

LETTER FROM WILLIAM CLAY FORD, JR. AND JIM HACKETT



WILLIAM CLAY FORD, JR.



JIM HACKETT

It has been 20 years since we produced our first sustainability report but, for us, moving toward a more sustainable world has been a priority from the very start. We are building a smarter Ford Motor Company, by Creating Tomorrow, Together.

Our 20-year reporting anniversary provides an opportunity to reflect on how far we've already come. At the turn of the millennium, being one of the first companies to publish a sustainability report was a big deal, not just for us but for business as a whole. As well as celebrating our successes, it gave an honest account of where we needed to improve. As our subsequent reports testify, we have continued to do better, time and time again. You will find yet more examples of our progress from the past year in these very pages.

But we have reached a milestone moment: a time to look forward to where we want to go. How can we address a transportation system that grew up around the automobile but has become increasingly unsustainable? What can we do to address climate change, as its scale and urgency come into stark focus? If we are to become the world's most trusted

company, designing and building smart vehicles for a smart world, we need to be part of the solution to such challenges, not part of the problem. So while we still need to make great cars and trucks today, we also need to keep one eye on tomorrow.

That's why we are transforming our culture and innovating right across the business, from the production line to the design studio. We are working to reduce the CO₂ emissions from our facilities and our vehicles, in line with the climate targets outlined in the Paris Climate Accord. The risks and opportunities associated with the changing climate are shaping the way we do business, from offering electrified versions of our popular models, to a global carbon reduction strategy focused on powering our facilities with renewable energy.

We are making great strides toward a more connected, cloud-based and congestion-free world: a better world. We are reimagining what mobility will look like beyond the privately owned, traditionally powered automobile. We foresee clean, smart vehicles communicating with each other, as well as the road infrastructure and public transit systems, orchestrated by open cloud-based

platforms like our Transportation Mobility Cloud. Those all-important first and last miles of a journey will be accomplished on a bike or scooter. And despite growing urbanization, rethinking our cities in these ways could result in cleaner air and less-congested streets, so that everyone can get to work or school, deliver goods, or visit friends and family efficiently, affordably and sustainably.

Of course, we don't have all the answers, but we do have the drive and determination to find them. Working closely with our partners, we will continue to do things the right way – the Ford way – and keep people at the heart of every decision we make.

We are building a smarter Ford Motor Company, by Creating Tomorrow Together.

William Clay Ford, Jr.
Executive Chairman

Jim Hackett
President and Chief Executive Officer

OUR SUSTAINABILITY STRATEGY

It is our belief that the freedom of movement drives human progress. Shaped by this belief, we aspire to become the world's most trusted company, designing smart vehicles for a smart world. Our future is already in motion – we are moving people more efficiently and sustainably.

OUR BUSINESS MODEL

Our approach positions us to lead in areas with huge potential to revolutionize how people move – more efficiently and sustainably.



Trusted company: To become the world's most trusted company, designing smart vehicles for a smart world



Driving human progress: To provide vehicles and services that help create a better world and facilitate freedom of movement



Positive impact: To not just lower our footprint, but to develop vehicle innovations that have a positive contribution to society

Building on our strengths, we're prioritizing the strengths that differentiate us and help us stand out. That means investing in our **core business** of designing, manufacturing, marketing, financing and servicing our portfolio of cars, SUVs, trucks and commercial vehicles.

We're also pursuing sustainable growth through **emerging opportunities** in key areas such as electrification, self-driving vehicles and mobility services and solutions.

Our Issue-Specific Strategies

Our approach to sustainability involves doing our share to meet the collective challenges the world faces. To address the full range of these material issues, we have developed a number of strategies that are targeted toward specific topics.

- [Climate Change Strategy](#)
- [Sustainable Materials Strategy](#)
- [Renewable Energy Strategy](#)
- [Human Rights Strategy](#)
- [Circular Economy Strategy](#)

Our Aspirational Goals

Our aspiration is to become the world's most trusted company, designing smart vehicles for a smart world.



ACCESS

We aspire to drive human progress by providing mobility and accessibility for all



WATER

We will make zero water withdrawals for manufacturing processes

We aspire to use freshwater for human consumption only



CLIMATE CHANGE

We support CO₂ reductions consistent with the Paris Climate Accord



MATERIALS

We aspire to only use recycled and renewable plastics in our vehicles globally



AIR

We aspire to achieve zero air emissions from our facilities



HUMAN RIGHTS

We aspire to become the most inclusive and diverse global company



ENERGY

We will use 100 percent renewable energy for all manufacturing plants globally by 2035



DIVERSITY

We aspire to become the most inclusive and diverse global company



WASTE

We will achieve true zero waste to landfill across our operations

We will eliminate single-use plastics from our operations by 2030

PRIORITIZING KEY ISSUES

Conducting a formal materiality process enables us to define our reporting priorities, identify emerging sustainability issues, shape our sustainability strategy, set goals and allocate resources appropriately. We capture the resulting priority topics in a matrix, which provides a snapshot of the challenges, opportunities and connections between the sustainability issues of most importance to our business and those of highest concern to our stakeholders.

MATERIALITY RESULTS

Our most recent materiality analysis was carried out in early 2019. The results are reflected in the matrix opposite. The analysis identified our most important issues as:

- Electrification and alternative fuels
- Customer satisfaction, vehicle quality and safety
- Vehicle carbon footprint/fuel economy
- Climate change/resilience strategy/energy future
- Supply chain management/capacity building and performance/responsible sourcing of raw materials

Our Materiality Matrix

The materiality matrix on the right plots each issue and the ratings accorded to it. The y-axis represents the influence on stakeholders and the x-axis represents impact on Ford. Issues found closer to the upper right-hand corner of the matrix are of higher influence and impact to both Ford and stakeholders.

The Definition of Materiality

For the purposes of this report, we consider material information to be that of greatest interest to, and has the potential to affect the perception of, those stakeholders who wish to make informed decisions and judgments about the company's commitment to environmental, social and economic progress.

This definition predates, but is consistent with, the GRI's definition of material topics: *“those that reflect the organization's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders.”*

> [See the GRI Content Index for the definitions of our material issues.](#)

Our Materiality Process

Identification

We created a list of potential issues, grouped by four different types of categories – planet, people, innovation and governance and ethics. Issues were identified through desk-based research, which included a peer review, media scan and review of sustainability thought leadership from industry experts and associations.

Prioritization

An online survey followed by a workshop with external and internal stakeholders aided us in further identifying key challenges and opportunities and prioritizing the issues.

Ford Materiality Results 2018/2019



- | | | |
|---|--|--|
| 1 Electrification and alternative fuels | 8 Human rights | 20 Employee wellness, health and safety |
| 2 Customer satisfaction, vehicle quality and safety | 9 Air quality | 21 Smart technology |
| 3 Vehicle carbon footprint/fuel economy | 10 Customer engagement and marketing | 22 Process chemicals |
| 4 Climate change/resilience strategy/energy future | 11 Ethical business practices | 23 Environmental management/process innovation |
| 5 Supply chain management/capacity building and performance/responsible sourcing of raw materials | 12 Sustainable materials | 24 Operations/logistics energy use and GHG emissions |
| 6 Accountable and inclusive governance | 13 Self-driving vehicles | 25 Water use |
| 7 Government regulation, policy and engagement | 14 Changing consumer preferences | 26 Sustainable cities and infrastructure |
| | 15 Financial health, intellectual property protection and brand perception | 27 Socioeconomic contribution and community engagement |
| | 16 Human capital | |
| | 17 Waste management | |
| | 18 Work stoppages | |
| | 19 Mobility solutions | |

Key ● Planet ● People ● Innovation ● Governance and Ethics

Review

The results of the analysis were reviewed internally by Ford's Sustainability & Vehicle Environmental Matters group and regional stakeholders. Revisions were then made to ensure that our process and list of important

issues were complete, well understood and inclusive of the perspectives obtained from stakeholders, and that all feedback was appropriately reflected.

PRIORITIZING KEY ISSUES CONTINUED

STAKEHOLDER REVIEW OF OUR REPORT

As in recent years, a stakeholder team selected by Ceres provided recommendations for this Sustainability Report.

Representing a range of constituencies and expertise, the Ceres Stakeholder Committee convened in March 2019. Ford's responses to their recommendations are summarized below. These recommendations guide our continuous improvement and input to our materiality process.

Addressing Human Capital and Human Rights Issues

Against a backdrop of organizational restructuring at Ford and seismic shifts in the auto sector, we continue to address the human rights issues identified in our saliency assessment. We take a zero-tolerance stance on harassment and discrimination and, by reducing the gender pay gap and providing breastfeeding rooms and changing areas for female employees, we're striving to make our workplaces more gender-equal.

Accountability in Supply Chain Management: Social Issues

The supply chain section of our report demonstrates how we manage key issues within our global supply chain. In monitoring and managing the materials used in our vehicles, we meet all relevant regulations concerning substances of concern and continue to eliminate or reduce our use of hex chrome, lead, mercury and copper. Through an IBM-led pilot project to digitally trace cobalt from a mine in the Democratic Republic of Congo to a U.S. Ford plant using blockchain technology, we aim to show that our material

sourcing aligns with OCED standards and does not contribute to forced or child labor.

Accountability in Supply Chain Management: Environmental Issues

Having achieved our previous operational carbon emissions target eight years early, we have set new aspirational goals for reducing absolute carbon emissions, using renewable energy in our plants, achieving zero water withdrawals in our manufacturing processes and only using freshwater for human consumption. We report thoroughly on the use (and benefits) of renewable and recycled materials in our vehicles and, to reduce the wider impact of our supply chain, we share best practice with 50 of our key suppliers through our industry-leading Partnership for A Cleaner Environment (PACE) program.

Sector Leadership and Policy Advocacy

Acting as a catalyst for transformational change in the transportation sector, we seek to influence areas related to our sustainability objectives through lobbying and policy development. These range from supporting ongoing reductions in absolute tailpipe emissions to advocating for policy measures that improve mobility and accessibility for all. For example, Ford recently joined the CEO Climate Dialogue and the Climate Leadership Council, who are urging Congress to enact legislation that takes an economywide approach to reducing carbon emissions beyond the Paris Climate Accord.

Similarly, our work to advance workplace equality and gender reporting is demonstrated by our inclusion in the 2019 Bloomberg Gender-Equality Index, scoring 100 percent in the Human Rights Campaign's 2018 Corporate Equality Index and our support for CEO Action for Diversity and Inclusion.

OUR GOALS AND PROGRESS

We have summarized our progress against our goals, commitments and targets in relation to our material issues and other important performance areas.

Goal	2018/19 Progress Examples	Status
Respecting Human Rights		
Ensure everything we make or that others make for us is consistent with local laws and our own commitment to respecting human rights	22 high-priority countries, based on an annual human rights risk analysis 100 percent of our 114 ABF production suppliers have codes of conduct aligned with our Policy Letter 24 Conducted a formal assessment of our salient human rights, in line with the UNGPRF > Human Rights > Environmental Impact of Our Suppliers	In process
Help suppliers build their capacity to manage supply chain sustainability issues	11 training sessions on human rights, working conditions, business ethics and the environment > Environmental Impact of Our Suppliers	In process
Assess Tier 1 suppliers' compliance with local laws and Ford's supply chain sustainability expectations	1,163 supplier audits and 1,564 follow-up assessments 30 audits using the RBA Validated Assessment Process methodology (100 percent of which were certified by the RBA) > Auditing Our Suppliers	In process
Health and Safety		
Fatalities target is always zero	In 2018, we had a service contractor fatality at a North America Stamping Plant. The circumstances were analyzed in detail, with actions taken to prevent reoccurrence. > Health and Safety	In process

OUR GOALS AND PROGRESS CONTINUED

Goal	2018/19 Progress Examples	Status
Health and Safety (continued)		
Zero serious injuries, attain industry competitive lost-time and drive continuous improvement	Lost-time case rate (LTCR) increased slightly from 0.38 to 0.41 > Health and Safety	In process
Maintain or improve employee personal health and well-being	We continue to provide programs and services that help employees achieve health and well-being and make informed choices. In 2018, we introduced wearable technology for employees at 15 plants in seven countries. > Health and Safety	In process
Minimizing Our Supply Chain Impact		
Engage with our supply chain to understand its carbon and water footprints	Surveyed 257 production suppliers (81 percent) using the CDP Supply Chain program's questionnaire 214 suppliers (73 percent) responded to the CDP Water questionnaire > Environmental Impact of Our Suppliers	In process
Work with selected suppliers to reduce our collective environmental footprint through PACE	Shared best practice examples with 50 suppliers through PACE > Environmental Impact of Our Suppliers	In process
Improve the transparency of mineral sourcing and improve the capacity of conflict-free smelters	Achieved 100 percent response rate from in-scope suppliers > Responsible Sourcing of Raw Materials	In process
Continue to purchase from veteran-, minority- and women-owned businesses	Purchased goods and services worth \$8.56 billion from minority-owned suppliers; \$2.28 billion from women-owned businesses; \$0.41 billion from veteran-owned companies > Supplier Diversity	In process

Goal	2018/19 Progress Examples	Status
Reducing Our Vehicle Footprint		
Improve fuel economy across our global vehicle lineup, consistent with regulatory requirements and climate stabilization	Combined car and truck fuel economy fell by 2.4 percent in 2018 Award-winning EcoBoost® technology now used in 8 million engines worldwide > Improving Fuel Economy	In process
Continue our lightweighting plans	Taken 200 pounds off the 2018 Lincoln Navigator, 300 pounds off the 2018 Ford Expedition and 350 pounds off the 2017 Ford Super Duty by switching to aluminum Incorporating graphene, a strong but light carbon-based material, to all our vehicles, starting with the Ford F-150 and Mustang > Improving Fuel Economy	In process
Offer alternative fuel vehicles	We offer several models powered by ethanol and biodiesel A wide range of commercial vehicles that run on compressed natural gas (CNG) and liquefied petroleum gas (LPG) is also available in certain passenger vehicles Alternative Fuels and Powertrains > Alternative Fuels and Powertrains	Achieved
Continue to develop and implement our sustainable materials strategy, focusing on sustainable sourcing, lower environmental impacts and equivalent or superior performance	Eight sustainable materials are currently used in our production vehicles. Researching the possible use of tomato skin, bamboo, agave fiber, dandelion roots and algae > Using Sustainable Materials	In process

OUR GOALS AND PROGRESS CONTINUED

Goal	2018/19 Progress Examples	Status
Reducing Our Vehicle Footprint (continued)		
Design and manufacture vehicles that offer innovative driver assist technologies, and meet or exceed all regulatory requirements for safety	<p>Ford Co-Pilot360™ rolling out in key global markets, with a suite of technologies</p> <p>For the 2019 model year, nine Ford and four Lincoln nameplates rated with 5-Star Overall Vehicle Scores in the U.S. NCAP (as of June 2019)</p> <p>> Improving Vehicle Safety</p> <p>> Driver Assist Technologies</p>	In process
Play a leading role in vehicle safety and driver assist research and innovation	<p>Published a safety assessment report, <i>A Matter of Trust</i></p> <p>Founding member of the American Center for Mobility</p> <p>Partner in Automated Driving Applications and Technologies (AdaptIVe), Europe's largest research project on automated driving</p> <p>Partnerships with a range of universities, including Purdue University and Virginia Tech</p> <p>> Driver Assist Technologies</p>	In process
Provide information and educational programs to promote safe driving practices	<p>Ford Driving Skills for Life reached 41,000 participants in 2018 and is currently active in 43 countries.</p> <p>> Encouraging Safer Driving</p>	In process

Sustainable Operations

Reduce absolute facility CO₂ emissions by 18 percent (2019–2023)	<p>1.1 percent reduction in absolute CO₂ emissions between 2017 and 2018</p> <p>> Energy and Emissions</p>	In process
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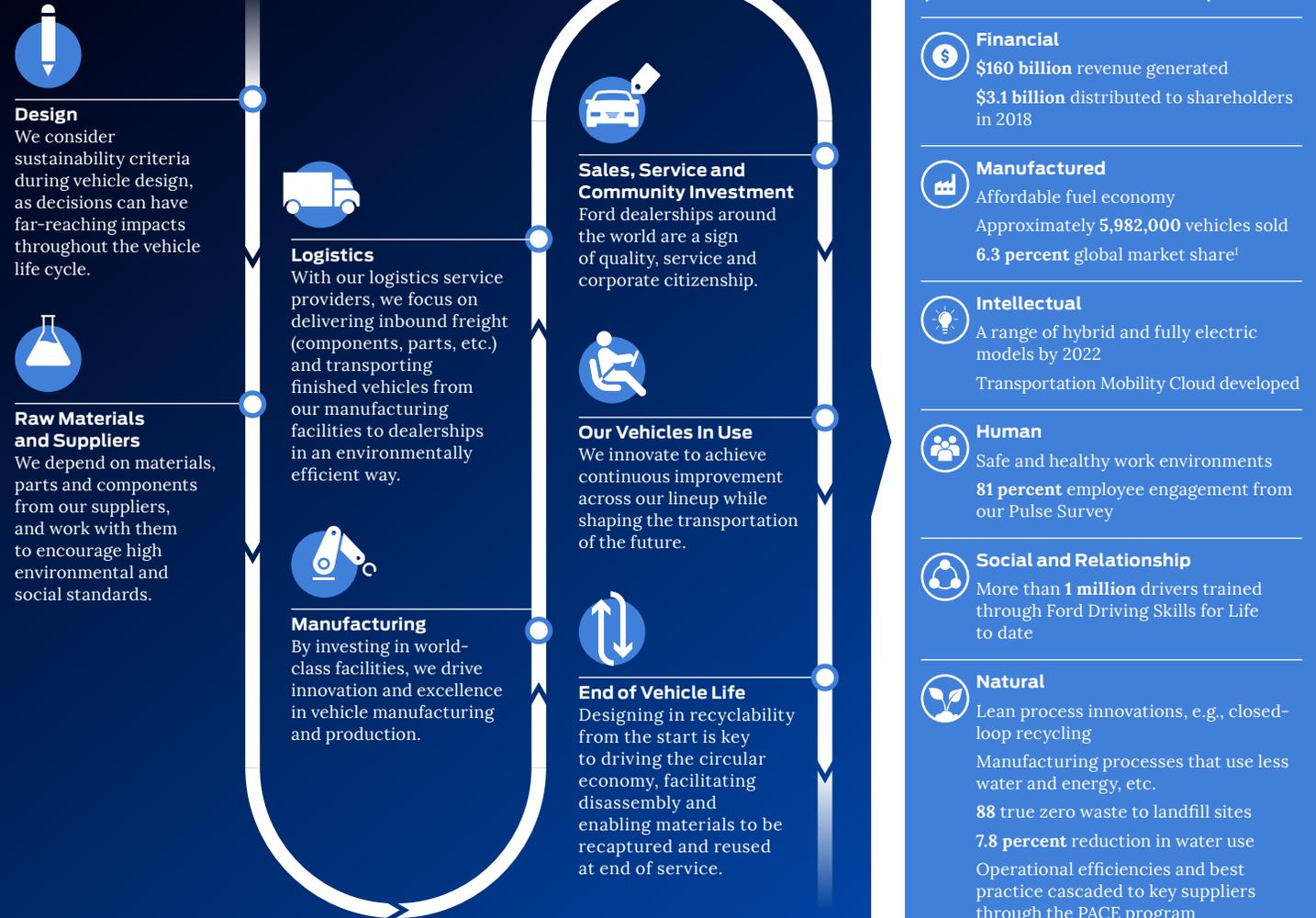
Goal	2018/19 Progress Examples	Status
Sustainable Operations (continued)		
Save an additional 30 percent of water from our manufacturing (2015–2020)	<p>7.8 percent reduction in water use</p> <p>> Water Use</p>	In process
Reduce global waste sent to landfill by 40 percent per vehicle produced (2011–2016)	<p>We reduced waste to landfill on a per-vehicle basis by 65 percent between 2011 and 2016 exceeding our target, and by more than 49 percent over the last five years.</p> <p>> Waste Reduction</p>	Achieved
Technology/Services		
Pursue our electrification strategy	<p>Invested \$11 billion in electrification over five years</p> <p>> Alternative Fuels and Powertrains</p>	In process
Deliver our Ford Smart Mobility plan, with a focus on emerging opportunities in mobility	<p>Acquisitions include Autonomic (transportation solutions), TransLoc (demand-response technology for urban transit systems) and Spin (dockless electric scooters).</p> <p>Developing the Transportation Mobility Cloud, an open software platform allowing vehicles and infrastructure to communicate and improve mobility</p> <p>> Mobility Solutions</p>	In process

CREATING VALUE AT FORD

OUR INPUTS

- 
Financial
 \$11 billion being invested in electrification
 \$4 billion being invested in self-driving vehicles through 2023
- 
Manufactured
 61 manufacturing and assembly plants
 75 percent of our U.S. lineup being refreshed by the end of 2020
- 
Intellectual
 60,000 patents active and pending
 Eight regional engineering, research and development centers
- 
Human
 198,964 people employed
 1,200 Tier 1 suppliers
 11,534 dealerships
- 
Social and Relationship
 \$1.5 billion given in charitable contributions to date
 148,849 hours in volunteering donated
- 
Natural
 1,000 different materials in our vehicles
 13.8 billion kWh of total energy used
 22.3 million gallons of water used

OUR BUSINESS ACTIVITIES



VALUE CREATED (OUTPUTS AND OUTCOMES)

- 
Financial
 \$160 billion revenue generated
 \$3.1 billion distributed to shareholders in 2018
- 
Manufactured
 Affordable fuel economy
 Approximately 5,982,000 vehicles sold
 6.3 percent global market share¹
- 
Intellectual
 A range of hybrid and fully electric models by 2022
 Transportation Mobility Cloud developed
- 
Human
 Safe and healthy work environments
 81 percent employee engagement from our Pulse Survey
- 
Social and Relationship
 More than 1 million drivers trained through Ford Driving Skills for Life to date
- 
Natural
 Lean process innovations, e.g., closed-loop recycling
 Manufacturing processes that use less water and energy, etc.
 88 true zero waste to landfill sites
 7.8 percent reduction in water use
 Operational efficiencies and best practice cascaded to key suppliers through the PACE program

¹ Market share represents reported retail sales of our brands as a percent of total industry volume in the relevant market or region.

GOVERNANCE

Our stakeholders trust us to operate responsibly and transparently. They also expect us to have clear policies and strategies in place to govern our business, manage our performance and help create value ethically.

CORPORATE GOVERNANCE

We want our operations and activities to have a positive impact on the world while remaining a successful business.

Our integrated governance systems and processes help us build sustainability across our company. Our Board of Directors is guided by our Corporate Governance Principles, Code of Ethics and charters for each board committee. These are publicly available in the Corporate Governance section of our corporate website.

> [Read more about corporate governance in our Annual 10-K report.](#)

SUSTAINABILITY GOVERNANCE

We employ a variety of governance systems and processes to manage the different aspects of sustainability across our business, as summarized throughout this report.

Guided by our Creating Value Roadmap, which outlines the management processes we follow to improve our performance, these systems and processes ensure that we act responsibly in the interests of our shareholders and take accountability for our wider impact on society.

Board Committees

Sustainability and Innovation Committee

- Primary responsibility for reviewing strategic sustainability issues
- Evaluates and advises on innovations that improve our environmental and social sustainability and the strategies to bring them to market

Other Board Committees: Audit, Compensation, Nominating and Governance and Finance.

Executive Management

Group Vice President of Sustainability, Environment and Safety Engineering

- Primary responsibility for sustainability issues
- Oversees the Sustainability & Vehicle Environmental Matters group, the Environmental Quality Office, the Vehicle Homologation & Compliance group and the Automotive Safety Office
- Leads a multi-disciplinary senior-level team to oversee our actions in response to our climate change and sustainable mobility strategies

Other executive and group vice presidents across our functional areas also have responsibility for sustainability-related issues.

Function Areas

Sustainability and Vehicle Environmental Matters

- Coordinates our companywide sustainability strategy and activities
- Leads our sustainability reporting and stakeholder engagement
- Collaborates with other functional areas and skill teams to integrate sustainability throughout the company

TRANSPARENCY AND TRUST

We always keep ethics and compliance at the heart of our business practices.

Our Corporate Compliance Office has developed training and communication tools that make it easy for our people to know how to comply with both our policies and the law. These tools include a free mobile app, *The Right Way*, which provides answers to frequently asked questions and the ability to contact the Compliance Office directly.

Available to our global workforce in seven languages, *The Right Way* is also publicly accessible, helping our suppliers and other partners become more familiar with our policies and practices. We have also made it available as “open source” material for other companies and groups.

GOVERNANCE CONTINUED

Investigating the Process for U.S. Emissions Certification

In September 2018, a few employees raised a concern through our Speak Up employee reporting channel regarding the analytical modeling used in our U.S. fuel economy and emissions compliance process.

We believe that trust in our brand is earned by acting with integrity and transparency, and have taken a number of actions in response. These include hiring an external organization to investigate the specifications used in our testing and applications to certify emissions and fuel economy, retaining independent technical experts as part of our investigation team and hiring an independent lab to conduct further testing. We have also shared these potential concerns with the Environmental Protection Agency and California Air Resources Board officials.

> [Read more about our efforts to thoroughly and swiftly complete this investigation.](#)

Ethics and Compliance Training

Our Policy Letters and Directives (see below) formally establish expectations for our employees and others working on our behalf. The most important and relevant are contained within our primary guidance document, our Code of Conduct Handbook, available in 14 languages.

Mandatory online training courses are provided for non-manufacturing employees and other key personnel focus on risk areas. We continuously look to offer shorter, more frequent sessions, such as our latest module, Civility: The High Cost of Bad Behavior, issued in October 2018.

Reporting Violations

Our compliance program encourages and facilitates the reporting of known or potential violations of the law or of Ford policies. Our people can report violations to various individuals, including those in the General Auditors' Office, Human Resources or the Office of the General Counsel, or by using telephone hotlines, websites or email. Some of these mechanisms allow for anonymous reporting.

All allegations are reviewed by a cross-functional committee that also oversees the investigations and corrective or disciplinary actions.

Anti-Bribery and Anti-Corruption

Our many facilities around the world need to comply with a wide range of national laws and governmental enforcement practices with regards to bribery and corruption. We maintain the highest standards wherever we operate and don't accept local norms if they fall below our own standards. To ensure we do this, we have:

- Clear anti-bribery and anti-corruption policies
- Procedures for mandatory reporting of suspected violations of law or policy
- Strengthened the anti-bribery and anti-corruption elements of our Global Terms & Conditions (and other contracts) for our suppliers
- Assessed our operations for risks related to bribery and corruption, and trained individuals who may encounter bribery or corruption issues in their work

PUBLIC POLICY

Every day around the world, governments make decisions that impact our business. As a global company, it is important that we have a voice to help shape those policies.

Supporting the Policy-Making Process

We participate openly and transparently in the political process, to support local, regional, national and international policies that are economically, environmentally and socially sustainable for our company, our customers and their communities. We share our expertise and add our perspective to the policy-making process through our Government Affairs offices around the world.

To leverage our resources more effectively on priority issues, we work with numerous external partners through a broad range of partnerships, coalitions, industry groups and trade associations. This helps us develop and promote policies that could benefit our company, our industry and society as a whole. And when our views do not align with those of the associations to which we belong, we reserve the right to make our own position clear.

Not only is Ford doing its part in reducing the GHG emissions of its vehicles and facilities, but we have also joined the CEO Climate Dialogue and the Climate Leadership Council who are urging Congress to enact legislation that takes an economywide approach to reduce carbon emissions beyond the Paris Climate Accord.

Policy Letters and Directives

We use Policy Letters and Directives to establish a framework of broad, basic principles within which we conduct our business across the world. These materials also provide more in-depth information on certain topics and specific business segments.