

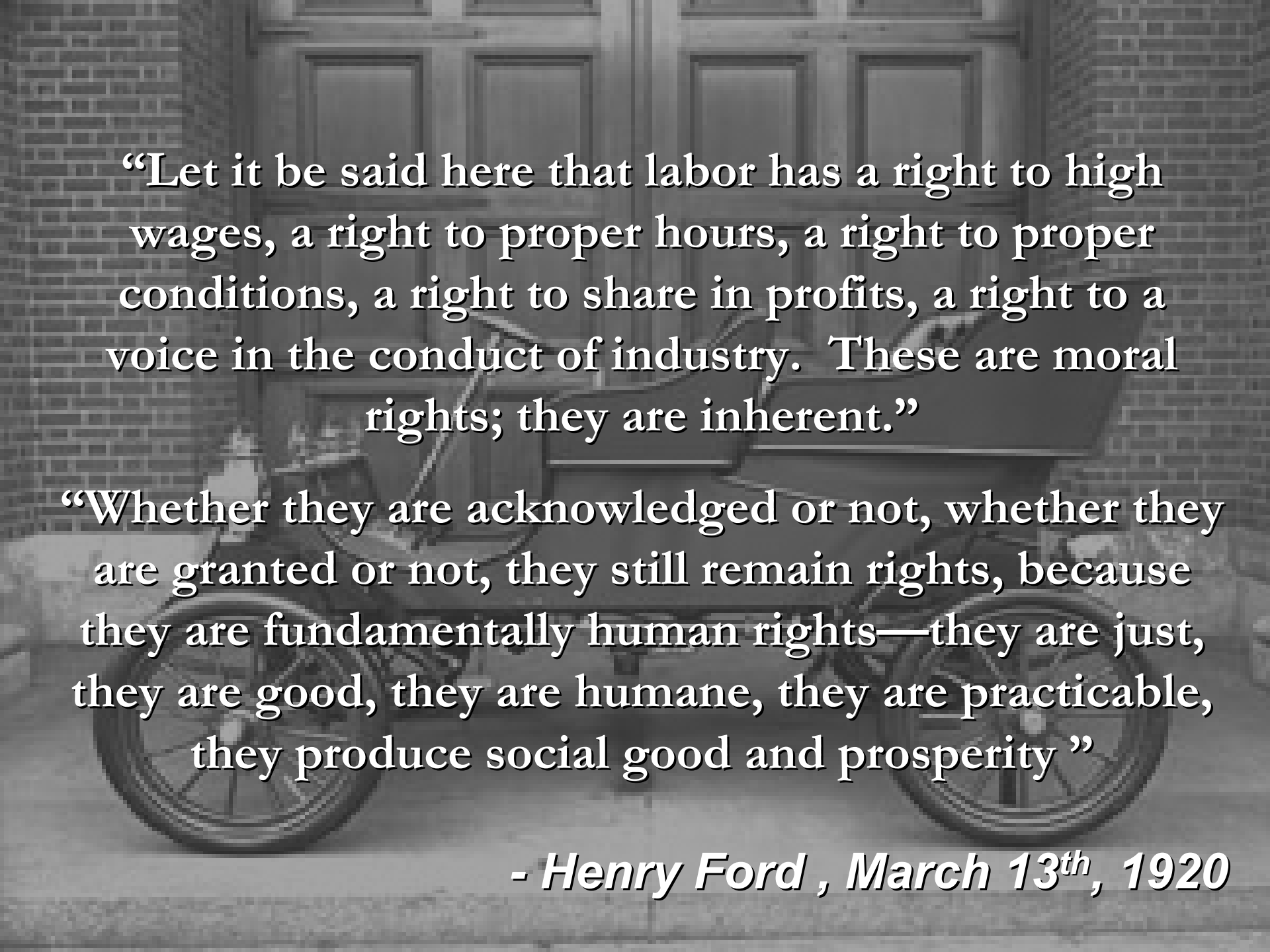


# ***Working Conditions in the Supply Chain***

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“Let it be said here that labor has a right to high wages, a right to proper hours, a right to proper conditions, a right to share in profits, a right to a voice in the conduct of industry. These are moral rights; they are inherent.”

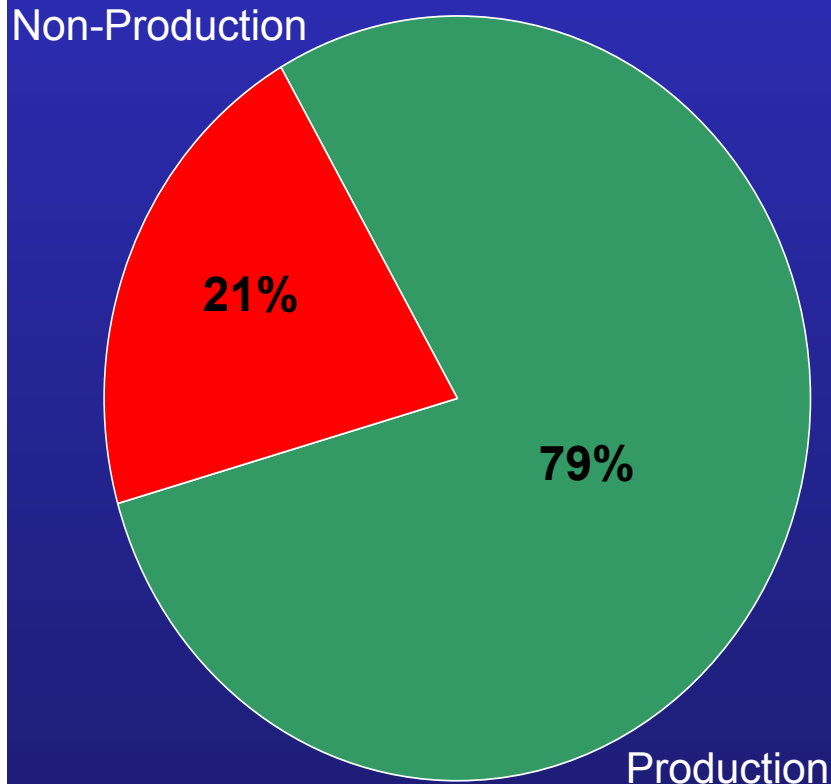
“Whether they are acknowledged or not, whether they are granted or not, they still remain rights, because they are fundamentally human rights—they are just, they are good, they are humane, they are practicable, they produce social good and prosperity ”

*- Henry Ford , March 13<sup>th</sup>, 1920*

# Our Supply Chain

Total Global Buy: \$90+ Billion

Scope



## Production

- 2000+ Parent Suppliers
- 7,500+ supplier manufacturing sites
- 130,000 current parts, with 10,000+ new tooled parts introduced each year
- Service 110 Ford Assembly and manufacturing sites
- Suppliers in 52 countries
- 250+ production commodities to manage

## Non-Production

- 9,000+ non-production suppliers globally
- 500 different commodities

***See No Evil, Hear No Evil, Speak No Evil***



# ***Our Expectations***

- **Prohibited in Terms & Conditions**
  - **Forced Labor**
  - **Child Labor**
  - **Physical Disciplinary Abuse**
  - **Any Practice in Violation of Local Laws**

## **Alignment with Ford's Code of Basic Working Conditions**

- **Harassment and Discrimination**
- **Health and Safety**
- **Wages and Benefits**
- **Freedom of Association**
- **Working Hours**
- **Where possible, emphasis on enforcement of local laws**
  - **Need to avoid imposing US standards on developing countries**

# Ford's Journey

1903...

Internal  
Policies

2003

*Words*

Code of Basic  
Working  
Conditions

Pilot in  
China

2004

*Requirements*

Contract Terms

*Intervention*

Training and  
Assessments in  
other countries

## Public Commitments

(Citizenship Reports)

“... human rights are fundamental and need to be a critical element in running any enterprise.”

“... there are risks to any company as large as ours when one begins to consider activities in the value chain.”

“We are encouraging our business partners to adopt and enforce similar policies, and we intend to integrate elements of the Code of Basic Working Conditions into the Terms and Conditions...”

“Third-party site assessments were initiated in late 2002, on a pilot basis, with a focus on new sourcing in China.”

# ***What Have We Done to Date?***

- **Launched China Pilot, December 2002 – Export Sourcing**
  - **Trained ~ 200 production supplier personnel on working conditions expectations and local labor law**
  - **Assessed ~ 90 suppliers in China. Currently following-up with sourced suppliers to confirm remediation**
    - **Document Review**      – **Management Interviews**
    - **Plant Inspection**      – **Worker Interviews**
- **To date with AIAG, trained 130 supplier personnel in Mexico after completing 14 assessments**

# ***What Have We Found?***

- **No evidence of Forced Labor or Physical Disciplinary Abuse**
- **Wide range of general health and safety issues; including inadequate emergency systems**
- **Some suppliers not paying the local minimum wage or providing correct social insurance**
- **Suppliers have been, for the most part, cooperative, agreed to remediation plans, and have made progress**
- **Some facilities are best-in-class worldwide**



# ***Impact on Workers in China***

- **Fire exits, emergency plans**
- **Wages Minimum and Overtime**
- **Safer Dormitories**
- **Personal Protection / Machine Guarding**
- **Social Insurance**
- **Paid time off , Maternity leave**

# ***Perspectives***

- Nature of supplier relationship:
  - Long-term (years) vs. the episodic (weeks or months).
- Many non-compliances due to a lack of knowledge of the changing labor standards in local Chinese provinces.
- Assessments are limited in the effectiveness as a primary tool of engagement with suppliers.

## **Bottom Line**

We feel we can make a more positive impact in the markets we do business in by working with our suppliers:

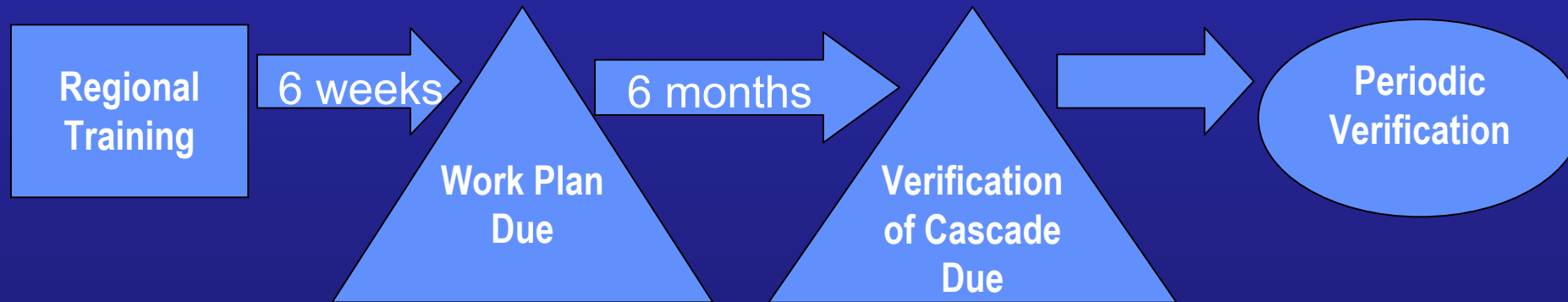
- Clearly communicating our expectations
- Sharing our approach
- Identifying issues and developing work plans
- Monitoring progress over time.

# ***Assessments***

- **Continue 3<sup>rd</sup> party assessments of China export sourcing**
- **Move to a sample assessment of supplier sites based on risk assessment.**
  - **Risk factors could include: Country, ownership type, commodity, volume, region in country, etc.**
  - **Use sample assessments to identify emerging issues and develop country specific training programs**
- **Continue limited launch of sample for:**
  - **Mexico**
  - **China Domestic Production**
- **Assessments remain an essential part of overall approach. However, will be used to reinforce our expectations and support our training and training verification program.**

# Training and Verification

- Launch training and training verification program in Mexico and China (100% of supplier sites). Program includes:
  - Ford Expectations
  - Local Labor Law Review
  - Best Practice/Management Systems (Health and Safety Emphasis)
  - Work plan development and verification of training cascade



Designed for plant managers, HR managers and Health & Safety managers

Emphasis on employee training and communication of expectations to the sub-tiers

Supplier submits plans for : Training cascade for employees, communication plan for sub-tier suppliers and internal developments and progress

Emphasis placed on employee training and communication of expectations to sub-tiers

# The Landscape

Sites Covered

