

STRATEGY AND GOVERNANCE

We're committed to having a positive impact on the world, while remaining a successful business.

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And we're trusted by investors and other stakeholders to operate responsibly and transparently, living our promise to Go Further, The Right Way.

With operations in more than 100 countries, we have clear policies and strategies for creating value, continually improving our performance and addressing a wide range of social, economic and environmental challenges in a changing world. And we keep them under continual review to reflect global best practice.

With ethics and compliance as the foundation of all our business activities, our integrated governance systems and processes help us manage the different aspects of sustainability across our business, from climate change to product quality and safety, and from ethical business practices to managing our supply chain.

How We've Gone Further



Continuing to Transform What We Do and How We Do It

We continue to develop and expand our business model, encompassing our core automotive business of making, selling, servicing and financing vehicles, while pursuing emerging opportunities in electrification, autonomous vehicles, and mobility services and solutions.

> [Read about our sustainability strategy](#)



Still One of the World's Most Ethical Companies®

We were named in the World's Most Ethical Companies® list by the Ethisphere Institute in March 2017, the eighth consecutive year that we have received this accolade for our efforts to be a good corporate citizen.

> [Read more about ethics and governance](#)



Promoting Human Rights Everywhere We Operate

This year, we used the UN Guiding Principles Reporting Framework for the first time to help us understand and demonstrate that we are meeting our responsibility to respect human rights in practice.

> [Read more about human rights and working conditions](#)



Engaging With Stakeholders to Understand Key Issues

Our most recent materiality review and ongoing engagement with stakeholders help us understand and prioritize the sustainability issues that are most important to our business and our stakeholders.

> [Read more about how we prioritize key issues](#)

Letter From William Clay Ford, Jr. and Jim Hackett

"Contributing to a better world has always been a core value at Ford, and our commitment to sustainability is a key part of who we are. Our vision is to create an even more dynamic and vibrant company that improves people's lives around the world and creates value for all of our stakeholders."

Since Ford's earliest days, our company has been on the leading edge of change. Never more so than today, as the automotive industry experiences the most fundamental shift in 100 years. Rapidly growing cities and an expanding global middle class mean issues like air quality, congestion, and associated social and environmental impacts are important challenges facing us all. Ford's dedication to sustainability has never been stronger as we further strengthen our automotive business and accelerate a strategic shift to capitalize on emerging opportunities.

Climate change is having a significant impact on the planet. Everyone has to work together and do their part to bring about real change. We remain absolutely committed to improving fuel efficiency and reducing emissions for our customers, and we continue to pursue our electrification and sustainable manufacturing strategies to do our part to help to address climate change issues. We will continue to urge the U.S. to collaborate globally to advance climate change solutions that include contributions from every sector and every country. At the same time, we have challenged ourselves to go further by setting stretch goals to reduce climate-related impacts in our facilities.

As we look to the future, we are moving from a position of strength to transform Ford. Together, we are committed to sharpening operational execution, modernizing Ford's present business and transforming the company to meet tomorrow's challenges.

For example, our \$4.5 billion investment in electrification – which includes our plan to introduce 13 new electric vehicles globally in the next five years – will offer our customers more capability, productivity and performance, and better fuel economy. In autonomy, our intent is to have a fully autonomous vehicle that brings safety to a new level for the user and solves their everyday needs. In mobility, we formed our City Solutions team, the only one of its kind in the auto industry, to work with cities to propose, pilot and develop mobility solutions tailored to individual communities.

While growing the business profitably, our fundamental mission remains the same: to make people's lives better. For Ford, the distinction between a good company and a great one is that a good company delivers excellent products and services; a great company delivers excellent products and services, and strives to make the world a better place. This is why our community involvement and investment are cornerstones of our corporate citizenship. Each year, we support thousands of Ford employees who put their heart and soul into projects that give something back. We also continue to invest significantly in our communities through the Ford Fund.

As part of Ford Project Better World, we are looking beyond the traditional role vehicles play in society and are pursuing solutions to address human challenges faced around the globe. Those challenges take us to underserved communities where we can use advanced vehicle and connectivity technologies to provide people with critical services they need, like health care and education.

Our efforts in sustainability and corporate citizenship again have been recognized globally. For the eighth straight year, Ford was named one of the World's Most Ethical Companies® by the Ethisphere Institute – a reflection of Ford's core values and employees' commitment to corporate social responsibility at every level of our company.

As we continue to focus on creating sustained economic, social and environmental value, we know that everyone has a vital part to play. That is why we are continuing to embed sustainability across our business and continuing to work with stakeholders around the world.

Ford is a global company with social and environmental impacts on the world, and we understand that sustainability is a journey rather than a destination. We are committed fully to meeting the challenges and opportunities that lie ahead.




William Clay Ford, Jr.
Executive Chairman

Jim Hackett
President and Chief Executive Officer,
Ford Motor Company

Sustainability Strategy

Our long-term vision is not just about selling more cars. It's to make people's lives better by changing the way the world moves. In the process, we can help shape a better world through acting responsibly and doing our part to address issues that affect people and the planet.

Our Strategy in Brief

In line with our expansion to be an automotive and mobility company, our strategy is to deliver top quartile shareholder returns through automotive and high-growth mobility businesses. At the same time, we are focused on enhancing and transforming how consumers interact with Ford.

Why This Strategy and How Does Sustainability Fit In?

Our strategy reflects the changing world around us. It recognizes seismic shifts in lifestyles, aspirations and consumer trends, especially among millennials, shaped by digitization and the sharing economy. Our plans also address the realities of rapidly growing cities, air quality concerns, congestion and climate change.

Corporate responsibility is a fundamental value within our company, and our business model expansion positions us to lead in areas with huge potential to revolutionize how people move – more easily and with a lighter footprint.

Future transportation has to be part of the answer. This is why Ford is developing mobility solutions such as on-demand ride sharing to complement mass transit, and continuing to invest in advanced vehicle technologies delivering improved fuel economy and emissions.

For all these reasons, our strategy looks to tomorrow as well as today – not only embracing change but helping to shape a better world.

What Are Ford's Strategic Priorities?

We have defined three key priorities as part of our business model expansion – to fortify, transform and grow specific areas in order to generate economic, environmental and social value.

Fortify, Transform

What It Means

Continue to invest in our core business of designing, manufacturing, marketing, financing and servicing cars, SUVs, trucks and electric vehicles.

Challenges and Opportunities in Value Creation

- For our company, investors and stakeholders:
 - Profitable, sustainable business growth
- For society and the environment:
 - Product innovations that offer affordable, improved fuel economy and reduced impacts over the vehicle life cycle without sacrificing performance on the road
 - Lower environmental footprint and increased resource efficiency through world-class manufacturing facilities and processes

Grow

What It Means

Pursue emerging opportunities in the key areas of electrification, autonomous vehicles, and mobility services and solutions.

Challenges and Opportunities in Value Creation

- For Ford:
 - Transforming our business and driving innovation at every level
 - Knowing where to play and how to win in the disruptive mobility arena
 - Working with partners and stakeholders to develop vehicles and mobility solutions of the future
- For society and the environment:
 - Ensuring that the switch to ultra-low/zero-emission vehicles is an effective transition that benefits consumers, cities and the natural environment
 - Creating the legal and regulatory frameworks necessary to support the introduction of electric cars and autonomous vehicles
 - Ensuring that the human factors are understood and addressed, alongside advances in technology

Integrating Sustainability

We are continuing to drive our integration program, which is focused on ensuring that sustainability is part of every key process and decision we take.

“Sustainability has been part of our core at Ford for quite some time. What some might consider a recent trend happened in our company years ago. We have really good examples of water conservation and waste conservation, for instance. But what motivates me is the ‘now’ of sustainability.”

Our goal is to engage the 200,000 people in our company in an integrated approach to drive sustainability even further. We’ve come a long way but we have a long way to go. Capturing the hearts and minds of 200,000 people, all moving in that direction, is where we’re going next.”

Kim Pittel

Vice President, Sustainability, Environment and Safety Engineering

> [Watch the full discussion about where sustainability may be heading next, with Kim Pittel, Ford; Walter Robb, Co-CEO, Wholefoods; and Shona Quinn, Sustainability Leader, Eileen Fisher; chaired by John Izzo, CSR Leadership, Author, Advisor.](#)

We’re Working on Capturing Hearts and Minds

Going Further – The Right Way is how we express Ford’s sustainability agenda. In 2015, we initiated a program of engagement and alignment – to make sustainability real for business units and employees companywide. The program supports Ford’s aspirations for:

- Products and operations with established goals and metrics for improving peoples’ lives and the environment
- Sustainable, affordable mobility: technologies, smart products, services
- Thought leadership, policy advocacy, innovation, collaboration

Program Timeline

Where We Are Now

2015–2017: Inventory Sustainability Initiatives Globally. We’re continuing to assess and analyze our actions that relate to sustainability, enterprise-wide. Demonstrating how these actions link to the corporate vision is essential for recognizing the collective effort and engaging skill teams and business units in going further.

Next Steps

2017–2018: Identify and Develop Synergies – To maximize best practice and efficiencies

2018–2020: Execute Sustainability Strategies – To ensure alignment and impact

Climate Change Strategy

Doing our share to meet the collective challenge of climate change is a key responsibility and a strategic priority for Ford.

OUR STRATEGY AT A GLANCE

A Changing Climate and a Changing World

Over the past decade and more, we have developed a comprehensive approach that puts us in a good place to manage the issues of a changing climate and the opportunities of a changing world.



Reducing Vehicle Emissions in Our Product Lineup

- Improve fuel economy across our global product lineup, through specific fleet CO₂ reductions assessed by region, consistent with regulation and climate stabilization goals
- Offer competitive or “among the leaders” fuel economy for each new or significantly refreshed vehicle
- Offer alternative fuel vehicles
- Maintain our leadership in lightweighting
- Pursue our electrification strategy



Efficient, State-of-the-Art Manufacturing

- Reduce our global CO₂ emissions by 30 percent (per vehicle produced, 2010 to 2025)
- Reduce our global energy consumption by 25 percent (per vehicle produced, 2011 to 2016)



Supporting Our Supplier Base

- Drive positive change with our suppliers, through sharing and encouraging good practices focused on energy, CO₂, water, waste and air emissions
- Engage, improve and report through the CDP and Partnership for A Cleaner Environment (PACE) programs

EXTERNAL FACTORS, RISKS AND OPPORTUNITIES

A Wide Range of Factors Are Continuing to Shape Our Climate Change Strategy



Government Policies

Many governments have introduced increasingly stringent climate change regulations and fuel economy standards. At the same time, innovation in electric vehicles and alternative powertrains is being encouraged, driven by a range of factors including air quality, congestion and future energy security concerns.



Physical Risks

Extreme weather such as flooding and drought can affect automakers’ energy supply and production. Ford assesses climate-related risks to our facilities at least annually. We also work with suppliers through the CDP Supply Chain and PACE programs to build awareness and encourage resilience.



Market Trends

Although consumer demand for advanced engines tends to mirror fuel price movements both up and down, Ford continues to pursue its vision of affordable fuel economy in a low carbon future.



Investor Concern Over Climate Change

Investors are showing greater concern about climate change as a material risk for many companies.

> [For detail on a range of other risk factors, see the Ford annual report 2016 \(Form 10-K\), page 11](#)

> [Read about how our strategy is rooted in climate science](#)

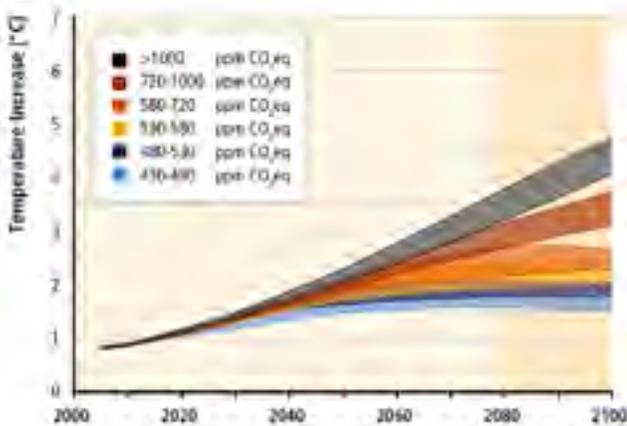
The Science Behind Our Climate Change Strategy

Our climate change strategy is based on our commitment to do our share to stabilize CO₂ in the atmosphere.

Ford's Plans and Targets Are Rooted in Climate Science

Many scientists, businesses and government agencies have concluded that limiting global temperature increase to less than 2°C may help to forestall or substantially delay the most serious consequences of climate change (Figure 1). This is extremely challenging and requires a major effort globally to decrease emissions of CO₂ and stabilize the atmospheric concentration of CO₂ below 450 parts per million (ppm). At the time of writing, atmospheric CO₂ concentrations have already reached approximately 405 ppm.¹

Figure 1. Stabilizing Global Temperature Increase Requires Stabilizing CO₂eq Concentration*



* The CO₂eq concentration represents the climate forcing of all greenhouse gases, which are converted to CO₂-equivalent based on global warming potentials from the IPCC 2nd assessment report.² In 2100, CO₂ represents 80–90% of the CO₂eq concentration or 425–460 ppm CO₂ for less than 2°C temperature increase (480–530 ppm CO₂eq).³ Figure reprinted by permission of IPCC from Climate Change 2014: Mitigation of Climate Change (Cambridge University Press, Figure 6.13 a).⁴

How We Developed Our Approach

- 1  Based on climate science and modeling by recognized authorities, including the U.S. National Center for Atmospheric Research and the International Energy Agency, we developed a model of global and light-duty vehicle (LDV) CO₂ emissions from different regions.
- 2  Using the model, we calculated the stabilization emission reduction levels for LDVs over time, resulting in “CO₂ glide paths” for the LDV sector (Figure 2), taking into account regional differences in vehicle size and fuel consumption, government regulations and biofuel availability.

Ford's estimated share of global LDV CO₂ emissions is about 10%.

- 3  We then applied the sector methodology to our new vehicles, to create Ford-specific “glide paths” (CO₂ reduction goals) for our vehicle lineups across our major operating regions as well as CO₂ reduction targets for our facilities.

4

To ensure alignment with the latest scientific knowledge, we review our glide path model every year and carry out major updates every five years.

Our CO₂ model is not intended to provide “the answer,” but a portfolio of possible vehicle/ fuel solutions and insights into cost-effective mobility choices in a carbon-constrained world.

In the absence of certainty about future regulations, the glide paths are an approximate guide rather than a precise limitation – being roughly consistent with the overall, long-term trajectory of existing and proposed fuel economy and vehicle CO₂ regulations in a number of markets.⁵

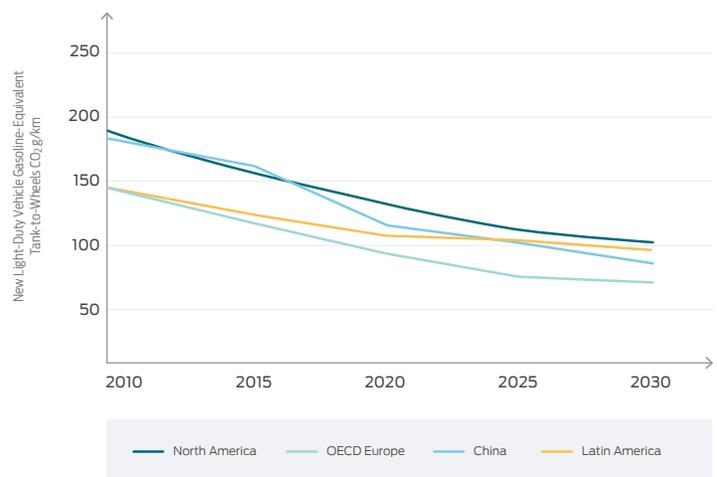
Our Thinking on Sector-Wide Glide Paths

We have shared our thinking behind the development of industry-average CO₂ glide paths (Figure 2) with interested stakeholders, have published the methodology in the peer-reviewed scientific literature⁶ and have received positive feedback and external recognition for our application of climate science to set our CO₂ targets.

By following the 2°C CO₂ glide paths, the automotive and fuel industry would reduce global well-to-wheels absolute CO₂ emissions by about 450 million metric tons (a reduction of 14 percent)⁷ between 2010 and 2030. Ford's share is estimated to be about 10 percent of global LDV fleet emissions.

For the LDV sector to meet the 2°C limit, all automakers must reduce their LDV emissions by the proportion prescribed by the CO₂ glide paths. Although the initial (current) CO₂ emissions rate varies considerably by region, to provide the significant emission reductions needed, all regions need to move toward similar targets.

Figure 2. Industry-Average CO₂ Glide Paths⁸



Delivering Long-Term Reductions Across Our Lineup

Every year we review our product development plans to ensure our vehicles are aligned with the stabilization glide path. While our plans are based upon delivering long-term reductions in CO₂ emissions from new vehicles that are similar to those shown for the industry-average glide paths, we anticipate that in some years, the reductions will be greater or less than those shown in the glide paths.

That is because delivering on these targets will be dependent to a large degree on market forces that we do not fully control (e.g., changes in energy prices and changes in the mix of vehicles demanded by consumers) and multiple other factors that influence our product plans, including regulatory requirements.

Refining Our Model

Because of the long timeframe of climate science, we only update our glide path model's assumptions and input data on a five-year basis. In 2016, we began a major revision, updating the stabilization pathways and forecasts of vehicle sales and biofuel availability. The new stabilization pathway is specific to light-duty vehicles,⁹ instead of an all-sector pathway. Furthermore, the new pathway is based on stabilizing temperature rather than CO₂ concentration. We model a 20 temperature increase stabilization pathway as our base case. In a sensitivity analysis, we explore a 1.5°C pathway to learn about the implications of the COP21 Paris Agreement's call for less temperature increase.¹⁰

Between major updates we conduct sensitivity studies to understand the effect on the glide paths of global changes, such as economic conditions, biofuel availability or regulations. We have also explored which combinations of vehicle and fuel technologies might be most cost-effective in the long-term stabilization of atmospheric CO₂ concentrations. Working with colleagues from government, national laboratories and industry, we have published an assessment of the cost-effectiveness of CO₂ reductions of current (2015) and future (2030) alternative vehicle-fuel technologies.¹¹ In our journey since our first public discussions of the need to reduce CO₂ emissions in the early 2000s, the energy efficiency of vehicles has improved substantially and the costs of further improvements have increased. The imperative of taking a broad multi-sector approach when dealing with climate change is clearer to us now than ever before.

As climate science, alternative fuels and technologies advance, we will be considering ways to refine and adjust our science-based CO₂ targets in future updates – for example, how best to factor in emissions other than CO₂ – and how best to recognize the fact that to address climate change, cost-effective actions across different economic sectors are needed.

At Ford, we believe that collective efforts and a holistic approach to the challenges of climate change are essential. This is why we are focused on collaboration and engagement – working with other sectors, including fuel providers, utilities and even cities – to develop the most efficient solutions. At the same time, we will continue to invest in facilities, products and infrastructure that go beyond today's business models and help create a sustainable future.

1. E. Dlugokencky and P. Tans, NOAA/ESRL accessed May 2017.
2. IPCC (2014) *Climate Change 2014: Mitigation of Climate Change*, Figure 6.5.
3. IPCC (2014) *Climate Change 2014: Mitigation of Climate Change*, Chapter 6 and Table 6.3.
4. "Figure 6.13 | Changes in global temperature for the scenario categories above 1850–1900 reference level as calculated by MAGICC. (Observed temperatures in the 1985–2006 period were about 0.61 deg C above the reference level – see e.g. WG1 Table SPM.2). Panel a) shows temperature increase relative reference as calculated by MAGICC (10th to 90th percentile for median MAGICC outcomes).."
5. We note that, while the glide paths can provide a framework for assessing regulatory proposals at a high level, our ability to comply with specific GHG regulations hinges on the details of the regulatory program in the context of the relevant market.
6. S.L. Winkler, T.J. Wallington, H. Maas and H. Hass, "Light-Duty Vehicle CO₂ Targets Consistent with 450 ppm CO₂ Stabilization," *Environ. Sci. Technol.* (2014).
7. Ibid.
8. The E.U. and China glide paths were developed based on the New European Driving Cycle (NEDC), and the North America and Latin America glide paths were developed based on the Federal Test Procedure (FTP), which are the testing requirements used by governments in these regions to assess the emission levels of car engines and/or fuel economy in light-duty vehicles.
9. IEA. *Energy Technology Perspectives 2016*. OECD/IEA, Paris (2016).
10. *United Nations, Paris Agreement, 2015, FCCC/CP/2015/L.9/Rev.1*, downloaded February 9th, 2016.
11. A. Elgowainy, J. Han, J. Ward, F. Joseck, D. Gohlke, A. Lindauer, T. Ramsden, M. Biddy, M. Alexander, S. Barnhart, I. Sutherland, L. Verduzco, T.J. Wallington, "Cradle-to-Grave Lifecycle Analysis of U.S. Light Duty Vehicle-Fuel Pathways: A Greenhouse Gas Emissions and Economic Assessment of Current (2015) and Future (2025–2030) Technologies," Argonne National Laboratory Report ANL ESD -16/7 (2016).

Global Mobility

Ford is expanding to become both an auto and mobility company. And by transforming to be a leader in both automotive and mobility, we are better positioned to help create a more sustainable world.

WHY MOBILITY, WHY NOW?

The World is Changing Faster Than Ever Before

Some major global trends and shifting patterns of consumer behavior are driving the transportation revolution we see today:

Crowded Cities and Growing Populations

- Air pollution and congestion
- Strain on transportation systems and highways
- Doubling of the global middle class by 2030 and more car ownership

Nature on the Edge

- Growing demand for energy, water and raw materials
- Climate change impacts from the use and manufacture of vehicles

Changing Consumer Priorities

- New behaviors shaped by the digital world and sharing economy
- Increasing appetite for ride sharing and different ways to own or use a car

Challenges and Opportunities for Ford and the Automotive Industry

- Emerging opportunities in mobility are a substantial potential growth area and a strategic priority for Ford
- The traditional business model no longer applies. There are significant organizational challenges as Ford expands into an auto and mobility company
- The future shape of the industry and the regulatory framework governing future solutions are hard to predict in detail. Multi-stakeholder collaboration and partnering can help foster innovation and success
- There will be winners and losers emerging from the disruptive, dynamic mobility space. Knowing where to play and how to win is key

CHANGING THE WAY THE WORLD MOVES

Targeting Key Growth Areas and Emerging Opportunities

Ford Smart Mobility is our plan to lead in connectivity, autonomous vehicles, data analytics, the customer experience and mobility.

By pursuing emerging opportunities in key areas, including electrification, autonomy, and mobility services and solutions, we are driving future growth potential and responding to transportation challenges faced by cities across the globe.

Emerging Opportunities



Electrification

Become a top player in electrified solutions



Autonomy

Lead development and application of fully autonomous vehicle technology and businesses



Mobility

Develop services and business models

WHAT WE'VE DONE AND WHERE WE'RE HEADING**Electrification: Building From a Strong Base and Investing to Remain a Top Player**

Ford is already a top player in U.S. electrification; our C-MAX and our Fusion Energi hybrids made Ford the best-selling brand of plug-in hybrids and we have sold 500,000 electric vehicles.

> [Read more about electrification in the Customers and Products section](#)

Autonomy: Marrying Our AV Technology Expertise With Our Proven Ability to Commercialize at Scale

- Ford has been a leading player in autonomous vehicle (AV) technology development for more than 10 years
- We plan to launch a Society of Automotive Engineers (SAE) Level 4¹ autonomous vehicle for mobility services
- We're testing Level 4 AVs with safety drivers on the road right now

Mobility: Offering Value to Customers and Cities

As we move from our traditional sales business to a holistic mobility system, there are significant opportunities for participating in far more transactions in order to offer unique value to customers:



- We're focusing on two business models – owned and shared, which will provide transportation for passengers and goods
- We have insights into mobility challenges and possibilities from more than 30 global mobility experiments
- We have established a City Solutions team and are collaborating with the Bloomberg Philanthropies and a coalition of city mayors worldwide to incubate ideas and accelerate solutions

DATA AND ANALYTICS**New Common Data and Analytics Platforms Are Underpinning Emerging Opportunities**

- Data and analytics have a central role in supporting customers with mobility products and services, and in extracting value from data
- We have an efficient foundation of common and scalable platforms and tools, enabling us to accelerate past basic customer insights and transform the future customer experience
- Our focus is on anticipating needs and developing new services that solve everyday problems – see the summary of FordPass developments below.

Customer Privacy and Security: Our Paramount Responsibility

Ford recognizes the paramount importance of protecting information entrusted to us and we have established policies and procedures to ensure customer choice, privacy and responsible data handling.

FordPass – Transforming the Customer Experience

FordPass is a core part of our business model expansion to be both an auto and mobility company. Through FordPass we are focused on taking the consumer experience to the next level and transforming how consumers interact with Ford.

- The **FordPass app** is designed to meet mobility needs “on the move” – from finding, reserving and paying for a parking spot downtown before leaving home to easy booking of service appointments and even a convenient way to connect with roadside assistance
- **Marketplace** – access via the FordPass app to both owner and mobility services and partners
- **Appreciation** – FordPass “perks” connect us with customers in new ways and reward members for engaging with Ford
- **Ford Guides** – real people who provide the human touch in a digital world, helping members with any FordPass-related questions or needs
- **FordHub** – a brand experience studio focusing on education, entertainment and collaboration, providing interactive experiences and activations, and creating a two-way dialogue with consumers

Year One Developments and Learning

Year one of FordPass has focused on launching and learning. Since April 2016:

- We launched FordPass and “The Lincoln Way” – a similar app that features many of the standard FordPass features, such as the ability to remotely access and start your vehicle
- More than 650,000 members globally have joined
- There have been nearly 30 releases of the FordPass app across six countries and six languages, offering features and services that connect people's daily activities with vehicles and a range of exciting mobility options
- Ford Guides support the FordPass vision of a “personal assistant for mobility needs.” In the U.S., we have had more than 50,000 contacts to our Guides since we launched. Today, we have a global Guide footprint, with three locations covering every time zone around the world
- We opened our first FordHub, in New York City, where consumers can enjoy immersive experiences and interact with our team of Guides in person. We continue to learn and evaluate from our New York Hub as part of formulating any future plans

Continuing the FordPass Journey

We have continued to add new and enhanced functionality to the FordPass app and services over the year. Since launching in the U.S. in April 2016 and in Canada in June 2016, FordPass members can now find a parking spot more easily, with the added ability to make reservations as well as see parking garages. Also in the U.S., we are partnering with San Francisco-based Chariot to develop dynamic shuttle services. Going forward, it is our intent to enable users to access Chariot through the FordPass app.

In China, we launched FordPass in November 2016. Our members in China now have access to a FordPass WeChat channel, where followers can keep up to date with FordPass news and chat with Ford Guides.

In Europe, we launched FordPass in Germany and the U.K. in September 2016 and in France in November 2016. In Germany, we partner with Deutsche Bahn Connect's Flinkster to offer FordPass members 24/7 access to nationwide car sharing.

Over time we will continue to provide members with access to more mobility services that add value to daily lives.

Mobility Services for Underserved Communities

The Better World Learning Community (BWLC) is a multi-sector collaboration initiative integrating mobility and connectivity into existing programs through partnerships with owner/operator NGOs, businesses, governments, community groups and international organizations to deliver Sustainable Development Goals (SDG) services using Ford Motor Company vehicles.

The vehicles – called flexible response vehicles (FRVs) – are equipped with technologies enabling delivery of a suite of bundled services including health care, water, education, power and more to be delivered to underserved communities.

1. Autonomous, with driver not required; geo-fenced (mapped areas, e.g., city environments that enable AV).

Governance

High standards of governance are key to maintaining the trust of investors and all stakeholders. Importantly, all sustainability-related structures, processes and management systems are integrated, ensuring that our business operates in a transparent and accountable way.

Corporate Governance

Ford's Board of Directors is guided by our Corporate Governance Principles, Code of Ethics and charters for each Board Committee, all of which 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 follow our Creating Value Roadmap (CVR) to continually improve our performance and deliver on our One Ford plan. We use a variety of governance systems and processes to manage the different aspects of sustainability across our business. These are summarized throughout this report.

In addition to ensuring that we act responsibly in the interests of our shareholders, we must also have accountability for our wider impact on the world around us.

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 include Audit, Compensation, Nominating and Governance, and Finance.

Executive Management

Group Vice President of Sustainability, Environment and Safety Engineering (SESE)

- 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 multidisciplinary 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

› [For further information, download our Corporate Governance Principles, 2016 Proxy Statement and Code of Ethics](#)

Key Business Processes

We have a number of key governance processes that enable us to manage issues that cut across functional areas.

Creating Value Roadmap

The CVR process is the model for how we run the company. It contains the management processes that we follow to continually improve our performance and deliver our One Ford plan.

Fully integrated into how we run the business, it enables us to continually monitor the ever-changing global business environment for risks and opportunities – including those related to sustainability – and use this analysis to inform and adjust our strategies as needed. It also creates stronger accountability for setting, tracking and reporting progress against our goals, objectives, revenue targets, and other financial indicators and stakeholder satisfaction. The CVR process is institutionalized as Policy Letter 25. This helps to ensure we implement sustainability-related risk assessments, planning, strategy implementation and performance reviews consistently around the world.

We monitor progress against objectives throughout the year, using the processes set out below. These allow us to respond to new internal and external developments in a timely manner and use these evaluations to inform adjustments to our management approaches where necessary.

- **Business Plan Review (BPR):** The senior leadership team (representing all skill teams and business units) hold weekly BPR meetings to review our management of sustainability and other business issues. Ford's sustainability scorecard is reviewed alongside our business units' scorecards at these meetings
- **Special Attention Review (SAR):** The SAR process brings the senior leadership team together to review significant matters in more detail, and to develop action plans and strategies to address more specific risks and opportunities
- **Additional governance forums:** Other forums, including the Strategic Programming Meeting, Product Matters Meeting, Quality and Productivity Meeting, and Executive Personnel Committee, enable us to review key elements of our business, make long-term decisions and develop strategic inputs to the Board of Directors

Business Plan Development and Compensation

As part of our annual business planning process, Ford's business units develop scorecards to track their performance. Sustainability targets are integral to companywide achievements and are translated into product manufacturing and financial performance metrics. These metrics form part of the performance assessment for managers at various levels of the company and affect their compensation. Executive compensation is affected by the company's performance in a range of areas, including sustainability.

Ethics and Compliance

As our company grows, we need to ensure that ethics and compliance remain the foundation of all our business practices around the world. Building on our brand promise, we developed an internal communication campaign to Go Further – The Right Way.

Ethics Advice at Our Fingertips

To help our employees do things the right way, we seek to provide them with the information they need, when and where they need it. To help us deliver on this promise, our Corporate Compliance Office is developing innovative training and communication tools that make compliance with corporate policy and the law as easy as possible.

One of these tools is a free mobile application, The Right Way, (pictured) which puts key compliance information at our employees' fingertips. It provides answers to frequently asked questions, covering topics such as our human rights commitment, the signs of human trafficking, our stance against harassment and discrimination, and our strict policy against [bribery and corruption](#). It also enables our people to contact the Compliance Office directly.

To make this new tool accessible and easy to use across our global workforce, it is now available in seven languages. It is also publicly available so that our suppliers and other business partners can use it to become more familiar with our ethical policies and practices.

We are also making the entire app – including the architecture and content – available as “open source” material for other companies and groups to build on.

Corporate Compliance Office

Our Corporate Compliance Office promotes a culture of compliance and ethics across our business. As part of Ford's Office of the General Counsel, it works with many other areas in the company to translate our aspirations and high standards – formalized in company policies and reinforced by management – into action. Senior management and the Board of Directors' Audit Committee oversee our compliance program.

Ethics and Compliance Training

Our Policy Letters and Directives formally establish expectations for our employees and others working on our behalf. The most important and relevant of these are incorporated into our [Code of Conduct Handbook](#). Available in 14 languages, this is our primary ethical guidance document.

To reinforce our compliance program, we run mandatory online training courses for our global non-manufacturing employees and other key personnel. The courses focus on risk areas such as bribery and corruption, conflicts of interest, [protecting personal and company information, and Ford's ethical culture](#).

We strive to offer materials that are useful, engaging and available when needed, and we're continuously improving our online training courses to provide shorter, more frequent and more memorable training modules. For example, in an upcoming training course, we are teaming up with a professor from Harvard Business School to give a TED-Talk-style presentation about why good people sometimes engage in bad behavior. This will provide inspiring insight into how we can maintain our ethical culture at Ford.

Reporting Violations

Our compliance program encourages and facilitates the reporting of known or potential violations of the law, or our Policy Letters and Directives. Individuals can anonymously report such violations to the General Auditors' Office, Human Resources or the Office of the General Counsel, using telephone hotlines or via email. A cross-functional committee reviews all allegations, oversees any investigations, and implements corrective or disciplinary actions.

Anti-Bribery and Anti-Corruption

Although our many facilities around the world need to comply with a wide range of national laws and governmental enforcement practices, it's essential that we maintain the highest standards wherever we operate. To ensure that we don't accept local norms if they fall below our own standards, we have:

- Crafted clear bribery and corruption policies, and provided procedures for reporting breaches of law or policy
- Strengthened the anti-bribery and anti-corruption elements of our Global Terms & Conditions (and other contracts) for our suppliers
- Continued to train individuals who may encounter bribery or corruption issues in their work
- Assessed all our operations for risks related to bribery and corruption

CASE STUDY

Ford Named One of World's Most Ethical Companies®



As business ethics increasingly affect customers and their purchase decisions, we were proud to be named to the 2017 World's Most Ethical Companies® list by the Ethisphere Institute in March 2017. Ethisphere Institute rates companies across five categories: ethics and compliance, corporate citizenship and responsibilities, culture of ethics, governance and leadership, and reputation.

This marks the eighth consecutive year that we have received the accolade. The honor is a reflection of Ford's core values, and demonstrates to our customers what we stand for as a company.

In addition, we have been recognized by several other third-party organizations for our efforts during 2016. *Forbes* named Ford to its [The Just 100: America's Best Corporate Citizens](#) and [2016 America's Best Employer](#) lists, and we scored 100 percent on the Human Rights Campaign's Corporate Equality Index.

Policy Letters and Directives

At Ford, Policy Letters establish a framework of broad, basic principles within which we conduct our business globally, while Corporate Directives provide more in-depth information on narrower topics or only relate to particular segments of the business.

Many other business practices, handbooks, guidelines and business standards are used to govern the conduct of our people around the world. The following corporate standards have a particular relevance to sustainability.

Anti-Bribery and Anti-Corruption

We never pay bribes nor allow others to pay bribes for us, and we comply fully with the laws of each country where we do business. Our personnel are directed to report any requests or solicitations for improper payments through our companywide reporting systems. We also have ethical standards to limit the types of entertainment, gifts and favors that our workers can give and accept.

Diversity and Inclusion

We are committed to equal opportunity in all aspects of our business. We also recognize that a diverse workforce is a valuable asset, and we strive to provide an inclusive work environment where different ideas, perspectives and beliefs are respected and encouraged.

Our Policy Letter and Directives relating to [diversity and inclusion](#) address equal opportunity and prohibit disparate treatment because of race, religion, color, age, sex, national origin, disability, gender identity, sexual orientation, veteran status and other factors that may be covered by local law.

Health, Safety and the Environment

The protection of health, safety and the environment is a companywide responsibility of everyone at Ford. Our policies highlight the importance of sustainable economic development for Ford and for society in general. Our products, services, processes and facilities are periodically reviewed against objectives and targets that are designed to [minimize waste and pollution from our operations](#), as well as those of [our suppliers](#), and any adverse impact on workers' [health and safety](#).

Human Rights

Ford's commitment to human rights is embodied in [Policy Letter 24](#), our Code of Human Rights, Basic Working Conditions and Corporate Responsibility. This outlines our commitments on key human and labor rights issues such as working hours, child labor, forced labor, human trafficking, health and safety, harassment and discrimination, and freedom of association. It also:

- Articulates our commitment to be a good corporate citizen and implement policies and programs to benefit the communities where we operate
- Encourages [suppliers](#) to adopt and enforce similar policies for their own suppliers and subcontractors

Political Contributions

Ford's Policy Letter on governmental relationships covers issues relating to public policy and political contributions. See Public Policy for more detail.

Privacy

The trust and confidence of our customers and employees are essential to building long-term relationships and delivering excellent products and services. We recognize that customers, employees and others have concerns about [data privacy and security](#), and expect us to protect and handle personal information responsibly. We are committed to implementing responsible privacy and data-handling practices, and our relevant Policy Letters and Directives are designed to ensure continuing trust and confidence.

Product Quality and Customer Safety

Ford has a number of policy statements aimed at increasing the quality of our products and promoting the safety of our customers. Our quality policy, Policy Letter 1, forms the foundation, and stresses the importance

of quality in everything we do, noting that the customer defines quality. Additionally, collaboration between employees, suppliers and dealers is vital to sustaining and improving the [quality of our products](#).

At its core lie our Quality Operating System (QOS) and our use of key metrics to make data-driven decisions. This process includes real-world safety data, driver behavior considerations, road infrastructure and environmental factors, regulatory safety requirements and voluntary industry agreements.

Vehicle safety is a fundamental aspect of Ford's QOS. The foundation of our corporate safety policy, Policy Letter 7, outlines our commitment to design and build vehicles that meet or exceed applicable laws and regulations, while meeting the safety needs and expectations of our customers. In line with our Policy Letter, Ford is continuously working to enhance the [safety of our products](#).

Social Media Interactions

We encourage responsible employee participation in social media – such as Facebook, Twitter and Instagram, as well as blogs and online discussion forums – and have developed [digital participation guidelines](#). We also use online resources to educate our workforce about the use of social media and the need to communicate honestly and respectfully in connection with our business.

Suppliers

Our work with Supplier Partners is governed by our Global Terms & Conditions, and by Policy Letter 24: Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility. This policy addresses workplace issues such as working hours, child labor, forced labor, non-discrimination, freedom of association, health and safety, and the environment. It applies to our own operations but we also encourage businesses throughout our supply chain to adopt similar policies in their own operations. This policy is supplemented by web-guides on a range of specific topics.

Public Policy

Every day, government officials around the world make decisions that impact our business. As a global company, it is important that we have a voice in policies that affect our business in the countries where we operate, and that we continue to be recognized as a credible source of information to help shape those policies.

Supporting the Policy-Making Process

Ford seeks to be an active participant in the political process in a manner that is transparent and supports our business interests. Across a range of issues, we strive to be part of the solution, supporting international, national, regional and local policies that are economically, environmentally and socially sustainable for our company, our customers and their communities.

On issues of the highest priority, we maintain regular dialogue with legislators and regulatory officials in our major markets, sharing our expertise and adding our perspective to the policy-making process. Our Government Affairs offices around the world oversee these lobbying activities.

Advocacy Through Coalitions and Associations

We belong to a broad range of partnerships, coalitions, industry groups and trade associations that advocate for legislation and regulation on behalf of their members. Working with others through such organizations enables us to better leverage our resources on important issues, and to develop and promote policies that could have far-reaching benefits for our company, our industry and society as a whole.

Of course, we don't always agree with every position taken by these organizations. In such cases, we always reserve the right to speak with our own voice and make our own stance clear, even if our views don't align with the positions of the associations to which we belong.

› [Read about the work of our Political Action Committee \(PAC\)](#)

Human Rights and Working Conditions

Ford was the first automaker to recognize that protecting human rights in our operations and our supply chain is an important sustainability issue, and we remain committed to respecting human rights everywhere that we operate. Our human rights and working conditions program is an integral part of our efforts to develop a more sustainable and ethical supply chain.

Our Approach to Safeguarding Human Rights

We aim to ensure that everything we make – or that others make for us – is consistent with local law and our own commitment to protecting human rights.

This commitment, in our own operations and in those of our suppliers, is embodied in our [Policy Letter 24: Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#). This code is based on internationally recognized labor standards, including the United Nations' Guiding Principles on Business and Human Rights; Universal Declaration of Human Rights; International Labour Organization Covenants; the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises; and the United Nations' Global Compact Principles.

Policy Letter 24 outlines our commitments on key human and labor rights issues such as working hours, child labor and forced labor, human trafficking, health and safety, harassment and discrimination, and freedom of association. It also:

- Articulates our commitment to be a good corporate citizen and how we work to implement policies and programs to benefit the communities in which we operate
- Encourages suppliers to adopt and enforce similar policies for their own suppliers and subcontractors

This commitment requires a robust approach to safeguarding against human rights abuses in our supply chain. This approach includes:

- Analyzing the risks related to human rights and working conditions associated with our supply base on a regular basis (see below)
- [Conducting training](#) and working to build our suppliers' capability
- [Auditing our Tier 1 suppliers](#) in high-priority locations to ensure their continued compliance with legal requirements and Ford's standards
- [Collaborating with others](#) in multi-stakeholder initiatives and partnerships to drive positive change throughout the automotive industry

See our [United Nations' Guiding Principles Reporting Framework page](#) for further detail on how we're meeting our responsibility to respect human rights.

› [Find out more about how we're helping suppliers manage their environmental impacts](#)

Prioritizing Our Efforts

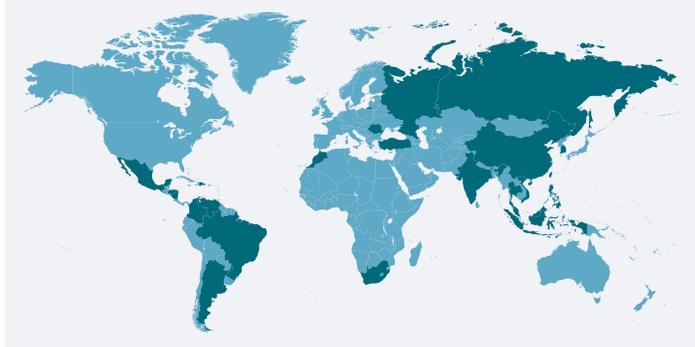
Due to the size and reach of our global supply base, we focus our efforts on suppliers located in countries that pose the highest risk for substandard working conditions.

To determine those priority locations, we conduct an annual risk analysis, incorporating internal and external data, and input from external stakeholders. The internal data includes information such as

the commodities being purchased and the supplier's location, annual spend, and training and audit history within Ford's Supply Chain Sustainability program. As a result of this analysis, our list of 22 high-priority countries remained unchanged in 2016 (see map below).

In addition, our Purchasing Supplier Technical Assistance (STA) representatives are trained to identify and report potential warning indicators for human rights violations in any supplier location around the world. As a result, when individual circumstances arise, we routinely work with suppliers outside these locations to ensure that our expectations continue to be met.

Human Rights and Working Conditions Program: Priority Countries



Americas: Argentina, Brazil, Colombia, Dominican Republic, Honduras, Mexico, Nicaragua, Venezuela

Asia: China, India, Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, Vietnam

Europe, Middle East and Africa: Morocco, Romania, Russia, South Africa, Turkey

CASE STUDY

Ethical Recruiting

In 2016, we reviewed our internal policies and procedures to ensure they aligned with the fundamental tenets of ethical recruiting. We require that Ford employees and their agents shall not:

- Destroy, conceal, confiscate or otherwise deny access by an employee to the employee's identity or immigration documents, such as passports or driver's licenses, regardless of issuing authority
- Use misleading or fraudulent practices during the recruitment of employees or offering of employment
- Charge employees recruitment fees

Our review of our operations resulted in no significant findings in our own facilities. Our 2017 Supplier Social Responsibility and Anti-Corruption Requirements Web-Guide will include similar expectations of our suppliers.

In 2016, all our supplier audits included a review of ethical recruiting standards. We found 16 non-conformances related to ethical recruiting expectations, and are working with the suppliers to implement corrective actions to resolve these issues.

› [Read more about employee attraction and retention and see the "No Fees" initiative from the Interfaith Center on Corporate Responsibility \(ICCR\) for more information on ethical recruiting](#)

Taking the Lead on Forced Labor and Human Trafficking

In line with our zero-tolerance policy toward both forced labor and child labor, we have taken a number of actions to safeguard against the threat of these issues in our supply chain. These include maintaining compliance with all applicable legislative initiatives, acts and regulations designed to increase supply chain transparency. These legislative initiatives include the California Transparency in Supply Chains Act of 2010 (SB 657); the U.K. Modern Slavery Act (UK-MSA); and the Federal Acquisition Regulation (52.222-50, Combating Trafficking in Persons).

For further information about the steps we are taking toward leadership in the field of human rights and working conditions, download our [Human Trafficking Disclosure Statement](#) and read our disclosure statement on [compliance with the U.K. Modern Slavery Act](#).

Supplier Training and Education

Training on human rights issues is essential to help our suppliers build their capability to responsibly manage working conditions in their facilities.

How We Build Capability

Ford's training approach, developed and launched through the Automotive Industry Action Group (AIAG), involves the following aspects:

- An e-learning module to introduce the concepts covered by the [AIAG Guiding Principles](#), and a knowledge assessment designed to provide feedback. Training materials are available free of charge to original equipment manufacturers (OEMs) and sub-tier suppliers in seven languages. Materials have been shared with the European Automotive Working Group to ensure a consistent message across the industry.
- In addition, face-to-face in-country workshop sessions focus on specific national laws and local best practice, and encourage dialogue with suppliers for multiple OEMs. These are customized to suit the unique conditions in each country, and emphasize the role of human rights in meeting legal obligations, industry guidelines and international best practice. Participants are required to verify that they have shared the information with their employees and their own direct suppliers.

Most of our face-to-face supplier training is delivered through the AIAG or the European Automotive Working Group. These materials also serve as the basis for our own Ford-specific workshops.

- > [Read more about our partnerships and collaborations](#)
- > [Find out more about how we're helping suppliers manage their environmental impacts](#)

Training Results

In 2016, the AIAG e-learning module reached 2,004 participants, with 942 indicating Ford as a customer. During the year, supplier representatives from 161 direct and indirect supplier sites in five countries (Argentina, China, Czech Republic, India and Mexico) attended in-country training sessions covering human rights, working conditions, business ethics and the environment.

Training Data

	2014	2015	2016	Program Total ¹
Training sessions conducted	7	12	14	175
Total sites trained/retrained	280	208	161	3,302

Data notes and analysis:

1. Program Total represents cumulative data from 2003 to 2016.

In 2017, we plan to host face-to-face training sessions in Brazil, India and Turkey, as well as increase the penetration of the AIAG e-learning module and knowledge assessment with our suppliers in Mexico.

Internal Supply Chain Sustainability Training

We also continue to strengthen our own internal capability for managing human rights. In 2016, we trained 1,153 Ford Purchasing employees, including management and supplier quality teams, on our [Policy Letter 24](#) and Supply Chain Sustainability program, which includes identifying and reporting key warning indicators.

Since 2014, we have trained or retrained 2,450 Supplier Technical Assistance (STA) personnel, and training on our Supply Chain Sustainability program will be required in 2017.

- > [Examine our training and assessment data in more detail](#)

Auditing Our Suppliers

Third-party social responsibility audits provide suppliers with feedback about how well they are meeting both legal requirements and Ford's expectations. They also help identify specific areas for improvement.

A New Protocol

In 2016, Ford became the first automaker to join the Electronic Industry Citizenship Coalition (EICC) and we began using the EICC audit protocol for our social audits. During the year, we conducted 31 new audits using the EICC methodology. Audits are generally announced and agreed with the supplier in advance.

The audit comprises 90 questions, covering health and safety, labor issues, management systems, ethics and – for the first time – the environment.

- > [Read more about our membership of the EICC and the EICC audit process](#)

Third-Party Social Responsibility Audits: Assessment Results

	2014	2015	2016	Total to Date ¹
Initial assessments	75	81	35 ²	1,106
Follow-up assessments	53	120	154	1,386

Data notes and analysis:

1. Program Total represents cumulative data from 2003 to 2015.
2. 31 of these assessments used the new EICC methodology.

Taking Corrective Action

For most issues identified during an audit, the supplier is required to prepare immediate containment plans and longer-term corrective action plans, which Ford reviews and monitors. Regular reviews help ensure ongoing compliance with the agreed plan.

The most common noncompliances that were identified related to:

- **Working hours:** Inadequate time off, and inadequate policies and systems to record and manage working hours
- **Child labor:** Inadequate systems and policies to prevent the use of underage workers, either directly or indirectly through labor agencies and contractors
- **Performance management:** The effective management of labor, health and safety, environment and ethics issues
- **Health and safety:** The effective maintenance of emergency exits, conducting fire and emergency evacuation drills, and appropriate record-keeping

Approximately 5 percent of the non-conformances uncovered required immediate containment actions. Of these:

- 40 percent were attributable to working hours and consecutive days of work
- 30 percent were health and safety issues
- and the remaining non-conformances were attributable to improper payment of wages or social insurance, and actions that, if not resolved, could be viewed as discriminatory

Should a supplier be unable or unwilling to address certain audit findings within our expected timeframe, we first engage with our regional and global purchasing communities to attempt to resolve the issue. However, we reserve the right to end our relationship with any supplier that fails to comply with our Global Terms, which include compliance with local laws, or fails to address an agreed compliance plan within an agreed timeframe.

- › [Examine our training and assessment data in more detail](#)
- › [Find out more about how we're helping suppliers manage their environmental impacts](#)

Partnerships and Collaboration

Ford participates in multi-sector initiatives to explore ways to strengthen our supply chain and combat human rights violations. We believe that sector-wide forums are also vital for providing a common voice and for driving change within our industry.

How We're Working With Others

We currently participate in the following organizations and initiatives:

- **Automotive Industry Action Group (AIAG):** Ford co-chairs the AIAG's Working Conditions Oversight Committee, which works to increase supplier capability for managing human rights and working conditions in the sector. We are also engaging with its Sustainability Supplier Self-Assessment Work Group to create a standardized tool for automotive supplier sustainability gap analysis.
 - **European Automotive Working Group:** Ford actively participates in the European Working Group on Supply Chain Sustainability facilitated by CSR Europe.
 - **United Nations Global Compact (UNGC):** Ford is a signatory of the [UNGC](#), a framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Ford actively participates in the UNGC Supply Chain Sustainability Advisory Committee.
 - **Electronic Industry Citizenship Coalition (EICC):** Ford was the first automotive manufacturer to join the EICC, a nonprofit organization committed to improving social, environmental and ethical conditions in global supply chains. Working with more than 110 electronics companies, some of which are Ford suppliers, we will be able to strengthen our engagement with our suppliers on issues such as human rights, working conditions, ethical sourcing and environmental responsibility. Ford is currently serving on the EICC Board of Directors.
 - We have also committed to the [AIAG Corporate Responsibility Guiding Principles](#) and the [European Automotive Workgroup Guiding Principles](#) to enhance sustainability performance throughout the automotive supply chain.
- › [Find out more about how we're helping suppliers manage their environmental impacts](#)

Conflict Minerals

The U.S. conflict minerals legislation is designed to reduce funding to armed groups benefiting from mineral trade in the Democratic Republic of the Congo (DRC) or adjoining countries. Ford is required to investigate the origin of the conflict minerals in our products. Our goal is to use only conflict-free sources of tin, tungsten, tantalum and gold. We file an annual report disclosing the status of conflict minerals in our products.

What Are Conflict Minerals?

Tin, tungsten, tantalum and gold (3TG) are used in many auto parts and components, from engine assemblies to airbags. We work tirelessly to ensure the minerals we use in our vehicles are DRC conflict-free, and continue to support responsible mineral sourcing in the DRC and adjoining countries.

3TG:

Tin, tungsten, tantalum and gold

Conflict minerals:

Gold, as well as columbite-tantalite (coltan), cassiterite, wolframite or their derivatives, which are limited to tantalum, tin and tungsten

Disclosure and Reporting

In August 2012, the U.S. Securities and Exchange Commission (SEC) adopted the final rule to implement reporting and disclosure requirements concerning conflict minerals. Since 2014, under the US Dodd-Frank Act 2010,¹ public companies have been required to conduct due diligence to determine the origin of the conflict minerals in their products and report annually to the SEC in the hope of ending violent conflict in the DRC and adjoining countries.

We are one of several automotive manufacturers obliged to report on conflict minerals in our supply chains in a Specialized Disclosure report, filed annually with the SEC. Our 2016 Conflict Minerals Report received a "strong" rating from Responsible Sourcing Network.

To enable compliance with this disclosure rule, suppliers that provide us with components containing 3TG are expected to conduct due diligence to understand the origins of such minerals, source them responsibly and not knowingly provide parts containing minerals that may contribute to conflict. They are also encouraged to use validated, DRC conflict-free smelters and refiners for the 3TG purchased for use in Ford products. We encourage them to use the [Due Diligence Guidance](#) compiled by the Organisation for Economic Co-operation and Development (OECD) to assess the chain of custody of these minerals.

Reporting Progress

Suppliers are required to submit an annual Conflict Minerals Reporting Template (CMRT) to Ford. For the past two years, we met our goal to achieve a 100 percent response rate from in-scope suppliers.

In 2017, we will continue to work with our suppliers to improve the quality of their reports.

- › [Read our 2016 Conflict Minerals Disclosure filing, and download our Conflict Minerals Policy for more information](#)

Industry and Cross-Industry Leadership

Our leadership position among our industry peers, across other sectors and in multi-stakeholder initiatives extends to developing solutions and sharing best practices to ensure responsible sourcing in our supply chain.

Our memberships and leadership positions include the following:

- [Automotive Industry Action Group \(AIAG\)](#) – Ford’s active role on the Smelter Engagement and Best Practices teams supports the development of processes and tools to educate suppliers and improve supply chain reporting transparency

In recognition of our efforts, Ford was ranked 14th in the **Top 100 Conflict Minerals Influence Leaders** by Assent in 2016.

- [Conflict-Free Sourcing Initiative \(CFSI\)](#) – Ford is a member of the CFSI Steering Committee and one of more than 300 CFSI members participating in cross-industry smelter engagement including smelter visits and other initiatives to encourage smelter participation in the [Conflict-Free Smelter Program](#). In addition, Ford is an active participant in the CFSI Multi-Stakeholder Group and the CFSI Due Diligence Practice team
- [Public-Private Alliance for Responsible Minerals Trade \(PPA\)](#) – Ford serves on the PPA’s Governance Committee contributing to regional solutions for certified conflict-free minerals

Future Goals

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

- 100 percent response rate from in-scope suppliers for annual reporting
- Year-over-year improvement in the percentage of suppliers providing smelter lists
- Year-over-year improvement in the percentage of suppliers using CFSI-compliant conflict-free smelters
- Participate in smelter outreach efforts to encourage participation in the CFSI audit process

1. Specifically, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.



Our Value Chain and Impacts

To create value and reduce our footprint, we need to assess and manage impacts across the life cycle.

Summary of Our Value Chain



Product Design

Material Issues

- Addressing impacts at every stage of the automotive life cycle, from the use of natural resources and materials to product quality and safety

Value Creation

- Innovation in engineering, design and tech to provide solutions to specific mobility, social and environmental challenges



Raw Material Extraction

Material Issues

- Human rights/conflict minerals

Value Creation

- Supply chain management



Logistics/Transportation

Material Issues

- Fuel use and transport emissions

Value Creation

- Supply chain management



Supply Chain Parts Manufacturing

Material Issues

- Use of materials
- Waste

Value Creation

- Supply chain management



Ford Manufacturing

Material Issues

- GHG emissions, water, waste, materials
- Community impacts

Value Creation

- Lean process innovations
- Socio-economic contribution



Sales and Service

Material Issues

- Social and environmental responsibility

Value Creation

- Local employment
- Recycling of used parts



Our Vehicles in Use

Material Issues

- Product carbon footprint
- Air quality and congestion

Value Creation

- Affordable fuel economy, sustainable materials, etc.
- Mobility solutions for tomorrow’s cities



End of Vehicle Life

Material Issues

- Waste materials/landfill

Value Creation

- Closed-loop processes
- Recovery, reuse and recycling

Greenhouse Gas Emissions in the Vehicle Life Cycle

Greenhouse gases (GHGs) emitted by our vehicles on the road are by far the biggest part of our footprint and are generally determined by factors outside our control. These include our overall sales mix in any given year and, just as significantly, how our vehicles are driven. It is only possible to estimate emissions from the use phase, but in terms of facility GHG emissions, we have an accurate understanding based on tracking our actual energy consumption and other data.

2016 GHG Emissions From Ford Operations and Use of Sold Products

	<i>Million metric tons</i>
Ford Facilities	4.6 ¹
Use of Sold Products	130.9 ²

Data notes and analysis:

- Direct emissions, including those arising from our electricity production, and indirect emissions from purchased electricity, steam and heat.
- Emissions over 150,000 km for all passenger cars and other light-duty vehicles sold during the reporting year in the United States, Canada, Mexico, E.U., China, Australia, Brazil and India. Based on the Scope 3 definition of “use of sold products” in the World Resource Institute’s and World Business Council for Sustainable Development’s GHG Protocol.

GHG Footprint in Context

All main types of transportation together totaled around 23 percent of GHG emissions globally in 2014 (IEA, 2016, CO₂ Emissions from Fuel Combustion Highlights 2016). Passenger cars and light-duty trucks, Ford's primary products, made up about half of the 2013 total transportation GHG emissions on a well-to-wheels basis (IEA, Energy Technology Perspectives 2016. ETP2064 transport summary online data).

CO₂ makes up the vast majority of GHG emissions produced by our operations and products. However, we are also working to understand and reduce non-CO₂ GHG emissions such as HFCs, CH₄ and N₂O associated with our products.

Some GHG emissions we can control directly – for example, most of those from our own operations. However, our ability to influence and even measure decreases the further up and down our value chain we look.

Water Use in the Vehicle Life Cycle

Global water challenges including availability and access are closely linked to climate change and human rights issues. We are addressing these in our facilities, supply chain and community engagement.

To better assess Ford's water footprint, we have estimated life cycle use for a model year 2012 Ford Focus – both the internal combustion engine vehicle (ICEV) and the battery electric vehicle (BEV).

Ford Focus 2012 – Estimated Life Cycle Water Use

	m ³ Life Cycle Water Withdrawal – Estimated U.S. Average	m ³ Life Cycle Water Consumption – Estimated U.S. Average
Ford Focus 2012 ICEV	530	130
Ford Focus 2012 BEV	3,770	170

Data notes and analysis:

Withdrawal is total water withdrawn that may or may not be returned to the source. Consumption is water withdrawn and not returned to the source.

The analysis includes water used in materials production, parts production, vehicle assembly, vehicle use (fuel production and distribution) and vehicle disposal at end of life. Both direct and indirect water usages were accounted for throughout the life cycle based on a lifetime driving distance of 160,000 miles.

The Focus ICEV use-phase analysis assumes the typical U.S. gasoline, which includes 10 percent ethanol (E10). The Focus BEV use-phase analysis assumes the U.S. average electric grid mix.

There is a relatively large water withdrawal associated with the BEV use phase, which reflects the substantial amount of water needed for cooling in coal, nuclear and natural gas power plants. In comparison, the water needed to produce petroleum fuels is much less.

During the use phase the car itself does not consume a lot of water. Under a life cycle analysis, however, one could take the view that the use phase is the most water-intensive due to the water used to produce the gasoline or electricity that powers the vehicle. This highlights the importance of reducing the water consumption associated with fuel production, as well as increasing vehicle energy efficiency

In the supply chain, the production and processing of materials (e.g., steel and aluminum) require the most water. Identifying which portions of the supply chain are most water intensive allows us to better assess the business risk associated with using suppliers in potentially water-stressed areas

For a fuller analysis, see H.C. Kim, T.J. Wallington, S.A. Mueller, B. Bras, T. Guldborg, and F. Tejada (2015). [Life Cycle Water Use of Ford Focus Gasoline and Ford Focus Electric Vehicles](#), *Journal of Industrial Ecology*, 20 (5), 1122-1133.

Prioritizing Key Issues

We use a formal materiality process to define our reporting priorities, identify emerging sustainability issues, shape our sustainability strategy, set goals and allocate resources. The resulting priority topics are captured in a matrix, providing a snapshot of the challenges, opportunities and connections between the sustainability issues of most importance to our business and of highest concern to our stakeholders.

Materiality Results

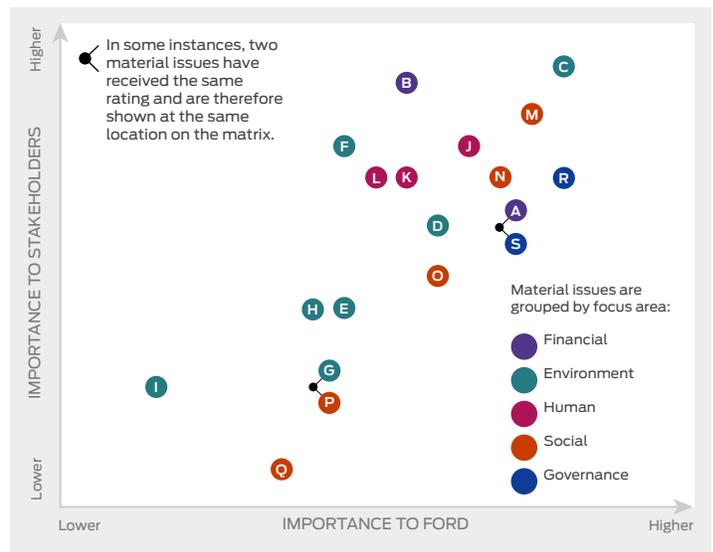
Our most recent materiality analysis, conducted in 2016 and early 2017, is reflected in the matrix on the next page.

Our most important issues were identified as being:

- Ethical business practices
- Product carbon footprint and fuel economy
- Customer satisfaction, product quality and safety
- Supply chain management, assessment, capacity building and performance
- Government regulation and policy

To enhance our two-dimensional matrix this year, we included an additional layer showing linkages between sustainability issues.

Our Materiality Matrix



- A** Financial health, intellectual property protection and brand perception
- B** Mobility, product and service innovation
- C** Product carbon footprint and fuel economy
- D** Air quality
- E** Operations and logistics energy use and GHG emissions
- F** Climate change resilience strategy and energy future
- G** Water use
- H** Sustainable materials and waste management
- I** Environmental management, process innovation and biodiversity
- J** Human rights
- K** Human capital
- L** Employee wellness, health and safety
- M** Supply chain management, assessment, capacity building and performance
- N** Customer satisfaction, product quality and safety
- O** Customer privacy, data protection and understanding consumer behavior
- P** Sustainable cities and infrastructure
- Q** Socio-economic contribution and community engagement
- R** Ethical business practices
- S** Government regulation and policy

Our materiality matrix plots each issue and the ratings accorded to it. The y-axis represents the importance to stakeholders and the x-axis represents increasing importance to Ford from left to right. Issues found closer to the upper right-hand corner of the matrix are of higher importance to Ford and stakeholders.

Summary of Major Changes

In our latest analysis, some new issues emerged and others dropped out. In an attempt to streamline our issues of focus, we also reorganized and streamlined our material issues, reducing them in number from 34 to 19.

- **Product carbon footprint and fuel economy** has increased in relative importance, becoming an issue of highest importance at the top-right of the matrix
- **Customer satisfaction, product quality and safety** has also increased in importance, also becoming an issue of highest importance
- Issues related to **government regulation and policy** (regulatory compliance, voluntary standards and certifications, fuel economy and GHG regulations, and other regulations/policy) have been grouped together at the top-right of the matrix
- **Human rights** was previously incorporated as part of human capital management, but it has emerged as a highly important issue in its own right, both within Ford and among stakeholders

› [Full Materiality Matrix](#)

Materiality Definitions and Methodology

We were an early adopter of materiality in the context of sustainability, having published our first analysis in our 2004/05 Sustainability Report. We have updated the assessment every other year, and our most recent analysis is reflected in this report.

Definitions of Materiality

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

This definition predates, but is consistent with, the Global Reporting Initiative (GRI) 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."

Our Materiality Process

Our most recent materiality analysis aligns with GRI Standards, and followed three key steps:

1. Identification

We drew up a list of potential issues, grouped by four different types of "capitals" – social, environmental, financial and human – and the topic of governance. The issues were identified through desk-based research, comprising a peer review, media scan and review of sustainability thought leadership from industry experts and associations.

2. Prioritization

Internal and external stakeholders were then invited to comment on the topics identified and rate them in terms of their perceived importance. Internal stakeholders were drawn from a wide range of functions across the business, while external stakeholders from the Ceres Stakeholder Committee included representatives of sustainability nongovernmental organizations, socially responsible investment organizations and industry peers. To read their feedback, see [About This Report](#).

The interviews were analyzed to identify key challenges, opportunities and linkages between the issues, and average ratings were obtained from both groups of stakeholders.

3. Review

The results of the materiality analysis were reviewed internally by Ford's Sustainability & Vehicle Environmental Matters (S&VEM) group and regional stakeholders.

Following the review, revisions were made to ensure that all feedback was appropriately reflected, and that our process and list of important issues were complete, well understood and inclusive of the perspectives obtained from stakeholders.

Stakeholder Engagement

Every day, at every level of the business, we engage with a large number of stakeholders, both formally and informally. These interactions are crucial to Ford, enabling us to respond effectively on sustainability challenges and opportunities affecting us all.

Key Stakeholders

Below, we have identified our key stakeholder groups and summarized the channels we use to maintain dialogue with them. For each group, the engagement varies on a case-by-case basis, and includes formal and informal channels that are used to varying degrees of regularity.



Communities

Operations in more than 100 countries worldwide

- Community Relations Committees
- Interactions with governments
- Membership of associations
- Dialogue with nongovernmental organizations
- Ford Fund
- Driving Skills for Life program



Customers

6.6 million vehicles sold

- Consumer Insight process
- Market research
- Customer care programs
- Dealer interactions
- Ford.com website
- Ford owners' magazine



Dealers

11,737 dealerships worldwide

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



Employees

201,287 employees across the globe

- Intranet site
- Sustainability Report and executive summary
- Social media applications
- Union representatives
- Joint labor-management committees
- Webcasts, videos, blogs and executive Q&A sessions with senior management
- “Town Hall” meetings
- Employee surveys
- Employee Resource Group initiatives
- Test drive and product reveal events



Investors

125,465 stockholders

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



Suppliers

Total global spend of more than \$110 billion

- Top Supplier meetings
- Ford Partnership for A Cleaner Environment (PACE)
- Aligned Business Framework supplier dialogue sessions
- Supplier quality roundtables
- Supplier Diversity Development Networking
- External supplier organizations
- Coalitions including EICC

Engagement on This Report

Specific reviewers of the report include our Sustainability and Innovation Board Committee (who review our Executive Summary Report as part of their charter), the Global Executive Leadership team, global subject matter experts, the SE&SE Vice-President, Ceres, employees, sustainability think tanks and non-automotive corporations.

As part of the report preparation process, we specifically engage with a Ceres Stakeholder Committee to gain a multi-stakeholder perspective on sustainability topics. For further details of their feedback and our responses, see [About This Report](#).

Stakeholder Review of Report

For this Sustainability Report, as with our previous 10 reports, Ford agreed to work with a stakeholder team selected by Ceres to advise us. Ceres leads a national coalition of investors, environmental organizations and other public interest groups working with companies to address sustainability challenges.

About the Ceres Stakeholder Committee

The Ceres Stakeholder Committee, which was convened in March 2017, is an independent group of individuals drawn primarily from the Ceres coalition and representing a range of constituencies that have expertise in environmental, social and governance issues. Committee members provided feedback and recommendations associated with

Ford's assessment of the relative importance of financial, environmental, social and governance issues, and its sustainability performance and disclosure with respect to these issues.

As in previous dialogues, Ford was not expected to act upon all the stakeholder recommendations prior to publishing this Sustainability Report. Rather, stakeholders ask us to use these recommendations to help guide continuous, near-term progress toward achieving sustainability objectives.

Any aspects of these recommendations that were not responded to in this report will be included for consideration in our integrated sustainability workstream, considered for future action and reporting, and treated as an input to our materiality analysis process.

Response to Recommendations

Recommendation: Demonstrate leadership in responding to the climate challenge.

Ford response:

We continue to be committed to doing our share to stabilize the amount of CO₂ in the atmosphere, helping mitigate the progression of temperature rise. This is reflected in our strong focus on developing effective solutions through a multi-stakeholder, multi-sector approach, and on reducing climate-related impacts in our facilities and products. This includes our significant investment in electric vehicles and their associated infrastructure (see [Delivering Our Electrification Plans](#) and [Alternative Fuels and Powertrains](#)).

[The Climate Change Challenge](#) outlines Ford's long-standing and continuing commitment to climate stabilization, with further detail provided in [Our Climate Change Strategy](#).

Recommendation: Demonstrate leadership as a steward of human and natural resources.

Ford response:

This year, we have developed our reporting to incorporate the [UN Guiding Principles Reporting Framework](#) for the first time. We see this as the start of a journey; having met the minimum threshold in this initial effort to show how we respect human rights in practice, we are looking to answer more of the supporting questions and improve the quality of our responses over time.

In addition, we continue to communicate about Ford's work in multi-sector initiatives to strengthen our supply chain and combat human rights violations (see [Human Rights and Working Conditions](#)) and to promote diversity within our supply chain (see [Supplier Diversity](#)).

To further demonstrate our leadership efforts to act as a steward for natural resources, we help our key suppliers identify responsible environmental practices through our Partnership for A Cleaner Environment (PACE) program (see [Partnering for the Planet With Suppliers](#) and [Environmental Impact of Our Suppliers](#)); and to expand our use of recycled and renewable materials, including research partnerships exploring the viability of innovative new biomaterials (see [Using Sustainable Materials](#)).

Recommendation: Demonstrate leadership in sustainability strategy and disclosure.

Ford response:

Our sustainability strategy is focused on creating value for the business and broader society, and is integrated into how we operate, both strategically and on a day-to-day level. We use a formal materiality process to define and prioritize our key issues, most recently conducted in 2016 and early 2017. This year, we included an additional layer showing the relationships between sustainability issues in our latest [materiality matrix](#).

Recommendation: Enhance reporting to demonstrate a customer-centric approach to safety and security.

Ford response:

Safety continues to be one of the highest priorities in the design of our vehicles. We are committed to designing and manufacturing vehicles that achieve high levels of safety over a wide range of real-world conditions.

Our quality policy (Policy Letter 1) forms the foundation, and stresses the importance, of quality in everything we do, noting that “the customer defines quality.” And our corporate safety policy, Policy Letter 7, outlines our commitment to design and build vehicles that meet or exceed applicable laws and regulations, while meeting the safety needs and expectations of our customers. In line with our policy letters, Ford is continuously working to enhance the safety of our products, a fundamental aspect of our [Quality Operating System \(QOS\)](#).

Having become the first automaker to join the [Electronic Industry Citizenship Coalition \(EICC\)](#), we began using the EICC’s audit protocol for our social audits this year. We conducted 31 new audits using the new methodology, which covers health and safety, labor issues, management systems, ethics and the environment.

In addition, we are committed to respecting customer privacy, protecting their data and using it responsibly. We take our responsibilities extremely seriously and have established a companywide governance infrastructure to drive a holistic approach to the stewardship, privacy and security of the data entrusted to us. This includes having [policies and directives](#) in place to ensure the continuing confidence of those who entrust us with their personal information. We are also a founding member of the Auto-ISAC (Information Sharing and Analysis Center), which gathers, analyzes and shares information about cyber-related threats and vulnerabilities.

› [Read more about our wider stakeholder engagement activities](#)

About This Report

Welcome to Ford’s 18th annual report on our sustainability progress. At Ford, we see reporting as an ongoing, evolving process, not an annual exercise. We expect our reporting to evolve further still and invite your feedback on this report, as well as our approach to reporting, at sustaina@ford.com.

This report covers the year 2016 and early 2017. The data is primarily for 2016 (for operations) and for the 2016 and 2017 model years (for vehicles). In addition to this full online sustainability report, we publish an eight-page review for use by employees, customers and other stakeholders.

Significant Leadership Changes Just Prior to Report Release

On May 22, 2017, Ford Motor Company announced major global leadership changes at the company:

- Jim Hackett was named as Ford Motor Company President and Chief Executive Officer, succeeding Mark Fields who is retiring

› [Read the full announcement](#)

- A number of additional global leadership team appointments were also announced

› [Read the full announcement](#)

These changes were announced during the final stages of preparing the 2016/2017 Sustainability Report, and are reflected in role titles, where appropriate, throughout the report.

Data Boundaries and Global Reporting Frameworks

Data in this report is subject to various forms of assurance, as discussed below and noted in the data tables. The summary report was reviewed by Ford’s top senior executives and the Sustainability and Innovation Committee of the Board of Directors.

This report is “in accordance” with the Global Reporting Initiative (GRI) Standards at a Comprehensive level. In 2016/17, Ford Motor Company transitioned to the GRI Standards. The GRI Standards include all the main concepts and disclosures from G4, with changes mostly involving structure and format. More information on the GRI Standards can be found on the [GRI website](#).

This report also serves as Ford’s annual United Nations Global Compact (UNGC) “Communication on Progress” (see the [UNGC Index](#)), as it includes discussion of Ford’s implementation of the 10 principles of the UNGC and support for broad UN development goals (please also see the [Sustainable Development Goals Index](#)).

Consistent with GRI guidance on boundary setting, the data in this report covers all of Ford Motor Company’s wholly and majority-owned operations globally, unless otherwise noted. Boundaries for each material issue are noted in our [GRI Index](#). Data measurement techniques, the bases of calculations, changes in the basis for reporting or reclassifications of data previously reported are included where relevant as footnotes to tables and charts.

Data Assurance

Some of the data in our reports has been subject to various forms of internal and third-party verification, as follows:

- Financial data was audited for disclosure in the Ford Annual Report on [Form 10-K](#)
- Verification data is not yet available for Ford’s 2014, 2015 and 2016 global facility greenhouse gas (GHG) emissions. One hundred percent of Ford’s 2014, 2015 and 2016 global facility GHG emissions will be third-party verified to limited assurance. Over 75 percent of Ford’s 2014, 2015 and 2016 global facility GHG emissions will be third-party verified to a reasonable level of assurance. In addition, all of our European facilities impacted by the mandatory E.U. Emissions Trading Scheme (EU-ETS) are third-party verified. All EU-ETS verification statements are provided to Ford, by facility, from Lucideon (formerly CICS) for U.K. facilities, Lloyds for Spain and Intechnica for Germany. North American facilities are verified against the Climate Registry’s General Reporting Protocol. European facilities are verified against the EU-ETS rules and guidelines
- Ford reports facility CO₂ emissions to national emissions registries or other authorities in the U.S., Canada, Mexico, Argentina, Brazil, China and Taiwan and the E.U. (Germany, Spain and U.K.)
- Various environmental data are reported to regulatory authorities
- Ford’s facility environmental data are managed using our Global Emissions Manager database, which provides a globally consistent approach to measurement and monitoring

The kind of assurance used for each data set is noted in the data charts.