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Sustainability 2011/12

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OUR BLUEPRINT FOR SUSTAINABILITY

- Our Strategy
- Materiality Analysis
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Our Blueprint for Sustainability

Several years ago, the term “Blueprint for Sustainability” was introduced at Ford to describe the actions we are taking to achieve outstanding fuel economy and reduce greenhouse gas emissions from our products. This year, we’re using the term more broadly to describe our sustainability strategy as a whole, in recognition of the fact that our important sustainability issues are part of a complex system that interconnects our products, plants and people and the communities in which we operate.

This section is intended to provide an overview of how our business and sustainability strategies relate, how the Company is governing and managing sustainability issues, and how these, together, drive sustainability performance.

We first discuss our business strategy and sustainability strategy and how the two are connected. We also describe how we focus our strategy and reporting on Ford’s most important sustainability issues and those of most interest to report users and our stakeholders through a structured [materiality analysis](#), which has been used to identify our most material sustainability issues. Finally, the bulk of this section is devoted to Ford’s [overall and sustainability governance](#), including how we address human rights and other ethical issues, how we engage with stakeholders and our [management of key sustainability issues](#).

3rd

year in a row as one of the World’s Most Ethical Companies

More than

83,000

individuals have completed the Code of Conduct online training

Climate Award



We were the only automaker to receive the Climate Leaders Award from the U.S. Environmental Protection Agency.

Ford’s Perspective



In this section, we continued to broaden coverage of public policy issues.



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Our Strategy

Ford's business strategy is embodied in our ONE Ford plan. ONE Ford expands on our Company's four-point business plan for achieving success globally. The four-point business plan consists of the following:

- Aggressively restructure to operate profitably at the current demand and changing model mix.
- Accelerate development of new products our customers want and value.
- Finance our plan and improve our balance sheet.
- Work together effectively as one team.

Building on this plan, ONE Ford encourages focus, teamwork and a single global approach, aligning employee efforts toward a common definition of success. It emphasizes the importance of working together as one team to achieve automotive leadership, which is measured by the satisfaction of our customers, employees and essential business partners, such as our dealers, investors, suppliers, unions/councils and the communities in which we operate. We have defined a [set of behaviors](#) that are expected of all employees to support the ONE Ford plan.

The *goal* of ONE Ford is to create an exciting and viable company with profitable growth for all. The *output* of ONE Ford is:

- Great Products, defined as those that are [high quality](#), [green](#), [safe](#) and smart.
- Strong Business, based on a balanced portfolio of products and global presence; and
- Better World, accomplished through our [sustainability strategy](#).

As detailed in the [Financial Health](#) section, Ford has made a remarkable turnaround over the last several years, fueled by disciplined adherence to the ONE Ford plan and resulting in the reinvention of our Company as a highly competitive force in the global automotive industry.

Looking ahead, industry-wide vehicle sales are expected to rise significantly in the next few years, driven by accelerated expansion in developing markets, recovery in mature markets and sales of smaller and more fuel-efficient vehicles. We expect our sales to increase to about 8 million units by mid-decade, up about 50 percent from 5.3 million units in 2010. By 2020, nearly one-third of our sales will come from the fast-growing Asia Pacific and Africa region, more than doubling the current percentage of global sales volume we achieve in that region.

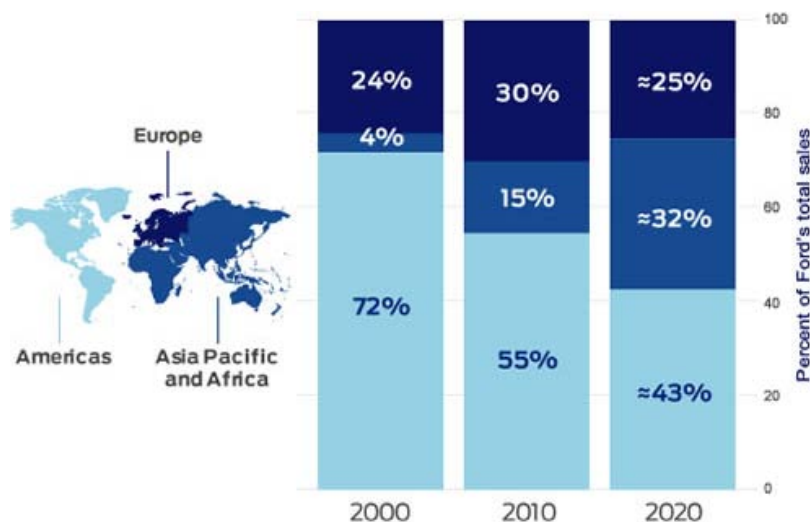
Related Links

This Report

- [Financial Health](#)

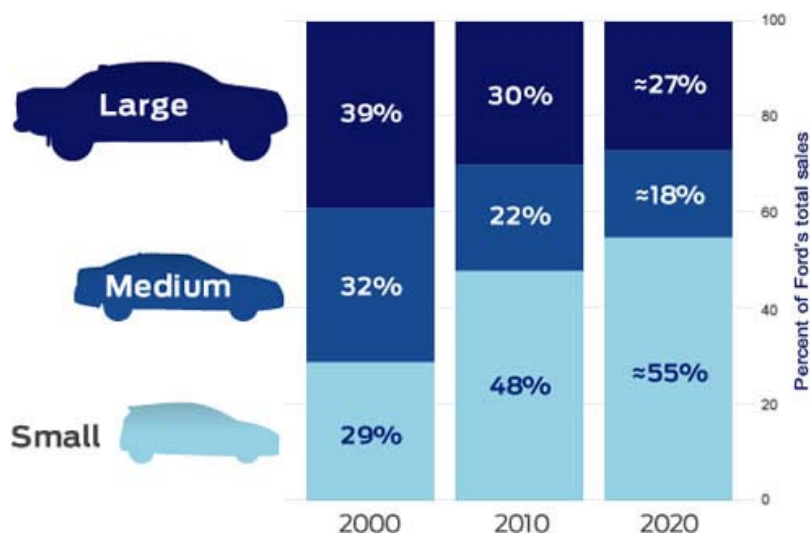
Ford's Changing Geographic Mix of Volume

Volumes grow in all regions, with Asia Pacific and Africa expected to greatly exceed overall industry growth.



Ford's Changing Product Segmentation

Our small vehicle mix will continue to grow, while large vehicles including trucks remain important.



Regardless of vehicle or region, Ford's global vehicles will showcase our commitment to fuel efficiency. Technologies like EcoBoost®, direct injection of gasoline or diesel fuel, six-speed transmissions, and hybrid and plug-in hybrid powertrains deliver true power of choice to drivers everywhere.

As we shift our focus from surviving to thriving, we're continuing to implement the ONE Ford plan. But we will also [Go Further](#) – to deliver ingenious products, make them available to everyone and serve each other, our customers and our communities. Go Further is our new global brand promise and our approach as we accelerate ahead.



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Sustainability Strategy

Our sustainability strategy is embedded in our business plan and consistent with our aim to deliver Great Products, a Strong Business and a Better World. At Ford, we define sustainability as a business model that creates value consistent with the long-term preservation and enhancement of environmental, social and financial capital.

For more than a dozen years, we have built our sustainability strategy on a foundation of transparency, accountability and stakeholder engagement. Back in 2000, we convened a diverse group of stakeholders to advise our Company on sustainability issues that should be the focus of our strategy. From that consultation came a series of initiatives on the issues of climate change and human rights. Over the years, we continued to reach out to stakeholders to engage on key issues and, in the mid-2000s, formalized our issue-identification process through a [materiality analysis](#) that assesses the importance of a range of sustainability issues to stakeholders and the Company. Our [public reporting](#) has been an important part of our commitment to transparency and has helped to drive progress in our Company and across the industry.

We have a dedicated department, called Sustainability & Vehicle Environmental Matters, which oversees sustainability strategy development and implementation by identifying emerging challenges and opportunities and mobilizing resources within the Company to address them. Our philosophy is that sustainability issues should be [integrated](#) into business processes and managed by the business functions, just like we do for other key business issues. For example, our work on human rights and environmental sustainability in the supply chain is managed by our Procurement division and forms an important theme in our ongoing partnerships with our suppliers.

Our business units have set a series of [goals](#) and targets related to sustainability. Our Manufacturing function, for example, develops a yearly [scorecard](#) that impacts performance evaluation and compensation for all managers who work in manufacturing. These targets cover performance areas such as safety, energy and water use, and emissions reductions. Our climate change strategy is guided by a cross-functional team called [Sustainable Mobility Governance](#). This team has identified goals including our pledge that all of our vehicles will be best in class (or among the best in class) in fuel economy, along with a long-term goal to contribute to climate stabilization, as discussed in the [Climate Change](#) section. Our sustainability strategy, and the pursuit of our related goals, have enhanced our reputation and contributed to the competitiveness of our products, operations and workforce, helping us build social, environmental and financial value.



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Materiality Analysis

We update our materiality analysis every two years. Ford conducted an update of its materiality analysis for the 2010/11 Sustainability report, adding key inputs, replacing outdated inputs and gathering feedback from internal experts. In addition, a [Ceres Stakeholder Committee](#) reviewed the analysis and provided comments. The analysis will be updated again for our 2012/13 report.

Not surprisingly, in the interval since we conducted the analysis for the 2008/09 Sustainability Report, some new issues emerged some dropped out and others were recast or reorganized.

In general, there was less concern about Ford's financial viability among non-Company stakeholders, likely reflecting Ford's improved financial performance. Water emerged as a material issue – in particular, the need for a water strategy that varies by risk and region. Supply chain issues also rose in importance for Ford and other stakeholders, including issues related to the sustainability of raw materials and the environmental and human rights performance of suppliers. These topics are now at the highest level of importance under the new issue category of "supply chain sustainability."

In addition to these major trends, changes to the most material issues (upper right part of the materiality matrix) included the following:

- Financial issues were reorganized into two primary categories: Ford's financial health and Ford's future competitiveness. Some issues that were formerly in the upper-right segment – including health care legacy costs, labor costs and access to capital – declined in importance, likely because of actions Ford has taken to manage them. As a result, many financial issues were reorganized into a more general "costs and risks" category. This category and "product competitiveness" issues remained at the highest level of importance for Ford and stakeholders. Labor costs, access to capital, the threat of competitor bankruptcy and dealer and supplier viability – new issues that were added in the last analysis – were less important than in the last analysis.
- Mobility issues – including urban mobility, mega-cities and urban-to-rural migration – were included under the category of "Ford's future competitiveness," as they present challenges for traditional models of personal mobility and opportunities to develop new products and services. Also in the future competitiveness category are emerging markets products and services strategy, an issue of increasing importance as Ford continues to grow globally.
- Ford's climate change strategy remains of the highest importance to the Company and stakeholders alike, but the issues comprising the grouping have shifted. For example, as anticipated global carbon markets failed to emerge, emissions trading/cost of carbon decreased in importance to Ford and its stakeholders. Climate change policy remains of high concern.

Materiality Matrix



Our interactive materiality matrix categorizes issues according to their concern to stakeholders and their current or potential impact on the Company.



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Overview of Analysis

What is Materiality?

For the purposes of this report, we consider material information to be that which is of greatest interest to, and which has the potential to affect the perception of, those stakeholders who wish to make informed decisions and judgments about the Company's commitment to environmental, social and economic progress. Thus, materiality as used in this Sustainability Report does not share the meaning of the concept for the purposes of financial reporting.

How Was the Analysis Conducted?

To identify and prioritize material issues, we significantly updated the analysis done for our 2008/9 Sustainability Report using a three-step process.

Identification of Material Business Issues

We developed a list of more than 500 issues, grouped into 15 topics. The issues were identified by reviewing Ford business documents as well as comments from employees, dealers and our major external stakeholders: customers, communities, suppliers, investors and NGOs. For the Ford analysis, the documents included Ford policies, business strategy and performance tracking tools, and the Annual Report on Form 10-K. To represent stakeholder views, we looked at Ford-specific inputs like summaries of stakeholder engagement sessions as well as documents that represent stakeholder views more broadly, such as the Global Reporting Initiative G3 Guidelines, the Ceres Roadmap to Sustainability and reports from socially responsible and mainstream investors.

Prioritization of the Issues

We noted the frequency with which issues were raised in the source documents and rated each issue as low, moderate or high for current or potential impact on the Company in a three- to five-year timeframe, and degree of concern to stakeholders (by stakeholder group). For each issue, the ratings were averaged separately for Ford and stakeholders (with extra weight assigned to investors and multi-stakeholder inputs, as they are key audiences of our reporting). The issues and their ratings were then plotted on a "materiality matrix."

We consider the issues in the upper-right sector to be the most material. None of the issues is unimportant; the position of each in the matrix simply represents our understanding of its relative importance to the Company and its stakeholders.

Review of the Analysis

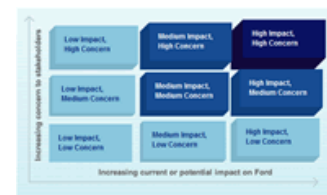
The draft matrix was reviewed internally. It was then reviewed and revised again based on a meeting of a [Ceres stakeholder committee](#) that included representatives of environmental and other NGOs, socially responsible investment organizations and a supplier company.

Use of the Analysis

We have used this analysis to identify issues to cover in our reporting and as an input to our sustainability strategy development. This analysis, and the methods for conducting materiality analyses generally, are works in progress. Sustainability issues are not discrete. Rather, they overlap and interconnect in a complex system that is difficult to capture in a list of issues. Analyzing issues by stakeholder group adds depth to our understanding of who is concerned about which issues and why, but in the process of placing them on a two-dimensional matrix, some of that nuance is lost. Finally, an element of subjectivity is inevitable.

We have participated with other companies and organizations in documenting current methods for materiality analysis with the expectation that this will help advance the practice.

Materiality Matrix



Our interactive materiality matrix categorizes issues according to their concern to stakeholders and their current or potential impact on the Company.



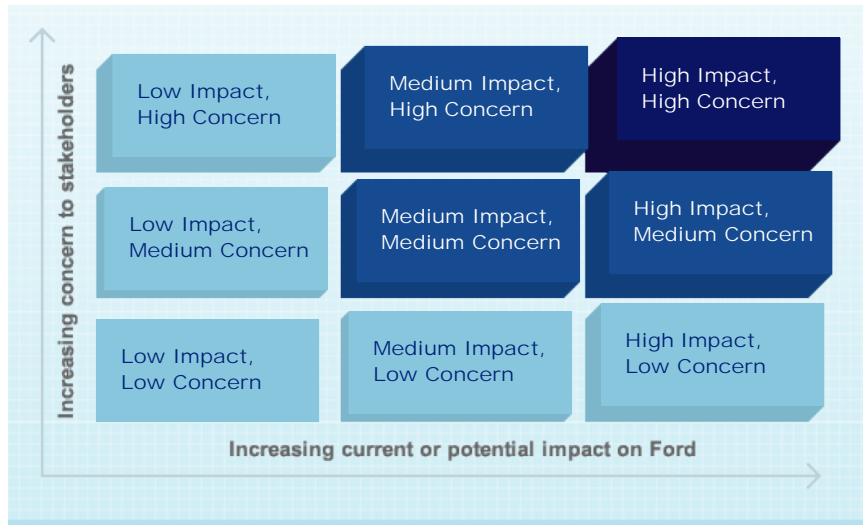
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Above is our interactive materiality matrix. In it, issues are categorized according to their concern to stakeholders and their current or potential impact on the Company. Click each box to see which issues are categorized within each sector.

Reporting Priorities

- Issues in this box set the agenda for our sustainability strategy and our printed summary report
- Issues in these boxes set the agenda for the rest of the web report and future reporting
- Issues in these boxes are not currently covered in detail by reporting



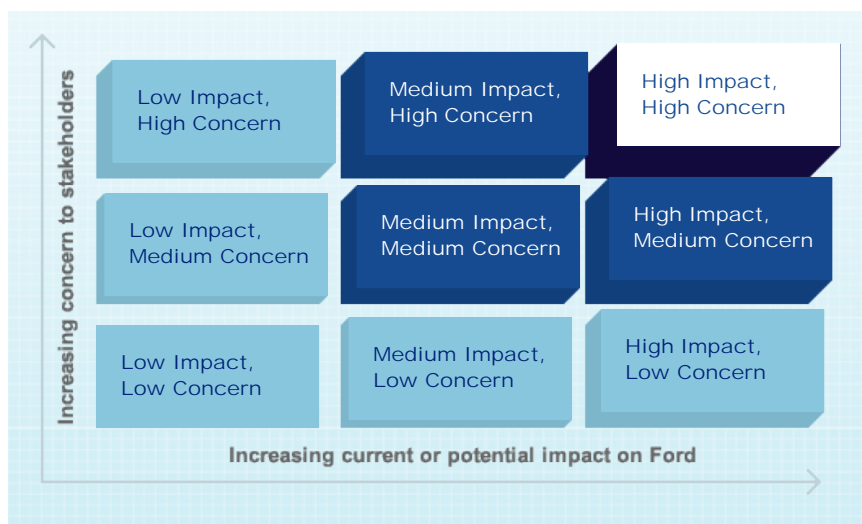
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High Impact, High Concern

14 material issues have been identified at this level

CLIMATE CHANGE

Low-carbon strategy

Definition/Description	Ford's strategy to reduce carbon emissions from products and operations; goals and targets; use of renewable energy and offsets.
Comments	Strongly related to other material issues; of increasing interest to government and investors.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> ▪ Climate Change ▪ Ford's Climate Change Strategy ▪ Climate Change and the Environment ▪ Electrification: A Closer Look ▪ Operational Energy and Greenhouse Gas Emissions

Vehicle GHG emissions

Definition/Description	Ford's product actions to meet its CO ₂ target.
Comments	Increasingly driven by regulatory requirements as well as Ford's voluntary product CO ₂ goal; of increasing interest to government and investors.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> ▪ Climate Change ▪ Vehicle ▪ Ford's Goals, Commitments and Status ▪ Fuel Economy and CO₂ Emissions Data

- [Sustainable Technologies and Alternative Fuels Plan](#)

▼ Fuel economy

Definition/Description Increasingly global issue, but particular focus on Ford's U.S. fleet.

Comments Increasingly driven by regulatory requirements as well as Ford's voluntary product CO₂ goal; of increasing interest to government and investors.

Trend (from previous analysis) ➡ Already at the highest level

- More information**
- [Ford's Goals, Commitments and Status](#)
 - [Ford's Greenhouse Gas Emissions](#)
 - [Climate Change Risks and Opportunities](#)
 - [Ford's Climate Change Strategy](#)
 - [Improving Fuel Economy](#)
 - [Fuel Economy and CO₂ Emissions Data](#)

▼ Electrification strategy

Definition/Description Ford's strategy to deliver electric vehicles to the marketplace and work with partners to address infrastructure and utility interface issues.

Comments Reflects growing interest in alternatives to fossil fuels and domestic energy and the challenges of transitioning from traditionally fueled vehicles to plug-in vehicles.

Trend (from previous analysis) ➡ Already at the highest level

- More information**
- [Migration to Alternative Fuels and Powertrains](#)
 - [Electrification: A Closer Look](#)
 - [Public Policy Positions: Electrification](#)

PUBLIC POLICY

▼ GHG/fuel economy regulation

Definition/Description Regulation of vehicle emissions globally, state-by-state regulation in U.S.; increasing stringency and inconsistency of regulation; challenges left by lack of U.S. federal climate legislation.

Comments With passage of new CAFE requirements in U.S. and new EU requirements in Europe, focus is increasingly on economy-wide policy approaches.

Trend (from previous analysis) ➡ Already at the highest level

- More information**
- [U.S. Climate Change Policy](#)
 - [U.S. Greenhouse Gas and Fuel Economy Regulation](#)
 - [European Climate Change Policy](#)
 - [Climate Change Risks and Opportunities](#)
 - [Emissions Trading Policy](#)
 - [Ford's Greenhouse Gas Emissions](#)
 - [Public Policy Positions](#)

WATER

▼ Water strategy

Definition/Description Includes growing recognition of water as a key sustainability issue, including water scarcity and risks, need for water risk assessments, and understanding of linkages between water and carbon.

Comments Added as a material issue when we last updated our materiality analysis for the 2010–11 report, reflecting higher profile of this issue for Ford and stakeholders.

Trend (from previous analysis) NEW

More information [Water](#)

FORD FINANCIAL HEALTH

Product competitiveness

Definition/Description Ford's strategy related to products and sales, including product mix, market share, and meeting customer demands, including for more fuel-efficient products.

Comments A top concern for Ford and stakeholders. Reorganized and renamed since last materiality analysis.

Trend (from previous analysis) Already at the highest level

More information

- [Product Competitiveness](#)
- [Improving Fuel Economy](#)

Risk and cost management

Definition/Description Broad concerns about Ford's financial performance, with a focus on costs and cost-related risks.

Comments A top concern for Ford and stakeholders. Reorganized slightly and renamed since last materiality analysis. Includes health care legacy costs, labor costs, energy security and access to capital, formerly top-right issues on their own in the previous analysis.

Trend (from previous analysis) Already at the highest level, though some of the specific issues have shifted up or down in importance

More information

- [Financial Health](#)
- [Health as a Strategic Advantage](#)
- [Public Policy](#)

FORD FUTURE COMPETITIVENESS

Sustainable mobility

Definition/Description Ford's approach to increasing challenges of urban mobility, congestion, urbanization and mega-cities, as well as rural mobility and economic opportunity.

Comments Reorganized – formerly under a stand-alone mobility category; now an element of Ford's future competitiveness strategy.

Trend (from previous analysis) Already at the highest level

More information

- [Mobility Solutions](#)

VEHICLE SAFETY

Vehicle safety

Definition/Description Active and passive safety; pedestrian safety; customer interest in and demand for safe vehicles; increasing regulation generally with focus on active safety; challenge of evolving in-vehicle technology.

Comments Developed and emerging market issues differ.

Trend (from previous analysis) Ford increasingly emphasizing market opportunity for safer products

More information

- [Vehicle Safety and Driver Assist Technologies](#)
- [Public Policy Positions: Vehicle Safety](#)

SUPPLY CHAIN SUSTAINABILITY

▼ Supplier relationships

Definition/Description	Includes importance of Ford's financial variability to suppliers and vice versa, and importance of strong relationships as well as established policies and performance commitments.
Comments	Increased importance in this analysis, especially to Ford and suppliers.
Trend (from previous analysis)	▲ Increased in importance to Ford and stakeholders
More information	<ul style="list-style-type: none"> ■ Creating a Sustainable Supply Chain

▼ Supply chain environmental sustainability

Definition/Description	Includes need to address carbon and water issues in supply chain relationships.
Comments	Largely a new issue from last analysis, reorganized and of higher importance to Ford and stakeholders.
Trend (from previous analysis)	NEW
More information	<ul style="list-style-type: none"> ■ Supply Chain Environmental Management

▼ Sustainable raw materials

Definition/Description	Includes issues around conflict minerals, rare earth metals and other strategic materials, and overall impacts of raw material extraction on the environment, communities, geopolitics and Ford's costs.
Comments	Added as a material issue when we last updated our materiality analysis for the 2010–11 report, reflecting increased prominence of these concerns.
Trend (from previous analysis)	NEW
More information	<ul style="list-style-type: none"> ■ Sustainable Raw Materials ■ Sustainable Materials ■ Product Sustainability Index

▼ Human rights in the supply chain

Definition/Description	Issues covered by Ford's working conditions code; need for industry cooperation.
Comments	Issues have been reorganized in this analysis under umbrella of supply chain sustainability. High interest to communities, suppliers and NGOs.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> ■ Human Rights in the Supply Chain: Ford's Global Working Conditions Program ■ Policy Letter No. 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility



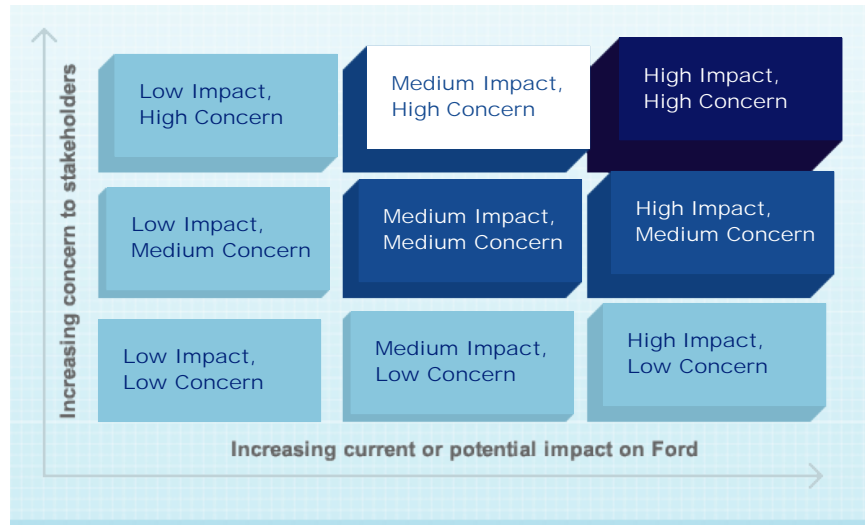
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Medium Impact, High Concern

No material issues have been identified at this level



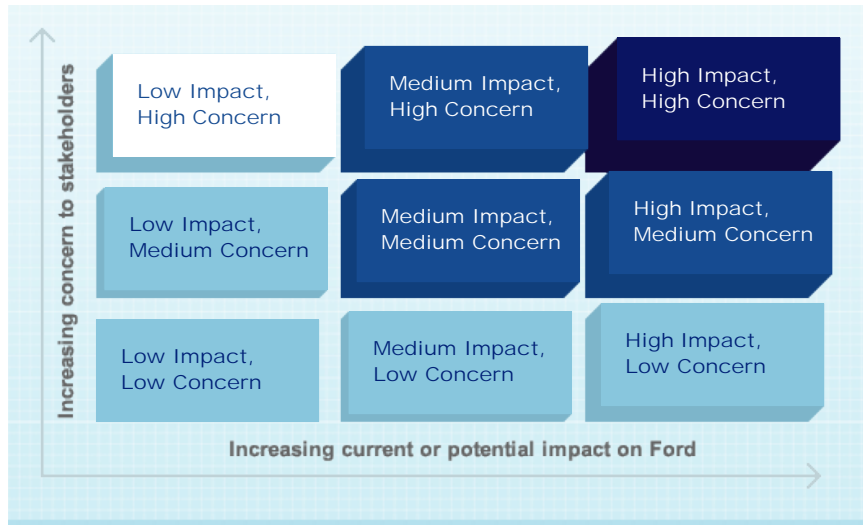
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Low Impact, High Concern

No material issues have been identified at this level



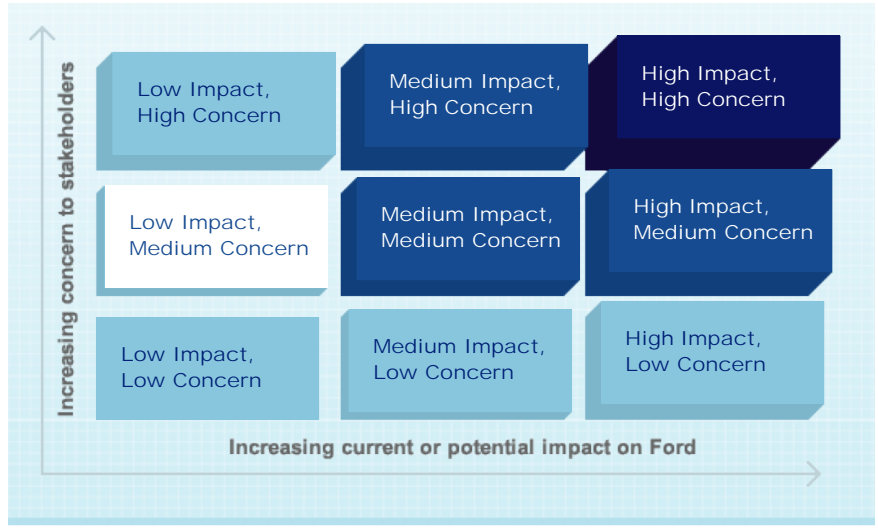
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Low Impact, Medium Concern

Two material issues have been identified at this level

GOVERNANCE

- Shareholder concerns (resolutions)

OPERATIONS

- Land and nature



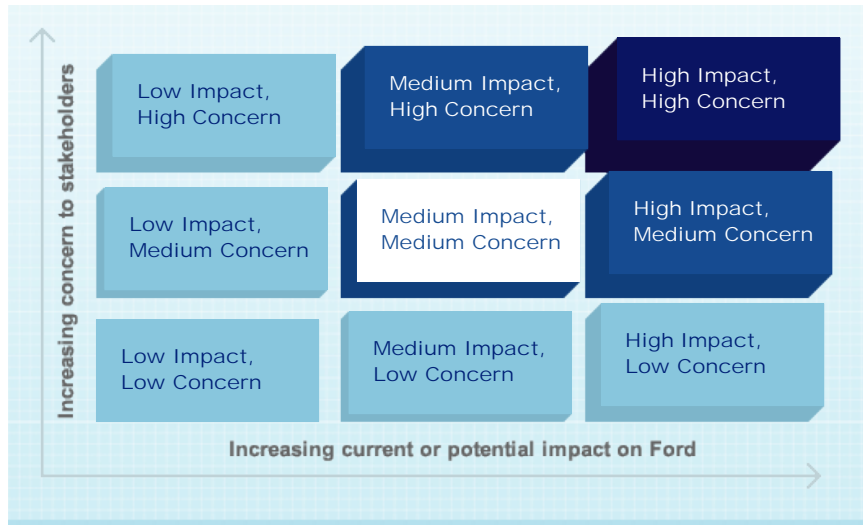
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Medium Impact, Medium Concern

Eight material issues have been identified at this level

FORD FUTURE COMPETITIVENESS

▼ Innovation management	
Definition/Description	Includes R&D investment and new business models.
Comments	Of interest to investors.
Trend (from previous analysis)	NEW
More information	<ul style="list-style-type: none"> ■ Ford Future Competitiveness ■ Innovation Data

COMMUNITY

▼ Community impacts and contributions	
Definition/Description	Encompasses a range of direct and indirect economic impacts, including local hiring and sourcing and philanthropic donations to the community; also local environmental impacts.
Comments	High concern to communities.
Trend (from previous analysis)	⬇ Lower level of concern to stakeholders
More information	<ul style="list-style-type: none"> ■ Communities ■ Human Rights in the Supply Chain: Ford's Global Working Conditions Program ■ Financial Health

PUBLIC POLICY

▼ Political payments and contributions

Definition/Description	Includes need for consistent and transparent public policy positions and concerns about Company donations to candidates and campaigns; lobbying costs; employee Political Action Committee; indirect giving through trade associations, etc.
Comments	Stakeholders, including shareholders, are showing increasing interest and advocacy for "political accountability" or transparency around corporate participation in the political process and various forms of corporate political donations.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Public Policy ▪ Participation in the Policy-Making Process ▪ Policy Letters and Directives

OPERATIONS

▼ Energy use and oil consumption operations

Definition/Description	Operations/facilities: concerns about cost and availability; energy security.
Comments	Lower level of concern to Ford reflects active and successful management towards targets.
Trend (from previous analysis)	⬇ Lower level of concern to Ford
More information	<ul style="list-style-type: none"> ▪ Ford's Goals, Commitments and Status ▪ Greening Our Operations ▪ Operational Energy and Greenhouse Gas Emissions

▼ Waste generation and management

Definition/Description	Includes Ford's operational waste generation, management and disposal.
Trend (from previous analysis)	⬆ Higher concern for stakeholders
More information	<ul style="list-style-type: none"> ▪ Waste Management ▪ Waste Data

▼ Air emissions (other than GHGs)

Definition/Description	Includes VOC and ozone-depleting emissions from operations.
Comments	Lower level of concern to Ford reflects active and successful management towards targets.
Trend (from previous analysis)	<ul style="list-style-type: none"> ⬇ Lower level of concern to Ford ⬆ Higher concern for stakeholders
More information	<ul style="list-style-type: none"> ▪ Non-CO₂ Tailpipe Emissions ▪ Non-CO₂, Facility-Related Emissions

▼ Hazardous pollutants

Definition/Description	Hazardous substances in products, manufacturing and supply chain.
Comments	Increasing public interest.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Sustainable Materials ▪ Non-CO₂ Tailpipe Emissions ▪ Waste Management ▪ Emissions (VOC and Other) Data ▪ Emissions (VOC and Other) Data

Non-CO₂, Facility-Related Emissions

WORKPLACE

▼ Diversity/equal opportunity

Definition/Description	Diversity of Ford Board and management; harassment programs and monitoring.
Comments	Relatively high concern to NGOs/stakeholders who see diversity as global strategic issue.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none">■ Diversity and Inclusion■ Corporate Governance – Board of Directors■ Working Conditions in Ford Plants■ U.S. Employment of Minority-group Personnel and Women at Year-end■ Supplier Diversity Development



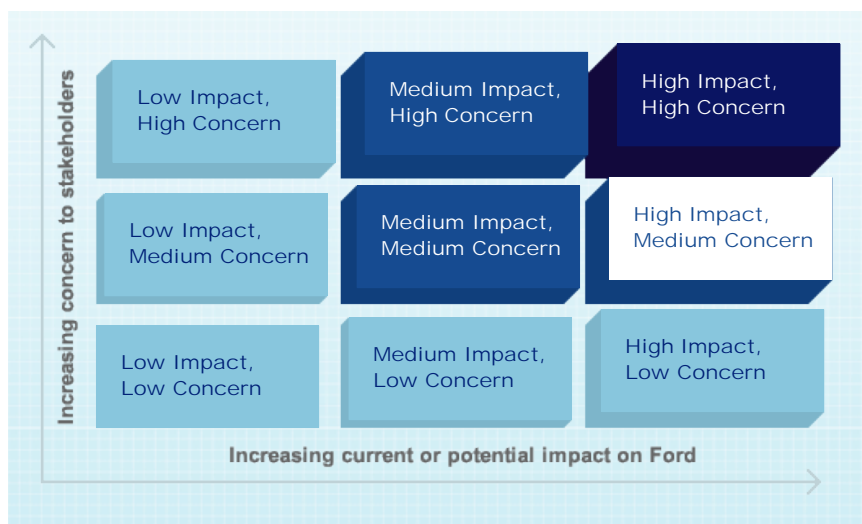
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Materiality Matrix



Reporting Priorities

- Issues in this box set the agenda for our sustainability strategy and our printed summary report
- Issues in these boxes set the agenda for the rest of the web report and future reporting
- Issues in these boxes are not currently covered in detail by reporting

High Impact, Medium Concern

20 material issues have been identified at this level

SUSTAINABILITY VISION, GOVERNANCE AND MANAGEMENT

▼ Sustainability vision, governance and management

Definition/Description	Includes governance structures, goals and indicators, business case, stakeholder engagement, reporting.
Comments	Governance added to vision and management, reflecting growing investor and NGO interest in integrating sustainability into business processes.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Letter from William Clay Ford, Jr. ▪ Message from Alan Mulally ▪ Letter from Robert Brown ▪ Sustainability Governance ▪ Sustainability Management ▪ Climate Change Governance ▪ Working Conditions in Ford Plants ▪ How We Manage Vehicle Safety ▪ Environmental Management ▪ Financial Health

GOVERNANCE

▼ Ethical business practices

Definition/Description	Concerns covered by codes of conduct, e.g., corruption and anti-competitive behavior.
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Comments	Among stakeholders, of most concern to investors.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Ethical Business Practices ▪ Corporate Governance – Board of Directors ▪ Sustainability Governance

▼ Human rights strategy

Definition/Description	Includes Ford's policies and practices related to human rights.
Comments	This issue has been newly categorized as a governance issue, reflecting its mainstreaming into Ford's business.
Trend (from previous analysis)	⬇ Lower level of concern to stakeholders
More information	<ul style="list-style-type: none"> ▪ Human Rights in the Supply Chain: Ford's Global Working Conditions Program ▪ Policy Letter No. 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility

PUBLIC POLICY

▼ Global environmental regulation

Definition/Description	Trend toward greater regulation and the cost of compliance.
Comments	Continues to be of high importance to Ford.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Climate Change Risks and Opportunities ▪ Climate Change Policy and Partnerships ▪ Public Policy Positions

FORD FINANCIAL HEALTH

▼ Alignment of products with demand

Definition/Description	Ford's realignment of production capacity to lower levels of demand and the shift from trucks and SUVs to cars; supply-base rationalization; managing downsizing.
Comments	Reduced in importance to stakeholders, still of highest concern to Ford.
Trend (from previous analysis)	⬇ Lower level of concern to stakeholders
More information	▪ Financial Health

▼ Manufacturing efficiency

Definition/Description	Includes reduced complexity of products, lean and flexible manufacturing, and flexible work rules.
Comments	Key element of Ford's ability to respond to changing markets; part of public discussion about aid to automakers.
Trend (from previous analysis)	➡ Same position
More information	▪ Current Financial Health

▼ Quality

Definition/Description	Product quality and customer service/customer relationship management.
Comments	Lower concern to stakeholders may reflect Ford's dramatically improved quality record.
Trend (from previous analysis)	⬇ Lower level of concern to stakeholders

- More information
- [Customer Satisfaction and Quality](#)
 - [Product, Quality and Service Data](#)

FORD FUTURE COMPETITIVENESS

▼ Emerging markets products and services strategy

Definition/Description	Ford's approach to emerging markets: infrastructure development; human rights as an issue in growth markets; Ford's impacts/contributions in emerging markets (other than products and services), including local sourcing, pollution, potential for partnerships.
Comments	With projected growth in the Company's Asia Pacific operations, would have increased in importance for the Company if it was not already at the highest level. Key drivers of the issue include congestion, shifting demographics, urbanization and social equity.
Trend (from previous analysis)	↓ Lower level of concern to stakeholders
More information	<ul style="list-style-type: none"> ▪ Mobility Solutions ▪ Focus on Asia ▪ 2011 Sales and Highlights

WATER

▼ Water use

Definition/Description	Includes impacts on water sources; water management, cost of water and discharges to water.
Comments	Particular concern in areas of water scarcity; issue gaining a higher public profile.
Trend (from previous analysis)	→ Same position
More information	<ul style="list-style-type: none"> ▪ Water

CLIMATE CHANGE

▼ Cleaner vehicle technology

Definition/Description	Ford's development of low-carbon technologies, including hybrids, electric vehicles, clean diesel, fuel cells; also emerging technologies like nanotechnology.
Comments	Lower stakeholder interest, may reflect increased action from automakers in this area.
Trend (from previous analysis)	↓ Lower level of concern to stakeholders
More information	<ul style="list-style-type: none"> ▪ Sustainable Technologies and Alternative Fuels Plan ▪ Vehicle ▪ Greening Our Products

OPERATIONS

▼ Operational environmental management

Definition/Description	High-level environmental operational concerns, including environmental management, environmental compliance.
Comments	Environmental compliance a concern to communities. Increased importance to Ford reflects management focus on achieving environmental targets.
Trend (from previous analysis)	↑ Increased in importance to Ford
More information	<ul style="list-style-type: none"> ▪ Greening Our Operations ▪ Ford's Greenhouse Gas Emissions

■ [Manufacturing](#)

▼ GHG emissions – operations

Definition/Description	Includes cost of controlling GHG emissions.
Comments	Less of a concern than GHG emissions from vehicles, but rated high for Ford and NGOs/stakeholders.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ■ Ford's Greenhouse Gas Emissions ■ Ford's Goals, Commitments and Status ■ Ford's Climate Change Strategy ■ Operational Energy and CO₂ Emissions Data

▼ Other operational environmental issues

Definition/Description	Includes spills, nuisances (noise), and pre- and post-production logistics.
Trend (from previous analysis)	⬆ Increased in importance to Ford and stakeholders
More information	■ Greening Our Operations

PRODUCT

▼ Tailpipe emissions

Definition/Description	Air-quality impacts of vehicle emissions other than GHGs; trend toward greater regulation.
Comments	High concern to customers/NGOs/stakeholders; impact on Ford due to increased and inconsistent regulation.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ■ Non-CO₂ Tailpipe Emissions ■ Ford's Goals, Commitments and Status ■ Sustainable Technologies and Alternative Fuels Plan ■ Tailpipe Emissions Data

▼ Environmentally preferred materials

Definition/Description	Cradle-to-cradle approach; use of renewable, recycled, recyclable materials.
Comments	Formerly "sustainable materials."
Trend (from previous analysis)	➡ Same position
More information	■ Sustainable Materials

▼ Lifecycle assessment

Definition/Description	Includes the need for defensible lifecycle assessment processes.
Comments	Issue added when we last updated our materiality analysis for the 2010–11 report. Reflects growing interest in lifecycle assessment among consumers and other stakeholders, with a particular focus on GHG emissions and water.
Trend (from previous analysis)	NEW
More information	<ul style="list-style-type: none"> ■ Design for Lifecycle Sustainability ■ End of Life ■ Water ■ Quantifying Our Environmental Impacts

WORKPLACE

Workplace health and safety

Definition/Description	Health and safety management systems; ergonomics.
Comments	Emerging issue is managing health and safety impacts of downsizing.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> ▪ Workplace Health and Safety ▪ Human Rights in the Supply Chain ▪ Working Conditions in Ford Plants ▪ Workplace Safety Data

Employee morale and teamwork

Definition/Description	Includes issues of employee satisfaction, development, recruitment and retention as well as increasing employee interest in sustainability.
Comments	New sub-issues were added in this category including employee interest in working for a sustainable company and the need to engage employees in sustainability issues.
Trend (from previous analysis)	⬆ Increased in importance to stakeholders
More information	▪ Employees

Employees/labor practices/decent work

Definition/Description	Ford's employment practices, including wages, wage ratios, benefits, permanent v. temporary positions; training and education; turnover; impact of aging workforce.
Comments	High concern to communities and investors.
Trend (from previous analysis)	⬆ Increased in importance to Ford
More information	<ul style="list-style-type: none"> ▪ Employees ▪ Human Rights in the Supply Chain: Ford's Global Working Conditions Program ▪ Policy Letters and Directives

COMMUNITY ENGAGEMENT

Community engagement

Definition/Description	License to operate, NGO relationships and specific community concerns like breast cancer, obesity, compliance.
Comments	Increasing concern to Ford, lower concern to communities and NGOs in this analysis. However, community interest in specific issues of engagement like water increased in this analysis.
Trend (from previous analysis)	<ul style="list-style-type: none"> ⬆ Increased in importance to Ford ⬇ Lower level of concern to stakeholders
More information	▪ Communities



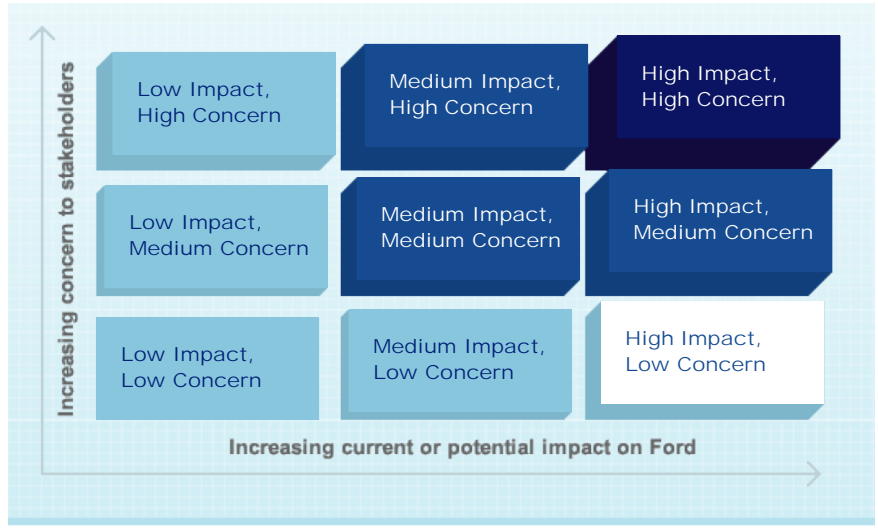
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High Impact, Low Concern

Five material issues have been identified at this level

CLIMATE CHANGE STRATEGY

- Clean/alternative fuels
- Other climate change issues

PRODUCT

- End-of-life management
- Vehicle interior air quality
- Compliance



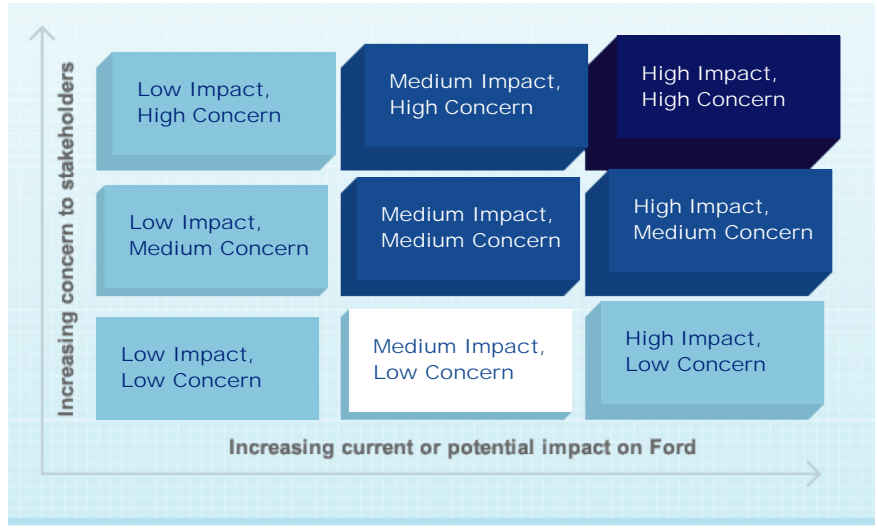
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- Dark Blue:** Issues in this box set the agenda for our sustainability strategy and our printed summary report
- Medium Blue:** Issues in these boxes set the agenda for the rest of the web report and future reporting
- Light Blue:** Issues in these boxes are not currently covered in detail by reporting

Medium Impact, Low Concern

Seven material issues have been identified at this level

FORD FINANCIAL HEALTH

- Dealer viability and competitiveness
- Supplier viability and competitiveness

PRODUCT

- Labeling
- Noise
- Customer privacy
- Marketing communications/demand creation/advertising

VEHICLE SAFETY

- Emerging market vehicle and road safety



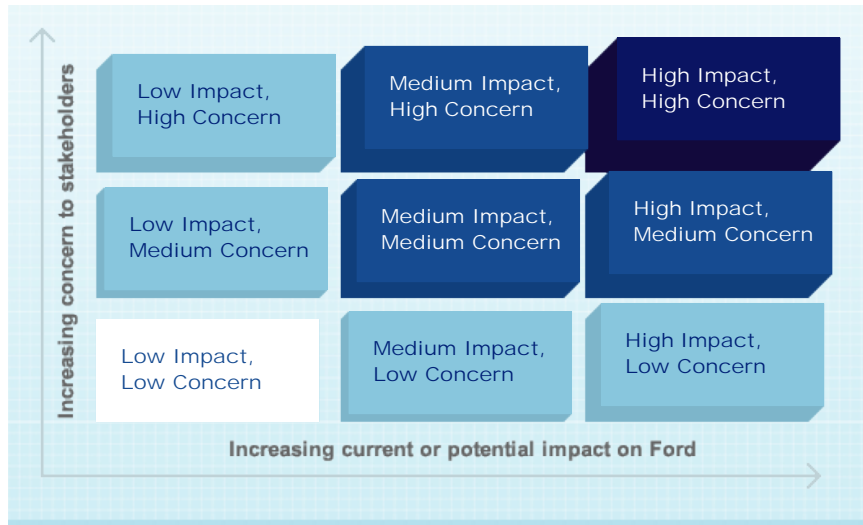
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Low Impact, Low Concern

Two material issues have been identified at this level

PUBLIC POLICY

- Health care policy

CLIMATE CHANGE

- Emissions trading/cost of carbon



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Sustainability 2011/12

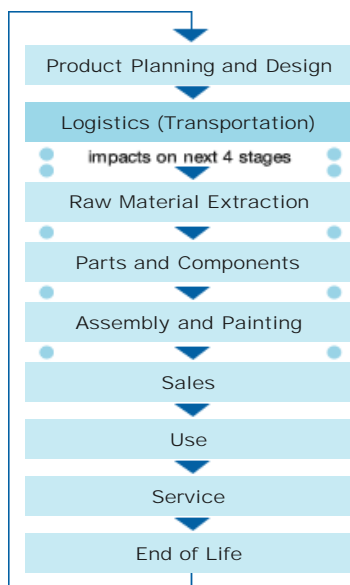
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Our Value Chain and Its Impacts

As a major multinational enterprise, our activities have far-reaching impacts on environmental, social and economic systems. The diagram below organizes the issues by the major stages of our value chain. In this report you will also find a ["materiality analysis"](#) which prioritizes the most significant issues in our value chain.

Some issues are not shown in this diagram because they do not pertain to a particular lifecycle stage.



Value Chain: Overview

A number of broad sustainability challenges set the context for all of the lifecycle stages. These issues apply across the value chain:

- Population growth
- Urbanization
- Poverty
- Education
- Gender equality
- Child mortality
- Maternal health
- Infectious diseases
- Biodiversity
- Loss of ecosystem services
- Downsizing

Product Planning and Design

Principal actors in this stage

- Ford
- Customers
- Government

Environmental issues

- Greenhouse gas emissions
- Fuel economy
- Smog-forming emissions
- Material use and recycling
- Resource use
- Manufacturing waste
- In-vehicle air quality

<p>Social issues</p> <ul style="list-style-type: none"> ● Vehicle safety ● Access to mobility ● Traffic congestion ● Diversity ● Infrastructure ● Emerging markets ● Design for assembly/ergonomics 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Quality ● Brand value/reputation ● Health care costs
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Logistics (Transportation)

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Ford ● Government 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Greenhouse gas emissions ● Smog-forming emissions ● Land use
<p>Social issues</p> <ul style="list-style-type: none"> ● Vehicle safety ● Health and safety ● Treatment of employees ● Noise ● Community disruption through land use ● Traffic congestion ● Diversity ● Infrastructure 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Fuel cost

Raw Material Extraction

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Suppliers ● Government 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Greenhouse gas emissions ● Smog-forming emissions ● Resource use ● Waste ● Land use ● Biodiversity impacts
<p>Social issues</p> <ul style="list-style-type: none"> ● Health and safety ● Diversity ● Human rights ● HIV/AIDS ● Community disruption through land use 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Commodity prices

Parts and Components

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Ford ● Suppliers 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Greenhouse gas emissions ● Smog-forming emissions ● Material use and recycling ● Resource use ● Manufacturing waste ● Land use
<p>Social issues</p> <ul style="list-style-type: none"> ● Health and safety ● Employee satisfaction ● Diversity ● Human rights ● HIV/AIDS 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Quality ● Brand value/reputation ● Health care costs

Assembly and Painting

<p>Principal actors in this stage</p>	<p>Environmental issues</p>
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<ul style="list-style-type: none"> ● Ford ● Government 	<ul style="list-style-type: none"> ● Greenhouse gas emissions ● Smog-forming emissions (especially VOCs) ● Material use and recycling ● Resource use ● Manufacturing waste ● Land use
<p>Social issues</p> <ul style="list-style-type: none"> ● Health and safety ● Employee satisfaction ● Diversity ● Human rights ● HIV/AIDS ● Community contributions 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Quality ● Brand value/reputation ● Health care costs

Sales

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Ford dealers ● Other dealers 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Land use
<p>Social issues</p> <ul style="list-style-type: none"> ● Diversity ● Human rights ● Marketing and customer information 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Dealer services ● Brand value/reputation ● Purchase cost

Use

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Customers ● Fuel providers ● Government 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Greenhouse gas emissions ● Smog-forming emissions ● Land use ● Fuel economy ● In-vehicle air quality
<p>Social issues</p> <ul style="list-style-type: none"> ● Vehicle safety ● Noise ● Viability of public transport ● Access to mobility ● Community disruption through land use ● Traffic congestion ● Infrastructure ● Emerging markets 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Fuel costs ● Brand value/reputation ● Cost of ownership

Service

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Ford dealers ● Independent servicers 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Material use and recycling ● Waste
<p>Social issues</p> <ul style="list-style-type: none"> ● Health and safety ● Diversity ● Human rights ● Marketing and customer information 	<p>Economic issues</p> <ul style="list-style-type: none"> ● Quality ● Dealer services ● Brand value/reputation

End of Life

<p>Principal actors in this stage</p> <ul style="list-style-type: none"> ● Dismantlers ● Government ● Shredder operators 	<p>Environmental issues</p> <ul style="list-style-type: none"> ● Material use and recycling ● Waste ● Recovery
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<ul style="list-style-type: none">● Post-shredder treatment operators	
<p>Social issues</p> <ul style="list-style-type: none">● Health and safety● Diversity● Human rights● End of life information	<p>Economic issues</p> <ul style="list-style-type: none">● Commodity prices● Quality● Market demand for recycling/recovery products

Expanding Connections

We recognize that these issues are interconnected at each stage and that positive and negative effects in one part of the chain can reverberate in the other parts.

Increasingly, we are bringing our understanding of a wide range of sustainability issues into the stages of our value chain. Environmentally, we are improving our manufacturing efficiency, cutting the emissions of our vehicles, designing vehicles with end of life in mind and increasing the recyclability of our vehicles and our use of recycled materials. Socially, we seek to strengthen the communities we're part of, expand the connections within them and improve our relationships throughout the value chain. Economically, we are trying to build our capacity to adapt and respond to the variety of challenges and opportunities present at every stage, meeting our customers' needs as well as our stakeholders' expectations.



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- ▶ Sustainability Governance
- ▶ Sustainability Management
- ▶ Public Policy
- ▶ Stakeholder Engagement

Governance

Sound governance and management systems enable a company to operate in a transparent and accountable way and to provide effective oversight of operations. High ethical standards – formalized in company policies and demonstrated by managers at all levels – help a company translate its aspirations into action.

The concept of governance has expanded beyond its traditional focus on fiduciary responsibility to shareholders to a broader focus on a company's impact on the world and its responsibilities to diverse stakeholders. At Ford, this is reflected in our development and integration of sustainability structures, processes and management systems into the core business.



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Progress

Like our ONE Ford plan, our overall corporate governance and our sustainability governance serve as the foundations of our financial recovery and keep sustainability on the radar as we expand our market shares in key regions of the world. The following are among our highlights and progress in the governance arena since our last report was published.

In early 2012, we revised our Policy Letter 24, which embodies our commitment to human rights. Originally titled the Code of Basic Working Conditions, the policy was renamed the Code of Human Rights, Basic Working Conditions and Corporate Responsibility, reflecting its expanded scope and alignment with the “protect, respect and remedy” framework designed by John Ruggie, Special Representative to the United Nations Secretary General on business and human rights at the international level.

Also in early 2012, we enhanced our web guide for Social Responsibility and Anti-Bribery and our supplier guide for social responsibility. The supplier guide for social responsibility now includes specific guidance on anti-bribery and responsible sourcing from conflict-affected and high-risk areas. Supplier guides such as this one are an extension of our Standard Terms and Conditions for all suppliers and spell out Ford’s requirements for suppliers across a range of performance areas.

In December 2011, we supported an all-day conference hosted by the George Washington University and the United Nations Global Compact at which government officials, corporations and nongovernmental organizations shared stories of best practices and challenges regarding human rights, with the aim of improving overall performance on human rights issues.

In February 2012, we began the implementation of SUMURR – Sustainable Urban Mobility with Uncompromised Rural Reach – in Chennai, India. The objective of this project is to leverage our SYNC® technology and the IT “cloud” to provide access to health care services to women in the rural areas outside of Chennai. The project illustrates one way we continue to lead in human rights business practices, going beyond compliance and focusing on critical issues that impact our business.

Finally, in 2011 and early 2012, Ford received a number of recognitions for our corporate responsibility work, our reporting and our governance practices. For example, Ford was ranked first among U.S. companies in its sector in *Newsweek* magazine’s “Green Rankings”. See [Awards and Recognitions](#) for additional awards received.

This section of the report discusses Ford’s [overall and sustainability governance](#), including how we address human rights and other ethical issues and our [management of key sustainability issues](#).



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YEAR IN REVIEW



OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



FORD AROUND THE WORLD

2011 Awards and Recognition

In 2011 and early 2012, Ford received a number of awards and recognitions for our corporate responsibility and sustainability efforts and governance practices.

In 2012, for example, Ford was honored (for the third year in a row) as one of the World's Most Ethical Companies by the Ethisphere Institute. Ford was one of only 145 companies on this list, and the only automaker. Ford was chosen for this distinction from a field of thousands of companies in more than three dozen industries. To be included, a company must receive high ranks in seven key areas: corporate citizenship and responsibility; corporate governance; innovation that contributes to the public well-being; industry leadership; executive leadership and tone from the top; legal, regulatory and reputation track record; and internal systems and ethics/compliance program.

In the first quarter of 2012, Ford was also ranked as one of America's most reputable companies, by the Reputation Institute, based on an online survey of more than 10,000 consumers. Ford gained ground in this yearly measure of companies' reputability – we ranked 44th on the list, up 13 spots from 57th in 2011. Our score was 71.8 out of 100, essentially unchanged from our 71.5 in 2011.

In 2012, *Corporate Responsibility Magazine* ranked Ford 71st in their "100 Best Corporate Citizens" list, which reviews large-cap companies headquartered in the United States.

Also in 2012, Ford was once again included on the Maclean's/Sustainalytics list of the 50 Most Socially Responsible Corporations in Canada. Companies are selected for showing leadership and commitment in the development and implementation of sound sustainability practices within their respective industries.

In 2011, Ford was included in the Dow Jones Sustainability Index North America and the FTSE4Good Index, based on favorable evaluations of our sustainability programs and performance.

Also in 2011, we won the Energy Star Award for Sustained Excellence from the U.S. Environmental Protection Agency (EPA) for energy-efficiency improvements in our manufacturing facilities. And, Ford was the only automaker to receive a Climate Leaders Award from the EPA in 2012. Ford was recognized with a Goal-Setting Certificate for its publicly stated manufacturing greenhouse gas emissions-reduction goal, which is part of the Company's global manufacturing carbon dioxide strategy.

In 2011, for the third year running, Ford was listed among *Newsweek* magazine's "Green Rankings." This list rates companies globally as well as America's 500 largest companies on environmental impact, environmental policies and performance, and reputation among CEOs, social responsibility professionals, academics and other environmental experts. On the U.S. list, Ford ranked 22nd overall and 1st in the vehicles and components sector; on the global list, we ranked 66th overall and 5th in vehicles and components sector.

Also in 2011, Ford was ranked 4th out of the top 100 companies on the latest Maplecroft Climate Innovation Index. Inclusion in this index demonstrates superior management, mitigation and adaptation in the field of climate innovation.

Ford's 2009/10 Sustainability Report was a finalist in the 2010 Ceres/Association of Chartered Certified Accountants (ACCA) North American Awards for Sustainability Reporting. These rankings acknowledge best practices in the reporting and disclosure of sustainability performance.

In addition, in 2010 and 2011 we won several awards related to diversity. [Read more about these awards here.](#)

OUR BLUEPRINT FOR SUSTAINABILITY

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▶ Sustainability Governance and Integration
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Sustainability Governance

Upholding high standards of corporate governance is key to maintaining the trust of investors and other stakeholders. In this section, we discuss governance by our Board of Directors, how we set and communicate standards to employees and other personnel and how we encourage and enforce ethical business practices. In addition, we explore our commitment to the U.N. Global Compact, how we are integrating sustainability into our organizational structures and business processes, and our approach to sustainability reporting – a key element of our commitment to transparency.

IN THIS SECTION

- ▶ Governance and Management Structures
- ▶ Corporate Governance – Board of Directors
- ▶ Policy Letters and Directives
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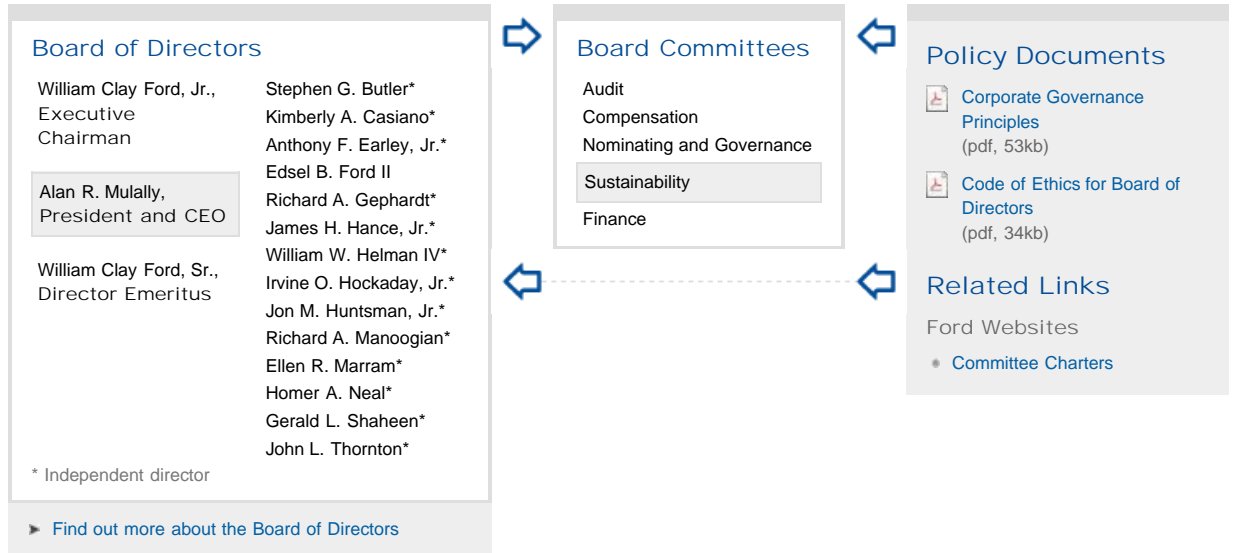


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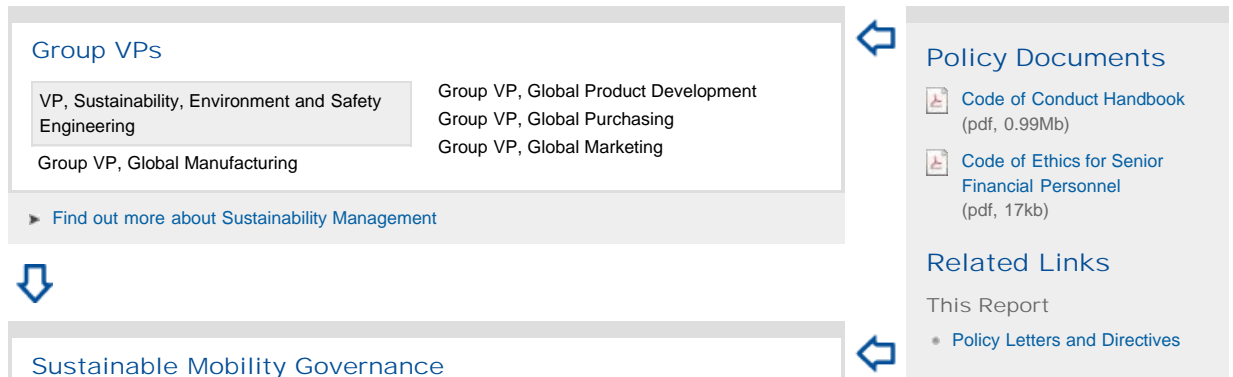
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Board-Level Governance



Sustainability Management



Sustainable Mobility Governance

A senior-level team led by the Vice President of Sustainability, Environment and Safety Engineering – responsible for defining our climate change strategy and delivering our sustainability strategy in the marketplace.

Key Business Processes

Business Plan Review	Ford Production System
Global Product Development System	ISO 14001 Certification
Special Attention Review	Order-to-Delivery



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Corporate Governance – Board of Directors

Ford's corporate governance principles, code of ethics and charters for each Board committee – all publicly available in the corporate governance section of the Ford website – set the framework for Ford's Board of Directors.

Ford's Board addresses significant business issues as a full group and through five committees: Audit, Compensation, Finance, Nominating and Governance, and Sustainability. The Sustainability Committee was formed in 2008 from the former Environment and Public Policy Committee, reflecting the evolution of its responsibilities and the Company's challenges and opportunities. The principal functions of the Sustainability Committee are as follows:

- Assist management in the formulation and implementation of policies, principles and practices to foster the sustainable growth of the Company on a worldwide basis. "Sustainable growth" means the ability to meet the needs of current customers while taking into account the needs of future generations. "Sustainable growth" also encompasses a business model that creates value consistent with the long-term preservation and enhancement of financial, environmental and social capital.
- Assist management in the formulation and implementation of policies, principles and practices to permit the Company to respond to evolving public sentiment and government regulation in the area of motor vehicle and stationary source emissions, especially in the area of greenhouse gas emissions, fuel economy and carbon dioxide regulation.
- Assist management in setting strategy, establishing goals and integrating sustainability into daily business activities across the Company.
- Review on a continuing basis new and innovative technologies that will permit the Company to achieve sustainable growth and Company actions to protect those technologies.
- Review on a continuing basis partnerships and relationships, both current and proposed, with customers and others that support the Company's sustainable growth.
- Review on a continuing basis the Company's communication and marketing strategies relating to sustainable growth.

During 2011, eight Directors served on the Sustainability Committee, which is chaired by Dr. Homer Neal, an independent director. Ford's Board of Directors met nine times and the Sustainability Committee met four times.

The Board's Nominating and Governance Committee considers several qualifications when considering candidates for the Board. Among the most important qualities directors should possess are the highest personal and professional ethical standards, integrity and values. They should be committed to representing the long-term interests of all shareholders. Directors must also have practical wisdom, mature judgment and objectivity. Ford recognizes the value of diversity and we endeavor to have a diverse Board, with experience in business, government, education and technology, and in areas that are relevant to the Company's global activities.

Under New York Stock Exchange (NYSE) Listed Company rules, a majority of our directors must be independent directors. The NYSE rules also provide that no director can qualify as independent unless the Board affirmatively determines that the director has no material relationship with the listed company. Ford's standards in determining whether or not a director has a material relationship with the Company are contained in the Company's Corporate Governance Principles. Based on Ford's standards, 13 of the Company's current 16 Directors are independent. Two of Ford's Directors are women, one Director is African-American and one Director is Hispanic.

Each Board member participates in an annual assessment of the effectiveness of the Board and the Committees on which he or she serves. We have established a procedure for shareholders to submit accounting and other concerns to independent directors and to send other communications to the Board.

For more information on Ford corporate governance practices, including the principles and policies that govern the conduct of the Board and the members of the Board, please [see our website](#).

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Policy Letters and Directives

At Ford, Policy Letters establish a framework of broad, basic principles within which the Company conducts its business globally. Corporate Directives provide more in-depth information on narrower topics than Policy Letters, and therefore may only apply to a particular segment of the business or specific activities. In addition to Policy Letters and Directives, numerous descriptions of business practices, handbooks, guidelines and statements of business standards govern the conduct of employees globally.

The following are Ford standards with particular relevance to sustainability.

Human Rights

Ford's commitment to human rights is embodied in our Code of Basic Working Conditions, Human Rights and Corporate Responsibility, which forms the foundation for work within our own operations and our supply chain. This Code articulates our commitments on key human and labor rights issues. First adopted in 2003 as the Code of Basic Working Conditions, it was more formally issued as Policy Letter 24 in 2007. In early 2012, Policy Letter 24 was revised, and its title was changed to the Code of Human Rights, Basic Working Conditions and Corporate Responsibility.

Policy Letter 24 is based on fundamental elements of internationally recognized labor standards, including the Universal Declaration of Human Rights, International Labour Organization Covenants, the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises, the United Nations' Global Compact Principles, the Global Sullivan Principles, and standards of the Fair Labor Association and International Metalworkers' Federation. Ford encourages businesses throughout our supply chain to adopt and enforce similar policies, and seeks to identify and do business with organizations that conduct business to standards that are consistent with Policy Letter 24.

Policy Letter 24 covers workplace and recruitment issues such as working hours, child labor and forced labor. It also reflects our increasingly integrated approach to managing human rights and community issues by articulating our commitments on several key issues that extend beyond the fences of our facilities, including community engagement and indigenous populations, bribery and corruption, and environment and sustainability.

One of the aims of the early 2012 revision to Policy Letter 24 was to develop an implementation plan for the "protect, respect and remedy" framework designed by John Ruggie, Special Representative to the United Nations Secretary General on business and human rights at the international level. Ford is eager to implement many of these recommendations, and we are using the framework to benchmark our own strategies and to integrate the principles into the assessment process. The revised Policy also includes a commitment to work with local, indigenous people on sustainable water use and language to specifically address human trafficking. In previous versions of Policy Letter 24, Ford has considered human trafficking to be a potential element of "forced labor." However, given the new California law requiring disclosure on supply chain due diligence related to forced labor and human trafficking, we felt it important to make our [definition of forced labor and human trafficking](#) more explicit to our suppliers and stakeholders.

Finally, Policy Letter 24 – consistent with our Standard Terms and Conditions – communicates our encouragement of suppliers to adopt and enforce similar policies for their suppliers and subcontractors. We actively promote and assess implementation of sustainable policies and practices in [our own operations](#) and in our [supply chain](#). The performance criteria for assessments of Ford-owned facilities and facilities operated by Ford now address several key community issues and evaluate engagement with members of the local community.

We encourage employees who have a good-faith belief that there may have been a violation of this Policy to report it through established channels, which vary by region, or to Ford's Office of the General Counsel. These reports are then forwarded to the Manager of Social Sustainability, who

takes action to clarify, validate and correct the situation, if necessary. No retaliatory actions are taken against employees who report concerns about violations of Policy Letter 24.

In December, we supported an all-day conference hosted by the George Washington University and the United Nations Global Compact in which government officials, corporations and nongovernmental organizations shared stories of best practices and challenges to improve overall performance on human rights issues.

Another way we can continue to lead in human rights business practices is to go beyond compliance and focus on critical issues that impact our business. For example, we began implementation of SUMURR – Sustainable Urban Mobility with Uncompromised Rural Reach – in Chennai, India, in February 2012. The project objective is to leverage SYNC® technology and the IT “cloud” to provide access to health care services to women in the rural areas outside of Chennai.

See the [SUMURR case study](#) for more information.

Diversity

We are committed to equal opportunity in all aspects of our business and to fostering diversity in our workforce. Our Policy Letter and Directives relating to diversity address equal opportunity and require that there be no disparate treatment because of race, religion, color, age, sex, national origin, disability, gender identity, sexual orientation or veteran status, and/or other factors that may be covered by local law. We recognize that diversity in our workforce is a valuable asset, and we strive to provide an inclusive work environment in which different ideas, perspectives and beliefs are respected.

Bribery and Corruption

Our Policy Letters and Directives govern integrity within Ford and state that it is our policy to comply fully with the laws of each country in which we do business. Further, no employee may agree to, make or solicit, for their benefit or that of the Company, any improper payments or other improper benefits, directly or indirectly, to or from any government or government agency official, legislator or other government employee or person purporting to represent government agencies. Employees and contract personnel must immediately report through the Company reporting system any requests or solicitations for an improper payment, except in countries where mandatory reporting is restricted.

Political Contributions

Ford's Policy Letter on governmental relationships covers issues relating to public policy and political contributions. These issues are discussed in depth in our [Public Policy](#) section.

Customer Satisfaction and Safety

Ford has several policy statements aimed at increasing the quality of our products and promoting the safety of our customers. Our Policy Letter on quality sets the foundation for a process that emphasizes the importance of quality in everything we do and notes that the customer defines quality. It establishes a Quality Operating System and the use of metrics and data to make decisions. Our Policy Letter on vehicle safety sets forth Ford's commitment to design and build vehicles that meet or exceed applicable laws and regulations, and to advance the state of the art in safety wherever practicable. We strive for continuous improvement in vehicle safety, which applies to accident avoidance attributes as well as occupant protection systems. This policy requires that we will be demonstrably active and responsible in all areas of automotive safety, including vehicle design and manufacture, operator behavior and the highway environment.

Environment and Employee Health and Safety

Our policies on health, safety and the environment make clear that sustainable economic development is important to the future welfare of Ford and society in general. Protection of employee health and safety and the environment are important considerations in the business decisions we make. These factors are integral parts of the planning process. Our products, services, processes and facilities are planned and operated to incorporate objectives and targets and are periodically reviewed to minimize to the extent practical the creation of waste, pollution and any adverse impact on employee health, safety or the environment. Protection of health, safety and the environment is a company-wide responsibility of employees at all levels.

Privacy

The trust and confidence of our customers are important to Ford Motor Company, and essential to building long-term relationships and delivering excellent products and personalized services. The Company recognizes that customers, employees and others have concerns about privacy and expect us to protect and handle personal information responsibly.

Ford is committed to implementing responsible privacy and data-handling practices. The Company's Policy Letters and related Directives are designed to ensure the continuing trust and confidence of individuals who entrust us with personal information.

Social Media Interactions

The recent proliferation of social media – such as Facebook, Twitter and LinkedIn, as well as blogs and other web-based discussion forums – has led us to examine our policies relating to employees' use of these technologies. We encourage responsible employee participation in social media and have developed a set of “digital participation guidelines” for our employees. A version of the guidelines is [available publicly](#). We also use online training to educate our nonmanufacturing workforce on the guidelines and how they affect their use of social media.

Completed in 2010, the guidelines encourage employees to use social media in a responsible way. They advise employees to be mindful that online communications require the same kind of ethical behavior and honesty that we expect in other external communications.

Specifically, the guidelines emphasize several key points. For example, if a discussion relates to Ford or the automotive industry, employees are expected to be honest about the fact they work for Ford. At the same time, employees need to make clear their opinions are their own and they are not official spokespeople for the Company. Conversations should remain respectful and in good taste, just as would be expected in any other medium. Employees should use good judgment in not revealing confidential Company information, including financial information. And finally, employees should always remember that whatever they say or write is there for all to see, permanently.



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Policy Letter No. 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility

As more fully provided in Policy Letter No. 2 (Relationships with Employees), the diverse group of men and women who work for Ford Motor Company are our most important resource. In recognition of their contributions, the Company has policies and programs designed to ensure that its employees enjoy the protection afforded by the principles articulated in this Policy. The Company also strives to be a good corporate citizen and works to implement policies and programs to benefit the communities where we operate. While these principles are not new to the Company, they are vitally important to what we stand for as a company.

This Policy Letter sets forth the Company's guiding principles for human rights, labor and environmental standards throughout its global operations. The principles are consistent with, and in many instances derived from, the following human rights framework and charters:

- International Bill of Human Rights (The United Nations (U.N.) Universal Declaration of Human Rights and its two Covenants) 1948
- The U.N. Human Rights Council Guiding Principles on Business and Human Rights (2011)
- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises Revision 2011
- The Global Sullivan Principles
- The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- The ILO Tripartite Declaration on Multinational Enterprises and Social Policy
- The U.N. Convention against Corruption (2005)

The diverse settings in which the Company operates require that a statement of our basic working conditions be general in nature. In certain situations, local legal requirements, labor agreements, and other contractual and noncontractual arrangements may modify portions of this Policy Letter. Nevertheless, the Company intends this to be an affirmation of basic guiding principles that should serve as the cornerstone of its relationship with its stakeholders in the many countries where it operates.

Human Rights

It is a goal of the Company to respect the human rights delineated in the International Bill of Human Rights, which includes avoiding causing or contributing to adverse human rights impacts through its activities and addressing such impacts if and when they occur. Company personnel must follow the Company's corporate policies as well as comply with relevant national laws and regulations related to human rights. Company personnel should also work to reduce exposure to human rights risk by identifying risks, monitoring, remediation and public reporting.

Working Conditions

Child Labor

The Company will not use child labor. In no event will the Company employ any person below the age of 15, unless this is part of a government-authorized job training or apprenticeship program that would be clearly beneficial to the persons participating.

Compensation

The Company will promote our employees' material well-being by providing compensation and

benefits that are competitive and comply with applicable law.

Forced Labor

The Company will not use forced labor in any form, including human trafficking, and will not tolerate physically abusive disciplinary practices.

Freedom of Association and Collective Bargaining

The Company recognizes and respects its employees' right to associate freely and bargain collectively. The Company will work constructively with recognized employee representatives to promote the interests of its employees. In locations where employees are not represented by unions, the Company will provide opportunities for employee concerns to be heard.

Harassment and Discrimination

As more fully provided in Policy Letter 6 (Equal Opportunity and Affirmative Action) and Directive B-110 (Anti-Harassment – Zero Tolerance), the Company will not tolerate harassment or discrimination on the basis of gender, race, color, religion, age, national origin, sexual orientation, gender identity, disability or veteran status.

Health and Safety

As more fully provided in Policy Letter 17 (Protecting Health and the Environment) and related Directives, the Company will provide and maintain for all personnel a safe and healthy work environment that meets or exceeds applicable legal standards for occupational safety and health.

Work Hours

The Company will comply with applicable laws regulating hours of work.

Community Engagement and Indigenous Populations

The Company considers indigenous people in the local communities to be among our primary stakeholders in projects and activities, and will work constructively with recognized representatives who have an interest in the Company's projects and activities, including implementation of sustainable water strategies.

Bribery and Corruption

As more fully provided in Policy Letter 3 (Standards of Corporate Conduct), the Company will under no circumstances tolerate the giving or receiving of money, gifts, or favors to influence improperly the behavior of another individual, organization, government employee, politician or government body in furtherance of a commercial or personal advantage. Bribery is never permitted, even in countries or regions where it may appear to be tolerated or condoned.

Environment and Sustainability

As more fully stated in Policy Letter 17 (Protecting Health and the Environment), the Company will conduct business in a manner that provides responsibly for the protection of health and the environment. The Company will as practicable continue to reduce and minimize the environmental impact of its operations in the short term, and work toward the implementation of environmentally sustainable strategies in the long term.

Responsibility and Implementation

The Company encourages businesses throughout our supply chain to adopt and enforce similar policies and to have its subcontractors do so. Further, the Company will seek to identify and do business with organizations that conduct their businesses to standards that are consistent with this Policy Letter, including working to extend these principles within their own supply chain.

The Company will, as appropriate, seek the assistance of independent third parties to assess compliance with this Policy.

This Policy is not intended to benefit any third parties or to create or confer any third-party rights.

All Company personnel must report known or suspected violations of this Policy through the established reporting channels. The Company prohibits retaliation against anyone who in good faith reports a violation.

The Vice President, Sustainability, Environment and Safety Engineering is responsible for interpreting this Policy with the concurrence, as appropriate, of the Executive Vice President, Manufacturing and Labor Affairs, the Group Vice President, Global Purchasing, and the Group Vice President and General Counsel.

All Ford Motor Company subsidiaries and affiliates should adopt a similar directive.



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Working Conditions in Ford Plants

Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility, or Policy Letter 24, applies to our own facilities as well as those of our joint venture partners and suppliers. Since 2004, we have conducted 53 formal assessments of Ford facilities, five of which were joint venture facilities. During 2011, we revised Policy Letter 24 and did not conduct any assessments. In 2012, we plan to conduct four to six assessments of Ford facilities using our new assessment process.

Sites are selected for assessment by Ford's Sustainability and Environmental Policy, Global Labor Affairs and Supply Chain Sustainability functions based on the sites' impact on our supply chain, emerging issues, and the views of thought leaders, nongovernmental organization representatives and human rights activists.

The process for assessing Ford facilities includes a questionnaire completed by facility management and a detailed review of documents related to the full range of working conditions issues (e.g., collective bargaining agreements, grievance procedure logs, employee hotline records and health and safety audit reports).

The findings of the questionnaire and document review serve as the basis for interviews with facility management. Where procedures and/or documentation are lacking, or where we feel it would otherwise be valuable, the assessments also include facility visits.

The findings of the assessments are initially shared with human rights organizations with which Ford works and then published on our website. We have sought the opinions of neutral third parties who have visited plants and/or reviewed the assessment process, and they have agreed that the process is robust and has integrity.

The findings of the past assessments confirmed that Ford's wholly and majority-owned facilities are operating in compliance with Policy Letter 24. Reflecting the expanded scope of Policy Letter 24, the assessments will also discuss and document community engagement efforts, effects on indigenous populations and environmental initiatives. However, work with our partners can be affected by local government legislation; in some cases, governments in developing economies may own some of a joint venture, and we need to be especially certain that Policy Letter 24 elements and work rules are enforced. We plan to continue to monitor facilities to detect and address any potential concerns.

We have received considerable and consistent positive feedback from external stakeholders about the policies and systems in place at Ford facilities. While we and our stakeholders have confidence in our systems, we nonetheless believe it is important to continue conducting the assessments given that conditions can change and new issues emerge.

For information on working conditions in our supply chain, see the [Supply Chain](#) section.

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Commitment to Human Rights and the U.N. Global Compact

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 is the right thing to do and it strengthens our business in the long run. The foundation of our work on human rights is our [Code of Basic Working Conditions, Human Rights and Corporate Responsibility \(Policy Letter 24\)](#), which applies to our own operations and those of our suppliers. Because of Policy Letter 24, our collective bargaining agreements and our programs for ensuring compliance with our own policies and legal requirements, we do not believe our operations are at significant risk for incidents of child labor, forced labor or restrictions on freedom of association. We have conducted [assessments of our facilities](#) that support this conclusion. We also work actively in our supply chain to support [human rights and sound working conditions](#).

In early 2008, Ford joined the United Nations Global Compact (UNGC), a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. This action reinforces our commitment to outstanding performance and transparency in these areas. We also actively participate by invitation in both the Human Rights and Supply Chain Sustainability Advisory Groups convened by the Global Compact. In addition, we intend to sign the UNGC's CEO Water Mandate and the CEO Statement of Support for the Women's Empowerment Principles.

This sustainability report serves as our annual Communication on Progress to the UNGC. Please see the [UNGC index](#) for a guide to where the principles are addressed in this report.

The 10 Principles of the U.N. Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly

technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



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Ethical Business Practices

Our Corporate Compliance Office has a comprehensive program in place to guide compliance with Ford Policy Letters and Directives as well as key legal requirements. The Corporate Compliance Office is part of Ford's Office of the General Counsel. Our compliance program is overseen by a senior management compliance committee and the Audit Committee of the Board of Directors. The compliance program includes a variety of activities. The program raises awareness of the Company's commitment to ethical practices, defines corporate practices through Policy Letters and Directives, ensures an infrastructure that allows for the reporting of Policy violations or business-related legal violations through a number of avenues worldwide, oversees the investigation of such reports, conducts risk assessments, and provides training and education on key legal and ethical risk areas.

Our Policy Letters and Directives formally establish expectations for our employees and others working on behalf of the Company, and our Code of Conduct Handbook is the fundamental tool for communicating these expectations.

The Code of Conduct Handbook, our chief ethical guidance document, is a compilation of the most important and relevant Policy Letters, Directives and standards for Ford employees. It is available in 14 languages. The online version, available to Company personnel, includes active links to the original source documents, thus providing a single source for the relevant information. The Code of Conduct Handbook underwent a major revision in 2007 to make it easier to understand and use as a reference manual.

The Handbook outlines requirements for our employees and those working on behalf of the Company and provides background resources for a wide range of business-related situations, including:

- The workplace environment
- Gifts, favors and conflicts of interest
- Use of Company assets and data safeguarding
- Integrity of financial records
- Product quality, safety and environmental matters
- Intellectual property
- Working with governments (political activities)
- Competition and antitrust laws
- International business practices

All salaried employees and most contract personnel around the world are required to certify that they have reviewed the Handbook.

To reinforce information contained in the Code of Conduct Handbook, we introduce new mandatory online training courses on a regular basis for our global employees and other targeted personnel. The courses focus on ethics, conflicts of interest, gifts and favors – topics on which we have long provided employee training – as well as touching on additional issues that have global applicability. Since the current Code of Conduct online training course was introduced in May 2009, more than 83,000 individuals, approximately 90 percent of those invited, have completed the course. In addition, global employees must certify yearly that they have read the Code of Conduct Handbook, and they also must either report potential conflicts of interest or attest they do not have any conflicts of interest to report.

In furtherance of our commitment to business ethics and compliance, every year we roll out new

mandatory online compliance training on important risk areas. Not only do these courses increase awareness, they also help our employees worldwide understand and access resources that enable responsible behavior and enhance regulatory compliance. Recent courses covered the topics of social media and export compliance.

Another component of our compliance program is an infrastructure that encourages and allows for the reporting of any potential violations of our Policy Letters and Directives, and any violations of laws related to the business. Our nonmanufacturing workforce and contract personnel are regularly reminded of their responsibility to report any known or suspected violation of the law or a Company Policy Letter. There are many ways for individuals to report such violations, including direct communications to a member of one of the control groups – such as the General Auditors' Office or the Office of the General Counsel – as well as telephone tip lines and email. All of our plants have posters describing how our manufacturing workforce can centrally report.

We assess compliance with our ethical standards through regular legal audits that cover a range of topics relating to legal requirements and internal policies. These are in addition to audits regularly conducted by other parts of the Company on issues such as workplace health and safety.



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Reporting and Transparency

External reporting is a fundamental element of accountability. Sustainability reporting not only demonstrates transparency but, in our view, is the basis of organizational learning, demonstrates our values, and both reflects and drives outstanding economic, environmental and social performance. The following are central elements of our reporting strategy.

Materiality

Over the last several years, Ford has sought to increase the materiality and responsiveness to stakeholders of our sustainability reporting. A key part of our reporting strategy has been the development of a materiality analysis process, which has been a critical tool in helping shape the content of this report. The [analysis](#) is updated every other year, most recently in early 2011. We use the analysis to focus our reporting on those issues determined to be most material to the Company over a three- to five-year time horizon. This report is organized around the issues identified as most material, while also covering a broad range of sustainability issues of importance to Ford and our stakeholders through supporting information, detailed performance data, case studies, infographics and stakeholder interviews.

Assurance

Please see the [Assurance](#) section for discussion of our approach to third-party review of this report and data assurance.

External Guidelines

This report is aligned with the Global Reporting Initiative (GRI) G3 Guidelines at the [self-declared A application level](#). Ford has supported and participated in the development of the GRI Guidelines since their inception.

This report also serves to disclose how we are implementing the United Nations Global Compact (UNGC). An index cross-referencing the Compact and relevant sections of this report can be found on the [UNGC Index](#) page.

Targeted Reporting

Linked with our efforts to increase the materiality of our reporting, Ford has also taken steps to produce more targeted audience-, location- and subject-specific sustainability communications. For example, we produce an eight-page [summary report](#) (pdf, 4.98Mb), which is provided to employees as a pull-out in the regularly published internal magazine, *Ford World*.

In this year's full Sustainability Report, we are increasing our coverage of regional issues with [regional reports](#) for Asia Pacific and Africa, Europe and South America. Also, several Ford facilities, brands and country operations produce their own reports detailing the sustainability issues they face within their particular regions or operations. Several of our country operations, such as Ford China, and local facilities produce public reports. We have also provided input to the Ceres Facility Reporting Project.


Benchmarking and External Feedback

Ford seeks formal and informal feedback on our Sustainability Report from a number of organizations with expertise in reporting, in addition to the Ceres Stakeholder Review Committee. Other feedback we received can be found in [Downloads](#).

Ford's 2009/10 Sustainability Report was a finalist in the 2010 Ceres/Association of Chartered Certified Accountants (ACCA) North American Awards for Sustainability Reporting. The report was recognized for its identification of the material sustainability issues affecting the Company and its

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disclosure of the greenhouse gas emissions of our fleet, among other features. (See www.ceres.org.) Our 2008/9 report took second place in this award in 2009, and our 2007/8 report was the co-winner in 2008. Our 2004/5 report placed in the top five.

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Sustainability Governance and Integration

Like our ONE Ford plan, our overall and sustainability governance remains unchanged despite changes in our senior management team in 2011.

Sue Cischke, Group Vice President, Sustainability, Environment and Safety Engineering, retired in February 2012, after 35 years of service in the automotive industry. Cischke is succeeded by Robert Brown, formerly Vice President, Sustainability, Environment and Safety Engineering, Ford of Europe. Brown assumed his new role on January 1, 2012. In this position, Brown assumes direct responsibility for the Company's environment and safety strategy, policy and performance. He reports to our President and CEO, Alan Mulally.

Working together with our new senior management team, the entire leadership team and our Board of Directors, we will continue our progress in delivering great products, building a strong business and contributing to a better world by implementing our ONE Ford plan, which is unchanged.

Our goal is to fully integrate sustainability issues into our core business structures and processes, rather than manage them separately. As we build capacity in this area and move toward that goal, however, we recognize that it is also important to establish some sustainability-specific structures and processes.

Structures for Managing Sustainability

The following are the primary structures we use to manage and embed accountability for sustainability within Ford.

- Board and Executive-Level Responsibility:** Ford's governance of sustainability issues builds on a strong foundation of Board of Director and senior management accountability for the Company's environmental, social and economic performance. At the Board level, the Sustainability Committee has primary responsibility for reviewing strategic sustainability issues, though some of those issues are also addressed in other committees and by the Board as a whole. Within management, the Vice President of Sustainability, Environment and Safety Engineering has primary responsibility for sustainability issues and oversees the Sustainable Business Strategies, Environmental Policy, Environmental Quality, Vehicle Environmental, and Safety groups, as well as having dotted-line oversight over the Sustainable Mobility Technology group (which is formally part of the Product Development function).
- Dedicated Sustainability Function:** Ford's Sustainability & Vehicle Environmental Matters office coordinates corporate-wide sustainability strategy and activities, including leading the Company's corporate-level sustainability reporting and stakeholder engagement and integrating sustainability throughout the Company.
- Integration into Core Functions:** Numerous functions within the Company have responsibility for some or multiple aspects of sustainability. For example, the Workplace Health and Safety Office, the Environmental Quality Office and the Human Resources Department each manage specific issues that fall under the umbrella of sustainability. As Ford works to embed sustainability more deeply across all functions, groups such as Product Development, Purchasing, Manufacturing and Land are taking on an increasing role in the Company's sustainability efforts. For example, Product Development is taking the lead on the Company's sustainable mobility efforts; Global Purchasing is managing sustainability issues in the supply chain, including assessment and training programs associated with our Code of Human Rights, Basic Working Conditions and Corporate Responsibility; and Ford Land and Manufacturing personnel are implementing energy efficiency and water reduction efforts in our buildings and plant facilities. In addition, our Marketing function is involved via the "Go Green" Dealership Sustainability Program; our Information Technology group is implementing a PC power management program to help us decrease energy consumption; and our Communications department has helped us transition to the use of office paper with post-consumer recycled content.

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- **Issue-Specific Structures:** Ford has also developed structures to address specific global sustainability issues facing the Company. For example, we have established a Sustainable Mobility Governance Forum – a senior-level team led by the Vice President of Sustainability, Environment and Safety Engineering – responsible for defining our climate change strategy and delivering our sustainability strategy in the marketplace. The Group’s strategic direction is provided by a senior executive forum, including Vice President and executive stakeholders, which guides the development of the vision, policy and business goals.

Key Processes for Integrating Sustainability

We believe that integrating sustainability considerations into our existing systems and processes – rather than creating new systems and processes – is the most effective way to embed sustainability into our business. The following are some examples of how we are doing this.

- **Business Plan Development and Compensation:** In 2011, we continued to align elements of performance and compensation to support our ONE Ford plan. As part of the annual business planning process, Ford’s business units develop scorecards to track their performance. Metrics from these scorecards are part of the performance assessment of managers at various levels of the Company and affect their compensation. Executive compensation is affected by the Company’s performance in a range of areas, including sustainability. Compensation is awarded based on two basic processes. First is the achievement of individual goals and performance evaluation. Significant elements of an individual’s evaluation are based on achievement of performance targets – some with significant sustainability implications, depending on the individual’s role. Second, depending on individual performance, employees may be awarded bonus and other compensation based on company-wide performance against annually established targets. Sustainability targets are integral to company-wide achievements and translate primarily into product and financial performance metrics.
- **Business Plan Review:** Sustainability issues are a formal part of Ford’s weekly Business Plan Review (BPR) meetings, one of the key management processes used within the Company. At these regular, frequent meetings, convened by Ford’s CEO, members of the Company’s top leadership team review sales, financial, manufacturing and other information to manage global operations and identify issues that are critical to the future of the Company. Each unit also provides an update on performance relative to their individual scorecards. To manage corporate-wide sustainability metrics, Ford has developed a sustainability scorecard, which is reviewed alongside other units’ scorecards at the BPR meetings. Also, functions including Manufacturing, Product Development and Purchasing have integral sustainability-specific indicators in their overall performance scorecards.
- **Special Attention Review and Automotive Strategy Meetings** [Reviewer: Carrie Majeske]: Ford’s CEO also convenes regular Special Attention Review and Automotive Strategy meetings to look in depth at issues identified as potential concerns on any unit’s scorecard. Sustainability issues have been covered at these meetings, including, in 2011, an energy and environment update, the paint and emission control system, urbanization, vehicle electrification and hydrogen.
- **Corporate Policy Letters and Directives:** Ford maintains a comprehensive set of Policy Letters, Directives and other corporate standards that govern all Company activities. Several of these relate to aspects of sustainability. For example, in 2003 Ford adopted a Code of Basic Working Conditions, the implementation of which is supported by a robust assessment and training process. The Code of Basic Working Conditions was updated in 2006, and in 2007 it was approved and formally adopted as a corporate Policy Letter 24. In early 2012 Policy Letter 24 was revised again, and the title was changed to the [Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#).
- **Management Systems:** Ford uses a variety of systems and processes to manage the different aspects of our business, several of which govern or incorporate sustainability issues. For example, all Ford manufacturing facilities and our Product Development function are certified to ISO 14001, the leading global system standard for managing environmental issues. We also require our preferred “Q1” suppliers of production parts to certify their facilities to ISO 14001. In another example, Ford’s Purchasing function has integrated assessments of working conditions into its broader process for evaluating suppliers on issues such as quality, cost and delivery (see our [Supply Chain](#) section for more).



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Sustainability Management

This section describes our systems for managing sustainability within two of our major business functions – Product Development and Manufacturing. (Our systems for supply chain management, which have been addressed in this section in previous reports, are discussed in the [Supply Chain](#) section). Stakeholder engagement is also vital to our ability to serve our customers and the local and global communities in which we operate. Our stakeholder engagement activities are also described in this section of the report.

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Product Development

The development of our new products starts with an understanding of the consumer: who they are, how they live and what they want in a vehicle. Next comes the identification of advanced technologies and breakthrough ideas by our Research Labs and our Advanced Product Strategy, Advanced Marketing and Advanced Design groups. These and other groups work within an annual planning process to assess the latest developments in technologies and consumer trends to identify the best new technologies and anticipate the needs and desires of the marketplace. Our product cycle plan defines timing for new or updated vehicles and the associated technology applications. Product development engineers, designers and product marketing teams work together to finalize a vehicle concept. Once the business case is approved, our vehicle programs are brought to market using our Global Product Development System, or GPDS.

The GPDS, launched in 2005, merges the best product-creation methods from all of Ford Motor Company's global operations and is refreshed continually with the latest lessons learned as we develop new products. The GPDS provides a common set of milestones and metrics for the development of all vehicle programs across our regional business groups, which increases efficiency and quality.

As a part of this system, and as part of our ONE Ford global integration process, we require all vehicles to meet specific competitive and performance targets at every milestone along the product's development path. These targets consider a wide range of environmental performance criteria, such as fuel economy, recycled materials and substances of concern. For example, our product carbon dioxide emission-reduction goal, coupled with a commitment to class-leading fuel economy, has been translated into fuel economy targets for each new vehicle. Our targets aim to make our vehicles either leaders or among the leaders compared to competitor vehicles in the same segments. We develop these competitive vehicle attribute targets for every vehicle program, to deliver on key customer demands and Ford strategies, by using a range of consumer data, internal brand data and competitor vehicle data. Based on this process, in 2009 we committed that every all-new or redesigned vehicle we introduce will be the best in class or among the best in class for fuel economy in its segment. Since that time, we have followed through on this commitment with vehicles introduced in both the U.S. and Europe, and we will continue to do so in future product launches. For examples of 2011 and 2012 vehicles that meet this commitment, please see [Vehicle](#).)

In addition, we have identified global leaders and attribute teams within Ford who coordinate the development of the global product attribute targets in key areas such as sustainable materials, recycling, materials of concern, vehicle interior air quality and vehicle lifecycle issues. These leaders coordinate the global implementation of our corporate sustainability strategies and support our ONE Ford strategy to harmonize product development across regions.

We use our Design for Environment (DfE) tool to bridge the gap between product development and environmental management. DfE uses simplified lifecycle assessments and cost calculations, substance restrictions, checklists and other tools to identify and reduce significant impacts. We are continuing to broaden the range of issues we consider in our product development process as we move from Design for Environment to Design for Sustainability (DfS). Ford of Europe's [Product Sustainability Index](#) is incorporating DfS principles, to improve each vehicle's environmental, social and economic performance.



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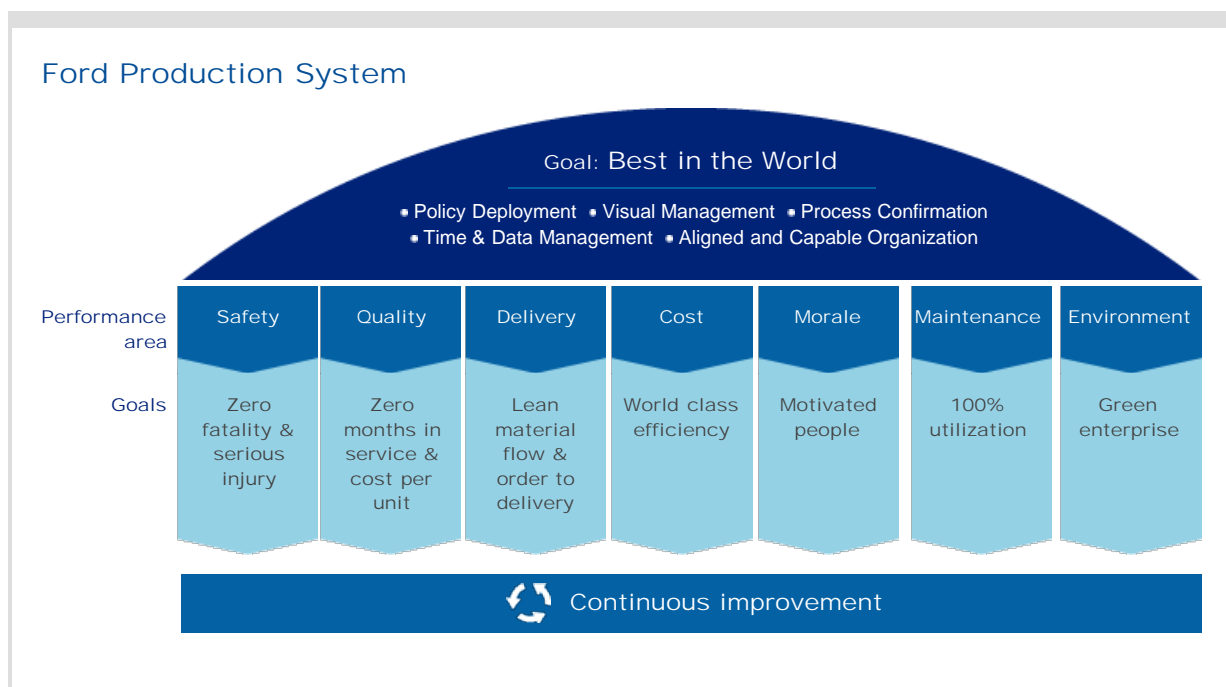
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Manufacturing

The Ford Production System (FPS) is a continuously improving, lean, flexible and disciplined common global production system that encompasses a set of principles and processes to drive a lean manufacturing environment. Key elements of the system include effective work groups, zero waste/zero defects, aligning global capacity with global market demand, optimizing production throughput and using total cost to drive performance.

Each principle has a set of guidelines, or “measurables,” that help us to meet or exceed objectives. The measurables are deployed and tracked for every manufacturing location using the SQDCPME Scorecard, which keeps focus on the vital components of a sustainable business: Safety, Quality, Delivery, Cost, People, Maintenance and Environment. An example of the Scorecard is illustrated below.



Many processes have been put into place to support the FPS and the Scorecard, including SQDCPME metrics, internal process confirmations and FPS Best Practices. The Scorecard is reviewed regularly by management, and progress against SQDCPME targets is a factor in the performance reviews of all managers in the manufacturing chain of command, from site-level managers to Ford's CEO. Each Manufacturing employee has an annual performance review that is based on objectives that are derived from the Scorecard. Manufacturing's Scorecard objectives are cascaded through each organization down to the plant-floor-level employee at the beginning of each year, to create alignment on objectives and measures of performance throughout the Manufacturing organization.

Manufacturing is integrated with Product Development in the Global Product Development System (GPDS). Beginning early in a program, the GPDS includes deliverables for Manufacturing that drive a consistent and reliable process through the implementation of such requirements as efficient die construction practices, standard and current bill of process, manufacturing design specifications, modularity and complexity. The standard bill of process allows us to confirm that our operations include all of our global best practices, as well as effective failure mode avoidance and

successful process quality control. Manufacturing Engineering utilizes computer-aided, or “virtual,” design for manufacturing, which is aligned with the GPDS milestones, to improve the efficiency and quality of vehicle assembly.

Manufacturing works within the Global Quality Operating System (QOS) to develop, measure and continuously improve robust processes. This work starts early in the product development cycle to ensure that our manufacturing facilities are able to achieve the metrics outlined on the Scorecard. By following the disciplined processes and deliverables of the GPDS, the FPS and the QOS, we are able to continue defect prevention and reduce “things gone wrong” and warranty spending using global design rules and the manufacturing standard bill of process.

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Environmental Management

Ford has an environmental Policy and environmental Directives that apply to our operations globally (see our [Code of Conduct Handbook](#) (pdf, 0.99Mb)). All Ford manufacturing facilities and product development functions are certified to ISO 14001, the leading global standard for managing environmental issues. In addition, we require our preferred "Q1" suppliers of production parts to certify their facilities. These commitments place our most significant potential environmental impacts under one comprehensive environmental management system.

Ford's manufacturing management sets environmental targets annually for all of our facilities. We develop these targets through a comprehensive process that considers past performance, future regulation trends, environmental technology advances, financial conditions and other relevant factors. Global targets are translated into regional- and facility-level targets, which differ depending on the relevant regulations and financial and production constraints in each region. Progress against these targets is reviewed regularly by all levels of management.

Ford's Vehicle Operations (VO) and Powertrain Operations (PTO) functions are implementing systems to track and enhance the sustainability of new vehicle and powertrain programs. We are also implementing corporate design specifications for the development of new plants, to make them more sustainable. These specifications require that new manufacturing facilities be designed and constructed using the best practices Ford has developed at plants all over the world. These standards will act to replicate best practices across our global operations and create efficient and sustainable plants.

In 2010, Ford completed the full global implementation of an Environmental Operating System (EOS). As a counterpart to our Quality Operating System, the EOS provides a standardized, streamlined approach to maintaining compliance with all legal, third-party and Ford internal requirements, including government regulations, ISO 14001 and Ford's own environmental policies and business plan objectives and targets. The EOS drives compliance responsibility to the operations level by assigning compliance-related tasks to the appropriate personnel and tracking the completion of those tasks. The system also standardizes tracking and reporting systems, which simplifies compliance, reporting and analysis at all levels of the Company. This system allows us to manage an ever-increasing range of external regulations and internal performance objectives more effectively and with fewer resources. For example, the average plant has to comply with approximately 90 corporate requirements, 100 to 400 national regulations and 200 plant-specific requirements. The EOS consolidates all of these requirements into easy-to-follow tracking and reporting systems organized by recurring tasks, nonrecurring tasks and critical tasks. The EOS is fully aligned with the Ford Production System.

Ford has moved to a single group ISO 14001 certification for its plants in North America. All plants and Ford Customer Service Division facilities in North America share this group certification. Likewise, South American plants share a single group certification. Group certification saves time and money, with no degradation in plant environmental performance. European plants are moving to a group certification in 2012.

Ford continues to use the Global Emissions Manager (GEM) database, which provides a globally consistent approach for measuring and monitoring environmental data. This system helps us track our efforts to reduce water consumption, energy use, carbon dioxide emissions and the amount of waste sent to landfill. The data that GEM provides and the level of analysis it allows also helps us set more effective environmental management targets and develop more specific strategies for improving environmental performance. We are continuing to add metrics and tracking systems to GEM to further enhance our environmental management objectives.

For more information on our new plant development standards please see [Green Buildings](#). For more information on our plans to develop new plants in Asia, please see [Case Study: Sustainable Growth in Asia](#).



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Climate Change Governance

Because the climate change issue is so important to us at Ford, it is managed through governance systems at all levels of the Company, and we discuss it here in its own section. The Sustainability Committee of our Board of Directors regularly reviews Ford's actions related to climate change.

Substantive changes to our plans for addressing climate change – whether relating to our products, facilities or policies – are highlighted and agreed to at the highest levels of Ford's executive management through the Business Plan Review process. Related emerging issues are reviewed as needed in Special Attention Review meetings.

In addition, strategic product direction related to climate change goals is provided by a senior executive committee, made up of vice president and executive stakeholders, who guide the development of the vision, policy and business goals. (See [Governance and Management Structures](#).)

Related executive planning teams are responsible for developing detailed and specific policy, product and technical analyses to meet objectives. These teams base their plans on scientific data and promote actions that will help achieve the Company's environmental ambitions, recognizing the need to use a holistic approach to effectively protect the environment. Metrics have been established and are reviewed regularly to ensure satisfactory progress. We have also developed [strategic principles](#) to guide our approach.

Climate Change Strategic Principles

Our approach to greenhouse gas (GHG) stabilization is aligned around the following key strategic principles:

1. Technical, economic and policy approaches to climate change need to recognize that all carbon dioxide (CO₂) molecules (or GHG equivalents) produced by human activities make the same contribution to the atmosphere's concentration of greenhouse gases. Once those molecules reach the atmosphere, they contribute to the greenhouse effect, regardless of the source. However, the cost of reducing those emissions varies significantly depending on their source, and we should attempt to achieve the most economically efficient solutions possible.
2. The transportation sector represents a closely interdependent system, characterized by the equation: "GHG Emissions = (Vehicle + Fuel + Driver)." Each link in this chain depends on the others. For example, vehicle manufacturers can bring to market flexible-fuel vehicles, but successfully reducing GHG emissions with them will depend on fuel companies providing renewable biofuels, as well as consumer demand for the vehicles and fuels, and even driver style/behavior.
3. Future developments in technologies, ever-changing markets, consumer demand and political uncertainties require flexible solutions. The business strategies that Ford implements, and the public policies that we encourage, must have the flexibility to succeed in a range of potential scenarios.
4. Early affordable steps to reduce GHG emissions from our products and processes may delay the need for drastic and costly reductions later. Lack of agreement on long-term solutions cannot be used as an excuse to avoid near-term actions.



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Public Policy

Every day, government officials around the world make decisions that impact Ford. As a global automotive company, it is important that we have a voice in policies that affect our business in the countries in which we operate, and that Ford be recognized as a credible, leading source of information as those policies are formulated. Across a range of issues – including manufacturing, climate change, energy security, health care reform, human rights, trade, education and vehicle safety, among others – we strive to shape policies that are economically, environmentally and socially sustainable for Ford and for the world. Informed policy makes for better policy, whether at the international, national, regional, state or local level.

In this section, we have expanded our reporting in response to stakeholder feedback. We are including more detail on Ford's approach to public policy participation and our positions on key U.S. policy issues. This year we have also added some new coverage of policy issues in our [regional reports](#) and we continue reporting on regional policy issues in the [climate change section](#). In the future we will expand our reporting on policy issues of importance in other regions of the world. (The Ford policies discussed in this section are outlined in our [Code of Conduct Handbook](#) (pdf, 0.99Mb), which applies to Ford globally.)

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Participation in the Policy-Making Process

Ford seeks to be an active participant in the political process in a manner that is transparent and related to our business interests. On issues of highest priority for us, we stay in regular contact with legislators and regulatory officials in our major markets, to share with them our interests and perspectives and offer expert input into the policy-making process. Our Government Affairs office oversees these lobbying activities.

Membership in Coalitions and Associations

Ford belongs to a broad range of partnerships and coalitions, as well as industry and trade associations (such as the Alliance of Automobile Manufacturers), that lobby in the legislative and regulatory realms on behalf of their members. Working with others in these types of organizations enables Ford to better leverage our resources on issues of importance to us and to develop and promote policies that have potentially far-reaching benefits for industry and society.

Of course, we do not always agree with every position taken by these organizations. In cases where we don't agree, we have to determine if, on balance, we agree with enough of the organization's positions that we should continue to engage with them. And, we always reserve the right to speak with our own voice and make our own positions clear, even when they may not align with the positions of associations to which we belong.

Ford Policy on Political Contributions

Ford Motor Company does not make contributions to political candidates or political organizations nor otherwise employ Company resources for the purpose of helping elect candidates to public office, even when permitted by law. Nor do we take positions for partisan political purposes – that is, specifically for the purpose of advancing the interest of a political party or candidate for public office. These policies remain unchanged, notwithstanding the U.S. Supreme Court's January 2010 decision that loosened restrictions on corporate independent expenditures.

With proper executive approval, Ford may contribute to support or oppose a U.S. state or local ballot proposal, if such contributions are permitted by law and if the issue is of significant interest or importance to the Company. Information with respect to contributions made in connection with ballot questions and referenda is publicly available through the appropriate local or state reporting authorities.

We do encourage employees to participate in political and governmental affairs and recognize that Company efforts and programs to encourage employee participation must respect fully the right of employees to use personal time as they choose and decide the extent and direction of their political activities. The Ford Motor Company Civic Action Fund (the "Ford PAC"), which is supported by voluntary donations from Ford employees, gives campaign contributions to national, state and local political candidates from both major political parties in the United States. The Company pays the solicitation and administrative expenses of the Fund, which are minimal, as permitted by law. All contributions made to the Ford PAC and all distributions from the Ford PAC are in compliance with Federal Election Commission (FEC) and applicable state regulations. A list of the Ford PAC's contributions made during 2011 can be found at the [FEC website](#).

Decisions about political contributions by the Ford PAC are made by Ford's Governmental Affairs office, in accordance with business objectives that support our competitiveness in the global automotive industry. Ford PAC contributions are used to support issues directly related to manufacturing and Ford business objectives. All Ford PAC candidate contributions in excess of \$3,000 must be approved by the Ford PAC Political Contributions Committee, an eight-member, cross-functional group of Ford employees representing a range of organizational levels.

Ford complies fully with all laws and rules governing our employees' interactions with officials at all levels of government (federal, state and local). Furthermore, all of our contact and dealings with

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government officials must not only comply with all applicable laws, but also with our global corporate Policies and Code of Conduct. Note that under federal law, foreign nationals are prohibited from making contributions in connection with any U.S. election and are thus not eligible to join the Ford PAC.

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Public Policy Positions

This section summarizes Ford's positions on key public policy issues currently under discussion in the U.S. The one important topic not addressed here is [climate change policy](#); see the Climate Change and the Environment section for a discussion of that issue. That section also addresses policy issues relating to mid-level ethanol blends and upstream emissions associated with vehicle electrification.

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Sustainable Raw Materials

Public awareness has grown around sustainability concerns associated with certain raw materials. So-called "conflict minerals" are one serious concern; these include tantalum, tin, tungsten and gold mined in or transported through the Democratic Republic of the Congo (DRC) and nine bordering countries. Profits from mining activities in these areas are being used to fund armed conflict in the region. Another area of concern is "rare earth elements" (REEs) – a suite of mined materials widely used in consumer and automotive electronics. China currently produces 95 percent of the world's supply of REEs, and concerns have been raised about the future availability of these materials as well as sustainability aspects related to their mining.

In the U.S., the financial regulatory reform bill passed by Congress in 2010 included a provision relating to conflict minerals. This provision requires many manufacturers to report to the U.S. Securities and Exchange Commission annually on whether their products contain metals derived from certain conflict minerals and if those metals are necessary for the functionality and production of their products.

Ford has begun work on the issue of [conflict minerals in the supply chain](#). We have an established mechanism for engaging with our suppliers on the topics of policy and management systems through our strategic supplier framework – the Aligned Business Framework. We have also fully integrated explicit human rights terms in all of our contracts with suppliers. In 2011, Ford joined the Public-Private Alliance for Responsible Mineral Trade (PPA). The PPA is a joint initiative among governments, companies and civil society to support supply chain solutions to conflict minerals challenges in the DRC and the Great Lakes Region (GLR) of Central Africa. The PPA seeks to support the development, piloting and implementation of systems in the DRC and GLR to provide a validated mineral supply chain that is acceptable to downstream actors and end users, compliant with the Organisation for Economic Co-operation and Development's due diligence guidance, and credible to civil society and the broader stakeholder community.

Regarding rare earth elements, legislation is pending in Congress that would encourage domestic production of REEs. Ford has provided information and support to the relevant U.S. House of Representatives committee on this issue via the American Automotive Policy Council, to educate

committee staff on the industry's interests and positions on REEs.

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Non-CO₂ Tailpipe Emissions

In the U.S., the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) regulate smog-forming tailpipe emissions, including hydrocarbons, nitrogen oxides, carbon monoxide and particulate matter. Both the EPA and California are in the process of developing the next generation of emissions standards ("Tier 3" and "Low Emission Vehicle III," respectively). CARB is also in the process of revising its future Zero Emission Vehicle regulations, with the intent of integrating them into its programs for smog-forming and greenhouse gas emissions.

We are working with the agencies through their regulatory processes to help develop rules that are both effective and feasible. In setting tailpipe emission regulations, consideration of other vehicle rules such as fuel economy and greenhouse gas standards and safety standards must be taken into account to ensure that the total package of requirements is workable.

Ford continues to oppose technology mandates that seek to impose quotas or limits on the production or sale of vehicles with specified powertrain technologies. Regulatory efforts to dictate market outcomes, or to pick technology "winners" and "losers," have never produced a successful outcome. Manufacturers need the flexibility to build the kinds of vehicles that the marketplace demands based on consumer preferences and other external factors. Emissions standards should be performance-based and should be designed to enable manufacturers to introduce vehicles with an array of different technologies.

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Undesirable Chemicals

The European Union's REACH program (Registration, Evaluation, Authorization, and restriction of Chemicals) regulates and seeks to phase out chemicals of concern. More and more countries are adopting similar regulations. Turkey and Romania adopted their own versions of REACH in 2009; China adopted its own version in October 2010. South Korea and Japan will soon adopt REACH-like regulations to manage their chemicals. In the U.S., the U.S. Senate and House both proposed bills in 2010 to overhaul the Toxic Substances Control Act. The state of California is also planning to promulgate regulations implementing a "green chemistry" law. In January 2009, the United Nations implemented regulations requiring a globally harmonized system of classification and labeling of chemicals.

We believe that regulatory requirements for the phase-out of undesirable chemicals need to be prioritized and implemented in a workable manner. Government and industry resource constraints mean that not all chemicals of concern can be addressed at once. Moreover, manufacturers and suppliers need adequate lead-time to identify replacement substances that are more environmentally friendly than the ones they replace, and also to design and engineer components that incorporate these new substances. Ford will continue to work with regulatory agencies to help develop rules that target the highest-priority chemicals first, and that drive steady progress toward the elimination of chemicals of concern in an effective and efficient manner.

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Manufacturing Policy

Manufacturing is essential to local, regional and national economies. Manufacturing provides jobs and tax revenue, creates new products and technologies and promotes overall prosperity. When factories are closed, jobs are lost and the tax revenues that support hospitals, social services, local schools and public universities are reduced.

About 70 percent of all the research and development investment in the U.S. comes from the manufacturing sector. We believe that a strong manufacturing base – with its attendant focus on engineering, science and technology innovations – is important not only for national prosperity but for energy independence, energy security, national defense and sustainability.

A strong manufacturing policy is needed in the U.S. The government should implement policies that:

- Create a framework that allows companies to compete fairly and freely
- Encourage research and development and investment in the future
- Allow access to competitive capital and create a stable, predictable and globally competitive regulatory environment and tax regime
- Leverage the power of free enterprise and American ingenuity to create growth and prosperity

The U.S. Department of Energy's (DOE) Advanced Technology Vehicle Manufacturing Incentive Program is a great example of how successful government–industry partnerships can work to achieve public policy goals. The program provides access to competitive capital while leveraging American ingenuity to invest in the production of more fuel-efficient vehicles. This program was authorized in 2007 and funded in 2008, and Ford is one of the recipients of these competitively awarded green loans.

Strong free-trade policies – enabling market access and prohibiting currency manipulation – also must be part of this equation. At Ford, we believe an export-driven strategy is critical to achieving our shared goals of economic growth, job creation and a sustainable future. That is why Ford President and CEO Alan Mulally is proud to serve as a member of the President's Export Council. Also important are education policies that help to foster a skilled U.S. workforce. These types of policies are discussed later in this section.

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Health Care Reform

In the U.S., national health care reform was the topic of intensive Congressional and public debate, culminating in the passage of national health care legislation in March 2010. We are encouraged that the new law includes provisions that are aligned with the three key areas (listed below) that we believe must be addressed in order to maximize the value of health care service (a combination of quality, appropriateness and costs).

- Wellness and Prevention – As a country, we must focus on wellness and prevention, and make sure that employers can offer creative incentives that work to engage people in healthy behaviors.
- Health Information Technology – We need a national technology infrastructure that allows the consolidation of a patient's medical records, so that the most appropriate care is given wherever treatment is provided. To accomplish this, we need electronic medical records at every doctor's office and hospital, and they all need to be connected. We also need tools to improve the accuracy and safety of prescription drug dispensing, such as electronic prescribing.
- Understanding What Works – By studying the cost and quality of health care and its effect on health status, we can deliver more effective care. New innovations in technology and drugs are key drivers of cost increases. Therefore, before new innovations are widely implemented, they must be compared to the standard practice to really know whether and how much additional value they bring.

For more on this topic, see the [Financial Health](#) section.

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Vehicle Safety

At Ford, safety is one of the key principles that inform and guide our every design and engineering effort. We are committed to continuous improvement in vehicle safety; we are also actively involved in driver education and efforts to promote safer roadways. Ford will continue working with governments and the public to help further reduce auto accident and fatality rates, which reached historic lows in 2009. Early estimates from the National Highway Traffic Safety Administration indicate that U.S. traffic fatalities continued to decline through 2010.

Part of Ford's commitment to safety is our open and transparent approach to quickly addressing customer questions and vehicle safety issues. Ford supports the Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act, which opened even more transparency and information sharing between the government and the auto industry.

Ford believes driver distraction is a serious issue, which is why we were the first automaker to support legislation for a national ban on handheld devices while driving. Reflecting this public position, Ford clarified its employee policy to explicitly ban all handheld usage of electronics while driving. This is aligned with research showing that manually operating electronic devices that can divert drivers' eyes from the road (not merely talking on cell phones) substantially increases crash

risk. We also pioneered voice-controlled technologies, such as SYNC®, which this same research shows can help reduce this risk.

Ford is a leader in the cooperative effort with governments and automakers globally to develop connected vehicles that in the future could “talk” to each other through advanced Wi-Fi technologies, to help reduce crashes and traffic congestion. Ford is aggressively accelerating its commitment to connected vehicles – known as vehicle-to-vehicle communications – becoming the first automaker to build prototype vehicles for demonstrations across the United States, doubling its connected vehicle investment in 2011 and dedicating even more scientists to developing this technology. We also support efforts to harmonize technology standards around the world to help deliver the technology as quickly and affordably as possible.

Ford strongly supports maximum graduated driver licensing (GDL) in North America as a means of achieving reductions in crashes, injuries and fatalities by new teenage drivers. GDL is a system designed to delay full licensing while allowing beginners to obtain initial experience under lower-risk conditions. There are three basic stages to GDL: a minimum supervised learner’s period; an intermediate license (once the driving test is passed) that limits unsupervised driving in high-risk situations; and a full-privilege driver license upon completion of the first two stages. The Company encourages all states to adopt maximum GDL programs and urges all driver license programs to incorporate maximum GDL requirements, including information on safety belt use and impaired driving. Ford complements GDLs with its Ford Driving Skills for Life teen safe driving program and MyKey® technology, which helps parents encourage their teens to drive more safely. MyKey features programmable speed and audio volume limits and a “no belts, no tunes” feature to encourage the use of seat belts, which are still the number-one lifesaving device.

See the [Vehicle Safety and Driver Assist Technologies](#) section for more on our vehicle safety technologies and activities.

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Human Rights

Ford is committed to respecting human rights everywhere we operate, because it is the right thing to do and it strengthens our business in the long run. We are a leader in addressing human rights and working conditions in the auto industry.

In 2008, Ford joined the United Nations Global Compact, a framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

And for several years, Ford has worked with leaders of the U.S. Department of State’s human rights programs and the U.S. Department of Labor to explore how to encourage multinational companies to act as a positive force in protecting human rights in global trade, both through work in their own supply chains and through advocacy. We have also consulted with these agencies on how the U.S. government can encourage the protection of human rights through its purchasing practices.

California has passed legislation to prevent human trafficking, and several U.S. states (including Ohio, Texas and Hawaii) are considering bills to prevent human trafficking. Ford supports the underlying goals of human rights legislation, and where appropriate, Ford is participating in sector-specific initiatives and with international organizations to systematically evaluate supply chains to determine the most effective measures to combat human rights violations.

For more on our commitment to human rights, see [Human Rights in the Supply Chain](#).

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International Trade

As a global automaker, Ford has a strong interest in issues relating to international trade. With manufacturing facilities in the Americas, Europe and Asia Pacific and Africa, sales in almost 90 countries and a global supply chain that moves parts worldwide, we are a strong supporter of trade liberalization. In fact, free trade is foundational to our business model.

Ford has supported every free-trade agreement (FTA) ratified by the U.S. government since the United States first began free-trade negotiations in the mid-1960s. In fact, the auto sector is the largest exporter of goods in the U.S., and Ford is the largest exporter within the sector.

To further increase U.S. exports and support American jobs, we believe a new approach to trade is

required that puts U.S. manufacturing at the forefront. Given the importance of manufacturing to the U.S. economy, Ford supports a manufacturing-driven trade strategy that:

- Drives innovation and delivers economic opportunity to its citizenry by maintaining a vibrant manufacturing sector as its cornerstone
- Enables U.S. manufacturing to compete on a level playing field against the best competition from around the globe

Finally, we believe the elimination of trade-distorting policies such as currency intervention and manipulation must be considered a key pillar of any trade initiative. Currency manipulation provides foreign automakers with an export subsidy of several thousand dollars per vehicle, while at the same time acting as the ultimate nontariff barrier, protecting their market from imports. Ford believes the market should set currency exchange rates – not governments.

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Education

Ford understands that global competitiveness depends on the ability of our K-12 educational systems and post-secondary institutions to prepare a 21st century workforce. With baby boomers beginning to retire in large numbers, and many high-skilled jobs going unfilled, improving the quality and performance of our schools has become an urgent issue facing communities large and small across the country. Within these communities, too many students are disconnected and unsuccessful in schools that struggle to be as engaging and relevant as they need to be. Add to that the considerable anxiety being generated by an economy in transition – from industrial- to knowledge-based – and education emerges as a critical factor in securing financial health and prosperity for individuals, communities and the nation.

Ford recognizes the importance of these issues and supports public policies and initiatives that are designed to mobilize educators, employers and community leaders to bring communities together to transform the entire educational system. These programs provide students with real-world learning opportunities that help them:

- Develop essential higher-order skills, such as critical thinking, problem solving, communication, innovation and creativity
- Make connections between the academic subjects taught in the classroom and their application in the real world
- Make meaningful connections to higher education
- Build more sustainable communities by involving local business and community organizations to create service-based academic projects that make learning more applicable to real-world situations and positively impact the community

By helping communities address this most critical challenge, Ford continues its long tradition of leading and supporting educational initiatives that empower students, strengthen communities and benefit the American economy. See the [Investing in Communities](#) section for more information on the programs we support.

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Electrification

We stand at an exciting moment in automotive history – the introduction and growth of hybrids, plug-in hybrids and all-electric vehicles. As these advanced technology vehicles emerge onto our highways and roads, manufacturers must work together, and with governments as appropriate, to set standards for certain technical aspects of these new vehicles, to enable the market for them to proceed forward smoothly.

Consider, for example: When we go to a gas station, we take for granted that the pump nozzle is a size that will work with our vehicle. Early on, a standard size and configuration had to be developed and agreed to across all automobile and gasoline pump manufacturers, so that drivers could have a hassle-free experience when they went to fill up. As demand for and availability of plug-in electric vehicles continues to rise, it is similarly important that consistent standards be put in place regarding the technical aspects of these vehicles.

In North America, the Society of Automotive Engineers, with Ford's participation, successfully aligned all original equipment manufacturers (OEMs) on a standard charge connector and communication protocol that will enable all plug-in vehicles to use common charge points. This will be a key enabler for adoption in North America, as it allows all public charge stations to be

compatible with all vehicle manufacturers' products. The same approach is under consideration in Europe and China. Further standardization initiatives that will be helpful include fast-charge standards (for DC charging) and vehicle-to-grid standards. For example, in the very near future, customers with battery electric vehicles will be able charge their batteries in less than 15 minutes at specialized public charging stations. Global commonality for these systems will also be needed. Ford is also working with other OEMs and suppliers to provide a common database of charge point locations for display within vehicles' navigation systems. In addition, Ford and the industry are working collaboratively with the Obama administration and the U.S. Congress to address the challenges associated with the widespread deployment and commercialization of electric-drive vehicles.

We have also taken a standards approach in the design of the Ford/Leviton charge station. We codesigned a single version of the 240V charge station that not only meets the standards referenced above, but works with all of our plug-in products (i.e., plug-in electric vehicles and battery electric vehicles) and can be used in indoor, outdoor, residential and commercial use throughout U.S. and Canada.

See our [Electrification](#) case study for more information about our collaborative approach to encouraging the development of electric vehicles.

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Go Further

Sustainability 2011/12



OUR BLUEPRINT FOR SUSTAINABILITY

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- Materiality Analysis
- Our Value Chain and Its Impacts
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 - Progress
 - Sustainability Governance
 - Sustainability Management
 - Public Policy
 - Stakeholder Engagement**
 - Engaging With These Stakeholders

Stakeholder Engagement

We have sustained, interdependent relationships with several distinct categories of stakeholders: employees, customers, dealers, suppliers, investors and communities. Also important is our relationship to "society," which includes government agencies, nongovernmental organizations (NGOs) and academia. We identified these categories of stakeholders through internal analysis and discussion during the early phases of developing our sustainability programs. This section describes who our primary stakeholders are and how we engage with them. See the [People](#) section for further discussion of our stakeholders.



164,000

Employees

Employees

At year-end 2011, we employed approximately 164,000 individuals at 69 plants, 41 distribution centers/warehouses, 56 engineering research/development facilities and 110 sales offices worldwide. Substantially all of the hourly employees in our Automotive operations in the U.S. are represented by unions and covered by collective bargaining agreements. Most hourly employees and many nonmanagement salaried employees of our subsidiaries outside the U.S. are also represented by unions. These unions are key partners with Ford in providing a safe, productive and respectful workplace.

Ford faces workplace health and safety challenges similar to those of many multinational manufacturing companies. These challenges include, for example, establishing and reinforcing high, common expectations for the safety of our employees worldwide. Most of our manufacturing facilities have joint union/management safety committees that guide the development and implementation of safety programs in their operations.



5.7 Million

Customers

Customers

Ford's customers make us who we are. Ford Motor Company serves more than 5.7 million customers worldwide. Our major regional markets include North America, South America, Western Europe, Eastern Europe, Russia, Asia and Australia.

In these regions, we serve three primary types of customers: individual retail consumers, small business customers and large commercial fleet customers. We will continue to expand our products and services for these existing customers while working simultaneously to gain new customers in emerging markets. In North America, we are focusing on increasing our offerings of smaller and more fuel-efficient vehicles. In all of our markets, our customers' mobility needs and desires are changing faster than ever.



11,790

Dealers

Dealers

Our dealers are the face of Ford to our customers and communities. They are key employers and contributors to local economies. Ford and Lincoln dealers in the United States alone employed 158,000 individuals at the end of 2011, with an annual payroll of approximately \$6 billion. Worldwide, we had 11,790 Ford and Lincoln dealerships at the end of 2011.



Suppliers

Suppliers are an integral part of our business, and our success is interdependent with theirs. We rely on more than 1,400 production suppliers to provide many of the parts that are assembled into Ford vehicles. Another 9,000 supplier companies provide a wide range of nonproduction goods and services, from industrial materials to computers to advertising.

Over
**\$75
Billion**

Annual Buy

Our supply base is increasingly global. We are expanding production in several regions to serve the sales growth that is expected to occur in emerging markets. We are also expanding our sourcing in these lower-cost emerging markets, as a way to serve both local markets and the global supply chain. These changes, and our efforts to ensure good working conditions in our supply chain, are discussed in detail in the [Supply Chain](#) section of this report.



Investors

Our success as a company directly affects our approximately 158,000 investors, and we have been focused on improving Ford's financial health. More information on our investors is available in the [Financial Health](#) section of this report.

158,000

Investors

We continue to maintain open communication with the investment community. We regularly host conference calls and participate in key automotive conferences during the year. In addition, our [Investor Relations website](#) is a good source of information for investors. It contains various Company reports, a schedule of events and investment information.



Communities

Our Company impacts the communities in which we operate in numerous ways, from the employment we provide and the taxes we pay, to the environmental and safety performance of our operations, to the ways in which we support and participate in civic life. Responsibly managing these impacts is not just about being a good neighbor; it is fundamental to the success of our business.

276

Facilities Worldwide

The communities in which we operate are composed of a diverse range of individuals and groups. They include our customers, our employees, our business partners and their employees, government regulators, members of civil society and community organizations, and those individuals who live and work around our facilities, among others. Developing and maintaining positive relationships with these varied groups is an important factor in our reputation and operational efficiency.



Go Further

Sustainability 2011/12



YEAR IN REVIEW



OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



FORD AROUND THE WORLD

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▸ Engaging With These Stakeholders

Engaging With These Stakeholders

Stakeholder engagement takes place in countless formal and informal ways every day across our Company, from meetings with local community groups to market research with customers to gatherings of Ford dealers and suppliers.

At the corporate level, we use a variety of mechanisms to engage with stakeholders on sustainability issues to help us better understand the broader societal issues that our Company addresses. Some of these mechanisms are informal and ad hoc. In fact, simply picking up the telephone to discuss an issue with any of the numerous sustainability-related organizations or individuals with whom Ford has a relationship is a part of our standard protocol.

Indeed, the very process of engaging with stakeholders on our Sustainability Report has led to expanded and enhanced information in the report in a number of areas, including our positions on key public policy and other issues.

Some of our more formal engagement mechanisms include the following:

- The creation of forums to gather stakeholder input on our activities, challenges and performance. We work with stakeholder committees to help shape and provide feedback on our Sustainability Reports. For example, working with a [Ceres Stakeholder Committee](#) is one of the important ways we get input from stakeholders – including environmental groups, engaged shareholder groups and investors – to inform and shape our reporting approach and our [materiality analysis](#). We have also organized meetings with individuals and groups of stakeholders to solicit input on the key sustainability challenges and opportunities facing Ford. These and other engagements have provided valuable feedback on our sustainability strategy.
- Outreach on emerging and ongoing issues of particular importance to Ford or our stakeholders. We believe we have taken a thoughtful approach to our stakeholders as we work through challenging issues. For example, stakeholder input has been critical to the development and testing of our approach to human rights over the past several years. Several organizations, notably the Interfaith Center on Corporate Responsibility (ICCR), have been key partners with Ford, providing information, input and feedback at every step of the process, especially during conversations around shareholder resolutions. Our engagement with the ICCR and others helped us formulate our public commitment to product carbon dioxide reductions. We have also done outreach to the United Nations Global Compact, particularly as we developed our strategy to be a global leader in human rights, and have worked with stakeholders to address specific issues in the automotive industry supply chain. (See the [Human Rights](#) section for more detail.)
- Engagement with local stakeholders in the communities in which we operate as part of our Code of Human Rights, Basic Working Conditions and Corporate Responsibility assessment process. Read more about our community engagement in our [Community](#) section.
- Consultation with organizations that have implemented campaigns targeting Ford. We are not currently being targeted by organizations implementing campaigns. However, in the past we have benefited from the alternative perspectives presented during these consultations.
- Engagement with rating and ranking organizations in the investment community. This has provided insight into external perspectives on some important issues and our relative performance in addressing them.
- Offering new product test-drive opportunities to our employees, who, in turn, communicate about our vehicles to their friends and families. Read more about our employee engagement efforts in the [People](#) section.

Stakeholder	Communications Forums
<p>Communities/Society</p> <p>276 plants, distribution centers/warehouses, and engineering, research/development and sales facilities worldwide*</p> <p>*We have announced plans to close a number of North American facilities as part of our restructuring actions; facilities that have been closed to date are not included in the table. The table includes four facilities operated by Automotive Components Holdings, LLC (ACH), which is controlled by us. We plan to close one of the remaining ACH plants in 2012. We are exploring our options for the three remaining ACH plants (i.e., Saline, Sandusky and Sheldon Road), and intend to transition these businesses to the supply base as soon as practicable.</p>	<ul style="list-style-type: none"> ● Community Relations Committees ● Interactions with governments ● Membership in associations ● NGO dialogues
<p>Investors</p> <p>158,445 stockholders*</p> <p>*Common Stockholders as of February 13, 2012</p>	<ul style="list-style-type: none"> ● Investment community forums ● Quarterly earnings communications ● Annual shareholders' meeting ● Annual report ● Proxy statement ● SEC filings (e.g., 10-K, 10-Q, 8-K)
<p>Customers</p> <p>5.7 million vehicles</p>	<ul style="list-style-type: none"> ● Consumer Insight process ● Customer care programs ● Dealer interactions
<p>Suppliers</p> <p>1,300+ production suppliers</p> <p>11,000+ nonproduction suppliers</p> <p>Over \$75 billion annual buy</p>	<ul style="list-style-type: none"> ● Top supplier meetings ● Aligned Business Framework supplier dialogue sessions ● Supplier quality roundtables ● Supplier Diversity Development Networking ● External supplier organizations, such as the Automotive Industry Action Group and the Original Equipment Suppliers Association
<p>Dealers*</p> <p>Ford: 10,653</p> <p>Ford-Lincoln (combined) 907</p> <p>Lincoln 230</p> <p>Total: 11,790</p> <p>*Worldwide dealerships, as of December 31, 2011.</p>	<ul style="list-style-type: none"> ● Intranet communications ● Brand sales and service representatives ● Brand Dealer Councils ● Dealer roundtables ● President's Circle ● Salute to Dealers ● Advertising and public service announcements
<p>Employees</p> <p>Approximately 164,000 employees*</p> <p>*As of December 31, 2011.</p>	<ul style="list-style-type: none"> ● Town hall meetings ● Labor-management committees ● Pulse survey ● Union representation ● Intranet surveys and chats ● Executive Council on Diversity ● Local Diversity Councils ● Employee Resource Groups