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## Our Blueprint for Sustainability

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.

Read more about our [BLUEPRINT FOR SUSTAINABILITY](#)



## 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.

Read more about [OUR STRATEGY](#)



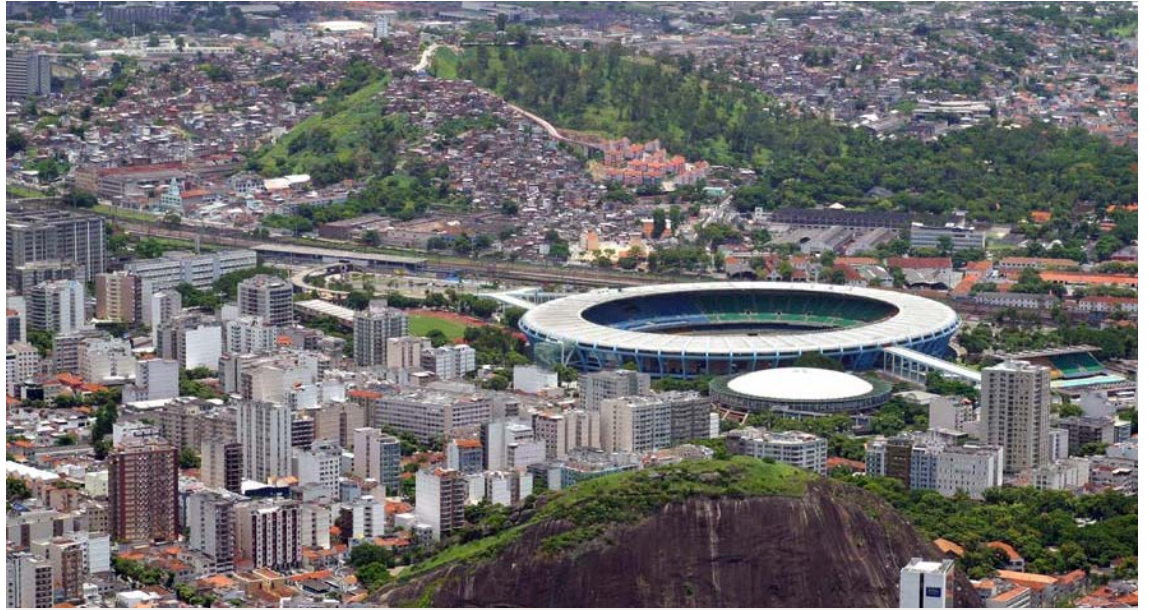
MATERIALITY ANALYSIS



OUR VALUE CHAIN

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

As a major multinational enterprise, our activities have far-reaching environmental, social and economic impacts. Our value chain graphic illustrates the major value chain stages and identifies key impacts, stakeholders and examples of value we create at each stage.



## GOVERNANCE

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To Ford, “governance” includes more than simply fiduciary responsibility to shareholders; the concept also encompasses accountabilities regarding our impact on the world and responsibilities toward a diverse set of stakeholders.

Read more about [GOVERNANCE AT FORD](#)



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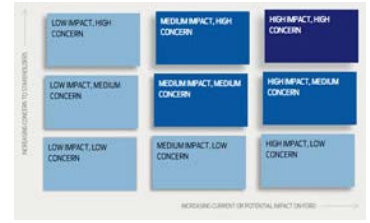
# Overview

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.

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. We now use the term more broadly to describe our sustainability strategy as a whole, reflecting the fact that our important sustainability issues are part of a complex system that interconnects our products, plants, people and the communities in which we operate.

This section provides an overview of our [business](#) and [sustainability strategies](#), how the company is governing and managing sustainability issues, and how these, together, drive sustainability performance.

We also describe the [materiality analysis](#) we have used to identify our most significant sustainability issues, and focus our strategy and reporting. The section called [Our Value Chain and Its Impacts](#) provides an updated and expanded value chain analysis, including our efforts to maximize the positive impacts, and minimize the negative impacts of our operations and products throughout our value chain. The [Governance](#) section explains Ford's overall governance and sustainability governance, including how we address human rights and other ethical issues, how we engage with [stakeholders](#), how we participate in [public policy](#) processes and our [management of key sustainability issues](#).



## MATERIALITY MATRIX

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



## OUR VALUE CHAIN

As a major multinational enterprise, our activities have far-reaching environmental, social and economic impacts.



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## Our Strategy

Ford's business strategy is embodied in our One Ford plan, which was adopted in 2007 and has guided the company ever since. 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 delivering profitable growth for all. We are focused on building:

- Great Products, a full family of vehicles – small, medium and large; cars, utilities and trucks – with best-in-class quality, fuel efficiency, safety and smart design;
- Strong Business, based on a balanced portfolio of products and global presence; and
- Better World, accomplished through our sustainability strategy.

Our aim is to have profitable growth across geographies and product types.

One Ford has been implemented through the consistent use of processes at the highest levels of the company for risk assessment, strategy development, business planning and performance review.

As detailed in the [Financial Health section](#), for 2013, Ford's pre-tax operating profit of \$8.6 billion (excluding special items) was among the best in our history and Automotive operating-related cash flow hit a record, since at least 2001. These full-year results reflect an Automotive sector operating profit that was the highest in more than a decade, with record profits in North America and Asia Pacific Africa since at least 2000, about break even results in South America, and a loss in Europe – but a lower loss than the prior year. These achievements are more evidence that our One Ford plan continues to deliver.

Our financial turnaround has been based largely on our ability to deliver high-quality, innovative and desirable products everywhere we operate, in both mature and rapidly growing markets. We have aligned our product development, manufacturing and marketing organizations worldwide to deliver the right products to the right markets as efficiently as possible.

In all vehicles and regions, Ford's global vehicles showcase our commitment to sustainability. Technologies like EcoBoost®, direct injection of gasoline or diesel fuel, six-speed transmissions, and hybrid and plug-in hybrid powertrains deliver choice to drivers everywhere.

We're continuing to implement the One Ford plan. But we 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 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](#). We focus our efforts using a [materiality analysis](#). 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.

Key components of our sustainability strategy that address our material issues include the following:

- Our climate change strategy is based on what needs to happen in the world – the stabilization of greenhouse gases in the atmosphere – and our contribution to achieving stabilization through fuel economy improvements, the use of alternative fuels and energy-efficiency improvements at our facilities. A cross-functional team called Sustainable Mobility Governance oversees the strategy. Please see the [Climate Change section](#) for details of our strategy and performance.
- We have adopted a comprehensive water strategy that corresponds to the key elements of the CEO Water Mandate and is based on five key platforms designed to effect substantial, sustainable and measurable impacts. Please see the [Water section](#) for details of that strategy and our performance.
- We were the first automaker to recognize that protecting human rights in our operations and our supply chain is an important sustainability issue. Our human rights strategy includes adherence to our Code of Human Rights, Basic Working Conditions and Corporate Responsibility ([Policy Letter 24](#)), as well as assessments of alignment with the Code in our operations and by our suppliers. It also includes training and building the capabilities of our suppliers to manage sustainability issues in their operations. Please see the [Governance](#) and [Supply Chain](#) sections for more information on our human rights strategy and performance.

We take a holistic approach to these and other sustainability issues, recognizing the interconnections between them. Our philosophy is that sustainability issues should be integrated into business processes and managed by the organizational functions, just as 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. Please see the [Sustainability Governance](#) and [Sustainability Management](#) sections and the [letter from Robert Brown](#) for more information on these topics.

Our Sustainability, Environmental & Safety Engineering organization oversees sustainability strategy development and implementation by identifying emerging challenges and opportunities, and mobilizing resources within the company to address them and help us remain competitive in a changing world. A current priority is developing a [sustainability network](#) within the company aimed at further integrating sustainability into the global organization.

Our business units have set a series of [goals and targets](#) related to sustainability. Our Manufacturing organization, 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 sustainability strategy, and the pursuit of our related goals, have enhanced our

reputation and contributed to the competitiveness of our products, operations and work force, helping us build social, environmental and financial value.

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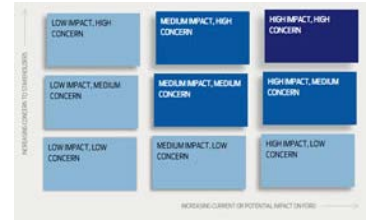
# Materiality Analysis

Ford generally updates its materiality analysis every other year. We updated the materiality analysis most recently in 2012 and early 2013, adding key inputs, replacing outdated inputs and gathering feedback from internal experts. A Ceres Stakeholder Committee reviewed the analysis in early 2013 and provided feedback. The analysis will be updated again in 2014 to guide development of the 2014/15 Sustainability Report and align the process more closely with the Global Reporting Initiative G4 Reporting Guidelines.

In the most recent analysis, climate change issues remained at the highest level of concern for Ford and external stakeholders. Water and supply chain issues, which had risen to the highest level of importance for both Ford and external stakeholders in the previous materiality analysis, remained highly important.

In addition, some new issues emerged, some dropped out and others were recast or reorganized. Significant changes from previous analyses included the following:

- Financial issues had been at the highest level of importance to Ford and external stakeholders for three materiality analyses (spanning six years). In the 2012/13 analysis, for the first time since 2006, financial issues dropped to the mid level of concern for non-Ford stakeholders, moving them from the "top right" box of our materiality matrix to the "middle right" box. This is likely a reflection of Ford's strong and consistent improvements in financial performance. Nonetheless, financial health remains a critical issue to Ford and a central focus of our overall strategy and everyday activities. Therefore, we continue to report on it as a highly material issue.
- The governance issue of Ford's strategy for addressing human rights in our own operations and throughout our supply chain increased to the highest level of priority for non-Ford stakeholders. This was due to increased importance of this issue to communities, investors and customers. The issue was already at the highest level of concern for Ford, but the change moved the issue to the "upper right" box of the material issues matrix. We already report on governance in detail, including Ford's approach to human rights, and we will continue to do so based on the increased importance of these issues to external stakeholders.
- Water issues were reorganized to reflect water impacts in three key areas: on local communities, from and on Ford operations, and from Ford's product design decisions. All three of these issues were of the highest concern to Ford and external stakeholders.
- Vehicle safety moved down in importance to stakeholders to a medium level of concern but remained at the highest level of concern for Ford. This likely reflects a view that automakers, including Ford, are managing vehicle safety issues well.
- Supply chain issues, especially those related to the sustainability of raw materials and the environmental and human rights performance of suppliers, remained at the highest level of importance for Ford and other stakeholders. In the 2012/13 analysis, a new category of supply chain issues was added relating to Ford's approach to identifying and managing supply chain sustainability risks – including raw materials sustainability – and Ford's process for promoting, assessing and remediating sustainability performance among suppliers.
- Issues associated with Ford's sustainability strategy, management and governance also increased to the highest level of importance for non-Ford stakeholders, moving this issue to the "upper right" box on the material issues matrix.



## MATERIALITY MATRIX

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# Overview of the Analysis Process

## 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 updated the analysis done for our 2010/11 Sustainability Report using a three-step process.

## Identification of Material Business Issues

We developed a list of almost 550 issues, grouped into 15 topics. The issues were identified by reviewing Ford business documents as well as inputs from employees, dealers and our major external stakeholders: customers, communities, suppliers, investors and nongovernmental organizations (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 such as summaries of stakeholder engagement sessions as well as documents that represent stakeholder views more broadly, such as the Ceres Roadmap to Sustainability, reports on consumer trends and attitudes, and reports from socially responsible and mainstream investors.

## Assessment of Value Chain Impacts

For the 2012/13 analysis, we added a formal value chain analysis step to our materiality process. Though we had previously identified key impacts and impacted stakeholders across Ford's value chain stages, we updated that analysis and integrated it into our material issue identification and prioritization process. First, we mapped our material issues across Ford's value chain to ensure we are considering each issue at all the value chain stages where it has a substantial impact. Then, we assessed which stakeholders are more and less impacted by each issue at each value chain stage. We then gave the stakeholder group or groups that are most impacted by a certain issue across Ford's value chain a higher weight in estimating the overall importance of that issue to non-Ford stakeholders. However, for the final results of our prioritization of issues, we did not apply this new methodology, as the results of both approaches to calculating the overall impact score for non-Ford stakeholders on an issue-by-issue basis were similar.

## 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 10-year timeframe, as well as degree of concern to stakeholders (by stakeholder group). Though we consider possible impacts and importance out to 10 years, three to five years is the timeframe in which Ford can make meaningful changes in our own actions based on our internal planning and production cycles. 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." The y-axis shows concern to stakeholders increasing from bottom to top. The x-axis shows increasing impact to Ford from left to right. "Current or potential impact on Ford" was assessed based on the potential an issue has to impact Ford's financial position; corporate reputation including standing in local communities, social license to operate and consumer perceptions of our company and products; employee



productivity and retention; and other key impacts.

We consider the issues in the "upper right" sector to be the most material. We do not further prioritize issues within a given box of the matrix as relatively more or less important than other issues in that same box, but we encourage users to click through the interactive matrix to access the detailed descriptions and other context on the individual issues. 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 revised again after review by a Ceres stakeholder committee that included representatives of environmental and other NGOs, socially responsible investment organizations and a supplier company. Please see the [Assurance](#) section for information on how we responded to the Committee's recommendations.

## Use of the Analysis

We use 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. Though we undertake an in-depth materiality analysis every two years, we continue to consider material issues and stakeholder inputs informally between formal analyses. We are continually improving our reporting based on the formal and informal assessment of changing issues and stakeholder perspectives.

We work hard to ensure that our materiality analysis and the resulting matrix is comprehensive and precise without being so complicated that it is difficult to understand or apply. However, 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.



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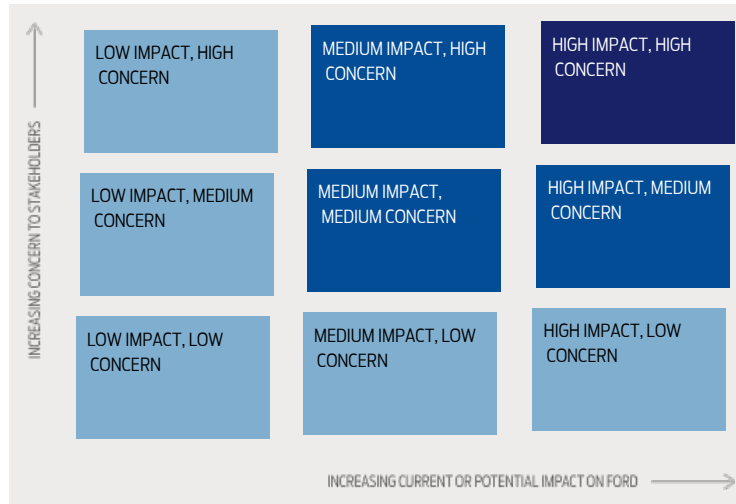
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## Materiality Matrix



### Reporting priorities

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

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.



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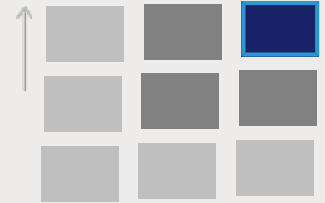
### High Impact, High Concern

14 material issues have been identified as having a high current or potential impact on Ford and a high concern to stakeholders.

Issues at this level set the agenda for our sustainability strategy and our printed report.

→ Our reporting priorities

Select a level of the matrix:



### Sustainability vision and management

#### ▼ Sustainability vision, governance and management

Definition/description	Includes governance structures, goals and indicators, business case, stakeholder engagement, reporting
Comments	Continued to increase in importance to stakeholders since last analysis. Added the sub-issue of linking management performance assessments and compensation to sustainability issues.
Trend (from previous analysis)	⬆️ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>→ Our Strategy</li> <li>→ Sustainability Governance</li> <li>→ Sustainability Management</li> <li>→ Stakeholder Engagement</li> </ul>

### 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 posed by lack of U.S. federal climate legislation
Comments	Some decrease in concern for stakeholders on this issue, likely due to passage of new national Corporate Average Fuel Economy (CAFE) requirements in the U.S., new EU requirements in Europe and lack of progress on national GHG regulations in the U.S. However, both stakeholder concern and impact on Ford remained high enough to maintain this issue as an "upper right, most material" issue.
Trend (from previous analysis)	➡️ Already at the highest level
More information	<ul style="list-style-type: none"> <li>→ Climate Change Policy and Partnerships</li> <li>→ Ford's Greenhouse Gas Emissions</li> <li>→ Public Policy Positions</li> </ul>

### Governance

#### ▼ Human rights strategy

Definition/description	Includes Ford's policies and practices related to human rights
Comments	In previous analyses, an issue of top concern for stakeholders. It fell to mid-concern in the last analysis but returned to high concern in this analysis.
Trend (from previous analysis)	⬆️ Increased in importance to stakeholders
More information	→ Human Rights in the Supply Chain: Ford's Approach

## 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 high interest to government and investors and increased in interest to communities since the last analysis.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>→ <a href="#">Climate Change</a></li> <li>→ <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>→ <a href="#">Electrification: A Closer Look</a></li> <li>→ <a href="#">Operational Energy and Greenhouse Gas Emissions</a></li> </ul>

### ✓ Vehicle GHG emissions

Definition/description	Ford's product actions to meet its carbon dioxide (CO <sub>2</sub> ) target
Comments	Increasingly driven by regulatory requirements as well as Ford's voluntary product CO <sub>2</sub> goal.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>→ <a href="#">Climate Change</a></li> <li>→ <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>→ <a href="#">Electrification: A Closer Look</a></li> <li>→ <a href="#">Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a></li> </ul>

### ✓ 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 the challenges of transitioning from traditionally fueled vehicles to plug-in vehicles and modest consumer uptake of electric vehicles.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>→ <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>→ <a href="#">Electrification: A Closer Look</a></li> </ul>

## Water

### ✓ Water strategy – local community impacts

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	Reorganized for this analysis to disaggregate the impacts of water issues on communities, Ford operations, and Ford product decisions. Added issue of human right to water.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>→ <a href="#">Water Impacts, Risks and Opportunities</a></li> <li>→ <a href="#">Operating in Water-Scarce Regions</a></li> <li>→ <a href="#">Water: Overview</a></li> </ul>

### ✓ Water strategy – water impacts of products

Definition/description	A new issue incorporating the water impacts of different powertrain, fuel and other vehicle technology decisions
Comments	Impacts largely occur at raw materials phase of Ford value chain (e.g., materials for batteries) and use phase (e.g., upstream impacts of fuel production).
Trend (from previous analysis)	New
More information	<ul style="list-style-type: none"> <li>→ <a href="#">Water Impacts, Risks and Opportunities</a></li> <li>→ <a href="#">Operating in Water-Scarce Regions</a></li> <li>→ <a href="#">Water: Overview</a></li> <li>→ <a href="#">Progress in Reducing Water Use</a></li> <li>→ <a href="#">Water Consumption in the Vehicle Lifecycle</a></li> </ul>

### Water strategy – water impacts of operations

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)	⬆️ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>➔ <a href="#">Water Impacts, Risks and Opportunities</a></li> <li>➔ <a href="#">Operating in Water-Scarce Regions</a></li> <li>➔ <a href="#">Water: Overview</a></li> <li>➔ <a href="#">Progress in Reducing Water Use</a></li> <li>➔ <a href="#">Water Consumption in the Vehicle Lifecycle</a></li> </ul>

## Operations

<b>Environmental management</b>	
Definition/description	High-level environmental operational concerns, including environmental management, environmental compliance
Comments	Continues to have highest importance to Ford, reflecting continued management focus on achieving environmental targets. Increased in importance to external stakeholders since last analysis.
Trend (from previous analysis)	⬆️ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>➔ <a href="#">Greening Our Operations</a></li> <li>➔ <a href="#">Environmental Management</a></li> </ul>

## Supply chain sustainability

<b>Human Rights in the Supply Chain: Ford's Approach</b>	
Definition/description	Issues covered by Ford's working conditions code; need for industry cooperation
Comments	Increased in importance to investors since last analysis, remains of high interest to communities, suppliers and NGOs.
Trend (from previous analysis)	🟢 Already at the highest level
More information	<ul style="list-style-type: none"> <li>➔ <a href="#">Human Rights in the Supply Chain: Ford's Approach</a></li> <li>➔ <a href="#">Sustainable Raw Materials</a></li> </ul>

<b>Supplier relationships</b>	
Definition/description	Includes importance of Ford's financial viability to suppliers and vice versa, and importance of strong relationships as well as the established policies and performance commitments
Trend (from previous analysis)	🟢 Already at the highest level
More information	<ul style="list-style-type: none"> <li>➔ <a href="#">Creating a Sustainable Supply Chain: Ford's Approach</a></li> <li>➔ <a href="#">Building Strong Supplier Relationships</a></li> </ul>

<b>Sustainable raw materials</b>	
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
Trend (from previous analysis)	🟢 Already at the highest level
More information	➔ <a href="#">Sustainable Raw Materials</a>

<b>Supply chain environmental sustainability</b>	
Definition/description	Includes the need to address carbon and water issues in supply chain relationships
Trend (from previous analysis)	🟢 Already at the highest level
More information	➔ <a href="#">Supply Chain Environmental Management</a>



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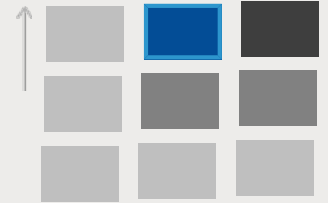
### Medium Impact, High Concern

No material issues have been identified as having a medium current or potential impact on Ford and a high concern to stakeholders.

Issues at this level set the agenda for the rest of the web report and future reporting.

[Our reporting priorities](#)

Select a level of the matrix:



No material issues have been identified at this level.



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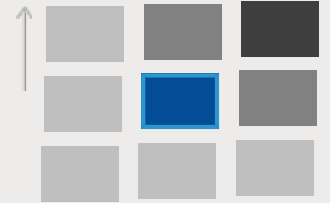
### Medium Impact, Medium Concern

9 material issues have been identified as having a medium current or potential impact on Ford and a medium concern to stakeholders.

Issues at this level set the agenda for the rest of the web report and future reporting.

→ Our reporting priorities

Select a level of the matrix:



### Public policy

#### Political payments and contributions

Definition/description	Includes need for a consistent and transparent public policy position 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, remain interested in "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	<a href="#">→ Public Policy</a> <a href="#">→ Policy Letters and Directives</a>

### Ford financial health

#### Supplier viability and competitiveness

Definition/description	Includes economic viability of suppliers and the importance of supplier viability for Ford's operations and products as well as communities where Ford and suppliers operate
Comments	Was already at mid-level of concern for Ford in previous analyses. Increased in concern for stakeholders in this analysis.
Trend (from previous analysis)	⬆ Increased in importance to stakeholders
More information	<a href="#">→ Creating a Sustainable Supply Chain: Ford's Approach</a> <a href="#">→ Building Strong Supplier Relationships</a>

### Operations

#### Energy use and oil consumption

Definition/description	Operations/facilities: concerns about cost and availability; energy security
Trend (from previous analysis)	➡ Same position
More information	→ Operational Energy and Greenhouse Gas Emissions

#### Air emissions (other than GHGs)

Definition/description	Includes volatile organic compound emissions and ozone-depleting emissions from operations
Comments	Lower level of concern to Ford reflects active and successful management toward targets.

Trend (from previous analysis)	↔ Same position
More information	→ Non-CO <sub>2</sub> , Facility-Related Emissions

#### ▼ Hazardous pollutants

Definition/description	Hazardous substances in products, manufacturing and supply chain
Trend (from previous analysis)	↔ Same position
More information	<ul style="list-style-type: none"> <li>→ Sustainable Materials</li> <li>→ Non-CO<sub>2</sub> Tailpipe Emissions</li> <li>→ Non-CO<sub>2</sub>, Facility-Related Emissions</li> <li>→ Waste Management</li> </ul>

#### ▼ Land and nature

Definition/description	Impacts of Ford operations on land and nature including biodiversity
Comments	Increased in importance to Ford largely due to increased relevance of land and nature impacts due to building new plants in the Asia Pacific region.
Trend (from previous analysis)	↗ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>→ Sustainable Land Use and Biodiversity</li> <li>→ Green Buildings</li> </ul>

#### ▼ Other environmental operational issues

Definition/description	Includes spills, nuisances (noise), and pre- and post-production logistics
Trend (from previous analysis)	↘ Lower level of concern to Ford
More information	→ Greening Our Operations

## Product

#### ▼ End-of-life management

Definition/description	Includes design for recycling, extended producer responsibility for end-of-life vehicles, and market demand for recycling and recovery of components and materials.
Trend (from previous analysis)	Decreased in importance for Ford, but increased in importance for stakeholders.
More information	→ Sustainable Materials

## Governance

#### ▼ Shareholder concerns/resolutions

Definition/description	Includes issues related to the Board of Directors and executive management including compensation, board independence, and evaluation of Board performance and effectiveness; issues brought up in past shareholder resolutions; and shareholder engagement.
Trend (from previous analysis)	↗ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>→ Governance</li> <li>→ Corporate Governance – Board of Directors</li> </ul>





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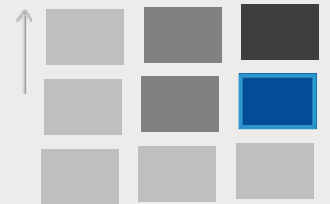
### High Impact, Medium Concern

28 material issues have been identified as having a high current or potential impact on Ford and a medium concern to stakeholders.

Issues at this level set the agenda for the rest of the web report and future reporting.

→ Our reporting priorities

Select a level of the matrix:



### Governance

#### Ethical business practices

Definition/description	Concerns covered by codes of conduct, e.g., corruption and anti-competitive behavior
Comments	Of increasing interest to some stakeholders, especially in the context of Ford expansion in areas that historically have higher risk for corruption. This issue may continue to rise in stakeholder concern to become an "upper right, most material" issue in future analyses.
Trend (from previous analysis)	↔ Same position
More information	<ul style="list-style-type: none"> <li>→ Ethical Business Practices</li> <li>→ Corporate Governance – Board of Directors</li> <li>→ Sustainability Governance</li> </ul>

### 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"> <li>→ Public Policy</li> <li>→ Climate Change Policy and Partnerships</li> </ul>

### Ford financial health

#### Risk and cost management

Definition/description	Broad concerns about Ford's financial performance, with a focus on costs and cost-related risks, including health care and retiree legacy costs; operational and regulatory costs; labor costs; commodity, energy and resource supply and costs; and access to capital
Comments	A top concern for Ford and mid-level concern for stakeholders. Added sub-issues on risks associated with raw materials regulations and supply. Also added sub-issues reflecting impact of overall global economic conditions and economic conditions in local markets on Ford's financial health.
Trend (from previous analysis)	↘ Lower in importance to non-Ford stakeholders
More information	→ 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 mid-level concern to stakeholders.
Trend (from previous analysis)	📉 Lower in importance to non-Ford stakeholders
More information	<a href="#">→ Financial Health</a> <a href="#">→ Product Competitiveness</a>

#### ▼ Manufacturing efficiency

Definition/description	Includes reducing complexity of products, lean and flexible manufacturing, flexible work rules
Comments	A 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	<a href="#">→ Current Financial Health</a> <a href="#">→ Greening our Operations</a>

#### ▼ Alignment of production 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	Same importance to stakeholders, still of highest concern to Ford, particularly because of overcapacity in Europe.
Trend (from previous analysis)	📊 Same position
More information	<a href="#">→ Financial Health</a>

#### ▼ Quality

Definition/description	Product quality and customer service/customer relationship management
Trend (from previous analysis)	📊 Same position
More information	<a href="#">→ Customer Satisfaction and Quality</a>

### Ford future competitiveness


#### ▼ Sustainable mobility

Definition/description	Ford's approach to the increasing challenges of urban mobility, congestion, urbanization and mega cities, as well as rural mobility and economic opportunity
Comments	Added the issue of business opportunities of green vehicles, to better represent the scope of sustainable mobility to Ford and external stakeholders. Also added the issue of viability of public transportation.
Trend (from previous analysis)	📊 Same position
More information	<a href="#">→ Mobility Solutions</a> <a href="#">→ Understanding Customer Needs</a> <a href="#">→ Electrification: A Closer Look</a>


#### ▼ Emerging market product and service 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. Added the sub-issues of increasing importance of urban customers and introduction of green products and operations technologies into emerging markets.
Trend (from previous analysis)	📊 Same position
More information	<a href="#">→ Financial Health</a> <a href="#">→ Product Competitiveness</a> <a href="#">→ Mobility Solutions</a> <a href="#">→ Ford Around the World</a>


### Water


<a href="#"> <span style="font-size: 0.8em;">v</span> Operational water use         </a>	
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	<a href="#">→ Progress in Reducing Water Use</a> <a href="#">→ Case Study: Ford Manufacturing Water Saving Technologies</a>

## Climate change


<a href="#"> <span style="font-size: 0.8em;">v</span> Cleaner vehicle technologies         </a>	
Definition/description	Ford's development of low-carbon technologies, including hybrids, electric vehicles, clean diesel, fuel cells; also emerging technologies such as nanotechnology
Trend (from previous analysis)	 Same position
More information	<a href="#">→ Sustainable Technologies and Alternative Fuels Plan</a> <a href="#">→ Electrification: A Closer Look</a> <a href="#">→ Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a>

<a href="#"> <span style="font-size: 0.8em;">v</span> Fuel economy         </a>	
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 CO <sub>2</sub> goal; reduced in importance since last analysis, primarily to NGOs.
Trend (from previous analysis)	 Lower in importance to non-Ford stakeholders
More information	<a href="#">→ Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a> <a href="#">→ Sustainable Technologies and Alternative Fuels Plan</a>

<a href="#"> <span style="font-size: 0.8em;">v</span> Other climate change issues         </a>	
Definition/description	Includes importance of reporting on fuel economy/climate footprint in all markets, reporting on the science of climate change, commitment to work with industry partners and policymakers on climate change issues, and climate change adaptation
Comments	This issue likely increased in importance for Ford and stakeholders in response to the addition of climate change adaptation as an element of this issue in this year's analysis.
Trend (from previous analysis)	 Increased in importance to Ford and stakeholders
More information	<a href="#">→ Climate Change</a>


<a href="#"> <span style="font-size: 0.8em;">v</span> Clean/alternative fuels         </a>	
Definition/description	Includes vehicle and refueling infrastructure issues related to increased use of biofuels, and the lifecycle carbon footprint of alternative fuels.
Trend (from previous analysis)	 Increased in importance to stakeholders
More information	<a href="#">→ Sustainable Technologies and Alternative Fuels Plan</a> <a href="#">→ Electrification: A Closer Look</a> <a href="#">→ Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a>

## Operations

<a href="#"> <span style="font-size: 0.8em;">v</span> GHG emissions         </a>	
Definition/description	Includes cost of controlling GHG emissions
Comments	Less of a concern than GHG emissions from vehicles; a mid-level concern for Ford and NGOs/stakeholders.
Trend (from previous analysis)	 Same position
More information	<a href="#">→ Operational Energy and Greenhouse Gas Emissions</a>

<a href="#"> <span style="font-size: 0.8em;">v</span> Waste generation and management         </a>	
Definition/description	Includes Ford's operational waste generation, management and disposal
Comments	Increased in importance to Ford in this analysis after increasing in

importance to stakeholders in the last analysis.

Trend (from previous analysis)  Higher concern for Ford

More information [→ Waste Management](#)

## 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)  Lower in importance for stakeholders

More information [→ Vehicle Safety and Driver Assist Technologies](#)

## Product

### Lifecycle assessment

Definition/description Includes the need for rigorous lifecycle assessment processes

Trend (from previous analysis)  Same position

More information [→ Design for Lifecycle Sustainability](#)

### Environmentally preferable materials

Definition/description Cradle-to-cradle approach: use of renewable, recycled and recyclable materials

Trend (from previous analysis)  Same position

More information [→ Sustainable Materials](#)

### Customer privacy

Definition/description Ford's management of customer information to maintain customer privacy.

Trend (from previous analysis)  Increased in importance to Ford and stakeholders

More information [→ Ford Motor Credit Company](#)  
[→ Policy Letters and Directives](#)

### Marketing and communications/demand creation/advertising

Definition/description Includes issues associated with Ford's marketing, communications and advertising efforts, including the issue of demand creation for different vehicle types

Trend (from previous analysis)  Increased in importance to Ford and stakeholders

More information [→ Customers](#)  
[→ Policy Letters and Directives](#)

## Workplace

### Workplace health and safety

Definition/description Health and safety management systems; ergonomics

Trend (from previous analysis)  Same position

More information [→ Workplace Health and Safety](#)

### 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](#)

▼ **Employee 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	<a href="#">→ Working Conditions in Ford Plants</a> <a href="#">→ Policy Letters and Directives</a>

▼ **Diversity/equal opportunity**

Definition/description	Diversity of Ford Board and management; harassment programs and monitoring
Comments	Increased in importance to Ford and to investors. Already of high concern to communities and NGOs.
Trend (from previous analysis)	↕ Increased in importance to Ford
More information	<a href="#">→ Diversity and Inclusion</a>

**Community engagement**

▼ **Community engagement**

Definition/description	License to operate, NGO relationships and specific community concerns such as 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)	↔ Same position
More information	<a href="#">→ Engaging with Communities</a>

▼ **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)	↕ Increased in importance to Ford
More information	<a href="#">→ Communities</a> <a href="#">→ Human Rights in the Supply Chain: Ford's Approach</a> <a href="#">→ Financial Health</a>

**Supply chain sustainability**

▼ **Identifying and managing sustainability-related supply chain risks**

Definition/description	Includes Ford's approach to assessing and managing suppliers' sustainability performance, including supplier requirements, assessments/monitoring and remediation. Also includes risks related to raw materials sourcing, such as scarcity/single source, conflict minerals and raw material regulations
Comments	New issue this year; previously embedded in other supply chain topics. This issue was separated from other supply chain topics based on increasing awareness and concern among some stakeholder groups. It may continue to rise in concern for stakeholders and move to an "upper right, most material" issue in future analyses.
Trend (from previous analysis)	New
More information	<a href="#">→ Creating a Sustainable Supply Chain: Ford's Approach</a>



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## Materiality Matrix

You have selected:

### Low Impact, High Concern

No material issues have been identified as having a low current or potential impact on Ford and a high concern to stakeholders.

Issues at this level are not currently covered in detail by reporting.

[→ Our reporting priorities](#)

Select a level of the matrix:

No material issues have been identified at this level.



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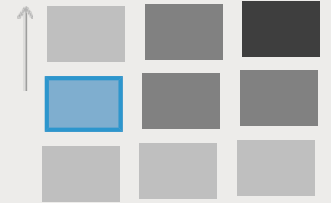
### Low Impact, Medium Concern

1 material issue has been identified as having a low current or potential impact on Ford and a medium concern to stakeholders.

Issues at this level are not currently covered in detail by reporting.

→ Our reporting priorities

Select a level of the matrix:



### Ford future competitiveness

- Innovation management



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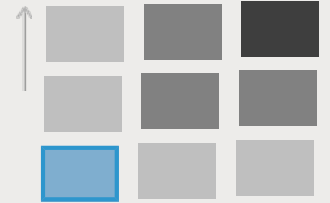
### Low Impact, Low Concern

2 material issues have been identified as having a low current or potential impact on Ford and a low concern to stakeholders.

Issues at this level are not currently covered in detail by reporting.

[→ Our reporting priorities](#)

Select a level of the matrix:



### Public policy

- Health care policy

### Climate change

- Emissions trading/cost of carbon





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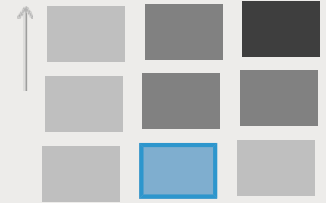
### Medium Impact, Low Concern

5 material issues have been identified as having a medium current or potential impact on Ford and a low concern to stakeholders.

Issues at this level are not currently covered in detail by reporting.

→ Our reporting priorities

Select a level of the matrix:



#### Ford financial health

- Dealer viability and competitiveness

#### Product

- Labeling
- Noise
- Vehicle interior air quality

#### Vehicle safety

- Emerging market vehicle and road safety



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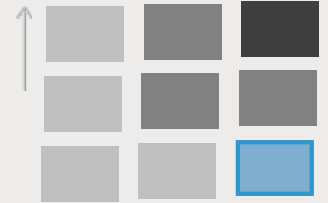
### High Impact, Low Concern

2 material issues have been identified as having a high current or potential impact on Ford and a low concern to stakeholders.

Issues at this level are not currently covered in detail by reporting.

→ Our reporting priorities

Select a level of the matrix:



### Product

- Compliance
- Tailpipe emissions



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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
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### Our Blueprint for Sustainability

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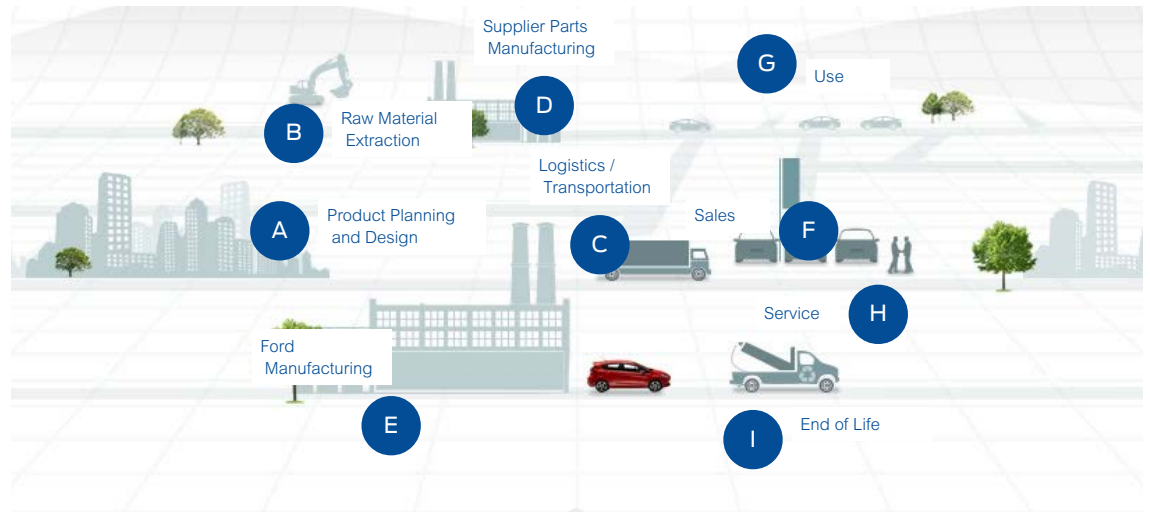
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**Our Value Chain and Its Impacts**

Governance

## Our Value Chain and Its Impacts



As a major multinational enterprise, our activities have far-reaching environmental, social and economic impacts. The graphic above illustrates the major stages of our value chain and identifies key impacts, stakeholders, and examples of value we create at each stage.

We recognize that the issues and impacts are interconnected and that positive and negative effects in one part of the chain can reverberate in the other parts. The value chain assessment was revised and updated for this report as part of the "materiality analysis" which prioritizes the most significant issues in our value chain.

### A Product Planning and Design

This stage has far-reaching impacts throughout our value chain, as it includes all major decisions about which products we will make, what technologies we will develop and implement, and how and where our products will be made.

Innovation and R&D play a key role in our ability to enhance positive impacts and reduce negative impacts of our products and operations. We also add indirect value and have indirect impacts at this stage based on the decisions we make about products, manufacturing processes, manufacturing volumes, suppliers, etc.

#### Key issues / impacts

- Greenhouse gas (GHG)/fuel economy and other environmental regulations
- Low-carbon strategy
- Energy use/oil consumption and GHG emissions
- Electrification strategy
- Environmental management
- Water strategy
- Sustainability vision, governance and management
- Land and nature

In 2013 we spent **\$6.4 billion** on engineering, research and development.

**718** U.S. utility patents were issued to Ford and subsidiaries for new technologies and processes we developed in 2013.

In 2014 we will launch **23** new or significantly refreshed vehicles to customers around

- Waste generation and management
- Tailpipe emissions
- End-of-life management
- Sustainable mobility
- Sustainable materials
- Emerging market products and services strategy
- Alignment of production with demand
- Product competitiveness
- Brand reputation/value
- Quality
- Risk and cost management
- Vehicle safety

the world – the most in a single year in more than a century.

---

#### Key stakeholders

- Ford
- Employees
- Suppliers
- Communities

## B Raw Material Extraction

This stage can have significant impacts on the communities where extraction occurs. Extraction creates value for raw material suppliers and local communities through employment and other benefits.

However, it also has significant environmental and social impacts on local communities. We are working to reduce negative impacts from extraction, including addressing issues relating to Conflict Minerals, human trafficking and rare earth elements.

#### Key issues / impacts

- Water strategy
- Supply chain environmental sustainability
- Sustainable materials
- Global environmental regulation
- Low-carbon strategy
- Emerging market products and services strategy

Since 2011, we have been asking our global production supply base to report their use of Conflict Minerals by material weight.

---

We submitted our first Securities and Exchange Commission (SEC) report on conflict minerals in 2014.

---

#### Key stakeholders

- Suppliers
- Communities
- Ford

## C Logistics / Transportation

This stage includes the transport of parts from our suppliers to our manufacturing plants and of finished vehicles from our factories to our dealerships.

We create value at this stage by providing business and jobs in the transportation and packaging industries. We also work to reduce emissions and waste associated with parts transportation and packaging.

Since 2006, we have been tracking and reporting transportation- and logistics-related GHG emissions; we now track this for all our

However, transportation causes impacts to local communities and the environment, especially in the areas of emissions, waste, traffic and road safety.

#### Key issues / impacts

- Low-carbon strategy
- GHG emissions
- Sustainability vision, governance and management

#### Key stakeholders

- Suppliers
- Ford
- Employees
- Communities

regions and report externally for North America, South Africa, India and Australia.

We are reducing our freight emissions by reducing the number of vehicle miles traveled to deliver parts, as well as improving route efficiencies and switching to lower-emission transport methods.

## D Supplier Parts Manufacturing

Supplier parts manufacturing includes our direct suppliers as well as multiple levels of suppliers who provide components to our direct suppliers.

We add value at this stage by providing business to suppliers, which in turn creates jobs, income and investment in communities. We also add value through extensive efforts to improve the sustainability of our suppliers' operations. We also generate indirect impacts at this stage, primarily in the form of environmental impacts of parts manufacturing and social and economic impacts to local communities based on changes in our supplier base and production levels.

#### Key issues / impacts

- Supply chain environmental sustainability
- Ethical business practices
- Human rights in the supply chain
- Environmental management
- Supplier relationships
- Water strategy
- Supplier viability

#### Key stakeholders

- Suppliers
- Ford
- Communities
- Employees

In 2013, we spent  
**\$100 billion**  
with more than 12,100  
production and non-  
production supplier  
companies globally.

All of our direct suppliers adhere to our requirements on human rights, working conditions and environmental sustainability, as laid out in our Global Terms and Conditions.

To date, Ford's supplier training programs have impacted more than 2,900 supplier representatives, who in turn have cascaded the training information to nearly 25,000 supplier managers and more than 485,000 individual workers as well as over 100,000 sub-tier supplier companies.

## E Ford Manufacturing

Manufacturing at our own facilities is the heart of our business and is, of course, the value chain stage where we create the most direct value and impacts.

In 2013, we employed  
**181,000**

We create value at this stage through employment and investment in the communities where we operate, and through continual efforts to improve the environmental performance of our operations and to ensure human rights and excellent working conditions for our own employees. Our impacts at this stage include the environmental impacts of our manufacturing facilities, as well as the social and economic impacts of our plant operations.

#### Key issues / impacts

- Emerging market products and services strategy
- Environmental management
- Brand reputation/value
- Innovation management
- Emissions and pollutants
- Sustainable mobility
- Energy use/oil consumption
- Health and safety

#### Key stakeholders

- Ford
- Employees
- Communities

people globally.

Also in 2014, we will add

**11,000**

salaried and hourly jobs in the U.S. and Asia combined.

In 2013, we contributed

**\$3.2 billion**

in taxes globally.

Reduced CO<sub>2</sub> emissions from our global operations in 2013 by 15 percent per vehicle produced, compared to 2012.

Also in 2013, we invested

**\$37.7 million**

in local communities through charitable contributions.

## F Sales

The sales stage includes our communications with customers about our products and the work of our global dealer network.

We add value at this stage by providing customers with products that meet their needs and exceed their expectations, and through the employment and investment generated by our dealerships.

#### Key issues / impacts

- Alignment of production with demand
- Product competitiveness
- Emerging market products and services strategy
- Electrification strategy
- Sustainable mobility
- GHG/fuel economy regulation
- Quality
- Low-carbon strategy
- Cleaner vehicle technologies

#### Key stakeholders

- Dealers
- Ford
- Customers
- Investors

In 2013, we sold more than

**6.33 million**

vehicles globally.

Worldwide, we had

**11,772**

Ford and Lincoln dealerships as of year-end 2013.

Use



Most of the direct value and impacts of our products occur during the use stage, when they are being driven by our customers.

We add value at this stage by delivering high-quality, fuel-efficient products that make our customers' lives better. We generate indirect value by supporting the vast network of businesses that benefit from vehicle use – from fuel providers and road builders to less-obvious beneficiaries such as the travel and tourism industry. We generate impacts through the environmental and social impacts of our vehicles, including tailpipe emissions and vehicle and road safety.

#### Key issues / impacts

- Vehicle GHG and other emissions
- Global environmental regulation
- Low-carbon strategy
- Environmental management
- Electrification strategy
- Fuel efficiency/economy
- Sustainable mobility
- Cleaner vehicle technologies and fuels
- Public policy engagement
- Quality
- Emerging market products and services strategy
- Alignment of production with demand
- Product competitiveness
- Brand reputation/value

#### Key stakeholders

- Customers
- Ford
- Communities

Reduced fleet-average CO<sub>2</sub> emissions from our U.S. car fleet by 2 percent and our truck fleet by 3 percent in 2012 compared with 2013<sup>1</sup>.

Reduced fleet-average CO<sub>2</sub> emissions from our European vehicles by 18 percent from the 2007 to 2013 calendar years.

For the 2014 model year, nine Ford Motor Company vehicles earned the highest possible Overall Vehicle Score of five stars in the New Car Assessment Program (NCAP) of the U.S. National Highway Traffic Safety Administration (NHTSA). These five-star vehicles include the Ford Focus, Focus Electric, Explorer, Taurus, Fusion, Fusion Energi and Transit Connect and the Lincoln MKS and MKZ.

For the 2013 Insurance Institute for Highway Safety (IIHS) awards, 13 Ford Motor Company vehicles earned Top Safety Picks from the IIHS: the Ford Fiesta (sedan and hatchback), Focus, Fusion, Taurus, Edge, Explorer, Escape, Flex and F-150 (crew cab) and the Lincoln MKZ, MKS, MKT and MKX.

1. However, our combined corporate average fuel economy decreased by 1.7 percent in 2013 due to increased customer demand for trucks over cars.



## Service

Our dealer network creates value and impacts through their network of vehicle service centers.

We generate direct value at this stage through the employment and investment of dealership service centers, and by working to reduce the environmental impacts of our service processes, such as recycling used parts. We add indirect value by generating demand for replacement parts

As of March 2013, more than **600** dealers in 48 states have participated in our green

and other support services, which in turn provide employment and economic benefits.

#### Key issues / impacts

- Sustainable mobility
- Quality
- Brand reputation/value
- Dealership network viability

#### Key stakeholders

- Dealers
- Ford
- Customers

dealer onsite facility assessment to identify energy- and cost-saving opportunities and become certified to sell our electrified vehicles. More than 200 additional dealers signed up to undergo this process during the remainder of 2013.

In the U.S., 2013 marked the 10-year anniversary of our Core Recovery Program, through which we have been reusing and recycling parts removed at dealership service centers for use in the production of new Ford vehicles. During the last 10 years, the program has saved approximately

**120 million**

pounds of vehicle waste from being buried in landfills or being sent to junkyards.

## 1 End of Life

Our vehicles have impacts and value even after they are done with their useful driving life.

We generate indirect value at this stage by supporting the vehicle dismantling, recycling and disposal industries. (Ninety-five percent of the materials in our vehicles can be recycled or reused.) Our vehicles also have impacts at end of life primarily in the form of waste production.

#### Key issues / impacts

- Hazardous pollutants
- Emerging market products and services strategy
- Risk and cost management
- Waste generation and management
- Sustainable materials
- End-of-life management

#### Key stakeholders

- Recyclers
- Ford
- Communities

In North America, about

**95 percent**

of vehicles that go out of registration are processed by a dismantler or scrap metal recycling facility, with approximately 86 percent of the vehicle by weight recovered for reuse, remanufacturing or recycling.

In Europe, Ford has take-back and recycling networks for Ford brand vehicles in 19 EU markets and participates in collective recycling systems in another 10. All Ford vehicles marketed in Europe are now certified as reaching recyclability of 85 percent and recoverability of 95 percent.





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## Governance

To Ford, governance includes more than simply fiduciary responsibility to shareholders; the concept also encompasses accountabilities regarding our impact on the world and responsibilities toward a diverse set of stakeholders.

Our sound governance and management systems enable us to operate in a transparent and accountable way and to provide effective oversight of all our operations. Our high ethical standards – formalized in company policies and demonstrated by managers at all levels – help us translate our aspirations into action. And importantly, our sustainability-related structures, processes and management systems are integrated into our core business processes.

### Awards and Recognitions

In 2013 and early 2014, Ford received a number of awards and recognitions for our corporate responsibility and sustainability efforts and governance practices.

In 2014, for example, Ford was honored by the Ethisphere Institute – for the fifth year in a row – as one of the World’s Most Ethical Companies. The Ethisphere Institute’s proprietary rating system assesses companies in five core areas: ethical and compliance program; reputation, leadership and innovation; governance; corporate citizenship and responsibility; and culture of ethics.

Also in 2014, Ford was included for the first time on EuroNext Vigeo’s World 120 list, which recognizes companies for their environmental, social and governance (ESG) performance. The rating process for this list includes assessment against 330 ESG indicators. Ford also continued to be listed on EuroNext Vigeo’s list of the top 50 U.S. companies for ESG performance.

Ford’s additional 2014 recognitions included listing on Maclean’s Sustainability inventory of the 50 Most Socially Responsible Corporations in Canada, as well as on the FTSE4Good Index Series. The FTSE4Good Index Series includes companies meeting stringent environmental, social and governance criteria.

In 2013, Ford ranked number 2 on Interbrand’s list of Best Global Green Brands, up from number 15 in 2012. The rankings are determined via an analysis of 83 submetrics across six pillars: governance, stakeholder engagement, operations, supply chain, transportation and logistics, products and services. Also, each brand was evaluated based on how the public perception of its environmental sustainability initiatives matched up to its actual performance.

In addition, Ford was chosen for inclusion in the Tomorrow’s Value Rating for 2013. Tomorrow’s Value Rating analyzes the extent to which companies who are recognized as “sustainability leaders” actually integrate sustainability management into their core business strategy.

Ford was also named one of *Fast Company* magazine’s World’s Most Innovative Companies in 2013, and was included in the Dow Jones Sustainability Index North America. In late 2013, Covalence EthicalQuote, a reputation index tracking 2,800 of the world’s largest companies on corporate responsibility-related topics, named Ford one of the top 20 most “buzzed about” companies, as measured by news headlines pertaining to sustainability and ethics.

Two Ford vehicles – the Ford Taurus and Ford Flex – were named by the Automotive Science Group (ASG) as among the “Best 5” in their class for the 2013 model year, as measured by combined social, environmental and economic performance scores. The ASG assessed more than 1,400 U.S. light vehicles for model year 2013, using a proprietary automotive life cycle assessment platform, the Automotive Performance Index. The Index incorporates social, environmental and economic performance analyses.



**William Clay Ford, Sr.**, who helped steer Ford Motor Company into the modern era as an employee, director and influential member of the Ford family, died on March 9, 2014, at the age of 88. Mr. Ford served as Director Emeritus of Ford Motor Company, and was the last surviving grandchild of the company’s founder, Henry Ford. Mr. Ford served Ford Motor Company for 57 years as an employee and board member, playing a pivotal role in shaping the company for more than half of its 110-year history.

Finally, we were also recognized for our sustainability reporting in 2013. First, an independent survey published by KPMG ranked Ford among the 10 leading global companies for corporate responsibility reporting. The KPMG ranking assessed companies' reporting on seven key criteria: strategy, risk and opportunity; materiality; targets and indicators; suppliers and the value chain; stakeholder engagement; governance of corporate responsibility; and transparency and balance.

Second, the World Business Council for Sustainable Development highlighted Ford's sustainability reporting twice in its own publication on the effectiveness of such reporting: once for disclosures relating to governance and accountability, and again for acknowledging trends and challenges and discussing how those may affect future growth.

We also won several [awards related to diversity](#) in 2013 and 2014. And, our vehicles and engines won several ["green" awards](#).



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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 and how we set, communicate and enforce these standards to employees. In addition, we discuss 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, including our human rights policy
- Ethical Business Practices
- Reporting and Transparency
- Sustainability Governance and Integration



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## Governance and Management Structures

### Board-Level Governance

#### Board of Directors

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

Alan R. Mulally\*, **President and CEO**

Stephen G. Butler\*\*

Kimberly A. Casiano\*\*

Anthony F. Earley, Jr.\*\*

Edsel B. Ford II

Richard A. Gephardt\*\*

James P. Hackett\*\*

James H. Hance, Jr.\*\*

William W. Helman IV\*\*

Jon M. Huntsman, Jr.\*\*

John C. Lechleiter\*\*

Ellen R. Marram\*\*

Homer A. Neal\*\*

Gerald L. Shaheen\*\*

John L. Thornton\*\*

\* Effective July 1, 2014, Alan R. Mulally retires from the Board; Mark Fields named President and CEO and elected a director

\*\* Independent director

#### Board Committees

Audit

Compensation

Nominating and Governance

Sustainability

Finance

#### Policy Documents

Corporate Governance Principles (PDF, 53kb)

Code of Ethics for Board of Directors (PDF, 34kb)

#### Related Links

##### Ford Websites

Committee Charters

### Sustainability Management

#### Vice Presidents

VP, Sustainability, Environment and Safety Engineering

Executive VP, Manufacturing & Labor Affairs

Group VP, Global Product Development

Group VP, Global Purchasing

Executive VP, Global Marketing Sales & Service and Lincoln

#### 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.

#### Policy Documents

Code of Conduct Handbook (PDF, 0.99Mb)

Code of Ethics for Senior Financial Personnel (PDF, 17kb)

#### Related Links

##### This Report

Sustainability Management

Policy Letters and Directives

### Key Business Processes

Business Plan Review

Global Product Development System

Special Attention Review

Ford Production System

ISO 14001 Certification

Order-to-Delivery



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# Corporate Governance – Board of Directors

Ford's Board of Directors is guided by the company's corporate governance principles, code of ethics and charters for each board committee – all of which are publicly available in the [corporate governance](#) section of the Ford website.

The 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 [Sustainability Committee charter](#) is available online.

During 2013, 10 directors served on the Sustainability Committee, which is chaired by Dr. Homer Neal, an independent director. Ford's board 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, the 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, and two are members of minority groups.

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 visit 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 to 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 personnel 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 Human Rights, Basic Working Conditions 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, this code 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. See [Setting Requirements for Sustainability Issues in Our Supplier Contracts and Guides](#) for more information.

Policy Letter 24 covers workplace and recruitment issues such as working hours, child labor and forced labor, health and safety, harassment and discrimination, and freedom of association. 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 fence lines 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 implementing 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 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 considered human trafficking to be a potential element of "forced labor." However, given the 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. See [Forced Labor and Human Trafficking in Supply Chains](#) for more information.

Finally, Policy Letter 24 – consistent with our Global 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. The key community issues include environmental impact, local environmental concerns, social performance, volunteerism, philanthropy, and commitment to all local citizens, indigenous populations and community groups.

We encourage personnel who have a good-faith belief that there may have been a violation of this Policy to report it through established channels or to Ford's Office of the General Counsel. These reports are then forwarded to the Global Manager of Social Sustainability, who takes action to clarify, validate and correct the situation, if necessary. No retaliatory actions are taken against individuals who report concerns about violations of Policy Letter 24.

## Diversity

We are committed to equal opportunity in all aspects of our business and to fostering diversity in our work force. 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 other factors that may be covered by local law. We recognize that diversity in our work force 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 help set ethical standards within Ford. It is our policy to never pay bribes nor to allow others to pay bribes on our behalf, and to comply fully with the laws of each country in which we do business. Our personnel are directed to immediately report any requests or solicitations for an improper payment through our company reporting system.

## 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 the [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 employee health and safety and the global environment make it clear that sustainable economic development is important to the future welfare of Ford and society in general. Protecting these things is an important consideration in the business decisions we make and an integral part of our business planning processes. Our products, services, processes and facilities are planned and operated to incorporate relevant objectives and targets that 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

We encourage responsible employee participation in social media – such as Facebook, Twitter and Flickr, as well as blogs and other web-based discussion forums – 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 work force about the use of social media and the need to communicate honestly and respectfully in connection with our business.

[Home](#) > [Our Blueprint for Sustainability](#) > [Governance](#) > [Sustainability Governance](#) > **[Policy Letters and Directives](#)**





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## Working Conditions in Ford Plants

Ford's Policy 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility applies to our own facilities as well as those of our joint venture partners and suppliers. Since 2004 we have conducted formal assessments of Ford and joint venture facilities globally. During 2011, we revised Policy Letter 24 and did not conduct any assessments. In 2012, we conducted three assessments, and in 2013, we conducted five.

Sites are selected for assessment by Ford's Sustainability and Vehicle Environmental Matters (SVEM), Global Labor Affairs, and Purchasing Supply Chain Sustainability functions based on the site's 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 are then published within our [sustainability report 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.

We continue to receive 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 section on [Human Rights in the Supply Chain: Ford's Approach](#).



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## Ethical Business Practices

Our Corporate Compliance Office ensures the company has a comprehensive program to promote the company's culture of compliance and ethics within our dynamic global business. The Corporate Compliance Office is part of Ford's Office of the General Counsel and works with many other areas of the company to ensure an effective compliance program. Our compliance program is overseen by a committee of senior management and the Audit Committee of the Board of Directors.

The compliance program raises awareness of the company's commitment to ethical practices, helps define corporate guidelines to operations 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 legal risk assessments, and provides training and education on key legal and ethical risk areas. The Corporate Compliance Office works with outside consultants to review different aspects of the compliance program and implements appropriate improvements. In the past two years, the company's Code of Conduct Handbook and risk assessment process have been externally reviewed. Currently, our Corporate Compliance Office is working to set up comprehensive, region-specific compliance systems in our newest region, Ford Middle East and Africa.

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 personnel. 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 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 non-manufacturing employees and most contract personnel around the world are required to certify that they have reviewed the Handbook.

### Training

To reinforce information contained in the Code of Conduct Handbook, we introduce new mandatory online training courses on a regular basis for our global nonmanufacturing 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, such as bribery. Recent courses have also covered the topic of protecting personal and company information. A new Code of Conduct online

training course was introduced in December 2012. As of April 8, 2014, nearly than 95,000 individuals, or approximately 91 percent of those invited, had completed the course.

## Reporting Violations

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 work force and contract personnel are regularly reminded of their responsibility to report any known or suspected violation of the law or company policies. 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, Human Resources, 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 work force can centrally report. In addition, non-manufacturing employees must either report potential conflicts of interest, or attest (annually) that they do not have any conflicts of interest to 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.

## Anti-Bribery/Anti-Corruption

Part of Ford's philosophy as a company is to manufacture products close to where our consumers are located. We have 65 plants worldwide, and all of the countries in which these plants are located have their own business-related laws, with varying levels of enforcement and differing cultural norms. It's essential to us that we conduct our business according to the highest ethical standards in every location in which we operate, and that we not acquiesce to local norms where those norms do not meet our high standards. We have clear policies in place relating to bribery and corruption, as well as procedures for reporting any breaches of those policies.

In 2012, we strengthened the anti-bribery/anti-corruption portions of our Global Terms and Conditions for non-production suppliers. In 2013, we expanded those same stronger provisions to the Global Terms and Conditions for production suppliers. Furthermore, we worked with one of our joint ventures in Asia to enhance their anti-bribery policies. In 2012 and 2013, we had portions of our anti-bribery program tested at several global locations, to be sure our anti-bribery program is effective in each area of the globe. We also continued to train key individuals throughout the company – those who may encounter bribery or corruption issues in the course of their work – in how to recognize and avoid problems.



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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 of our reporting to stakeholders. A key part of our reporting strategy has been a materiality analysis, 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 2013. We use the analysis to focus our reporting on those issues determined to be most material to the company over a three- to 10-year time horizon. This report discusses in detail the issues identified as most material, while also covering other sustainability issues of importance to Ford and our stakeholders.

## 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 UNGC 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 continued to take steps to produce more targeted audience-, location- and subject-specific sustainability communications. For example, we produce an eight-page [executive summary](#), to share at events (such as ride-and-drives) for those who want a brief overview of our efforts and progress. And, beginning with our 2011/12 Sustainability Report, we increased our coverage of regional issues with [regional reports](#) for Asia Pacific Africa, Europe and South America.

## 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](#).

Over the years, our Sustainability Reporting has been recognized for its quality. Ford's 2009/10 Sustainability Report was a finalist in the 2010 Ceres/Association of Chartered Certified Accountants (ACCA) North American Sustainability Reporting Awards. 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. Ceres suspended the awards program in 2012.

As noted on the [Governance landing page](#), in 2013 an independent survey published by KPMG ranked Ford among the 10 leading global companies for corporate responsibility reporting.



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# Sustainability Governance and Integration

At Ford, 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-Level and Executive-Level Responsibility:** Ford's governance of sustainability issues build 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 Sustainability & Vehicle Environmental Matters group, the Environmental Quality Office, the Vehicle Homologation & Compliance group and the Automotive Safety Office.
- Dedicated Sustainability Function:** Ford's Sustainability & Vehicle Environmental Matters organization 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. In 2013, this organization took steps to build a network of individuals from across the company – in a broad array of functions – who have sustainability-related responsibilities. Participants in this network will share information about best practices, policies, metrics, targets and other sustainability issues.
- 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. Also, Product Development is taking the lead on the company's sustainable mobility efforts; Global Purchasing is addressing supply chain sustainability issues such as conflict minerals, water and human rights; and Ford Land and Manufacturing & Labor Affairs personnel are implementing energy-efficiency and water-reduction efforts in our buildings and plant facilities. 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 helped us transition to the use of office paper with post-consumer recycled content.
- 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:** We continue 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 bonuses 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.
- **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, including, for example, Policy Letter 24: 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 – and on the key sustainability issues of environmental and climate change management. (Our systems for supply chain management are discussed in the [Supply Chain](#) section.)

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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 improve fuel economy, has been translated into fuel economy targets for each new vehicle. 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, we have committed that for each of our new or significantly refreshed vehicles, we will continue to offer a powertrain with leading fuel economy. We are following 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.

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 life cycle 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 a Design for Sustainability (DfS) approach to maximize the environmental, social and economic performance of our vehicles early on in the product conception and development process. Our Product Sustainability Index is our primary tool for incorporating DfS principles into our vehicles. For more information on this process please see [Applying Life Cycle Analysis](#).





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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.

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](#)). 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.

Our manufacturing management team translates our comprehensive [global environmental targets](#) into annual regional- and facility-level targets, which differ depending on the relevant regulations and financial and production constraints in each region. We develop our targets through a comprehensive process that considers past performance, future regulation trends, environmental technology advances, financial conditions and other relevant factors. Progress against these targets is reviewed regularly by all levels of management.

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. In 2013, we implemented a complementary [Energy Management Operating 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, all other regions (South America, Europe, and Asia Pacific Africa) share single-group certifications. Group certification saves time and money, with no degradation in plant environmental performance.

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 on our environmental management systems, see [Facilitating and Measuring Progress](#). For more on our plant development standards, see [Green Buildings](#). And for information on our plans to develop plants in Asia, please see [Focus on Asia](#).



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# Climate Change Governance

The climate change issue is managed through governance systems at all levels of the company. The Sustainability Committee of our Board of Directors regularly reviews Ford's actions related to climate change.

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. See the [Climate Change](#) section for more information on how we are managing this critical issue.



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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, human rights, trade, tax policies, education and vehicle safety, among others – we strive to be part of the solution by supporting 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. The Ford policies discussed in this section are outlined in our [Code of Conduct Handbook](#), 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 supports 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 as a matter of policy, but may do so in limited cases in some non-U.S. countries where it has operations. Company resources are not employed 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 fully respect 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 U.S. The company pays the solicitation and administrative expenses of the Ford PAC, 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 2013 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 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. Two important topics are not addressed here: Climate change policy is discussed in the [Climate Change Policy and Partnerships](#) section, and policy regarding sustainable raw materials is discussed in the [Sustainable Raw Materials](#) section.

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- ↓ Undesirable Chemicals
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## Non-CO<sub>2</sub> Tailpipe Emissions

In the U.S., the 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. California finalized Low Emission Vehicle III Standards in 2012, and the EPA issued Tier 3 emissions and fuels standards in early 2014.

We will continue to work 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, affordable technologies.

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## Undesirable Chemicals

The European Union's REACH program (Registration, Evaluation, Authorization and restriction of CHEMical substances) regulates and seeks to phase out chemicals of concern. More and more countries have adopted similar regulations, including Turkey, Romania, China, Japan, Taiwan, South Korea and Canada.

In the U.S., the Senate and House have both proposed bills since 2010 to overhaul the Toxic Substances Control Act, which was first enacted in 1976, but to date none have passed. The state of California passed a "safer consumer products" law (the Green Chemistry Initiative), which took effect in late 2013, which will require manufacturers of selected products (so called "priority products") sold in California to identify safer alternatives to a potential range of 1,200 chemicals known to be harmful to public health and the environment. The California law will also phase in a requirement that manufacturers whose priority products contain listed chemicals of

concern must conduct an “alternative assessment” and replace the chemicals of concern with safer alternatives, or explain to state regulators why the chemicals of concern are needed and warn consumers or undertake steps to mitigate the public’s exposure to those substances. Vermont has proposed a similar green chemistry law, which has not yet passed but is expected to. The California law and the Vermont bill, with their requirements of alternative assessments, go beyond REACH-like statutes, which mandate simply removing or phasing out substances of concern.

In January 2009, the United Nations implemented regulations requiring a globally harmonized system (GHS) of classification and labeling of chemicals. In the U.S., implementation of the GHS requirements starts with employee training, which must be completed by the end of 2013. By June 1, 2016, employers must be in full compliance with the revised Hazard Communication Standard (HCS), including complete training of employees on new hazards and/or revisions to workplace hazard communication programs.

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 a critical driver of economic growth, providing jobs and tax revenue, creating new products and technologies, and promoting overall prosperity. About 70 percent of all the research and development investment in the U.S. comes from the manufacturing sector. Ford alone spends \$5 billion on research and development annually. 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 and sustainability.

A variety of policy areas impact the success of U.S. manufacturing, and it is important that Ford informs U.S. policy makers shaping a climate for economic growth, regulatory certainty and a strong foundation for U.S. exports. Integrated elements of a competitive U.S. manufacturing agenda include the following:

- **Corporate tax reform:** The U.S. has the highest corporate tax rate among developed countries. A lower rate allows U.S. companies to compete on a level playing field and frees up capital that can be reinvested in new products, technologies and manufacturing innovation.
- **Regulatory efficiency and certainty:** Ford’s continued investment in the U.S. is enhanced by a stable and predictable regulatory environment for safety, fuel economy and greenhouse gas emissions that balance our shared policy goals, economic realities and consumer acceptance. A performance-based, data-driven approach to regulation is critical as we develop emerging technologies such as vehicle-to-vehicle communications and driver assist features. We need efficiency in the regulatory process that provides certainty and avoids a patchwork of state regulations that can undermine efficiency – often with no societal or environmental benefit. When multiple regulators exist, we need to work together to ensure that we ultimately develop standards that are achievable and consistent with one another so that compliance costs are minimized.
- **Trade:** Ford has supported every free trade agreement approved by the U.S., and Ford is the leading vehicle exporter in the U.S. As noted below, we support strong free trade policies – enabling market access and prohibiting currency manipulation. In addition, trade agreements also can help shape and harmonize regulations. A U.S.–E.U. trade agreement that pursues regulatory harmonization and mutual recognition of standards would enhance both regions’ competitiveness in today’s global marketplace.
- **Training and Education:** We need to continue training our work force and encourage education in math, science and engineering if the U.S. is to remain competitive and innovative. In our hourly work force, continued “up-skilling” is critical to maintaining our competitive performance. Existing federal training programs should be flexible, work closely with states, and prioritize incumbent worker training.



## 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 in 2012 increased from the historic lows of 2011. (Early estimates from the U.S. National Highway Traffic Safety Administration project that traffic fatalities in 2013 declined to nearly the 2011 level.)

At Ford, we take our commitment to safe driving seriously and recognize that driver distraction is an important safety issue. Extensive research shows that manually operating electronic devices, such as cell phones, that are not integrated into the vehicle can divert a driver's eyes from the road and cause drivers to take their hands off the steering wheel, increasing the risk of a crash substantially. That is why Ford pioneered the use of hands-free, voice-activated technology to help drivers keep their hands on the wheel and eyes on the road. It is also why Ford was the first automaker to support a national ban on the use of hand-held devices while driving; we also support graduated driver license programs that restrict cell phone use and text messaging by new drivers, as discussed below. We go further by educating young drivers across the country about safe driving techniques through our Driving Skills for Life program. And we try to lead by example; Ford has a corporate policy prohibiting the use of hand-held mobile devices while driving company-owned vehicles.

Ford is rapidly expanding its research on connected vehicles that can wirelessly talk to each other, when appropriate, to warn of potential dangers, to enhance safety and identify impending traffic congestion for more efficient driving. Ford participates in field tests in the U.S. and Europe to aid in the development of these next-generation vehicle-to-vehicle and vehicle-to-infrastructure communication technologies. We are also working closely with governments, standards organizations and other automakers globally to develop harmonized standards around the world to help deliver these technologies as quickly, safely and affordably as possible.

Ford strongly supports Graduated Driver Licensing (GDL) programs in the U.S. as a means of helping to reduce crashes, injuries and fatalities involving novice teen drivers. The most effective GDL programs require a minimum learner permit age of 16, an intermediate license until age 17, and at least 65 hours of supervised training, in addition to prohibiting night-time driving after 8 pm and banning all teenage passengers for intermediate drivers. All U.S. states have adopted some level of GDL requirements, though not all states have chosen to adopt all GDL elements. Ford encourages every state and the District of Columbia to adopt strong GDL programs, including information on safety belt use and the dangers of impaired and distracted driving.

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

## 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. As discussed on the [Policy Letters and Directives](#) page, our commitment to human rights is embodied in our Policy Letter 24: Code of Human Rights, Basic Working Conditions, and Corporate Responsibility.

In 2008, we 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, we have 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.

Several states have passed local legislation to prevent human trafficking, and we are watching for a federal regulation. Ford supports the underlying goals of human rights legislation, and where appropriate, we are 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 Africa, sales in all key global markets and a global supply chain that moves parts worldwide, we are a strong supporter of trade liberalization. Free trade is foundational to our business model. In fact, the auto sector is the largest exporter of goods in the U.S., and Ford is the largest exporter within the sector.

Ford has supported every free trade agreement (FTA) ratified by the U.S. government since the U.S. first began free trade negotiations in the mid-1960s.

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; and
- Enables U.S. manufacturing to compete on a level playing field against the best competition from around the globe.

Finally, we believe 21<sup>st</sup> century trade deals should work to remove 21<sup>st</sup> century trade barriers. The elimination of trade-distorting policies such as currency intervention and manipulation must be included in 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 21<sup>st</sup> century work force. 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 economy. See the [Investing in Communities](#) section for more information on the programs we support.

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## Electrification

As advanced technology vehicles – such as hybrids, plug-in hybrids and all-electric 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 (SAE), with Ford's participation, successfully aligned all original equipment manufacturers (OEMs) on a standard charge connector and communication protocol that enables all plug-in vehicles to use common charge points. This allows all public charge stations to be compatible with all vehicle manufacturers' products. For Ford, it enables our plug-in vehicles to charge a fully depleted battery in 2.5 to 3.5 hours. The same approach is under consideration in Europe and China. For faster charging, the SAE (again with Ford's participation) also approved a standard plug and interface to enable future equipped vehicles to charge their battery in 20 minutes or less. In Europe, the standards organizations adopted this same "fast-charge" framework, called the DC Combo System. Ford continues to participate in standards work to harmonize wireless charging globally.

Ford is also working with other OEMs and suppliers to provide a common database of charge point locations for display within vehicles' navigation systems. And, we and the industry are working collaboratively with the Obama administration and the U.S. Congress to address the challenges associated with the deployment and commercialization of electric-drive vehicles and infrastructure. In 2013 we signed onto the U.S. Department of Energy's pledge to increase vehicle charging infrastructure available in workplaces across the country in January 2013. As part of this program we are installing 200 electric vehicle charging stations at Ford facilities in the U.S. and Canada in 2014.

We have also taken a standards approach in the design of the Ford-branded charge stations from Leviton or AeroVironment. These charge stations not only meet the standards referenced above, but work 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. In Europe, a similar relationship has been established with Schneider Electric consistent with our European deployment of electrified vehicles.

See [Electrification: A Closer Look](#) for more information about our collaborative approach to encouraging the development of electric vehicles.

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Go Further

SUSTAINABILITY REPORT 2013/14

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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## Our Blueprint for Sustainability

Overview

Our Strategy

Materiality Analysis

Our Value Chain and Its Impacts

### Governance

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.



## Employees

As of year-end 2013, we employed approximately 181,000 individuals and had 65 plants around the world. (Included in the number of plants are those of our consolidated joint ventures.) 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.

**181,000**  
Employees

## Customers

Ford's customers make us who we are. In 2013, we sold more than 6.3 million vehicles to our customers worldwide.

**6.3 Million**

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.

## Vehicles

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### 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 U.S. alone employed 170,000 individuals at the end of 2013, with an annual payroll of more than \$7 billion. Worldwide, we had 11,772 Ford and Lincoln dealerships at the end of 2013.

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11,772  
Dealers

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### Suppliers

Suppliers are an integral part of our business, and our success is interdependent with theirs. We rely on 1,100+ global production suppliers to provide many of the parts that are assembled into Ford vehicles. Another 11,000+ supplier companies provide a wide range of nonproduction goods and services, from industrial materials to computers to advertising.

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.

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Over  
\$100 Billion  
Annual Buy

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### Investors

Our success as a company directly affects our approximately 144,000 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.

We continue to maintain open communication with the investment community. We regularly host conference calls and participate in key automotive conferences during the year. During 2013, Bob Shanks, Ford's chief financial officer, held a special briefing for investors and the media to discuss details of the 2012/13 Sustainability Report and answer questions. 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.

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143,770  
Stockholders

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### 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.

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65  
Plants Worldwide

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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 REPORT 2013/14



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Stakeholder Engagement

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. On the increasingly important issue of water availability, for example, we held a "[water futuring](#)" [workshop](#) in 2013 with approximately 40 of our employees and outside stakeholders, to examine scenarios about water in the years ahead. Stakeholder input has also been critical to the development and testing of our approach to [human rights](#) and [carbon dioxide reductions](#), among other issues.
- 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 [Communities](#) 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 and advanced product reveals 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
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### Communities/Society

65 plants worldwide\*

- Community Relations Committees
- Interactions with governments
- Membership in associations
- Dialogues with nongovernmental organizations

\*Includes our Genk Assembly Plant, which will close at the end of 2014; does not include two plants in the U.K. that closed during 2013.

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## Investors

143,770 stockholders\*

\*Common stockholders as of February 7, 2014.

- Investment community forums
- Quarterly earnings communications
- Annual shareholders' meeting
- Annual report
- Proxy statement
- SEC filings (e.g., 10-K, 10-Q, 8-K)

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## Customers

6.3 million vehicles

- Consumer Insight process
- Customer care programs
- Dealer interactions

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## Suppliers

- 1,100+ production suppliers
- 11,000+ nonproduction suppliers
- Over \$100 billion annual buy

- 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

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## Dealers\*

- Ford: 10,707
- Ford-Lincoln (combined): 880
- Lincoln: 185
- Total: 11,772

\*Worldwide dealerships, as of December 31, 2013.

- Intranet communications
- Brand sales and service representatives
- Brand Dealer Councils
- Dealer roundtables
- President's Circle
- Salute to Dealers
- Advertising and public service announcements

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## Employees

Approximately 181,000 employees\*

\*As of December 31, 2013

- Town hall meetings
  - Labor/management committees
  - Pulse survey
  - Union representation
  - Intranet surveys and chats
  - Executive Diversity Council
  - Local Diversity Councils
  - Employee Resource Groups
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