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Voice: Kelly Katynski



Supply Chain

Ford's suppliers are critical allies in helping us to achieve success in the marketplace and meet our sustainability goals. The basis of our work with suppliers is the Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility, which applies to our own operations as well as our \$100 billion supply chain.

Read more about [OUR APPROACH TO SUPPLY CHAIN SUSTAINABILITY](#)



OUR APPROACH TO CONFLICT MINERALS

To the extent conflict minerals (tin, tungsten, tantalum and gold) are contained in our products, it is Ford's goal to use DRC conflict-free minerals while continuing to support responsible in-region mineral sourcing from the Democratic Republic of the Congo (DRC) and adjoining countries. Our suppliers are expected to conduct due diligence to understand the source of the conflict minerals used in Ford products, source responsibly, and not knowingly provide products containing minerals that contribute to conflict.

Read more about [CONFLICT MINERALS](#)

OUR GOALS AND PERFORMANCE PROGRESS



Goal: Encourage our key production suppliers to introduce codes of conduct aligned with international standards and Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility; develop robust management and compliance systems to support their codes; and extend these expectations to their own suppliers.

Approximately 80% of our production Aligned Business Framework (ABF) suppliers have demonstrated that they have codes of conduct in place that are aligned with international standards. Approximately 45% of our ABF production suppliers have demonstrated that they have met all three Ford milestones.



Goal: Help suppliers build their capacity to manage supply chain sustainability issues through factory-level and management training on working conditions, human rights, ethical business practices and environmental responsibility; and require participating suppliers to cascade training information to their own employees and suppliers.

In 2013, we trained more than 230 Ford suppliers in Brazil, Mexico, Turkey, Romania and South Africa.¹ The global total of Ford suppliers trained since program inception is nearly 2,100.²



Goal: Assess the carbon footprint of Ford's supply chain to inform the development of a broad-based carbon management approach for our supply chain.

We surveyed 145 suppliers in 2013 (up from 135 in 2012, 128 in 2011 and 35 in 2010) regarding greenhouse gas emissions, and achieved an 89% voluntary response rate.



Goal: Source at least 10% of U.S. purchases from minority- and women-owned businesses annually.

We purchased \$6.5 billion in goods and services from approximately 250 minority-owned suppliers and \$1.8 billion in goods and services from more than 150 women-owned businesses, our fourth consecutive year of improvement.

See more at [FORD'S GOALS, COMMITMENTS AND STATUS](#)



ASSESSING SUPPLIERS

Human rights and working conditions is a prime area of focus for our sustainability work with suppliers. Since 2003, we have conducted more than 900 third-party audits of existing and prospective Tier 1 suppliers in 21 countries on issues relating to ethics and human rights and working conditions.

Read more about [ASSESSING SUPPLIERS](#)



[FORD'S APPROACH TO CREATING A SUSTAINABLE SUPPLY CHAIN](#)

We promote long-term relationships with our suppliers and seek alignment with them on sustainability-related issues such as human rights, working conditions and environmental responsibility. We leverage our supply chain to make a positive impact in the markets in which we do business.



Voice: [KELLY KATYNSKI](#)

Supply Chain Sustainability Manager, Conflict Minerals Compliance, Ford Motor Company

"Not all mining from the Congo is contributing to conflict. There are many responsibly run operations whose workers depend on mining of these minerals to support their families. It is important that actions taken by Ford and our suppliers do not disadvantage responsible mining operations in the region."



LOGISTICS OPERATIONS

Ford's physical logistics operations provide the safe and efficient transport of parts from our suppliers to our manufacturing plants and of finished vehicles from the end of our assembly lines to our dealerships. Although logistics accounts for a relatively small percentage of our vehicles' total lifecycle emissions, we are working hard to maximize the efficiency of these operations to reduce their environmental impact.

Read more about [LOGISTICS OPERATIONS](#)



SUPPLIER DIVERSITY

Ford launched its Supplier Diversity Development program in 1978 with the goals of supporting minority- and women-owned businesses, creating business opportunities for diverse suppliers to grow into profitable enterprises, and further strengthening the Ford supplier network to reflect the company's workforce and customer base. Since that time, we have sourced more than \$70 billion to minority-, women- and veteran-owned businesses.

Read more about [SUPPLIER DIVERSITY](#)

2013 HIGHLIGHTS



485,000

of our suppliers' workers have been impacted by our supply chain sustainability training program since its inception in 2006.



6

the number of work groups Ford chairs or co-chairs at the Automotive Industry Action Group, or AIAG, a North American, member-based, nonprofit industry group specializing in supply chain issues.

1. Trainings in Brazil, Mexico, Turkey and South Africa were joint industry trainings coordinated through AIAG. Trainings in Romania were held in conjunction with CSR Europe.
2. This figure includes suppliers trained in Ford-led and joint industry trainings.



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Overview

The automotive supply chain is one of the most complicated of any industry. Automakers like us rely on thousands of suppliers to provide the materials, parts and services necessary to make our final products. (See [Supply Chain Profile](#).) Many suppliers serve numerous automakers, and each of those suppliers, in turn, has multiple suppliers. There are often six to 10 levels of suppliers between an automaker and the source of raw materials that eventually enter the manufacturing process. The breadth, depth and interconnectedness of the automotive supply chain make it challenging to effectively manage business and sustainability issues.

In today's economic environment, achieving lower costs, improving quality and meeting sustainability goals require an unprecedented level of cooperation with suppliers, as well as strong supplier relationships. Ford and its suppliers must work jointly to deliver great products, have a strong business and make a better world.

This section describes our overall approach to developing a sustainable supply chain, including building strong relationships with our suppliers, developing supplier capability to manage sustainability issues, and collaborating with others in our industry on supply chain sustainability. It also describes our efforts to:

- Support human rights and working conditions in our supply chain;
- Address forced labor and human trafficking in supply chains and the California Transparency in Supply Chains Act of 2010 (SB657);
- Promote environmental sustainability in our supply chain;
- Address conflict minerals in our supply chain;
- Promote diversity among our suppliers; and
- Reduce the environmental impacts of our logistics operations.



ASSESSING SUPPLIERS

Since 2003, we have conducted more than 900 third-party audits of existing and prospective Tier 1 suppliers on issues relating to ethics and human rights and working conditions.



SUPPLIER DIVERSITY DEVELOPMENT

In 2013, we exceeded our goal to source at least 10% of U.S. purchases from minority- and women-owned businesses annually.



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Supply Chain Profile

Production

Products that become part of the vehicle

60+
Countries in which suppliers are located



1,100+
Supplier companies (Tier 1)



36
Emerging markets in which suppliers are located



4,100+
Supplier manufacturing sites (Tier 1)



21
Countries considered to have risks of substandard working conditions. These countries were identified as higher risk based on consultation with nongovernmental organizations, other companies with human rights experience, local Ford operations and various media and government reports



130,000
Parts currently being manufactured



500
Production commodities to manage



65
Ford manufacturing sites



Non-Production

Products and services that do not become part of the vehicle, such as construction, computers, industrial materials, health care, machinery, transportation, advertising

11,000+
Supplier companies



650+
Non-production commodities



Total global buy

\$100+ billion¹



1. This figure was accidentally understated in this section of last year's report at \$75 billion. The actual figure for 2012 was \$90 billion.



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Creating a Sustainable Supply Chain: Ford's Overall Approach

At Ford, we promote long-term relationships with our suppliers and seek alignment with them on sustainability-related issues such as human rights, working conditions and environmental responsibility. We work to ensure that Ford and our suppliers have management systems in place to mitigate potential risks, ensure continuity of supply and improve the overall sustainability of the complex global automotive supply chain. Our aim is to leverage our supply chain – and our industry – to make a positive impact in the markets in which we do business.

We take a three-pronged approach to creating a sustainable supply chain and managing sustainability issues throughout our supply chain:

- Building strong relationships with suppliers and engaging strategic suppliers:** Strong relationships improve our ability to encourage and influence the sustainability goals and management processes of our suppliers. We base supplier relationships on open communication, clear expectations and consistent requirements and processes. We have developed an Aligned Business Framework (ABF) with our most strategic suppliers, which helps to improve quality, drive innovation and encourage shared commitment to sustainability goals. We work with our ABF suppliers at the corporate level to align and enhance approaches on a range of sustainability issues.
- Developing shared commitment and supplier capability:** We seek to foster a shared commitment to sustainability throughout our supply chain and to help our suppliers build the capability they need to manage sustainability issues internally and throughout their own supply chains. We do this through dialogue and engagement, training, contract requirements, compliance assessments and, where necessary, remediation at individual factories.
- Working on cross-industry initiatives:** To influence and achieve lasting change at all levels of the automotive supply chain, we are leading in this work with our counterparts in the automotive industry to develop common approaches on a full range of sustainability issues. We do this work through the Automotive Industry Action Group and other industry and cross-industry initiatives.



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Expanding Impacts on Our Supply Chain

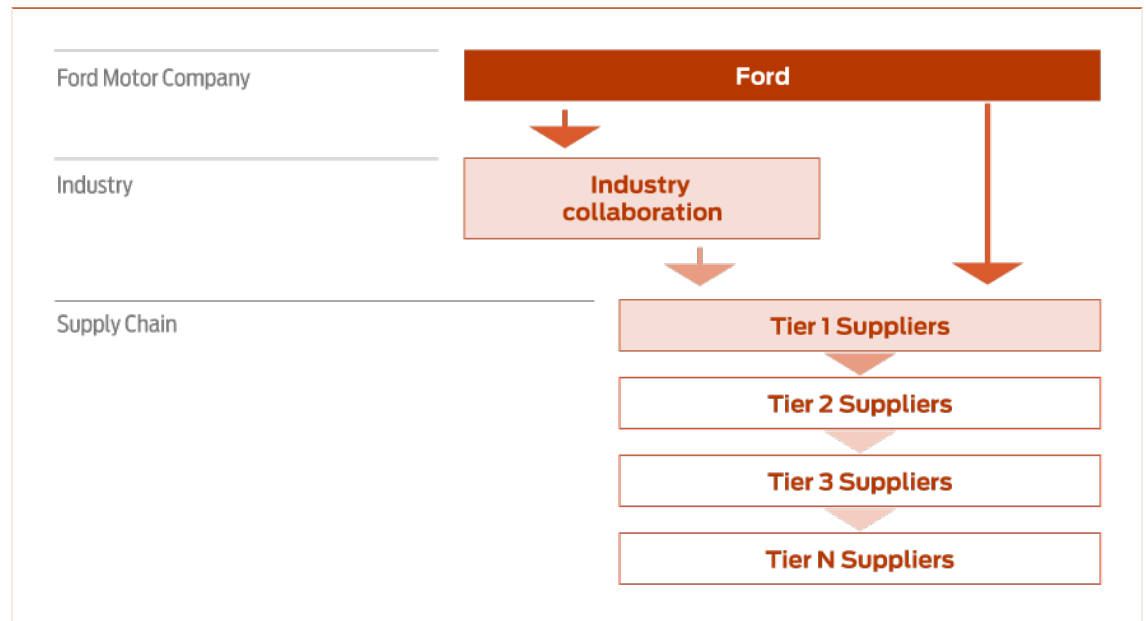
The graphic below illustrates how we are working toward our vision using a [three-pronged approach](#) to expand our impact throughout our supply chain and the industry as a whole. We work on multiple levels to increase the impact of our efforts.

Initially, we focused on working toward our sustainability vision within our own operations. For example, we began our work on human rights and working conditions by developing our own code of conduct for these issues, training our own workforce and assessing our own facilities. But we also work to deliver our goals and vision throughout our supply chain by collaborating with other manufacturers in the industry and working with our suppliers. We work with others in our industry to develop common expectations and guidance for suppliers and to provide consistent training. All of our direct (Tier 1) suppliers are subject to our Global Terms and Conditions, which require that both our own suppliers and their sub-tier suppliers meet specific sustainability expectations. Additionally, we provide training to our Tier 1 suppliers to help them build their capability to manage sustainability issues, and we require that our suppliers cascade the training to their own suppliers. We also perform assessments of supplier facilities to ensure compliance.

Related links

This Report

- [Human Rights in the Supply Chain: Ford's Approach](#)
- [Conflict Minerals](#)
- [Supply Chain Environmental Management](#)



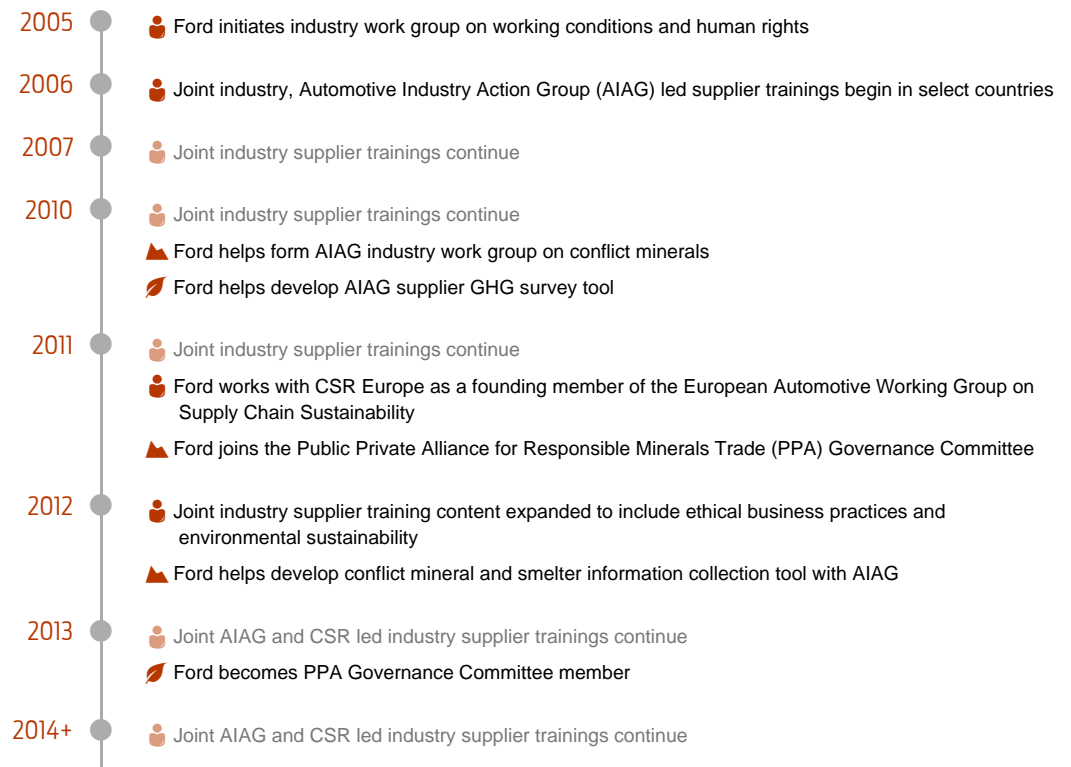
Key: Human rights and working conditions Conflict minerals Supplier environmental management

Ford Motor Company

- 2003 Code of Basic Working Conditions introduced
 Internal facility working condition assessments begin
- 2007 Ford adds commitments on community engagement and indigenous populations, bribery and corruption and environment to Code and makes it a formal Policy Letter
- 2009 Ford begins road testing World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Scope 3 emissions protocol

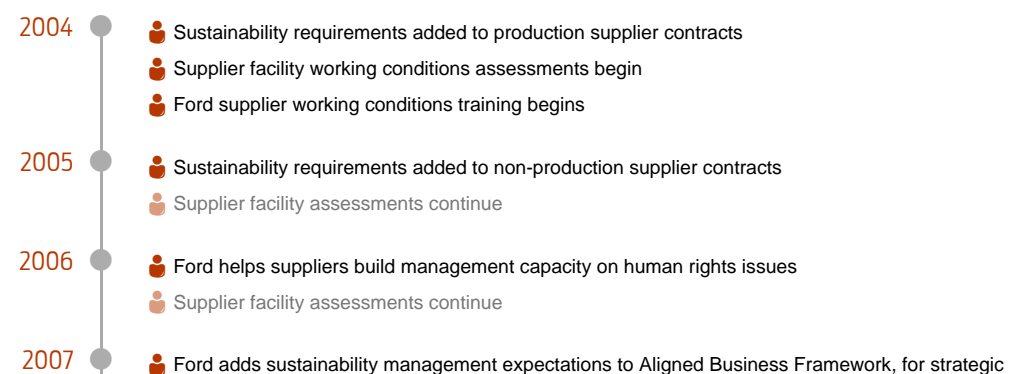


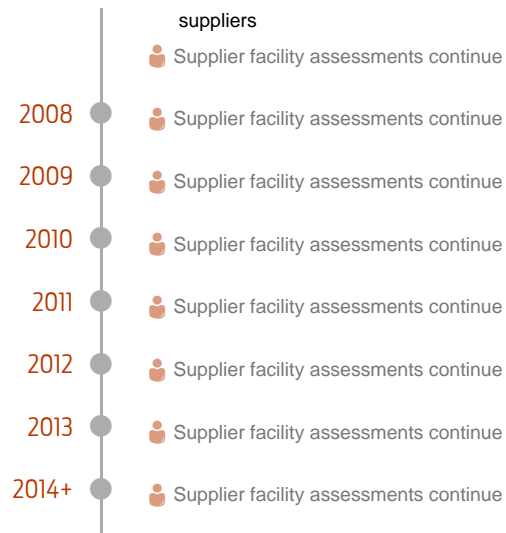
Industry Collaboration



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Tier 1 Suppliers





Tier 2 Suppliers





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Building Stronger Relationships

Building strong relationships with suppliers is central to our ability to create a sustainable supply chain. Without strong relationships, we lessen our ability to influence the sustainability goals and management processes of our suppliers. We base our relationships with suppliers on open communication, clear expectations and consistent requirements and processes.

We work to maintain these relationships by:

- Deploying a single, global product-creation process that combines aggressive execution of product plans with minimal variances
- Enhancing process and part stability, commonality and reusability
- Providing real-time performance data to our supply base
- Providing suppliers with greater access to senior Ford managers in small group settings
- Improving order fulfillment
- Engaging suppliers in discussions about process stability, incoming quality and corporate responsibility

Engaging Strategic Suppliers Through Our Aligned Business Framework

In addition to the efforts we make to build relationships with all of our suppliers, we engage even more robustly with our most strategic suppliers, through our Aligned Business Framework (ABF). We introduced the ABF for our most strategic suppliers in 2005, to improve quality, drive innovation and help us encourage shared commitment to sustainability goals. Through our ABF program, we help our Tier 1 suppliers develop the capability to manage their own supply chain sustainability issues.

We sign bilateral agreements with our ABF suppliers that comprehensively and formally spell out business commitments. For example, ABF suppliers must commit to manage and assure proper working conditions and responsible environmental management in their facilities and their supply chains. All suppliers, including our ABF suppliers must adhere to our [Global Terms and Conditions](#). Requiring suppliers to commit to these terms reduces the risk of operational or reputational issues that could affect production and provides the basis for Ford to work with suppliers to ensure responsible behavior throughout our supply chain. See the [Building Shared Commitment and Capability Throughout Our Supply Chain](#) section for more on how we engage ABF suppliers on sustainability issues.

Ford's ABF Suppliers

As of May 2014, the ABF network included 106 companies, including 80 production and 26 nonproduction suppliers from around the world. Minority- and women-owned suppliers make up more than 10 percent of the total.

ABF Production Suppliers

- Akebono
- Asahi Glass Co. Ltd.
- Autoliv
- Automotive Lighting
- Autoneum
- Axalta
- BASF Corporation
- Johnson Controls Inc. (JCI)
- Johnson Matthey
- Kautex Textron GmbH & Co. KG
- Key Safety Systems
- Kiekert
- KSPG Group
- Lear Corporation

- Benetler Automobiltechnik GmbH
- BorgWarner Inc.
- Bosch
- Brembo
- Brose
- Central Glass America Inc.
- Continental Tires
- Cooper-Standard Automotive Inc.
- Dakkota*
- Dana Holding Corporation
- Delphi
- Denso
- Detroit Manufacturing Systems*
- Detroit Thermal Systems*
- Diamond Electric Mfg. Group
- Citic Dicastal Wheel Manufacturing
- Eisenwerk Brühl GmbH
- Faurecia
- FCC (Adams) LLC
- Federal-Mogul Corporation
- Flex-N-Gate*
- Foster
- GETRAG Ford Transmissions (Getrag/Ford Joint Venture)
- GKN
- Grupo Antolin*
- Hankook
- Hella
- Hitachi-Clarion
- HUSCO Automotive
- IAC
- Inalfa Roof Systems
- Inergy
- Linamar
- Magna International Inc.
- MANN+HUMMEL
- Martinrea International
- Maxion Wheels
- Metalsa
- Michelin Automotive Tires
- Mitsubishi Electric USA
- Muhr und Bender KG
- Neapco
- Nematik
- PPG Industries
- Panasonic (Sanyo)
- Piston Automotive* LLC
- Pirelli Tires
- Prime Wheel*
- Ronal Wheels
- Samvardhana Motherson Group
- Sharp
- Sonavox Audio Solutions
- Superior Automotive
- Takata Holdings Inc.
- Tenneco Inc.
- Thai Summit America Corporation
- Thyssen Krupp AG
- Toyoda Gosei
- Trelleborg
- TRW Automotive
- Umicore Group
- Valeo
- Visteon Corporation
- Webasto
- Yazaki Company
- ZF International

ABF Non-Production Suppliers

- Active Aero Services
- Aristeo
- Blue Hive
- Cisco Systems Inc.
- Cross Country Automotive Services
- Devon Industrial Group*
- Durr
- EWI Worldwide
- Ewie*
- Federal Express FedEx
- Global Parts & Maintenance
- Gonzalez Production Systems*
- Imagination
- Kajima Overseas Asia Pte Ltd
- KUKA Automation Company
- MAG Automation
- Microsoft
- MSX International
- Penske Corporation
- Percepta
- Roush Enterprises
- Team Detroit
- Union Pacific
- UniWorld Group*
- Waldbridge
- Zubi Advertising*

*represents Minority- or Women-owned Business Enterprise



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Building Shared Commitment and Capability

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Related links

This Report

- [Policy Letters and Directives](#)

It is important that our suppliers share our commitment to environmental and social responsibility. Shared commitment improves the flow and quality of information critical to continuity of supply and compliance with regulations. Shared commitment helps to ensure efficiency and quality throughout the supply chain, and it helps us avoid risks to our operations and reputation that can arise due to substandard practices in our supply chain.

We encourage our suppliers to manage sustainability issues and risks within their own operations and supply chains, and we provide them with tools to build the capability to do this. For example, we have developed in-depth resource guides and sponsored presentations by subject matter experts on issues such as human rights, working conditions and greenhouse gas emissions. We have provided worksheets on emissions tracking and reporting and on code of conduct development. We are sharing training materials we have developed (discussed below), as well as information and guidance on our compliance and training processes. Finally, we have committed to working with suppliers to help resolve issues and concerns.

While we provide training and guidance to suppliers on a range of sustainability issues, we have developed a detailed training program on human rights and working conditions issues. The program includes training and follow-up assessments, and requires remediation of substandard practices as necessary. This program is described in more detail in [Human Rights in the Supply Chain: Building Supplier Capability Through Localized Training and Collaboration](#).

Ford's ability to assess and influence the sustainability performance of our supply chain decreases the further suppliers are removed from us. It is challenging, for example, to influence and assess our Tier 1 suppliers' third- or fourth-tier suppliers. Fortunately, many of our Tier 1 suppliers are major multinational companies that already have the capability to implement and manage sustainability initiatives for their own operations and their own supply chains. Thus, we work hard to align these Tier 1 suppliers to our sustainability goals and rely on them to help us maintain a clear and consistent message as far down our supply chain as possible.

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Setting Requirements for Sustainability Issues in Our Supplier Contracts and Guides

The basis of our sustainability work with suppliers is the Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility. We first adopted this Code in 2003 and then formally issued it as [Policy Letter 24](#) in 2007. The Code addresses workplace issues such as working hours, child labor, forced labor including human trafficking, nondiscrimination, freedom of association, and health and safety, as well as environmental issues and other topics. Though this Code applies directly to our own operations, we seek to do business with companies that have standards consistent with our Code. In 2012, Policy Letter 24 was revised to specifically communicate our encouragement of suppliers to adopt and enforce similar policies for their suppliers and subcontractors and given its current title: Code of Human Rights, Basic Working Conditions and Corporate Responsibility.

We incorporate requirements about sustainability management in our Global Terms and Conditions, the contract to which every supplier doing business with Ford is subject. This core contract dictates our prohibition of the use of forced labor, child labor and physical disciplinary abuse. These requirements were added in January 2004 for production suppliers and in September 2005 for all others. The Global Terms and Conditions also prohibit any practice in violation of local laws. In addition, we require suppliers to comply with certain fundamental protections for all employees that may, in some instances, exceed standards set by the local law. We also extend these expectations to subcontractors and ask our suppliers to extend the same expectations to their suppliers. In addition, the Global Terms and Conditions serve to:

- Set the expectation that suppliers will work toward alignment with our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility in their own operations and their respective supply chains in the areas of harassment and discrimination, health and safety, wages and benefits, freedom of association, working hours, bribery and corruption, community engagement and environmental responsibility;
- Make clear Ford's right to perform third-party site assessments to evaluate supplier performance; and
- Communicate that Ford can terminate the relationship for noncompliance or for failure to address noncompliance in a timely manner.

Our Global Terms and Conditions are accompanied by Supplier Social Responsibility and Anti-Corruption, and Environmental Requirements Web-Guides, which further outline our expectations. For example, the supplier social responsibility guide that covers human rights and working conditions amplifies the expectations set out in the Terms and Conditions, provides specific guidance and recommendations for self-assessments and informs suppliers to the availability of factory-level training. In April 2012, we reissued these Guides with extensive edits, such that clearer guidance is provided on due diligence for conflict free sourcing, business ethics, anti-corruption actions, environmental specifications for engineering and working conditions expectations. As part of our annual review process, updated Web-guides will be published in July 2014. Material updates for 2014 include updated language for conflict free sourcing (Social Responsibility and Anti-Corruption Web-Guide) and inclusion of the green chemistry legislation (Environmental Web-Guide).

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Going Further with Our ABF Suppliers

For our strategic Aligned Business Framework (ABF) suppliers – which supply more than 65 percent of our annual buy – we have developed a rigorous process for managing sustainability issues that builds on the requirements for sustainability issues in our supplier contracts and guides and also goes further. The intent is for our ABF suppliers to wholly own responsibility for sustainability expectations and performance in their supply chain.

We encourage our ABF suppliers to develop a shared commitment to our sustainability goals and effective systems for managing sustainability issues through a three-phase developmental process:

1

Verify Supplier Code of Conduct

We ensure that our ABF suppliers have, or develop, a code of conduct aligned with our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility.

2

Training and Compliance

We provide training as needed to our ABF suppliers and ask them to conduct their own internal trainings to ensure that their employees understand their code of conduct. We also ask suppliers to develop a rigorous compliance process supporting their code.

Extending Expectations to Their Supply Chain

Finally, we ask our ABF suppliers to extend our shared

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sustainability goals and expectations to their own suppliers, expanding the impact of our sustainability goals throughout the multiple tiers of our supply chain.

Ford's global Supply Chain Sustainability team implemented a detailed review process at each of these three phases, or milestones. To date, approximately 80 percent of our Production ABF suppliers have demonstrated that they have codes of conduct in place that are aligned with international standards, and approximately 45 percent of our ABF Production suppliers have demonstrated that they have met all three Ford milestones – that is, they have aligned codes of conduct in place supported by robust management systems governing their own operations and their supply chain. Through our work with ABF suppliers, we have identified key success factors that enable companies to make progress in managing sustainability issues in their own supply chains, including:

1. the identification of executive decision makers to coordinate cross-functional efforts;
2. the support of executive management and/or the Board of Directors; and
3. implementation support from Ford in the form of discussion facilitation and/or individual or regional in-person meetings.

The extension of human rights, working conditions and environmental expectations to the ABF companies' own supply base has proven to be the biggest challenge, given their resource constraints and general lack of expertise and knowledge of the issues. The tools and guidance created by work groups at the Automotive Industry Action Group, and by the United Nations Global Compact, have been useful to our ABF suppliers in their development of sustainable supply chain systems.

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Supplier Corporate Responsibility Recognition of Achievement Award

For several years, Ford has recognized supplier companies that demonstrate leadership in environmental and social performance with a corporate responsibility award. Suppliers must meet several criteria, including ISO 14001 certification at all manufacturing sites, an operational code of conduct aligned with international standards, an exemplary material management reporting record and demonstration of overall sustainability leadership by incorporating environmental and social considerations into their business.

In May 2014, Ford selected two winners for the 2013 Corporate Responsibility Recognition of Achievement Award: Laird Technologies headquartered in St. Louis, Missouri and Maersk Line headquartered in Copenhagen, Denmark.

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Industry and Cross-Industry Collaboration

We believe that collaborative action within our industry allows us to more effectively influence all levels of the automotive supply chain. We also work collaboratively with other industries when relevant; for example, we are working proactively with companies from many industries on conflict minerals.

Collaborating within the Automotive Industry

We primarily work through the Automotive Industry Action Group, or AIAG. The AIAG is a North American, member-based, nonprofit industry group specializing in supply chain issues. AIAG supports industry efforts to establish a seamless, efficient and responsible supply chain. Member companies donate the time of individuals to work at the AIAG, which operates as a noncompetitive, open forum that is intended to develop recommendations and best practices for reducing complexity and ensuring alignment on common issues across the industry. We work on supply chain sustainability issues through the AIAG's Corporate Responsibility Steering Committee. This committee currently focuses on five main issues: global working conditions, conflict minerals, greenhouse gases, chemicals management and reporting, and health care value.

Through AIAG, Ford and other member companies are focusing on five key issues:

- Exploring an industry response to conflict minerals sourcing and transparency challenges;
- Providing common guidance and tools for responsible procurement;
- Continuing to expand a factory-level supplier training program for a responsible supply chain;
- Increasing supplier ownership of corporate responsibility issues through an expansion of engagement opportunities; and
- Developing resources and networks that will ensure the successful communication of responsible procurement expectations throughout the automotive supply chain.

For all work streams, the AIAG and member companies are actively reaching out to others in the automotive supply chain, including global automakers and heavy truck manufacturers, industry associations and major automotive suppliers, as well as participating in cross-sectoral initiatives. Broader participation will be needed to achieve the vision of an industry-wide approach to promoting supply chain sustainability.

Please see the AIAG website for more about the [corporate responsibility accomplishments and ongoing work of the industry through the AIAG](#).

Cross-Industry Collaboration

In addition to our work through the AIAG, Ford is helping to address common issues of environmental and social responsibility in the automotive supply chain through active participation in several cross-industry associations and corresponding work groups, including:

- **The UN Global Compact Advisory Group on Supply Chain Sustainability.** This advisory group seeks to develop and promote tools and guidance for businesses on key issues and best practices in developing sustainable supply chains. Ford is one of approximately 20 stakeholders in this invitation-only group, and one of only two automotive companies. As part of this work we are one of the lead developers of an online portal of tools and resources designed to assist business practitioners in embedding sustainability in supply chains.
- **CSR Europe Automotive Working Group on Supply Chain Sustainability.** In

Related links

External Websites

- [AIAG](#)
- [UN Global Compact Advisory Group on Supply Chain Sustainability](#)
- [CSR Europe](#)
- [Conflict-Free Sourcing Initiative](#)
- [Public Private Alliance for Responsible Minerals Trade](#)

2011, Ford joined with seven other major automakers and CSR Europe, a leading European business network for corporate social responsibility, to create this working group. The primary goals of the group are to share experiences and information on sustainability issues in the automotive supply chain; develop and apply common tools; work together on common projects in order to improve sustainability in supply chains; and send a common message to supply chains concerning sustainability activities and requirements.

- **We participate in several cross-industry organizations on the issue of conflict minerals** including the Conflict-Free Sourcing Initiative, Multi-Stakeholder Group and the Public-Private Alliance for Responsible Minerals Trade. Our work in these organizations is described in more detail in the [Conflict Minerals](#) section.

Industry and Cross-Industry Leadership

We approach our supply chain initiatives with complete transparency, sharing best practices, challenges and opportunities with others in our industry. We have also led the development and sharing of best practices on key supplier issues within our industry and other industries. For example, we have sought membership and leadership roles at relevant supply chain working groups and issue organizations. Some of these memberships and leadership positions include:

- Ford staff chair or co-chair six AIAG committees:
 - Corporate Responsibility Steering Committee,
 - Global Working Conditions Initiative,
 - Chemical Management and Reporting Group,
 - Greenhouse Gas Emissions,
 - Environmental Sustainability Advisory Group,
 - Health Care Task Force, and
- Ford also contributes an “executive on loan” to the AIAG to support the industry’s work and share what we have learned from working on these issues within our own operations.
- Member of CSR Europe’s European Automotive Working Group on Supply Chain Sustainability
- Member of Conflict-Free Sourcing Initiative – a cross-industry organization focused on conflict minerals. We are active participants in this organization’s Conflict-Free Smelter Program, which is helping to encourage smelters to participate in the conflict free certification process.
- Member of the Governance Committee of the Public-Private Alliance for Responsible Minerals Trade (PPA), through which we are helping to develop solutions for identifying and tracking conflict free minerals in the Democratic Republic of Congo and surrounding region.



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Human Rights in the Supply Chain: Ford's Approach

Human rights and working conditions is a prime area of focus for our sustainability work with suppliers. We aim to ensure that everything we make – or others make for us – is produced consistent with local law and our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility. This can be challenging, as we have less control in suppliers' facilities than in our own, particularly at the sub-tier level (i.e., our suppliers' suppliers), where the risk for substandard working conditions is often heightened. For this reason, we have defined our approach carefully and involve suppliers, other automakers, governments, nongovernmental organizations (NGOs) and other stakeholders.

The legal structures governing human rights and working conditions, and the level of enforcement, vary widely across the countries in which we operate. Respecting human rights and working conditions in the supply chain is ultimately our suppliers' responsibility and we would like governments to play the lead role in enforcing compliance with laws. As customers, however, we have an active role to play in supplier development.

Since we began work with our suppliers to ensure alignment with our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility, our approach has emphasized building capability throughout the supply chain to manage human rights and working conditions effectively. Our primary focus has been on training and education regarding human rights and working conditions issues and the associated management systems.

We also use third-party assessments of individual supplier factories to verify performance and progress. Our assessments are announced and coordinated with the supplier and Ford business owners. We do not typically conduct unannounced audits, as the intent of our program is to work collaboratively with our suppliers to improve their operations.

Our long-term vision is for our industry as a whole to work together to ensure that high expectations surrounding human rights and working conditions are met throughout the supply chain. We began promoting cross-industry collaboration in North America and have extended these efforts to include global manufacturers. Our view is that all participants in the automotive supply chain – from the original equipment manufacturers (OEMs) such as Ford, to the suppliers themselves, to the government agencies that set and enforce the regulations governing operations – must be involved to make these efforts sustainable in the long run. Such collective action will not only minimize costs and increase efficiency for OEMs and suppliers alike, but will lead to better results than if individual companies take steps in isolation.

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→ Policy Letters and Directives



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Building Supplier Capability through Localized Training and Collaboration

The primary focus of our work on human rights and working conditions in our supply chain is building capability among our suppliers to responsibly manage working conditions. We began by developing a training curriculum for Ford suppliers in high-priority countries and surrounding areas. (See [Working Conditions Program Focus Countries](#) box below.) Initially, we based the trainings on Ford's own Code of Basic Working Conditions and implemented them ourselves at our supplier facilities.

We recognized from the outset, however, that a joint effort with other automakers would reach a greater number of suppliers more efficiently – as many of those suppliers are shared across multiple automakers. This collaboration allows OEMs to be more successful in embedding a comprehensive approach to address working conditions throughout the automotive supply chain. In 2005, to formalize the approach, we initiated a work group within the Automotive Industry Action Group (AIAG) and recruited other automakers in North America, Asia and Europe to participate.

We have since worked with other automakers through the AIAG to develop a set of guidance statements that establish a shared industry voice on key working conditions issues and a training program for industry suppliers. Initially the industry guidance statements and trainings covered human rights and working conditions issues such as child labor, forced labor, freedom of association, harassment and discrimination, health and safety, wages and benefits, and working hours. We have since expanded the training topics to include business ethics and environmental responsibility.

AIAG and CSR Europe recently aligned on a common set of guiding principles to enhance sustainability performance in the supply chain. Through the member companies of both AIAG and CSR, 14 automakers (including Ford) have aligned to the common principles. This collaboration provides a common voice on these important issues among multiple OEMs across regions. For more information on these common principles please see: [AIAG Corporate Responsibility Guidance Statements](#) and [CSR Europe Guiding Principles](#).

Supplier Training Program

Most of our supplier training is now implemented through the AIAG or CSR in conjunction with other automakers. However, we continue to supplement AIAG- and CSR-led trainings done in conjunction with other automakers with Ford-specific workshops as needed.

Where Trainings Occur

Beginning in 2007, the sponsoring OEMs launched joint factory-level training workshops in China and Mexico. We have added locations since that time. To date, the expanded trainings have been implemented in Argentina, Brazil, China, India, Mexico, Romania, Russia, Thailand, Turkey and Venezuela.

Locations for trainings are chosen through discussion and agreement by the AIAG or CSR member companies. The launch of each series of in-country trainings involves participation by OEM representatives and Tier 1 suppliers as well as local industry associations and government support where possible. At Ford, we develop our recommendations for training locations with a focus on the 21 countries we have identified as having higher risks of substandard human rights and working conditions (see [Human Rights and Working Conditions Program Focus Countries](#) box below). Among those countries, we prioritize our recommendations for training locations based on production and sourcing trends, sales trends and relative perceived risk based on the input of human rights groups, other companies' experience and other geopolitical analysis. We periodically review our list of priority countries in

Related links

This Report

→ [Data: Working Conditions Training and Assessment Status for Supply Chain](#)

External Websites

→ [AIAG](#)

→ [CSR Europe](#)

comparison with our global sourcing footprint. We are reviewing these countries again in 2014.

What Training Sessions Include

Training sessions are customized to align with the unique laws, customs, cultures and needs of each location. Generally, the following human rights, working conditions and environmental responsibility issues are addressed:

- Harassment and discrimination
- Health and safety
- Wages and benefits
- Working hours
- Child labor
- Forced labor
- Freedom of association
- Key areas of environmental responsibility, including energy and greenhouse gas emissions, waste, regulatory requirements, environmental testing, and employee, subcontractor and supplier training
- Environmental management systems and continuous improvement
- Environmental performance of products

Training workshops emphasize how these topics are covered in local legal standards, in the industry guidance developed by participating automotive OEMs, and in international best practices. Both the industry guidance and international best practices shared in the training sessions may exceed local laws. The trainings also include strategies for developing management systems to ensure compliance in each topic area. The sessions address the business benefits of promoting social and environmental responsibility, including protecting and enhancing brand reputation, improving quality and productivity, and avoiding costs associated with employee turnover, absenteeism, injury and illness.

The training sessions are generally day-long interactive workshops facilitated by qualified trainers and involving multiple automotive suppliers. Training sessions are structured to provide participants with a solid understanding of customer expectations, local law, best practices and sustainability management systems.

Training sessions generally target managers from the human resources, health and safety, and legal departments of participating companies. The sessions use a “train-the-trainer” approach to expand the scope and impact of the training. Participating suppliers are required to cascade the training materials to management and all personnel within their own company as well as to their direct suppliers. Ford requires confirmation that the training information was cascaded to the entire factory population and suppliers within four months of the training session.

In 2010, the automakers collaborating at the AIAG launched an online training program on supply chain working conditions and responsible procurement targeted at purchasing and supply chain management professionals. This Web-based training is offered free of charge to suppliers of the five OEMs participating in the AIAG training program. The training has also been deployed internally at a number of the sponsoring OEMs for their own global purchasing and supply chain staffs.

2013 Trainings Completed

In 2013, we held joint industry trainings through AIAG in Brazil, Mexico, South Africa and Turkey. We also held trainings in Romania in conjunction with CSR Europe. More than 230 Ford suppliers attended these classroom sessions. These trainings included both in-person classroom training sessions and e-learning trainings.

To date, we have conducted approximately 145 training sessions globally, attended by nearly 2,100 supplier companies. (This figure includes dedicated Ford supplier training sessions conducted with the AIAG as well as industry training sessions in which Ford participated along with the AIAG and other automakers.) Because attendees are required to subsequently cascade the training and expectations to the entire factory population and suppliers, these trainings indirectly reach even more companies and individuals. Through this cascading process, the training of suppliers globally since the inception of the program has 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 .

Suppliers trained in 2013 have now moved on to the process of self-assessing their facilities for compliance with local law and Ford expectations and communicating expectations to their own workers and their suppliers.

In 2014 we plan to conduct additional supplier training sessions in conjunction with either AIAG or CSR in Brazil, China, India, Mexico, Russia and Turkey. Where possible, these courses will be open to any interested company; thus Tier 1 suppliers will have the option of asking their own suppliers to attend. The intent is, once again, to increase the scope of impact of the training sessions and push human rights and working conditions expectations further down the supply chain.

Next Steps in Industry Training

As the AIAG initiatives develop and mature, Ford will maintain a leadership position in our work with the supply chain. We will continue to conduct our own training programs in countries not covered by AIAG programs. We will also seek further opportunities to strategically leverage our audit data and training processes to enhance our overall approach to human rights, working conditions and environmental responsibility in the automotive supply chain.

In 2014, we expanded our training program to include non-production suppliers. We are currently piloting training non-production suppliers and assessing if the production training process requires any modifications to meet the needs of non-production suppliers.

Human Rights and Working Conditions Program Focus Countries



Americas

Argentina, Brazil, Colombia, Dominican Republic, Honduras, Mexico, Nicaragua and Venezuela

Asia

China, India, Malaysia, the Philippines, South Korea, Taiwan, Thailand and Vietnam

Europe, Middle East and Africa

Morocco, Romania, Russia, South Africa and Turkey



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Assessing Suppliers

Since 2003, we have conducted more than 900 third-party audits of existing and prospective Tier 1 suppliers in 21 countries on issues relating to ethics, human rights and working conditions. The audits provide feedback to Ford and suppliers about how well suppliers are meeting legal requirements and Ford's expectations. The audits also provide insight into the effectiveness of our training programs. The audits consist of a detailed questionnaire, a document review, factory visits, and management and employee interviews, and are conducted by external, qualified social auditors. We have set a goal to expand audits to at least 25 percent of our production suppliers for high-priority countries in each of our major operating regions.

In 2013, we conducted audits focusing on our 21 target countries. The findings from the 2013 audits were generally consistent with those we had previously conducted. We have analyzed the data from our audits and identified the following most prevalent audit issues in all regions:

- Emergency preparedness and response
- Working hours
- Occupational safety

Identification of these issues will allow us to expand and tailor our efforts to address the issues that are most prevalent in our supply base.

The findings from Ford's 2013 supplier audits included:

- No evidence of forced labor or physical disciplinary abuse
- In some cases, a lack of appropriate timekeeping systems, and thus a failure to pay correct overtime wages
- In some cases, a failure to pay the correct local minimum wage or overtime
- Working hours violations related to overtime and, in some instances, lack of a required day off. In some cases, this overtime is a chronic issue resulting from poor capacity planning, but more often it occurs periodically during peak production periods.
- Some health and safety issues including inadequate emergency systems
- Various emergency preparedness issues including inadequate emergency systems and failure to conduct required fire drills
- Some occupational safety issues including inconsistent use of personal protective equipment and inadequate lighting
- A general need to clearly and define policy on harassment and discrimination
- A general need to clearly define policies on gift giving and accepting kickbacks, bribes, commissions etc. in some locations
- Limited cases of restricted workers doing hazardous work
- In some cases, limited or restricted access to appropriate documentation regarding subcontracted labor and privacy policies

Freedom of association has been difficult to verify. While all assessed suppliers have either union representatives or a grievance process, there may be issues we have not been able to identify through our assessment process.

Another common finding is that suppliers often lack fully developed management systems – including continual improvement processes – to support compliance over time. This finding has validated our training approach, which continues to emphasize management systems at both the corporate and factory levels.

Related links

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→ [Data: Working Conditions Training and Assessment Status for Supply Chain](#)

If any issues are identified during an audit, suppliers are required to complete corrective action plans, which Ford reviews and approves. The corrective action plans outline how a supplier will resolve the issues and include clear responsibility and timelines for completion. Assessments cannot be considered “closed” until any violations of local laws and regulations are resolved and until the supplier has responded in writing with an action plan for improving management systems and policies to avoid future issues. We return to the facility within 12 to 24 months as required to confirm resolution of the issues. Suppliers who continue to be out of compliance with Ford expectations and/or local laws are at risk of being removed from Ford’s supply base.

The audit tool that Ford uses with Tier 1 suppliers has been an important means for furthering our understanding of both the issues and the root causes for noncompliance. If issues are identified or allegations made of a sub-tier supplier, Ford makes our assessment tool and guidance available to our responsible Tier 1 supplier. In this way, we hope to affect positive change more broadly and enable our suppliers to effectively manage their supply base.

In 2014, we will expand our audits to non-production suppliers. We are initially piloting the audit process with non-production suppliers to understand if we need to modify the process for the unique needs of non-production companies.

We constantly monitor approaches developed by other organizations and industries in order to incorporate what they have learned into our approach. We will continue to work with direct suppliers to help create ownership of human rights and working conditions within those supplier organizations. Clear, consistent communication and further business integration of processes that support responsible working conditions throughout the supply chain will be a key component of our continued work.



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Sustainable Raw Materials

As automobiles incorporate more advanced technologies, the material content of vehicles becomes more varied. Ford has a long history of seeking to use sustainable materials in our products and source from suppliers that demonstrate sustainable business practices, including respect for human rights and the environment. Although the majority of what we buy is parts and assemblies used directly in vehicles, there is a need to take a closer look at the farthest reaches of the supply chain, including raw material extraction.

The extraction of raw materials can have significant social and economic impacts, both positive and negative. Extractive processes for raw materials can create employment and economic growth, but they also have the potential to disrupt or displace communities and endanger public health. Raw material extraction may result in environmental impacts, such as water scarcity, air and water pollution, and waste generation that must be minimized and mitigated. If the extraction is managed by unscrupulous operators, workers risk exploitation, and other economic, social and environmental risks are multiplied. In addition, the concentration of strategic materials in a limited number of locations can present significant geopolitical risks to companies all along the supply chain.

Most raw materials are not supplied directly to Ford; rather, they are provided to our suppliers or our suppliers' suppliers. On average, raw materials pass through six to 10 suppliers before reaching Ford. This makes tracing the source of raw materials very challenging. We have analyzed several select raw materials to identify sustainability risks and opportunities related to extraction, use and end-of-life treatment.

Overall, our approach to promoting sustainable raw material supply chains includes the following:

- **Advancing transparency in our supply chain** by working to better understand the relative material content of our products. We strive to know, where possible, the original source of the raw materials that reach us through our supply chain, and to know and influence our direct suppliers' responsible sourcing policies and practices.
- **Engaging with policy makers and global stakeholders.** We have been invited by the U.S. State Department, the International Labour Organization, the United Nations Global Compact, the Organisation for Economic Co-Operation and Development and the Interfaith Center for Corporate Responsibility to participate in forums on eradicating forced labor, child labor, trafficking and other issues that can result from abuses in the extractive sector.
- **Collaborating with others in our industry** and related industries through the Automotive Industry Action Group (AIAG), United States Council for Automotive Research (USCAR) and other forums to promote effective industry-wide approaches.
- **Promoting the recycling of materials** by maximizing the economic viability of recycling, where feasible.
- **Seeking flexibility of supply** through the proactive identification of potential supply and material alternatives. In those instances where the continued use of a material or supplier is impossible or misaligned with Ford's stated values, we will explore the potential of a responsible viable alternate source or material.

Public awareness of the potential and actual risks regarding raw material extraction has increased, due to investor interest, campaigns by nongovernmental organizations (NGOs), media coverage and greater access to information. In addition, there have been growing calls for transparency in raw material supply chains, in order to inform investors' evaluations of risk and to help governments and NGOs monitor and address key issues.

Communication is a key aspect of due diligence for responsible sourcing, and we are continuing to fine-tune all aspects of our communication in this area. Historically, we have voluntarily shared some information with stakeholders through direct communications and through this Sustainability Report. We increasingly face mandates for public disclosure statements, such as those required by the California Transparency in Supply Chains Act of 2010 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502 (Conflict Minerals). This Sustainability Report will continue to be our primary means of communication with the general public and other stakeholders on supply chain sustainability. We also communicate our positions and requirements directly to our suppliers through our contract terms, written communications on our expectations, and regular supplier meetings. We reinforce our positions and expectations in communications between suppliers and Ford Purchasing and Quality personnel. We also hold training sessions on these issues at AIAG or CSR industry forums.

Certain raw material issues are of particular concern to Ford, and in this section we address three areas in more detail:

- [Conflict minerals](#)
- [Forced labor and human trafficking in supply chains and the California Transparency in Supply Chain Act of 2010 \(SB657\)](#)
- [Rare earth elements](#)



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Conflict Minerals

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- [Conflict Minerals Measurable Goals for the Future](#)

Related links

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External Websites

- [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)
- [Conflict-Free Sourcing Initiative](#)

Conflict Minerals Background

On August 22, 2012, the U.S. Securities and Exchange Commission (SEC) adopted the final rule to implement reporting and disclosure requirements concerning conflict minerals, as directed by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The congressional mandate was designed to further the humanitarian goal of ending violent conflict in the Democratic Republic of the Congo (DRC) and adjoining countries.

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Our Journey

Our approach to managing conflict minerals compliance is consistent with our supply chain sustainability approach, and we are working closely with our suppliers to increase supply chain transparency. We are many layers removed from the smelters and refiners in our supply base, therefore, we must survey our direct suppliers and request our suppliers, in turn, to survey their suppliers until the point many layers down in the supply chain where the smelters or refiners of the 3TG (tantalum, tin, tungsten, and gold) are known. Once the smelters or refiner are identified and reported to us, we then work with a cross-industry group called Conflict-Free Sourcing Initiative (CFSI) to determine if the smelters reported by our supply chain have been confirmed to be conflict free. In order to be confirmed as conflict free, the smelters and refiners must pass an independent third-party audit.

Since it is important to develop industry and cross-industry solutions, we work with the Automotive Industry Action Group (AIAG) to develop tools and processes to help educate our suppliers. We also participate in the cross-industry smelter outreach program to encourage smelters to join CFSI. Finally, we are active participants in the Public Private Alliance (PPA) and Multi-Stakeholder Group (MSG) to develop in-region solutions for certified conflict free minerals. While it may take years to get to the level of transparency that we desire, we are committed to the journey.

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Definitions

- "3TG" means tantalum, tin, tungsten and gold
- "Conflict minerals" means gold as well as Columbite-Tantalite (coltan), cassiterite, wolframite, or their derivatives, which are limited to tantalum, tin and tungsten
- "DRC conflict free" means that a product does not contain conflict minerals necessary to the functionality or production of that product that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country

Supplier Conflict Minerals Reporting Requirements

Starting in May 2014, and annually thereafter, Ford is required to comply with the SEC's conflict minerals reporting requirements, including filing a specialized disclosure report (Form SD) and conflict mineral report with the SEC that describes our due diligence efforts. All suppliers globally that provide parts contained in Ford vehicles, service parts, or other parts sold by Ford are required to support this effort. Specifically, suppliers are required to complete an annual Conflict-Minerals Reporting Template (CMRT) to identify whether products they manufacture or contract to manufacture for Ford (including, for these purposes, all of our subsidiaries and joint ventures that produce Ford-badged vehicles) contain any conflict minerals necessary to the functionality or production of their products. If any conflict minerals are contained in any product supplied to Ford, the supplier is required to report the names of the smelters or refiners used to process the minerals. We assess the status of the smelters and refiners in our supply chain utilizing the audit information available through CFSI.

When reporting, we encourage our suppliers to use the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas to conduct due diligence on the chain of custody of the conflict minerals provided to Ford.

Reference the OECD website for the current [OECD Due Diligence Guidance](#) document.

Conflict Minerals Policy

Suppliers are expected to comply with Ford's Conflict Minerals policy.

Conflict Minerals Policy

To the extent tin, tungsten, tantalum, and gold are contained in our products, it is Ford's goal to use DRC conflict free minerals while continuing to support responsible in-region mineral sourcing from the Democratic Republic of the Congo and adjoining countries. As defined in Rule 13p-1 of the Securities Exchange Act of 1934 (the "Rule"), "DRC conflict free" means that a product does not contain conflict minerals necessary to the functionality or production of that product that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country.

Our suppliers are expected to conduct due diligence to understand the source of the conflict minerals used in Ford products, source responsibly, and not knowingly provide products containing minerals that contribute to conflict as described in the Rule. Suppliers are required to comply with Ford's annual conflict minerals reporting requirements and are encouraged to use validated DRC conflict free smelters and refiners for procurement of tin, tungsten, tantalum, and gold contained in Ford products.

The information provided by our suppliers is used to conduct our due diligence including assessing reports for completeness and consistency. We compare the smelter list provided by our suppliers with the [Conflict-Free Sourcing Initiative \(CFSI\)](#) list of compliant smelters to determine which smelters are DRC conflict free. Information provided by our suppliers is used in the development of our SEC filing documents.



Our In-Scope Suppliers for 2013

In designing our Reasonable Country of Origin Inquiry ("RCOI"), we have focused on direct suppliers in either of the following two categories ("in-scope suppliers"):

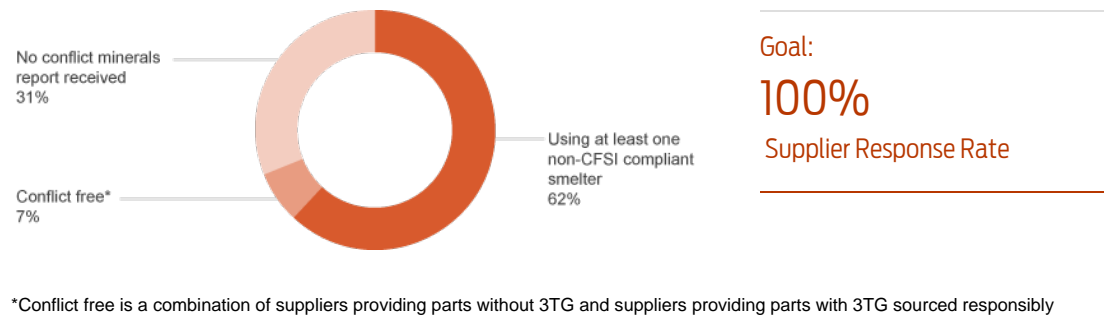
1. Suppliers of components or parts to our assembly plants if such suppliers have reported in the International Material Data System ("IMDS") that their components or parts contain 3TG; or

- Suppliers that in the aggregate represent the top 80 percent of our expenditures for direct components and parts.

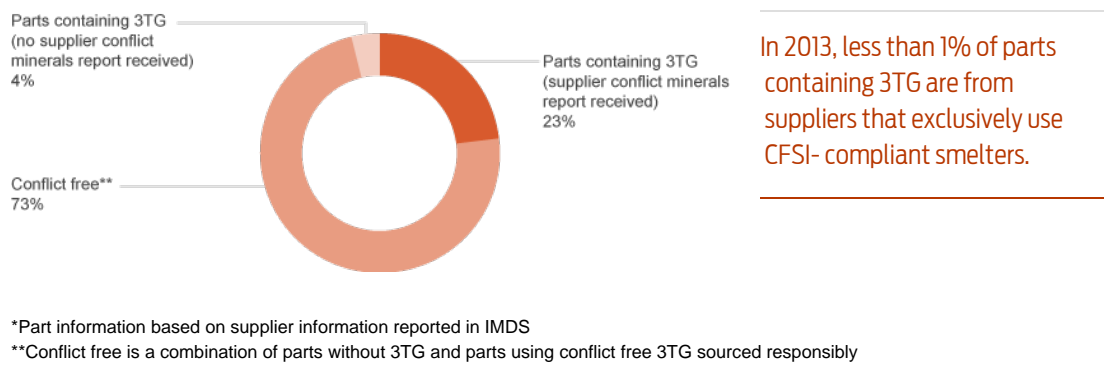
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Our Metrics for 2013 Calendar Year Reporting

In-Scope Supplier Response Statistics



Base Part Number Status from In-Scope Suppliers*



Smelter Details

Ford's supply chain includes 189 identified smelters based on supplier-submitted reports for calendar year 2013 (as of April 9, 2014).

[Ford's 2013 Smelter List](#)

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Conflict Minerals Industry and Cross-Industry Leadership Efforts

We have led the development and sharing of best practices on key supplier issues within our industry and other industries. For example, we have sought membership and leadership roles at relevant conflict minerals working groups and organizations. Some of these memberships and leadership positions include:

- AIAG – Ford is an active participant in the Automotive Industry Action Group (AIAG), leading efforts to develop processes and tools to educate suppliers and improve reporting consistency.
- CFSI – We are an active member of the Conflict-Free Sourcing Initiative (CFSI), participating in cross-industry smelter outreach efforts to identify true smelters and encourage smelter participation in the audit program.
- MSG – Ford participates in Multi-Stakeholder Group (MSG) efforts to develop actions that can lead to improvement in the Congo and that can contribute to the development of efficient solutions to obtain conflict free materials from the Congo.
- PPA – Ford actively serves on the Governance Committee of the Public Private Alliance (PPA) to contribute to the development of in-region solutions for certified conflict free minerals.
- IMDS – We request our suppliers to expose the use of 3TG fully when reporting product content in the International Material Data System (IMDS). We encourage other companies to adapt an aligned approach to IMDS reporting expectations.

Conflict Minerals Measurable Goals for the Future

As we continue on our conflict minerals journey, we have set the following measurable goals for the future:

- 100 Percent response rate from in-scope suppliers for annual reporting
- Year-over-year improvement in the percent of suppliers providing smelter lists
- Year-over-year improvement in the percent of suppliers using CFSI compliant conflict free smelters
- Participate in CFSI Smelter Outreach efforts to identify true smelters and encourage smelters to participate in the CFSI audit process



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Ford's 2013 Smelter List

Ford's supply chain includes 189 identified smelters based on supplier-submitted reports for calendar year 2013 (as of April 9, 2014)^{1,2}.

Metal	Smelter Name	Smelter ID
GOLD	Aida Chemical Industries Co. Ltd.	CID000019
GOLD	Allgemeine Gold-und Silberscheideanstalt A.G.	CID000035
GOLD	Almalyk Mining and Metallurgical Complex (AMMC)	CID000041
GOLD	AngloGold Ashanti Córrego do Sítio Mineração	CID000058
GOLD	Argor-Heraeus SA	CID000077
GOLD	Asahi Pretec Corporation	CID000082
GOLD	Asaka Riken Co Ltd	CID000090
GOLD	Atasay Kuyumculuk Sanayi Ve Ticaret A.S.	CID000103
GOLD	Aurubis AG	CID000113
GOLD	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)	CID000128
GOLD	Bauer Walser AG	CID000141
GOLD	Boliden AB	CID000157
GOLD	Caridad	CID000180
GOLD	CCR Refinery – Glencore Canada Corporation	CID000185
GOLD	Cendres & Métaux SA	CID000189
GOLD	Chimet S.p.A.	CID000233
GOLD	China National Gold Group Corporation	CID000242
GOLD	Chugai Mining	CID000264
GOLD	Colt Refining	CID000288
GOLD	Daejin Indus Co. Ltd	CID000328
GOLD	DaeryongENC	CID000333
GOLD	Daye Non-Ferrous Metals Mining Ltd.	CID000343
GOLD	Do Sung Corporation	CID000359
GOLD	Doduco	CID000362
GOLD	Dowa	CID000401
GOLD	FSE Novosibirsk Refinery	CID000493
GOLD	Guangdong Jinding Gold Limited	CID002312
GOLD	Heimerle + Meule GmbH	CID000694
GOLD	Heraeus Ltd. Hong Kong	CID000707
GOLD	Heraeus Precious Metals GmbH & Co. KG	CID000711
GOLD	Hunan Chenzhou Mining Industry Group	CID000767
GOLD	Hwasung CJ Co. Ltd	CID000778
GOLD	Inner Mongolia Qiankun Gold and Silver Refinery Share Company Limited	CID000801
GOLD	Ishifuku Metal Industry Co., Ltd.	CID000807
GOLD	Istanbul Gold Refinery	CID000814
GOLD	Japan Mint	CID000823
GOLD	Jiangxi Copper Company Limited	CID000855

GOLD	Johnson Matthey Inc	CID000920
GOLD	Johnson Matthey Ltd	CID000924
GOLD	JSC Ekaterinburg Non-Ferrous Metal Processing Plant	CID000927
GOLD	JSC Uralectromed	CID000929
GOLD	JX Nippon Mining & Metals Co., Ltd.	CID000937
GOLD	Kazzinc Ltd	CID000957
GOLD	Kennecott Utah Copper LLC	CID000969
GOLD	Kojima Chemicals Co., Ltd	CID000981
GOLD	Korea Metal Co. Ltd	CID000988
GOLD	Kyrgyzaltyn JSC	CID001029
GOLD	L' azurde Company For Jewelry	CID001032
GOLD	Lingbao Jinyuan Tonghui Refinery Co. Ltd.	CID001058
GOLD	LS-NIKKO Copper Inc.	CID001078
GOLD	Luoyang Zijin Yinhui Metal Smelt Co Ltd	CID001093
GOLD	Materion	CID001113
GOLD	Matsuda Sangyo Co., Ltd.	CID001119
GOLD	Metalor Technologies (Hong Kong) Ltd	CID001149
GOLD	Metalor Technologies (Singapore) Pte. Ltd.	CID001152
GOLD	Metalor Technologies SA	CID001153
GOLD	Metalor USA Refining Corporation	CID001157
GOLD	Met-Mex Peñoles, S.A.	CID001161
GOLD	Mitsubishi Materials Corporation	CID001188
GOLD	Mitsui Mining and Smelting Co., Ltd.	CID001193
GOLD	Moscow Special Alloys Processing Plant	CID001204
GOLD	Nadir Metal Rafineri San. Ve Tic. A.Ş.	CID001220
GOLD	Navoi Mining and Metallurgical Combinat	CID001236
GOLD	Nihon Material Co. LTD	CID001259
GOLD	Ohio Precious Metals, LLC	CID001322
GOLD	OJSC "The Gulidov Krasnoyarsk Non-Ferrous Metals Plant" (OJSC Krastvetmet)	CID001326
GOLD	OJSC Kolyma Refinery	CID001328
GOLD	PAMP SA	CID001352
GOLD	Prioksky Plant of Non-Ferrous Metals	CID001386
GOLD	PT Aneka Tambang (Persero) Tbk	CID001397
GOLD	PX Précinox SA	CID001498
GOLD	Rand Refinery (Pty) Ltd	CID001512
GOLD	Royal Canadian Mint	CID001534
GOLD	Sabin Metal Corp.	CID001546
GOLD	SAMWON METALS Corp.	CID001562
GOLD	Schone Edelmetaal	CID001573
GOLD	SEMPA Joyeria Plateria SA	CID001585
GOLD	Shandong Zhaojin Gold & Silver Refinery Co. Ltd	CID001622
GOLD	So Accurate Group, Inc.	CID001754
GOLD	SOE Shyolkovsky Factory of Secondary Precious Metals	CID001756
GOLD	Solar Applied Materials Technology Corp.	CID001761
GOLD	Sumitomo Metal Mining Co., Ltd.	CID001798
GOLD	Tanaka Kikinzoku Kogyo K.K.	CID001875
GOLD	The Great Wall Gold and Silver Refinery of China	CID001909
GOLD	The Refinery of Shandong Gold Mining Co. Ltd	CID001916
GOLD	Tokuriki Honten Co., Ltd	CID001938
GOLD	Tongling nonferrous Metals Group Co.,Ltd	CID001947
GOLD	Torecom	CID001955

GOLD	Umicore Brasil Ltda	CID001977
GOLD	Umicore SA Business Unit Precious Metals Refining	CID001980
GOLD	United Precious Metal Refining, Inc.	CID001993
GOLD	Valcambi SA	CID002003
GOLD	Western Australian Mint trading as The Perth Mint	CID002030
GOLD	YAMAMOTO PRECIOUS METAL CO., LTD.	CID002100
GOLD	Yokohama Metal Co Ltd	CID002129
GOLD	Yunnan Copper Industry Co Ltd	CID000197
GOLD	Zhongyuan Gold Smelter of Zhongjin Gold Corporation	CID002224
GOLD	Zijin Mining Group Co. Ltd	CID002243
TANTALUM	Changsha South Tantalum Niobium Co., Ltd.	CID000211
TANTALUM	Conghua Tantalum and Niobium Smeltry	CID000291
TANTALUM	Duoluoshan	CID000410
TANTALUM	Exotech Inc.	CID000456
TANTALUM	F&X Electro-Materials Ltd.	CID000460
TANTALUM	Global Advanced Metals	CID000564
TANTALUM	H.C. Starck Group	CID000654
TANTALUM	Hi-Temp	CID000731
TANTALUM	JiuJiang JinXin Nonferrous Metals Co., Ltd.	CID000914
TANTALUM	Jiujiang Tanbre Co., Ltd.	CID000917
TANTALUM	Kemet Blue Powder	CID000963
TANTALUM	King-Tan Tantalum Industry Ltd	CID000973
TANTALUM	Metallurgical Products India (Pvt.) Ltd.	CID001163
TANTALUM	Mineração Taboca S.A.	CID001175
TANTALUM	Mitsui Mining & Smelting	CID001192
TANTALUM	Ningxia Orient Tantalum Industry Co., Ltd.	CID001277
TANTALUM	Plansee	CID001368
TANTALUM	RFH Tantalum Smeltry Co., Ltd	CID001522
TANTALUM	Solikamsk Metal Works	CID001769
TANTALUM	Taki Chemicals	CID001869
TANTALUM	Tantalite Resources	CID001879
TANTALUM	Telex	CID001891
TANTALUM	Ulba	CID001969
TANTALUM	Zhuzhou Cement Carbide	CID002232
TIN	Alpha	CID000292
TIN	China Rare Metal Materials Company	CID000244
TIN	CNMC (Guangxi) PGMA Co. Ltd.	CID000278
TIN	Cooper Santa	CID000295
TIN	CV Serumpun Sebalai	CID000313
TIN	CV United Smelting	CID000315
TIN	EM Vinto	CID000438
TIN	Estanho de Rondônia S.A.	CID000448
TIN	Fenix Metals	CID000468
TIN	Geju Non-Ferrous Metal Processing Co. Ltd.	CID000538
TIN	Geju Zi-Li	CID000555
TIN	Huichang Jinshunda Tin Co. Ltd	CID000760
TIN	Jiangxi Nanshan	CID000864
TIN	Kai Unita Trade Limited Liability Company	CID000942
TIN	Linwu Xianggui Smelter Co	CID001063
TIN	Liuzhou China Tin	CID001070
TIN	Malaysia Smelting Corporation (MSC)	CID001105

TIN	Metallo Chimique	CID001143
TIN	Mineração Taboca S.A.	CID001173
TIN	Minmetals Ganzhou Tin Co. Ltd.	CID001179
TIN	Minsur	CID001182
TIN	Mitsubishi Materials Corporation	CID001191
TIN	Novosibirsk Integrated Tin Works	CID001305
TIN	O.M. Manufacturing (Thailand) Co., Ltd.	CID001314
TIN	OMSA	CID001337
TIN	PT Artha Cipta Langgeng	CID001399
TIN	PT Babel Inti Perkasa	CID001402
TIN	PT Bangka Putra Karya	CID001412
TIN	PT Bangka Tin Industry	CID001419
TIN	PT Belitung Industri Sejahtera	CID001421
TIN	PT Bukit Timah	CID001428
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TIN	PT REFINED BANGKA TIN	CID001460
TIN	PT Sariwiguna Binasentosa	CID001463
TIN	PT Stanindo Inti Perkasa	CID001468
TIN	PT Tambang Timah	CID001477
TIN	PT Timah	CID001482
TIN	PT Tinindo Inter Nusa	CID001490
TIN	Rui Da Hung	CID001539
TIN	Soft Metais, Ltda.	CID001758
TIN	Thaisarco	CID001898
TIN	White Solder Metalurgia e Mineração Ltda.	CID002036
TIN	Yunnan Chengfeng Non-ferrous Metals Co.,Ltd.	CID002158
TIN	Yunnan Tin Company, Ltd.	CID002180
TUNGSTEN	A.L.M.T. Corp.	CID000004
TUNGSTEN	Chongyi Zhangyuan Tungsten Co Ltd	CID000258
TUNGSTEN	Dayu Weiliang Tungsten Co., Ltd.	CID000345
TUNGSTEN	Fujian Jinxin Tungsten Co., Ltd.	CID000499
TUNGSTEN	Ganzhou Huaxing Tungsten Products Co., Ltd.	CID000875
TUNGSTEN	Ganzhou Non-ferrous Metals Smelting Co., Ltd.	CID000868
TUNGSTEN	Global Tungsten & Powders Corp.	CID000568
TUNGSTEN	Guangdong Xianglu Tungsten Industry Co., Ltd.	CID000218
TUNGSTEN	HC Starck GmbH	CID000683
TUNGSTEN	Hunan Chenzhou Mining Group Co	CID000766
TUNGSTEN	Hunan Chun-Chang Nonferrous Smelting & Concentrating Co., Ltd.	CID000769
TUNGSTEN	Japan New Metals Co Ltd	CID000825
TUNGSTEN	Kennametal Fallon	CID000966
TUNGSTEN	Kennametal Huntsville	CID000105
TUNGSTEN	Tejing (Vietnam) Tungsten Co., Ltd.	CID001889
TUNGSTEN	Wolfram Bergbau und Hütten AG	CID002044
TUNGSTEN	Wolfram Company CJSC	CID002047
TUNGSTEN	Xiamen Tungsten Co., Ltd	CID002082
TUNGSTEN	Zhuzhou Cemented Carbide Group Co Ltd	CID002236

1. Smelter information based on recognized smelters or refiners with a Conflict-Free Sourcing

Initiative (CFSI) assigned identification number. All CFSI information referenced is current as of April 9, 2014.

2. Specific smelters and refiners providing materials that end up in our products cannot be identified with certainty due to suppliers' company-level reporting. Our metrics reflect CFSI-compliant smelter and refiner information reported to us by our suppliers.

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Forced Labor and Human Trafficking in Supply Chains

In the automotive industry, it is difficult to assure that the extraction and original production of raw materials is done responsibly, because these processes occur so far up our supply chain and, therefore, are far outside of Ford's direct control. Nonetheless, we are actively engaging with our industry, stakeholders and direct suppliers to address the risk of human rights abuses, including forced labor and human trafficking, deep in our supply chain.

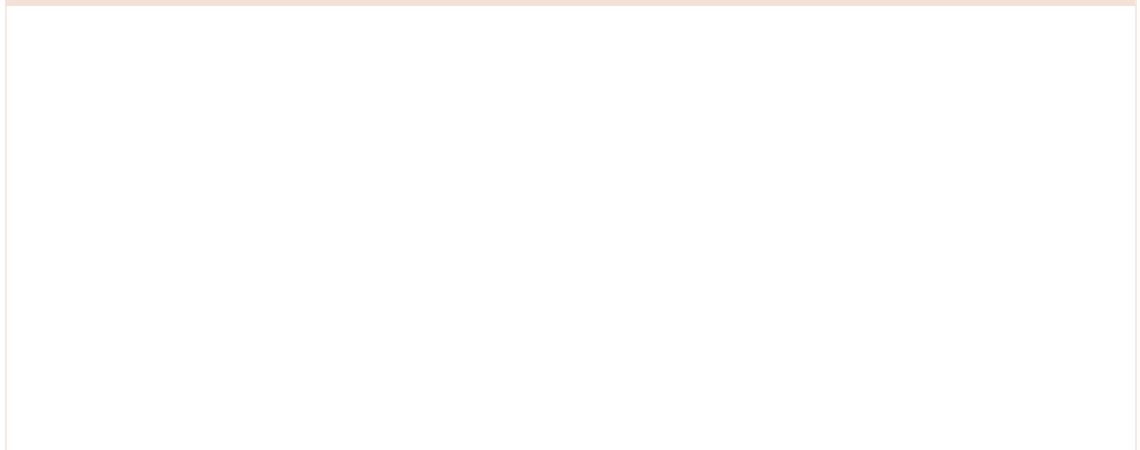
A range of products and materials sourced from specific geographies have been identified and described by the U.S. Department of Labor as posing potential human rights concerns. Included on this list is charcoal from Brazil, which can be used to make pig iron, a key ingredient in steel production.

We take a proactive approach to addressing human rights concerns associated with these materials. Our response to the discovery that charcoal made with slave labor had entered our supply chain provides an example of how seriously we take this issue. It also exemplifies our approach to addressing the issue.

In 2006, Ford discovered that charcoal produced in Brazil with the use of slave labor had found its way into our supply chain through our purchase of pig iron. When we learned of the situation, we immediately stopped sourcing from the site that was identified in the investigation, but we continued dialogue with the supplier and helped them to develop management systems until such time as the supplier could ensure it was not supporting forced labor in the supply chain for pig iron. We then identified all potential points of entry for pig iron in the Ford value chain and engaged with all relevant suppliers, seeking assurances from them that forced labor was not employed anywhere in their value chain. This included an intensive mapping of five to six tiers of suppliers (including importers, exporters and trading companies) (see pig iron supply chain illustration below). We also requested additional detail regarding our Tier 1 suppliers' systems for safeguarding human rights throughout their operations, including procurement. We continue to remain vigilant on this and other potential opportunities for slave labor or human trafficking to occur in our supply chain.

In addition to working with our suppliers to ensure responsible procurement of this material, we also work with the U.S. State Department, the International Labour Organization and the governing committee of the Brazil's National Pact to Eradicate Slave Labour to seek multilateral solutions that will help to validate information and improve transparency. Ultimately, we hope to enable responsible purchasing decisions throughout the supply chain.

Pig Iron Producers





California's Transparency in Supply Chains Law

Beginning in 2012, many companies manufacturing or selling products in the state of California are required to disclose their efforts (if any) to address the issue of forced labor and human trafficking, per the California Transparency in Supply Chains Act of 2010 (SB 657). This law was designed to increase the amount of information made available by companies, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

Forced labor and human trafficking can take many forms, including child labor. Our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility, makes it clear that we will not tolerate forced labor or child labor in our operations and we conduct internal audits of our manufacturing locations to ensure compliance. We have instituted a number of actions to safeguard against human rights abuses, including forced labor in our supply chain. For example:

- **We regularly assess risk related to human trafficking and forced labor associated with our supply base.** Our preliminary assessment is based upon geography, the commodity purchased, the level of manual labor required for part/assembly production, the supplier's ownership structure, supplier quality performance and the nature of the business transaction. This risk assessment is performed by Ford with input from external stakeholders.
- **Our Global Terms and Conditions forbid the use of forced labor, child labor and physically abusive disciplinary practices.** Our definition of forced labor is inclusive of trafficking, and this was made explicit in the 2012 revisions to our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility. Ford's purchase orders require suppliers to certify compliance with our prohibition of forced labor, child labor and physical disciplinary abuse as part of our Global Terms and Conditions that govern the purchase by Ford of goods and services from suppliers. We reserve the right to terminate our relationship with a supplier if issues of noncompliance with our policies are discovered and/or noncompliance is not addressed in a timely manner.
- **We conduct training and capability building.**
 - We regularly conduct internal training on our Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility with our Global Purchasing staff, including management and supplier quality teams. Additional training is conducted regarding our Supply Chain Sustainability Program, including coverage of the Code and our Global Working Conditions Program, emphasizing the role of our buyers and supplier quality engineers in responsible decision making.
 - Ford requires suppliers in high-risk markets to attend training that increases awareness of Ford's requirements and legal requirements, including those related to forced labor and child labor. The training enables management systems that will ensure compliance over time. We conduct this training at Ford where necessary but increasingly with other automakers in the industry through the Automotive Industry Action Group (AIAG) or CSR Europe.

- Ford and other automakers at the AIAG have funded and created a training for buyers and supply chain managers on supply chain sustainability. This training addresses issues including supply chain risk assessments, policy and supplier contract development and other actions that can be taken to ensure that forced labor and child labor do not enter the automotive supply chain.
- **We regularly conduct audits of at-risk Tier 1 supplier factories to monitor compliance with Ford expectations and legal requirements.** These audits are independent and announced. We choose which facilities to audit based upon our risk assessment as described above. Following audits, suppliers are required to complete corrective action plans, which Ford reviews and approves. The corrective action plans outline how a supplier will resolve issues uncovered in audits and include clear responsibility and timelines for completion. We continue to regularly work with the supplier to resolve the identified issues – and, depending on the severity of the issue identified, we will return to the facility within 12 months to confirm resolution. Our supply chain work has demonstrated to us that the risk for issues such as forced labor and child labor (as well as other human rights and working conditions issues) are relatively low for Tier 1 suppliers. The risk increases, however, the further down the tiers of suppliers toward the source of the raw materials. Ford does not have visibility or direct access to these suppliers for the purpose of verification, and thus we work with our Tier 1 suppliers as well as other industries, non-governmental organizations (NGOs) and governments to explore the options for appropriate validation systems.



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Rare Earth Elements

"Rare earth elements" (REEs) are a set of 17 chemical elements in the periodic table. Though many of these elements are not actually rare, their geochemical properties make it difficult to find them in concentrated forms that can be extracted for use easily or economically. REEs have been used in conventional internal combustion vehicles for many years in small quantities. However, electrified vehicles – including hybrids, plug-in hybrids and full electric vehicles – use larger quantities of REEs in magnets in their electric motors and in their more complicated battery systems. As electrified vehicle production increases, the importance of the supply and production of certain rare earth metals is growing in importance to automotive companies.

REEs pose both economic and sustainability challenges. The growing demand for REEs has called into question future supply and material costs. They are also a concern due to the geographic concentration of supply and environmentally unsustainable mining practices.

Ford's Approach to Rare Earth Elements

Ford has taken a proactive approach to understanding and minimizing the issues associated with REEs in our vehicles. We began by assessing the amount of REEs in our vehicles and where they occur. This is, in fact, a very challenging task because REEs are used in small quantities, in a large number of components, and by suppliers far upstream in the supply chain. We estimate that approximately 0.44 kg of REEs are used in a typical conventional sedan, with approximately 80 percent of the rare earth content in magnets. Conventional vehicles primarily use neodymium, which is used in batteries and magnets, and cerium, which is used mainly in catalytic converters. Relatively larger amounts of REEs – primarily neodymium and dysprosium – are used in full hybrid electric vehicles (HEVs). A typical HEV sedan with a nickel-metal-hydrate battery uses approximately 4.5 kg of rare earth metals. HEVs with lithium-ion batteries contain approximately 1 kg of REEs. We have assessed the likely use of REEs in a variety of cleaner energy and vehicle future scenarios that meet the goal of climate stabilization, based on maintaining atmospheric CO₂ at 450 ppm. Use of REEs will increase significantly as more electrified vehicles and wind energy are used as these technologies require much higher amounts of neodymium (Nd) and dysprosium (Dy). Specifically, our studies suggest that, in the absence of efficient reuse and recycling, or the development of technologies which use lower amounts of Dy and Nd, there could be an increase of more than 700 percent and 2,600 percent for Nd and Dy, respectively. We are still evaluating the REE content in plug-in hybrid electric and full battery electric vehicles.

Our primary focus in addressing REEs thus far has been to reduce the need for them in our electrified vehicle battery systems. Our third-generation hybrid system significantly reduces the use of REEs compared to nickel-metal hydrate batteries and other lithium-ion battery systems. We have reduced the use of dysprosium by approximately 50 percent in the electric machine permanent motor magnets used in our hybrid system. This new technology reduces the cost of our hybrid systems by 30 percent, largely by reducing the use of dysprosium, which is the most expensive REE used in electric motor magnets. The new system is also 50 percent lighter and 25 to 30 percent smaller than previous-generation hybrid batteries, contributing to better fuel efficiency. We expect this new hybrid battery technology will save up to 500,000 pounds of rare earth metals annually.

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→ Battery Technologies



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Supply Chain Environmental Management

Ford has worked with our suppliers for decades to improve the environmental sustainability of their products and processes – and to gain their support in improving our own sustainability performance. We were the first automaker to require our suppliers to certify their environmental management systems to the globally recognized standard ISO 14001.

Today, we remain committed to providing suppliers with a range of support and assistance based on our expertise and experiences. We regularly engage with our suppliers on sustainability issues, and we have developed initiatives to improve our understanding of environmental impacts and practices in several areas, including greenhouse gas emissions, materials management and logistics.

For example, we are working to better understand the carbon footprint of our supply chain by surveying our suppliers on their greenhouse gas emissions. We have expanded the number of suppliers we include in this survey each year; we surveyed 145 suppliers in 2013 and plan to expand this to significantly more suppliers in 2014.

In 2014, we are also beginning to assess our suppliers' water footprint. We are surveying a subset of our Tier 1 suppliers through the CDP Water program. We are prioritizing which suppliers we include in both our CDP greenhouse gas and water surveys based on a variety of criteria including suppliers with higher GHG or water intensity, strategic suppliers and supplier location. We ultimately plan to include all of our ABF suppliers as well as other Tier 1 suppliers who represent a significant portion of our annual purchases and suppliers who have been identified as having high water use and/or operate in highly water stressed regions. For more information about our corporate water strategy, please see the [Water](#) section.



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Supplier Environmental Management

At Ford, our aim is to integrate sustainability throughout our supply chain. We require third-party ISO 14001 certification for all production suppliers with manufacturing facilities. In addition, ISO 14001 certification is expected of non-production supplier facilities if the supplier has a manufacturing site or a non-manufacturing site with significant environmental impacts that ships products to Ford. We also encourage our suppliers to require their own suppliers to implement environmental management systems.

Our supplier contracts specify environmental requirements covering a range of issues, such as reducing or eliminating materials of concern, using Design for Sustainability principles, increasing the use of sustainable materials and using materials that will improve vehicle interior air quality. We ask suppliers to use recycled materials whenever technically and economically feasible. (For more on our use of recycled materials, see the [Sustainable Materials](#) section.) We look for opportunities across our organization to purchase environmentally superior goods and services. For example, we now require that our new personal computer purchases be certified as meeting comprehensive environmental criteria.

Supplier Engagement on Environmental Sustainability

As we do for other important issues such as human rights, we take a three-pronged approach to engaging with suppliers on environmental sustainability issues. We work with individual supplier factories; with key suppliers' corporate management; and in cooperation with other automakers to influence practices across the automotive supply chain.

Supplier Factories

As mentioned above, each Tier 1 manufacturing site providing parts to Ford is required to have ISO 14001 certification. Since 2012, our supplier training programs have included content on our expectations for environmental management (in addition to covering human rights and working conditions issues). We believe this will help build supplier capability to manage these issues effectively. This content expansion aligns our training activity with our updated Policy Letter 24: Code of Human Rights, Basic Working Conditions and Corporate Responsibility and other supplier expectations and guidelines.

Engagement with Suppliers' Corporate Management

As part of our Aligned Business Framework (ABF), ABF suppliers commit to managing and ensuring responsible environmental management in their facilities and in their supply chain. We regularly address current and emerging environmental issues and solutions with ABF suppliers at periodic meetings and in regular communications. Please see [Going Further with Our ABF Suppliers](#) for information on this topic.

Industry Collaboration

We work in industry forums to encourage common approaches to the supply chain challenges of our industry. For example, we have been integrating environmental sustainability and greenhouse gas management issues into our work with the Automotive Industry Action Group (AIAG), and a Ford representative co-chairs the AIAG Greenhouse Gas (GHG) work group. Through the AIAG, we helped to establish common industry guidance and a reporting format for GHG emissions which will be used by global automakers and Tier 1 suppliers. Our initial 2010 survey and results heavily influenced the AIAG guidance and reporting format, as Ford was the only automaker exploring Scope 3 GHG emissions and related risks and opportunities at that time. Ford continues to be a leader within the automotive

industry in supplier engagement on GHG emissions management and reporting. For more information on our supplier greenhouse gas program, please see [Supplier Greenhouse Gas Emissions](#).

In 2013, we also helped to form and now co-chair the AIAG's new Environmental Sustainability Advisory Group. The new group will monitor key environmental issues in the industry and help to develop common metrics, standards and benchmarks, in an effort to improve both the effectiveness and the efficiency of member companies' and industry groups' sustainability efforts. The new group will educate suppliers and manufacturers in the industry about key environmental issues and serve as an industry "think tank" on environmental sustainability.

Since 2007 we have been a member of the Suppliers Partnership for the Environment, an innovative partnership between automobile original equipment manufacturers, their suppliers and the U.S. Environmental Protection Agency. This partnership works to create new and innovative business-centered approaches to environmental protection and provides a forum for small, midsize and large automotive and vehicle suppliers to work together, learn from each other and share environmental best practices.

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Supplier Greenhouse Gas Emissions

We continue to work to better understand the carbon footprint of our supply chain, as well as the risks and opportunities of greenhouse gas (GHG) regulation and climate change for our suppliers and, by extension, for our company. For our own products and operations, we have a comprehensive commitment and strategy to reduce GHG emissions, as detailed in the Climate Change section of this report, which enhances our competitiveness. We hope to help promote similar competitiveness throughout the automotive supply chain. The findings of our GHG emission surveys of suppliers, described below, suggest that many of our suppliers are already setting their own emissions-reduction goals or are considering it. We will continue to work with and encourage our suppliers to set their own energy-efficiency goals or GHG-reduction targets and to track our suppliers' GHG emissions management progress over time.

Related links

This Report

Climate Change

Ford's Supply Chain GHG Emissions Survey

In 2010, Ford launched a pilot project to better understand our suppliers' GHG emissions using the Carbon Disclosure Project (CDP) Supply Chain Program questionnaire. The CDP's questionnaire gathers qualitative and quantitative information about the suppliers' management of climate risks and emissions. From the success of this pilot, we have been using and expanding the CDP survey ever since. Our goal is to better understand the carbon footprint of our supply chain and to use the data to create a broad-based carbon management approach for our supply chain.

In 2013, we surveyed 145 suppliers to understand their greenhouse gas emissions, compared to 135 in 2012, 128 in 2011 and 35 in 2010. The 145 suppliers surveyed accounted for more than 50 percent of our 2012 annual purchases of \$90 billion. We also included select non-production suppliers, such as logistics and information technology suppliers in this survey. In 2014, we plan to expand this survey to include an even larger number of key production and non-production suppliers, and we will survey suppliers about both GHG emissions and water.

When determining which suppliers to survey in our greenhouse gas survey we used a variety of criteria, including:

- The GHG intensity of the suppliers' activities or commodities supplied,
- The strategic nature of the business relationship with Ford, and
- The geographic footprint of the supplier's global operations.

From the supplier data we have collected since 2011, Ford was found to be a leader in all three major report categories: managing relationships with suppliers, developing and implementing a sustainable supply chain strategy, and managing risks and opportunities.

We achieved an overall response rate of 89 percent in 2013, again exceeding our internal objectives for this round of voluntary surveys. This response rate also significantly exceeds the average supplier response rate for all companies participating in the CDP's Supply Chain Program, which was 44 percent in 2011, 39 percent in 2012, and 51 percent in 2013. We believe that our high response rate was achieved through the active support and training Ford provided to suppliers throughout the process – support that included webinars, guidance documents and one-on-one technical assistance.

The findings from this year's survey are summarized in the box below. Overall, we continued to find that, for the most part, our suppliers are engaged in the issue of climate change and are working to reduce their GHG emissions. However, there was still wide variability in suppliers' readiness to measure, report on and actively manage

GHG emissions.

Scope 3 Greenhouse Gas Accounting and Reporting

Scope 3 greenhouse gas emissions include all of the upstream and downstream emissions generated by a company's supply chain, from raw material extraction to end-of-life disposal or recycling. Assessing these emissions is extremely challenging, as it includes emissions generated by processes and entities far from Ford's own operations and direct suppliers. The World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) finalized a new Scope 3 (Corporate Value Chain) GHG Emissions Standard in 2011 to help companies with this difficult task. The standard provides a step-by-step methodology for companies to quantify and report their Scope 3 GHG emissions in 15 different categories of emission-generating activities across their entire value chain, upstream and downstream of their own operations. It is intended to be used in conjunction with the GHG Protocol Corporate Accounting and Reporting Standard, which provides companies with a methodology for reporting emissions from their own operations.

Ford road-tested the new Scope 3 protocol in 2010 as part of the WRI/WBCSD's development process. The direct supplier emissions we assess in our current supplier GHG surveys are only one element of the WRI/WBCSD Scope 3 standard. However, we are using elements of the WRI/WBCSD Scope 3 standard to assess our full supply chain emissions, to help us develop a comprehensive approach to supply chain emissions management, and to help our suppliers develop GHG management plans. We are currently working to integrate our supplier GHG survey results into a broader analysis of complete Scope 3 GHG emissions.

Some Key Findings from Our 2013 Supplier GHG Survey

Of the suppliers responding...

A large majority of suppliers have active greenhouse gas emissions-reduction programs.

More than

71 percent

(up from 65 percent the previous year) have set greenhouse gas emissions-reduction targets, and more than 85 percent have active emissions-reduction initiatives. In general, more Ford suppliers have continued to respond that they have set intensity-based targets rather than absolute targets.

Nearly

50 percent

of suppliers reported making investments in emissions reduction initiatives.

More than

50 percent

reported achieving cost savings related to reducing emissions.

A large majority of suppliers track and report on their greenhouse gas emissions

More than

80 percent

track and report on their greenhouse gas emissions.

Suppliers are working to provide their customers (e.g., Ford) with ways to reduce their overall supply chain GHG emissions.

More than

40 percent

of suppliers have a strategy for engaging their own supply chain on GHG emissions issues.

Nearly

60 percent

are reporting Scope 3 emissions; However, there is still variability in the completeness of the 15 Scope 3 emissions categories they report.

In 2014, we will further expand our supplier environmental assessments. We will increase the number of suppliers we ask to respond to the CDP Supply Chain greenhouse gas survey. We will also ask these suppliers to complete the CDP Supply Chain water questionnaire as part of our efforts to better understand water risks and implications to our supply chain. We are selecting the expanded group of suppliers to complete these surveys based on a range of criteria including higher greenhouse gas and/or water impacts of the products and materials they supply, their strategic importance to Ford, and the geographic footprint of their operations. We will work closely with these suppliers to ensure improvements in data quality that will result in a more robust baseline of emissions data. We will also continue reviewing survey results and prioritizing opportunities to partner with select suppliers on energy-efficiency training and management programs when possible.

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Voice: Kelly Katynski

Materials Management

We are working with our suppliers to increase their use of sustainable materials and eliminate undesirable materials. While Ford has already made great strides in using more sustainable materials in our products (as discussed in the Sustainable Materials section), we can expand these efforts by systematically working with our suppliers on these issues. Toward that end, we are developing Commodity Business Plans and other materials purchasing strategies that require the use of sustainable materials. For example, we developed a purchasing strategy for recycled plastic resins and Commodity Business Plans for relevant parts that require the use of post-consumer recycled plastics.

More and more countries are adopting regulations governing the use of materials, chemicals and substances of concern. In 2007, for example, the European Union adopted REACH (Registration, Evaluation, Authorisation and Restriction of CHemicals). The goal of the REACH legislation is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. All manufacturers operating in Europe must provide information on the properties and safe handling of their chemical substances to a central database in Helsinki, Finland. In addition, the legislation calls for the progressive substitution of the most dangerous chemicals, once suitable alternatives have been identified. REACH provisions will be phased in over 11 years.

Turkey and Romania adopted their own versions of REACH in 2009; China adopted its own version in October 2010. In 2011, Japan also adopted REACH-like regulations to manage their chemicals. South Korea will adopt REACH regulations in 2013 and will begin implementation of K-REACH in 2015. In the U.S., the Senate and House both proposed bills in 2010 to overhaul the Toxic Substances Control Act, which was first enacted in 1976. The state of California finalized the Safer Consumer Products (green chemistry) law in 2013, and announced its initial list of priority product in March 2014. This law will require manufacturers of selected 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 products are on the priority products list for containing identified chemicals of concern must conduct an alternative assessment and replace the chemicals of concern with safer alternatives. Or, they must 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. The initial priority product list did not contain any auto or auto component related parts, however Ford's Global Materials Management Program is continuing to monitor this regulation and any future priority product additions to ensure an effective and efficient way for Ford to be a leader among auto companies in managing materials and meeting these types of global chemical and environmental regulations.

Governments are also developing and implementing regulations governing the use of conflict minerals. In August 2012, for example, the U.S. Security and Exchange Commission (SEC) issued a final ruling for conflict minerals regulations. The increasing focus on conflict minerals and other critical raw materials issues has injected an additional concern into materials management: Not only is it important to consider the properties of the materials we use, but also their origin and the conditions under which they were extracted and processed. Ford is working with other affected companies and industries to develop processes for collecting conflict minerals use and source information. Ford's existing materials management tools have also been instrumental to our ability to collect and analyze information about conflict minerals in our own products and supply chain. (See the [Sustainable Raw Materials](#) section for more detail on Ford's approach to conflict minerals.)

Materials Management Processes and Tools

Even before REACH-type regulations were adopted, Ford was managing materials

Related links

This Report

→ [Sustainable Materials](#)

External Websites

→ [REACH](#)

across the vehicle lifecycle as part of our Global Materials Management Program. For many years, Ford has had a Restricted Substance Management Standard (RSMS), which was developed to reduce and eliminate the use of substances of concern in our vehicles and plants. The first of its kind in the industry, this standard was originally developed to address both regulated substances and materials Ford voluntarily chose to eliminate from our vehicles and plants. The RSMS process is embedded in Ford's Global Product Development System, our company-wide vehicle design and production system.

We use a set of processes and tools to assist us in communicating materials- and substance-related requirements to suppliers, and in tracking the materials and substances that they use in the parts they manufacture. These tools include the Global Material Approval Process (GMAP), which handles all materials processed in Ford's plants; Global Material Integration and Reporting (GMIR), a materials tracking tool for our engineers and suppliers; and the International Material Data System (IMDS), a reporting system used by multiple automakers and all tiers of suppliers.

The IMDS was developed by seven auto manufacturers (including Ford) in 1997 to handle the tracking, review and reporting of all vehicle components and service parts from all suppliers. Thirty-nine companies globally are now official members. The IMDS is a Web-based system used internationally by suppliers to report on the substances and materials contained in parts for our vehicles. Ford has cooperated with other automakers to align reporting requirements for restricted substances and to analyze the data provided. This helps us to identify substances and materials of concern and target them for elimination. Ford is also leveraging the IMDS to identify risks associated with conflict minerals and other critical raw materials.

Ford vehicle programs use the IMDS to report 100 percent of materials and all the required substance data to fulfill or comply with all governmental regulations and requirements, including end-of-life vehicle directives in the China, the EU, Japan, South Korea and Taiwan; REACH in the EU and other countries; and recent Conflict Mineral and other critical raw material reporting initiatives. The IMDS will also provide essential data and information needed to meet the incoming California Safer Consumer Products (green chemistry) Regulations.

To further help our suppliers manage their materials and substance data Ford developed and launched the GMIR. Through the GMIR Supplier Portal, Ford lists all the parts that require reporting by suppliers; we also list suppliers' reporting and certification status. Thus the system allows every supplier to monitor its reporting status and understand which parts are required to be reported. This two-way communication helps clarify a very complex materials management task and saves time and money for Ford and our suppliers.

For non-dimensional materials (such as paint and adhesive) that are shipped directly to Ford plants, Ford uses GMAP – an electronic tool aimed at simplifying the global materials approval process. The GMAP process allows suppliers to use electronic transactions to submit their Material Safety Data Sheets and composition data. Internally, Ford approvers communicate their decisions of approval or rejection electronically. This new process saves time and ensures better-quality data for complying with government regulations and Ford policies.

In response to the REACH legislation, Ford has developed additional systems to track and manage the use of chemicals. And, Ford has taken a leadership position in implementing REACH. For example, Ford has been a key member of the Global REACH Automotive Task Force and was the first chair of this task force. Ford is also the chair of the AIAG's REACH Advisory Committee and USCAR Substance of Concern committee. Ford has also been working to create an industry-wide and global working group for automakers to work on eliminating undesirable chemicals.

Ford has made great progress in complying with REACH. For example, we created a REACH manager position and formed a REACH task force to manage relevant activities, including conducting REACH inventory studies and generating all required reports for customers and consumers. In addition, we have worked extensively with our suppliers to ensure their compliance with REACH thus far. Ford's existing Global Materials Management Program has made it much easier for Ford and our suppliers to comply with these new requirements. Using these systems, for example, Ford conducted the "substances of very high concern" inventory studies required by REACH and generated all required reports for consumers and governmental agencies. In addition, we have added all of the "substances of very high concern" to our own Restricted Substances Management Standard; this ensures that we will get the necessary reporting from our suppliers and ensures Ford will comply with REACH and similar regulations.

We have used our Global Materials Management (GMM) tools and processes to meet the new requirements like California's Safer Consumer Products (Green Chemistry) law. The "chemicals of concern" list recently published as part of this law was incorporated in our GMM tools for reporting and analysis. We will use the materials and substances data collected in our GMM databases for the Alternative

Assessments required by the new California regulations.

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Logistics Operations

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Ford's physical logistics operations provide the safe and efficient transport of parts from our suppliers to our manufacturing plants (our "inbound" freight) and of finished vehicles from the end of our assembly lines to our dealerships (our "outbound" freight). Although logistics accounts for a relatively small percentage of our vehicles' total lifecycle emissions, we are working hard to maximize the efficiency of these operations to reduce their environmental impact. This work is managed by Ford's Material Planning and Logistics (MP&L) organization, which is the department responsible for designing and operating our global transportation networks and for engineering high-quality and efficient packaging to protect parts in transit.

Green Logistics

In our MP&L organization, green logistics is the centerpiece of our environmental programs. We focus our green logistics efforts on three main areas:

1. quantifying our freight greenhouse gas (GHG) emissions,
2. reducing those greenhouse gas emissions and
3. improving the sustainability of our packaging materials.

Since freight emissions and fuel usage are so closely tied, our focus on emissions reduction also encourages actions that help us achieve other environmental goals as well, such as improving air quality and reducing traffic flows.

Ford MP&L has an international global approach to coordinating our green logistics activities. We have subject-matter experts in each of our four operating regions (Europe, North America, Asia Pacific Africa, and South America), and we have a central green logistics intranet site to assist in standardizing our procedures and communicating best practices.

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Freight GHG Emissions Reporting

Understanding and quantifying our freight carbon dioxide (CO₂) emissions is important for a number of reasons, including:

- Helping us to understand our overall environmental impacts,
- Enabling us to prioritize actions to reduce emissions,
- Allowing us to calculate the full carbon footprint of our supply chains,
- Providing data for the overall lifecycle carbon footprint of our vehicles, and
- Providing data to respond to customer inquiries.

We began to develop CO₂ reporting metrics in 2006 for our European inbound road and rail freight operations in conjunction with our European lead logistics provider, DHL. After carrying out a study with Cologne University masters students to identify

the best approach, we expanded our reporting to include transportation networks in North America, South Africa, India and Australia. We have also expanded our reporting to include additional modes of transportation such as ocean freight, using methods developed by our transatlantic lead logistics provider, UTi.

In 2012, we began collecting freight emission data in China from our joint venture, Changan Ford, and its trucking providers. Early results from this effort, which includes both inbound and outbound logistics, suggest emissions are being reduced per vehicle shipped. Data from all regions is collated in our global performance scorecard, which is regularly reviewed by senior management. We continually update our reporting methods to follow evolving international best practices. For example, we now account for emissions of other greenhouse gases such as nitrous oxide (N₂O) and methane, in addition to CO₂, in our overall GHG emissions estimates. We also continually update our data sources. For example, we are now using newly published CO₂ data from the Clean Carrier Working Group to improve the accuracy of our ocean freight emission calculations.

Tracking transport emissions allows us to study the impacts of different sourcing patterns. Our MP&L function is working closely with Purchasing on value stream mapping projects to help us compare the transportation and manufacturing footprints in different source locations.

Ford is taking an active role in the development of new reporting processes for automotive freight emissions. In 2011, we were a road-tester of the World Resource Institute and the World Business Council for Sustainable Development's new Greenhouse Gas Protocol Scope 3 reporting standards, which cover freight CO₂ reporting. We have since worked with the Automotive Industry Action Group (AIAG) in North America to encourage others in the industry to adopt these standards and help to provide relevant training. In Europe, we were part of the U.K. Department for Transport's Low Carbon Transport Supply Chain Steering Group, which published Guidance on Measuring and Reporting Greenhouse Gas Emissions. We also led a project to produce new reporting guidelines for Odette International, the European automotive supply chain standards organization. In Asia, we participated in the inaugural Green Freight China seminar in Beijing, run jointly by Clean Air Asia and the Chinese government.

We believe it is important for our logistics providers to have policies on CO₂ issues. Since 2011, we have involved our major North American and European logistics service providers in our annual Carbon Disclosure Project Supply Chain Survey as part of our effort to encourage them to have strategies to improve the sustainability of their operations. We are working closely to support our French carriers in fulfilling their obligations following the introduction of mandatory freight transport emissions reporting in France in October 2013.

For more information on our supply chain greenhouse gas initiatives, please see [Supplier Greenhouse Gas Emissions](#).

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Freight Emissions Reduction

Freight emissions are influenced by a wide range of factors including the mode of freight (road, rail, sea, etc.), to the efficiency of the vehicles, barges, and other equipment that is used to move parts and products, the design of the freight network and the packaging we use. The graphic below highlights the complexity of freight systems and factors influencing freight-related emissions.

Influences on Freight CO₂ Emissions

Freight Mode

- Road
- Rail
- Barge / Short Sea
- Ocean

Equipment

- Engine Design
- Fuel Type
- Trailer Design¹
- Operating Practices
- Driving Skills

Network Design

- Network Planning
- Location of Hubs
- Utilization

Facilities

- Building Design
- Energy Sources
- Energy Conservation
- Operating Practices

Packaging

- Materials
- Pack Density
- Empties Management

Miscellaneous

- Launch Support
- Contingency Actions
- Emergency Air Freight

Our most effective leverage point in this system is in terms of reducing emissions is improving the design and operation of our transportation to increase the use of greener modes of transport (such as rail and water), to reduce miles traveled, and to increase vehicle utilization.

In general, we contract and manage our own freight networks rather than have freight contracted by our suppliers. This gives us better control and allows us to optimize collections and deliveries across all pick-up points and destinations, minimizing the total amount of transport required.

Our freight emissions-reduction efforts generally focus on reducing the number of vehicle miles traveled to deliver our inbound parts and outbound vehicles, as well as improving route efficiencies and switching to lower-emission transport methods. Some of the specific strategies we use to reduce freight emissions include:

- Using regional distribution centers to coordinate deliveries and reduce the number of vehicles collecting materials from suppliers that are destined for multiple factories;
- Using “milk run” routes, where groups of collection points can be visited by a single truck, to minimize the number and length of journeys required;
- Developing contracts with our freight providers that encourage them to carry third-party freight on return journeys rather than returning home empty, which not only gives us a cost benefit but reduces overall traffic on the roads;
- Maximizing the use of lower-emission transport modes such as rail, river and short sea transport, instead of road transport. It has been estimated that switching from road to rail can reduce CO₂ emissions by 40 percent and it reduces road congestion;
- Using “SWAP bodies” – standard freight rail containers that can be lifted onto dedicated road trailers to expand our ability to use rail freight where possible on a given journey and road transport as needed;
- Improving packaging to allow us to carry more cargo in fewer trips; and
- Improving load density, or the number of finished vehicles carried per conveyance, which lowers the number of conveyances employed and reduces the amount of fuel consumed. Improving the fuel efficiency of our transportation fleet by using the latest engine technologies, improving vehicle aerodynamics, and training drivers on more fuel-efficient driving practices

The following projects undertaken by our global MP&L teams help to illustrate the range of activities involved in reducing our freight emissions:

- At our Rawsonville plant, the Ford-owned transport fleet is accredited to the EPA SmartWay program for using the best practices in tractor technologies and driver training.
- At the Kentucky Truck Plant we made routing improvements for distribution of vehicles to the west coast resulting in an annual reduction of 2.5 million rail miles.
- We improved the load ratio of F-150 trucks that are loaded on railcars from the Dearborn Truck, Melvindale, New Boston and Kansas City Assembly plants, reducing our railcar requirement by more than 100 railcars and 85,000 rail miles annually.
- At the Cuautitlan Assemble Plant in Mexico we implemented short sea moves as part of the multi-modal distribution network, eliminating the need to transport 20,000 vehicles annually by rail from Cuautitlan to U.S. East Coast.
- In our Asia Pacific region, we are implementing projects in 2014 to increase the use of rail freight in lieu of road, which will save a significant number of truck movements each year.

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Packaging

Ford MP&L's Packaging Engineering department focuses on designing, procuring and optimizing packaging on a part-by-part basis to best suit the components being moved and the transport required.

Packaging has environmental impacts throughout its lifecycle, including materials usage, transportation and waste disposal. Over years of testing, tracking and performance improvement, we have confirmed that the best strategy to eliminate material waste and optimize freight efficiency is to use durable and returnable packaging for all but the longest supply chains.

We have developed a standard range of packaging that not only protects parts and

makes them easy to handle at the assembly line, but also allows maximum storage density during transportation, thereby minimizing transport requirements. We review the packaging of production trial parts to assess opportunities to increase packing density prior to the full-volume launch of a product.

One of the benefits of standardizing packaging is that it makes packaging interchangeable between suppliers and programs. In Europe, we have contracts with third-party specialist packaging providers to control the issue, collection and pooling of standard packaging for our suppliers. This pooling greatly reduces transport requirements, as the packaging can be shipped to where it is next required rather than always having to return it to the supplier who last used it.

Currently, our European operations use 90 percent reusable containers, and we are seeking to increase that amount. For example, we are working to develop more direct routing for parts to our St. Petersburg, Russia, plant so that it is viable to use returnable packaging. We are also introducing returnable steel racks for many of our new transatlantic shipments that previously would have been shipped in disposable material.

We are working closely with packaging suppliers to take advantage of new developments. In Spain, for example, we are introducing dedicated designs that include foldable internal packaging that avoids the need for disposable material. It is also lighter and easier to handle than conventional standardized returnable packaging.

The European powertrain packaging team is introducing a novel approach to packaging returns. The empty packaging is broken down into small chips that are then returned in sacks to be remade into new packaging close to the original supplier location. This dramatically reduces the volume of the return shipments, and thereby the transportation costs and emissions.

An example from our Asia Pacific region is their implementation of returnable packaging for hazardous material shipments, such as of air bags from Europe to China. Previously this part had been handled by air shipment, but now it can be shipped by sea, giving considerable savings in emissions.

We are now working globally to share best practices between regions and drive consistency in packaging for future global vehicle programs. Ford's latest packaging guidelines require that supplier-provided packaging supports corporate sustainability goals by seeking a neutral or positive environmental footprint through zero waste to landfill and use of 100 percent recycled, renewable or recyclable materials.

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The Evolution of Green Logistics

Going forward, our strategy is to continually expand and consolidate our CO₂ reporting and reduction initiatives. Within Ford MP&L, environmental considerations form a key part of our business plan, with metrics in place and with objectives to introduce more rail and short sea routes instead of road freight. We are actively establishing dialogues with our major carriers and service providers to share ideas and methods, with the aim of pushing our green logistics to new levels of collaborative best practice.

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1. Including aerodynamics, tyres, oils etc.



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Supplier Diversity Development

Ford remains strongly committed to working with and developing supplier companies that are owned by minorities, women and veterans. Our Supplier Diversity Development office works with business leaders, trade associations and community-based organizations that represent the interests of diverse businesses.

Our annual goal is to source at least 10 percent of U.S. purchases from minority-, women-, and veteran-owned businesses. In 2013, Ford purchased \$6.5 billion in goods and services from approximately 250 minority-owned suppliers and \$1.8 billion in goods and services from more than 150 women-owned businesses and \$600 million from veteran-owned companies. Our 2013 results demonstrated the fourth consecutive year of improvement and exceeded our sourcing goals for both minority- and women-owned suppliers.

Ford launched its Supplier Diversity Development program in 1978 with the goals of supporting minority businesses, creating business opportunities for diverse suppliers to grow into profitable enterprises and further strengthening the Ford supplier network to reflect the company's work force and customer base. In the early 1990s, women suppliers were added and in 2013, veterans were included in our Supplier Diversity Development program. Since 1978, we have sourced more than \$74 billion to minority-, women-, and veteran-owned businesses.

Ford's diverse suppliers are playing an important role in the company's revitalized and expanding portfolio of high-quality, safe, fuel-efficient products equipped with smart technologies. The following are examples of the success of our supplier diversity program:

- **ABEL Services LLC**, a woman owned company based in Louisville, KY, is a general contracting and construction management company. For the last six years, ABEL Construction Company has supported Ford Motor Company's Louisville Assembly Plant and Kentucky Truck Plant. ABEL is a member of the United States Green Building Council.
- **Husco Automotive**, a Hispanic company based in Waukesha, Wisconsin, produces engine controls such as actuators used for variable camshaft-timing components across various Ford vehicles. These controls improve the vehicles' gas mileage and reduce pollutants.
- **SET Enterprises, Inc.**, an African American and Veteran owned company based in Warren, Michigan, provides blanking and slitting services to support multiple vehicle lines including the Ford Explorer and Ford Escape at the Chicago Assembly Plant.
- **SourcePro Inc.**, an Asian-Indian owned company that has expanded its service offering with Ford from Inventory Management to new model program data analysis and bill of material scrubbing. Spare parts management programs have helped to drive accurate and timely part specifications and have been utilized globally to drive inventory optimization.

In 2013, Ford received many awards for our diversity efforts including:

- The Women's Business Enterprise National Council named Ford a Top Corporation for Women for the second consecutive year. The award honors the company's best-in-class practices to proactively integrate women-owned businesses into its supply chain at all levels. Ford was the first automaker to earn this honor in 2011.
- The Michigan Minority Supplier Development Council awarded Ford Corporation of the Year for Supplier Diversity for the fourth consecutive year.
- Asian Pacific American Chamber of Commerce named Ford the Corporation of the Year.
- Black EOE Journal named as the Ford Best of the Best Top Supplier Diversity

Related links

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- ➔ [Data: Total Purchases from Minority-owned Businesses – United States](#)
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Program.

- *DiversityBusiness* magazine named Ford to their list of America's Top Organizations for Multicultural Business Opportunities for 2013. We have been on the list since 2001.
- *HispanicBusiness* magazine awarded Ford the Top Supplier Diversity Program.
- *Hispanic Network Magazine* named Ford in their Best of the Best for both Top Diversity Employers and Top Supplier Diversity Programs for Hispanics.
- The U.S. Hispanic Chamber of Commerce named Ford to its "Million Dollar Club," a group of 39 corporations recognized for outstanding support for Hispanic suppliers.
- MBN USA listed Ford on their MBN USA Corporate 100 for supporting diverse enterprises and understanding of the positive impact supplier diversity makes on the economy.
- *MBN USA Magazine* listed Ford in its 2013 Corporate 101 Award for Supplier Diversity.
- *Women's Enterprise USA Magazine* listed Ford in their 2013 100 Corporations of the Year for supplier diversity.
- Professional Women's Network named Ford on their Best of the Best lists for Top Employers for Women and Top Supplier Diversity.
- *U.S. Veterans Magazine* named Ford Best of the Best for Supplier Diversity.

Our record of minority supplier development has earned Ford a seat at the Billion Dollar Roundtable (BDR), an exclusive group of 18 companies that purchase a minimum of \$1 billion annually from diverse suppliers. The BDR encourages corporate entities to continue growing their supplier diversity programs by increasing commitment and spending levels each year.

Several Ford personnel also won awards for their individual efforts to foster supplier diversity in 2013. For example:

- Hau Thai-Tang, Group Vice President, Global Purchasing
 - Outstanding Men of Women's Business Enterprise 2013 by *WE USA Women's Enterprise Magazine*, and annual award recognizing men who support Women's Business Enterprise development initiatives at the highest level.
- Tony Brown, former Group Vice President, Global Purchasing (retired July 2013)
 - Top 75 Men in Corporate Supplier Diversity by *Motor Trends* magazine
- Marcella McCullough, Manager of Supplier Diversity Development was awarded
 - One of the 18 Influential Women in Diversity & HR by *Diversity Canada Magazine* for continuing to open doors for women, aboriginals, and visible minorities
 - Champion of Diversity by *DiversityPlus Magazine*
- Carla Traci Preston, Director of Supplier Diversity Development was awarded:
 - National Advocate of the Year by the Michigan Minority Supplier Development Council, which acknowledges the individual who goes above and beyond normal requirements and helps develop, sustain and/or significantly aid in the advancement of minority businesses.
 - Top 50 Women in Corporate Supplier Diversity by *WE USA Women's Enterprise Magazine*. As part of WE USA's the Year of the Woman celebration, WE USA recognized 50 movers and shakers whose acumen, tenacity and influence helped define and deploy supplier diversity initiatives in the past and will continue to shape corporate procurement for generations of entrepreneurs to come.
 - Top 25 Women in Power Impacting Diversity by *DiversityPlus Magazine*. The 2013 Women in Power play critical roles in companies adapting to a rapidly changing business environment, in which diversity, innovation, and creativity are the keys to success. The women are recognized because of the way they use their abilities to bring diversity into organizations.

Ford earned these awards for developing and driving innovative best practices across our organization that result in productive business partnerships with minority and women entrepreneurs and valuable products and services for their customers.

We are unwavering in our commitment to incremental year-over-year percentage increases in sourcing from diverse suppliers. We encourage similar actions across our supply chain. In 2013, more than 400 of our largest Tier 1 suppliers purchased \$2.57 billion from minority- women-and veteran-owned enterprises in support of Ford business.



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A. Working Conditions Training and Assessment Status for Supply Chain

Working Conditions Assessments (as of 12/31/13)	Americas	Asia Pacific Africa	Europe	Global Total
Average violations per assessment	10.8	11.1	10.9	10.8
Assessments completed to date	322	501	92	915
Follow-up assessments completed to date (third party and/or internal)	411	539	109	1,059

Working Conditions Training (as of 12/31/13)	Americas	Asia Pacific Africa	Europe	Global Total
Training sessions conducted to date	68	52	26	146
Total number of attending companies	852	873	339	2,064
Total number of trained managers (attendees)	1,373	966	581	2,920

Working Conditions Training (Scope of Impact: Supplier-Submitted Data as of 12/31/13)	Global Total
Training cascade to management, individuals trained	25,176
Training cascade to workforce, individuals trained	488,472
Communication to suppliers, number of sub-tier companies	102,773

Data notes and analysis

In 2013, the training and assessment data has been updated to reflect a consistent calculation methodology, however certain figures may be slightly lower than 2012.

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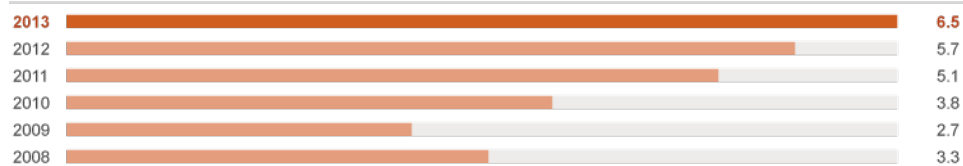
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B. Total Purchases from Minority-owned Businesses – United States

\$ billion



2008	2009	2010	2011	2012	2013
3.3	2.7	3.8	5.1	5.7	6.5

Data notes and analysis

In 2013, Ford purchased \$6.5 billion in goods and services from approximately 250 minority-owned suppliers. Our 2013 results demonstrated the third consecutive year of improvement and exceeded our sourcing goals for minority-owned suppliers.

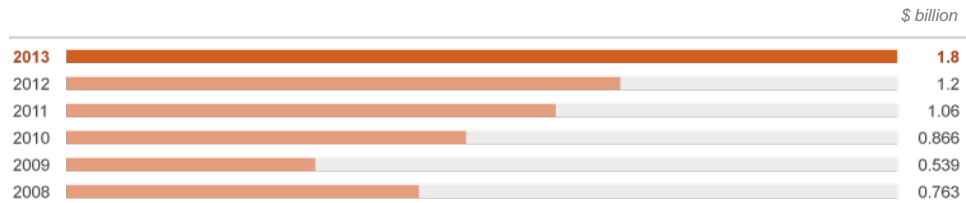
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C. Total Purchases from Women-owned Businesses – United States



2008	2009	2010	2011	2012	2013
0.763	0.539	0.866	1.06	1.2	1.8

Data notes and analysis

In 2013, Ford purchased \$1.8 billion in goods and services from more than 150 women-owned businesses. Our 2013 results demonstrated the third consecutive year of improvement and exceeded our sourcing goals for minority- and women-owned suppliers.

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> Voice: Kelly Katynski

Voice: Kelly Katynski

Supply Chain Sustainability Manager – Conflict Minerals Compliance, Ford Motor Co

“ We are still in the process of identifying the origins of tin, tantalum, tungsten and gold (3TG) in our supply chain. At this point, there is one thing that we can say with certainty: All of our vehicles contain 3TG. Tin, for example, can be found in any number of vehicle-related components, from seat cushions to electronics to windshield glass.”



Before talking about conflict minerals and Ford's supply chain, I'd first like to provide some background on my journey at Ford. I have been with Ford for 25 years and began working in Supply Chain Sustainability in 2012. Since then, I have gained an appreciation for all of Ford's efforts to ensure we are doing the right thing. I am inspired by Bill Ford's commitment to sustainability and I am excited to be contributing to the good work Ford is doing to protect the environment and to respect human rights around the world.

When I was selected as the lead person responsible for Ford's conflict minerals compliance, I quickly dove into all of the written materials I could get my hands on. In addition to the 350-plus pages of conflict minerals legislation mandated here in the U.S., I read about the human atrocities happening in the Congo. I also began engaging with the Automotive Industry Action Group and other multi-stakeholder groups to learn from others. The question I kept asking myself was this: How could this type of suffering be taking place? And, even more important, what can we, as a company, do about it? This explains how my sustainability journey started and it has been exciting and rewarding ever since.

Now, let me dive into the subject at hand – conflict minerals and the efforts Ford is undertaking to help end the violence in the Congo. The four minerals in question – cassiterite, columbite-tantalite, wolframite and gold, whose common derivatives are tin, tantalum, tungsten and gold (3TG) – can be mined all over the world. In the Democratic Republic of the Congo and adjoining countries, the mining of these minerals is frequently used to fund violent conflict and contributes to significant humanitarian abuses.

Not all mining from the Congo is contributing to conflict, however. There are many responsibly run operations whose workers depend on mining of these minerals to support their families. It is important that actions taken by Ford and our suppliers do not disadvantage responsible mining operations in the region.

My role here at Ford is to make sure that our company is sourcing these minerals responsibly, and that we are fulfilling the new mandatory reporting requirements of the U.S. Securities and Exchange Commission (SEC). Starting in May 2014, and annually thereafter, we are required to determine if our products contain 3TG and, if so, we must conduct due diligence to determine where the minerals are coming from and if they are sourced responsibly. We must file a specialized disclosure (Form SD) and conflict mineral report with the SEC describing our due diligence efforts.

It's hard to express what an enormous undertaking this is for a company with a supply chain as broad, as deep and as complex as ours. We are layers removed from the smelters and refiners in our supply chain; therefore, we must survey our direct suppliers and request our suppliers, in turn, to survey their suppliers until the point many layers down in the supply chain where the smelter or refiner of the 3TG is known. Once the smelters or refiners are identified and reported to us, we then work with the cross-industry Conflict-Free Sourcing Initiative to determine if the smelters have been confirmed to be conflict free. Smelters must pass an independent third-party audit to earn such a designation.

It is imperative that industries, governments and nongovernmental organizations work collaboratively to develop workable solutions that make a meaningful difference in this human rights crisis. I believe Ford is demonstrating leadership by helping to develop robust reporting and validation infrastructure leading to increased supply chain transparency.

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Thankfully, we have not, to date, identified any products that contain conflict minerals that have contributed to conflict in the Congo; however, more work is required to identify the origin of all of the 3TG in our products.

We want to do our part and fully support the humanitarian goal of ending violent conflict in the Congo. I am proud to be the team leader driving this important effort. ([Read more about our conflict minerals work.](#))

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