

2008/9

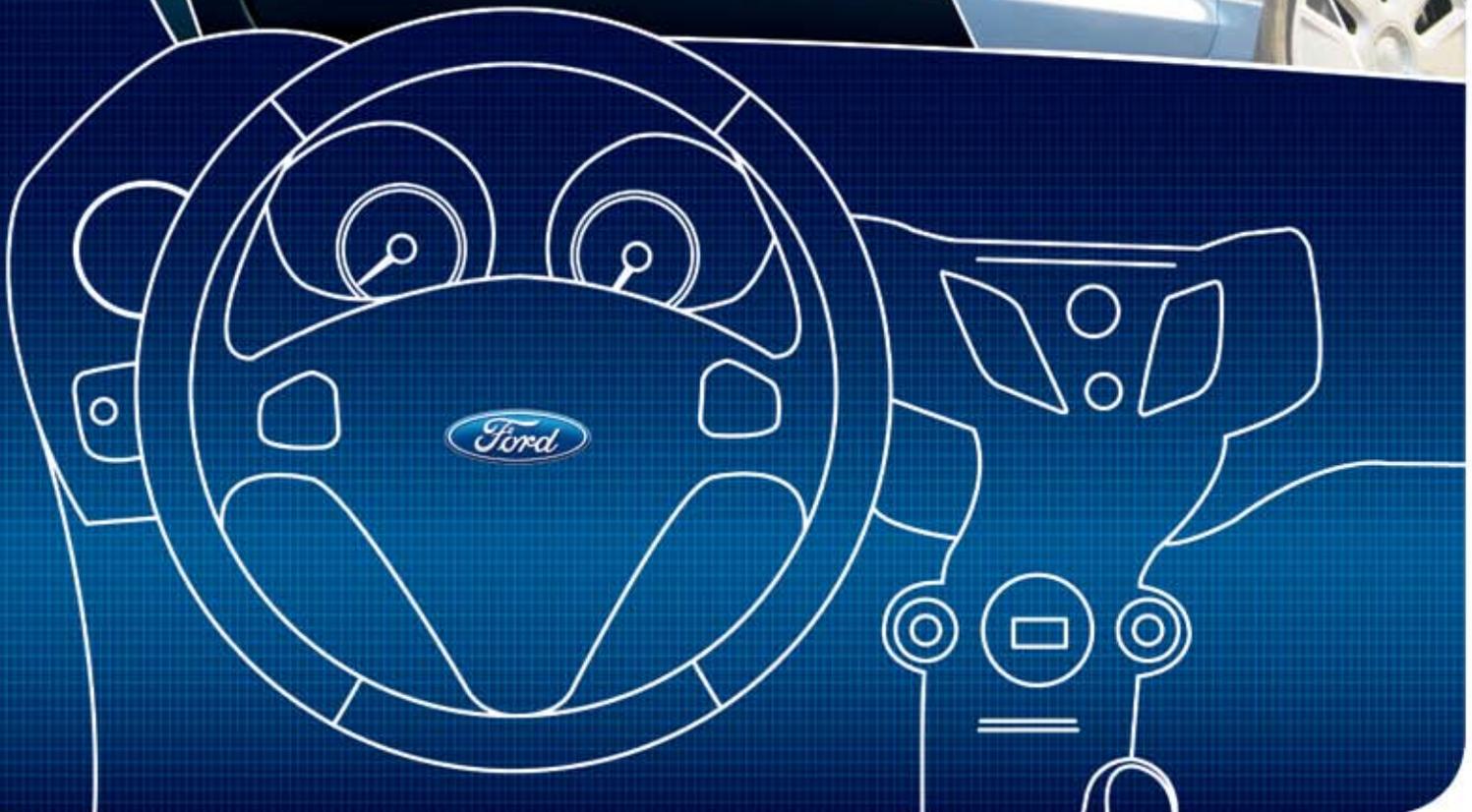


# Blueprint for Sustainability

## Our Future Works



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“Our economic and environmental goals are aligned. In fact, we believe that the best way for us to be more profitable is to make our business and products more sustainable.”

**William Clay Ford, Jr.**  
Executive Chairman

“We believe our new products deliver exactly what our customers and society need – quality, safety, value and, importantly, fuel efficiency.”

**Alan Mulally**  
President and Chief Executive Officer



# Welcome

## Message from the Executive Chairman and President and Chief Executive Officer

In 2008, companies in the automotive sector and virtually every other industry were hit by a worldwide economic slowdown of historic proportions. A lot has changed since our last report, but our blueprint for sustainability and our commitment to pursuing it have not changed. Our vision is to provide sustainable transportation that is affordable in every sense of the word: socially, environmentally and economically.

These are uncertain times. We do not know exactly when or how much auto sales will recover. We do not know the fate of our U.S. competitors or the precise impact it will have on our Company.

But there are some certainties. The world's economies and people are more interconnected than ever. Issues like climate change and water availability demonstrate environmental and social interconnectedness. Economic conditions will be one of the predominant concerns of the public and of politicians for the foreseeable future. However, sustainability is now solidly established as a top priority for citizens and governments around the world. At Ford, we believe this is a positive development, because only when we, the people of the world, come together to discuss these issues will real progress be made. We also believe strongly that our sustainability strategy will be a key component of our business going forward. By remaining economically viable, we can continue to make positive contributions to society and reduce the environmental impact of our products.

We have pursued our sustainability agenda despite challenging conditions. During 2008, we:

- Were on track to exceed our product carbon dioxide (CO<sub>2</sub>) goal, which calls for a 30 percent reduction in the CO<sub>2</sub> emissions of our new U.S. and European vehicles by 2020, compared to the 2006 model year. We accelerated our electric vehicle strategy and introduced several vehicles that achieve best-in-class fuel economy, including the Ford Fiesta ECOnetic model, which at 98g/km has the lowest CO<sub>2</sub> emissions of any family car sold in Europe.
- Continued to improve our product development, manufacturing and quality processes to boost vehicle quality, putting Ford on par with the best in the business, according to several global third-party assessments.
- Cut global water use by 24 percent and improved energy efficiency in North America by 4.5 percent. Since 2000, we have cut energy use at our global facilities by 34 percent and CO<sub>2</sub> emissions by 45 percent.
- Received the most Top Safety Picks from the U.S.-based Insurance Institute for Highway Safety of any automaker and introduced a range of safety innovations to our vehicles. In the most recent EuroNCAP assessments, the Ford Kuga, Fiesta, European Focus, Mondeo, S-MAX and Galaxy received best-in-class, five-star adult protection and four-star child protection ratings.

We welcome you to peruse this document for an overview of our progress on several of our most important issues, and visit our Web report for full coverage of these and other topics.

As evidence mounts about the effects of climate change, the urgency to act increases. The issue affects our operations, our customers, our investors and our communities. It warrants precautionary, prudent and early actions to enhance our competitiveness and protect our profitability in an increasingly carbon-constrained economy. In early 2008, Ford announced a goal to reduce CO<sub>2</sub> emissions from our U.S. and European new vehicles by 30 percent by 2020, relative to a 2006 model year baseline.

### Blueprint for Sustainability

We have set out a technology migration plan – embodied in our blueprint for sustainability – that details our near-, mid- and long-term plans to meet or exceed the goal. Despite challenging economic conditions, we are making significant progress in implementing the plan, as described in the box (right).

Our climate change strategy is based on delivering products that our customers want while doing our share to stabilize greenhouse gas concentrations in the atmosphere at levels generally accepted to minimize the effects of climate change. This will require considerable increases in vehicle fuel economy globally, as well as the development of lower-carbon fuels, including clean electricity.

### In 2008 and early 2009, we:

- Accelerated the development of battery electric vehicles (BEV) and plug-in hybrids (PHEV), which we will introduce in North America from 2010 to 2012.
- Committed to make all of our new vehicles either best in class or among the best in class in fuel economy. All of our North American 2010 model year vehicles and many 2009 model year vehicles meet this commitment.
- Introduced the EcoBoost™ engine technology on several vehicles. EcoBoost uses gasoline turbocharged direct-injection technology to deliver up to 20 percent better fuel economy, 15 percent fewer CO<sub>2</sub> emissions and superior driving performance compared to larger-displacement engines.
- Launched the ECONetic Fiesta, which emits fewer than 100 grams of CO<sub>2</sub> per kilometer. It is part of our European ECONetic line of fuel-efficient diesel vehicles.
- Launched the Fusion Hybrid, the most fuel-efficient midsize sedan in the United States.

### Climate Change Policy

We are committed to advocating for effective and appropriate climate change policy in the United States and around the world. We are an active member of the U.S. Climate Action Partnership (USCAP), a coalition of diverse stakeholders that is advocating for comprehensive U.S. cap-and-trade climate legislation. Our CO<sub>2</sub> product goal is aligned with the USCAP recommendations and positions our products to meet or exceed new fuel economy requirements in the United States and Europe.

### Improving Fuel Economy

2007	2011	2020	2030
<p><b>NEAR TERM</b> Begin migration to advanced technology</p> <ul style="list-style-type: none"> <li>▶ Significant number of vehicles with EcoBoost engines</li> <li>▶ Electric power steering</li> <li>▶ Dual clutch and 6-speed transmissions begin replacing 4- and 5-speeds</li> <li>▶ Four hybrid applications</li> <li>▶ Introduction of BEV</li> <li>▶ Increased unibody applications</li> <li>▶ Introduction of additional small vehicles</li> <li>▶ Introduction of battery management systems</li> <li>▶ Aerodynamic improvements to increase fuel economy</li> </ul>	<p><b>MID TERM</b> Full implementation of known technology</p> <ul style="list-style-type: none"> <li>▶ EcoBoost engines available in nearly all vehicles</li> <li>▶ Electric power steering full implementation</li> <li>▶ 6-speed transmissions full implementation</li> <li>▶ Weight reduction of 250–750 lbs</li> <li>▶ Engine displacement reduction facilitated by weight reductions</li> <li>▶ Additional aerodynamic improvements</li> <li>▶ Increased use of hybrids</li> <li>▶ Introduction of PHEV</li> <li>▶ Diesel use as market demands</li> </ul>	<p><b>LONG TERM</b> Continue to leverage advanced fuel-efficiency technologies and increase deployment of alternative powertrains and energy sources</p> <ul style="list-style-type: none"> <li>▶ Increased percentage of internal combustion using renewable fuels</li> <li>▶ Volume expansion of hybrid technologies</li> <li>▶ Continued leverage of PHEV, BEV</li> <li>▶ Introduction of fuel cell vehicles</li> <li>▶ Clean electric/hydrogen fuels</li> </ul>	

### Read more online about:

- Ford's climate change risks and opportunities
- Our blueprint for sustainability
- Climate change public policy
- Electric vehicles



More about climate change  
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**Fusion Hybrid**  
At 41 mpg in city driving and 36 mpg highway (EPA rating), the Ford Fusion Hybrid is the most fuel-efficient midsize sedan in the United States.



Our goal is to make mobility affordable in every sense of the word – economically, environmentally and socially. Today, there are 6.7 billion people in the world. By 2050, there will be 9 billion people, 75 percent of whom will live in urban areas. Forty of the world's 50 largest cities will be in countries outside of North America, Europe or Japan. These mega-cities – urban areas of 5 million to 10 million people or more – will be increasingly affluent and crowded.

Residents of these cities will want – and deserve – the same freedom of mobility that many in developed nations enjoy today. But, because of energy costs, climate change concerns, infrastructure constraints and resource limits, business as usual will not work.

We need to explore sustainable alternatives. Ford has worked with a wide range of academic and public- and private-sector partners to explore sustainable mobility issues, advance thinking and test different approaches to urban mobility. For example, we are using our mobility expertise to forge partnerships among Ford, municipal governments and utilities aimed at building markets for electric vehicles.

## Urban Challenges

Many cities are already imposing regulations to restrict the use of private transportation. London, Vienna and Bucharest, for example, have established anti-congestion policies in the form of a tax on personal vehicle usage in the city center. Legislation is pending in Berlin, Paris and Tokyo to enforce zero-emission public transportation.

Adding more and more privately owned cars to a mega-city may not be possible, and certainly isn't practical. A car stuck in traffic wastes time and energy; a car sitting in a parking garage wastes a valuable asset.

## New Mobility Solutions

We believe that creative collaboration and innovative technologies and services can yield new solutions, and that these new models can harness the benefits of mobility while reducing its environmental and social impacts. Information technology shows promise for tying modes of transportation seamlessly together. Ford has been a leader in exploring the potential for these models to contribute to solutions, especially in urban areas.

### During 2008, we:

- Cosponsored a major forum on mobility at the University of Michigan that brought together leading thinkers from around the world to share knowledge and insights and plan collaborative projects.
- Concluded our involvement in pilot mobility projects in Cape Town, South Africa, and Bangalore and Chennai, India, gaining important insights that will aid us in the future.
- Refocused our mobility efforts on products like electric vehicles, bringing together fleet managers, utilities and city managers to encourage use of these technologies in alignment with the priorities of the new U.S. administration.

As mobility models change, so do the needs of our current and potential customers. The insights we gain from our sustainable mobility work help us to understand the forces that are shaping our markets, our role in addressing mobility challenges and the opportunities these trends present for us.

### Read more online about:

- Mobility challenges and opportunities
- Collaboration to support electrification
- Mega-cities
- New mobility

### Atlanta

Ford and Georgia Tech are developing and testing mobility solutions for one of the United States' most congested cities.

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Ford has long recognized that treating people with dignity and respect is fundamental to how we conduct business. We are committed to honoring human rights everywhere we operate, because it's the right thing to do and it strengthens our business in the long run. Our human rights goal is to leverage Ford's complex global supply chain to make a positive impact in the markets in which we do business.

In 2000, we made human rights a core element of our sustainability strategy. In 2003 we began implementing the Ford Code of Basic Working Conditions (CBWC), which applies to our own facilities and those of our joint-venture companies and suppliers. Ford requires suppliers to ensure that products – no matter where they are made – are manufactured under conditions that demonstrate respect for the people who make them. This is just as important to us as quality, cost competitiveness and timeliness of delivery.

The CBWC covers workplace issues such as working hours, child labor and forced labor, as well as broader issues such as bribery and corruption, community engagement, and environment and sustainability.

We take a three-pronged approach to human rights issues in our supply chain:

### Engagement with Individual Supplier Facilities

The primary focus of our supply chain human rights program is building capability among our suppliers to responsibly manage working conditions, including meeting legal requirements and Ford expectations. We have developed and delivered tailored training programs for Ford suppliers in select countries in cooperation with

the Automotive Industry Action Group (AIAG). We also regularly conduct assessments of the working conditions at existing and prospective suppliers' facilities.

### Engagement with Key Suppliers' Corporate Management

Ford has formalized its relationship with 65 key suppliers through its Aligned Business Framework (ABF). One element of the ABF agreement is the commitment by these suppliers to manage and assure proper working conditions in their facilities and in their own supply chains. ABF suppliers are asked to establish a code of conduct aligned with the CBWC, conduct internal awareness training, develop compliance processes and extend these expectations to their suppliers.

### Collaboration within the Automotive Industry

Ultimately, Ford would like all automakers to take a coordinated approach to protecting human rights and environmental conditions in the supply chain. Ford is driving this collaboration between automakers and supply chain companies through the AIAG, which has conducted automotive supplier training in China and Mexico. In addition, in December 2008, the AIAG and the five participating auto manufacturers held two pilot working conditions training sessions targeted at senior management from the procurement organizations of their top supplier companies.

In early 2008, Ford joined the United Nations Global Compact (UNGC), a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We are the only manufacturing company participating in the UNGC's Human Rights Working Group. These actions reinforce our commitment to outstanding performance and transparency in the areas of human rights and working conditions.

#### Read more online about:

- Ford's Code of Basic Working Conditions
- Our supply chain profile
- Our supply chain working conditions training and assessment status

#### Since 2004, Ford has conducted:

- 41 formal working conditions assessments of Ford or joint-venture facilities.
- 550 assessments of the human rights practices of existing and prospective suppliers in 20 countries.
- Training in human rights and working conditions issues for 1,621 managers at 1,317 supplier companies.
- Training sessions in China and Mexico that reached nearly 1,000 Tier 1 suppliers and 7,700 Tier 2 suppliers and were cascaded to more than 66,000 individuals. These sessions were in conjunction with other automakers and the AIAG.



Ford's Code of Basic Working Conditions applies to our own facilities and those of our joint-venture companies and suppliers.

More about human rights  
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Here at Ford, we are continuously enhancing the safety of our vehicles and sharing safety research and technologies across all of our brands. In 2008, our efforts were once again rewarded, and we set new standards for safety test performance. Based on the independent measures listed below, Ford is now the industry leader in motor vehicle safety.

## 2008 Highlights

- Ford holds the most Top Safety Picks (awarded by the Insurance Institute for Highway Safety, or IIHS) of any vehicle manufacturer. Fourteen Ford vehicles earned this honor in 2008, compared with eight in 2007.
- For the 2009 model year, 24 Ford vehicles received five-star ratings for both frontal impact and side impact from the National Highway Traffic Safety Administration (NHTSA) in its U.S. New Car Assessment Program (NCAP) ratings, compared with 15 for the 2008 model year.
- The 2009 Ford Taurus is the safest-rated large sedan sold in America, with five-star NCAP crash ratings for frontal and side impact and “good” IIHS ratings in offset frontal impact, side impact and rear impact evaluations.
- The 2009 Ford F-150 is America's safest full-size pickup. It's the only pickup to earn five-star crash-test ratings in all categories from NHTSA and be named a Top Safety Pick by the IIHS.
- In the most recent EuroNCAP assessments, the Ford Kuga and Ford Fiesta achieved Ford's first three-star ratings (out of a possible four stars) for pedestrian protection. These cars also joined the Focus, Mondeo, S-MAX and Galaxy in having best-in-class, five-star adult protection and four-star child protection ratings (out of a possible five stars).

### Read more online about:

- How we manage vehicle safety
- Our occupant protection technologies
- Our road safety research partnerships

Our primary focus at Ford is designing and manufacturing vehicles that achieve high levels of vehicle safety for a wide range of people over the broad spectrum of real-world conditions. We also seek to encourage safer driving behavior and a safer driving environment. For example:

**Ford's award-winning SYNC® system**, powered by Microsoft®, enables drivers to use cell phones and MP3 players more safely, because they can do so through voice commands alone while keeping their eyes on the road and hands on the wheel. Beginning with the 2009 model year, SYNC-equipped vehicles come with 911 Assist, which can help in placing a call to a local 911 emergency operator in the case of an air-bag-deploying accident.

**Ford's new MyKey™ system** is designed to help parents encourage their teenagers to drive more safely. MyKey allows owners to program a key that can, for example, limit the vehicle's top speed to 80 mph and the audio volume to 44 percent of total volume, among other features.

**Ford's U.S.-based Driving Skills for Life (DSFL)** driver education program was launched in the Philippines, Vietnam, Thailand and Indonesia in 2008. More than 5,400 driver participants have taken part in the program in those markets thus far. A DSFL-related statewide effort in Illinois, called Operation Teen Safe Driving, helped to reduce teen accident fatalities by more than half in the year following that program's implementation.

**Ford's accident avoidance features**, which use forward-looking radar and vision sensors, continue to be developed and introduced. For example, City Safety, an award-winning system introduced by Volvo in 2008, helps drivers avoid low-speed collisions. If a driver is about to collide with the vehicle in front and does not react in time, the City Safety system is designed to activate the brakes to slow the vehicle.

**Ford's collaborative research efforts** include a large-scale field operational test on active safety systems, launched in Europe in 2008. The project joins together 28 partners – including vehicle manufacturers, suppliers, universities and research centers – and will run for three years. It is led by the Ford research center in Aachen, Germany.



More about vehicle safety  
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**Safety Research**  
Ford uses "balloons" nearly the size and shape of real cars to test active-safety features.

The year 2008 undeniably ranks among the most difficult in Ford's history. It was a year marked by workforce reductions, plant closures, dramatically reduced consumer demand for vehicles and the worst global economic downturn in decades. Despite a profitable first quarter, the financial crisis and related credit crunch acutely affected our worldwide operations and challenged all of our stakeholders.

Over the past several years, we have undertaken a fundamental restructuring of our operations that affects every part of our business, from product innovation and fuel efficiency to labor relations and our interactions with suppliers and dealers. In difficult economic times, it is more important than ever for Ford to stay focused on issues of sustainability.

In the past we allowed our portfolio to become too dependent on popular and profitable trucks and SUVs, missing opportunities to advance production of small and midsize cars. In short, Ford recognized that our business model needed to change, and we are changing it.

As part of our plan to return to profitability, we are working to reverse the decades-long trend of losing money on the production of small cars in the United States. We are increasing production of smaller-sized vehicles, and we are improving costs to competitive levels.

**In 2008**, Ford continued to take many of the decisive actions necessary to ensure a healthy future for our Company:

- We have shifted our emphasis away from trucks and SUVs to a more balanced portfolio including more small and midsize vehicles.
- We have set a CO<sub>2</sub> emissions-reduction goal for our U.S. and European vehicles, and we are on track to exceed it.
- We implemented our "One Ford" plan to create a leaner, more efficient global enterprise.

While the sales trends for 2008 were gloomy, we expect that our overall and our North American Automotive business pre-tax results will break even or be profitable in 2011, excluding any special items. More and more, consumers are recognizing Ford vehicles for their quality and performance.

## Restructuring Ford

We continue to make the tough decisions needed to match our production capacity to the demand for new vehicles. Since 2005, we have reduced our U.S. payroll through buyouts, layoffs and attrition, and have closed 12 North American manufacturing facilities. Four additional plant closures are slated to take effect between 2009 and 2011. We have eliminated pay raises and performance bonuses for 2009, suspended programs such as 401(k) matches and tuition assistance, and increased employee cost sharing in benefit programs.

In early 2009, the UAW agreed to a number of key contract modifications that will save Ford \$500 million a year – and possibly even more – through a restructuring of the retiree health care trust fund, along with other actions relating to paid break time, alternative work schedules, performance bonuses and Cost of Living Allowances.

These actions have been difficult for the Company and our stakeholders. We have attempted to handle workforce separations and plant closings with respect for the people and communities affected.

## Adapting to Change

Looking to the future, we are leveraging our best technology from around the world to create global platforms that offer superior fuel economy, safety, driving dynamics and customer features. We then tailor the global platform to national or regional preferences and requirements. New technology is cutting the time required to bring new vehicles to market. These steps will help build a truly global company, strengthen our financial, environmental and social sustainability and help us respond more effectively to the ever-increasing pace of change in our markets.

### Read more online about:

- The One Ford plan
- 2008 sales trends
- Our North American restructuring



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**EcoBoost™**  
Delivers up to 20 percent better fuel economy and 15 percent fewer CO<sub>2</sub> emissions compared to larger-displacement engines.



**ONE FORD**

ONE TEAM • ONE PLAN • ONE GOAL

**Our One Ford plan is anchored by four key priorities:**

- Aggressive restructuring
- Accelerated product development
- Improving our balance sheet
- Working together

# Performance Overview

We define sustainability as a business model that creates value consistent with the long-term preservation and enhancement of environmental, social and financial capital.

Below are some key indicators of our performance in these areas. See the full data set and notes at [www.ford.com/go/sustainability](http://www.ford.com/go/sustainability).

▶ FORD DATA 2008/9			
▶ ECONOMY			
	2006	2007	2008
GQRS things gone wrong (3 months in service), total things gone wrong per 1,000 vehicles	1,586	1,405	1,287
GQRS customer satisfaction (3 months in service), percent satisfied	74	76	77
Sales satisfaction with dealer/retailer, Ford brand, U.S., percent completely satisfied	81	82	84
Sales satisfaction with dealer/retailer, Ford brand, Europe, percent completely satisfied	81	80	81
Service satisfaction with dealer/retailer, Ford brand, U.S., percent completely satisfied	70	72	74
Service satisfaction with dealer/retailer, Ford brand, Europe, percent completely satisfied	67	68	70
Shareholder return – Bowne & Co., Inc., percent	1	-10	-37
Net income/loss, \$ billion	-12.6	-2.7	-14.7
Sales and revenue, \$ billion	160.1	172.5	146.3
▶ ENVIRONMENT			
	2006	2007	2008
Ford U.S. fleet fuel economy, combined car and truck, miles per gallon (higher mpg reflects improvement)	23.8	25.3	26.0
Ford U.S. fleet CO <sub>2</sub> emissions, combined car and truck, grams per mile (lower grams per mile reflects improvement)	371	352	340
European CO <sub>2</sub> performance, percent of 1995 base (1995 base = 100 percent) (lower percentage reflects improvement)			
Ford	78	78	77
Volvo	86	84	81
Worldwide facility energy consumption, trillion BTUs	73.8	65.6	61.0
Worldwide facility energy consumption per vehicle, million BTUs	12.2	10.8	12.2
Worldwide facility CO <sub>2</sub> emissions, million metric tonnes	6.7	6.1	5.4
Worldwide facility CO <sub>2</sub> emissions per vehicle, metric tonnes	1.11	1.01	1.09
North American Energy Efficiency Index, percent (2000 base = 100 percent), (lower percentage reflects improvement)	78.4	74.4	69.9
▶ SOCIETY			
	2006	2007	2008
Employee satisfaction, Pulse survey, overall, percent satisfied	62	64	66
Overall dealer attitude, Ford, relative ranking on a scale of 1–100 percent (summer/winter score)	64/64	69/64	68/69
Overall dealer attitude, Lincoln Mercury, relative ranking on a scale of 1–100 percent (summer/winter score)	62/64	66/64	64/66
Ford Motor Company Fund contributions, \$ million	58	37	33
Corporate contributions, \$ million	25	17	16
Volunteer corps, thousand volunteer hours	80	86	100
Lost-time case rate (per 100 employees), Ford Motor Company	1.1	0.9	0.7
Lost-time case rate by region (per 100 employees), Ford Motor Company			
Americas	1.5	1.2	1.0
Asia Pacific/Africa	0.1	0.1	0.1
Europe	0.9	0.7	0.6
Severity rate (per 100 employees), days lost per 200,000 hours worked	14.5	12.6	13.5
U.S. safety recalls, number per calendar year (including legacy vehicles on the road for 10+ years)	11	15	10
U.S. units recalled, number of million units (including legacy vehicles on the road for 10+ years)	1.7	5.5	1.6
IIHS Top Safety Picks, number of vehicles	6	8	14



For notes to accompany this data go to the full report  
[www.ford.com/go/sustainability](http://www.ford.com/go/sustainability)

#### Contact

Preparing this summary offers a valuable opportunity for us to assess and improve upon our progress and performance. To continue to do so, we need your feedback:

**Thomas A. Niemann**  
Ford Motor Company  
One American Road  
Dearborn, MI 48126, U.S.A.  
[sustaina@ford.com](mailto:sustaina@ford.com)