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Governance

2009 HIGHLIGHTS:

- Named one of the World's Most Ethical Companies by the Ethisphere Institute
- In this section, have included discussion of public policy issues for the first time



Sound governance and management systems enable a company to operate in a transparent and accountable way. They provide effective oversight and help a company translate its aspirations into action while operating to high ethical standards.

The concept of governance is expanding 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.

Assessing Materiality

A number of topics related to governance and accountability were identified as issues of importance to Ford and our stakeholders in the materiality analysis. Shareholder concerns (i.e., resolutions) and ethical business practices were two issues identified. Concerns expressed exclusively through shareholder resolutions were judged to be of low potential impact on the Company and medium concern to stakeholders. Ethical business practices were judged to be of high potential impact for Ford and medium concern to stakeholders.

Issues related to Ford's sustainability strategy, vision and management were also identified in the analysis and judged to be of high potential impact on the Company and medium concern to stakeholders.

Several public policy issues were identified in the analysis, including greenhouse gas (GHG) and fuel economy regulation, health care reform, global environmental regulation and political payments and contributions. Political contributions were judged to be of medium potential impact on the Company and medium concern to stakeholders. Changing environmental and safety regulations in general were judged to be of high potential impact on Ford and low concern to stakeholders. Regulations related to GHG emissions and fuel economy, however, were judged to be of high potential impact on the Company and high concern to stakeholders.

Based on this assessment, we have included discussion of all of these issues in this Web report, in this or other relevant sections.

PERSPECTIVES ON SUSTAINABILITY



Peter Sherry, Jr.

Corporate Secretary and Associate General Counsel, Ford Motor Company

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RELATED LINKS

This Report: [Materiality Analysis](#)

External Web Sites: [Ethisphere Institute](#)



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In 2009 we introduced a new mandatory online training course for global employees and other personnel that covers key issues contained in our Code of Conduct Handbook. In the 12 months since the new training was introduced, more than 92,000 individuals, or approximately 84 percent of those invited, have completed it.

Also in 2009 we began to update our Policy Letters and Directives to include guidelines for employee conduct and communications in online social media forums, such as Facebook, Twitter and blogs. Our intent is to encourage communication and transparency through these forums, while at the same time ensuring appropriate and ethical conduct and preventing the release of propriety or competitive information. This updating process remains underway, and should be completed in 2010. We will then train our employees on these new guidelines.

In 2009 and early 2010, Ford received a number of recognitions for our corporate responsibility work, our reporting and our governance practices. In 2010, for example, Ford was named one of the World's Most Ethical Companies by the Ethisphere Institute. Ford was one of only 100 companies on the list, and the only automaker. See the [Awards and Recognitions](#) page for additional awards received.

Finally, we are including a [Public Policy](#) section in this report for the first time, in response to stakeholder feedback. This section consolidates discussion of Ford's positions on key U.S. public policy issues, including climate change, trade, education and health care reform, among others. We are also for the first time listing the major associations and coalitions to which we belong, as well as the membership dues paid to each.

This section of the report discusses Ford's [overall and sustainability governance](#) and its [management of key sustainability issues](#).

RELATED LINKS

This Report:
[2009 Awards and Recognition](#)
[Public Policy](#)

Fordmotorcompany.com:
[Code of Conduct Handbook](#)

External Web Sites:
[Ethisphere Institute](#)



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Governance and Management Structures

Board-Level Governance

<p>BOARD OF DIRECTORS</p> <p>William Clay Ford, Jr. Executive Chairman</p> <p>Alan R. Mulally President and CEO</p> <p>William Clay Ford, Sr. Director Emeritus</p> <p>Stephen G. Butler* Kimberley A. Casiano* Anthony F. Earley, Jr.* Edsel B. Ford II Richard A. Gephardt* Irvine O. Hockaday, Jr.* Richard A. Manoogian* Ellen R. Marram* Nome A. Neal* Gerald L. Shaheen* John L. Thornton*</p> <p>* Independent director</p> <p>Find out more about the Board of Directors ></p>	<p>▶▶</p>	<p>BOARD COMMITTEES</p> <p>Audit Compensation Nominating and Governance</p> <p>Sustainability</p> <p>Finance</p>	<p>◀◀</p>	<p>POLICY DOCUMENTS</p> <ul style="list-style-type: none"> Corporate Governance Principles (pdf, 53kb) Code of Ethics for Board of Directors (pdf, 34kb) Committee Charters
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Sustainability Management

<p>GROUP VPs</p> <p>Group VP, Sustainability, Environment and Safety Engineering</p> <p>Group VP, Global Manufacturing</p> <p>Group VP, Global Product Development Group VP, Global Purchasing Group VP, Global Marketing</p> <p>Find out more about Sustainability Management ></p>	<p>◀◀</p>	<p>POLICY DOCUMENTS</p> <ul style="list-style-type: none"> Code of Conduct Handbook (pdf, 0.99Mb) Code of Ethics for Senior Financial Personnel (pdf, 17kb) Policy Letters and Directives <p>More policy documents ></p>
<p>SUSTAINABLE MOBILITY GOVERNANCE</p>		

Key Business Processes

<p>Business Plan Review</p> <p>Global Product Development System</p> <p>Special Attention Review</p>	<p>Ford Production System</p> <p>ISO 14001 Certification</p> <p>Order-to-Delivery</p>
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2009 Awards and Recognition

In 2009 and early 2010, Ford received a number of awards and recognitions for our corporate responsibility and sustainability efforts and governance practices.

In 2010, for example, Ford was deemed one of the World's Most Ethical Companies by the Ethisphere Institute. Ford was one of only 100 companies on this list, and the only automaker. Ford was chosen for this distinction from a field of thousands of companies in more than 100 countries and 36 industries. To be included, a company has to 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 early 2010, Ford was awarded second place in the ACCA/Ceres "Best Sustainability Report" rankings, for our 2008/9 report. These rankings acknowledge and publicize best practices in the reporting and disclosure of sustainability performance.

Also in 2010, *Corporate Responsibility Officer* magazine, in conjunction with the research and consulting firm IW Financial, ranked Ford 88th in their top 100 "Corporate Citizens for 2010." We were the only automotive company in the top 100. Within this overall ranking, Ford was ranked first in the area of human rights and 18th for environment. This ranking system reviewed large-cap companies headquartered in the United States.

In 2009, 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 2009, Ford was the only automaker to be listed among *Newsweek* magazine's "Green Rankings." This list rated America's 500 largest companies on environmental impact, environmental policies and performance, and reputation among CEOs, social responsibility professionals, academics and other environmental experts. Ford was ranked 108th in the complete list of 500 companies and ninth in the sector category of consumer products and cars.

Ford was ranked third out of 300 of the largest U.S. companies on the Maplecroft Climate Innovation Index. Only GE and Intel ranked ahead of us. This index evaluates and rates company performance in climate-related innovation and carbon management.

In 2008, Ford was ranked 23rd out of the Fortune Global 100 companies by the Accountability Rating, a tool developed to measure the extent to which companies have built responsible practices into the way they do business. This rating was developed by a leading corporate social responsibility consultancy called csnetwork and the international think tank AccountAbility, and first applied in 2004. Ratings for 2009 have not been released as of this writing.

RELATED LINKS

External Web Sites:

- Ethisphere Institute
- Ceres
- Corporate Responsibility Magazine
- Dow Jones Sustainability Index
- FTSE4Good Index
- Newsweek's Green Rankings
- Maplecroft Climate Innovation Index
- The Accountability Rating



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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 encourage and enforce ethical business practices, set and communicate standards to employees and other personnel, 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.

- [Corporate Governance – Board of Directors](#)
- [Policy Letters and Directives](#)
- [Ethical Business Practices](#)
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- [Sustainability Governance and Integration](#)



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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 Ford's Web site – 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. In July 2008, the former Environment and Public Policy Committee was renamed the Sustainability 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 present motor vehicle customers while taking into account the needs of future generations. "Sustainable growth" shall also encompass 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 and 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 2009, seven Directors served on the Sustainability Committee, which is chaired by Dr. Homer Neal, an independent director. Ford's Board of Directors met 15 times and the Sustainability Committee met three times.


Because Ford is a large and complex company, 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 of the shareholders. Directors must also have practical wisdom and mature judgment. Directors must be objective and inquisitive. 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, 10 of the Company's current 13 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.

RELATED LINKS

- This Report:
 - Governance and Management Structures
- Fordmotorcompany.com:
 - Corporate Governance
 - Board of Directors
 - Corporate Governance Policies



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

[Report Home](#) > [Governance](#) > [Sustainability Governance](#) > [Corporate Governance – Board of Directors](#)



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Policy Letters and Directives

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 and statements of business standards govern the conduct of employees globally.

The following are Ford standards with particular relevance to sustainability.

Social Media Interactions

The recent proliferation of social media Web sites – such as Facebook and LinkedIn, as well as blogs and other Web-based discussion forums – has led us at Ford to examine our policies relating to employees' external communications. We encourage employee participation in Web-based discussions, and are currently in the process of updating our Policy Letters and Directives to address these types of communications. We are also developing online training sessions that will train employees in the new guidelines.

The updated Policies and Directives will outline expected behavior in online forums in their various contexts. In some cases, Ford employees may be asked to take part in an online discussion or blog as part of their jobs. In other cases, Ford employees may participate on their own time in Web-based discussions that address issues that relate to the Company. In general, the new policies will encourage transparency and the same kind of ethical behavior and openness we expect in other external communications, while ensuring that employees do not reveal proprietary or competitive information.

Human Rights

Our Code of Basic Working Conditions (CBWC) covers child labor, forced labor, working conditions and other human rights issues. Ford originally adopted the CBWC in 2003, and in 2006, we updated it to include additional commitments on "community engagement and indigenous populations," "bribery and corruption," and "environment and sustainability." In 2007, the updated CBWC was issued as a formal Policy Letter.

Diversity

We are committed to equal opportunity in all aspects of our business and to fostering diversity in our workforce. This is not only right and appropriate; it is also sound business practice. Our Policy Letter and related Directives 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.

RELATED LINKS

- This Report:
- Code of Basic Working Conditions
 - Diversity and Inclusion in the Workplace
 - Public Policy
 - Customer Satisfaction and Quality
 - Workplace Health and Safety
 - Building Customer Awareness
- Fordmotorcompany.com:
- Code of Conduct Handbook
- External Web Sites:
- Federal Trade Commission

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.

Advertising

In the United States, Ford Marketing Standards A-201 and A-203 govern Ford advertising creation and review. These standards contain the legal requirements for Ford advertising. The FTC Act and Amendments, which essentially state that all advertising must be truthful, not misleading and based on prior substantiation, also govern advertising creation and review. The FTC has a series of "Guides" on advertising topics such as fuel economy, environmental matters, price, warranties and other subjects. All 50 states have adopted a state form of the FTC Act that governs advertising in each of the states. Regulation M (Truth-in-Leasing) and Regulation Z (Truth-in-Lending) govern the creation and review of advertising with credit messages. The major U.S. television networks – ABC, CBS and NBC – also have standards that govern advertising creation.



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Ethical Business Practices

Our Corporate Compliance Office has a comprehensive program in place to guide compliance with Ford Policies 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 Policies 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 Policies, 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 new Handbook.

To reinforce information contained in the Code of Conduct Handbook, we introduced a new mandatory online training course in 2009 for our global employees and other targeted personnel. The course focuses 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. In the 12 months since the new online training was introduced in May 2009, more than 92,000 individuals, approximately 84 percent of those invited, completed the new training course.

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 mutual respect, health and safety, and internal controls.

During 2008, we reviewed all of our 89 Policies and Directives, determining which were up to date, which required revision and which were obsolete and could be deleted. We also combined related

RELATED LINKS

Fordmotorcompany.com:
Code of Conduct Handbook



policies. The result was a streamlined set of approximately 70 up-to-date Policies and Directives.

Another component of our compliance program is an infrastructure that encourages and allows for the reporting of any potential violations of our Policies 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 Company Policy, as are our manufacturing workforce in plants. There are many ways for individuals to report known or suspected 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.

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 its 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 for our 2008/9 report. We used 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. Our coverage of these issues is found in the [Material Issues](#) section of this Web report. Other sections of this report provide information on a broad range of sustainability issues of importance to Ford and our stakeholders, including detailed performance data, case studies, stakeholder interviews and other supporting information.

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-checked 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.

Also, several Ford facilities, brands and country operations produce their own reports detailing the sustainability issues they face within their particular regions or operations. For example, Volvo publishes an annual sustainability report. Several of our country operations, such as Ford China, and local facilities also produce public reports. We have also provided input to the Ceres Facility Reporting Project.

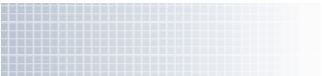
Benchmarking and External Feedback

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. For example, we asked SustainAbility to review our 2008/9 report according to their and the United Nations Environment Program's benchmarking methodology. A summary of the benchmarking findings, which were consistent with other feedback we received, can be found in [Downloads](#).

Ford's 2008/9 Sustainability Report was the second-place finisher in the 2009 Ceres/Association of Chartered Certified Accountants North American Awards for Sustainability Reporting. The report was recognized for its identification of the material sustainability issues affecting the Company and its disclosure of the greenhouse gas emissions of our fleet, among other features. (See www.ceres.org.) Our 2007/8 report was the co-winner of this award in 2008. Our 2004/5 report

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- On [Volvocars.com](#):
- [Sustainability Report](#)
- External Web Sites:
- [Global Reporting Initiative](#)
 - [United Nations Global Compact](#)
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placed in the top five.

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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. 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 help them 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 help us manage corporate-wide sustainability issues, 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 integrated sustainability-specific indicators into their overall scorecards.

- Special Attention Review and Automotive Strategy Meetings: 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 2009, climate policy and cap-and-trade systems, electrification (including electric vehicle infrastructure), biofuels, global alternative fuels and special projects in developing markets.
- 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.
- 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 have also asked 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 [Ford and the Automotive Industry Supply Chain](#)).



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Sustainability Management

Our major business functions include Product Development, Manufacturing and Supply Chain Management. Our systems for managing these functions, described in this section, have evolved to address key sustainability issues.

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 detailed in the [Society](#) section of this report.



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Product Development

The development of our new products starts with 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, including Mazda's efficient manufacturing disciplines, Volvo's work with computer-aided design and manufacturing, and a return to the in-house engineering of a number of major vehicle components. 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, 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 CO₂ emission reduction goal has been translated into fuel economy targets for each new vehicle.

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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 SQDCME Scorecard, which keeps focus on the vital components of a sustainable business: Safety, Quality, Delivery, Cost, Morale and Environment. For example, each manufacturing location has specific environmental targets. The process for setting those targets is discussed in the [Manufacturing section](#).

Many processes have been put into place to support the FPS and the Scorecard, including SQDCME metrics, internal process confirmations and FPS Best Practices. The Scorecard is reviewed regularly by management, and progress against SQDCME 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.

RELATED LINKS

- This Report:
- [Manufacturing](#)
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Supply Chain

To achieve our sustainability goals – from cutting the greenhouse gas emissions of our products and operations to protecting human rights – Ford needs the active support and leadership of its suppliers. Within Ford's Purchasing Department, a Supply Chain Sustainability Group develops and implements strategy for engaging with suppliers on sustainability issues. The group also helps build capability within the Purchasing function to address sustainability issues through routine business processes.

During 2009, for example, the Supply Chain Sustainability Group held in-person training workshops that directly reached more than 250 Ford Purchasing personnel and quality engineers globally. These sessions focused on Ford's working conditions requirements and also informed sustainability processes, to help ensure that they are designed for integration into the business. In addition, Ford will launch in 2010 an e-learning training and awareness module on Ford's working conditions program that will be available to all global Purchasing employees.

The organizational structure of Ford's Supply Chain Sustainability Group is directed at further integrating capability within the Purchasing function to address sustainability issues. The group consists of four full-time employees located at headquarters in Dearborn and four regional leads based within the regional business units in Brazil, Germany, India and China. With the exception of the China-based position, all the regional leads are on rotation and come from traditional business positions such as buyers, quality engineers and program managers. Within a reasonable period of time in which they build competency and experience, these individuals rotate back into a traditional purchasing role, taking their new expertise with them to further apply within the context of the business.

Since 2005, Ford has been taking steps to rationalize and streamline our supply base through a strategic supplier strategy called the Aligned Business Framework (ABF). The strategy is designed to create a sustainable business model to increase mutual profitability, improve quality and drive innovation. What it means in practice is that we are working more closely and collaboratively with a smaller number of global strategic suppliers. Ford has approved a total of 82 ABF suppliers, 14 of which are owned by minorities or women.

We are working closely with our ABF suppliers to align our respective approaches to providing sound working conditions, as described in the Human Rights section. We are also working with ABF suppliers to address environmental issues such as carbon management and the use of sustainable materials.

Currently, ISO 14001 certification is expected of all "Q1," or preferred, production suppliers as well as nonproduction supplier facilities if the supplier has a manufacturing site or a nonmanufacturing site with significant environmental impacts that ships products to Ford.

In 2006, we attained our goal of having 100 percent of our Q1 production suppliers gain ISO 14001 environmental management system certification for facilities supplying Ford. We also encourage our suppliers to extend the benefits of improved environmental performance by implementing similar requirements for environmental management systems in their own supply base.

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This Report:
[Human Rights Suppliers](#)

External Web Sites:
[ISO 14001](#)



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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, 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, 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 this year in response to stakeholder feedback. We're including more detail on Ford's approach to public policy participation and our positions on key U.S. policy issues. In the future we will consider expanding even further to address our positions 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, which applies to Ford globally.)

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Fordmotorcompany.com:
[Code of Conduct Handbook](#)



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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 several partnerships and coalitions (such as the U.S. Climate Action Partnership) 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 each and 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 2009 can be found at the [FEC Web site](#).

Political contributions by the Ford PAC are made in accordance with our business objectives that support our competitiveness in the global automotive industry. Ford PAC contributions are not made on the basis of social issues, party affiliations or political ideologies. All Ford PAC contributions in excess of \$1,000 must be approved by the Ford PAC Political Contributions Committee, a cross-functional group of Ford employees representing a broad range of organizational levels.

Ford Motor Company 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

RELATED LINKS

- Fordmotorcompany.com:
 - Code of Conduct Handbook
- External Web Sites:
 - U.S. Climate Action Partnership
 - Alliance of Automobile Manufacturers
 - Federal Election Commission



and dealings with 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 United States.

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 - Investing in Communities
 - Electrification Challenges and Opportunities and Ford's Response
- External Web Sites:
- National Highway Traffic Safety Administration
 - United Nations Global Compact
 - Society of Automotive Engineers

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 United States comes from manufacturing. 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 United States. 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; and
- leverage the power of free enterprise and American ingenuity to create growth and prosperity.

The Department of Energy's (DOE) Advanced Technology Vehicle Manufacturing Incentive Program is an example of good policy that 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 the DOE has awarded loans to a number of automakers, including Ford.

Strong free trade policies – enabling market access and prohibiting currency manipulation – also must be part of this equation. 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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Climate Change/Energy Security


Engaging on policies aimed at cutting carbon dioxide (CO₂) emissions and improving energy security is important for Ford, because vehicle fuel economy and tailpipe CO emissions are one

and the same. That is, the less petroleum that is used, the less CO₂ is emitted into the atmosphere.

Federal regulations governing vehicle fuel economy and emissions have been in place since the 1970s. In 2002, California adopted legislation to regulate greenhouse gas emissions from motor vehicles. Such state laws are tantamount to state-specific fuel economy standards; these would pose a major problem for auto manufacturers, both from a product planning and a distribution standpoint. Moreover, the state-by-state standards raised the specter of product restrictions in some states, which would harm both dealers and consumers. In 2009, the federal government, the states and the auto industry reached an agreement to establish a single national program for regulating vehicle fuel economy and tailpipe CO₂ emissions through the 2016 model year. Ford supported the "One National Program" agreement but remains concerned about the possibility that a patchwork of state-by-state standards could re-emerge once the current agreement expires. Measures must be enacted to ensure the continued existence of a single national program for vehicle fuel economy and CO₂ emissions in the 2017 model year and beyond.

The United States needs a national, market-based approach to reducing the nation's greenhouse gas and CO₂ emissions. Thus, Ford supports the creation of an efficient, economy-wide cap-and-trade framework with transportation fuels under the cap and mechanisms to avoid unintended adverse effects on the economy. A comprehensive economy-wide cap-and-trade program would provide flexibility to regulated entities while allowing market mechanisms to determine where CO₂ reductions can be achieved at the lowest cost. Without a cohesive national energy and climate policy that places a price on carbon emissions, we could be caught in a cycle of starting and stopping technology development. That is simply not good policy or good business, particularly when technology development requires billions of dollars of investment.

See the [Climate Change](#) section for more on public policy issues relating to this topic.

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Health Care Reform

In the United States, national health care reform was the topic of intensive Congressional and public debate over the past year, 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 [Economy](#) 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.

Part of this commitment to safety is Ford's 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 helped lead the introduction of event data recorders (EDRs) in vehicles and believes that certain information recorded by vehicle systems can enhance automotive safety. All 2002 model year and later Ford retail light vehicles sold in North America have been equipped with EDRs that store some crash data. Our newer systems record the 15 data elements required by the National Highway Traffic Safety Administration's regulation that goes into effect in 2012. Ford continues to support a move to require EDRs on all new vehicles as part of our open and transparent approach to safety.

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 texting while driving. Reflecting this public position, Ford recently clarified its employee policy to explicitly ban handheld texting. 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.

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 Driving Skills for Life teen safe driving program and MyKey® technology that 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.

Finally, Ford supports the enforcement of existing laws relating to driving under the influence (DUI) of alcohol and drugs, as well as the use of alcohol ignition interlocks (sometimes called "alcolocks") for DUI offenders.

See the [Vehicle Safety](#) 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's 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 early 2008, Ford joined the United Nations Global Compact, 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.

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.

See the [Human Rights](#) section for more on our activities in this area.

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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 20 countries, sales in 88 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. We support pending agreements with Panama and Colombia, as well as the newly launched Trans-Pacific Partnership negotiations, which incorporate the United States into a regional agreement with a core group of markets – the majority of which the United States has already completed FTAs with.


We oppose the U.S.-Korea FTA in its current form because it does not open the Korean market to imported automobiles. In 2008, Korean automotive exports to the United States totaled 616,000 vehicles, while U.S. vehicle exports to Korea totaled only 10,000 vehicles. More than 80 percent (or \$10.7 billion) of the current U.S. trade deficit with Korea is in automotive products.

Beyond the current FTA debate, 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, and
- 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 component of any fair-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.

Massive intervention by the Japanese government in 2003 and 2004 to weaken the value of the yen vis-à-vis the dollar helped to fuel one of the largest bilateral trade deficits in U.S. history. We now see hints that the Japanese may resume intervention. The Korean government, having benefitted from exports driven by a weakened Korean currency over the past year, is now also engaging in currency manipulation to support export industries. Korea must end this unfair and disruptive trade practice.

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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; and
- 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 beginnings of the transition from gasoline-powered internal combustion engines to the introduction and proliferation of hybrids, plug-in hybrids and pure battery electric vehicles. As we make this transition, manufacturers must work together, and with the federal government 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's 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; the same connector 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. 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.

See [Electrification Challenges and Opportunities and Ford's Response](#) for more information about our collaborative approach to encouraging the development of electric vehicles.

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