges in the DRC

and the Great Lakes Region (GLR) of Central Africa. The PPA is being launched as a joint effort with U.S. State Department, the U.S. Agency for International Development, nongovernmental organizations and companies/industry organizations. We hope that our participation in this Alliance will contribute to scalable, responsible, self-sustaining minerals trade in the DRC and GLR.

This suite of activities will appropriately address the risks identified and anticipated.

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Smelter Verification

To fully understand the possible presence of conflict minerals in products and processes, it is critical to identify upstream and downstream portions of the supply chain from the central “pinch point” – the smelter or processor. The OECD conflict minerals due diligence framework recommends that downstream companies such as Ford be responsible for identifying the smelters used in the supply chain and ensuring that those smelters are appropriately validated as sourcing minerals that have not financially supported conflict. Ford is actively participating in and supporting the [Conflict Free Smelter Program](#) as a representative of the AIAG Workgroup. It is our intention to require suppliers to use only metals that have been procured through a validated supply chain, so as to ensure that they have not, at any point, financed conflict.

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Annual Reporting

We will continue to refine and improve our processes for implementing the necessary due diligence on conflict minerals. As we work with our suppliers, the automotive industry, and other key stakeholders on this issue, we will continue to implement the OECD’s Five-Step process. The final step in our due diligence process is reporting annually on our due diligence. We already report on our efforts in this Sustainability Report. In the future, we will also provide more specific data on our progress regarding material and smelter identification in formal SEC reporting.

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Conflict Minerals: Known Supply Chain Stages



In addition, illegal channels may operate in parallel to this known supply chain, either by leveraging these actors, or by smuggling and other means.

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Forced Labor and Human Trafficking in Supply Chains

In the automotive industry, it is difficult to assure that the extraction and original production of raw materials is done responsibly, because these processes occur so far up our supply chain and, therefore, are far outside of Ford's direct control. Nonetheless, we are actively engaging with our industry, stakeholders and direct suppliers to address the risk of human rights abuses, including forced labor and human trafficking, deep in our supply chain.

A range of products and materials sourced from specific geographies have been identified and described by the U.S. Department of Labor as posing potential human rights concerns. Included on this list is charcoal from Brazil – a finding consistent with nongovernmental organization and media concerns that were brought to Ford's attention in 2006. Charcoal can be used to make pig iron, a key ingredient in steel production. Given the persistence of risks associated with this material, Ford is working toward a [multilateral solution](#) with key players.

California's New Transparency in Supply Chains Law

Beginning in 2012, many companies manufacturing or selling products in the state of California are required to disclose their efforts (if any) to address the issue of forced labor and human trafficking, per the California Transparency in Supply Chains Act of 2010 (SB 657). This law was designed to increase the amount of information made available by companies, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

Forced labor and human trafficking can take many forms, including child labor. Ford has a zero-tolerance policy for both forced labor and child labor. We have instituted a number of actions to safeguard against the use of human rights abuses, including forced labor. For example:

- We regularly assess risk related to our supply base. Our preliminary assessment is based upon geography, the commodity purchased, the level of manual labor required for part/assembly production, the supplier's ownership structure, supplier quality performance and the nature of the business transaction. This risk assessment is performed by Ford with input from external stakeholders. In-depth supplier self-assessments are conducted biannually with our [strategic suppliers](#) as a part of our ongoing development work with them.
- Our Standard Terms and Conditions forbids the use of forced labor, child labor and physically abusive disciplinary practices. Our definition of forced labor is inclusive of trafficking, and this was made explicit in the 2012 revisions to our Code of Human Rights, Basic Working Conditions and Corporate Responsibility. Ford's purchase orders require suppliers to certify compliance with our prohibition of forced labor, child labor and physical disciplinary abuse as part of our Standard Terms and Conditions that govern the purchase by Ford of goods and services from suppliers. We reserve the right to terminate our relationship with a supplier if issues of noncompliance with our policies are discovered and/or noncompliance is not addressed in a timely manner.
- We conduct training and capability building.
 - We regularly conduct internal training on our Code of Human Rights, Basic Working Conditions and Corporate Responsibility with our Global Purchasing staff, including management and supplier quality teams. Additional training is conducted regarding our Supply Chain Sustainability Program, including coverage of the Code and our Global Working Conditions Program, emphasizing the role of our buyers and supplier quality engineers in responsible decision making.
 - Ford requires suppliers in high-risk markets to attend [training](#) that increases awareness of Ford and legal requirements, including those related to forced labor and child labor. The training enables management systems that will ensure compliance over time. We conduct this training at Ford where necessary but increasingly with other automakers in the industry through the AIAG.
 - Ford and five other automakers at the AIAG have funded and created training for buyers

Related Links

This Report

- [Assessing Suppliers](#)
- [Building Supplier Capacity through Localized Training and Collaboration](#)
- [Charcoal and Pig Iron](#)
- [Creating a Sustainable Supply Chain](#)
- [Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#)

and supply chain managers on supply chain sustainability. This training addresses issues including supply chain risk assessments, policy and supplier contract development and other actions that can be taken to ensure that forced labor and child labor do not enter the automotive supply chain. This is made available to all companies for free on the AIAG website.

- Ford regularly conducts [audits](#) of at-risk Tier 1 supplier factories to monitor compliance with Ford expectations and legal requirements. Following audits, suppliers are required to complete corrective action plans, which Ford reviews and approves. The corrective action plans outline how a supplier will resolve issues uncovered in audits and include clear responsibility and timelines for completion. We return to the facility within six to 12 months as required to confirm resolution of the issues. Forced labor has never been identified by third-party assessments of our supply chain, although lack of a forced labor policy at the supplier level is common and is always an element addressed in the corrective action plan when identified. These audits are independent and announced. We choose which facilities to audit based upon our risk assessment as described above. Our supply chain work has demonstrated to us that the risk for issues such as forced labor and child labor (as well as other human rights and working conditions issues) are relatively low for Tier 1 suppliers. The risk increases, however, the further down the tiers of suppliers toward the source of the raw materials. Ford does not have visibility or direct access to these suppliers for the purpose of verification, and thus we work with our Tier 1 suppliers as well as other industries, NGOs and governments to explore the options for appropriate validation systems.



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Charcoal and Pig Iron Production in Brazil: An Example of Our Efforts to Address Human Rights Abuses in Our Supply Chain

Ford's efforts to address human rights abuses in the production of charcoal and pig iron in Brazil illustrate our proactive approach to addressing human rights issues deep in our raw materials supply chain. In 2006, Ford discovered that charcoal produced in Brazil with the use of slave labor had found its way into our supply chain. Pig iron is a key ingredient in steel production, and in Brazil, charcoal is often used as fuel in the production of pig iron (see the [Pig Iron Producers](#) graphic below). The charcoal is made from wood harvested in remote areas of Brazil where instances of forced labor have been found to occur. At the time this issue was brought to our attention in 2006, pig iron was purchased directly by Ford and used at our Cleveland Casting Plant.

When we learned of the situation, we immediately stopped sourcing from the site that was identified in the investigation, but we continued dialogue with the supplier and helped them to develop management systems until such time as the supplier could ensure it was not supporting forced labor in the supply chain for pig iron. We then identified all potential points of entry for pig iron in the Ford value chain and engaged with all relevant suppliers, seeking assurances from them that forced labor was not employed anywhere in their value chain. This included an intensive mapping of five to six tiers of suppliers (including importers, exporters and trading companies). We also requested additional detail regarding our Tier 1 suppliers' systems for safeguarding human rights throughout their operations, including procurement.

The Cleveland Casting Plant was closed in 2010, and Ford no longer directly purchases pig iron. Regardless, we have continued, through integrated [supplier development programs](#), to convey our prohibition of forced labor and validate, where possible, supplier compliance. Validation continues to be challenging given the number of supply chain actors between Ford and the charcoal camps in Brazil. For this reason, in 2011 we renewed our inquiry into the potential points of entry for Brazilian pig iron to our supply chain and are evaluating specific supplier progress on management systems to ensure responsible procurement of this material. We also are working with the U.S. State Department, the International Labour Organization and the governing committee of the Brazilian National Pact to Eradicate Forced Labor to seek multilateral solutions that will help to validate information and improve transparency. Ultimately, we hope to enable responsible purchasing decisions throughout the supply chain.

Related Links

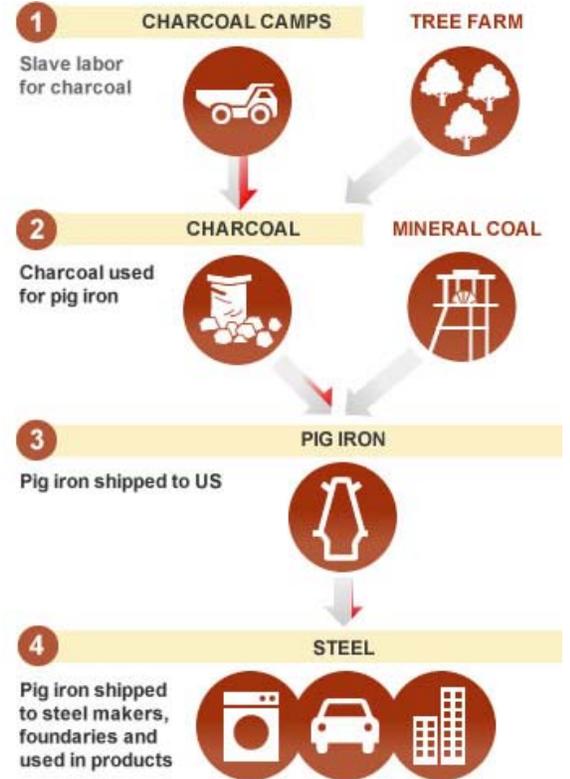
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- [Expanding Human Rights Impacts on the Supply Chain](#)
- [Human Rights in the Supply Chain](#)

External Websites

- [Automotive Industry Action Group](#)

Pig Iron Producers



Potential for slave labor indicated above from:
 Greater to None



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Supply Chain Environmental Management

Ford has worked with our suppliers for decades to improve the sustainability of their products and processes – and to gain their support in improving our own sustainability performance.

We have committed to providing suppliers with a range of support and assistance based on our experiences in this area. Ford was the first automaker to require its suppliers to certify their environmental management systems to the globally recognized standard ISO 14001. We regularly engage with our suppliers on sustainability issues, and we have developed initiatives to improve our understanding of environmental impacts and practices in several areas, including [greenhouse gas emissions](#), [materials management](#) and [logistics](#).

Related Links

This Report

- [Building Supplier Capacity through Localized Training and Collaboration](#)
- [Climate Change](#)
- [Greening Our Operations](#)
- [Greening Our Products](#)
- [Supplier Greenhouse Gas Emissions](#)

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- [ISO 14001](#)



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Supplier Environmental Management

At Ford, our aim is to integrate sustainability throughout our supply chain. All of our “Q1,” or preferred, production suppliers’ facilities are expected to be certified to ISO 14001, the leading global standard for environmental management systems. In addition, ISO 14001 certification is expected of nonproduction supplier facilities if the supplier has a manufacturing site or a nonmanufacturing site with significant environmental impacts that ships products to Ford. In 2006, we attained our goal of having 100 percent of our Q1 production suppliers gain ISO 14001 certification for facilities supplying Ford. We also encourage our suppliers to require their own suppliers to implement environmental management systems.

The formal contractual supply agreements that we execute with our suppliers specify environmental requirements covering a range of issues, such as reducing or eliminating materials of concern, using Design for Sustainability principles, increasing the use of sustainable materials and using materials that will improve vehicle interior air quality. We ask suppliers to use recycled materials whenever technically and economically feasible. For more information on our use of recycled materials please see the [Sustainable Materials](#) section. We look for opportunities across our organization to purchase environmentally superior goods and services. For example, we now require that our new personal computer purchases be certified as meeting comprehensive environmental criteria.

Supplier Engagement on Environmental Sustainability

As we do for other important issues like human rights, we take a three-pronged approach to engaging with suppliers on environmental sustainability issues. We work with individual supplier factories; with key suppliers’ corporate management and in cooperation with other automakers to influence practices across the automotive supply chain.

Supplier Factories

Each Tier 1 manufacturing site providing parts to Ford is required to have ISO 14001 certification. In addition, we integrated environmental management content and expectations into the supplier training programs conducted from 2011 forward. We believe this will help build [supplier capability](#) to manage these issues effectively. This content expansion further aligns our training activity with our Code of Human Rights, Basic Working Conditions and Corporate Responsibility and other supplier expectations and guidelines.

Engagement with Suppliers’ Corporate Management

As part of the Aligned Business Framework (ABF), ABF suppliers commit to managing and ensuring responsible environmental management in their facilities and in their supply chain. We regularly address current and emerging environmental issues and solutions with ABF suppliers at annual meetings and in regular communications. During the first quarter of 2012, we held our annual ABF sustainability meeting in Southeast Michigan. The 2012 meeting included an update on the Ford supply chain greenhouse gas management initiative, including 2011 results, 2012 plans and peer-to-peer sharing.

Industry Collaboration

We work in industry forums to encourage common approaches to the supply chain challenges of our industry. For example, we have been integrating environmental sustainability and greenhouse gas management issues into our work with the Automotive Industry Action Group (AIAG). Through the AIAG, we helped to establish common industry guidance and a reporting format for greenhouse gas (GHG) emissions, to be used by global automakers and Tier 1 suppliers. Our initial 2010 survey and results heavily influenced the AIAG guidance and reporting format, as Ford was the only automaker exploring Scope 3 greenhouse gas emissions and related risks and

opportunities at that time. Ford continues to be a leader within the automotive industry in supplier engagement on GHG emissions management and reporting. For more information on our supplier greenhouse gas program, please see [Greenhouse Gas Emissions](#).

During 2011, Ford was an active participant in and sponsor of AIAG events such as The Road to Corporate Responsibility: An Automotive Conference, and the Greenhouse Gas and Energy Symposium. These forums brought together representatives from manufacturers, suppliers, governments and service providers across the automotive industry to review current sustainability-related issues, share best practices and review emerging issues. Sessions addressed topics such as corporate responsibility in the automotive industry, supply chain transparency, GHG emissions estimation and reporting and energy-reduction and efficiency techniques.

Since 2007 we have been a member of the Suppliers Partnership for the Environment, an innovative partnership between automobile original equipment manufacturers, their suppliers and the U.S. Environmental Protection Agency. This partnership works to create new and innovative business-centered approaches to environmental protection and provides a forum for small, midsize and large automotive and vehicle suppliers to work together, learn from each other and share environmental best practices.

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Supplier Greenhouse Gas Emissions

We are continuing our work to better understand the risks and opportunities of greenhouse gas (GHG) regulation and climate change for our suppliers and, by extension, for our Company.

In 2010, we launched a pilot program with a select group of our suppliers to better understand the collection and reporting of greenhouse gas emissions data in our supply chain. In 2011, we significantly expanded the program to include a wider range of suppliers and commodities. Our goal is to better understand the carbon footprint of our supply chain and to use the data to create a broad-based carbon management approach for our supply chain. We have a comprehensive commitment and strategy to reduce GHG emissions from our products and operations, detailed in the [Climate Change](#) section, which enhances our competitiveness. We hope to help promote similar competitiveness throughout the automotive supply chain. The findings of our GHG emission surveys of suppliers, described in more detail in this section, suggest that many of our suppliers are already setting their own emissions-reduction goals or are considering doing so. We will continue to work with and encourage our suppliers to set their own energy-efficiency goals or GHG-reduction targets and to track progress over time.

Scope 3 Greenhouse Gas Accounting and Reporting

Ford was a "road tester" of the Scope 3 Greenhouse Gas Accounting and Reporting Standard developed by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD). Ford had also been an original participant in the review and development of the internationally accepted Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, which addresses Scope 1 (direct) and Scope 2 (indirect) emissions.

The new Scope 3 (Corporate Value Chain) Standard provides a step-by-step methodology for companies to quantify and report their Scope 3-related GHG emissions; it is intended to be used in conjunction with the GHG Protocol Corporate Accounting and Reporting Standard. It provides a standardized method to inventory the emissions associated with corporate value chains, taking into account impacts both upstream and downstream of a company's operations.

The Scope 3 Standard was developed through a global, collaborative, multi-stakeholder process, with participation from more than 1,000 volunteer representatives from industry, government, academia and nongovernmental organizations. The road-testing process was designed to provide real-world feedback to ensure that the standard could be practically implemented by companies and organizations of different sizes and from a variety of sectors and geographic areas around the world. The WRI/WBCSD collected feedback from 60 stakeholders and issued a draft standard in November 2010. Ford was the only automotive company to participate in the road test. The final Scope 3 Standard was published by the WRI/WBCSD in October 2011.

Carbon Disclosure Project's Supply Chain Program

In 2011, Ford participated in the Supply Chain Program of the Carbon Disclosure Project (CDP) for the second year. Through this effort, we work with selected suppliers to gather qualitative as well as quantitative information about the suppliers' management of climate risks and emissions. Ford participated to gain experience with the supplier survey and to better understand our suppliers' capability to measure, manage and report their emissions. Based on responses in 2011, Ford was found to be a leader in all three major report categories: managing relationships with suppliers, developing and implementing a sustainable supply chain strategy, and managing risks and opportunities.

Ford's Supply Chain GHG Emissions Survey

As part of Ford's engagement with suppliers on supply chain GHG emissions, we expanded our survey from 35 suppliers in 2010 to 128 in 2011. The 128 participating suppliers account for nearly 60 percent of our \$65 billion in annual purchases¹. In 2011, we included logistics and information technology suppliers in addition to vehicle parts suppliers. Suppliers were chosen to participate in

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- [Climate Change](#)

the GHG survey based on a variety of criteria, which included the following:

- The GHG intensity of the commodities supplied
- The nature of the business relationship with Ford
- The geographic footprint of the supplier's global operations

In 2011, Ford surveyed suppliers using both the CDP Supply Chain Program questionnaire and the AIAG GHG survey, which was developed with input from Ford, other OEMs and Tier 1 suppliers and service providers. Ford used both survey questionnaire formats to capitalize on the differing strengths of each form and to get the most complete picture of both qualitative and quantitative aspects of our suppliers' management of GHG related issues and emissions. It is our intent to pursue a common industry questionnaire, and we are working toward this goal by sharing process learnings from the use of both forms with the CDP and the AIAG.

In 2011, we achieved an overall response rate of 86 percent, exceeding our internal objectives for this round of voluntary surveys. This response rate also significantly exceeds the average supplier response rate of 44 percent for all companies participating in the CDP Supply Chain Program. We believe that this high response rate is due in part to the active support and training Ford provided to suppliers throughout the process such as webinars, guidance documents and one-on-one assistance.

Overall, we continued to find that, for the most part, our suppliers are engaged in the issue of climate change and working to reduce their GHG emissions. However, there was still wide variability in suppliers' readiness to measure and report on GHG emissions.

Some Key Findings from Our 2011 Supplier GHG Survey

Of the suppliers responding...

A large majority of suppliers have developed management and governance structures to address climate change.

Over **90%** have a person or committee that is directly responsible for managing climate change issues within their company, and more than 85 percent of those were board level or senior managers.

80% have integrated climate change management into their overall business strategy.

A large majority of suppliers have active greenhouse gas emissions-reduction programs.

Over **60%** have set greenhouse gas emissions-reduction targets, and more than 80 percent have active emissions-reduction initiatives. In general, more Ford suppliers responded that they have set intensity-based targets than absolute targets.

A majority of suppliers track and report on their greenhouse gas emissions.

Over **50%** publicly report their greenhouse gas emissions.

Suppliers are working to provide their customers (e.g., Ford) with ways to reduce their overall supply chain GHG emissions.

Nearly **80%** answering this question responded that use of their goods and/or services directly enables GHG emissions to be avoided by a third party.

About **50%** have a strategy for engaging their own supply chain on GHG emissions issues.



In 2012, we will again survey the same group of suppliers and work with them closely to ensure improvements in data quality that will result in a more robust baseline of emissions data. We will also continue reviewing survey results and prioritizing opportunities to partner with select suppliers on energy-efficiency training and management programs when possible.

1. \$65 billion is Ford's annual purchase amount as of year-end 2010.

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Materials Management

We are working with our suppliers to increase their use of sustainable materials and eliminate undesirable materials. While Ford has already made great strides in using more sustainable materials in our products (as discussed in the [Sustainable Materials](#) section), we can expand these efforts by systematically working with our suppliers on these issues. Toward that end, we are developing Commodity Business Plans and other materials purchasing strategies that require the use of sustainable materials. For example, we developed a purchasing strategy for recycled plastic resins and Commodity Business Plans for relevant parts that require the use of post-consumer recycled plastics.

More and more countries are adopting regulations governing the use of materials, including chemicals and substances of concern. In 2007, for example, the European Union adopted REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances). The goal of the REACH legislation is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. All manufacturers operating in Europe must provide information on the properties and safe handling of their chemical substances to a central database in Helsinki. In addition, the legislation calls for the progressive substitution of the most dangerous chemicals, once suitable alternatives have been identified. REACH provisions will be phased in over 11 years.

Turkey and Romania adopted their own versions of REACH in 2009; China adopted its own version in October 2010. South Korea and Japan will also soon adopt REACH-like regulations to manage their chemicals. In the U.S., the Senate and House both proposed bills in 2010 to overhaul the Toxic Substances Control Act, which was first enacted in 1976. The state of California is in the process of drafting a "green chemistry" law, scheduled to be finalized in 2012, which will require manufacturers of selected products sold in California to identify safer alternatives to a potential range of 3,000 chemicals known to be harmful to public health and the environment. The California law will also phase in a requirement that manufacturers whose products contain listed chemicals must replace them with safer alternatives or explain to state regulators why the chemicals of concern are needed and warn consumers or undertake steps to mitigate the public's exposure to those substances. Ford's Global Materials Management Program will provide an effective and efficient way for Ford to be a leader among auto companies in managing materials and meeting these types of global chemical and environmental regulations.

The recent focus on conflict minerals and critical raw materials issues has injected an additional concern into materials management: Not only is it important to consider the properties of the materials we use, but also their origin and the conditions under which they were extracted and processed. These issues are discussed in the section on [sustainable raw materials](#).

Materials Management Processes and Tools

Even before REACH-type regulations were adopted, Ford was managing materials across the vehicle lifecycle as part of our Global Materials Management Program. We use a set of processes and tools to assist us in communicating materials- and substance-related requirements to suppliers, and in tracking the materials and substances that they use in the parts they manufacture. These tools include the Global Material Approval Process (GMAP), which handles all materials processed in Ford's plants; Global Material Integration and Reporting (GMIR), a materials tracking tool for our engineers and suppliers; and the International Material Data System (IMDS), a reporting system used by multiple automakers.

The IMDS was developed by seven auto manufacturers (including Ford) in 1997 to handle the tracking, review and reporting of all vehicle components and service parts from all suppliers. Thirty-two companies globally are now official members. The IMDS is a web-based system used internationally by suppliers to report on the substances and materials contained in parts for our

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vehicles. Ford has cooperated with other automakers to align reporting requirements for restricted substances and to analyze the data provided. This helps us to identify substances and materials of concern and target them for elimination. It is also a tool Ford is beginning to leverage to identify risks associated with [conflict minerals and other raw materials](#).

To further help our suppliers manage their materials and substance data, Ford developed and launched GMIR. Through the GMIR Supplier Portal, Ford lists all the parts that require reporting by suppliers; we also list suppliers' reporting and certification status. Thus the system allows every supplier to monitor its reporting status and understand which parts are required to be reported. This two-way communication helps clarify a very complex materials management task and saves time and money for Ford and our suppliers.

Ford vehicle programs use the IMDS to report 100 percent of materials and all the required substance data to fulfill or comply with all governmental regulations and requirements, including end-of-life vehicle directives in the EU, South Korea and Japan, and REACH in the EU.

For nondimensional materials (such as paint and adhesive) that are shipped directly to Ford plants, Ford uses GMAP – an electronic tool aimed at simplifying the global materials approval process. The GMAP process allows suppliers to use electronic transactions to submit their Material Safety Data Sheets and composition data. Internally, Ford approvers communicate their decisions of approval or rejection electronically. This new process saves time and ensures better-quality data for complying with government regulations and Ford policies.

In response to the REACH legislation, Ford has developed additional systems to track and manage the use of chemicals. And, Ford has taken a leadership position in implementing REACH. For example, Ford has been a key member of the Global REACH Automotive Task Force and was the first chair of this task force. Ford is also the chair of the North American Automotive Industry Action Group's REACH Advisory Committee.

Ford has made great progress in complying with REACH. For example, we created a REACH manager position and formed a REACH task force to manage relevant activities, including conducting REACH inventory studies and generating all required reports for customers and consumers. In addition, we have worked extensively with our suppliers to ensure their compliance with REACH thus far. Ford's existing Global Materials Management Program has made it much easier for Ford and our suppliers to comply with these new requirements. Using these systems, for example, Ford conducted all of the "Substances of Very High Concern" inventory studies required by REACH and generated all required reports for consumers and governmental agencies. In addition, we have added all of the "Substances of Very High Concern" to our own Restricted Substances Management Standard; this ensures that we will get the necessary reporting from our suppliers and ensures Ford will comply with REACH.



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Ford's physical logistics operations provide safe and efficient transport of parts from our suppliers to our manufacturing plants (our "inbound" freight) and of finished vehicles from the end of our assembly lines to our dealerships (our "outbound" freight). Although logistics account for a relatively small percentage of total [vehicle lifecycle emissions](#), we are working hard to maximize the efficiency of these operations to reduce their environmental impact. This work is managed by Ford's Material Planning and Logistics organization (MP&L), which is the department responsible for designing and operating our global transportation networks and for engineering high-quality and efficient packaging to protect parts in transit.

Green Logistics

Ford MP&L applies a global approach to addressing the environmental aspects of our logistics operations. In 2008 we established an international team to coordinate our reporting activities and to share best practices. We manage activity via subject matter experts in our four operating regions (Europe, North America, Asia Pacific and Africa, and South America), and in 2010 we created a central "green logistics" intranet site to assist in standardizing our procedures and communicating best practices. Our major focus has been on greenhouse gas (GHG) emissions, with two key work streams – GHG emissions reporting and GHG emissions reduction. The fact that freight emissions and fuel usage are so closely tied means that our focus on emissions reduction encourages actions that help us achieve other environmental goals as well, such as improving air quality and reducing traffic flows.

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Freight Emissions Reporting

Understanding and quantifying our freight carbon dioxide (CO₂) emissions is important for a number of reasons, including:

- Helping us to understand our overall environmental impacts
- Enabling us to prioritize actions to reduce emissions
- Allowing us to calculate the full carbon footprint of our supply chains
- Providing data for the overall lifecycle carbon footprint of our vehicles
- Providing data to respond to customer inquiries

We began to develop CO₂ tracking and reporting metrics in 2006 in our European operations in conjunction with our European lead logistics provider, DHL. Since then we have greatly expanded our reporting on both the types of transportation used and the regions covered. For example, we

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- [Quantifying Our Environmental Impacts](#)
- [Supplier Greenhouse Gas Emissions](#)

now include CO₂ emissions reporting for ocean freight, using methods developed by our transatlantic lead logistics provider, UTi, as well as ground transportation, and we are tracking non-CO₂ GHGs including N₂O and methane. We are also collecting GHG emissions data and reporting internally for all our regions. We continually review the latest available industry information to improve the quality of our reporting. For example, for 2012 we began using newly published CO₂ data from the Clean Carrier Working Group for our ocean freight emission calculations.

Tracking transport emissions data allows us to study the impacts of different sourcing patterns. Our MP&L function is working closely with Purchasing on value stream mapping projects to help us compare the transportation and manufacturing footprints in different source locations.

Ford has taken an active role in supporting the development of internationally recognized reporting standards, and we seek to ensure that our approach to freight GHG is aligned with global best practice. In 2011, we were a "road tester" of the World Resource Institute and the World Business Council for Sustainable Development's new Greenhouse Gas Protocol Scope 3 reporting standards, which covers freight CO₂ reporting. In Europe, we have been a member of the U.K. Department for Transport's Low Carbon Transport Supply Chain Steering Group and helped formulate their Guidance on Measuring and Reporting Greenhouse Gas Emissions, published in December 2010. We are also taking a lead in promoting the subject of freight carbon reporting among the automotive industry and have delivered well-received presentations to various trade associations, including the Automotive Industry Action Group in North America and the Society of Motor Manufacturers and Traders in the U.K. In Asia, we participated in the inaugural Green Freight China seminar in Beijing, run jointly by Clean Air Initiative-Asia and the Chinese government.

We are now reaching out to engage our logistics providers in addressing CO₂ issues. Sixteen of our major North American and European logistics service providers contributed to our submission for the 2011 Carbon Disclosure Project Supply Chain Survey.

For more information on our supply chain greenhouse gas initiatives please see [Supplier Greenhouse Gas Emissions](#).

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Freight Emissions Reduction

The efficient design and operation of our networks is key to improving the environmental footprint of our freight transportation. There is a direct correlation between using greener modes (such as rail and water) and reducing emissions and miles traveled, as well as increasing vehicle utilization.

In general, we contract and manage our own freight networks rather than have freight contracted by our suppliers. This gives us better control and allows us to optimize collections and deliveries across all pick-up points and destinations, minimizing the total amount of transport required.

Our freight emissions-reduction efforts generally focus on reducing the number of vehicle miles traveled to deliver our inbound parts and outbound vehicles, improving route efficiencies, and switching to lower-emission transport methods. Some of the specific strategies we use to reduce freight emissions include:

- Using regional distribution centers to coordinate deliveries and reduce the number of vehicles collecting materials from suppliers that are destined for multiple factories.
- Using "milk run" routes, where groups of collection points are identified that can be visited by a single truck, to minimize the number and length of journeys required.
- Developing contracts with our freight providers that encourage them to carry third-party freight on return journeys rather than returning home empty, which not only gives us a cost benefit but reduces overall traffic on the roads.
- Maximizing the use of lower-emission transport methods such as rail, river and short sea transport, to reduce fuel costs, emissions and road congestion. It has been estimated that switching from road to rail can reduce CO₂ emissions by 40 percent.
- Using "SWAP bodies" – standard freight rail containers that can be lifted onto dedicated road trailers to expand our ability to use rail freight where possible on a given journey and road transport as needed.
- Improving load density, or the number of finished vehicles carried per conveyance, which lowers the number of conveyances employed and reduces the amount of fuel consumed.
- Reducing the emissions of our transportation fleet through the use of alternative fuels and engine technologies, improving vehicle aerodynamics, and training drivers on more fuel-efficient driving practices.
- Maximizing trailer loading efficiencies and minimizing packaging so we can carry more cargo with fewer trips.

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Packaging

Ford MP&L's Packaging Engineering department focuses on designing, procuring and optimizing packaging on a part-by-part basis to best suit the components being moved and the transport required.

Packaging has environmental impacts throughout its lifecycle, including materials usage, transportation and waste disposal. Over years of testing, tracking and performance improvement, we have confirmed that the best strategy to eliminate material waste and optimize freight efficiency is to use durable and returnable packaging for all but the longest supply chains.

We have developed a standard range of packaging that not only protects parts and makes them easy to handle at the assembly line, but also allows maximum storage density during transportation, thereby minimizing transport requirements. We review the packaging of production trial parts to assess opportunities to increase packing density prior to the full-volume launch of a product.

One of the benefits of standardizing packaging is that it makes packaging interchangeable between suppliers and programs. In Europe, we have contracts with third-party specialist packaging providers to control the issue, collection and pooling of standard packaging for our suppliers. This pooling greatly reduces transport requirements, as the packaging can be shipped to where it is next required rather than always having to return it to the supplier who last used it.

Currently, our European operations use 90 percent reusable containers, and we are seeking to increase that amount. For example, we are working to develop more direct routing for parts to our St. Petersburg, Russia, plant so that it is viable to use returnable packaging. We are also introducing returnable steel racks for many of our new transatlantic shipments that previously would have been shipped in disposable material.

We are working closely with packaging suppliers to take advantage of new developments. In Spain, for example, we are introducing dedicated designs that include specially designed foldable internal packaging that avoids the need for disposable material. It is also lighter and easier to handle than conventional standardized returnable packaging.

The European powertrain packaging team is introducing a novel approach to packaging returns. The empty packaging is broken down into small chips that are then returned in sacks to be remade in to new packaging close to the original supplier location. This dramatically reduces the volume of the return shipments, and thereby the transportation costs and emissions.

An example from our Asia Pacific and Africa region is their implementation of returnable packaging for hazardous material shipments, such as of air bags from Europe to China. Previously this part had been handled by air shipment, but now it can be shipped by sea, giving a considerable saving in emissions.

We are now working globally to share best practices between regions and to drive consistency in packaging for future global vehicle programs. Ford's latest packaging guidelines require that supplier-provided packaging supports corporate sustainability goals by seeking a neutral or positive environmental footprint through zero waste to landfill and use of 100 percent recycled, renewable or recyclable materials.

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The Evolution of Green Logistics

For 2012, we are continuing to expand our CO₂ reporting and reduction initiatives. Within Material Planning and Logistics, environmental considerations form a key part of our business plan, with metrics in place and with objectives to introduce more rail and short sea routes instead of road freight. We are actively establishing dialogues with our major carriers and service providers to share ideas and methods, with the aim of pushing our green logistics to new levels of collaborative best practice.

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Supplier Diversity Development

Ford remains strongly committed to utilizing and developing supplier companies that are owned by minorities and women. Our Supplier Diversity Development office works with business leaders, trade associations and community-based organizations that represent the interests of diverse businesses.

Our annual goal is to source at least 10 percent of U.S. purchases from minority- and women-owned businesses. In 2011, Ford purchased \$5.08 billion in goods and services from approximately 250 minority-owned suppliers and \$1.06 million in goods and services from more than 150 women-owned businesses. Our 2011 results were an improvement over 2010, exceeding our sourcing goals for both minority- and women-owned suppliers.

Ford's minority- and women-owned suppliers are also playing an important role in the Company's revitalized and expanding portfolio of high-quality, safe, fuel-efficient products equipped with smart technologies. These opportunities have provided minority- and women-owned suppliers with new business valued at more than \$661 million, during a period when purchasing budgets and the supply base were being downsized. Examples include the following:

- Abel Services, a women-owned construction supplier based in Louisville, Kentucky, was sourced significant business in 2011. As a result of being the primary construction contractor for the Ford Escape program at the Louisville Assembly Plant, Abel's business increased by 161 percent compared to 2010. Also, Abel Services is the Construction Commodity Manager (CCM) for both Louisville and Kentucky Truck plants.
- Dura Automotive Systems, based in Auburn Hills, Michigan, is owned by Lynn Tilton's Patriarch Partners investment company. Dura, which makes a variety of control systems, engineered assemblies and other products, supplies the award-winning heated power rear sliding window for the F-150 pickup.
- Global Parts & Maintenance, a Hispanic business enterprise owned by Rudy Ureste and based in Westland, Michigan, provided consolidation and leveraging services for all of Ford's U.S.-based plant floor computer hardware.
- Piston Automotive Group, an African-American-owned business owned by Vinnie Johnson and based in Michigan, has successfully diversified their product offerings and is now a strategic Ford supplier in both the production and nonproduction areas. Piston has teamed up with NetApp and is now the sole provider of Network Attached Storage at Ford.

Our record of minority supplier development has earned Ford a seat at the "Billion Dollar Roundtable," an exclusive group of 17 companies that purchase a minimum of \$1 billion annually from diverse suppliers. In addition, the United States Hispanic Chamber of Commerce named Ford to its Million Dollar Club for our work with Hispanic-owned businesses.

In October 2011, Ford was named "Corporation of the Year" by the Michigan Minority Supplier Development Council (MMSDC). This was the second year in a row Ford received the award, which recognizes an automaker's commitment to developing and growing a diverse supply base. Ford was named as one of America's top corporations for its support of women-owned suppliers.

The Women's Business Enterprise Council selected Ford for its 13th annual listing of America's Top Corporations for Women's Business Enterprises. This is the only national award honoring corporations for world-class programs that level the playing field for women's business enterprises to compete for corporate business. Ford became the first automaker to earn top honors for supporting women-owned businesses.

Ford earned these awards for developing and driving innovative best practices across our organization that result in productive business partnerships with minority and women entrepreneurs and valuable products and services for their customers.

Related Links

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- [Diversity and Inclusion](#)



We are unwavering in our commitment to incremental year-over-year percentage increases in sourcing from diverse suppliers. We encourage similar actions across our supply chain. In 2011, more than 400 of our largest Tier 1 suppliers purchased \$1.66 billion from minority- and women-owned enterprises in support of Ford business.

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A. Working Conditions Assessment Status for Supply Chain

Working Conditions Assessments (as of 12/31/11)	Americas	Asia Pacific and Africa	Europe	Global Total
Average violations per assessment	11.7	11.1	11.8	11.4
Assessments completed to date	276	480	78	834
Follow-up assessments completed to date (third party and/or internal)	311	480	86	877

Working Conditions Training (as of 12/31/11)	Americas	Asia Pacific and Africa	Europe	Global Total
Training sessions completed to date	61	48	13	122
Total number of attending companies	728	772	266	1,766
Total number of trained managers	1,350	803	261	2,414

	Global Total
Training cascade to management, individuals trained	20,544
Training cascade to workforce, individuals trained	372,998
Communication to suppliers, number of sub-tier companies	76,617

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- [Human Rights in the Supply Chain: Ford's Global Working Conditions Program](#)

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[Voice: Bennett Freeman](#)

Senior Vice President, Sustainability Research and Policy, Calvert Investments

Someone other than myself once said that the acid test of corporate responsibility is how a company manages labor and environmental issues not just in its own operations, but across its supply chain.



[Voice: Christine Bader](#)

Nonresident Senior Fellow, The Kenan Institute for Ethics at Duke University

Think of your Top 10 list of the biggest problems the world faces today. I would venture a guess that we would all include variations on the economy and income inequality; climate change and pollution; health and health care; and perhaps something to do with civil rights.



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Bennett Freeman

Senior Vice President
Sustainability Research and Policy
Calvert Investments

Someone other than myself once said that the acid test of corporate responsibility is how a company manages labor and environmental issues not just in its own operations, but across its supply chain. I believe that Ford has met that acid test by demonstrating greater transparency on supply chain labor and human rights in particular.

The demand for supply chain transparency is irreversible, and the corporate social responsibility (CSR) agenda has moved well beyond philanthropy and community. We first began to see interest in supply chain issues in the mid 1990s, in the context of sweatshop labor campaigns against footwear and apparel companies. That focus widened quickly to other sectors, including the auto industry and consumer electronics, and we continue to see reverberations today.

I would credit Ford with recognizing relatively early the significance of labor concerns in the supply chain, and I believe Ford has been willing to discuss and address these issues longer than most of its industry peers.

In the summer of 2011, Calvert determined that Ford had met all criteria for inclusion in our Signature Strategies Funds, the first U.S. automaker to do so. To be included, companies must demonstrate robust environmental, social and governance performance. We were impressed with Ford's strong workplace policies and programs for its own operations and those of its suppliers, and with the leadership Ford has shown in addressing conflict minerals in its supply chain.

Our analysts also liked the fact that Ford's Code of Basic Working Conditions endorses both the U.N. Declaration of Human Rights and the ILO Tripartite Declaration of Principles. In other industries, it's been like pulling teeth to gain acknowledgment of the ILO. We also were pleased with Ford's working conditions plant assessments, its identification of high-risk countries, and its willingness to help with capacity building with strategic suppliers.

More and more, companies are recognizing that just as management of supply chain issues, such as quality and delivery, is important to business, so, too, is sound management of supply chain labor and human rights. Companies face not just operational risks, but brand reputation risks, too. My own view is that when it comes to CSR, it often takes a combination of external pressures and internal recognitions to create positive change.

There has long been a gap between so-called "mainstream" and "socially responsible" investing, but that gap has narrowed significantly, particularly around issues of executive compensation, corporate governance and climate change.

A number of pension funds in the U.S. and Europe have stepped up their scrutiny of these matters, and some of the major Wall Street asset managers now have their own Environmental, Social and Governance (ESG) performance indices. Although we haven't seen a whole lot of mainstream interest in supply chain labor issues, I think that will come next.

Calvert and others in the Socially Responsible Investing (SRI) community welcome the growing focus and commitment among mainstream investors to take these issues seriously. I do want to

Related Links

This Report

- [Ford's Code of Basic Working Conditions](#)

External Websites

- [ILO Tripartite Declaration of Principles](#)
- [United Nations Declaration of Human Rights](#)



note that although Calvert is a leader in the so-called SRI space, we see ourselves as mainstream. After all, we have half a million shareholder accounts in the U.S. and invest in some of the world's largest multinationals. In other words, the sharp distinction between SRI and mainstream investing is blurring, and I think that's a positive for everyone.

Even the companies that are most committed to supply chain sustainability will still have gaps and will still make mistakes. The challenge is to embrace and demonstrate a commitment to continuous improvement, and to understand that there are no final victories. You can't take a snapshot and say, "By god, we've cracked the code." Working conditions constantly change across industries, particularly as new technologies emerge.

The reality of supply chain issues in the 21st century means that problems will occur and recur, so commitment, adaptation and innovation must be the constant watchwords of any corporation.



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▶ Voice: Bennett Freeman

▶ Voice: Christine Bader

Christine Bader

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Think of your Top 10 list of the biggest problems the world faces today. Each of us would have different issues and priorities. But I would venture a guess that we would all include variations on the economy and income inequality; climate change and pollution; health and health care; and perhaps something to do with civil rights, such as discrimination on the basis of race or sexual orientation.

We can come up with examples of how companies are addressing every one of the problems we identified – and also exacerbating them. And I'll bet we could come up with examples of how the same company is doing both at the same time.

Economic development, led by the private sector, has lifted millions if not billions of people out of poverty. Business has delivered critical goods and services around the world, positively impacting human rights. But it's also clear that companies can negatively impact human rights: from stifling freedom of expression by squelching dissent and engaging in censorship; to limiting freedom of mobility by holding workers' identity papers; to the whole range of labor abuses.

As a global society, we need to focus on how we can eradicate the negative impacts and enhance the positive ones. We can't tolerate people getting hurt in the normal course of business. And – bonus – there's a bottom line imperative. Better treatment of workers leads to higher productivity and lower employee turnover. I'm not just talking about providing flextime and daycare, but allowing bathroom breaks and not beating people. It's hard to believe that we need to fight for this in the 21st century, but sadly it's true.

This is not about distracting companies from their core business, as critics like to argue. It's about better aligning the needs of business with the needs of society. The modern international human rights framework, the Universal Declaration of Human Rights, was created in 1948 by states for states, because governments at that time were all-powerful, and companies were not as large as they are today. While it can be awkward to graft this human rights framework onto business, it provides an excellent starting point.

Taken at its most basic level, companies should not hurt people. Most companies have figured that one out. What companies need to be doing more of is conducting due diligence, including in their supply chains. Investors are increasingly recognizing that "ESG" – environmental, social and governance – problems indicate broader management problems.

Apart from what companies themselves can and must do, we need nongovernmental organizations to collaborate with business. Advocacy is important, but companies can't and shouldn't be expected to be human rights and development experts. NGOs can play a critical role in representing the interests of the communities that companies are affecting.

And while the influence of big business in government is rightly scrutinized, companies should be consulted in the drafting of regulations. Companies often have more staff and experience on the ground than governments, and can share what seems feasible and what might actually solve the problems that legislation is meant to address.

Related Links

External Websites

- [United Nations Declaration of Human Rights](#)



The wonderful thing about the explosion of corporate responsibility over the last 20 years is that more and more companies are engaged in conversations about their role in society. The downside, however, is that the whole notion of corporate responsibility has gotten diluted with philanthropy, and with recycling programs, and with sending employees out in matching T-shirts to go paint a wall. These things are all great, but what I'm interested in, and what we all should be concerned about, is the impact a company's core business has on human beings.

We need to learn from what we have already accomplished so we're not reinventing the wheel, and we must better align what we're already doing across companies and industries. I visited a factory in Thailand where, to comply with safety codes from various customers, the manager had three fire extinguishers at different heights on the wall, and three different colored strips of tape pointing toward the exits. What a waste of time and resources.

Despite all that needs to be done, I'm optimistic about improving business practices around the world. Consumers are waking up to where their stuff comes from; investors and regulators are demanding that companies take responsibility for their supply chains; the next generation of business leaders doesn't want to work for the next Enron, Lehman or Madoff. Even in developing countries, there is a growing recognition of the business imperative to respect human rights.

To hear more from Christine Bader, view her [TEDx talk "Manifesto for the Corporate Idealist"](#)