

ELECTRIC MOTOR
AND NICKEL METAL
HYDRIDE BATTERY

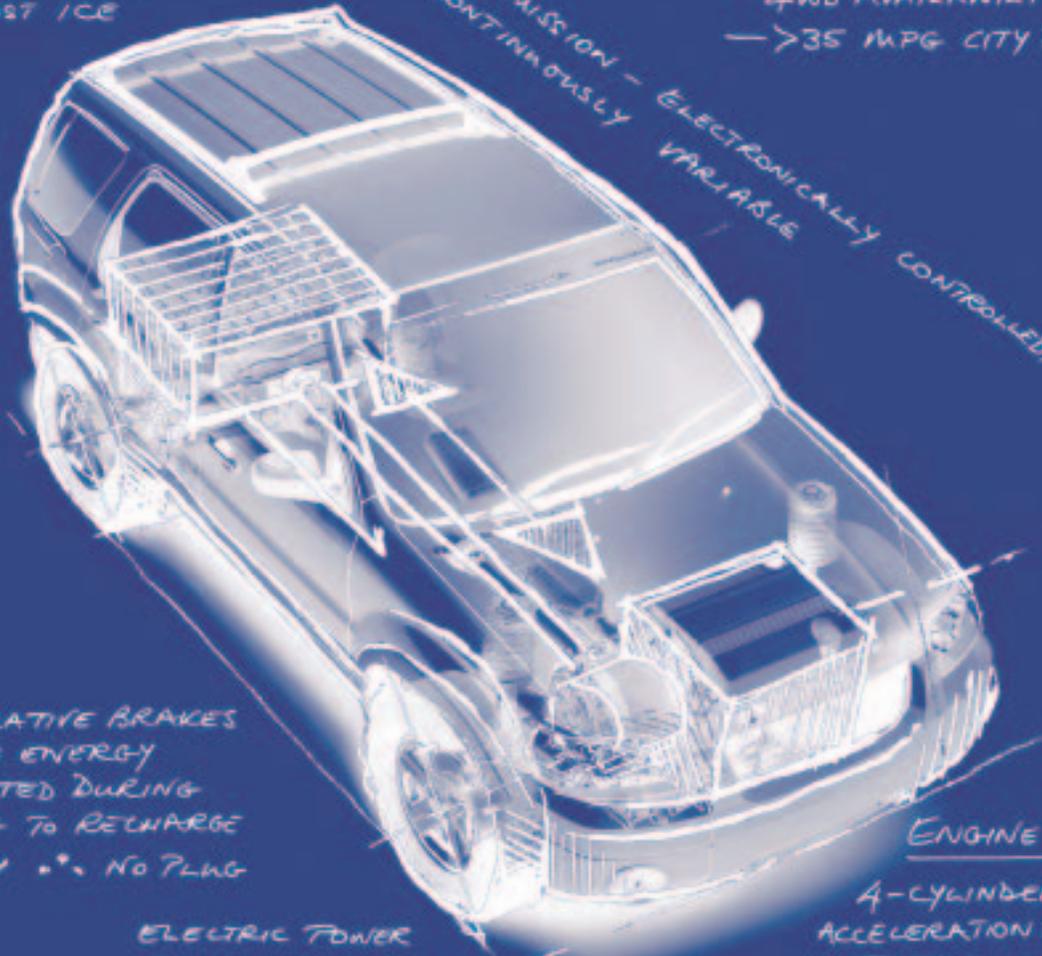
- DRIVE IN PURE
ELECTRIC MODE
OR BOOST ICE

* FULL HYBRID

NO COMPROMISE ON
SUV QUALITIES

- MUST SEAT 5 ADULTS
- 4WD AVAILABILITY
- >35 MPG CITY DRIVING

TRANSMISSION - ELECTRONICALLY CONTROLLED,
CONTINUOUSLY VARIABLE



REGENERATIVE BRAKES
- VEHICLE ENERGY
IS COLLECTED DURING
BRAKING TO RECHARGE
BATTERY * NO PLUG

ELECTRIC POWER
STEERING
- MORE FLEXIBLE
- QUIETER

START/STOP
ENGINE TURNS OFF
WHEN NOT NEEDED
INSTANT RESTART

ENGINE

4-CYLINDER
ACCELERATION SIMILAR
TO TRADITIONAL V6
POWER TRAIN
AT - PZEV



2003/4 CORPORATE CITIZENSHIP REPORT
OUR PRINCIPLES, PROGRESS AND PERFORMANCE

Connecting
with
Society

THE WORLD'S FIRST HYBRID SUV

New concepts often start with a sketch. When our designers and engineers began work on the Escape Hybrid, they sketched the broad strokes of what they wanted to accomplish. They envisioned a no-compromise vehicle – an authentic SUV that is fun to drive, spacious, comfortable and capable, with substantially lower fuel use and emissions.

We began our corporate citizenship journey in much the same way, by sketching the outlines of an approach that would deepen our commitment to transparency, accountability and engagement to move us toward economic, social and environmental sustainability. It was part sound business decision and part leap of faith.

Today, our Escape Hybrid is reality. And our corporate citizenship vision is turning from concept into action. In this report, you will find out more about our aspirations, our accomplishments and where we still have work to do.

For more on the Escape Hybrid, please see Page 62.



This report covers the year 2003 and early 2004. The data are primarily for 2003 and cover all of Ford Motor Company's wholly and majority-owned operations globally unless otherwise noted. Changes in the basis for reporting or restatements of data previously reported are noted in the data charts. This report and the corresponding information on www.ford.com/go/globalcitizenship have been prepared in accordance with the 2002 Global Reporting Initiative (GRI) Guidelines. An index of GRI indicators covered in the report can be found on Page 84. This report was issued in July of 2004.

OUR PRINCIPLES, PROGRESS AND PERFORMANCE

2003/4

OVERVIEW	LETTER FROM BILL FORD	2-4
	IN THIS REPORT	5
	2003 AT A GLANCE	6
	INTEGRATING OUR BUSINESS PRINCIPLES	7
REPORTING AGAINST OUR PRINCIPLES	ACCOUNTABILITY	8-11
	PRODUCTS AND CUSTOMERS	12-19
	ENVIRONMENT	20-31
	SAFETY	32-43
	COMMUNITY	44-47
	QUALITY OF RELATIONSHIPS	48-55
	FINANCIAL HEALTH	56-58
A CLOSER LOOK	INTRODUCTION	59
	CLIMATE CHANGE	60-61
	THE WORLD'S FIRST HYBRID SUV	62-63
	CHARTING OUR TECHNOLOGY ROADMAP	64-65
	THE HYDROGEN OPTION	66-67
	ANY COLOR YOU LIKE: THE PAINT SHOP	68-69
	CREATING AND CONSERVING AT HERMOSILLO	70-71
	CHINA – MOVING INTO THE FAST LANE	72-75
	RESPONDING TO THE THREAT OF HIV/AIDS	76-77
	SAFEGUARDING HUMAN RIGHTS	78-79
	F-150 ACCORDING TO OUR PRINCIPLES	80-81
	APPENDIX	GLOSSARY AND ACRONYMS
CORPORATE PROFILE		83
GRI INDEX		84
FEEDBACK AND ADDITIONAL INFORMATION		85



Letter from Bill Ford

CHAIRMAN AND CEO

“Improved sustainability performance is not just a requirement, but a tremendous business opportunity. I want our Company to be a leader in driving the transition and to be in a position to benefit from it.”

MOVING OUR VISION FROM CONCEPT TO REALITY

When I became Chairman of Ford Motor Company five years ago, I pledged that we would distinguish ourselves as a great company through our efforts to make the world a better place. Shortly after that, we published our first Corporate Citizenship Report, which sketched the broad outline of an expanded definition of corporate citizenship. In it, we made a public commitment to strengthen our connection with society and play an active role in bringing about the transition to greater economic, social and environmental sustainability.

In the last five years we've had many successes and a few setbacks as we explored these new ideas and worked to turn them from aspiration to action. One thing that has not changed is my belief that improved sustainability performance is not just a requirement, but a tremendous business opportunity. I want our Company to be a leader in driving the transition and to be in a position to benefit from it.

My family connects me to the automotive business in a unique way. I feel a special responsibility and pride in the contributions Ford makes to the quality of life of our employees, customers, business partners and neighbors worldwide. I am dedicated to ensuring that we are the best automotive company in the world, by any measure.

COMMITMENT TO CANDOR

Our Corporate Citizenship Reports are an ongoing account of our efforts to make that vision a reality. In our 1999 report, we were the first automaker to publicly acknowledge environmental and other concerns related to sport utility vehicles. In our 2000 report, we were among the first automakers that attempted to understand and estimate the global greenhouse gas emissions associated with the entire lifecycle of our vehicles, both new and those already on the road. And last year, we acknowledged and discussed not meeting our goal of improving SUV fuel economy by 25 percent by 2005.

Such transparency is still uncommon in our industry. I view it simply as an acknowledgement and explanation of changing business realities. But some see it as an admission of failure, while others use it to question our intentions. Transparency and open dialogue can be uncomfortable at times, but I believe these are prerequisites for building the trust required to move forward.

“Transparency and open dialogue can be uncomfortable at times, but I believe these are prerequisites for building the trust required to move forward.”

Dialogue presents an opportunity to understand other perspectives and approaches to issues. When we find ourselves disagreeing with people whose points of view we respect – which is inevitable – we need to offer viable alternatives. We must continue to work hard to improve both our communication and our constructive participation in the search for workable and effective solutions to the important problems we face.

On April 16, 2004, Ford Motor Company was presented with a North American Sustainability Reporting Award from the Coalition for Environmentally Responsible Economies (CERES) and the Association of Chartered Certified Accountants (ACCA). The award was in recognition of excellence in sustainability reporting for our Corporate Citizenship Report released in 2003. It noted our candor in addressing our challenges as well as describing the progress we made.

This award is one indication of how far we've come in the last five years. But we've done much more in that time than just write about the issues we face. Many of the concepts we sketched out when we began this process are becoming reality, and our business is changing in new and exciting ways.

FIVE YEARS OF PROGRESS

In recent years, by necessity, much of our focus has been on the economic dimension of sustainability. In January 2002, I announced a comprehensive, long-term plan to return Ford Motor Company to profitability. The first phase of our plan – stabilizing our business and getting it back on a sound operational and financial foundation – is done. As a result of our continuing efforts, our overall financial results have improved by about \$5 billion in two years, which is ahead of plan. Our employees, dealers and suppliers all contributed to this achievement, and each of us should feel proud of our accomplishments.

Because of difficult economic conditions, it was important that we concentrated on short-term business issues. However, even as we worked to improve on the basics of our business, we did not ignore or forget about our long-term commitment. As a result, many of the projects that we embarked on when I became Chairman have already been completed or will be shortly.

Our new Ford Escape Hybrid, which will reach dealer showrooms later this summer, is the cleanest and most fuel-efficient SUV in the world. It uses a

combination of gasoline and electric power to deliver more than 35 miles per gallon in city driving without compromising versatility or performance. The hybrid system also meets the strictest emissions standards.

New technology that offers customers no-compromise solutions to concerns about fuel prices and greenhouse gases is becoming a major competitive advantage in our industry. The fastest way to bring about the transition we are seeking is through the market and competition. We plan to be at the forefront and differentiate ourselves in an industry in which this is becoming increasingly difficult to achieve.

In addition to the Escape Hybrid, we will market a hybrid version of the Mercury Mariner compact SUV in 2006, and a hybrid midsize car after that. We are also developing a range of advanced technologies to help us move to the next step. We are developing a full range of production and research vehicles intended to help chart a course to a hydrogen-powered future. Our research fleet includes vehicles powered by hybrid and nonhybrid hydrogen internal-combustion engines and dozens of Focus fuel cell vehicles that we are deploying in the United States, Canada and Germany.

To secure their role in providing mobility to a growing and changing world, automobiles of the future must have dramatically lower smog-forming and greenhouse gas emissions. That future will become a reality, and we will be driving that change. I have asked a group of our senior leaders to develop a sensible approach to the issues of climate change, energy security and fuel economy. Some of their viewpoints are shared in this report. Their work will drive our product development. It is a key element in building our Company for the next 100 years.

Another recently completed project that points toward our vision of the future is the renovation of the Ford Rouge Center in Dearborn, Michigan. The goal of what we called the Heritage Project was to transform our Rouge complex – which was built more than 85 years ago as the world's first totally integrated manufacturing site – into a model of sustainable manufacturing. To do that, we combined advanced environmental technologies within a world-class lean manufacturing center.

The renovations included a new lean and green manufacturing facility, the Dearborn Truck Plant, which recently began producing F-150s. It is the first all-new assembly plant built in the Rouge complex since it was first developed, and our first anywhere in the United States in more than

“To secure their role in providing mobility to a growing and changing world, automobiles of the future must have dramatically lower smog-forming and greenhouse gas emissions.”

25 years. We built it on an existing site because of our legacy at the Rouge and our strong commitment to our employees and the local community.

Dearborn Truck, which is the flagship of our all-new, next-generation flexible manufacturing system, is also clean, energy efficient and environmentally friendly. It features the world's largest “living roof,” with more than 10 acres of sedum plants that help to clean the air, generate oxygen and manage stormwater runoff.

In renovating the Ford Rouge Center, we drew on the inspirations of our past and our aspirations for the future. In a way it has become a very real symbol of where Ford Motor Company is going – building on our heritage, but reinventing and redefining it for the 21st century.

We are eager to share this new icon of sustainable manufacturing with the world. To do that, we are reinventing another great tradition from our past – the Rouge tour. In partnership with The Henry Ford, America's Greatest History Attraction, we are once again inviting the world to come to Dearborn and see how automobiles are made.

We have made real progress in a number of other areas. To clarify our intentions internally and externally, we developed a comprehensive set of Business Principles. The Principles are now being embedded into our planning processes and performance scorecards, making explicit our high standards regarding products and customers, the environment, safety, community, quality of relationships, financial health and accountability.

To address human rights in our facilities and our supply chain, we engaged with internal and external partners to develop the most stringent Code of Basic Working Conditions in the automotive industry, which we are now in the process of implementing.

We are taking our philosophy of being profitable and responsible to other emerging markets around the world. Projections show that the Asia-Pacific region will be the fastest-growing market for the automotive industry in the coming decade, with China accounting for the largest part of that growth. We have plans to be aggressive in participating in that growth and strengthening our presence in the region. I believe that more sustainable business practices are critical in realizing those goals.

LOOKING AHEAD

Our ultimate goal is to build great products, a strong business and a better world. As with the vehicles we create, this goal is evolving over time from initial concept to final product. We know that true leadership will require strong vision and values, as well as perseverance and patience. It also will require dedicated leaders and active partners.

This report includes the perspectives of some of the pioneers, from inside and outside the Company, on the transformation that is occurring and how we are responding. I invite you to read their comments, learn about the steps we are taking and join us in bringing our commitment from concept to reality.



This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organization's economic, environmental and social performance.

In this report

We hope you find this report useful. Below is a brief guide to the contents:

2003 AT A GLANCE

On the following two pages, you will find a summary table of our key indicators and an overview of how we are integrating our Business Principles into business plans and scorecards.

COLOR-CODED PERFORMANCE SECTIONS

For the second consecutive year, we have organized the performance sections of this report around our Business Principles, with a color associated with each Principle. The full text of the Principle appears at the beginning of each section. Data charts are found at the end of each section. The first page of each Principle section summarizes additional information available at www.ford.com/go/globalcitizenship.

A CLOSER LOOK

“Closer looks” appear following the performance section and provide in-depth examples of sustainability innovation and areas that present particular challenges or opportunities.

INSIDE AND OUTSIDE VOICES

To the right is the first of a set of various perspectives that appear throughout the report offered by people inside and outside Ford, who discuss issues of emerging interest and speak to our performance and what is being learned on our corporate citizenship journey.

GLOBAL REPORTING INITIATIVE (GRI)

On Page 84, we provide a table that tells you where to find information and indicators included in the GRI Sustainability Reporting Guidelines.

FEEDBACK

We want to hear from you to understand how well we are meeting your needs – and how we can do better. Page 85 provides various avenues for feedback. We encourage you to share your opinion on www.ford.com/go/globalcitizenship. You can also e-mail us at corpfit@ford.com.

“We wanted to make sure there was alignment among the Business Principles, what we do and what we measure – both on paper and in intent.”

Susan Brennan

Director, Manufacturing – Vehicle Operations



As part of the yearly business planning process, Vehicle Operations does a “gap analysis” to see how our actions and results stack up against the manufacturing scorecard. In 2003, we added a check and balance against each of the seven Business Principles. We wanted to make sure there was alignment among the Business Principles, what we do and what we measure – both on paper and in intent.

The scorecard integrates well with the Principles. Take the Community Principle, for example. Our plants have a major impact. If we are not the largest employer in any given community, we are one of them. Our employees contribute a great deal to the community. We are responsible for providing a safe and healthy environment for both employees and community members. So, in practice, there is strong integration among the Community Principle, the scorecard measures and our actions. That gives us accountability. Now we must continue to support our plants with tools that enhance what they are doing.

Beyond manufacturing, I’ve been part of a team looking at climate change and the reduction of greenhouse gas emissions. This is an area where we need greater alignment between our aspirations and actions. Times are changing; I hear more questions about fuel economy. It’s an attribute that is being placed higher on our customers’ decision tree – and our own.

Given Ford’s strong problem-solving culture, our team has spent time first defining the problem before we start fixing it. This approach holds as true for greenhouse gas emissions as it does for critical business issues like quality.

The product side is where this gets exciting, because one way of shifting the internal culture is getting people to recognize fuel economy – as J.D. Power already does – as a quality issue. This discussion inside the Company couldn’t have happened at a better time. As the culture and opinions evolve, we’re finally hitting the wall with the concept of “bigger is better.”

Ford Motor Company is at a crossroads. We must choose the right path on climate change. Our customers are demanding accountability from us in this area. It’s a leadership choice that should not be dictated to us by the government, because sound business drivers are in place. We must deliver, and I am convinced that we’re going to do just that.

2003 at a glance

- ↗ Better than 2002
- Same as 2002
- ↘ Worse than 2002

MEASURING PERFORMANCE AGAINST OUR BUSINESS PRINCIPLES

PRODUCTS AND CUSTOMERS	INDICATOR	2002/2003	TREND	PAGE
We will offer excellent products and services.	Initial quality (3 months in service), Ford Motor Company, U.S., problems per hundred vehicles	143/136	↗	18
	Vehicle dependability (4–5 years of ownership), Ford Motor Company, U.S., problems per hundred vehicles	354/287	↗	18
	Sales satisfaction with dealer/retailer, Ford Brand, U.S., percent completely satisfied	75.0/77.0	↗	19
	Sales satisfaction with dealer/retailer, Ford Brand, Europe, percent completely satisfied	64.7/69.0	↗	19
	Service satisfaction with dealer/retailer, Ford Brand, U.S., percent completely satisfied	61.0/65.0	↗	19
	Service satisfaction with dealer/retailer, Ford Brand, Europe, percent completely satisfied	50.8/54.0	↗	19
	Owner loyalty, Ford Motor Company, U.S., percent loyal to corporation	48.5/49.9	↗	19
	Owner loyalty, Ford Brand, Europe, percent loyal to corporation	49.0/48.0	↘	19
	First-time Ford Motor Company buyers, U.S., percent	10.0/11.0	↗	19
	First-time Ford Brand buyers, Europe, percent	15.0/13.0	↘	19
ENVIRONMENT We will respect the natural environment and help preserve it for future generations.	Ford U.S. fleet fuel economy, combined car and truck, miles per gallon	23.2/23.6	↗	29
	Ford U.S. fleet CO ₂ emissions, combined car and truck, grams per mile	381/375	↗	29
	European CO ₂ performance, percent of 1995 base (1995 base = 100 percent)			
	Ford	83/82	↗	29
	Jaguar	79/77	↗	29
	Land Rover	86/87	↘	29
	Volvo	88/91	↘	29
	Worldwide facility CO ₂ emissions, million metric tonnes	8.5/8.3	↗	30
	Worldwide facility CO ₂ emissions per vehicle, metric tonnes	1.30/1.34	↘	30
	Worldwide facility energy consumption, trillion BTUs	83.5/79.7	↗	30
	Worldwide facility energy consumption per vehicle, million BTUs	12.7/12.9	↘	30
	Global manufacturing water use, total, million cubic meters	92.8/90.0	↗	30
Global manufacturing water use, per vehicle, cubic meters	14.0/14.3	↘	30	
SAFETY We will protect the safety and health of those who make, distribute or use our products.	WORKPLACE			
	Lost-time case rate (per 100 employees), Ford Motor Company	2.1/1.8	↗	34
	Severity rate (per 100 employees) – days lost per 200,000 hours worked	31.7/25.3	↗	34
	VEHICLE			
	Safety recalls, number per calendar year	17/16	↗	43
	Vehicles sold attaining 4- or 5-star EuroNCAP ratings, percent	71/76	↗	43
Vehicles tested attaining 4- or 5-star rating in U.S. NCAP frontal crash tests, percent	97/100	↗	43	
COMMUNITY We will respect and contribute to the communities around the world in which we work.	Ford Motor Company Fund contributions, \$ million	84/78	↘	47
	Corporate contributions, \$ million	47/43	↘	47
QUALITY OF RELATIONSHIPS We will strive to earn the trust and respect of our investors, customers, dealers, employees, unions, business partners and society.	Employee satisfaction, Pulse survey, overall, percent satisfied	61/61	→	55
	Total purchases from minority-owned businesses, U.S., \$ billion ¹	3.2/3.4	↗	55
FINANCIAL HEALTH We will make our decisions with proper regard to the long-term financial security of the Company.	Shareholder return, percent ²	(39)/79	↗	58
	Net income/(loss), \$ billion	(1.0)/0.5	↗	58

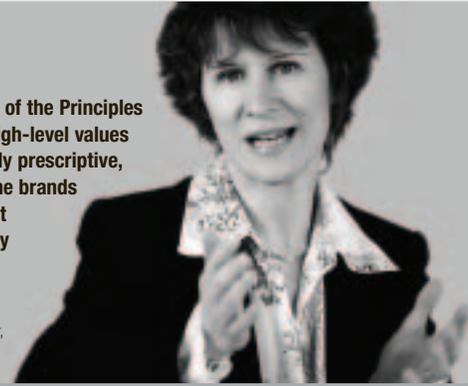
¹Increase in 2003 was due to the expansion of our reporting to include women-owned businesses.

²Total Shareholder Return is from Bloomberg Total Return Analysis assuming dividends are reinvested in Ford stock.



“One of the benefits of the Principles is that they offer high-level values without being overly prescriptive, thereby enabling the brands to develop the most appropriate delivery mechanisms.”

Fran Leedham
Group Environment Manager,
Jaguar and Land Rover



INTEGRATING OUR BUSINESS PRINCIPLES

During 2003, Ford’s business groups were charged with reflecting the Business Principles – adopted in 2002 – in their 2004 business plans and scorecards. This was a key step toward integrating the Principles into our most fundamental business processes.

We develop new scorecards each year. Senior management members of the Strategy and Business Governance group set corporate direction and strategic priorities, establish goals and allocate resources, which in turn set the parameters for business operation plans. Each business plan is translated into a scorecard. On a single page, our scorecards define the key priorities, success drivers, targets and responsibilities for achieving business results and provide managers with progress indicators. For example, the North American manufacturing scorecard, known in shorthand as SQDCME, includes targets and progress indicators that align with the Business Principles:

SCORECARD ELEMENT	BUSINESS PRINCIPLE
Safety	SAFETY
Quality	PRODUCTS AND CUSTOMERS
Delivery of products	PRODUCTS AND CUSTOMERS
Cost	FINANCIAL HEALTH
Morale	QUALITY OF RELATIONSHIPS
	COMMUNITY
Environment	ENVIRONMENT

In early 2004, we began a review of the various business groups’ scorecard metrics to assess how they reflect the Business Principles and to continue the process of defining key performance indicators for each Principle. The table (opposite) includes some scorecard metrics that are common across business units and some indicators that we have reported on previously. Other scorecard metrics are internal measures that are not shared publicly.

Building the Business Principles into the business planning and scorecard processes is an important step toward incorporating them into the business. But we recognize that much remains to be done to raise awareness of the Principles among our 328,000 employees, explore the Principles’ significance in day-to-day decision making and make them part of the fabric of our culture. That is our continuing challenge.

ABOVE
In 2003, we reopened the Ford Rouge Center’s Dearborn Truck Plant as a model of more-sustainable manufacturing. A prominent feature is the world’s largest living roof. For more information, visit www.thehenryford.org.

“Sustainable development” is a priority at Jaguar and Land Rover, and appears in our corporate business plan and scorecard. This enabled us to begin to develop a comprehensive and balanced set of sustainability requirements.

It is essential that Jaguar and Land Rover balances and integrates its economic, social and environmental responsibilities. This is highly cross-functional, requiring all areas to make a contribution. Our internal governance structures support implementation and monitor delivery of the requirements.

Our scorecard process, with the identification of business priorities and creation of supporting deployment actions and clear metrics, enables recognition at all levels. It elevates performance in the area of sustainable development to sit alongside other business imperatives.

A key element of business integration is the Ford Business Principles, which provide strategic direction and a framework of global and corporate values. The Principles establish the highest levels of operation across the Ford family of brands. The development of our scorecard and, in particular, the sustainable development priority, is linked to the Principles. Through 2004, we will continue to map our activities to demonstrate alignment and to identify gaps and opportunities. One of the benefits of the Business Principles is that they offer high-level values without being overly prescriptive, thereby enabling the brands to develop the most appropriate delivery mechanisms.

However, integration is more than just lining up what we are currently doing against the Business Principles and communicating it. We must recognize the responsibilities that come with being a major, global organization and the influences we have, both positive and negative. Adopting a set of principles means we must uphold these values in our decisions and our actions to make the commitment real. This is the challenge sustainable development presents. While I’m certain we’ll get there, it’s going to take time and creativity.

Accountability

Related information in other sections of this report:

- Integrating our Business Principles – Page 7
- Progress on our Revitalization Plan – Page 57
- Climate change – Page 60
- Responding to the threat of HIV/AIDS – Page 76
- Safeguarding human rights – Page 78

Additional information on www.ford.com/go/globalcitizenship:

- SustainAbility assessment of our 2002 Corporate Citizenship Report
- Description of key policy letters and directives
- List of major association memberships
- Shareholder resolution on greenhouse gas emissions

We will be honest and open and model the highest standards of corporate integrity.

We will achieve this by:

- Being responsive to stakeholders' concerns on the impact of our operations, products and services through public disclosure and regular reporting
- Making accurate and forthright statements, competing ethically, avoiding conflicts of interest and having zero tolerance for the offer, payment, solicitation or acceptance of bribes

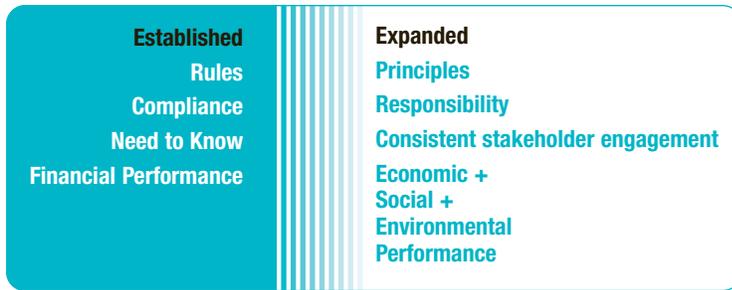
PROGRESS SINCE OUR LAST REPORT

Our products, performance and actions affect society economically, environmentally and socially. As a result, we must be accountable for our actions and meet the high aspirations that we, and society, set for the Company. We believe that accountability in this context encompasses principled decision making, systematic engagement of stakeholders and increased transparency. Holding ourselves to the highest standards of corporate conduct will strengthen our Company and establish relationships of mutual trust with our stakeholders.

During 2003, we:

- **Moved ahead on key commitments, including implementing our Revitalization Plan, pilot testing our Code of Basic Working Conditions addressing human rights within our supply chain and further developing our climate change strategy**
- **Further integrated our Principles into our business planning and performance measurement processes**
- **Built upon our years of sound corporate governance by adopting new practices in response to regulatory and legislative changes associated with the Sarbanes-Oxley Act of 2002**
- **Continued our stakeholder engagement efforts on a number of important issues**
- **Expanded our corporate citizenship reporting**

Figure 1: EXPANDING ACCOUNTABILITY



FAST FACT

During 2002 and 2003, Volvo Cars held dialogues with representatives of environmental, consumer and human rights organizations, as well as public agencies and research institutions, in Stockholm, London and Washington, D.C. The dialogues provided insight into views on environmental and social issues, society and markets and vehicle safety.

ELEMENTS OF ACCOUNTABILITY

Some elements of accountability are well established through legal requirements and traditional governance practices. Other aspects are expanding in response to regulatory and legislative changes, greater societal expectations for all corporations and our expanded internal expectations for the Company (Figure 1). These elements of accountability are discussed further below. Underlying all of them are several concepts:

- **Relevance:** We must focus our efforts on issues that are most relevant to our business success and our stakeholders' concerns.
- **Delivery:** We need to follow through with what we say we will do and strive for consistency in our communications and actions.
- **Transparency:** We must actively communicate our performance in a balanced and straightforward manner.

STRENGTHENING THE CORE

Our Board of Directors addresses significant business issues, including those related to corporate citizenship, as a full group and through five committees: Audit, Compensation, Environmental and Public Policy, Finance and Nominating and Governance.

During 2003, we adopted standards for the independence of Company directors. We also established a procedure for shareholders to submit accounting and other concerns to independent directors and to send other communications to the board. Our governance approach and policies are published on the Company's Web site (www.ford.com).

We maintain a comprehensive set of policies, directives and standards, including our Standards of Corporate Conduct, that govern all Company activities. At the highest levels of management, the Strategy and Business Governance group guides our corporate direction, establishes strategic priorities and regularly reviews issues of importance to the Company's corporate citizenship commitments.

Our Business Principles are more specific than a statement of mission and values, but less detailed than our comprehensive policies and standards.

EXPANDING OUR APPROACH

From rules to principles

In 2000, Company management engaged in a Dialogue on Emerging Issues in Corporate Citizenship with external stakeholders. An important lesson learned from the Dialogue was that all stakeholders would benefit from an articulation of the principles on which we base our business behavior. We concurred and developed, tested and refined our Business Principles, which were adopted in 2002. The Principles are more specific than a statement of mission and values, but less detailed than our comprehensive policies and standards. They are intended to embed these values into the operations and provide a framework for communicating our performance.

We have begun to integrate the Principles into our basic business planning and scorecard processes, as described on Page 7.

From compliance to responsibility

While compliance with all legal requirements is the foundation of accountability, strong ethics and prevention (anticipating and planning for problems to reduce risk) are essential elements of corporate responsibility.

This approach means conducting comprehensive assessments to identify potential compliance issues, as well as areas where adherence to internal or external voluntary standards that go beyond legal requirements could mitigate potential risks or maximize opportunities. Based on this philosophy, we were among the first major companies to certify our operations to the ISO 14001 environmental management standard and to endorse the Coalition for Environmentally Responsible Economies (CERES) Principles.

To help our employees worldwide understand and access resources that enable responsible behavior and enhance regulatory compliance, we created Web-based legal resources. All salaried employees are required to participate in online training on our Code of Conduct and selected substantive policies such as anti-harassment and refraining from soliciting or receiving improper payments or benefits. They may also access information on internal and external requirements and report suspected violations of the law or Company policy.

How we did – verbatim responses to our 2002 Corporate Citizenship Report survey:



“As a Tier 1 vendor, it is critical that we understand the goals and strategic targets adopted by our customer (Ford) so that we can better support these objectives.”
 SUPPLIER

“I’m concerned that due to these tough economic times, our commitment to corporate citizenship might have wavered. Glad that it hasn’t.”
 EMPLOYEE

“As our business environment gets tougher each year, it’s increasingly important to address the public’s view of our corporate citizenship and gain support for our work from society at large.”
 EMPLOYEE

“Citizenship is important, but we will live or die based on quality product. I would argue that providing our customers with quality and durability would be a greater act of citizenship than some of the more symbolic ‘feel-good’ programs.”
 EMPLOYEE

From “need to know” to consistent stakeholder engagement

Many of our major corporate citizenship actions have been shaped by stakeholder engagement. Our Dialogue on Emerging Issues in Corporate Citizenship in 2000 identified two issues – human rights and climate change – as particularly important for Ford to address. Our response to these issues remains central to our commitment. Subsequent discussions with environmental and social organizations, such as CERES and the Interfaith Center on Corporate Responsibility (ICCR), have furthered our understanding and awareness of the significance of the risks and opportunities to our business posed by these issues. A discussion of our commitment, actions and strategy to address climate change can be found on Page 60.

Human rights We have been fortunate to work with external partners such as Business for Social Responsibility and ICCR in developing our approach to human rights issues. External input has extended into the pilot assessment phase of our Code of Basic Working Conditions. Third-party auditors will participate on teams that assess compliance with the Code at Ford facilities. A discussion of our approach to human rights issues can be found on Page 78.

Shareholder concerns Some shareholders have submitted concerns directly to the Company. In 2003, shareholders contacted us regarding the reduction of greenhouse gas emissions, HIV/AIDS and several governance issues.

St. Joseph Health System and other shareholder proponents submitted a shareholder proposal requesting a reporting of our policies and actions to address the global HIV/AIDS pandemic. The proposal was ultimately withdrawn, given the Company’s commitment to address HIV/AIDS in Southern Africa and report on our performance, as well as expand our policies and practices to other global locations. In addition, we have solicited the involvement of St. Joseph Health System in the process of developing and implementing our approach to HIV/AIDS (see Page 76).

Other Ford Motor Company environmental and social reports:

- Jaguar
- Volvo
- Ford Australia
- Ford China
- Ford India
- Ford Malaysia
- Ford Otosan (Turkey)
- Ford Rouge Center
- Ford Taiwan – Lio Ho
- Ford Thailand

The Sisters of St. Dominic of Caldwell, New Jersey, and other members of ICCR presented a shareholder proposal requesting that the Company report on past and projected greenhouse gas emissions, including emissions from products in service, and discuss the Company’s competitive positioning and how it can reduce greenhouse gas emissions from its products at future intervals.

We remain committed to reporting the estimated greenhouse gas emissions from our operations and products, reviewing and reporting on actions to reduce greenhouse gas emissions from our products and continuing to work on new policy approaches that will encourage the development of a market for technologies that decrease greenhouse gas emissions. We did not believe, however, that it was appropriate to commit to the specific deadlines, timelines and reference points of the shareholder proposal. Thus, we recommended against adopting the proposal, which received approximately 6 percent of the votes cast by shareholders.

We have found that engagement with rating and ranking organizations in the investment community provides insight into external perspectives on some important issues and our relative performance in addressing them. We have described some of the feedback from these agencies in the Financial health section on Page 56.

Communities As described on Page 45, we are developing and implementing a process for engagement to better understand and address our most local impacts as a community member.

Campaign groups We have met with advocacy groups such as Rainforest Action Network, Global Exchange and Bluewater Network, all of which have directed campaigns at the Company on climate change and fuel economy issues. We have exchanged information to better understand their perspective and to offer insight into ours. While we share the goal of improving fuel economy and reducing greenhouse gas emissions proactively, we have disagreed on the level of improvement that is achievable within given timeframes.

Suggestions for improvements:

“Be more open to identify the gap between our view of what we are doing and society’s view, even if we don’t like the size of the gap.”

EMPLOYEE

“Be more frank about how Ford really is going to respond to different issues that might benefit society more or Ford more. I would love to see a company like Ford be really candid on how it is able or not able to respond to these issues, based on what effect it might have on the long-term success of the Company.”

CONSUMER

“Fewer platitudes. Fewer exaggerations. Try being honest!”

CONSUMER

“The report should provide more focus on the need for partnerships with government, other industries and environmental groups to promote synergy, i.e., how to overcome conflict. What can everyone do to help? What additional objectives could Ford accomplish if others did their part?”

CONSUMER

“I would suggest that you improve your corporate performance, and then the report would naturally follow.”

CONSUMER

From “financial performance” to economic, social and environmental performance

We are managing and measuring our performance on a broader range of factors by integrating the Business Principles and key performance indicators into Company scorecards, as described on Page 7. New tools, such as our supplier relationship survey described on Page 54, are also helping to provide feedback on aspects of our performance.

We have also expanded our public reporting of performance by issuing reports at the brand, country and facility level.

We are investigating ways to strengthen this report by gathering feedback from multiple sources, including soliciting feedback from report readers through use of an online survey. In 2003, we received approximately 100 internal and 50 external survey responses, which unfortunately did not constitute a statistically valid sample. We are streamlining the survey this year to encourage greater participation. However, the comments that were offered provided us with valuable insights. Samples of the comments appear above.

In this report, we have made an effort to respond to feedback we received. We have tried to balance the information needs of those who want detailed and comprehensive reporting and those who simply want an overview. Notably, we have expanded our coverage of the environment and safety issues in the print report because of their importance to us and to our

We value your opinion. Please visit www.ford.com/go/globalcitizenship or e-mail us at corpcit@ford.com to provide feedback on this report.

stakeholders. Although the print report is not shorter than last year’s, we have tried to make it more reader-friendly and accessible for various audiences.

In response to stakeholder concerns, we also have included more of our positions on public policy issues and indicated where they appear with a policy icon: **POLICY**

To provide third-party input, we have included several “outside voices” in the report. We submitted a draft to CERES for review and responded to many of their comments in this report; others will help guide future reports. We provide a synopsis of SustainAbility’s review of our 2002 report below and a review of our overall performance by the rating organization SAM Research on Page 57. Much of the data in this report have been verified internally or externally. Data reported to government bodies under regulatory requirements are often readily available to the public. However, we have not pursued third-party assurance of the report because we have not yet identified an approach that we believe will provide enough value to us and report users.

Over the next year, we will be evaluating the function and frequency of our reporting to assess what changes should be made to continue to increase its usefulness to us and our stakeholders. We anticipate that this evaluation will result in modifications and improvements.

We would welcome feedback on this topic, please e-mail us at corpcit@ford.com.

SustainAbility BENCHMARKING

We requested a review of our 2002 Corporate Citizenship Report by SustainAbility, according to the SustainAbility/ United Nations Environment Program (UNEP) benchmarking methodology. The review included the following comments:

“Overall this is a very good report with, in our view, some best-in-class reporting across a number of categories.”

“... the report as a whole reads as a thorough discussion of Ford Motor Company’s main social, economic and environmental impacts.

The Business Principles framework is compelling as an overall framework, giving the reader the impression that the detailed reporting is built on a strong corporate foundation.”

“... there remain a number of weak areas for reporting. Some aspects of environmental performance are only cursorily addressed, and there is only limited information on how Ford has identified the key sustainable development issues that it addresses in the report.”

“There is little evidence in the report of alignment of the Company’s marketing and

governmental affairs programs with the Company’s Business Principles and corporate citizenship commitments.”

“... the real improvement is in the quality and extent of information provided on Ford’s impact on climate change.”

“Integrity ... is not systematically addressed. Impacts on biodiversity, emissions to water and transportation impacts (in the manufacturing phase) are also only given cursory attention.”

The complete review can be found at www.ford.com/go/globalcitizenship.

Products and customers

Related information in other sections of this report:

- Environment – fuel economy and emissions – Page 22
- The world’s first hybrid SUV – Page 62
- Charting our technology roadmap – Page 64
- The hydrogen option – Page 66
- China – moving into the fast lane – Page 72
- F-150 according to our Principles – Page 80

We will offer excellent products and services.

We will achieve this by:

- Focusing on customer satisfaction and loyalty and keeping our promises
- Using our understanding of the market to anticipate customer needs
- Delivering innovative products and services that offer high value in terms of function, price, quality, safety and environmental performance

PROGRESS SINCE OUR LAST REPORT

Around the world, our markets are becoming increasingly competitive. Our customers expect more of their vehicles’ handling, functionality and performance, and more from the Company itself. To meet and anticipate our customers’ needs, we are focusing on:

- **Introducing new products.** In the United States, we are on track to meet the product goal of 65 new or freshened vehicles over five years. Similarly, in Europe, we are on track to meet a goal of 45 new or freshened vehicles over five years
- **Raising the bar on quality.** In the United States, in J.D. Power’s Initial Quality Study, our vehicles improved more than 16 percent over the last two years, the best of the five major manufacturers. In Europe, satisfaction improved by 12 percentage points
- **Implementing shared architectures and technologies and flexible manufacturing.** By the end of the decade, 75 percent of our North American and all of our European plants will be flexible and able to produce multiple vehicle models
- **Expanding the range of products available in high-growth markets**
- **Developing and introducing products with better environmental performance**



Ford Falcon – Australia



F-150 – North America



Jaguar XJ – Europe, North America and some Asia-Pacific locations



Focus C-MAX – Europe

LEADING WITH PRODUCTS

High-quality, desirable, affordable products are the foundation of our business success.

In 2003, we had numerous successful vehicle launches, including the Focus C-MAX, Streetka and Sportka in Europe; the Jaguar XJ and Volvo S40 worldwide; and the F-150, Freestar and Mercury Monterey in North America.

In 2004, we will introduce 40 new products worldwide. In North America, 2004 will be Ford's "Year of the Car" because of the predominance of cars in our lineup of new vehicles, including the redesigned Mustang and Focus and the all-new Ford Five Hundred, the GT, the Mercury Montego and the Volvo V50. We will also introduce the new Ford Freestyle "crossover" vehicle. Although the market has been shifting from cars to trucks and SUVs over the past decade, our emphasis on cars in 2004 is meant to provide balance and strength across our full range of product offerings.

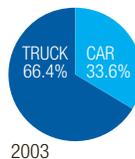
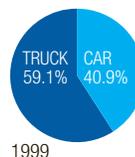
Quality is our number one priority

Through an intense Companywide focus, we have significantly improved the quality of our products. Both internal and external measures of quality are showing steady gains. Customer perception, however, has not yet recognized this improvement.

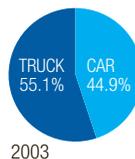
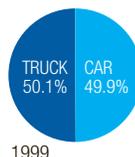
In the United States between 2001 and 2003, Ford Motor Company's internal "things gone wrong" measure improved by 17 percent, in line with the improvement of 16 percent on J. D. Power's Initial Quality Survey. Ford Motor Company customer satisfaction improved by 5 percentage points during this period. Ford, Lincoln and Mercury safety recalls and total recalls, on a volume basis, each declined by more than 50 percent. Warranty spending dropped by more than 29 percent, reflecting the improved quality of our products. Satisfaction with Ford Division sales and service was up 9 and 13 percentage points, respectively. Satisfaction with Mercury Division sales and service was up 8 and 11 percentage points, respectively.

Ford Europe experienced similar gains in customer satisfaction over the same period. Ford sales and

FORD VEHICLE SALES BY SEGMENT IN U.S.



INDUSTRY VEHICLE SALES BY SEGMENT IN U.S.



service satisfaction improved by 12 and 4 percentage points, respectively. Over the same period, the number of recalls declined by 24 percent. Our "things gone wrong" measure, however, deteriorated by 3 percent.

These gains are reflected in repeat customers. In an R.L. Polk & Co. study of owner loyalty, Ford products led 10 of 16 categories.

We have secured these improvements using a three-part quality management system. Our Quality Leadership Initiative provides a governance framework for quality improvement programs. Our Quality Operating System spells out procedures that must be followed in our manufacturing processes. Consumer Driven 6-Sigma helps us solve problems, drive out waste and improve product quality through a disciplined process.

Since we adopted the Consumer Driven 6-Sigma approach in 2000, people at all levels of the Company have carried out 9,500 projects aimed at improving product quality, resulting in \$1.7 billion in savings worldwide, including \$731 million in 2003. During 2004, we will focus on applying Consumer Driven 6-Sigma principles to the production-creation process through "Design for 6-Sigma."

The perception of Ford quality lags the real improvements we have made. While we have improved overall and gained on other automakers in quality rankings, the auto industry as a whole is also getting better. To improve customer perception and continue our progress, we will maintain an intense focus on quality and communicate these gains to customers.

Efficiently bringing products to market

Our model for developing and building products is changing. We are using common vehicle architectures and shared technologies to bring products to market more efficiently. For example, four distinct vehicles – the Volvo S40 (small sedan), Volvo V50 (small wagon), Focus C-MAX (multipurpose vehicle) and Mazda3/Axela (sedan and hatchback) – are all based on the same architecture. The Freestyle, Ford Five Hundred and Mercury Montego, debuting in 2004, will also share architecture and technology.



Everest – Asia-Pacific



LEFT
Flexible manufacturing in Cologne.

FAST FACT
Since 2000, 18 months ahead of requirements, Ford Europe has affixed an “Eco-label” to new vehicles. The label’s information exceeds the requirements now in effect and is intended to give customers a comprehensive picture of the vehicle’s performance on a range of factors, including fuel economy, emissions, noise levels, safety performance and national vehicle taxation levels where appropriate.

This approach reduces engineering and materials costs, helps us develop new products faster and improves quality. It also allows our designers and developers to concentrate on creating vehicles with distinct personalities, realizing the potential for scale and flexibility while maintaining differentiation.

Complementing this product development strategy is the investment we are making in flexible manufacturing. Flexible manufacturing reduces costs and lets us shift production quickly at an individual plant from model to model to address customer demand quickly. Shared vehicle architecture facilitates flexible manufacturing and vice versa. The Dearborn Truck Plant at the Ford Rouge Center, for example, will be capable of producing nine vehicle models. We are on target to convert half of our plants to flexible manufacturing by mid-decade. By the end of the decade, 75 percent of our North American and all of our European plants will be flexible.

FAST FACT
The Ford Mondeo was named Britain’s Best Fleet Car in the 2003 Fleet World Honors. The Ford Transit Connect won the awards for Commercial Fleet Best Small Van and Best New Van.

CHANGING MARKETS

Our established markets in North America and Europe are highly competitive. We expect the growth in these mature markets to be in revenue rather than sales volume. In the next 10 years, these markets are projected to account for 65 percent of our automotive revenue growth.

By contrast, emerging markets, led by Asian countries, are expected to experience 80 percent of the growth in automotive sales volumes in the next 10 years. We are thus expanding our investment and product offerings in the Asia-Pacific region, including introducing three new vehicles in China. An in-depth look at our presence in China can be found on Page 72.

In 2003, Ford and Mazda announced an additional \$550 million investment in their joint venture – Auto Alliance Thailand – to support vehicle programs and expand the plant’s capacity. We also announced additional investment in our Santa Rosa, Philippines, manufacturing facility, as part of an ongoing plan to use that country as a regional export hub for our ASEAN (Association of Southeast Asian Nations) operations.

VOLVO’S “YOUR CONCEPT CAR”

Women account for a growing proportion of car buyers, especially in the United States where more than half of all cars are bought by women. The percentage of female customers is also increasing steadily in Europe.

Volvo has a long tradition of listening to the preferences of women. Among other measures, the Company has established internal and external female reference groups that are involved in product development activities from the early stages. A logical development was “Your Concept Car” – a project in which all of the decisions were made by a team of Volvo women. Your Concept Car made its debut at the 2004 Geneva Auto Show and showcased unique easy access, visibility, maintenance, parking, storage and flexibility features that both men and women will appreciate.

In 2003, the project was awarded the Golden Spark Plug, a newly established Swedish motoring award, and its design was widely recognized by the media at the New York Auto Show.





Increasingly diverse customers

Our customer base is becoming increasingly diverse as we expand globally and as our established markets themselves become more diverse. This influences our product development and marketing approaches.

For example, women make up more than 54 percent of U.S. Volvo customers. "Your Concept Car" was designed by a group of female engineers, designers and marketing professionals who strove to reflect what women say they want in a vehicle.

Ford is also conducting research and vehicle development geared toward customers with special needs, such as limited mobility. In Europe, 2003 was the "Year of People with Disabilities." To raise awareness about disability support for employees and customers, we held a conference called "Not Just Talk" at the new Centre for Engineering and Manufacturing Excellence (CEME) in Dagenham, England. One of the outcomes of the conference was Mobility 4 All, a Ford Europe product design team focused on making Ford products the brand of choice for people with mobility issues. At many corporately owned locations in Europe, Hertz is offering vehicles equipped with hand controls at no additional charge for customers with disabilities.

As our customer base becomes more diverse, we have adjusted our marketing and communications. For example, Jaguar and Volvo launched advertising campaigns in 2003 that reach out directly to gay, lesbian, bisexual and transgendered customers.

Ford has also focused on meeting the needs of specific ethnic groups. We have increased our attention on members of the Hispanic community, the fastest-growing population of car buyers in the United States. To assist with their economic growth, we developed an online community that provides resources aimed at helping Hispanic entrepreneurs start or expand small businesses. This new Spanish-language Web hub, called MiNegocio (my business), is the first of its kind and is powered by the AOL™ Latino Interactive Community. Visit www.ford.com/go/minegocio to learn more.

Our North American market is literally maturing, as baby boomers enter their golden years. Unlike their predecessors,

ABOVE LEFT
The Ford "Mobility Tuned" Focus ZX3 demonstrates the mobility enhancements that can make vehicles accessible and exciting to people with disabilities.

ABOVE RIGHT
Ford's CVT technology – used on the 2005 Ford Freestyle (pictured) – is expected to improve fuel economy by up to 8 percent over a traditional four-speed automatic.



boomers are known for their active lifestyles, and they expect our products to accommodate their needs and desires. We are actively exploring alternative offerings and features to support these core consumers as they age.

After boomers, "millenials" are the second-largest generation. This group, aged 10 to 25, totals more than 1 billion people worldwide and is growing 9 percent faster than the overall population. J.D. Power predicts that they will represent 20 percent of the new-car market by 2010. Millenials look to be "their own designers" and to personalize their vehicles. Thus, the Ford Vehicle Personalization group is developing "Feature Vehicles" and personalization processes. In the United States, for example, Focus, Ranger, Escape and Mustang are our core youth vehicles, and all have "Feature Vehicle" attributes.

The market for environmental performance

Our research, as well as third-party data, shows that interest in vehicles with better fuel and emissions performance is on the rise, reflecting individual customer concerns about fuel costs, energy security, climate change and air pollution. Fleet customers are also interested in improved fuel economy and environmental performance, so they can demonstrate their corporate responsibility commitment and cut vehicle operating costs. Fuel economy has also emerged as a quality and customer satisfaction issue.

Ford is bringing technologies to market today to improve the fuel economy and emissions of our vehicles (see Page 22). In addition to the Escape Hybrid (see Page 62), we have announced plans to introduce the Mercury Mariner hybrid SUV in 2006 as a 2007 model and to add a hybrid midsize sedan. We are using continuously variable transmissions (CVTs) on the 2005 Freestyle and Ford Five Hundred and the Focus C-MAX in Europe. We also offer a Focus partial zero emission vehicle (PZEV). We are working on a range of technologies that can deliver environmental improvements in the near, mid and long term (see Page 65).

We are also clearer about which technologies do not hold much market potential. Battery electric vehicles, for example, while useful in certain applications, do not provide the versatility, range



or convenience that most consumers want in a vehicle, nor are they clearly environmentally superior to other advanced technologies on a lifecycle basis (depending on how the electricity that feeds their batteries is generated). Thus, in 2003 we ceased production of our last electric vehicle, the Ranger EV.

Alternative fuel vehicles, like those fueled by compressed natural gas (CNG) and liquid petroleum gas (LPG), have a role to play in fleet applications and in regions with the appropriate fueling infrastructure and consumer demand.

In Europe, where sales are stronger and the infrastructure is becoming more developed, we will continue to offer bi-fuel natural gas versions of the Focus and Transit. In the UK, we have launched two gasoline/LPG bi-fuel models of the Transit and Transit Connect. In addition, Volvo offers gasoline/natural gas bi-fuel models of the V70, S60 and S80. In Sweden, we sell several thousand units per year of a 1.6-liter Focus capable of running on gasoline and/or ethanol blends up to 85 percent ethanol (E85). The use of bioethanol can substantially reduce CO₂ emissions on a lifecycle basis.

In North America, due to limited market demand, we are discontinuing production of CNG and LPG vehicles after the 2004 model year. Ford will continue to produce flexible fuel E85 (ethanol) versions of the Taurus/Sable and Explorer/Mountaineer in North America.

The knowledge we have gained from battery electric vehicles and CNG and LPG vehicles will be directly applicable to our hybrid, hydrogen and fuel cell programs in the future, described on Page 64.

ABOVE LEFT
The Volvo S80 Bi-Fuel was awarded Most Environmental Car of 2003 in the large car category from the Green Motorists consumer organization in Sweden.

ABOVE RIGHT
Many kinds of vehicle share the road in developing countries.

THE CHALLENGE OF SUSTAINABLE MOBILITY

Beyond offering vehicles with improved environmental performance, Ford's other areas of focus revolve around our role in addressing societal challenges likely to be raised by meeting the mobility needs of growing populations. These "sustainable mobility" issues include traffic safety, congestion, land use, air quality, greenhouse gas emissions, reliance on nonrenewable resources and access to mobility. Lack of established institutions and societal capacity to address long-term and systemic problems will require multisectoral cooperation and fundamental shifts in technology, infrastructure and behavior to move toward viable solutions.

For four years, Ford was a sponsor and participant in the Sustainable Mobility Project of the World Business Council for Sustainable Development (WBCSD). This Project brought together the viewpoints of many different organizations and institutions to establish a vision of sustainable mobility in 2030 and map various pathways for getting there. Mobility was defined in the broadest sense and focused on the needs of society to move freely, gain access, communicate, trade and establish relationships, without sacrificing other essential human or ecological values.

Recognizing both the benefits of mobility and the unsustainability of current mobility trends, the Project identified eight "great challenges" and sought to define potential solutions. A final report, issued in July 2004, sets out the vision and supporting recommendations (see www.wbcSDmobility.org). The Project has provided an opportunity for shared learning among all of the involved stakeholders and has informed, and will continue to inform, approaches to sustainable mobility pursued by Ford, the automotive industry and society as a whole.

As urbanization proceeds worldwide, air quality issues related to vehicle emissions tend to follow. To help address these concerns in Asia, Ford is participating in the Clean Air Initiative for Asian Cities, a multistakeholder partnership that will demonstrate and promote innovative ways to improve urban air quality through partnerships and sharing experiences.



The Mondeo, equipped with the Duratorq 130 PS TDCi engine, is compatible with the more stringent 2005 European Stage IV diesel emissions regulations.

DIESEL: CLOSING THE PERFORMANCE AND PERCEPTION GAP

When it comes to perception of diesel engines, Europe and North America seem to be more than an ocean apart. In Western Europe, a new generation of powerful, cleaner and quieter diesel engines has claimed about 40 percent of the new vehicle market. By 2006, diesels are expected to account for half the market. In North America, diesel passenger cars account for approximately 2 percent of sales.

In partnership with PSA Peugeot Citroën, Ford developed an advanced TDCi common-rail diesel engine that uses high fuel-injection pressures, direct injection and other technologies for cleaner and more efficient combustion. We now offer diesel engines on most of the models we sell in Europe. These engines offer 40 percent to 60 percent better fuel economy and 20 percent to 30 percent lower CO₂ emissions on a lifecycle basis compared to gasoline engines. Lifecycle CO₂ emissions can be further reduced through the use of biodiesel fuel, which is growing in popularity in Europe. All Ford products in Europe can operate on blends of 5 percent biodiesel.

Beyond CO₂, nitrogen oxides (which contribute to smog) and particulate matter (linked to asthma and other health concerns) are the emissions of concern with diesel engines. We continue to add emissions controls to our diesel engines that will enable them to meet the more stringent Stage IV diesel standards coming into effect in Europe in 2005. For example, we introduced a Stage IV-compatible Mondeo equipped with a Duratorq 130 PS TDCi in the UK and Germany in late 2003. Stage IV-capable versions of the Fiesta and Fusion will be introduced in 2004.

The Tier 2 standards of the U.S. Environmental Protection Agency (EPA), when fully implemented in 2009, will be even more stringent and will apply the same standard to gasoline and diesel passenger vehicles. We are further developing filters capable of trapping more than 99 percent of the particulates in diesel exhaust. We are also developing technologies to reduce NO_x emissions, including lean NO_x traps and selective catalytic reduction. Together with the introduction of low-sulfur diesel fuel (in 2005 in Europe and 2007 in the United States), these technologies hold promise for reducing emissions from diesel vehicles to a similar range as gasoline vehicles.

What role might diesel engines play in passenger vehicles in markets currently dominated by gasoline engines? To some extent, diesel and hybrid vehicles may appear to be in competition. Both offer improved fuel economy at a price premium. Both will require consumer education to explain benefits and overcome misconceptions. However, the technologies have different strengths. Hybrids deliver the greatest fuel economy in urban, stop-and-go driving, while diesel vehicles excel at long-distance trips and hauling heavy loads.

The choice may not be an either/or. Benefits can be gained by applying hybrid technology to diesel powertrains, resulting in even greater fuel economy and lower emissions. With support from the UK Department of Transport, we are working with technical partners to develop a hybrid diesel version of our Transit commercial vehicle, which is intended to offer excellent improvements in real-world fuel consumption (15 percent to 25 percent) and tailpipe emissions, while retaining the superior drivability required of an urban delivery-type vehicle.

We believe that advanced, clean diesel technologies have many merits and deserve an opportunity to attract customers in markets around the world.

“Today, fuel efficiency and environmental performance are significant competitive battlegrounds The market isn’t standing still, and neither are we.”

Phil Martens

Group Vice President, Product Creation



As a company operating in markets around the world, we have the advantage of a global perspective. One of our challenges is to effectively apply what we learn from that perspective across the entire Company.

Having spent considerable time in Europe and Japan, I’ve had the opportunity to see how different societal and environmental conditions influence attitudes towards fuel economy. Congestion, high fuel prices and public awareness have resulted in a stronger demand for fuel-efficient vehicles in these places. The technology to improve efficiency and reduce emissions differs, however. In Europe, diesels are approaching half of all new car sales, and four-cylinder engines dominate the landscape. In Japan, hybrids are making headway. There is no single global solution.

In North America, there are mixed and often conflicting signals from the market. On the one hand, our customers want better fuel economy to benefit their pocketbook and the environment, as well as address concerns they have about energy security. However, horsepower, handling and performance capture imaginations and influence purchases.

The competitive and technological landscape is changing this dynamic. Today, fuel efficiency and environmental performance are significant competitive battlegrounds. Technologies like hybrids and clean diesels are beginning to resonate.

It’s not that our customers want these environmental benefits at any expense. Quite the opposite. They’re saying they want it all at little additional cost. They don’t want tradeoffs between environmental performance and the power, comfort and safety they’ve grown to expect. Our products must reflect this “no compromises” attitude. Look no further than the Ford Escape Hybrid to see how well this view actually fits with our brands and culture.

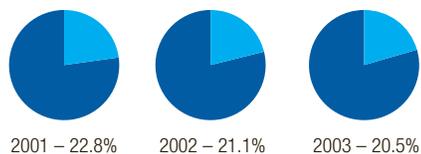
We learned a great deal about product development through engineering the Escape Hybrid. We developed our own leading-edge hybrid system to build our technology capabilities in-house. We figured out how to marry the primary demands of our customers for performance, features and value with their desire for environmental benefits.

The market isn’t standing still, and neither are we. Our re-energized product-creation process is providing a true competitive advantage. This is key to our product-led future.

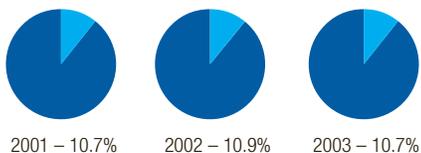
A
Summary of vehicle unit sales
Thousands



B
Ford Motor Company U.S. market share
Percent



C
Ford Motor Company European market share
Percent



NOTES TO THE DATA

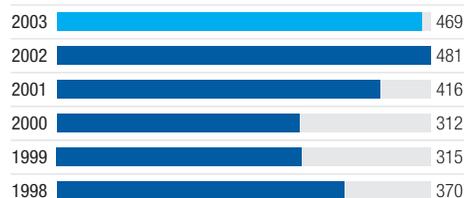
Chart D We have generated a large number of patents related to the operation of our business and expect this portfolio to continue to grow as we actively pursue additional technological innovation. We currently have more than 11,000 active patents and pending patent applications globally; the average age for patents in our active patent portfolio is five years.

Utility patents are patents that cover the useful features of an invention and thus are a measure of technological innovation.

Chart E See Page 13 for a discussion of our efforts to improve quality.

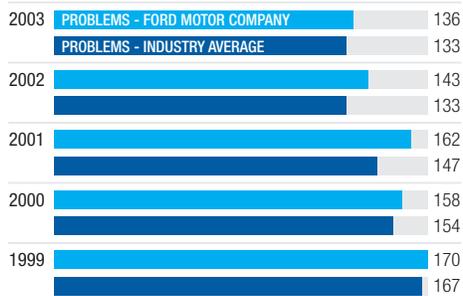
Chart F Data for 2000–2002 are from the survey's predecessor, the "Vehicle Dependability Index," which measured four to five years of ownership.

D
U.S. utility patents issued to Ford and subsidiaries



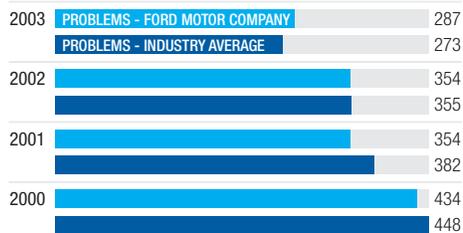
E
Initial Quality Study – J.D. Power and Associates (3 months in service)

Problems per hundred vehicles
Ford Motor Company U.S.



F
Vehicle Dependability Survey – J.D. Power and Associates (3 years of ownership)

Problems per hundred vehicles
Ford Motor Company U.S.



G

Sales satisfaction with dealer/retailer

Percent completely satisfied

Ford Brand U.S.



Ford Brand Europe



H

Service satisfaction with dealer/retailer

Percent completely satisfied

Ford Brand U.S.



Ford Brand Europe

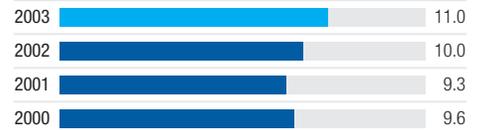


I

First-time Ford buyers (customers who acquired a Ford vehicle for the first time)

Percent of first-time buyers

Ford Motor Company U.S.



Ford Brand Europe (UK, Germany, Italy, France, Spain)



J

Owner loyalty (customers disposing of a Ford product and acquiring another)

Percent loyal to corporation

Ford Motor Company U.S.



Ford Brand Europe (UK, Germany, Italy, France, Spain)



Environment

Related information in other sections of this report:

- The market for environmental performance – Page 15
- The challenge of sustainable mobility – Page 16
- Diesel: closing the performance and perception gap – Page 17
- Environmental and Conservation Grants – Page 47
- Climate change – Page 60
- The world's first hybrid SUV – Page 62
- Charting our technology roadmap – Page 64
- The hydrogen option – Page 66
- Any color you like: the paint shop – Page 68
- Creating and conserving at Hermosillo – Page 70

Additional information on www.ford.com/go/globalcitizenship:

- 1998–2003 Ford Motor Company U.S. greenhouse gas emissions, submitted to the U.S. Department of Energy Section 1605(b) voluntary Greenhouse Gas Registry
- List of facilities certified to the Wildlife Habitat Council's Wildlife at Work or Corporate Lands for Learning standard
- List of facilities located in Conservation International's "biodiversity hotspots"
- Environmental compliance data

We will respect the natural environment and help preserve it for future generations.

We will achieve this by:

- Working to provide effective environmental solutions
- Working to continuously reduce the environmental impacts of our business in line with our commitment to sustainable development
- Measuring, understanding and responsibly managing our resource use, especially materials of concern and nonrenewable resources
- Working to eliminate waste

PROGRESS SINCE OUR LAST REPORT

The average fleet fuel consumption of our vehicles sold in Europe continues to improve, while the average fuel economy of our North American fleet remains similar to previous years.

In 2004, we will introduce the Ford Escape Hybrid, which is expected to get 75 percent better fuel economy in city driving than the base Escape. Full hybrid versions of the Mercury Mariner SUV and a midsize sedan will follow.

We are introducing fuel-saving technologies, such as continuously variable transmissions, to our regular vehicle lineup.

During 2003, we introduced a PZEV (partial zero emission vehicle) version of our popular Focus, along with several other vehicles that also meet the tighter emissions standards coming into effect in the United States and Europe.

We have strengthened the management of environmental impacts across our supply chain using the ISO 14001 framework. All of our manufacturing facilities and most of our major suppliers' facilities have attained third-party certification to the standard.

We continue to improve the environmental performance of our facilities. For example:

- We use 19 percent less energy overall and 11.8 percent less on a production-normalized basis compared to 2000. We are on track to achieve our target of a 14 percent reduction (production normalized) by 2005
- Our global CO₂ emissions declined by 16 percent compared to 2000
- We cut global water use by 8 percent compared to 2000 and North American waste generation by 14.5 percent compared to 2001
- We continue to reduce volatile organic compound (VOC) emissions and are developing a new paint strategy to cut VOC and CO₂ emissions further, while improving paint performance and cutting costs

FAST FACT

The American Council for an Energy-Efficient Economy's "Greener Choices 2004" guide lists the Mazda3 manual transmission, certified as a partial zero emissions vehicle (PZEV), as one of the 12 "greenest vehicles of 2004."

The Focus wagon 2.3L automatic transmission was listed as a "greener choice."



The following were also listed:

Superior

Focus Wagon, 2.3L, manual
Ranger/Mazda B2300 2.3L, manual
Crown Victoria 4.6L CNG, automatic

Above Average

Ranger/Mazda B2300 2.3L, automatic
Mazda MX-5 Miata 1.8L 4, automatic
Mazda3 2.0L 4, automatic and manual
Mazda6 2.3L 4, manual
Volvo V70 2.4L 5, automatic and manual
Volvo XC90 2.5L, automatic
F-150 5.4L CNG, automatic
F-150 4.2L, manual

MANAGING ENVIRONMENTAL PERFORMANCE

Beginning in 1996, Ford Motor Company embraced ISO 14001 as the framework for managing environmental issues. We have certified our manufacturing facilities and our product-development function to ISO 14001. In addition, we have asked our major suppliers of production and nonproduction machinery, tooling and materials to certify their facilities. These commitments bring our most significant potential environmental impacts under one comprehensive environmental management system.

ISO 14001 outlines a process; it does not prescribe certain actions. It is based on the principle that a sound process will drive continuous improvement in environmental performance. Five years after certification, we are seeing positive results for a number of key indicators. Environmental management has been fully integrated into the Ford Production System, which governs our manufacturing processes, and we are seeking efficiencies by integrating our quality assurance and environmental certification processes. Similarly, environmental targets, requirements and checkpoints are being built into the Ford Product Development System, which is used to design and develop new vehicles.

Manufacturing

The manufacturing scorecard is our primary tool for measuring environmental performance at our production facilities. Through the strategic planning process, described on Page 7, each business unit develops a scorecard in line with its business plan that reflects corporate and business unit goals in six categories: safety, quality, delivery, cost, morale and environment (SQDCME). The scorecard is reviewed and updated by senior manufacturing managers at their monthly strategy team meetings. The environmental portion of the scorecard covers performance on issues that are significant for our facilities (e.g., energy use, emissions of VOCs and regulatory compliance).

BELOW

Focus C-MAX:
Design for recycling

- 1 Better recyclable materials – dash panel insulation fibers thermoplastically bound
- 2 Mono-material concept – bumper and grill same material
- 3 Ease of disassembly – headlamps require one screw for removal
- 4 Replacing plastic with metal without significant weight increase – inner-door module. Overall positive lifecycle result
- 5 Marking for easy fluid removal

Product development

In the Ford Product Development System, environmental objectives – including targets for fuel economy, vehicle emissions and recycling – are defined at the outset of the design process for every new Ford vehicle.

To support this effort, Ford's Design for Environment (DfE) is one tool that bridges the gap between product development and environmental management. DfE uses simplified lifecycle assessments and costings, substance restrictions, checklists and other tools to identify and reduce significant impacts. For the Focus C-MAX, for example, a cross-functional Ford and Supplier Recycling Program Attribute Team participated throughout the entire product development process. Their involvement resulted in environmental improvements like the use of more recycled materials and design for recycling.

Suppliers

Mid-2003 was the deadline for the ISO 14001 certification of key production suppliers' facilities that ship products to Ford. We also worked with General Motors and DaimlerChrysler, which adopted similar requirements, to communicate consistently with suppliers and monitor progress.

Suppliers that did not meet the deadline are not eligible for "Q1" status, which is a prerequisite for consideration for future Ford business. The vast majority – 98 percent – of our existing Q1 suppliers attained the certification. Many are now experiencing benefits from implementing the system.



Aluminum-intensive Jaguar XJ



More than 10 years of effort by Ford's Research & Advanced Engineering and Jaguar, as well as critical partnerships with suppliers like Alcan Inc., were behind the aluminum-intensive 2004 Jaguar XJ. The XJ's all-aluminum body is 40 percent lighter yet 60 percent stiffer than its predecessor, translating into overall weight savings of more than 200 kilograms. As a result, the new XJ delivers segment-leading fuel economy and lower emissions, more agile handling and outstanding

performance. The XJ accelerates from 0 to 60 mph in just 6.3 seconds, for example, compared to 6.9 seconds for the previous model. By making extensive use of aluminum instead of steel, the 2004 Jaguar XJ reduces total global warming potential (measured in CO₂ equivalents from raw material extraction through production, use and recycling) by more than 1,200 kilograms over the expected lifetime of the vehicle.

PERFORMANCE REVIEW

The balance of this section reports on our progress according to the categories in our Corporate Environmental Control Plan, a key ISO 14001 document that we use to identify and manage significant environmental elements of our business. The categories include: fuel economy, tailpipe emissions, materials, manufacturing energy use, water use, VOCs, waste generation and land use.

Fuel economy

Improving the fuel economy of our vehicles is important because it helps address concerns about global climate change and energy security and meets customers' desires for efficient, economical products. We are taking steps to improve fuel economy in the near term, address the broader issue of climate change and explore and develop new technologies and fuels for the mid to long term (see Page 64).

In late summer 2004, we will introduce the Escape Hybrid, our first vehicle to use a full hybrid powertrain. The Escape Hybrid will be able to run on its gasoline engine, its electric motor, or both to deliver more fuel-efficient performance (see Page 62). We will also introduce a hybrid 2007 Mercury Mariner and a hybrid version of Ford's new midsize sedan, the timing of which has not yet been announced.

We continue to add other new fuel-efficiency technologies to our vehicles, including the following:

- High-efficiency, low-emission four-cylinder engines were offered on the 2003 Mondeo and Ranger and will be available in the 2005 Focus and other vehicles
- Several more-efficient transmissions have been implemented, such as:
 - Six-speed automatics, including a new generation of front-wheel drive transmissions developed with General Motors
 - Continuously variable transmissions (CVTs) on the 2005 Freestyle, the Ford Five Hundred and the Focus C-MAX in Europe
 - An automatically shifted manual transmission on the 2003 Fiesta and Fusion

FAST FACT
In conjunction with other Premier Automotive Group (PAG) members, Jaguar developed a set of Environmental Standards for dealerships in 2002. In 2003, these standards were rolled out across the Authorized Repairer network in 19 markets in Europe. Third-party assessors are evaluating implementation of the standard.

- Common-rail diesel engines, developed in partnership with PSA Peugeot Citroën, power many of our products in Europe

During 2003, Ford continued to make a significant contribution toward the CO₂ commitments of the European Automobile Manufacturers Association (ACEA). The automakers represented by ACEA, under an agreement with the European Commission, set a goal of achieving average CO₂ emissions of 140 grams per kilometer for the European new passenger car fleet by 2008, or a 25 percent reduction compared to 1995. Ford has so far achieved improvements of 10 percent to 23 percent for our brands sold in Europe, compared to 1995.

In the United States, Ford's corporate average fuel economy (CAFE) performance is similar to previous years. A projected decrease in the CAFE level of 2004 domestic passenger cars is due to a short 2004 model year of the Focus (which will be abbreviated to allow a changeover to the new model) and reduced sales of alternative fuel vehicles. Ford's CAFE performance is similar to other domestic manufacturers' fleets. Although Ford has historically had a higher relative percentage of sales of larger light trucks than nondomestic manufacturers, the growth in sales by new entrants into this segment is narrowing the gap between our CAFE performance and that of these competitors.

POLICY Fuel economy regulation through CAFE standards is a complex issue that requires the consideration of many competitive and economic impacts. Ford has opposed legislation that does not take these impacts into account. We support allowing the technology and safety experts at the National Highway Traffic Safety Administration (NHTSA) to set fuel economy standards at "maximum feasible" levels.

In April 2003, the NHTSA adopted the largest increase in 20 years in CAFE standards for light trucks. Under the new regulations, the average fuel economy for fleets of light trucks will be required to improve by 7 percent, to 22.2 miles per gallon, between the 2005 and 2007 model year.

The NHTSA has initiated a rulemaking process to consider possible changes to the structure of the CAFE program. The agency is evaluating a wide range of potential reforms for

GASOLINE EXCISE TAX PER GALLON	\$
United Kingdom	2.82
France	2.15
Germany	2.05
Italy	1.92
Japan	1.92
Spain	1.36
Australia	1.02
Canada	0.65
New Zealand	0.65
United States	0.38

Source: Resources for the Future, 2002

their impact on factors such as fuel consumption, vehicle safety and the economic health of the auto industry. Ford has submitted comments on the various reform proposals identified to date, and we plan to continue working with the NHTSA in this effort. We agreed with the NHTSA that fuel economy standards based on vehicle weight, if properly structured, could reduce the competitive disparity of the current CAFE system without affecting vehicle safety.

Our position is that market-based initiatives, not mandated increases, are the best way to improve fuel economy. We support programs that foster the development of breakthrough technologies and encourage customers to choose fuel-efficient vehicles and adopt new technologies.

The exact nature of policies likely to achieve these outcomes varies in different markets. In the United States, fuel prices have not historically driven customer demand for fuel-efficient vehicles, while in Europe, high fuel prices make fuel efficiency relatively more important as a purchase criterion. Much of the difference in fuel prices globally is because of taxes levied on fuels (see above). Higher fuel prices in our North American markets resulting from taxation or rising oil prices could increase demand for more fuel-efficient vehicles. However, to date there has been a lack of political or societal support for higher fuel taxes. Among the policies we have advocated are performance-based customer incentives for fuel-efficient, advanced technologies such as hybrid electric vehicles, fuel cells, clean diesels and alternative-fuel vehicles.

For example, to accelerate the development of markets for hybrid vehicles, Ford led in forming a coalition of organizations – including environmental groups such as the Union of Concerned Scientists and the Natural Resources Defense Council and automakers such as Honda and Toyota – to support performance-based federal tax credits for consumers who purchase advanced-technology vehicles like hybrids. We are also encouraging state policymakers to develop customer incentives (e.g., state sales tax exemptions) and state fleet procurement programs to accelerate the entry of these vehicles into the marketplace. In addition, during 2003 we met with the

FAST FACTS

Under the new Tier 2 federal emissions regulations, an average vehicle emits 99 percent fewer ozone-forming emissions and 95 percent less carbon monoxide than vehicles 30 years ago.

The new European Stage IV emissions regulations reduced ozone-forming emissions by 97 percent compared to vehicles 30 years ago.

EMISSIONS REGULATIONS IN THE U.S. AND EUROPE	NITROGEN OXIDES (NOx) g/mile	HYDROCARBONS (HC) g/mile
Europe stage III		
Europe stage IV	0.24*	0.32*
U.S. Tier 1		
U.S. Tier 2 (Bin 5)	0.40	0.25
California LEV II	0.05	0.075
California SULEV	0.02	0.01

*Gasoline standard

Center for a New American Dream and contributed to their efforts to encourage the purchase of hybrid vehicles for government fleets.

Tailpipe emissions

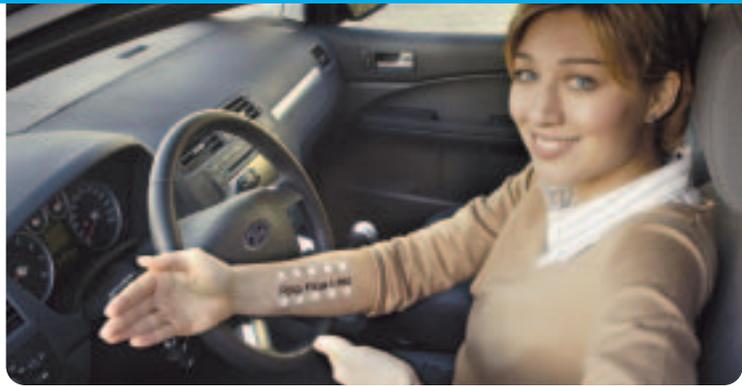
The 2004 model year marks a major shift in the regulation of conventional (non-CO2) tailpipe emissions in our two biggest markets – the United States and the European Union.

In Europe, Stage IV standards will cut allowable gasoline and diesel emissions roughly in half by 2005. Many Ford diesels are now certified to the new limits and contain full on-board emissions diagnostic capability – technology that automatically monitors the performance of the vehicles’ emissions control systems.

In the United States, we have started phasing in the stringent Tier 2 U.S. Environmental Protection Agency (EPA) regulations for our 2004 vehicles. These regulations closely align with California’s new emissions standards and eliminate separate standards for cars and light trucks. Tier 2 defines emissions levels, or “Bins,” ranging from Bin 1 (the lowest level, with zero emissions from the vehicle) to Bin 10 (the highest level allowed). Under Tier 2, all passenger car and small truck fleets must achieve an NOx emissions average equivalent to Bin 5 by the 2007 model year. The Tier 2 program coordinates the introduction of cleaner fuels with tougher vehicle tailpipe emissions standards and will achieve substantial reductions in emissions from cars and light trucks.

On a similar timeframe (i.e., by the 2005 to 2007 model years), California’s separate standards will tighten under the LEV II program.

POLICY We supported the EPA’s development of the comprehensive Tier 2 emissions program. Because this program will produce clean-air benefits equivalent to California’s LEV II approach, and because it is more cost-effective and flexible than that approach, we do not support the state-by-state adoption of the California standards.



In the United States we currently offer a Ford Focus partial zero emission vehicle (PZEV), and we will expand our PZEV fleet with the 2005 Escape Hybrid. These PZEVs score perfect “10s” on the EPA’s Green Vehicle Guide by:

- Meeting California’s super ultra-low emission vehicle exhaust emissions standard (SULEV II, which is equivalent to the EPA’s Tier 2/Bin 2 standards). In practical terms, this means these vehicles emit about the same amount of smog-forming emissions in more than 6,000 miles of driving as does a new lawn mower operating for about three hours
- Producing virtually no fuel system evaporative emissions

During 2003 in the United States, we began phasing in our vehicles to meet the new EPA and California standards, including the following vehicles certified to EPA’s Bin 5 and California’s LEV II standards:

- Taurus/Mercury Sable (3.0L 2V gasoline)
- Crown Victoria/Mercury Grand Marquis (4.6L)
- Lincoln Town Car (4.6L)
- Explorer (4.6L)

ABOVE LEFT
Every part in the Focus PZEV Duratec engine works together to virtually eliminate fuel evaporation.

ABOVE RIGHT
The Focus C-MAX interior was the first car to receive a third-party “allergy tested” Seal of Approval for reducing the risk of allergies to the lowest possible level.

Materials

Modern vehicles are made of a vast array of materials, with new materials and applications always under development. Managing the production and use of materials in our vehicles is increasingly complex and critical. Our targets for materials management include:

- Attaining 85 percent recyclability of vehicles
- Increasing the use of recycled and renewable materials
- Marking all polymeric parts (to facilitate recycling)
- Reporting materials and substances used to the International Materials Data System (IMDS)
- Reducing the use of restricted or allergenic substances

To meet our materials’ management targets, we collaborate with suppliers and other automakers to identify, monitor, report on and manage the materials used in our products and plants. We establish a comprehensive list of targets for every new product and then track our progress toward those targets throughout the product-development process. The targets, broken down from a vehicle level to a supplier or component level, enter into each contractual agreement signed between Ford and its suppliers.



THE ANATOMY OF A PZEV

- 1 Finish and Plating.** Nonhexavalent chrome finishers and plating for fasteners, coatings and brackets improve corrosion resistance and environmental performance
- 2 Oil Separation.** PCV hose and oil separator feature a new baffle design to maximize oil economy
- 3 Piston Ring Pack.** Dual-purpose design minimizes oil blow-by, but still provides low friction to maximize fuel economy
- 4 Improved Oil Economy.** New cam cover baffle design reduces oil consumption and increases catalyst durability
- 5 Durability.** Coil-on-plug ignition and iridium-tipped spark plugs provide multistrike functionality and enhanced high-mileage durability
- 6 Improved Injector.** 12-hole fuel injector facilitates complete combustion which contributes to reduced exhaust gas emissions and maximum fuel economy



Our tracking and management tools include IMDS, the Web-based system that is used internationally by suppliers to report on the materials contained in parts for our vehicles. The IMDS and other systems help us demonstrate that we are meeting the EU's "end-of-life" vehicle directive. In EU countries implementing the end-of-life directive, we have signed contracts with dismantlers to accept Ford products for recycling.

We have also cooperated with other automakers to align reporting requirements for restricted substances. As of 2004, suppliers can report using a common list in the IMDS. We have cooperated with our suppliers and with others in the industry to analyze the data provided. This helps us identify potentially hazardous substances, like hexavalent chromium used for corrosion protection, and target them for elimination.

Ford has decreased the use of mercury-containing components, which can pose problems at the end of a vehicle's life. In 2001, we eliminated mercury-containing switches, which account for more than 99 percent of the mercury used in our U.S. vehicles. Since that time, we have continued to focus on mercury reduction by eliminating mercury use in high-end instrument

ABOVE LEFT
Ford's Model U concept vehicle showcases several innovative materials in its interior, including soy-based seat foam and fully recyclable polyester fabric upholstery.

ABOVE RIGHT
Wind generators installed at our Dagenham, UK, complex will provide power to our new Dagenham Diesel Centre.

clusters. The remaining mercury-containing components still used by Ford are high-intensity discharge headlamps and flat-panel displays. Ford will continue to phase out these mercury-containing components as substitutes become technically and economically feasible.

In early 2004, the Focus C-MAX became the first vehicle ever to be endorsed by the TÜV Rheinland Group, an authoritative industry body that controls and approves quality standards, and to be awarded the British Allergy Foundation's "Seal of Approval" for its allergy-friendly properties. Experts from both organizations have certified that the Focus C-MAX interior consists exclusively of materials that reduce the risk of allergies to the lowest possible level.

Manufacturing energy use

In 2001, Ford's global manufacturing operations set out to reduce energy use by 2005 by 14 percent from 2000 levels, on a production-normalized basis. By the end of 2003, we had reduced energy use by 11.8 percent. Total energy use declined by 19 percent during the same period.

ENVIRONMENTALLY SUPERIOR MATERIALS

We are actively researching and developing a broad array of recycled, renewable and environmentally superior materials. Highlights of this research and development include:

Parts containing recycled content

All vehicles produced by Ford Motor Company have some parts that contain recycled content. One example is the wheel-arch liners produced by Visteon (Berlin) that contain old battery casings. These liners are included in all compact and subcompact Ford vehicles in Europe. Since battery casings alone are too brittle for wheel-arch liners, a portion of recycled bumper is blended in to ensure the necessary flexibility, particularly in cold weather situations. Ford is investigating the production of new bumpers using material from old bumpers that were collected in Ford-run collection schemes in Germany and the UK.

Renewable canola-based oil

We have identified a renewable, canola-based oil that could replace 200 varieties of mineral oil used to lubricate machines. Compared with the oils used previously, the canola-based oil, which has been substituted during the launch of nine products, costs less, performs better and improves lubrication, thus reducing the energy requirements of the machines in which it is used. By the end of 2003, this oil was being used in eight plants, with more planned in 2004.

Canola-based foams

We are developing canola-based foams for use as an alternative to the petrochemical polyurethane foams widely used in seat backs, cushions, headrests and armrests. Our Model U concept vehicle used a soy-based foam for its seating. We have developed foams that meet

key material specifications and are researching solutions to remaining challenges, such as a faint vegetable oil aroma.

Natural fibers in composite materials

We are investigating the use of natural fibers in composite materials, which are typically made of fiberglass embedded in a resin matrix. Natural fibers are renewable, less energy intensive to produce, lighter weight and cheaper than fiberglass. We are experimenting with hemp, flax, purified cellulose and native prairie grasses. In addition, we are testing ways to replace the nonrenewable resin with renewable materials to make a vehicle trim and textile material that would be completely biodegradable (compostable) once its useful life is over.



ABOVE
(Background)
The Visitor Center
observation deck at
the Ford Rouge
Center's Dearborn
Truck Plant.
(Foreground)
Natural stormwater
management system.

LEFT
Ford Rouge's Visitor
Center. For more
information, visit
www.thehenryford.org.

These improvements came from changes to operations and investments in new equipment and new facilities. For example, we analyze all new construction to identify the most-efficient ventilation systems. Our newer facilities in Vietnam, the Philippines, China, Brazil and elsewhere use natural (nonmechanical) ventilation systems to draw in cool air and exhaust hot air. In the United States, we obtain 5 percent of our energy needs from “green” sources, including hydropower and waste gases, exceeding our commitment under the U.S. EPA’s Green Power Partnership.

In the UK, construction has begun on London’s first wind power park, at Ford’s Dagenham complex. When completed, the wind turbines will provide 100 percent of the electricity requirements of our new Dagenham Diesel Centre. This is equivalent to the electricity needs of more than 2,000 homes.

A variety of innovative energy technologies are showcased at Ford Rouge’s Visitor Center, opened in 2004 and certified to the Leadership in Energy and Environmental Design (LEED) gold standard. The 30,000-square-foot building, designed and constructed using sustainable design practices, is one of only a few facilities nationwide (and the third Ford facility) to receive LEED’s gold designation. Green design features include vertical landscaping to provide a layer of natural insulation on exterior walls, a 12,500-gallon cistern that collects and recycles rainwater and a photovoltaic solar power system. In addition, more than 50 percent of the building’s materials contain recycled content.

Water use

In 2000, Ford launched a water-reduction initiative. Since then, the Company has reduced its water consumption by 8 percent worldwide.

When the initiative began, many facilities had little ability to track their water usage. Ford engineers developed a patented Water Estimation Tool (WET), a software program that helps facilities predict their water usage. They then paired WET with WILD (Water Ideas to Lessen Demand), a list of practical ideas for reducing water usage depending on where and when usage is the greatest.

Ford facilities have used these tools to cut water use by more than 2 billion gallons (7.6 million cubic meters) in 2003, saving more than \$6 million. The following three Ford facilities are among the many that have contributed to this improved water efficiency:

- In 2003, plant managers at the Hermosillo Stamping and Assembly Plant (HSAP), located in the Sonoran Desert of northwest Mexico, decided to pursue a minimum goal of “water neutrality” in light of the constrained supply and high cost of water in that region. By recycling and reusing water, HSAP will increase production by a projected 60 percent without increasing its use of potable water beyond that which would be required to operate the facility at its current full capacity. (See Page 70 for more on Hermosillo.)
- Ford India reuses 80 percent of its wastewater to irrigate a greenbelt. It is also investigating technology that would allow approximately 30 percent of its treated wastewater to be reused in the plant.
- In South Africa, Ford’s Silverton operations are upgrading their wastewater treatment facility. When completed, the new system will allow effluent to be reused in selected manufacturing processes.

FAST FACT

Jaguar opened a new rail terminal at its Castle Bromwich, UK, plant in March 2003, allowing it to transport virtually all export-bound cars built at Jaguar's West Midlands plants to the ports by rail. Together with the rail terminal at Jaguar's Halewood plant, Jaguar expects to transfer 70 million truck miles from road to rail transportation over the next decade, reducing emissions and cutting two days out of the delivery cycle for some key markets in Europe.

Volatile organic compounds

In 2003, Ford's North American operations cut volatile organic compound (VOC) emissions associated with the painting process to 29 grams per square meter of surface coated, beating their target of 30 grams per square meter. Because the control equipment used to reduce VOC emissions consumes significant amounts of energy, we have worked to identify innovative approaches to painting operations that meet cost, quality and production goals while allowing us to reduce VOC emissions and energy use significantly. (See Page 68 for discussion of Ford's paint strategy.)

Waste

In the United States, Canada and Mexico (the only locations for which comprehensive data are currently available), we cut waste generation by 14.5 percent between 2001 and 2003 through a variety of initiatives.

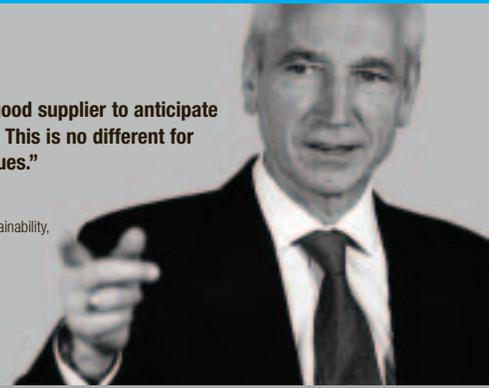
For example, 14 North American manufacturing facilities now use an innovative process to recycle nonhazardous paint sludge waste. Through a partnership with OmniChem, a paint spray booth water management company, our paint waste is being used to produce consumer products like landscape ties. Ford was the first automaker to use this process, which was pioneered at our Michigan Truck Plant. The recycling process is diverting 18,000 tons of material per year from landfill disposal.

We have worked with our dealers to minimize another significant waste stream – used tires. Although we have been actively involved in tire recycling since 1992, over the past two years we have managed the recycling of more than 8 million tires through dealership collection programs, and we have provided financial support for greater public awareness of the environmentally responsible alternatives to burning and burying tires. With the support of the EPA and the U.S. Federal Highway Administration, more than 100 Ford-supported projects in 33 U.S. states and three Canadian provinces have included the use of recycled tire material. These projects include the construction of artificial and natural grass athletic surfaces, therapeutic riding arena surfaces, playgrounds, rubber-modified asphalt, running tracks and rubber landscape mulch, among others.

“It's our job as a good supplier to anticipate what Ford wants. This is no different for sustainability issues.”

Mike Abbott

Director – Corporate Sustainability,
SKF Group



SKF is a global supplier of products, customer solutions and services in the rolling bearing and seals business and related businesses. They were the recipient of Ford's 2002 Supplier Environmental Leadership Recognition Award.

Committing to ISO 14001 certification of our environmental management systems has delivered business value. SKF is unusual in that we decided to pursue ISO 14001 well before Ford established it as a requirement for suppliers. In 1997, we set an ambitious goal of certifying 63 facilities in 17 countries. We wanted to show leadership and differentiate ourselves in the eyes of customers. We achieved our certification goal by the end of 1998.

Once the benefits of ISO 14001 become obvious, you are converted. A certified environmental management system ensures a consistent, high standard globally, which is helpful in some emerging markets where environmental management systems are not very advanced. ISO 14001 provides a platform to drive performance improvements. Reducing energy and waste cuts costs. Although the Ford requirement wasn't what motivated SKF's commitment, it certainly made it easier to ask for ISO 14001 certification from 150 of our key suppliers by 2007. Ford's leadership actions are having the "trickle-down" effect of improving environmental performance across the entire supply chain.

Ford has had success in fostering relationships with suppliers on environmental issues. The Ford Supplier Sustainability Forum enables best practices to be shared. Discussions in the Forum identify problems early so that solutions can be developed together. For example, the International Materials Data System (IMDS) was made less complex by addressing what was and wasn't working. Participants are motivated to make progress. However, it's important that we communicate what is happening in the Forum to other suppliers.

Ultimately, it's our job as a good supplier to anticipate what Ford wants. We don't wait around to be told. This is no different for sustainability issues. It's why we've taken initial steps to cut our carbon dioxide emissions. We've set a target to reduce them by 10 percent over five years compared with a 2002 baseline, and we're using ISO 14001 to help accomplish this. We've been active in public reporting, adopting the Global Reporting Initiative Guidelines and integrating our annual sustainability report with our financial report. Although requirements from Ford validate our efforts and can change practices throughout the supply base, SKF is going to keep looking forward and trying to stay ahead of the curve.



FAST FACT

More than 40 Ford facilities worldwide have participated with the Wildlife Habitat Council (WHC) in programs to improve wildlife habitat on Company properties. Employee volunteers work with WHC biologists to analyze opportunities for habitat improvement and develop and implement plans. Currently, 16 sites have taken the further step of becoming certified Wildlife at Work or Corporate Lands for Learning through a rigorous WHC program. The complete list is available on www.ford.com/go/globalcitizenship.

Land use

Our activities have the potential to affect land use, nature and biodiversity, directly and indirectly. We own land that is used for manufacturing operations and administration, including 91 wholly owned and 21 joint-venture major manufacturing facilities. The construction and operation of these facilities have direct impacts on land. The extent of these impacts depends on the size of each facility and whether it is a greenfield site (involving new construction) or brownfield site (one previously used for industrial purposes).

The most significant potential impacts on land and biodiversity are indirect, occurring elsewhere in our value chain or arising from the use of our vehicles. Indirect impacts include the extraction of raw materials to make vehicle parts, habitat fragmentation from road construction, localized pollution from vehicles and the potential effects of climate change on biodiversity.

To better understand our direct impacts on land and biodiversity, we compared our plant locations with a list of global “biodiversity hotspots” developed by Conservation International, a Washington, D.C.-based environmental organization. We found that 16 of our facilities are located in hotspots. (Some of the hotspots are quite large; for example, the Mediterranean Basin

ABOVE LEFT
As part of a wide-ranging partnership with U.S. National Parks, Ford refurbished Glacier National Park’s historic fleet of 33 red buses to operate on cleaner-burning propane fuel.

ABOVE RIGHT
A Proud Partner Transportation Interpreter speaks with visitors at Grand Portage National Monument (Minnesota).

hotspot comprises 2.4 million square kilometers. The list of facilities is on www.ford.com/go/globalcitizenship.) Many of these facilities have programs in place for onsite conservation, remediation and cooperation with local nongovernmental organizations focused on biodiversity conservation. We plan to examine the biodiversity practices of these facilities in greater detail in the future and to report on their efforts to conserve biodiversity.

One facility located in a biodiversity hotspot is the Ford Nordeste Industrial Complex in Bahia, Brazil. The plant was built, beginning in 2000, on existing industrial land in the Camaçari Petrochemical Complex, which is within the boundaries of the Atlantic Forest (Mata Atlantica) hotspot. The design and construction of the facility incorporated a number of environmental features, including the planting of 70,000 seedlings of species native to the region. The facility’s grounds were designed to become an extension of the Mata Atlantica, open for scientific research and the enjoyment of the community. The planting of the seedlings was concluded in September 2003, in partnership with local universities and the state government, and will be expanded further in the future.

NATIONAL PARKS AND TRANSPORTATION

America’s National Parks are national treasures that include a surprising diversity of sites – some famous, some less so, some urban and some quite remote. The millions of visits each year – many by visitors driving personal or family vehicles – can create the same air quality problems and congestion in the parks that visitors seek to escape. Road building and maintenance and vehicle emissions can also degrade the natural resources that the parks were established to preserve.

Since 2000, Ford has shared its expertise and resources with the National Park Foundation and the National Park Service as a Proud Partner to help develop innovative transportation and environmental solutions that would enable

visitors to enjoy the more than 380 National Parks without compromising their beauty. Projects include:

- **Clean vehicles**, providing working examples of alternative transportation at Parks across the country. At Glacier National Park, Ford refurbished the historic fleet of 33 red buses to operate on cleaner-burning propane fuel. Ford has also donated more than 600 zero-emission electric vehicles to National Parks to cut noise and emissions from park operations.
- **Transportation Scholars**, a program enabling transportation professionals, postgraduate students and graduate students to live in National Parks to help solve transportation challenges. Scholars serve from three months

to one year and work on transportation planning and analysis, coordination with local communities, environmental and traffic studies and other efforts.

- **Transportation Interpreters**, a program in which college students educate visitors about the importance of alternative transportation systems and provide information about park resources.
- **“Green” transportation solutions**, supporting innovative studies that help connect people to their parks in an environmentally sound, efficient and enjoyable way. Projects have included measuring vehicle noise and air emissions and educating visitors about how vehicles impact park resources.

NOTES TO THE DATA

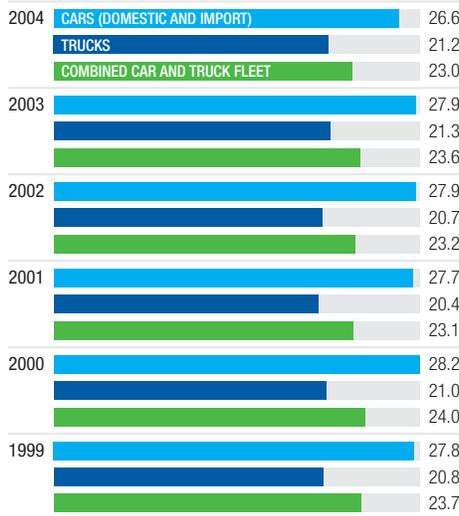
Chart A The projected decrease in the CAFE level of 2004 domestic passenger cars is due primarily to a short 2004 model year of the Focus (which will be abbreviated to allow a changeover to the new model) and reduced sales of alternative fuel vehicles.

Chart C As discussed in our 2002 Corporate Citizenship Report, we no longer use a fuel economy planning goal unique to SUVs. Internal planning for fuel economy improvements extends beyond SUVs to include both trucks and cars. Data are included here because of continued public interest in our performance. In the future, however, SUV average fuel economy will not be reported separately.

A

Ford U.S. corporate average fuel economy

Miles per gallon
2004 is a preliminary estimate



B

Ford U.S. CO2 tailpipe emissions per vehicle

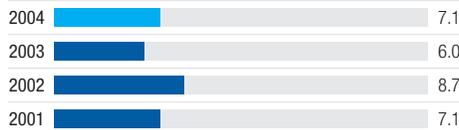
Grams per mile
2004 is a preliminary estimate



C

Improvement in SUV average fuel economy over the 2000 model year

Percent
2004 is a preliminary estimate

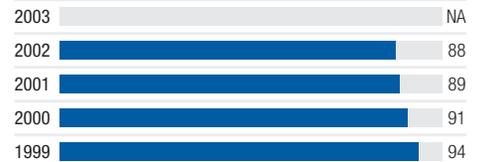


D

European CO2 performance, passenger vehicles – percent of 1995 base

1995 base = 100 percent
NA – Not available

ACEA - average of European manufacturers



Ford



Jaguar



Land Rover



Volvo



NOTES TO THE DATA

Charts E-H Energy consumption and CO₂ emissions per vehicle divides energy used or CO₂ emitted by the number of vehicles produced. Direct energy and emissions are those associated with the generation of electricity, heat or steam by sources owned or controlled by Ford Motor Company. Indirect energy and emissions are those associated with the generation of electricity, heat or steam purchased or imported by Ford Motor Company. CO₂ emissions were calculated consistent with the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol. Some data for 2000–2002 have been restated to adjust for potential double counting of purchased and generated energy at one facility.

Charts F, H and L Averaging energy and water use and CO₂ emissions by the number of vehicles produced yields a somewhat imperfect indicator of production efficiency. When the number of vehicles produced declines, as it has since 2000, per vehicle energy and water use tends to rise because a portion of the resources used by a facility is required for base facility operations, regardless of the number of vehicles produced. We believe that stable-to-declining per-vehicle energy and water use and CO₂ emissions indicate that more efficient production since 2000 is offsetting the tendency of these indicators to rise during periods of declining production. This interpretation is reinforced by our energy efficiency index, which focuses on production energy efficiency, and which has been steadily improving.

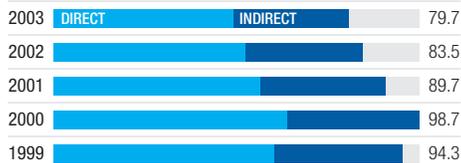
Chart I The index is "production normalized" based on an engineering calculation that adjusts for fixed and variable portions of energy use and production to track production energy efficiency. The index was set at 100 for the year 2000 to simplify tracking against our target of improving our energy efficiency by 14 percent globally by 2005, equal to 85 percent.

Chart K Includes all global manufacturing facilities with greater than 50 percent Ford ownership that consumed more than 30,000 cubic meters in calendar year 2000.

Charts K–M Data for 2000 to 2002 have been adjusted to account for facilities that were closed or sold.

E
Worldwide facility energy consumption

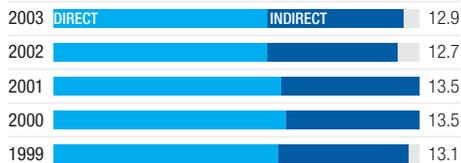
Trillion British Thermal Units



	1999	2000	2001	2002	2003
Direct	59.7	63.0	55.9	52.0	48.8
Indirect	34.6	35.7	33.8	31.5	30.9

F
Worldwide facility energy consumption per vehicle

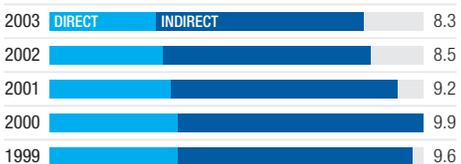
Million British Thermal Units per vehicle



	1999	2000	2001	2002	2003
BTUs/vehicle direct	8.3	8.6	8.4	7.9	7.9
BTUs/vehicle indirect	4.8	4.9	5.1	4.8	5.0

G
Worldwide facility CO₂ emissions

Million metric tonnes



	1999	2000	2001	2002	2003
Direct	3.4	3.4	3.2	3.0	2.8
Indirect	6.2	6.5	6.0	5.5	5.5

H
Worldwide facility CO₂ emissions per vehicle

Metric tonnes per vehicle



	1999	2000	2001	2002	2003
Direct	0.47	0.47	0.47	0.46	0.46
Indirect	0.86	0.88	0.90	0.84	0.88

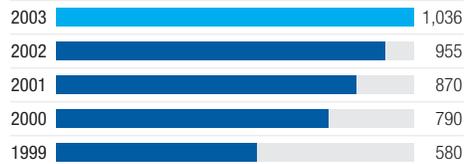
I
Energy efficiency index

Percent
2006 target = 85



J
Cumulative number of parts launched containing recycled nonmetallic materials

Parts



K
Global manufacturing water use

Million cubic meters



L
Global manufacturing water use per vehicle

Cubic meters per vehicle



NOTES TO THE DATA

Chart M Waste categories have been revised slightly from those used in the 2002 Corporate Citizenship Report.

Charts O-R Releases reported under the U.S. Toxics Release Inventory, Canadian National Pollutant Release Inventory and Australian National Pollutant Inventory are all in accordance with the law, and many of them are subject to permits. Data are the most recent reported to authorities.

Chart S Revisions were made to some of the Australian NPI data reported in the 2002 Corporate Citizenship Report.

M

North American manufacturing waste (United States, Canada and Mexico)

Metric tonnes



	2001	2002	2003
Chemicals	2,708	2,045	1,732
Coatings	15,380	19,356	10,897
Fuels	127	191	89
Mineral	379,956	372,887	354,794
Packaging	81,831	70,868	57,234
Petroleum	38,585	51,637	36,311
Polymers	1,139	1,071	1,101
Sludge	72,454	66,936	41,736
Solid waste	85,182	74,084	74,674
Solvents	5,485	5,633	4,180
Universal	321	321	1,102

- Chemicals – includes acidic and alkaline solutions, etc.
- Coatings – includes paint reclamation, emulsions, dispersions, etc.
- Fuels – includes coal and other fuels used for heat or energy
- Mineral – includes glass, mineral fibers, sand, etc.
- Packaging – includes wood, paper, cardboard, etc.
- Petroleum – includes lubricates, cutting fluids, etc.
- Polymers – includes various plastics and resins, etc.
- Sludge – includes electrocoat sludge, phosphating sludge, oily sludge from machining, etc.
- Solid waste – includes general trash, textiles and compostable wastes
- Solvents – includes halogenated and nonhalogenated solvents
- Universal – includes batteries, lamps, and office machinery

N

North America volatile organic compounds released by assembly facilities

Grams per square meter of surface coated

2003 target = 30



O

Ford U.S. TRI releases

Million pounds



P

Ford U.S. TRI releases per vehicle

Pounds per vehicle



Q

Ford Canada NPRI releases

Metric tonnes per vehicle



R

Ford Canada NPRI releases per vehicle

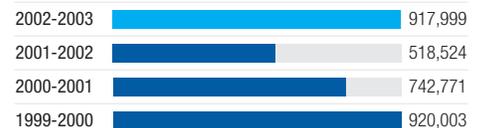
Metric tonnes



S

Ford Australia National Pollutant Inventory releases (total air emissions)

Kilograms per year



Safety

Related information in other sections of this report:

- Creating and conserving at Hermosillo – Page 70
- Responding to the threat of HIV/AIDS – Page 76
- F-150 according to our Principles – Page 80

Additional information on www.ford.com/go/globalcitizenship:

- Discussion of vehicle safety measurement systems

We will protect the safety and health of those who make, distribute or use our products.

We will achieve this by:

- Working to create the safest possible workplace
- Striving to continuously reduce the risk of accidents, injuries and fatalities involving our products
- Striving to protect people and property

WORKPLACE SAFETY

PROGRESS IN WORKPLACE SAFETY

In 1999, Ford began a Safety Leadership Initiative (SLI) aimed at making our workplaces safer. In the five years since, we have seen dramatic results, with key injury rates dropping to less than half of their previous levels.

We continue to drive accident and injury rates downward:

- **Since the SLI was implemented in 1999, our lost-time rate has declined by 63 percent and our severity rate has declined by 69 percent**
- **During 2003, 11 Ford plants globally experienced no accidents that resulted in lost workdays, compared to only one such plant in 2002**

We manage health and safety according to the framework shown in Figure 1. The key elements of the model include systematic leadership, safe conditions, safe acts and relationship management.

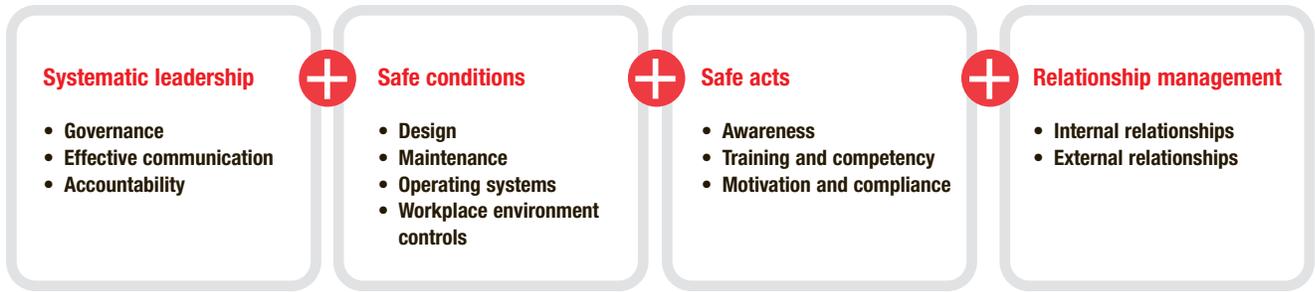
SYSTEMATIC LEADERSHIP

The “leadership” in our Safety Leadership Initiative reflects our view that leaders at all levels achieve the safety results they expect and demand. When leaders demonstrate a zero tolerance for unsafe actions, everyone develops a zero-injury mindset. We seek to build safety leaders at all levels in the organization.

We consider systematic leadership to have three components: governance, communication and accountability. While we plan and analyze health and safety programs centrally, Business Operation and plant managers are responsible for health and safety in the operations they manage. We establish accountability through a scorecard process, which sets targets and assigns responsibility for meeting those targets. Safety performance is a significant factor in managers’ compensation.

To monitor performance, we conduct several kinds of health and safety audits. Regular audits at our manufacturing facilities are required as an integral part of our Ford Production System and are

Figure 1: WORKPLACE SAFETY FRAMEWORK A safe workplace comprises:



conducted by health and safety specialists. We also conduct unannounced audits, as well as audits of special high-risk areas.

We conduct a safety culture survey to assess attitudes toward health and safety. The results of this survey, combined with audit results and routine gathering and sharing of performance data, provide a comprehensive picture of health and safety performance trends, as well as early warning of conditions that could lead to a decline in performance.

We use multiple communication channels to reinforce safety messages, from our internal video broadcast system to messages from senior executives. In addition to regular safety talks, we periodically hold safety stand-downs that shut production at our plants to focus attention on a safety message. We can communicate nearly instantaneously with health and safety specialists worldwide, alerting those at similar facilities when an accident occurs so that they can take appropriate preventive action.

SAFE CONDITIONS

A safe workplace is a product of the design and maintenance of the facility and its equipment, effective work processes and appropriate safeguards for potentially hazardous conditions. The Dearborn Truck Plant, for example, our newest facility, was designed with wide aisles and dedicated pedestrian walkways above the plant floor. The machinery is quiet enough that hearing protection is not needed in the final assembly area. We also paid particular attention to ergonomics in the production process. The height of vehicles in production can be adjusted to the most optimal level for each task that needs to be performed.

We use a variety of processes and programs to assess and manage risks. For example, in North America this past year, we issued a 90-day challenge to our plants to reduce the potential for “slip, trip and fall” accidents. The plants responded, cutting in half the number of lost workdays related to these kinds of accidents. When potential hazards cannot be addressed through engineering, we use personal protective equipment and procedural controls to help prevent accidents and exposures.

FORD PLANTS REPORTING ZERO DAYS LOST DUE TO WORK-RELATED INJURIES:

North America
Denver Parts Distribution Center (Colorado)
Hermosillo Assembly (Mexico)
Woodhaven Forge (Michigan)

South America
Taubate Engine (Brazil)
Taubate Chassis (Brazil)
Tatui Proving Ground (Brazil)

Europe
Valencia Engine (Spain)

Asia-Pacific
Ford India Jiangling Motor Company (China)
Ford Vietnam
Ford New Zealand Operations

SAFE ACTS

Even the best-designed workplace is only as safe as the behavior of the people who work there. We raise awareness of safety issues and reinforce it consistently with employees via regular communication at work group meetings and training for managers, supervisors and engineers who design equipment.

Our President’s Health & Safety Award recognizes facilities with outstanding safety innovations and results, thereby encouraging others to follow suit. The 2003 awards went to the following recipients:

- Special recognition to the Norfolk (Virginia) Assembly Plant and Ford emergency teams for their response to Hurricane Isabel in September
- An Innovation Award to Ford of Mexico for creating a safety culture that emphasizes the prevention of accidents (see Page 70)
- A Regional Award to Ford of Europe for the introduction of new material-handling technology, supporting equipment and processes that enabled the Cologne (Germany) Plant to eliminate forklifts in the trim and final production area, a first for a Ford facility
- Special recognition to Ford of China and Ford of Taiwan for helping to keep their entire workforces free of Severe Acute Respiratory Syndrome or SARS
- There were many other winners in different categories including: Ford Australia, Ford Spain, Wayne Stamping and Assembly, Powertrain Operations Engineering and Ford South America

If a facility’s safety performance lags, management compensation is adversely affected. Employees at all levels are subject to discipline for unsafe practices.

RELATIONSHIP MANAGEMENT

We know that to manage health and safety effectively we must maintain good relationships with worker representatives at our plants. Our unions globally share our commitment to a safe working environment and have been our partners at every step of the Safety Leadership Initiative and other health and safety



LEFT
 Safety walks are done by employees at all levels at the Valencia Engine Plant, Ford Spain, which reported zero days lost due to work-related injuries in 2003.

programs. We also maintain important external relationships with regulatory agencies, professional organizations and suppliers. The formal partnership among the UAW, U.S. Occupational Safety and Health Administration (OSHA) (federal and state plans) and Ford is a visible example.

HEALTH AND SAFETY IN OUR COMMUNITIES

Our responsibilities for safety extend beyond the fencelines of our plants and into the communities that host them. We cooperate closely with local authorities to coordinate responses to potential emergencies at our facilities. This often leads to opportunities to share our training and other resources with the community. At the St. Louis (Missouri) Assembly Plant, for example, the Emergency Response Team put together a world-class training maze, which they have shared with fire departments from several surrounding communities.

Health issues among our employees and in our host communities often overlap. For this reason, we have reached out to communities affected by a variety of health challenges. For example:

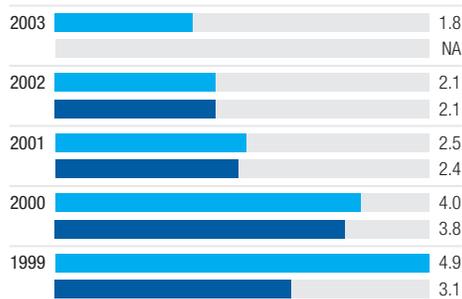
- Ford of Southern Africa is responding to the HIV/AIDS crisis in that country, modeling programs and policies that have been adopted throughout the Company (see Page 76).
- Ford India supports both the Sanjeevi Health Center, which provides free primary medical services to local communities, and a Trauma Care Program, which funds two fully equipped ambulances and paramedical teams.
- The Louisville Community Health Initiative, a joint program of Ford and the UAW, has carried out several studies of community health, medical resources, service utilization and health care costs in the area. This work has provided an information baseline that has proven useful in community discussions on health care planning.
- Ford of Germany is an active participant in the Praeford Study of heart attack risk, to better understand and prevent coronary disease.

A

Lost-time case rate (per 100 employees)

Cases with one or more days away from work per 200,000 hours

NA – Not available

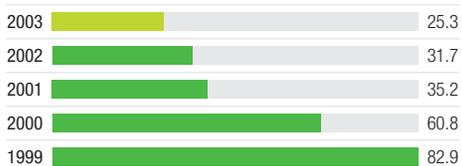


■ Ford Motor Company (global)
 ■ U.S. Bureau of Labor Statistics average for SIC Code 371 (motor vehicles and equipment)

B

Severity rate (per 100 employees)

Days lost per 200,000 hours worked



C

Three fatalities occurred in 2003, one at each of the following locations: the Dearborn Stamping Plant, Livonia Transmission Plant and Volvo Koping Plant.

D

In 2003, government agency inspections of our plants in the United States resulted in 28 violations and a total of approximately \$56,000 in penalties, compared with approximately \$37,000 the prior year.



VEHICLE SAFETY

PROGRESS SINCE OUR LAST REPORT

We are continuously improving our vehicle safety processes, including sharing research and technologies across brands and regions. This has resulted in continuous improvements in the safety and performance of our vehicles.

Others have recognized some of the results of our efforts. For example, the 2004 F-150 pickup was awarded a “best pick” safety rating by the Insurance Institute for Highway Safety (IIHS), as were the 2004 Freestar and Mercury Monterey minivans. The Volvo XC90 was one of the first SUVs to earn five stars (the top rating) in EuroNCAP safety testing. The Russian-built Focus received the highest rating among all cars tested in Russia using EuroNCAP methodology.

Also, 100 percent of our vehicles tested by the U.S. National Highway Traffic Safety Administration (NHTSA) received four or five stars (out of five) for frontal crash test performance, and our vehicles continue to significantly outperform the industry average on these tests (see Page 43).

VEHICLE SAFETY MANAGEMENT

Our objective is to produce vehicles that enhance our already-high levels of vehicle safety for a wide range of people over the broad spectrum of real-world conditions.

Real-world safety data, regulatory requirements, voluntary agreements and research provide input into our safety processes, including our Safety Design Guidelines, which represent stretch targets that exceed regulatory requirements. In addition to computer simulations, Ford utilizes its crash test facilities – including the Volvo Car Safety Center, one of the most advanced facilities in the world – to test vehicles and individual components. These tests help confirm that vehicles meet or exceed regulatory requirements and internal guidelines.

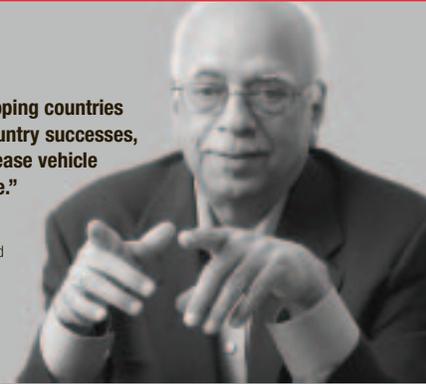
ABOVE

The Volvo XC90 features award-winning safety technologies and has received several prestigious awards, including Best 4x4 in the 2003 Car of the Year from *What Car?* magazine in the UK.

“Our role is to help developing countries learn from developed country successes, avoid mistakes and increase vehicle safety as fast as possible.”

Priya Prasad

Technical Fellow in BioMechanics and Occupant Protection, Ford Research Laboratory



Vehicle safety issues are different in developed and developing nations. In countries like the United States, fatality rates have been cut through education, improvements to roadway infrastructure and the use of new technologies to help protect vehicle occupants.

But in countries like India, 90 percent of the people killed on the road are outside the car. They are pedestrians, bicyclists, motorcyclists and occupants of three-wheelers. In India and China, the number of cars is increasing exponentially, and fatality rates in these countries are an order of magnitude higher than those in developed nations. So the solutions we can offer to decrease fatality rates vary by region.

The infrastructure in developing nations has to change substantially to separate cars from bicyclists and pedestrians. Bicyclists and riders of motorcycles and three-wheelers need to wear helmets. Further, there should be better enforcement of safety belt usage and drunk-driving laws. Our role is to help developing countries learn from developed country successes, avoid mistakes and increase vehicle safety as fast as possible.

In the United States, Europe and other advanced regions, there are opportunities to make vehicles even safer. For example, research is ongoing to develop improved restraint systems for elderly occupants. However, there are limits to the changes we can make to vehicles. That’s why the next big push is going to be in accident avoidance technology.

I call it inform, warn and intervene: if we can give accurate information to drivers in a timely manner, they might be able to act upon it and avoid an accident. If drivers are in imminent danger of getting into an accident situation, we could try to provide a warning. And if this is not sufficient to avoid the accident, we could potentially use technologies to intervene. A simple example would be applying the brakes automatically. Taking control away from the driver is a big issue. The point at which it is appropriate for technology to take control from the driver will require careful consideration.

New technologies such as accident avoidance have the potential to change the way we think about accident prevention, but also have hurdles to overcome. Affordability is also important. If they are not affordable, people will not buy them.



Driving Skills for Life
www.realworlddriver.com

Ford **GHS** Governors Highway Safety Association

This program is made possible by Ford Motor Company

SAFETY MODEL

Vehicle safety is the product of complex interactions among the road user, the vehicle and the driving environment. We use the Haddon Safety Matrix (developed by William Haddon, a former NHTSA administrator and IIHS president) to take a holistic view of the factors that determine a high level of automotive safety. The Haddon Matrix looks at injuries in terms of causal and contributing factors, including human behavior, vehicle safety and environment. Each factor is then considered in the pre-crash, crash and post-crash phases. In the pre-crash phase, the focus is to help avoid the crash. In the crash and post-crash phases, the objective is to help reduce the risk of injury to occupants during and after a collision.

HADDON SAFETY MATRIX

 HUMAN BEHAVIOR	 VEHICLE SAFETY	 ENVIRONMENT
Pre-crash – accident avoidance		
<ul style="list-style-type: none"> • Research • Education • Advocacy 	<ul style="list-style-type: none"> • Crash avoidance • Security 	<ul style="list-style-type: none"> • Road design for accident avoidance • Traffic control
Crash – occupant protection		
<ul style="list-style-type: none"> • Technology and proper use 	<ul style="list-style-type: none"> • Crashworthiness 	<ul style="list-style-type: none"> • Road design for injury mitigation • Research
Post-crash – injury mitigation		
<ul style="list-style-type: none"> • Telematics 	<ul style="list-style-type: none"> • Automatic Crash Notification 	<ul style="list-style-type: none"> • Emergency medical services

Examples of relevant Ford actions detailed in this report:

Human behavior

- VIRTTEX Simulator
- Driving Skills for Life
- Beltminder™
- Air Bag and Seat Belt Safety Campaign

Vehicle safety

- Roll Stability Control™
- Vehicle dynamics
- Personal Safety System™
- Safety Canopy™
- Automatic Crash Notification

Environment

- Global Road Safety Partnership

ABOVE LEFT

Bicycle helmets are provided to children by Ford Vietnam.

ABOVE RIGHT

Driving Skills for Life is a Ford-sponsored teen driver-education program.

HUMAN BEHAVIOR

The U.S. Department of Transportation reports that human factors cause or contribute to more than 90 percent of serious crashes. In the pre-crash stage, drivers can try to avoid crashes by practicing safe driving. In the crash and post-crash phases, drivers can help reduce the risk of injury by properly using safety equipment such as safety belts. We help by providing information, education and technologies to assist in promoting safe driving practices.

Education programs and partnerships

Driving Skills for Life (formerly known as Real World Driver) is a teen driver-education program sponsored by Ford in partnership with the U.S. Governor’s Highway Safety Association. Driving Skills for Life materials have been sent to every public high school in the United States.

The program focuses on four skills teens must master to be safe drivers: hazard recognition, vehicle handling, space management and speed management. Teachers and students using the materials have reported very positive feedback about the content and usefulness of the program. The Driving Skills for Life e-learning program and materials are available at www.realworlddriver.com.

Another education endeavor has been implemented by Ford Vietnam, which has donated more than 2,000 bicycle helmets to children at primary schools in Vietnam. Ford Vietnam has also built a Safety Village in Hanoi to educate children about traffic safety.

Ford remains an active supporter and partner in the Air Bag and Seat Belt Safety Campaign, an intensive education and action campaign developed under the auspices of the U.S. National Safety Council. The Campaign’s goal is to educate the public on how to maximize the lifesaving capabilities of airbags while reducing the risks, and to increase the proper use of safety belts and child safety seats.

Technology

The single most effective step drivers and passengers can take to help protect themselves is to properly wear their safety belts. Statistics compiled by the U.S. National Highway Traffic Safety



Administration show that, in 2002, more than 16,000 lives could have been saved if people involved in fatal crashes had worn their safety belts.

Ford continues to lead the industry in promoting safety belt use through its innovative Beltminder™ system, which uses technology to influence the behavior of drivers and vehicle occupants by prompting them to buckle their safety belts. A study authored by the IIHS showed that safety belt use increased from 71 percent to 76 percent in Beltminder™-equipped Ford vehicles. In the United States, all Ford, Lincoln and Mercury brand vehicles have been equipped with the system since the 2003 model year. The NHTSA has requested that the rest of the industry adopt systems similar to Ford's Beltminder™. Ford Motor Company has agreed to license this proprietary technology to other vehicle manufacturers at no cost.

VEHICLE SAFETY

Pre-crash

A vehicle's handling and braking capabilities can help a driver avoid accidents. Over the last several years we have added technology to our vehicles – including AdvanceTrac® and our industry-leading exclusive Roll Stability Control™ (RSC) system – to enhance handling in a variety of circumstances.

By continuously monitoring the vehicle's movement and its relationship to the road surface, the RSC system automatically applies brakes and/or reduces engine power when a potential rollover situation is identified. The RSC system is integrated with AdvanceTrac®, Ford's conventional stability control system. AdvanceTrac® helps enhance control so the vehicle can better avoid skidding and fishtailing. Typical electronic stability control systems are designed to control skidding only. Ford's RSC technology significantly extends stability control by automatically detecting vehicle roll motion and selectively applying individual brakes and modifying engine power to help further reduce the risk of rollover.

The RSC system was introduced on the 2003 Volvo XC90. Lincoln introduced RSC on the 2004 Navigator and Aviator. Beginning with the 2005 model year, we will offer the system

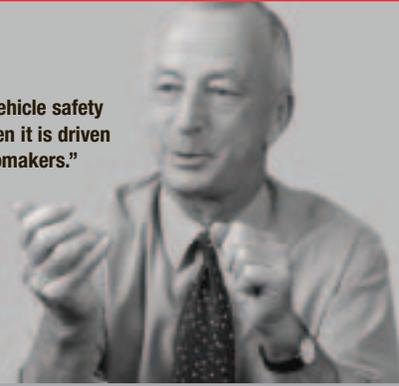
ABOVE

At Volvo Car's Safety Center in Gothenburg, Sweden, safety experts can reproduce full-scale collisions between a car and another car, a truck or a bus, at every conceivable angle under controlled conditions. The Center, used by Volvo and other Ford brands, provides data valuable in designing vehicles to perform well in the variety of accidents encountered in real-world driving.

“There is no question that vehicle safety improves more quickly when it is driven by competition among automakers.”

Brian O'Neil

President,
Insurance Institute for Highway Safety



In recent years, automakers have competed vigorously in the safety area. This is good news for consumers. Since 1995, the Insurance Institute for Highway Safety (IIHS) has conducted 40 mph frontal offset crash tests to provide prospective new car purchasers with comparative safety information. The IIHS program has challenged all automakers to upgrade their designs to match the performance of the best vehicles, resulting in dramatic improvements in the protection that vehicles offer their occupants in frontal crashes.

The days are long gone when vehicle safety initiatives were launched only in response to federal regulations. Automakers now routinely introduce important safety technologies without regulations. For example, Volvo introduced side-impact airbags in 1995. More recently, Volvo and Ford introduced airbags designed to protect occupants' heads in side and rollover crashes, and Ford developed and deployed Beltminder™, which has been shown to be effective in encouraging people to use their safety belts. There is no question that vehicle safety improves more quickly when it is driven by competition among automakers.

Not all vehicle safety improvements can be driven by the market, however. Industry-wide standards sometimes are needed. For example, competition is less likely to lead to ways to reduce the harm that larger vehicles such as SUVs and pickups can inflict on the occupants of smaller vehicles (“crash compatibility”). This issue and others are being addressed via voluntary agreements among the automakers. Ford has shown leadership in improving compatibility by providing research and engineering to support the voluntary agreement, by lowering the ride heights of some of its SUVs and trucks, and by adding BlockerBeam™ to others. We applaud these initiatives, because voluntary standards and agreements can produce safety improvements faster than regulations.

We look forward to a productive relationship with Ford Motor Company as new safety issues arise, and we expect Ford and Volvo to continue to produce advances in vehicle crash protection.



Our Roll Stability Control™ (RSC) System will be offered on the Explorer (left), Expedition and Mercury Mountaineer (right), beginning with the 2005 model year.



on the popular Explorer, Expedition and Mercury Mountaineer. Ford Motor Company has offered to license the RSC system to other manufacturers.

We are also extending the handling benefits of all-wheel drive to the new sedans and crossover vehicles that will debut in 2004 – the Ford Five Hundred, Freestyle and Mercury Montego.

Crash

Many factors determine a vehicle’s crashworthiness, including the design of the vehicle’s structure to absorb impact energy and the use of passive safety equipment such as airbags. To help protect drivers and passengers in the event of a crash, our newer technologies enhance the performance of safety belts and airbags and provide additional protection in side crashes and rollovers.

The Ford Personal Safety System™ helps reduce the risk of injury to the driver and front passenger in the event of a moderate to severe frontal collision. The system is designed to adjust the

FAST FACT
The World Health Organization estimates that road traffic injuries claim the lives of 1.2 million people around the world each year. Millions more are injured. More information is available on www.who.int/world-health-day/2004/en/

deployment of the front airbags to enhance protection for front-seat occupants, depending on a number of factors. It does this with the help of several components, including crash severity sensors, seat belt usage sensors, dual-stage driver and front-passenger airbags, a driver’s seat position sensor and front outboard safety belt pretensioners. The Personal Safety System™ is standard on many Ford vehicles in the United States.

Combination head/chest side airbags or side curtains with seat-mounted chest airbags (enhancing occupant protection in side impacts) are available on most Ford vehicles in the United States. In the 2003 model year, we added head/chest side airbags as standard equipment on the Mercury Marauder and as an option on the Crown Victoria and Mercury Grand Marquis. Head/chest airbags are standard on the 2004 Lincoln LS, and side curtains with front-seat-mounted chest side airbags are optional. Beginning with the 2004 model year, all Jaguar vehicles are equipped with either head/chest side airbags or side curtains and front-seat-mounted chest airbags. The Ford

POLICY

ADVOCATING SAFETY

Achieving real-world safety improvements requires cooperation among diverse public and private stakeholders. Worldwide, we work with government agencies on issues ranging from vehicle safety standards to pedestrian safety to driver licensing standards.

Voluntary agreements

Ford Motor Company has participated in and supported the development of voluntary industry agreements that we believe can further enhance motor vehicle safety. In December 2003, Ford and the Alliance of Automobile Manufacturers announced a voluntary agreement relating to crash compatibility between cars and light trucks/SUVs. Ford began incorporating designs, like the BlockerBeam™, into its vehicles several years ago to enhance the crash compatibility of its vehicles. As a result, more than half of Ford’s light trucks and SUVs already meet the front-to-front agreement, and nearly all Ford products

offer side airbags that provide the head protection needed to meet the front-to-side voluntary agreement.

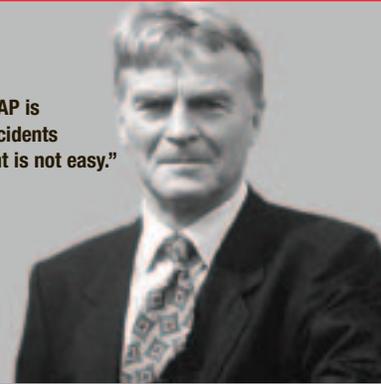
Ford participated in the development of test procedures that helped to ensure that its side airbags would be designed to reduce injury risks related to their deployment. Ford also worked with the Alliance of Automobile Manufacturers to develop design guidelines related to driver focus and telematics. Ford has recently taken a leadership role working with the Alliance to develop objective vehicle-handling test procedures.

Ford Europe played a leading role in the development of the Industry Commitment on Pedestrian Protection, which was negotiated between the vehicle industry associations and the European Commission. This binding commitment contains innovative but feasible measures that can enhance active and passive

pedestrian protection. EU Directive 2003/102/EC reflects the content of the voluntary commitment by the motor vehicle industry.

Graduated Driver Licensing (GDL)

We know that new drivers under the age of 18 have higher accident rates than any other age group. To counteract this problem, a number of U.S. states and Canadian provinces and territories have adopted GDL. GDL is typically a system of three phases of licensing that places restrictions on beginning drivers for a period of time before providing full driving privileges. Well-designed GDL programs have been shown to significantly reduce crashes and fatalities among teen drivers. We support GDL in North America and encourage all states to incorporate maximum GDL requirements, including promoting safety belt use and discouraging impaired driving.



“The big new area for EuroNCAP is primary safety – avoiding accidents altogether ... Getting this right is not easy.”

Max Mosley

Chairman, EuroNCAP 1996–2004

EXTENDED PASSENGER VANS

There has been increasing media attention focused on accidents involving E-350 Extended Passenger Vans (EPVs). The vast majority of these accidents involved driver inattention or error at high speed, resulting in the vehicle traveling off the roadway. As with all vehicles, Ford encourages users of EPVs to select the most experienced drivers, drive cautiously and require all passengers to wear their safety belts.

The E-350 EPV has been subjected to and passed the same rigorous handling and stability tests applicable to Ford's other light trucks. A thorough review of state and federal accident data shows that the risk of serious crashes in EPVs is low and comparable to that of other vehicle types:

- Only 2.7 percent of Ford EPV crashes involve a fatality or major injury; the rate is 4.0 percent for all cars and light trucks.
- The risk of rollovers in EPVs is extremely low and comparable to that of other vehicle types. The rollover rate for Ford EPVs is 1.5 rollovers per 100 crashes; this is nearly identical to the rollover rate for cars and is lower than the rollover rates for all makes and models of minivans, full-size vans and other light trucks.
- Belted occupants in serious EPV crashes are well protected. Although only 23 percent of occupants in EPV crashes are unbelted, they account for 81 percent of the fatalities in EPV crashes.

Beginning with the 2006 model year, we will equip our EPVs with our RSC system. The system is designed to help the driver maintain control of the vehicle.



EuroNCAP has focused on secondary safety – minimizing the risk of injury for car occupants and pedestrians involved in crashes. Ford has shown industry leadership in its strategic and technical cooperation with EuroNCAP, willingly sharing its knowledge and expertise. Most recently, Ford has shared information on seat belt reminder systems and soft-tissue neck injury (“whiplash”).

The big new area for EuroNCAP is primary safety – avoiding accidents altogether rather than minimizing the damage to occupants when an accident occurs.

Getting this right is not easy. For example, how do you measure the performance of an electronic stabilization program? How do you compare different devices that can apply the brakes once a collision is inevitable? Do you encourage systems that, in certain circumstances, take over from the driver? Do better brakes, lights and visibility genuinely reduce the number and severity of accidents? It is important to get the answers right; otherwise, we could push everyone in the wrong direction.

Ford and other major car companies have innovative programs for active safety devices. The faster these can be introduced, the more lives will be saved. NCAP's function will be to encourage this process by publicizing the benefits and highlighting the cars that include them. Again, EuroNCAP welcomes the cooperation it has received from Ford and others in the development of a meaningful and practical Primary NCAP.

In the longer term, the significant gains may come from cars that can “talk” to other vehicles electronically. The problem is that such systems will only work effectively when most or all cars are fitted with them.

And how do we get people to pay for such systems? Legislation is probably not the answer, because anything electronic is likely to be obsolete before it can be a legal requirement.

EuroNCAP will help, but rapid progress may require fiscal incentives. Fewer working hours lost through accidents and lower health care costs would save governments money, so perhaps we can hope for incentives to accelerate the introduction of these new safety technologies. If it is made more affordable to drive cars with extra safety features, people will choose to buy them.



Territory crossover car, coming out in mid-2004, will be the first Australian-built vehicle equipped with side curtain airbags.

Ford's exclusive Safety Canopy™ system helps reduce the risk of injury in side impacts and rollover events. The Safety Canopy™ deploys from the headliner to cover most of the window area of the first two rows of seats. In addition, a sensor monitors the vehicle's angle and acceleration, and if the system determines that a rollover may be imminent, the Safety Canopy™ deploys and is designed to remain inflated for several seconds. Beginning with the 2003 model year, the Safety Canopy™ system is standard equipment on the Lincoln Navigator and Aviator and is optional on the Expedition, Explorer and Mercury Mountaineer. For the 2004 model year, the Safety Canopy™ is available as an option on the Freestar and Mercury Monterey and covers three rows of seats.

Post-crash

Our 2003 and later Volvo and Jaguar vehicles offer crash notification. Vehicles equipped with this feature automatically transmit a signal to an emergency service center in the event of a crash in which an airbag deploys.

Ford is a board member of the ComCARE Alliance, a nonprofit organization that encourages the establishment of wireless communication networks, infrastructure and technologies that enable emergency communications between the motoring public and public safety agencies. The Alliance is a coalition of the medical community; public health and safety officials; automobile, telematics and technology companies; safety groups and others.

DRIVING ENVIRONMENT

We recognize the importance of road design and maintenance to road safety. We are promoting safer driving environments in the pre-crash phase and researching the crash and post-crash phases to identify environmental improvements that could help prevent accidents.

In April 2004, Ford launched a global education campaign to coincide with World Health Day, which focused, for the first time, on road safety. Ford's campaign, "Road Safety: Our Lives

VEHICLE SAFETY RESEARCH

Ford Motor Company conducts extensive research on both "accident avoidance" – driver and vehicle safety measures to prevent accidents – and "occupant protection" – measures to mitigate potential injuries in a crash.

Accident avoidance

We currently are researching potential technologies that are designed to inform drivers of potential risks and, in some cases, automatically take actions to help reduce the risk of crashes. These include:

- Digital camera technology that helps drivers detect objects on either side of the vehicle
- A system designed to help reduce rear-end crashes by using sensors to monitor the distance to obstacles or other vehicles and by applying the brakes firmly if the driver fails to do so
- Global Positioning System (GPS), digital maps and wireless vehicle communications to aid safety systems

"Telematics" – the connection of a vehicle to information systems – has the potential to bring the Information Age into the passenger compartment, enhancing safety and easing traffic congestion.

Ford is researching applications of telematics that could:

- Enable vehicles to interact in a "safety web" – continuously sending information about the relative locations and movements of vehicles and warning drivers to take action to help avoid collisions
- Monitor traffic conditions and provide information about alternate routes around traffic jams
- Allow online service centers to diagnose problems with vehicles from a distance

Nearly 10 years ago, Ford and General Motors formed the Crash Avoidance Metrics Partnership (CAMP) to accelerate the implementation of crash avoidance technologies and improve traffic safety. CAMP's goal is to facilitate industry consensus, in cooperation with other vehicle manufacturers, system developers and regulators, on issues that must be resolved for telematics technologies to fulfill their potential. Current research and development projects address wireless communication technologies, collision warning systems, digital mapping and driver taskload.

Ford has formed a partnership with the Minnesota Department of Transportation to demonstrate an intelligent transportation system in which cars will "talk" to the highway, and to each

LEFT

Reconfigurable displays in the Ford Taurus Telematics and Safety Concept Car, which enable customized IP design and functionality that also allow the viewing of images from the blind-spot, TrafficView™, backup and forward-facing cameras.

RIGHT

Ford's VIRTUAL Test Track EXPERIMENT (VIRTTEX) allows researchers to test driver responses to a variety of potential distractions.



other, to keep passengers out of traffic jams and alert them to weather conditions. Through the partnership, we will build a test fleet of vehicles equipped to act as sensors, gathering instantaneous readings of roadway conditions and transmitting information wirelessly to a state reporting system. Information derived from the data will eventually be available on highway message signs, telephone services and Web sites, and may also be used to deploy emergency assistance, as well as road and maintenance crews.

As in-car devices proliferate, there is concern that they could distract drivers from the task at hand. To test how drivers respond to a variety of challenges, we built an innovative VIRTUAL Test Track EXPERIMENT (VIRTTEX) simulator. VIRTTEX can house a full-size model of a car or truck that can be “driven” by researchers or volunteers. Ford is the only vehicle manufacturer with such a facility. VIRTTEX allows us to conduct industry-leading research on a variety of important issues related to driver taskload and driver distraction.

During a simulation, computers calculate speed, driver movements and location relative to the road, other vehicles and objects. With this data, we can measure how drivers react to distractions, fatigue and other factors. One series of studies looked at the effects of cell phone use on adult and teen drivers. The goal of this research was to identify which kinds of in-car devices aid drivers, and which can distract them. The results of these experiments are contributing to the design of our vehicles and the positioning of various interior devices, as well as other innovations.

For example, researchers investigated drowsy driving with the help of volunteers who stayed up all night before entering the simulator. Researchers tested a variety of devices to monitor the drivers and wake them up if they dozed off. The research succeeded in identifying ways to help alert a drowsy driver to a lane departure and improve their performance. Volvo is investigating the future introduction of technology based on these tests.

Occupant protection

With regard to occupant protection, we are undertaking biomechanics studies to develop a better understanding of the manner in which injuries occur to humans in crashes. For example, in collaboration with the Children’s Hospital of Philadelphia, Takata Corporation and the University of Virginia, we are seeking to better understand injuries that occur to children and to improve child crash test dummies.

FAST FACT

Ford has one of the largest worldwide data banks of real-world accident information in the industry and we use this data extensively in designing vehicles and safety technologies.

In Aachen, Germany, Ford is conducting a research program called IMPAIR (In-depth Medical Pedestrian Accident Investigation and Reconstruction). The Ford Research Center in Aachen donated a fully outfitted Mondeo to the German Motor Vehicle Control Agency for use in this program, which reconstructs pedestrian/car accidents and helps determine the cause of injuries.

We are also conducting, through computer modeling and physical testing, safety structures and optimization work focused on further improving the excellent crashworthiness of our vehicles. This work can help develop structures that absorb more crash energy, while also helping reduce vehicle weight through more efficient design.

Finally, Ford participates in the Occupant Safety Research Partnership, formed to research, develop, test and evaluate advanced crash test dummies, safety components and subsystems. We played a leadership role, under the auspices of the International Organization for Standardization, in the development of WorldSID, the first internationally designed crash test dummy. WorldSID is the most advanced side-impact dummy ever and soon will be made available to governments around the world for use in side-impact rulemaking.



ABOVE

Our “Smart Safe Research Vehicle” (S2RV), which showcased a collection of possible future safety technologies, was *Popular Science* magazine’s 2003 “Best of What’s New” grand prize winner in the Automotive Tech category. Features include:

- Active night vision – floods the road ahead with laser light; images show on display
- Adaptive headlights – adjust to the driving environment and anticipate turns
- TrafficView™ cameras – provide a view around large vehicles in front
- Accident avoidance cameras – monitor other vehicles and predict possible collisions
- Rear collision sensors – alert the driver when a vehicle approaches too fast
- Tire pressure sensor – radios pressure and temperature data

CROWN VICTORIA POLICE INTERCEPTOR

In 2002, Ford and representatives of the law enforcement community formed a Blue Ribbon Panel and Technical Task Force to reduce the risks of fire-related injuries faced by police officers in high-speed, high-energy rear crashes. In August 2003, Ford announced plans to offer a fire suppression system as a factory option on Crown Victoria Police Interceptors during the 2005 model year. This is an automotive industry first. For more information on the Crown Victoria Police Interceptor, visit www.cvpi.com.



Depend On It,” recognizes that road safety means something different in every part of the world. For example, in developing countries, growth in personal vehicle ownership often outpaces the construction of adequate roads for all users, exacerbating compatibility issues among vehicles and bicycles, motorbikes and pedestrians. As part of the campaign, Ford locations in Germany, Sweden, South Africa, the Philippines and other countries held events focusing on the unique local conditions. In India, for example, Ford employees distributed reflective stickers for nonmotorized vehicles to increase awareness of road safety. Other activities are planned around the world throughout 2004.

In Bangkok, Thailand, Volvo Cars, the Thailand Department of Highways and the Global Road Safety Partnership (an organization initiated by the World Bank) came together to create the Thailand Accident Research Center. Volvo has shared its deep know-how on gathering and analyzing data from accidents. The Center sends teams of researchers in a specially equipped Volvo to investigate accidents in Bangkok and the surrounding area with the aim of improving safety in Thailand. The data will be used by the government to take action and by Ford Motor Company to design safer vehicles.

HOW ARE WE DOING?

A number of external organizations have designed tests intended to help measure the safety performance of vehicles in various crash modes. These tests are changing over time, and new tests are being added. For example, the EuroNCAP safety assessments have begun to evaluate the child safety features of vehicles. Russian authorities have begun testing vehicles sold in that country, modeled on the EuroNCAP methodology. In the United States, the NHTSA has introduced a dynamic NCAP rollover test using a high-speed “fishhook” maneuver, in addition to the current static stability factor. Ford supported comments by the Alliance of Automobile Manufacturers that the fishhook maneuver is very severe, has a high degree of variability and does not replicate real-world driving conditions.

FAST FACT
Of the 2003 Ford vehicles tested by the NHTSA, 100 percent received a four- or five-star rating in the frontal NCAP tests.

Our vehicles continue to perform well in crash tests, according to a variety of third-party assessments. For example:

- Of the 2003 Ford vehicles tested by the NHTSA, 100 percent received a four- or five-star rating in the frontal NCAP tests.
- The 2004 F-150 pickup truck was awarded a “best pick” rating by the U.S. Insurance Institute for Highway Safety, as were the 2004 Freestar and Mercury Monterey minivans. The F-150 was also the only pickup truck to earn five-star (highest) ratings for both driver and passenger protection in U.S. frontal NCAP tests.
- The 2004 Volvo XC90 was one of the first SUVs to earn five stars (the top rating) in EuroNCAP testing. All Ford products tested received at least four EuroNCAP stars for occupant protection.
- The Focus C-MAX received the first, and so far only, four-star rating in the newly introduced EuroNCAP child protection tests. The Russian-built Focus received the highest rating among all the cars tested.
- The Jaguar XJ8 and the Volvo S80 jointly received the top safety rating in the luxury class in *Which?* magazine (a UK consumer magazine). In the large-car class, the Volvo S60 received the top safety score.

We will continue to assess the appropriate metrics for measuring the performance of our vehicles as we attempt to balance frequently changing government and nongovernment test requirements with real-world safety.

During 2003, we submitted the first reports required by the Transportation Recall Enhancement Accountability and Documentation (TREAD) Act passed in 2000. The Act requires vehicle, tire and child restraint manufacturers to submit data to the NHTSA on accidents, safety complaints and warranty claims. The information collected is part of a database intended to provide early warning of potential vehicle safety issues.

U.S. New Car Assessment Program

Government star ratings are part of the New Car Assessment Program (NCAP) of the U.S. National Highway Traffic Safety Administration (NHTSA). In the NHTSA's tests, vehicles with belted front-seat test dummies are crashed into a fixed barrier at 35 mph, which is equivalent to a head-on collision between two similar vehicles each moving at 35 mph. Since the test is designed to reflect a crash between two similar vehicles, one can meaningfully compare vehicles from the same weight class (within +/- 250 lbs.) when looking at frontal crash test ratings.

Instruments measure the force of the impact to each test dummy's head, chest and legs. The NHTSA uses the readings from these instruments to estimate the chance that a real occupant would sustain a serious injury in the tested crash. A serious injury is defined as one that requires immediate hospitalization and may be life-threatening.

What do the stars mean?

- ★★★★★ = 10 percent or less chance of serious injury.
- ★★★★ = 11 percent to 20 percent chance of serious injury.
- ★★★ = 21 percent to 35 percent chance of serious injury.
- ★★ = 36 percent to 45 percent chance of serious injury.
- ★ = 46 percent or greater chance of serious injury.

For more information, go to www.nhtsa.dot.gov.

IIHS Frontal Offset Evaluation

In the 40 mph offset test of the Insurance Institute for Highway Safety (IIHS), 40 percent of the total width of a vehicle strikes a barrier on the driver's side. The forces in the test are similar to those involved in a frontal offset crash between two vehicles of the same weight, each going just less than 40 mph. Test results can be compared only among vehicles of similar weight. Like full-width crash test results, the results of offset tests cannot be used to compare vehicle performance across weight classes.

Based on a vehicle's performance in three areas evaluated in the frontal offset crash tested – structural performance, injury measures and restraints/dummy kinematics – the IIHS assigns a vehicle an overall crashworthiness measure of Good, Acceptable, Marginal or Poor. For more information, go to www.iihs.org.

NOTES TO THE DATA

Charts A, B, C and E The 1999 data do not include Volvo or Mazda scores in the Ford total. The 2000, 2001 and 2002 model years include Volvo scores in the Ford totals but do not include Mazda scores.

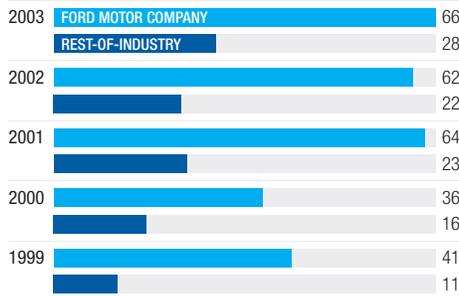
Chart E Data as of March 20, 2003. Data for 2002 has been corrected.

Chart F Recalls are by calendar year rather than model year. A single recall may affect several vehicle lines and/or several model years. The same vehicle may have multiple recalls. (Source: U.S. National Highway Traffic Safety Administration.)

A

5-star ratings in frontal crash tests (U.S. NCAP)

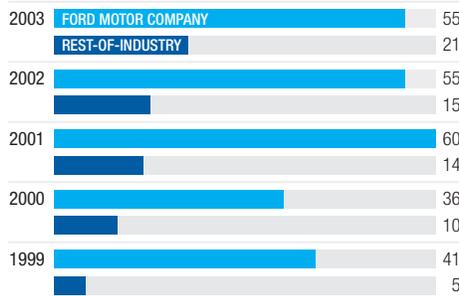
Percent of models tested



B

Double 5-star ratings in frontal crash test (U.S. NCAP)

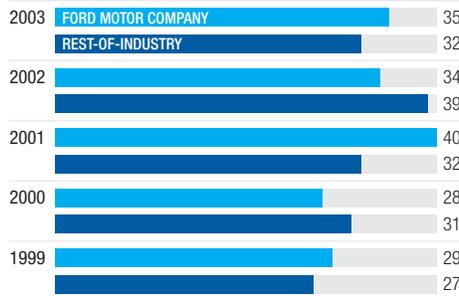
Percent of models tested



C

Double 5-star ratings in side crash test (U.S. NCAP)

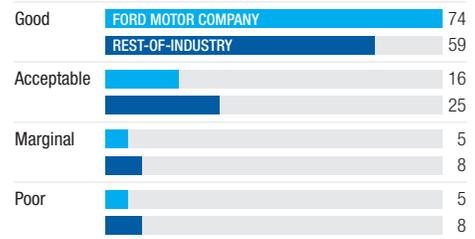
Percent of models tested



D

Comparison of Ford vehicle ratings to rest-of-industry ratings in the IIHS 40 mph frontal offset crash test

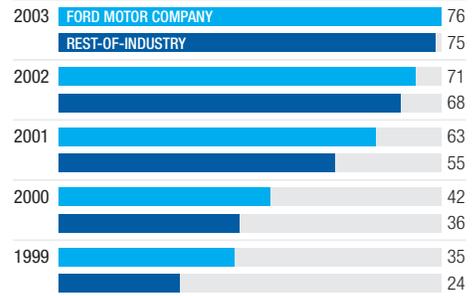
Percent of models tested



E

European vehicle sales attaining 4- and 5-star ratings (EuroNCAP)

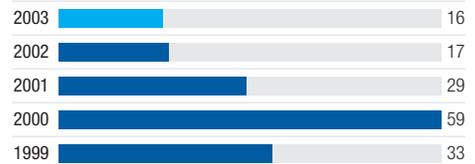
Percent of models tested



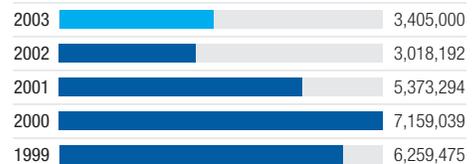
F

Ford safety recalls

Number of safety recalls



Number of units



Community

Related information in other sections of this report:

- Health and safety in our communities – Page 34
- Creating and conserving at Hermosillo – Page 70
- Safeguarding human rights – Page 78

Additional information on www.ford.com/go/globalcitizenship:

- New facilities head Dagenham revitalization

We will respect and contribute to the communities around the world in which we work.

We will achieve this by:

- Respecting and supporting, in line with the legitimate role of business, the basic human rights of all people within our businesses and throughout our entire value chain
- Being sensitive to and engaging in the cultures of the communities in which we participate
- Making responsible and mutually beneficial investment in the communities we serve

PROGRESS SINCE OUR LAST REPORT

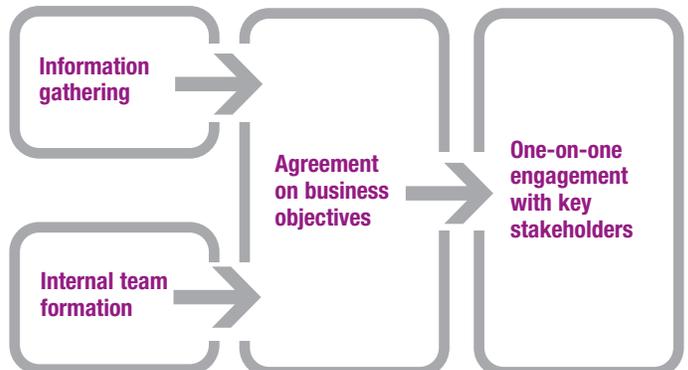
Our most immediate impacts are on the communities in which we operate. Our manufacturing facilities, dealerships and employees have a long history of community involvement and investment. In addition, we make charitable contributions through the Ford Motor Company Fund (“the Fund”).

We piloted a more systematic approach to community investment and engagement – one that will help point the way toward stronger and healthier community relationships.

During 2003, we supported hundreds of community partners through charitable contributions. The Fund contributed \$77.5 million to a variety of organizations. Combined with corporate giving by Ford Motor Company, total grants topped \$120 million.

We also took steps to assess the implementation of our Code of Basic Working Conditions, adopted in early 2003, which addresses human rights issues in our workplaces and those of our suppliers (see Safeguarding human rights, Page 78).

Figure 1: COMMUNITY IMPACT ASSESSMENT AND ENGAGEMENT PROCESS

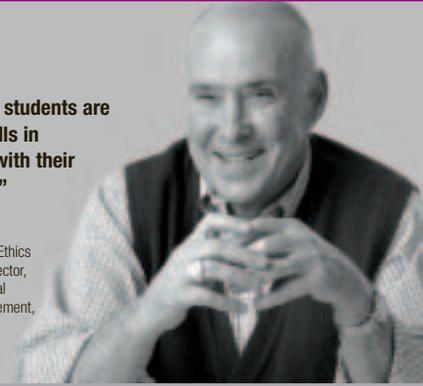




“More than ever, business students are looking to apply their skills in organizations that align with their values and walk the talk.”

Dave Messick

Morris and Alice Kaplan Professor of Ethics and Decision in Management, Co-Director, Ford Motor Company Center for Global Citizenship, Kellogg School of Management, Northwestern University



A NEW MODEL OF COMMUNITY INVESTMENT

Henry Ford understood the potential for companies to create wealth, not only for shareholders, but for communities and entire classes of people. This understanding is reflected in our commitment – outlined in our Business Principles – to make mutually beneficial investments in the markets in which we operate.

We are building and testing a new model of corporate community investment that includes traditional areas of philanthropy and volunteerism, as well as new commercial–community relationships.

This “Community Impact Assessment and Engagement” model provides:

- An in-depth review of the Company’s impacts and relationships in certain communities in which we do business
- A detailed picture of how we are working in the community and our performance against our Business Principles
- The capacity to analyze and report on the social, environmental and economic issues facing us in the communities in which we operate and to identify the issues most relevant to our business
- A description of how we are dealing with the many context-dependent local and regional issues that cannot be measured in global terms

ABOVE

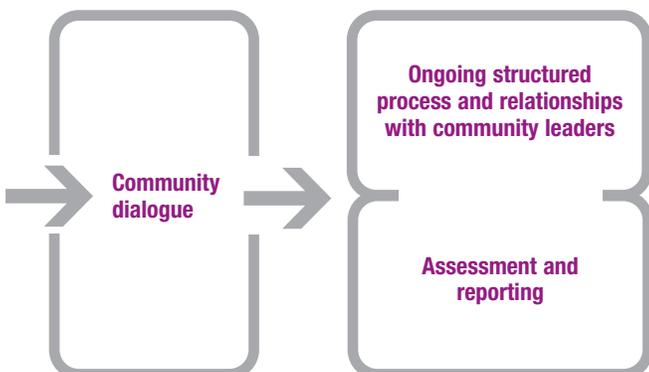
In November 2003, UK Prime Minister Tony Blair opened the Dagenham Diesel Centre and the adjacent Centre for Engineering and Manufacturing Excellence. These state-of-the-art facilities represent a unique private and public commitment to regeneration in the Thames Gateway region of the UK.

One of the questions I am frequently asked is, “What is corporate citizenship and how do you measure it?” Another is, “Why should corporations engage in corporate citizenship activities if these activities do not enhance the bottom line?”

The answer that I give to the first question is that corporate citizenship involves thinking about the well-being of multiple stakeholders over a relatively long time span. It is making products that are safe and useful and affordable. It is treating employees well and respecting the natural environment and improving the communities, both local and global, in which business is conducted. And it is adopting a timeframe that asks what is good “in the long run.” And corporate citizenship should help make the company financially healthy. There are many examples and ways to measure these kinds of activities.

The answer to the second question is less clear. But the question itself assumes that corporate citizenship is costly without return. While I can imagine ill-conceived corporate citizenship activities that have no benefit for a company, I cannot understand why executives would want to engage in them. The problem is paying for bad ideas, not corporate citizenship. The point is that companies can choose how to be socially responsible, and the wisest choices are those that improve some aspect of the social or natural environment while enhancing, or at least not damaging, the company’s profitability. Forward-thinking companies make investments that benefit themselves as well as society. The mechanisms that produce these benefits are researched actively by academics studying corporate citizenship today.

Intelligent corporate citizenship will become a greater necessity for corporations for many reasons – rising expectations as a result of global corporate power and reach, intensified scrutiny by stakeholders and reputational risks and rewards, to name a few. However, there is one compelling reason I see every day: tomorrow’s business leaders. More than ever, business students are looking to apply their skills in organizations that align with their values and walk the talk. Ford should pay particular attention to this trend; it is critical to the strength of their future human resources.





LEFT
 Pearson Ford of San Diego, California, is a community partner in the nation's first Regional Transportation Center (www.rtv4afv.com), an innovative facility that supports the use of alternative fuel vehicles through sales, service, fueling and rentals, along with educational programs for adults and school children. The facility – opened in 2003 with support from Ford, local, state and national government agencies and other partners – serves as a gateway to the City Heights Redevelopment Area.

By understanding the perspectives of those who are affected by our operations, we can develop more focused strategies for improving our net impacts on the community. This process also helps us access new sources of innovation, use resources more effectively and strengthen the communities in which we do business.

We are a company that focuses on gathering and using the best data available. The Community Impact Assessment and Engagement model uses data gathering and analysis to support joint decision making by the community and the Company, thereby helping put community relationships on a more equal footing with more measurable business imperatives.

Pilot Projects

In 2001 and early 2002, Ford India Limited conducted an engagement process that resulted in an assessment and report on its corporate citizenship approach.

In late 2002, AutoAlliance International (AAI) undertook a similar pilot project at AAI's manufacturing facilities in Flat Rock,

FAST FACT
 In the U.S. economy, one in 10 jobs is associated with the automotive industry, according to the Alliance of Automobile Manufacturers. These include jobs in manufacturing, sales, service and dismantling.

Michigan. AAI, a joint venture between Ford and Mazda, currently builds the Mazda6 and will triple production when it begins building the new Ford Mustang during 2004.

The AAI pilot proceeded during 2003 as outlined in Figure 1 (Page 44). The dialogue resulted in the formation of a community advisory group and an agreement to plan and carry out joint activities on mutual priorities. These priorities included: education partnerships, environmental issues and the impact that AAI will have on the community when production expands.

In 2004, AAI will issue a corporate citizenship report summarizing the consultation process and it's social, environmental and economic performance. It will be based in part on the CERES Facility Reporting Project format, which was developed through a collaborative multistakeholder process in which Ford participated.

A similar Community Impact Assessment and Engagement process was also begun during 2003 at the Ford Rouge Center. We plan to phase in Community Impact Assessments at additional manufacturing locations during 2004.

FORD FUND

The Ford Motor Company Fund is a nonprofit corporation that was organized in 1949. Made possible by Ford Motor Company profits, the Fund supports U.S. initiatives and institutions that enhance and improve opportunities for those who live in communities where Ford operates.

During 2003, the Fund contributed \$77.5 million to a variety of organizations. Combined with corporate giving, Ford's grants in 2003 totaled \$120.4 million. We made grants in three major areas (see examples below). The Fund's Annual Report is available at www.ford.com.

Education (\$40.2 million): Education is the Fund's largest category of giving. These grants create an educational pipeline that begins in kindergarten and extends through high school to college and career. The Fund fosters partnerships with organizations and institutions

that expand access to education and promote diversity and inclusion.

As one example, the Fund supports the Ford Partnership for Advanced Studies, a rigorous, standards-based academic program for high-school students that links classroom learning with the challenges students will face in post-secondary education and the workplace.

Community development (\$28.2 million): The Fund supports a variety of programs nationally that encourage community involvement and focus on youth, community development, diversity education and cultural exhibitions.

For example, in 2003 the Fund announced a \$1 million contribution to the League of United Latin American Citizens (LULAC), the largest Latino civil rights organization in the United States.

Auto-related environment and safety (\$9.1 million): These grants focus on topics relevant

to the environmental effects and safety issues related to vehicle production and use.

Among the programs the Fund supports is a partnership with Conservation International that created the Center for Environmental Leadership in Business. The Fund has also provided grants to the Princeton Carbon Mitigation Initiative, Environmental Careers Organization, Wildlife Habitat Council, Tread Lightly! and America Recycles Day. As a Proud Partner with the National Parks Foundation and the National Park Service, the Fund supports a unique set of preservation and transportation projects.

The Fund also supports: Driving Skills for Life, a multiyear safe driving curriculum and training program aimed at teens, and Corazón De Mi Vida ("You Are the Center of My Life"), a bilingual initiative in the United States to educate Latino families, childcare providers and the community about child passenger safety and safety belts.

CHARITABLE CONTRIBUTIONS \$ million

Year	2003	2002	2001	2000	1999
Ford Motor Company Fund	78	84	113	83	58
Corporate	43	47*	24	27	27
Total	121	131	137	110	85

*Increase in 2002 reflects more comprehensive reporting of corporate contributions.

A TRADITION OF GIVING

As we create and test new models to meet our commitments under our community-related Business Principle, we build on a long tradition of investment in local and global communities. In 2003, the Ford Motor Company Fund gave to organizations in three primary areas: education, community development and auto-related environment and safety (see box above).

In addition, our facilities and dealers and their employees volunteered time and donated goods and money to varied causes. In the United States and several other countries, salaried employees in work groups can donate 16 hours of their time, paid for by Ford, to not-for-profit organizations. Ford employees and the Fund are major supporters of the United Way in the United States, giving \$13.5 million in 2003 to support numerous community-based social service organizations.

Forty-one Community Relations Committees (CRCs), managed by our employees who live and work in the communities where we operate, help us understand local needs and give a helping hand where and when it is most needed.

Ford is also the sponsor of a unique Environmental and Conservation Grants program. We sponsor and administer grants to local nonprofit environmental and conservation organizations in more than 40 countries around the world, throughout Europe, Central and South America, the Caribbean, Asia and the Middle East. The grants are selected by independent panels of local experts who evaluate the applications, often numbering in the hundreds. For example:

- In Vietnam over the past three years, the program has granted \$120,000 for 39 projects covering environmental conservation, heritage and youth projects.
- In Indonesia, the jury selected six projects from 49 entries: an environmental education program in the Thousand Islands, managing and monitoring coral reefs on the south Sumatra Coast, mangrove reforestation in Sulawesi, a fish hatchery in East Java and archaeological preservation of an ancient site in Java.



The Ford Motor Company Conservation and Environmental Grants program supported a wide variety of grassroots environmental initiatives in 2003.

“AAI made it clear to all community representatives that our feedback was important and that they wanted a deeper understanding of the Downriver culture and root causes of issues facing the community.”

Charlene Coulson
Superintendent,
Flat Rock Community Schools



As the superintendent of schools in Flat Rock, Michigan, I have been impressed with the efforts that AutoAlliance International (AAI) – a Ford and Mazda joint-venture plant – is making to strengthen its relationship with the community surrounding the manufacturing facility here.

In the past two years, AAI has brought a number of critical community stakeholders to the table to solicit our input and work together to identify priorities for the community. Its aim is to become a better partner in the community and a more trusted company. AAI asked for our help in doing so, and I believe they are well on their way to accomplishing this goal.

AAI made it clear to all community representatives that our feedback was important and that they wanted a deeper understanding of the Downriver culture and root causes of issues facing the community. Together, we identified the education of young people of the area as a top priority, and, as a result, a partnership between Ford and the Downriver Career Technical Consortium was formed.

This relationship has blossomed into a sharing of AAI resources and knowledge with the students in many of the technical programs for 10 Downriver school districts. AAI continues to share information with our high-school students in an environmental program. The program has environmental engineers from the plant working side by side with our students doing research for the Huron River Watershed Project. AAI has also supported our students through Reading is Fundamental, Earth Day, Experiencia and scholarships.

While the resulting partnerships are important, the process is equally so. A more formal stakeholder dialogue process has helped improve the quality of communication with AAI, identify priority needs within the community and mobilize our respective resources to address them. The report AAI plans to release will allow us to assess how we are doing and see the progress. While we have accomplished much together, more work remains to be done. I consider myself fortunate to be part of this engagement process and look forward to the AutoAlliance and Ford continuing to contribute positively to the Downriver area.

Quality of relationships

Related information in other sections of this report:

- Increasingly diverse customers – Page 15
- Community – Page 44
- Safeguarding human rights – Page 78

Additional information on www.ford.com/go/globalcitizenship:

- Profiles of our major stakeholder groups
- Actions to support employees and customers with disabilities

We will strive to earn the trust and respect of our investors, customers, dealers, employees, unions, business partners and society.

We will achieve this by:

- Building and maintaining a caring culture of partnership and mutual benefit
- Developing individual and team skills so employees can reach their full potential and contribute to the success of the Ford Motor Company
- Creating a business climate that encourages innovation, learning and exceptional performance
- Actively pursuing the benefits derived from a diverse workforce, as well as those from the diversity of perspectives provided by our stakeholders

PROGRESS SINCE OUR LAST REPORT

Rebuilding relationships was one of the explicit aims of our Revitalization Plan, launched in 2002. We recognized at the outset that rebuilding relationships would be critical since the Plan also included measures to reduce costs and restructure our operations – actions affecting our employees and suppliers. We also recognized that we need to strengthen relationships with our dealers.

Among our salaried employees, participation in our yearly Pulse survey reached an all-time high and showed that overall job satisfaction is holding generally steady despite challenging business conditions. In early 2004, we announced the reinstatement of bonus compensation for many employees and the resumption of Company contributions to employee 401(k) plans.

We signed a new contract with the United Auto Workers (UAW) covering U.S. hourly workers, and we successfully worked with employee representative bodies and unions in Europe to restructure the business. We also resumed modest profit-sharing bonuses to nearly 100,000 U.S. hourly workers for 2003 and 2004.

We are working closely with our suppliers to implement joint programs, such as Team Value Management (TVM) and Consumer Driven 6-Sigma, to improve quality and find cost efficiencies. As part of doing business with Ford, we are encouraging suppliers to have a strong environmental management system and adhere to our Code of Basic Working Conditions.

Our dealers' overall satisfaction with Ford reached a 10-year high in 2004. We are continuing to strengthen our relationships with dealers through open dialogue on issues such as new products, vehicle quality and customer satisfaction.

Finally, we continue to make progress in embracing and fostering the diversity of our employees, customers and business partners, and we have been recognized for our achievements in these areas.



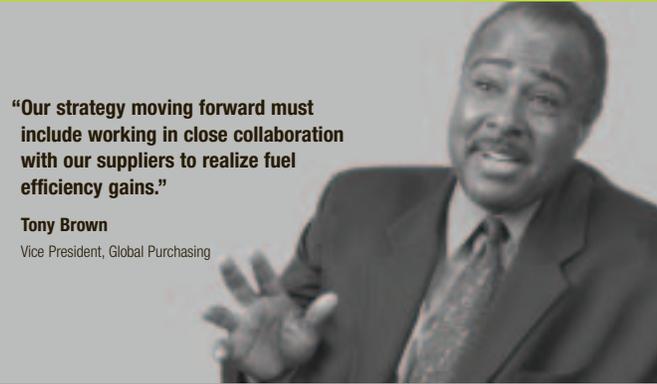
ABOVE
Bill Ford responds to questions from employees at a 2003 "Town Hall" meeting.

WHO ARE OUR STAKEHOLDERS?

Our stakeholders – those who affect Ford or are affected by us – are numerous. A closer look, however, shows that we have sustained, interdependent relationships with several distinct categories of stakeholders: our employees, customers, dealers, suppliers, investors and communities. Also important is our relationship to "society," including government, nongovernmental organizations (NGOs) and academia.

Our forums for communicating and engaging with these stakeholders are summarized in the table below. Please see the Products and customers section (Page 12) for discussion of our relationships with customers and the Community section (Page 44) for information on how we engage with the communities in which we do business.

STAKEHOLDER	COMMUNICATION FORUMS
COMMUNITIES/SOCIETY 110 plants in 25 countries	Community Relations Committees Interactions with governments Membership in associations NGO dialogues Community Impact Assessments (pilot)
INVESTORS 1.8 billion shares	Investment community forums Quarterly earnings communications Annual Shareholders Meeting Annual Report Proxy Statement S.E.C. Filings (e.g., 10-K, 10-Q, 8-K)
CUSTOMERS 6.7 million vehicles	Consumer Insight process Customer care programs Dealer interactions
SUPPLIERS 2,000+ production suppliers 9,000+ nonproduction suppliers Over \$90 billion annual buy	International Supplier Advisory Council Executive champion program Top supplier meetings Supplier quality roundtables Supplier Sustainability Forum Supplier Diversity Development
DEALERS 25,000 dealers	Intranet communications Brand sales and service representatives Brand Dealer Councils Dealer roundtables President's Circle Advertising and public service announcements
EMPLOYEES 328,000 employees	Town Hall meetings Labor – management committees Pulse survey Union representation Intranet surveys and chats Executive Council on Diversity Local Diversity Councils Employee Resource Groups



"Our strategy moving forward must include working in close collaboration with our suppliers to realize fuel efficiency gains."

Tony Brown
 Vice President, Global Purchasing

The climate change challenge is global in scope, and playing our part in it will be core to our long-term business success. Our impact – and that of our competitors – on atmospheric CO2 results from activities along our value chain, not just within our fencelines. It goes downstream to the consumer and upstream to those who provide our raw materials and component parts – our suppliers.

Consequently, our strategy moving forward must include working in close collaboration with our suppliers to realize fuel efficiency gains. We will be tapping into their creative energy and technological expertise to develop new and better components for our vehicles. Many of our suppliers are already working to improve energy efficiencies in their operations and bring products to market to enhance fuel efficiency. The job ahead is to expand such efforts, coordinate our research, develop partnerships and learn from each other. We'll need measures of success, rewarding those who create value through innovation in line with our goal of reducing greenhouse gas emissions.

I have been asked whether we can do this in a way that benefits both Ford and our suppliers. I think we can. In 1999, we established a requirement that all Tier 1 suppliers' manufacturing sites be certified to the ISO 14001 environmental management system. While some suppliers were skeptical at first, many of them have found that implementing ISO 14001 in their facilities enhanced their own business performance. We see similar benefits accruing to both Ford and our suppliers through a focus on greenhouse gas reduction.

It is an exciting time to be working on these issues. There is no doubt that the pace of technological change will accelerate in the years ahead. Leveraging the talents of our suppliers as well as our employees is essential. We've only just begun.

GLOBAL EXPANSION AND CONTRACTION: THE EXAMPLE OF GENK, BELGIUM

During 2003, we announced a number of investments that created new jobs from Chicago to China. We also announced actions that will reduce or relocate jobs. For example, in Europe, we announced restructuring in Genk, Belgium, and Cologne, Germany.

The restructuring plan for our Genk Assembly Plant involves a reduction of 2,880 jobs, together with the introduction of three new models and new investment at the plant.

We cooperated with workers' representatives and the government in the development of a social plan. Our objective was to achieve all the job reductions by voluntary means. The plan included:

- Opportunities for early retirement for employees aged 50 or over
- Opportunities for employees aged 48 and 49 to transition to retirement at 50
- 95 jobs retained through reduced worktime

- 25 jobs retained through insourcing of a service contract
- Supportive separation terms that vary by length of service
- Comprehensive retraining and outplacement services

Alternative job opportunities were also made available at the Volvo plant in Ghent, Belgium.

EMPLOYEES

Our employees are our most valuable resource. We invest in their development, and they invest their time, talent and energy in the success of Ford Motor Company.

Based on progress made on our Revitalization Plan in 2003, we made a profit-sharing payment to hourly employees in March 2004. We also reinstated contributions to U.S. employees' 401(k) retirement plans, effective in 2004; such contributions had been suspended since early 2002.

We concluded negotiations with the UAW on a new four-year contract covering 93,000 U.S. hourly workers. The contract gives

Ford the flexibility to carry out the plant closures and other capacity actions identified as necessary in the Revitalization Plan, while providing wage increases and preserving the great majority of health care and other benefits for covered employees.

We remain concerned about the rapidly rising cost of providing health care to our active and retired employees in the United States. Although we are proud of providing excellent benefits for employees, controlling health care costs is critical to our competitiveness.

We also negotiated new collective bargaining agreements with labor unions in Mexico, France, Britain, Sweden, Australia,

DIMENSIONS OF DIVERSITY

Ford values the many dimensions of diversity: culture, ethnicity, race, gender, nationality, age, disability, religion, marital status, sexual orientation, education, life experience, opinions and beliefs. We believe diversity is a competitive advantage, helping the Company to be more innovative and focused on individuals in the workplace and marketplace. Some of the ways we seek to capture the value of diversity are summarized below.

Workplace

Ford Motor Company has a history of diversity and inclusiveness, which goes back to its early days when Henry Ford was among the first to establish a company with employees who represented the communities it served.

Today, Ford supports 10 Employee Resource Groups who represent African-Americans, Hispanics, Asian-Indians, Chinese, Middle Eastern employees, disabled employees, working parents, gay, lesbian, bisexual and transgendered employees, female professionals and employees of multiple religious faiths. The Resource Groups help us better understand the consumer needs and wants of the groups represented. The Resource Groups also carry out a variety of voluntary community activities.

In the EU, 2003 was designated the "Year of People with Disabilities." In support of this

initiative, Ford Europe sponsored a number of activities, including the formation of the Disability Action Group (DAG) as a new Employee Resource Group. DAG will further promote awareness of disability issues throughout the business. DAG is also working with Ford Land (Ford's building and land services division) to improve the accessibility of working environments.

The Ford Europe Chairman's Leadership Award for Diversity recognized 22 teams and individuals for outstanding contributions to diversity in the workplace, including a unit that offers special services to customers with disabilities.

Customers and business partners

Our customers are increasingly diverse across all dimensions (see the Products and customers section, Page 12). To help our dealers better serve a changing customer base, we conducted 11 "Insight" seminars in 2003 and early 2004 for over 500 U.S. dealership employees representing more than 400 dealerships. The seminars focused on how the many dimensions of diversity can influence a dealer's marketing, selling and service approaches.

Ford continues to lead other automakers in its percentage of minority-owned dealerships – with more than 360 minority dealers, or 7 percent of our 5,100 U.S. dealerships. Ford was the first automaker to launch a postgraduate

training program aimed at helping minorities gain the necessary skills to become future dealership owners.

Our Supplier Diversity Development Office works with individuals, organizations and communities, developing opportunities for businesses owned by minorities and women. In 2003, we purchased \$3.4 billion in goods and services from more than 600 minority- and women-owned suppliers – enough revenue for a single company to make the Fortune 500 list. Ford is one of only 12 corporations in the United States that spends more than \$1 billion on goods and services from minority- and women-owned business enterprises.

Volvo Car's Purchasing Department, together with five major suppliers, several research institutions and an NGO, launched the Diversity in Swedish Industry (DISI) project in 2002 to increase the competitiveness of Swedish businesses by promoting diversity in member companies. DISI aims to integrate diversity into the business strategies of the six participating companies and to provide a forum for sharing participants' perspectives and experiences. It is partially financed by Equal, a program of the European Social Fund. In 2003, the initiative began to yield results in terms of improved workplace diversity, reduced sick leave and higher product quality.



LEFT
 Ford-Werke AG was named Germany's best employer for diversity in the prestigious "Deutschlands beste Arbeitgeber 2004" competition. Kai Stepp, editor-in-chief of German business media Capital (left), presented the award to Hans Jablonski, diversity manager with Ford of Germany.

Copyright Tom Maelsa, Capital

"We know that a company that acts with integrity internally will also interact with integrity outside the company."

Felicia Fields

Executive Director, Human Resources,
 Automotive Operations and Corporate Staffs



FORD RACES FOR THE CURE

More people in the United States die of breast cancer each year than in traffic accidents. Breast cancer is the leading form of cancer among women in the United States and the most common cause of cancer death among African-American women. Since 1995, Ford has partnered with the Susan G. Komen Breast Cancer Foundation as a National Series Sponsor of the Komen Race for the Cure® in an effort to support issues that affect the Company's customers and employees. Ford has dedicated more than \$80 million in donations, in-kind gifts and media support to raise awareness, educate the public, promote early detection and fund critical research and community outreach. We are involved in several ways:

- Our dealers sponsor local Komen Race for the Cure® events. Ford dealer involvement has grown from 56 in 1995 to more than 3,200 in 2003.
- More than 50,000 Ford employees have run or walked in races across the United States.
- In 2003, we partnered with prominent designer Lilly Pulitzer to create the breast cancer awareness cotton bandana. Over 500,000 bandanas were distributed to race participants nationwide. Lilly Pulitzer also designed a silk scarf that was sold at Bloomingdale's stores nationwide to further raise funds for the cause. With the help of several celebrities promoting the sale of the scarf, Ford raised over \$1 million for the Komen Foundation.
- We have developed an award-winning Web site entitled "Committed to the Cause" that provides comprehensive information and links to useful resources for survivors and supporters (www.fordvehicles.com/thecause).



We are working to strengthen relationships on all fronts. One vital relationship we have is with our employees, the heart and soul of our Company. Among the qualities we value most in our relationships with employees are open communications, a winning spirit and mutual respect. We strive to provide a work environment in which each employee feels welcomed and appreciated.

Open communications require listening. We routinely survey our employees to ensure that their voices are part of our decision-making processes. A number of key Company metrics on our business scorecards contain employee survey data.

I am encouraged that our salaried employee satisfaction scores have remained relatively stable through some difficult times. But we hope to do much better than that. I would not be surprised to see higher employee satisfaction in 2004, with the promise of a brighter future we are forging together as we build on the basics of our business.

We appreciate that how we get results is just as important as the results themselves. We have re-emphasized the highest standards of integrity with our senior leaders, who must model leadership behaviors and ensure that policies are followed. We know that a company that acts with integrity internally will also interact with integrity outside the company.

We're working to strengthen employee training and development opportunities to ensure that employees are capable of delivering the best products, ideas and innovations for our customers. For example, last year we introduced a Professional Development Framework to assist salaried employees in better understanding the information, processes and tools associated with their career development. We are continuing a legacy of building trust and respect with our union partners. We join together with them to discuss issues and plans that will carry us forward to greater success – not only in the products we produce, but in the lives of the people we touch.

Committed and engaged employees provide the engine that will enable us to build great products, a strong business and a better world. We are an extended family that constantly works to build and improve relationships with each other, our customers, the communities in which we live and do business, and society as a whole.



LEFT

Our 2004 winners of the “Salute to Dealers” program, pictured with Edsel Ford (center), were recognized for their outstanding commitments to community. More information is available at www.salutetodealers.com. The honorees were, from left to right:

- Jerry Korum, Puyallup, Wash.
- Casey and Debra Johnson, Fort Dodge, Iowa
- Melinda K. Holman and Joseph S. Holman, Fla. and N.J.
- Scott Bieler, Hamburg, N.Y.
- Todd Buch, Langhorne, Pa.
- David M. Conant, Cerritos, Calif.
- Wade Walker, Montpelier, Vt.
- John Shoemaker, Macon, Ga.
- Les Eck, Wichita, Kan.

Taiwan, Thailand, New Zealand, Belgium and Brazil. Within Europe, significant restructuring actions were negotiated and implemented in Belgium, Germany and at a number of facilities in the UK.

Employee satisfaction

In 2003, a record 72 percent of our salaried employees participated in the annual Pulse survey, which provides feedback on employees’ overall satisfaction with the Company, their jobs, diversity and other aspects of workplace satisfaction.

The Pulse survey includes a total of 55 items, eight of which make up what we call the Employee Satisfaction Index (ESI). Sixty-one percent of employees gave favorable ratings on the ESI in 2003, the same as in 2002. Year over year, just over a third of all 55 items improved, just under half declined and about one-fifth remained the same.

Among the areas showing improvement were employees’ satisfaction with supervision, teamwork and actions being taken to improve quality. The declining scores included those from training and development due to restricted opportunities, various aspects of workplace diversity and overall job satisfaction. Largely unchanged from last year was employee satisfaction with workplace stress and workload.

DEALERS

Our dealers are the face of Ford to our customers and communities. They are key employers and contributors to local economies. Ford and Lincoln Mercury dealers in the United States alone employ 242,000 people, with a payroll of almost \$9.0 billion and tax payments of more than \$825 million.

Dealers are an important part of our product-led revitalization. The wave of new product introductions will be of mutual benefit to Ford and its dealers and will help strengthen our relationships (see Products and customers section on Page 12).

Ford annually recognizes outstanding dealer contributions to the community through its “Salute to Dealers” program. The program was established in 2001 to demonstrate our commitment to dealers who provide outstanding products and services and

FAST FACT
 During 2003, we received a number of awards recognizing our leadership in diversity, including: DiversityInc’s Corporation of the Year, Urban Wheels Award for Outstanding Commitment to Diversity in the Automotive Industry and the Gay & Lesbian Alliance Against Defamation’s Fairness Award.

improve the lives of those in need. In 2003, the program was extended from Ford, Lincoln and Mercury to include all eight brands and awards were increased from six to nine dealers.

Les Eck of Rusty Eck Ford in Wichita, Kansas, for example, rallied businesses and the community to support the local public schools at a critical juncture, starting an Adopt-a-School program that matches businesses with schools that need help. John Shoemaker of Riverside Ford in Macon, Georgia, is a longtime community leader in youth, cultural and sports organizations. Shoemaker has championed the local youth theater program, provided scholarships for summer camp, played an integral role in continuing the Ocmulgee Indian Celebration and is involved in Adopt-a-Role-Model, a program that connects boys and girls without father figures to African-American role models.

SUPPLIERS

Suppliers are an integral part of our business, and our success is interdependent with theirs. We rely on more than 2,000 production suppliers to provide many of the parts that are assembled into Ford vehicles. Another 9,000 suppliers provide a wide range of nonproduction goods and services, from production equipment to computers to advertising.

Environmental management and human rights

It is important that our suppliers share our commitment to corporate citizenship. In 2003, we concluded a four-year joint effort aimed at extending the ISO 14001 environmental management standard throughout our supply base. Nearly all of Ford’s Q1 production suppliers worldwide have now achieved ISO 14001 certification. We also extended to our suppliers the Code of Basic Working Conditions that was adopted in 2003 (see Page 78 for more detail on the Code).

These standards for environmental management and human rights are an integral part of revised terms and conditions for production suppliers that became effective in January 2004 and are employed throughout our global supply base. Similar requirements will be integrated into the updated terms and conditions (currently being drafted) for nonproduction suppliers.

POLICY

EUROPEAN BLOCK EXEMPTION REGULATION

Our distribution system represents a key link in our ability to build our brand, develop relationships with customers and meet their sales and servicing expectations. In October 2002, the European Union adopted a new regulation that changes the way vehicles are sold and repaired throughout the European Community.

Under the "Block Exemption Regulation," manufacturers had the choice to operate either an "exclusive" distribution system or a "selective" distribution system. An "exclusive" system involves exclusive dealer sales territories, but possible sales to any reseller (e.g., supermarket chains, Internet agencies and other resellers not authorized by the manufacturer), who in turn could sell to end customers both within and outside of a dealer's exclusive sales territory. A "selective" system allows manufacturers to restrict dealers' ability to sell vehicles to unauthorized resellers.

To ensure that our customers derive maximum value and receive a consistent brand experience, we at Ford, along with the vast majority of other automakers, have elected to establish a "selective" distribution system. Under this system, the contracts for sales dealers and authorized repairers include specific core standards that must be adhered to. In addition, Ford has developed a pricing and bonus system, through which dealers that perform additional tasks and provide additional services will be rewarded with bonus payments.

We are handling the Block Exemption Regulation on a pan-European basis; one template contract agreement was developed centrally and then tailored to local legal requirements. The standards and the pricing and bonus system are also broadly similar across Europe. In effect, the Block Exemption Regulation has enabled us to treat the EU as a single market instead of a collection of individual countries. Germany led the roll-out for Europe and moved to the new contracts and standards in April 2003. By October 2003, the balance of the European markets had moved to the new structure.

We're working closely with our dealer partners to ensure that we continue to meet the needs of our customers in Europe in a way that makes business sense. Our strong product lineup and strengthening brand in Europe should position us well to manage the challenges.

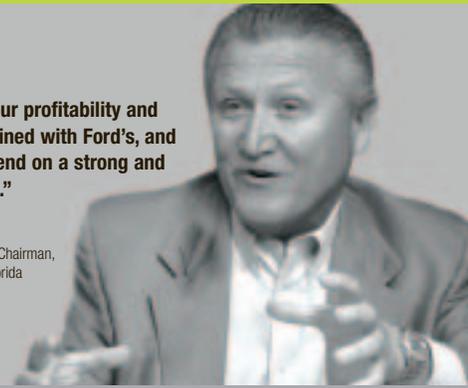
FAST FACT

In early 2004, Ford announced a half-billion-dollar, multiyear contract with Bridgewater Interiors, believed to be the largest contract awarded by an automaker to a minority-owned supplier. The contract is for seating systems for the F-150, Expedition and Lincoln Navigator sport utility vehicles produced in Michigan.

"We recognize that our profitability and success are intertwined with Ford's, and that both sides depend on a strong and healthy relationship."

Frank Rodriguez

Ford National Dealer Council Chairman,
Greenway Ford – Orlando, Florida



In my four years on the Dealer Council, I've seen a dramatic turnaround in the relationship between Ford and its dealers. We now regularly see senior management at dealer events. There's no better evidence than the NADA Convention's franchise meeting. This year is the first time I can remember so many corporate officers being in attendance.

We've also established a more open dialogue through the Ford National Dealer Council. There's a newfound spirit of cooperation at Ford. It gives dealers a voice on issues that affect them and a chance to provide input before a program is rolled out. That hasn't always been the case. I'm becoming more comfortable that important decisions will be brought to the Council to get our perspective before action is taken. For example, we're working cooperatively to change the customer satisfaction program – Blue Oval Certified – in a way that meets the needs of dealers, customers and Ford. We recognize that our profitability and success are intertwined with Ford's, and that both sides depend on a strong and healthy relationship.

We have ongoing discussions about the initial quality and durability of Ford vehicles. Quality has improved dramatically, and the evidence can be found in our shops. Warranty repairs have dropped substantially in the past few years. Ford has made quality a top priority, and, together, we won't take our eyes off it.

It's also really exciting to have new vehicles to sell. All Ford dealers got a taste of what their showrooms will look like at this year's national spring dealer meeting. Ford Division rolled out more new products than I've seen at a meeting like that. The new F-150 is the best product I've ever driven, car or truck. Dealership employees and customers love it. The quality is better than the old F-150, which is hard to believe because it was already so high. We're also thrilled to be getting back seriously in the car business with the Ford Five Hundred and new Mustang. We're glad to see Ford be first to market with a hybrid SUV (the Escape). It's the right direction to go. If these new launches are home runs like the F-150, the turnaround will be even bigger.



LEFT
 Ford employees, suppliers and their families and friends at the London “Walk to Cure Diabetes” event on Oct. 5, 2003.

Ford is the top corporate sponsor and only international sponsor of the Juvenile Diabetes Research Foundation International. Ford employees in the United States, UK, Australia, Canada, Russia, France, Germany, Italy, Brazil and Spain participated in more than 40 walks in 2003 that raised \$3 million, bringing Ford’s total contributions to \$10 million since 1998.

Building trust

The operational dynamics between Ford and its suppliers are most productive when the relationships are rooted in mutual trust. We have always relied on extensive communications with our key suppliers to monitor the tone and tenor of our relationships and to address concerns before they become problems. To take a deeper look at the level of trust between Ford and supplier employees at all levels, in 2003 we piloted an extensive survey of supplier relationships, using a third party (Harris Interactive) to collect feedback.

The results revealed that there is an opportunity for further improvement and that key efforts under way are aimed at the areas of the business most essential to building better relationships. These include fact-based communication and problem solving, which is being enabled through Team Value Management, improved stability of our product and business planning environment and adherence to Ford-Supplier Relationship Values. These values include commitments to:

- Act like a partner to be a partner
- Trust and be trustworthy
- Communicate with consistency
- Be fact-based
- Think value, not just price
- Be the customer of choice

FAST FACT
 During 2003, all 500 members of Volvo Cars’ purchasing staff had completed corporate citizenship awareness training initiated in 2002. Targeted training was also introduced for buyers and technicians working with suppliers in new and emerging markets.

We have created the Ford Supplier Sustainability Forum (successor to the Supplier Environmental Forum) to provide a venue for collaboration between Ford and suppliers that are demonstrating leadership in sustainability. The Forum’s mission is to:

- Foster communication and information-sharing among participants
- Provide an opportunity for open dialogue between Ford and its suppliers
- Identify areas for collaboration, share best practices, explore common emerging issues and generate actions to address issues that deliver business value
- Advocate for the implementation of actions at our companies and our supply chains

During 2003, Forum members focused on integrating broad sustainability issues into their businesses. Members engaged with multiple functions in their companies to explore sustainability issues and tools for implementation.

SOCIETY

We engage regularly with “society,” as represented by government officials, NGOs, academia and other organizations and individuals. Examples of these engagements can be found in the Accountability section (Page 8) and throughout this report.

SUPPLIER ENVIRONMENTAL LEADERSHIP

Each year, Ford recognizes outstanding performance among its suppliers with Recognition of Achievement Awards for Environmental Leadership.

To win the Environmental Leadership Award, a supplier must meet several criteria, including attaining ISO 14001 certification, reporting on the use of restricted substances and supporting Ford’s efforts to reduce the environmental impacts of its products.

Three suppliers won the award in 2003:

NYK Line, in part for its innovative use of environmental management systems and technologies to address substances of concern (through TBT-free paint) and efforts to reduce greenhouse gas emissions

Alcan Inc., for its partnership with Ford on recovering and recycling aluminum and for Jaguar XJ aluminum technology that helps deliver best-in-class fuel economy and CO2 emissions

ABB Ltd., for its use of environmental metrics, including environmental product declarations and reporting, to address substances of concern and greenhouse gas reduction



NOTES TO THE DATA

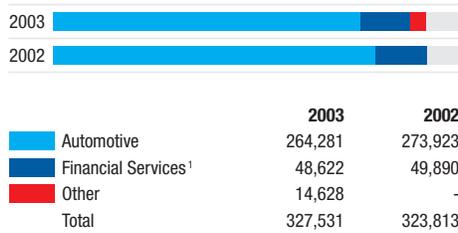
Chart A From Dec. 31, 2002 to Dec. 31, 2003, the number of people we employ increased approximately 1 percent. The 2003 number includes 14,628 employees who were added to our on-roll employment numbers as a result of the consolidation of several joint ventures that were deemed variable interest entities of which we are the primary beneficiary under Financial Accounting Standards Board ("FASB") Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). Excluding the effects of the consolidation of these entities, the number of employees on-roll would have declined 10,910 (or approximately 3 percent). The employment numbers exclude approximately 20,000 hourly employees of Ford who are assigned to Visteon Corporation, and, pursuant to our collective bargaining agreement with the UAW, remain Ford employees. Visteon reimburses us for most of the costs associated with these employees.

Chart C Total average hourly labor costs reflect earnings and benefits per hour worked for hourly employees. The increase in total average hourly labor costs in 2003 over 2002 reflects a 33.6 percent increase in benefit costs per hour worked primarily because of increased health care costs, a one-time \$3,000 lump sum payment to each of our U.S. hourly employees upon ratification of our new collective bargaining agreement with the UAW and increased pension expense.

Chart D In 2003, we expanded our reporting to include purchases from nonminority women-owned businesses. This accounted for \$0.2 billion in 2003 and is not included in data for prior years.

A

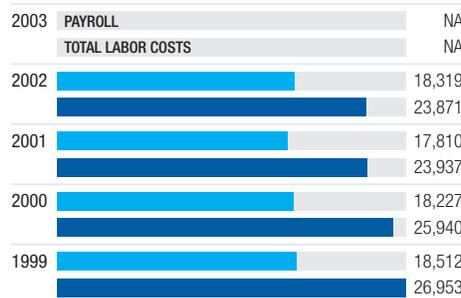
Average number of people employed by business unit



¹ Includes employees of the Ford Motor Credit Company and the Hertz Corporation.

B

Total payroll and benefits worldwide
\$ million
NA – Not available



2003 data are not available because of a transition in information systems to collect and report data at the business unit level.

C

Total average hourly labor costs
\$



D

Total purchases from minority-owned businesses – United States
\$ billion



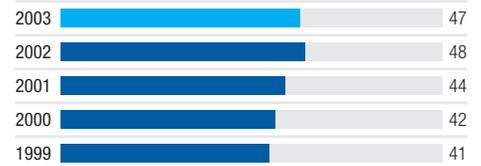
E

Employee satisfaction, Pulse survey
Percent satisfied

Workload



Stress



Reward and recognition



Diversity



Employee Satisfaction Index



Financial health

Related information in other sections of this report:

- Products and customers – Page 12
- China – moving into the fast lane – Page 72

Additional information on www.ford.com/go/globalcitizenship:

- SAM Research Assessment for Ford's inclusion in the Dow Jones Sustainability Index
- Response to Carbon Disclosure Project questionnaire (also available on www.cdproject.net)

We will make our decisions with proper regard to the long-term financial security of the Company.

We will achieve this by:

- Striving to create value for our shareholders that is sustainable over the long term
- Seeking enhanced stakeholder loyalty as a route to competitive advantage and long-term growth

PROGRESS SINCE OUR LAST REPORT

We marked a turning point in our revitalization during 2003, returning the Company to modest profitability. Some financial highlights of 2003 include:

- **Numerous successful vehicle launches and quality improvements, as described in the Products and customers section on Page 12**
- **An improved business structure, including capacity reductions that made us more efficient and aligned to the market**
- **Full-year net income of \$495 million, or 27 cents per share, compared to a net loss of 55 cents per share in 2002**
- **Full-year income from continuing operations that more than doubled to \$1.14 per share, excluding special items¹**

We continued to receive favorable rankings in several socially responsible investment indices and to benefit from constructive feedback from the rating organizations on our performance and our approach to sustainability.

¹ Special items totaling \$2.1 billion on a pre-tax basis were primarily related to restructuring charges at Ford Europe (\$513 million) and charges at Ford North America resulting from our agreement with Visteon (\$1.6 billion).

FEEDBACK FROM SAM RESEARCH

For the second year in a row, Ford was selected as a member of the Dow Jones Sustainability Index. Sustainable Asset Management (SAM), the research provider behind the Index, provided us with the following feedback:

“2003 continued to be a difficult year for Ford regarding its commitments in the environmental area, in particular regarding SUV fuel economy. However, 2003 also saw the introduction of the Ford Business Principles that provide a

framework for embedding sustainability into business strategy. While these Principles will yet have to be underpinned by strong key performance indicators and a systematic governance system, it is a reflection of Ford's commitment to lead the industry regarding corporate sustainability.

“Moreover, production in the new Rouge Center is a clear best practice example of how to combine manufacturing excellence with social

and environmental aspects. Ford's structural bias in the light truck segment continues to be reflected in a carbon-intensive product portfolio. Given that the revitalization will be largely driven by light trucks, this is not expected to change soon, leaving Ford exposed to climate policy-related risks.”

SAM Research's assessment of Ford is available on www.ford.com/go/globalcitizenship.

REVITALIZATION ON TRACK

Our Revitalization Plan, established in January 2002, sets the direction for returning our business to profitability and improving our pre-tax profit to \$7 billion by mid-decade (which we have defined as 2006). The Plan focuses on improving quality, introducing new and exciting products, achieving cost reductions and rebuilding relationships. It sharpened our “back-to-basics” focus on core automotive and automotive finance businesses and has delivered results that indicate we are heading in the right direction.

The first quarter of 2004 was our best since launching the Revitalization Plan. We reported net income of 94 cents per share, or \$1,952 million. While we do not expect a linear progression to our mid-decade target, our efforts are paying off and giving us confidence that we are on the right track.

We continue to face highly competitive markets around the world, reflected in automotive-sector losses in Europe and a decline in market share in North America in 2003. In addition, there continues to be overcapacity worldwide among all manufacturers and, as a result, sales incentives on our vehicles remain high. In this environment, we have focused on managing revenues in several ways. We made a conscious decision to cut back on low-margin vehicle sales to rental car companies and fleet buyers. This enhanced our profitability but affected our market share. We also tried to carefully manage our use of incentives, resulting in lower incentive costs than some of our competitors.

Details of our financial performance, including information on key economic trends and risk factors affecting the automotive industry, are available in our Annual Report to Shareholders and our Annual Report on Form 10-K.

FAST FACTS

The Social Investment Forum's annual trends report found that more than one out of every nine dollars under professional management in the United States today is involved in socially responsible investing. The study identified a total of \$2.16 trillion in socially screened portfolios.

According to a study by the Center for Automotive Research, U.S. motor vehicle output represented 3.3 percent of U.S. Gross Domestic Product in 2002 and increased by 51 percent from 1987 to 2002 when measured in constant 1996 dollars.

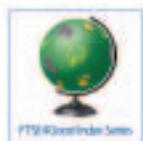
Our Annual Report on Form 10-K also includes information on significant pending legal proceedings related to product liability, environmental and other legal matters. The report also discusses the governmental standards and regulations applicable to our products and facilities – relating to safety, corporate average fuel economy (CAFE), greenhouse gas emissions, conventional emissions control and others – that could affect our overall sales and earnings significantly.

RANKINGS BY SOCIALLY RESPONSIBLE INVESTORS

We see increasing evidence that strong performance on sustainability issues will deliver improved financial results and provide a proxy for the overall quality of a firm's management. By taking advantage of business opportunities and minimizing the risks related to environmental and social trends, we can deliver increased shareholder value over the long term.

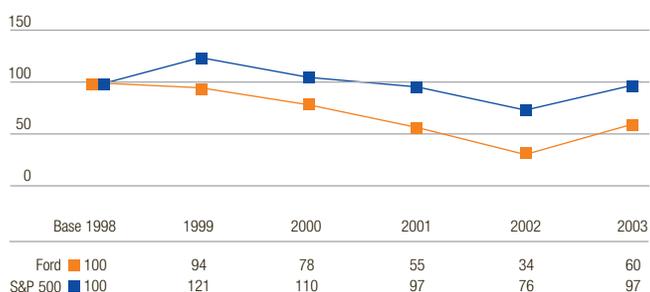
In 2003, we were included in the Dow Jones Sustainability Index and the FTSE4Good Index, based on favorable evaluations of our sustainability programs and performance. The German-based rating agency oekom research AG placed us seventh out of the 20 automotive industry companies that were rated. The UK's Business in the Community, in its Corporate Responsibility Index, ranked Ford first in its sector and 53rd overall.

These rankings and the evaluations behind them are important for understanding our own position relative to the rest of the industry and better understanding our strengths and weaknesses. We intend to continually improve our position on the leading indices evaluating sustainability and social responsibility.



NOTES TO THE DATA

Chart A Graph assumes an initial investment of \$100, quarterly reinvestment of dividends and, in the case of Ford common stock, an adjustment to reflect the impact of the spin-off of Ford's interest in Associates First Capital Corporation April 7, 1998, and Visteon Corporation June 28, 2000, as well as the Company's recapitalization and merger, also known as the Value Enhancement Plan, Aug. 2, 2000.

A
Five-year cumulative shareholder return \$

B
Profile of Ford investors

INVESTOR	2001	2002	2003
Institutional investors:	44%	38%	37%
Top 15	16%	15%	17%
Others	28%	23%	20%
Employees and management	20%	21%	22%
Individuals*	36%	41%	41%

*The ownership by individuals includes shares owned by the Ford family and by Ford employees and management outside of the Company savings plans.

C
Selected financial performance indicators

INDICATOR	2001	2002	2003
Annual revenue (\$ billion)*	160.5	162.3	164.2
Income/(loss) from continuing operations (\$ billion)*	(5.3)	0.3	0.9
Net income/(loss) (\$ billion)	(5.5)	(1.0)	0.5
Stock price range (per share) (\$)	14.70–31.42	6.90–18.23	6.58–17.33
Diluted per share amount of income/(loss) from continuing operations (\$)	(2.96)	0.15	0.50
Diluted per share amount of net income/(loss) (\$)	(3.02)	(0.54)	0.27
Cash dividends (\$)	1.05	0.40	0.40
Earnings retained for use in business (\$ billion)	10.5	8.7	8.4
Automotive cash (\$ billion)**	17.7	25.3	25.9
Shareholder return (percent)†	(30)	(39)	79

* Prior years data reclassified for discontinued field-for-sale operations.

**Includes cash and cash equivalents, marketable and loaned securities and assets held in a short-term Voluntary Employee Beneficiary Association trust.

† Total Shareholder Return is from Bloomberg. Total Return Analysis assuming dividends reinvested in Ford stock.

D

Worldwide taxes paid \$ billion	2001	2002*	2003*
U.S. (Federal, State and Local)	1,239	1,383	1,834
Non U.S.	1,937	1,260	2,238
Total	3,176	2,643	3,072

*Excludes Federal refunds

A closer look

In the sections that follow, we provide 'closer looks' at some of the places, products and issues that illustrate our progress on our corporate citizenship journey.

Climate change – Page 60

Discusses our response to the issue of climate change and sets the stage for the three articles that follow.

The world's first hybrid SUV – Page 62

Introduces our Escape Hybrid, the first vehicle to combine SUV capability with the outstanding fuel economy and low environmental impact of a full hybrid.

Charting our technology roadmap – Page 64

Explores the range of promising technologies that Ford is developing to advance the evolution of more environmentally friendly vehicles.

The hydrogen option – Page 66

Focuses in on the long-term potential and current hurdles facing hydrogen-powered vehicles.

Any color you like: the paint shop – Page 68

Examines our systems approach to the environmental issues and tradeoffs associated with painting operations at our manufacturing facilities.

Creating and conserving at Hermosillo – Page 70

Provides a brief tour of the accomplishments and challenges of one of our facilities, located in Hermosillo, Mexico.

China – moving into the fast lane – Page 72

Discusses how we are building the foundation to expand our presence – profitably and responsibly – in one of the world's fastest-growing markets.

Responding to the threat of HIV/AIDS – Page 76

Chronicles our comprehensive response in Southern Africa that provided a model for our approach to the issue globally.

Safeguarding human rights – Page 78

Outlines steps we have taken to address human rights at our facilities and in our supply chain.

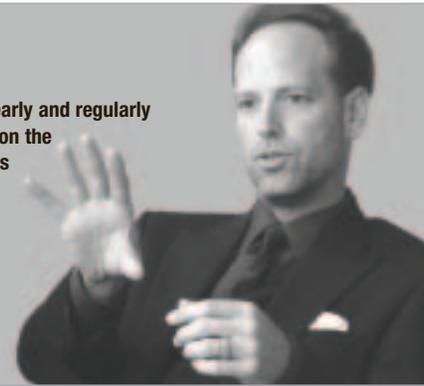
F-150 according to our Principles – Page 80

Looks at the launch of one of our best-selling products through the lens of our Business Principles.

“We realize that starting early and regularly monitoring our progress on the issue of climate change is critical to our long-term corporate viability and financial success.”

Jim Gouin

Vice President and Controller



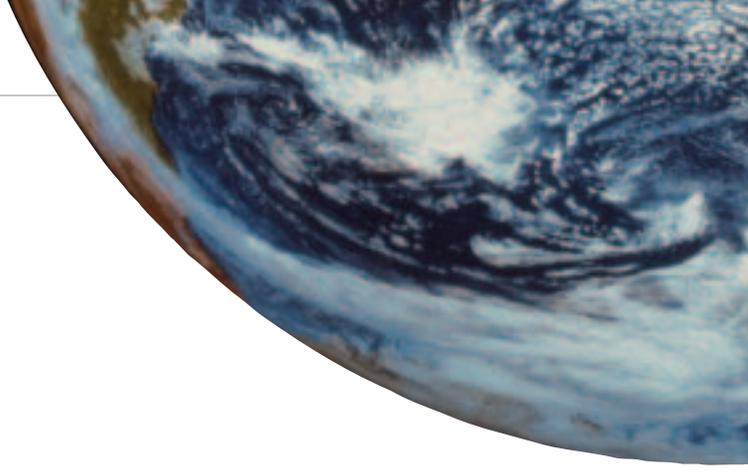
In finance, various groups and institutions are starting to discuss and quantify how climate change and greenhouse gas emissions might affect the income-producing power, and therefore value, of assets. This is particularly relevant for industries and firms like ours that currently rely on carbon-intensive processes or products.

Research is emerging that analyzes the nature and magnitude of potential risks to corporate value related to greenhouse gas emissions. Key financial service sectors are beginning to factor the potential effects of climate change into their decision making. This includes risk avoidance as well as opportunities for investment in new technologies that can reduce greenhouse gases. Pension fund managers and administrators globally, including a number of U.S. state and local treasurers convened by CERES, have joined together to discuss the financial risks they may face because of investments in companies whose products and services have an adverse effect on climate change.

The growth in this activity is understandable. Mechanisms to measure and ultimately control greenhouse gas emissions are starting to emerge, including schemes to “trade” carbon credits. While currently voluntary in nature, these schemes could become real constraints with mandatory compliance. If that happens, companies will need strategies to reduce greenhouse gas emissions to succeed in an increasingly “carbon-constrained” world.

Compelling evidence exists to support the conclusion that global warming will continue. The challenge for Ford is to identify strategies and actions that can deliver meaningful improvements in greenhouse gas emissions while maintaining sustainable and acceptable financial returns. Often these objectives are at odds – which is one of the primary reasons we cannot always move as fast as we might like. Looking ahead, one of our key roles will be to ensure that Ford’s decision models and reporting metrics provide an appropriate balance between both the short-term costs and long-term benefits related to actions that reduce greenhouse gas emissions.

There is often a risk for strategic issues like this to be “overshadowed” by pressing near-term traditional business issues. However, we at Ford realize that starting early and regularly monitoring our progress on the issue of climate change is critical to our long-term corporate viability and financial success.



Climate change

OUR COMMITMENT

Climate change is a critical issue for Ford Motor Company. Our impact on greenhouse gas emissions relates primarily to the fuel efficiency of the vehicles we offer to the marketplace and our customers' use of them. Approximately 90 percent of a vehicle's lifecycle greenhouse gas emissions are attributable to CO₂ emitted during customer vehicle use. The remaining 10 percent are attributable to emissions generated during materials production, manufacturing of the vehicle, transportation of parts and vehicles, office operations and vehicle end-of-life.

We have consistently acknowledged the potentially serious consequences of climate change. The need to reduce greenhouse gas emissions is driven by many factors: greater scientific certainty, increasing interest by governments, emerging investor attention to the business risks and opportunities, growing importance to consumers and rising questions about regional energy security.

We are committed to improving fuel economy and reducing greenhouse gas emissions across our range of vehicles. We will also continue working on innovative policy approaches that encourage the development of advanced technologies and lessen greenhouse gas emissions. We have set several voluntary targets to reduce greenhouse gas emissions from our plants, and we seek to achieve several industry targets for our products. Our emissions data can be found on Page 30.

OUR TARGETS

Product

European Automobile Manufacturers Association's CO₂ commitment
EU new car fleet average of 140 g/km by 2008; equivalent to 25% average CO₂ reduction compared to 1995

Australia industry fuel economy commitment
Fuel economy of 6.8 l/100 km by 2010 from 2001 level of 8.28 l/100 km

Manufacturing

Global manufacturing energy efficiency
Ford's global operations to improve production-normalized energy efficiency by 14% between 2000 and 2005

UK Emissions Trading Scheme
UK operations to achieve a 5% absolute reduction target over a 2002–2006 timeframe, based upon an average 1998–2000 baseline

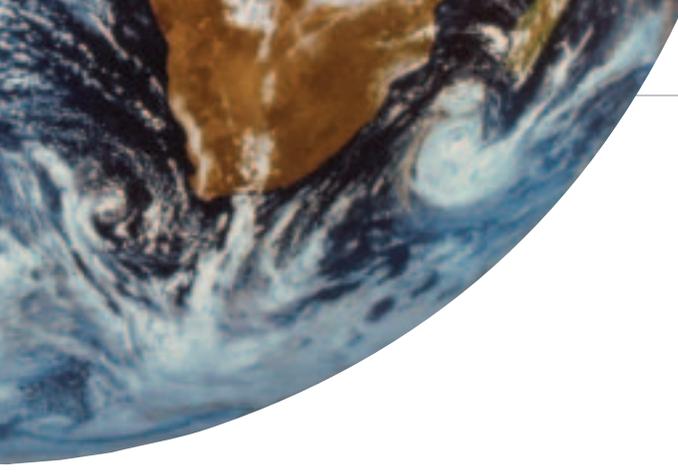
Chicago Climate Exchange
Reduce North American facility emissions 4% over a 2003–2006 timeframe, based upon an average 1998–2001 baseline

Alliance of Automotive Manufacturers
Reduce U.S. facility emissions 10% per vehicle produced between 2002 and 2012

OUR ACTIONS

We have also taken actions across our business to address the climate change issue.

- **Products.** We are introducing more fuel-efficient technologies on our current vehicles (see Pages 16 and 22) and developing lower-carbon technologies for the future (see the following pages).
- **Manufacturing.** In addition to the targets we have set and our participation in the development of market-based trading systems, in the United States we obtain 5 percent of our energy needs from "green" sources, including hydropower and waste gases, exceeding our commitment under the U.S. EPA's Green Power Partnership.
- **Public policy.** We led in forming a coalition of organizations to support performance-based federal tax credits for consumers who purchase advanced-technology vehicles like hybrids. We are also working with state policymakers to encourage the development of customer incentives such as state vehicle sales tax exemptions and state fleet procurement programs of these vehicles (also see discussion of CAFE on Page 22).
- **Consumer behavior.** We have developed and implemented an Eco-Driving training program in Europe that has been shown to reduce average driver fuel consumption, and thus CO₂ emissions, by 25 percent in real-world driving conditions. We are currently developing a similar education program for high school students and young drivers in the United States. We also co-chair the United Nations Environment Program's "Greener Driving" campaign.
- **Research.** In partnership with BP and Princeton University, we support the Carbon Mitigation Initiative (www.princeton.edu/~cmi/). We are also a sponsor of the Massachusetts Institute of Technology's Joint Program on the Science and Policy of Global Climate Change and the Alliance for Global Sustainability and we have contributed to the WBCSD Sustainable Mobility project as described on Page 16. Ford's unique, in-house atmospheric science research provides insight into the contribution of vehicles to air quality and climate change issues.
- **Reporting.** We have submitted data on our 1998–2003 U.S. emissions to the U.S. Department of Energy's 1605(b) Greenhouse Gas Registry. We have actively participated in and supported the development of the WRI/WBCSD Greenhouse Gas Protocol (www.ghgprotocol.org) because of the need for a common voluntary greenhouse gas accounting and reporting standard. We also register our North American emissions as part of our commitment to the Chicago Climate Exchange.



“We are working along several different paths – advancing the science, improving the engineering and working with others on broader issues. We want to ensure that we prepare for changing markets and also help bring about the change.”

Dave Szczupak
Vice President, Powertrain Operations

OUR STRATEGY DEVELOPMENT

Reducing greenhouse gas emissions proactively, transparently and affordably are key elements of our product development plans and are in line with the interests of our customers, shareholders and other stakeholders. A comprehensive approach to climate change is going to take a Companywide effort that cuts across multiple functions and is integrated in its objectives and execution.

In 2003, we made significant progress toward developing a strategy on the linked issues of climate change, energy security and fuel economy, which will initially drive internal development, evaluation and action programs.

The following are among the foundations of our strategy development:

- A review of the scientific literature on climate change, particularly the Intergovernmental Panel on Climate Change's greenhouse gas stabilization scenarios.
- A realization that, although we are only responsible for a small fraction of greenhouse gases emitted into the atmosphere, we need a long-term emissions reduction strategy that will contribute to a stabilization of greenhouse gases.
- A belief that, while we have the greatest control over emissions from our manufacturing facilities, as well as the fuel efficiency of our vehicles (subject to market demand), our approach needs to consider opportunities for improvement throughout the vehicle lifecycle.
- An awareness that our internal governance of climate change must cut across multiple functions, reflecting the many parts of the organization that must contribute to the development and implementation of a strategy to reduce greenhouse gas emissions.

Some of the insights gained from this process are reflected in the perspectives of Ford executives, offered on this page and Pages 5, 17, 49 and 59. Most importantly, our actions moving forward will demonstrate our deeper understanding of the issue of climate change and our resolve to address it.

FAST FACTS

In 2003, Ford Motor Company of Canada won recognition as a Gold Champion Level Reporter for its participation in Canada's Climate Change Voluntary Challenge and Registry.

Ford was selected to the Carbon Disclosure Project's 2004 Climate Leadership Index. For more information and a copy of our response to the project's questionnaire, see www.cdproject.net.

Hybrid electric vehicles are grabbing plenty of attention these days. They offer an exciting alternative – one that does not sacrifice performance or convenience. The early interest in our Escape Hybrid has been so encouraging that we will be offering full hybrid powertrains in two more models – the Mercury Mariner and our new midsize sedan. These vehicles will help us create a mass market for hybrids and continue to make them more affordable.

But hybrids aren't the only game in town. We are in various stages of bringing to market advanced gasoline, clean diesel, hydrogen and fuel cell powertrains. No one is sure which combination of technologies will ultimately prevail, but we are confident that alternatives to traditional gasoline engine powertrains will continue to emerge. Winning technologies will need to have significantly better fuel economy and lower lifecycle emissions while meeting customer expectations of safety, availability, reliability, driveability and cost.

So we are working along several different paths – advancing the science, improving the engineering and working with others on broader issues. We want to ensure that we prepare for changing markets and also help bring about the change.

As we began to consider a comprehensive strategy on climate change, we asked several environmental organizations and activist groups to work with us, provide advice and exchange points of view. Some of us in the operational side of the business did not know what to expect, though we knew we would be talking with some of our toughest critics. And we genuinely wanted to hear the perspective they bring to the issue.

We sat at the table and listened to – and learned from – views quite different from our own. We didn't – and still don't – agree on everything: how far, how fast and how much. But we do agree that climate change is real and requires significant change across many industries, including our own. We found common ground around the need to build markets for the new technologies we're developing. And we agreed on a range of issues that must be addressed to develop viable solutions.

We will continue to engage with external groups in our plans going forward. I believe the exchange will result in better plans and better products.

The world's first hybrid SUV



NO COMPROMISES

When the 2005 Ford Escape Hybrid rolls off the line at the Kansas City Assembly plant and arrives in dealer showrooms in the United States and Canada in late summer 2004, it will be the industry's first commercially available, full hybrid SUV and the first full hybrid offered by a U.S. automaker. The "no compromise" Escape Hybrid will deliver excellent fuel economy and emissions performance while providing the functionality, utility and other SUV attributes of the conventional Escape.

ESCAPE HYBRID FEATURES

The Escape Hybrid can run on its gasoline engine, its electric motor or both together, depending on driving conditions. The Escape Hybrid is a full hybrid, which means that at low speeds and when stopped (e.g., in traffic or at a stoplight) the gasoline engine can automatically shut off and the vehicle can be driven in electric-only mode. The electric motor in the Escape Hybrid is capable of powering the vehicle up to 25 miles per hour. (Not all hybrids are full hybrids. "Mild hybrids" can shut off the gasoline engine when the vehicle is stopped, but cannot drive in electric-only mode.)

Six major components in the Escape Hybrid's powertrain contribute to its efficient operation:

- **Electric motor:** The compact electric motor operates on power drawn from both the battery pack and a generator motor. Its peak power is 65kw (equivalent to 87 horsepower).
- **Battery pack:** The sealed nickel-metal hydride (NiMH) battery pack is rated at 330 volts and stores electrical energy for starting the gasoline engine and for added boost in acceleration performance.
- **Regenerative braking:** During braking, the electric motor captures the energy that is normally lost and sends it back to the battery pack to be stored for later use. Regenerative braking is one of the reasons you never have to plug in a hybrid vehicle.
- **Gasoline engine:** The 2.3-liter, four-cylinder engine features Atkinson cycle combustion for improved efficiency.
- **Electronically Controlled Continuously Variable Transmission (eCVT):** An eCVT harnesses internal combustion and electric power sources to drive the wheels. It eliminates the noticeable upshifts and downshifts of conventional automatic transmissions.
- **Vehicle System Controller (VSC):** Seven different microprocessor-based control modules ensure seamless operation and power flow. The VSC manages the Escape Hybrid's powertrain-related functions such as charging, drive assist and engine starting.

We are confident in this technology. To reassure our customers, we will provide warranty coverage of at least eight years or 100,000 miles for the unique hybrid components like the high-voltage battery, eCVT and DC/DC converter.

LEFT For our "Manhattan on a Tank of Gas" challenge, Ford and celebrity drivers covered 576 miles in an Escape Hybrid throughout Manhattan on a single 15-gallon tank of gas, averaging 38 mpg.



“We’re learning that these customers are ‘opinion influencers.’ They are the go-to people, the ones most often asked for opinions or advice.”

Sheri Shapiro
Marketing Manager, Escape Hybrid



FUEL ECONOMY AND EMISSIONS

The Escape Hybrid will be the cleanest, most fuel-efficient SUV on the road. Ford internal estimates of EPA label fuel economy are 35–40 mpg (city) and 29–31 mpg (highway) for front-wheel drive and 31–34 mpg (city) and 26–28 mpg (highway) for the four-wheel drive. This represents improvements of approximately 75 percent over the conventional V-6-powered Escape for the city label fuel economy and 15 percent for the highway label. The Escape Hybrid gets its best fuel economy in the “stop-and-go” traffic encountered in metropolitan areas. As with any vehicle, however, actual fuel economy will vary based on driving conditions and style. Our communications with customers will emphasize driving practices to help maximize fuel economy.

The Escape Hybrid is expected to be certified for sale as an advanced technology partial zero emission vehicle (AT-PZEV), the strictest emissions certification.

OUR COMMITMENT TO HYBRID TECHNOLOGY

We are strengthening our commitment to hybrid technology by expanding our lineup to include the 2007 Mercury Mariner Hybrid SUV and a hybrid version of a future midsize sedan.

Ford designed, developed and validated the hybrid powertrain system for the Escape Hybrid and expects more than 100 patents to be issued covering our unique Ford system. The engineering and launch of the Escape Hybrid has established a base of hybrid knowledge and innovation within Ford that will enable us to continue to deliver this technology at world-class levels for the Mariner and other future hybrids. To further our commitment, we have formed a Sustainable Mobility and Hybrid Vehicles program group to focus on developing all Ford Motor Company hybrids and related technology in-house. As the hybrid market continues to grow and evolve, we will be well positioned to drive the market and fulfill our promise to help create a better world.

FAST FACT
The 2005 Escape Hybrid will have a base manufacturer’s suggested retail price (MSRP) under \$27,000. Under federal tax guidelines it will qualify for a “Clean Fuel Vehicles” tax deduction – \$1,500 for 2004 purchases.



There are many preconceived notions as to who is interested in purchasing hybrids. We’re learning that these customers are “opinion influencers.” They are the go-to people, the ones most often asked for opinions or advice. They are naturally curious about technology and its benefits and thus, research products more than the average customer. They care about leaving the world a better place for their children and grandchildren. They tend to be leaders in their communities.

These consumers want to buy products from companies that share their values. They are asking us, “What else are you doing environmentally?” So we’re reaching out and communicating about our commitment, inviting people to do things like drive the vehicles, tour the Rouge facility or sign up for our e-newsletter to receive the most up-to-date information on the Escape Hybrid and other environmental initiatives.

We’ve had positive impressions so far. People love the look of the vehicle – that it doesn’t look different – just a few key visual cues tell you it’s a hybrid. They find it comfortable and roomy. They enjoy the on-board display and seeing which mode the vehicle is operating in or trying to boost fuel economy. Most have said it’s peppy and just as much fun to drive as a “regular” Escape.

However, a tremendous amount of education is still needed. Many consumers think a hybrid vehicle needs to be plugged in. They also should know the difference between full and mild hybrids. Dealers are being educated too, through a special certification program for sales and service.

We’ve put plenty of information on our Web site. Before even selling a vehicle, we had more than 50,000 people sign up for an Escape Hybrid e-newsletter. This speaks to the information-hungry nature of the customer and the strong demand. Nearly 70 percent of those who signed up for the e-newsletter don’t currently own a Ford. So in addition to bringing Ford into the hybrid market, this vehicle is a great opportunity to bring new customers into the Ford family.

Charting our technology roadmap

NEW TECHNOLOGY ON THE HORIZON

The basic building blocks of vehicles – engines, transmissions, batteries and fuel tanks – are evolving. Options are emerging in the near, mid and long terms that will complement or supplant existing technologies. The components in development or on the drawing boards, assembled in various combinations, will provide new generations of environmentally superior vehicles.

For almost a century, gasoline and diesel internal-combustion engines (ICEs) have powered cars and trucks. As a society and a company, we are now evaluating a variety of engines, fuels and drivetrains, searching for those that will meet societal needs and improve environmental performance in an affordable, high-volume way.

FOCUSING ON PROMISING OPTIONS

Our major research and development efforts are now focused on:

- Advanced gasoline engines
- Advanced diesel engines (see Page 17)
- Hybrid powertrains
- Hydrogen-powered internal-combustion engines
- Fuel cell powertrains

These technologies can operate with well-to-wheels CO₂ emissions in the range from near-zero to 160 grams per kilometer. Please see the Web version of this report at www.ford.com/go/globalcitizenship for detailed information on the CO₂ emissions associated with these technologies.

We believe that some combination of these technologies offers the potential for fuel economy and emissions gains in the near, mid and long terms. Benefits can be gained by exploring these technologies simultaneously and in combination, rather than trying to select one “winner.” For example, developing advanced transmissions and batteries speeds the development of hybrid vehicles, which in turn helps develop technologies for fuel cell vehicles.

Page 65 shows the vehicle subsystems that must be further developed to derive maximum fuel efficiency from the technologies we are exploring. Different combinations of these technologies can be used; they are not necessarily competing.

WHAT IS THE END POINT, AND HOW DO WE GET THERE?

Hydrogen fuel cell vehicles are currently considered the goal of automotive technology development, and indeed they have many advantages. Shifting to hydrogen fuel cells on a massive scale would be a revolutionary step. To get to that point, both vehicle technologies and infrastructure must evolve.

We are actively developing hydrogen ICEs, which could provide much lower tailpipe emissions and better energy efficiency than gasoline ICEs today, while helping chart an economically viable path toward hydrogen fuel cell vehicles. Hydrogen ICEs have a maximum brake thermal efficiency¹ of about 38 percent, or 25 percent better than a gasoline engine.

The introduction of hydrogen ICEs to the marketplace should go hand in hand with the development of a hydrogen fueling infrastructure. This simultaneous introduction of vehicles and infrastructure is critical to achieve a high volume of vehicle production and customer adoption.

Some subsystems needed for fuel cell vehicles – e.g., on-board hydrogen storage, fuel handling, instrumentation and sensors – could be developed first on a hydrogen ICE vehicle. Adding a hybrid electric powertrain (as we did with the Model U concept vehicle) provides further efficiency improvements. Technologies like batteries, electric motors and controls developed for hybrid hydrogen ICEs would also support the development of fuel cell vehicles. Thus, a hydrogen ICE could serve as a bridge between current technologies and future hydrogen fuel cell vehicles – providing nearly the same CO₂ benefits as fuel cells at a fraction of the cost.

We also know, however, that the path of evolution cannot be predicted. Questions remain about the source of fuel if hydrogen were adopted on a large scale. Order-of-magnitude reductions in well-to-wheels CO₂ emissions can only be achieved through bio-based or renewably produced fuels or the sequestration of emissions during fuel production. There are concerns about the scale of land mass conversion required to produce bio-fuels. And if a sufficient supply of affordable, low-carbon energy from wind, solar energy, or biomass becomes available, is producing automotive fuels the best use for this energy?

This is why our partnership with BP – which makes fuels and is committed to expanding renewable energy supplies – is so important.

We believe our strategy of simultaneous development of multiple technologies will serve us well, if the societal will and resources emerge to support a major shift to hydrogen fuel cells. We also believe this strategy will yield a range of options for environmentally improved vehicles, if the transition is more gradual.

¹ Ratio of work done by an internal-combustion engine to the amount of energy contained in fuel, as measured on a dynamometer (“brake”).



NEAR-TERM OPTIONS

Engines:

- Hybrid internal-combustion
- Advanced gasoline
- Advanced diesel

Batteries:

- 12 volt
- 150–300 volt

Transmissions:

- 6-speed automatic
- Continuously variable transmission
- Dual clutch
- Autoshift manual
- Hybrid powertrain



MIDTERM ADDITIONAL OPTIONS

Engines:

- Hydrogen internal combustion

Fuel tanks:

- Compressed gaseous hydrogen cylinder



LONG-TERM ADDITIONAL OPTIONS

Engines:

- Fuel cell

Fuel tanks:

- Solid/liquid storage

Batteries:

- Up to 450 volt

3 EXAMPLES: CURRENT AND NEAR TERM
ESCAPE HYBRID SUV

MIDTERM
FOCUS WAGON HYDROGEN HYBRID ICE

LONG TERM
FOCUS SEDAN FUEL CELL RESEARCH VEHICLE



SPECIFICATION	ESCAPE HYBRID SUV	FOCUS WAGON HYDROGEN HYBRID ICE	FORD FOCUS FUEL CELL VEHICLE
Engine	Hybrid internal-combustion	Hydrogen internal combustion	Fuel cell
Transmission	Hybrid powertrain	Hybrid powertrain	Hybrid powertrain
Battery	300 volt	300 volt	220 volt
Fuel tank	Gasoline	Compressed gaseous hydrogen cylinder	Compressed gaseous hydrogen cylinder
Curb weight	3,350 lbs	3,420 lbs	3,525 lbs
Fuel	Hybrid gasoline/electric	Compressed gaseous hydrogen	Compressed gaseous hydrogen
Fuel economy	Approx 35 mpg (FWD)*	Approx 45 mpg (gasoline equivalent)	Approx 50 mpg (gasoline equivalent)
CO ₂ emissions (tailpipe)	159 g/km	0	0
CO ₂ emissions (W-to-W†)	187 g/km	146–181/0† g/km	131–163**/0† g/km
Emissions	AT-PZEV	PZEV or better	ZEV
Engine power	155 horsepower	143 horsepower	87 horsepower
Driving range	400+ miles	125 miles	160–200 miles

*Ford internal estimates of EPA label fuel economy are 35–40 mpg (city) and 29–31 mpg (highway) for our front-wheel drive configuration. Estimates for the four-wheel drive configuration are 31–34 mpg (city) and 26–28 mpg (highway).

**CO₂ emission incurred in making H₂ by steam reforming methane.

† Negligible emissions when H₂ is made from renewable electricity.

†† "Well to wheels" CO₂ emissions account for emissions from the vehicle itself, as well as CO₂ emissions resulting from the production and distribution of the fuel.

The hydrogen option

Ford Motor Company believes that hydrogen offers promise as a clean, efficient and versatile source of energy for transportation. We are investing significant resources to advance and demonstrate hydrogen vehicle technologies, such as fuel cells and hydrogen internal-combustion engines for use in mobile and stationary (e.g., back-up power generator) applications. Given the enormity of the challenge, no one can do it alone, and we believe that partnerships involving industry, energy providers and government, as well as long-term vision, will be required to undertake this critical endeavor.

THE BENEFITS OF HYDROGEN

Hydrogen as versatile energy carrier

Hydrogen is very versatile. It can be extracted or generated from a variety of fossil fuels and renewable energy sources. Thus, it is better thought of as an energy carrier (like electricity) than strictly as a fuel. This diversity means that different geographic regions can obtain hydrogen from whatever feedstock is available, which would tend to reduce concerns about regional energy security.

Promise of zero emissions transportation

The use of hydrogen as a vehicle fuel results in tailpipe emissions that are mainly water vapor. If hydrogen is derived from renewable resources, or fossil fuel with sequestration of associated carbon, or if safe nuclear power sources with acceptable environmental impacts can be developed, the total environmental impact of hydrogen as a fuel would be minimal.

Fuel cell systems

Hydrogen fuel cells are the highest-efficiency technology for sustainable transportation. However, future fuel cell systems must have total costs of one to two orders of magnitude lower than today's developmental fuel cell systems to be competitive with conventional gasoline or diesel internal-combustion engine (ICE) technologies.

Possible bridge technology

Hydrogen can be burned efficiently in conventional ICEs. Hydrogen ICEs could be made using the large manufacturing infrastructure already used to produce gasoline- and diesel-fueled engines. Hydrogen ICEs could also help develop demand for the installation and expansion of a hydrogen refueling infrastructure, which will be necessary for the future adoption of hydrogen fuel cell technology.

THE CHALLENGES OF HYDROGEN

Cost of ownership and public acceptance

To be viable for high-volume sales, any new vehicle will need to function as well as, or better than, a conventional vehicle at comparable cost shortly after public introduction. Hydrogen fuels and vehicles face a number of challenges, many of which will require technical breakthroughs to attain reliable and affordable operation. For example, the cost of hydrogen, on an equivalent energy basis, needs to be reduced threefold to be competitive with gasoline. To compete with conventional gasoline and diesel ICEs, the durability of today's developmental fuel cell systems must be improved by one to two orders of magnitude.

Vehicle range and hydrogen storage

To achieve a minimum 300-mile range, we must develop low-cost, high-density, on-board hydrogen storage systems that do not add significant weight to the vehicle or reduce its cargo or passenger-carrying capacity. Technologies being investigated include compressed gaseous hydrogen tanks, chemical hydrides, metallic hydrides and carbon nanotubes, but none of these can yet meet cost or performance targets.

Infrastructure

Establishing a retail hydrogen infrastructure will be an immense proposition, with a cost exceeding tens of billions of dollars. Some have estimated that hydrogen fuel will need to be available at 25–50 percent of urban and 50–70 percent of rural filling stations before consumers will feel confident purchasing a hydrogen vehicle. A high-capacity mix of local, regional and central hydrogen-production and distribution facilities will also be necessary. To achieve major CO₂ reductions, infrastructure to produce hydrogen fuel using renewable energy or carbon sequestration must be developed. In addition, codes and standards need to be developed that support a hydrogen transportation system with cooperation at all levels of government, and they must be harmonized internationally.

FAST FACT
Ford's Model U concept vehicle (below) uses a hybrid internal-combustion engine running on compressed hydrogen gas to achieve 45 miles per gallon (gasoline equivalent) fuel economy and near-zero regulated emissions.



TIMING	2004–2009	2009–2015	2015 and beyond
Although it is difficult to predict the advent of any technology, the U.S. Department of Energy (DOE) has suggested a broad timeline to determine the practicability of fuel cell commercialization. In its fuel cell report to Congress, the DOE suggested (and Ford concurs with) the following target timeline:	Controlled fleet tests to evaluate the use of fuel cell vehicles in real-world conditions	Commercial readiness demonstrations to illustrate the viability of fuel cell and hydrogen ICEs and the expansion of hydrogen refueling stations to provide convenient sources	Determine whether there has been sufficient technical progress with the fuel cell and vehicle technology to let auto manufacturers make decisions regarding commercialization, and sufficient demand for energy providers to make hydrogen available at substantial numbers of fueling stations

FAST FACT

Ford has a partnership with, and an equity stake in, Ballard Power Systems, a world leader in developing, manufacturing and marketing zero-emission proton exchange membrane (PEM) fuel cells.

Demonstration programs

Currently, Ford has more than 20 Focus Fuel Cell Vehicles (FCVs) on the road, helping to prove out, develop and demonstrate the technology. That figure is planned to double over the next couple of years, with new fleet applications going into real-world service in Vancouver, Sacramento, Detroit, Orlando and Berlin. We are also developing and demonstrating two hydrogen hybrid ICEs and a nonhybridized hydrogen ICE.

The Focus FCV used in the test fleets is our third-generation fuel cell vehicle and one of the industry's first hybridized fuel cell vehicles. It uses an 85kW fuel cell stack supplied by Ballard Power Systems, hybridized with the addition of a nickel metal-hydride battery pack and a brake-by-wire electro-hydraulic series regenerative braking system. It produces zero tailpipe emissions other than water vapor. Three recently announced major demonstration partnerships are described below.

Ford-BP partnership

Ford Motor Company and BP have begun a major initiative aimed at moving the United States closer to a hydrogen economy. Supported by the U.S. Department of Energy, Ford intends to provide up to 30 hydrogen-powered Focus FCVs, and BP plans to build a network of hydrogen fueling stations to support them.

BP's hydrogen fueling stations will demonstrate state-of-the-art technologies. Some BP stations will evaluate technologies that have near-term commercial feasibility, such as reformation of natural gas, while others will explore long-term options and assess the potential to produce renewable-based hydrogen that achieves the DOE's hydrogen fuel-cost targets.

Vancouver Fuel Cell Vehicle Project

In partnership with Fuel Cells Canada, Ford will place five Focus FCVs in a three-year demonstration program – the Vancouver Fuel Cell Vehicle Project – beginning in the fourth quarter of 2004. The vehicles will be driven by select government, utility and technology industry fleet users under real-world conditions and are expected to accumulate 72,000 kilometers – about 45,000 miles – by the time the program is completed.

Clean Energy Partnership Berlin

Ford is part of the Clean Energy Partnership, formed to install the first public hydrogen fueling station in Europe. The consortium, composed of nine corporate partners and the German government, will offer conventional and alternative fuels, including liquid and gaseous hydrogen.

Beginning in early 2005, Ford will provide three Focus FCVs to users who will operate them under everyday conditions. Hydrogen will be generated directly at the filling station by electrolysis of water, using certified green electricity, after which it will be compressed. Consumer acceptance, vehicle durability and the economic efficiency of the sustainable production of hydrogen will be investigated.

“We need the help of partners, and, together with Ford, I believe we can achieve dramatic changes in the efficiency of energy use and the environmental impact of mobility.”

Stuart Smith

Technology Vice President –
Fuels & Lubricants,
BP



BP has a long history of leading improvements in environmental impact and climate change.

Ford and BP are leaders in their respective industries and are linked in the development of future mobility as well.

Energy and vehicles go together! It is particularly encouraging and exciting that Ford and BP have elected to embrace the challenge of environmental improvement through a growing relationship and cooperation.

BP is building on its heritage and leadership in developing and supplying the highest-quality fuels, which improve both vehicle performance and emissions. Ford and BP are now developing a joint fuels pathway toward a future of sustainable mobility. The projects we are undertaking together indicate both companies' commitment to an environmentally friendly future.

In the short term, we are optimizing the benefits of Ultimate, BP's environmental performance fuel, in combination with Ford vehicle technology. The aim is to delight our joint customers with improved efficiency and performance and reduced environmental impact. In the medium term, we are creating a pathway to improved diesel fuels.

With respect to the longer term, we are jointly embarking on a major initiative aimed at moving the United States closer to a hydrogen economy. We believe that this program – supported by the U.S. Department of Energy and called the “Controlled Hydrogen Fleet and Infrastructure Demonstration and Validation Project” – is unrivalled. It would have been simply impossible just a few years ago. The plan is to build a network of fuel stations to support Ford, enabling a hydrogen fuel supply for the hydrogen vehicles in key geographic areas.

This is the journey to which we are committed, one that we cannot and should not take alone.

We need the help of partners, and, together with Ford, I believe we can achieve dramatic changes in the efficiency of energy use and the environmental impact of mobility.

Any color you like: the paint shop

PAINTING A SUSTAINABLE STRATEGY

Henry Ford famously said of the Model T, “You can buy it in any color, as long as it’s black.” These words reflected a manufacturing reality of the day – black Japan enamel dried faster than other paint. Nearly a century later, paint has come a long way. It is now recognized as the “skin” of a car, determining its appearance and protecting the body below. Modern paint systems do these jobs much better than earlier paints, providing vehicles with many years of attractive, rust-free existence.

Figure 1: PAINT SYSTEM LAYERS

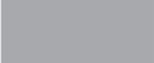
	LAYER	FUNCTION
	Clearcoat	Final protective layer
	Basecoat	Provides color
	Primer	Prepares surface for color
	Sealer	Seals out wind and water
	Electrocoat	Resists corrosion
	Phosphate	Improves paint adhesion
	Substrate	Vehicle body part

Figure 2: SYSTEM COMPARISON SUMMARY

	SOLVENT-BASED With pollution abatement (booth and oven)	WATERBORNE PRIMER AND BASECOAT With pollution abatement (oven)
QUALITY		
Application flexibility	++	--
COST		
Investment	+	-
Direct materials	++	--
Utilities	+	-
ENVIRONMENTAL		
VOC	=	=
CO ₂	+	-

Compares two of the most promising options based on a detailed analysis of dozens of advanced paint system alternatives. Pluses, minuses and equal signs indicate direction (positive, negative or equivalent) and magnitude of performance of the alternative systems relative to each other for the attribute.

With better paint performance has come increased costs and production complexity. And although the environmental performance of current coating materials is superior to earlier paints, the painting process still can be a source of potential environmental issues. Ford continues to explore options for painting that minimize the environmental impacts and physical footprint of its paint shops, while improving product quality and reducing costs.

THE PAINTING PROCESS IN BRIEF

A “paint job” on a vehicle is a complex process involving the application of multiple layers of material to the steel, aluminum or plastic body surface (see Figure 1). Some processes require heat curing between layers, while others can be applied “wet on wet.” There are quality, manufacturing and environmental issues associated with each step.

The primer, basecoat and clearcoat layers have the highest potential for volatile organic compound (VOC) emissions. Automakers historically have used three approaches to reduce these emissions: (1) reformulate coatings, (2) improve paint application and (3) install pollution abatement equipment to capture and thermally oxidize VOCs. Thermally oxidizing (or burning) VOCs results in the emission of CO₂, nitrogen oxides and other combustion byproducts.

Automakers have traditionally used solvent-based paints for coating vehicles. Waterborne paint formulations (also called water-based paints) are also used; in these paints, some of the solvent is replaced with water, thus reducing VOC emissions compared with unabated solvent-based systems. However, waterborne paints have other impacts, including the need for larger painting facilities, higher construction costs and higher energy use (which results in higher CO₂ emissions).

Waterborne and solvent-based paints also differ in the efficiency with which the paint is transferred to the body surface. Waterborne coatings have lower transfer efficiencies due to the much higher conductivity of the material, and they cannot be efficiently captured and destroyed. Waterborne materials are also typically lower in solids content, so that higher volumes of paint (up to twice as much) are required to achieve the specified paint thickness.

Improving the painting process

The multiple layers involved in a paint system give rise to numerous options, each with its own quality, cost and environmental profile. To sort through the choices, Ford worked closely with major paint suppliers to analyze the options and identify an optimal approach. Ford and its partners

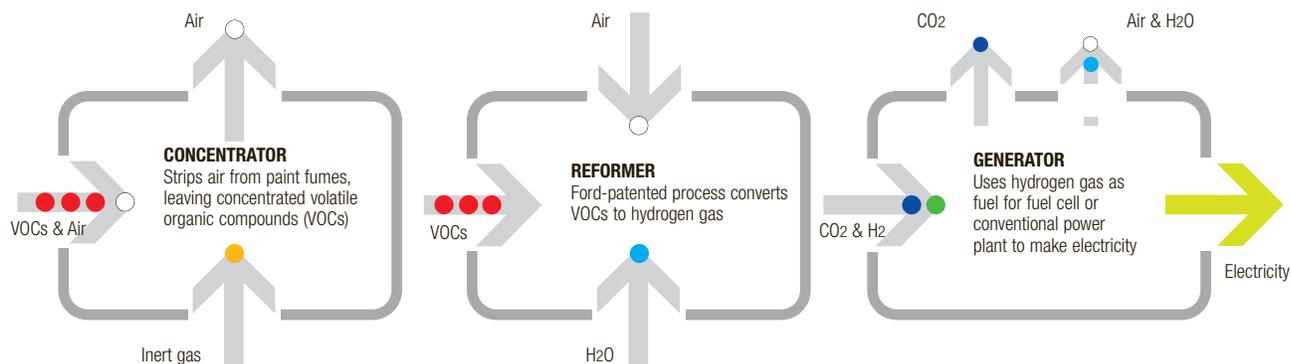


Figure 3: GENERATING ELECTRICITY FROM PAINT FUMES

took a systems approach to analyzing the tradeoffs, comparing complete paint systems to each other using uniform criteria. The results of the analysis were revealing.

Systems using waterborne formulations for the primer and basecoat (which, along with clearcoat, are where waterborne coatings are currently technically feasible) were compared with solvent-based primer and basecoat systems. It was found that the VOC emissions from waterborne systems were similar to those for the solvent-based systems, if pollution abatement technologies were used. The solvent-based systems also offered greater production flexibility, lower costs and lower CO₂ emissions (see Figure 2).

Fumes to fuel

As part of the Ford Rouge Center's sustainability innovation efforts, Ford searched for novel ways to reduce VOC emissions and turn wastes into resources. Could the VOC emissions be converted into clean electricity? A team of Ford and DTE Energy engineers and scientists responded to this challenge by developing a concentrator/reformer/fuel cell concept, in which VOCs are concentrated, reformed to hydrogen gas and subsequently converted to electricity with virtually no emissions other than water vapor (see Figure 3). Thus, a process that consumes energy in order to destroy pollutants becomes one that produces energy by destroying the pollutants. The process could also work with a conventional internal- or external-combustion engine instead of a fuel cell.

Using funds from the Rouge Heritage project and a Michigan Public Service Commission Energy Efficiency Grant, Ford and DTE Energy developed a prototype of the concentrator/reformer/fuel cell system that is now installed at the Rouge Paint Shop for further development and testing. The project received a 2003 Clean Air Excellence Award from the U.S. EPA in recognition of the project's innovative approach to making our air cleaner.



A NEW TAKE ON TWO-TONE

"Customers can have a vehicle in any color they want." That might be the new mantra as flexible painting systems are installed at Ford assembly facilities. Ford's Kentucky Truck Plant (KTP) offers a glimpse of how paint system innovations are helping meet customer desires and reduce energy use, emissions and solid waste.

The KTP is one of the facilities that makes Ford pickup trucks. Two-tone paint jobs are increasingly popular with truck customers. Two-tone paint, however, typically requires two trips through the paint shop, with separate applications of basecoat and clearcoat and a drying step between the different colors.

A team from the KTP, along with Ford paint experts, researchers and paint supplier DuPont, launched an industry-first process for applying two different colors to a truck body simultaneously. The wet-on-wet process – which won an *Automotive News* PACE Award – involves the use of an advanced primer and new materials and processes for masking. It has improved quality and appearance and reduced energy use, emissions and solid waste.

By cutting the time required for two-tone painting, the new process has improved the efficiency of the entire facility and its ability to assemble vehicles and meet customer needs in a timely fashion. The Kansas City Assembly Plant is also using the process.



Creating and conserving at Hermosillo



Ford's activities as a manufacturer, community member and employer had profound impacts on local U.S. communities in the early part of the 20th century. As our Company becomes increasingly global, we see similar influences and transformations in the many communities we now affect around the world. Few places today reflect the promise and vision of Henry Ford better than the Hermosillo Stamping and Assembly Plant (HSAP) in Mexico.

PERFORMING AT WORLD-CLASS LEVELS

HSAP routinely tops Ford's ratings for manufacturing operations and safety performance. It has tackled tough environmental issues. And it has played a pivotal role in the community and the region, helping to produce a growing middle class.

The plant is located in the city of Hermosillo, in the Sonoran Desert of northwest Mexico, south of the Arizona border. Hermosillo is a community of about 600,000 and is the capital and geographical center of the state of Sonora. HSAP currently builds the Ford Focus ZX3, ZX5 and SVT, and is switching over to produce a Ford midsize vehicle for 2006.

CREATING A HEALTH AND SAFETY CULTURE

HSAP has a long history of excellent health and safety performance. But to further improve, HSAP and its sister plants in Mexico conducted a "safety cultural transformation" project over the course of 18 months. Ford of Mexico employed 6-Sigma methods to measure and analyze risk exposure. Employees at all levels were involved through work groups that carried out activities such as recording near-accidents and observing high-risk behaviors. This research identified approaches to prevent, rather than react to, accidents. The initiative resulted in a 78 percent improvement in lost-time cases and a 36 percent improvement in the severity of illnesses and injuries.

In 2003, HSAP achieved zero lost-time accidents. Along with other safety metrics, this made HSAP the best of any Ford plant.

CONSERVING AND SHARING A SCARCE NATURAL RESOURCE – WATER

Ten years ago, a reservoir and wells provided drinking water to the city of Hermosillo. Beginning in 1995, drought hit the region, worsening until the reservoir dried up and water rationing was required for residents of the area.

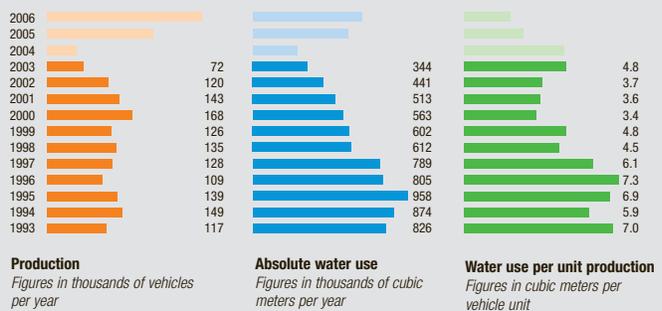
Because HSAP is one of the area's largest water users, the entire plant has become more sensitive, aware and committed to saving water. HSAP

personnel aggressively pursued the reduction of water use and, during the late 1990s, achieved a 40 percent reduction in the amount of water acquired annually from the city of Hermosillo (see Figure 1). During some water-scarce summers, HSAP was able to supply water to the city from its own wells.

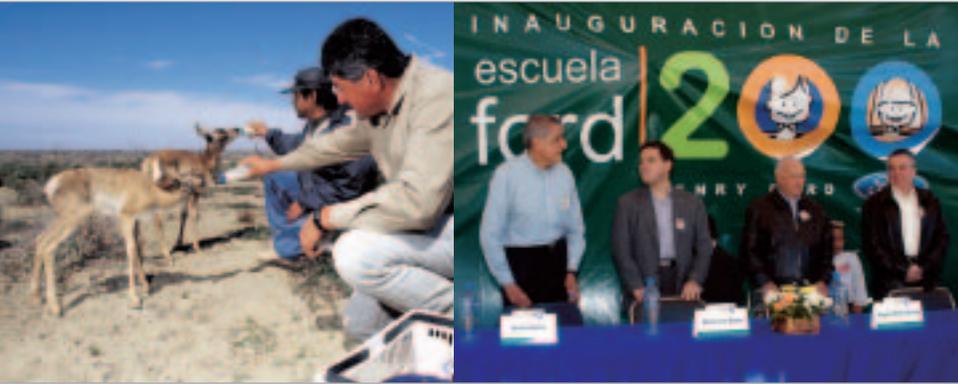
In 2003, HSAP announced that production at the plant would be expanded by 60 percent. At the same time, plant management decided to pursue a minimum goal of "water neutrality." By recycling and reusing water, HSAP will increase production without increasing its use of potable water beyond that which would be required to operate the facility at its current full capacity.

The plant uses water for painting, leak testing and final washing, in addition to cooling and domestic uses. To offset production-related increases, at least 53 million gallons of water per year will need to be recycled and reused, of which about 15 million gallons could be reused by the site's irrigation system and at least 38 million gallons in process applications. The technologies selected to achieve these targets include treatment of the combined domestic wastewater and pre-treated process water by a membrane biological reactor, followed by reverse-osmosis polishing for the water reused back into production. These treatment facility improvements will facilitate the goal of water neutrality and substantially reduce wastewater discharges from the Hermosillo plant.

Figure 1: WATER USE TRENDS AT HSAP



During 2003, production declined (and in 2004 will decline further) as the plant shifts to production of the new models. Absolute water use will decline during this period, but water use per vehicle will rise temporarily because some water uses do not decline with production. The goal of "water neutrality" was defined as using the same amount of water (675,000 gallons per day) to support production of more than 300,000 vehicles as would be required to run the plant at its full current capacity of about 190,000 vehicles.



“We are an important member of this community, and we take this responsibility seriously.”

Felix Guillen
Director of Manufacturing Operations, Mexico

BUILDING COMMUNITY CAPACITY

In 1966, recognizing the importance of education for all community members, Ford committed to building public schools in rural areas of Mexico. The school program works through a system of matching funds involving Ford of Mexico and 125 Ford and Lincoln dealers. For every wholesale vehicle sold, the dealers set aside an amount for the school program, and Ford of Mexico matches the donation. The program includes the maintenance, throughout its existence, of each school built. To date, 200 elementary schools have been built and donated to the National Education System – 14 of them in Sonora. The schools serve more than 150,000 students daily. More than 1.5 million children have received their elementary education in a Ford School.

We've found that the construction of Ford Schools encourages the development and creation of other schools and community infrastructure.

Along with supplying bricks and mortar, the Ford program has provided training for principals and teachers. Supported by the Universidad Anahuac, this program has graduated 160 principals and is currently training 1,600 teachers. These efforts directly affect more than 72,000 children. Ford also has a school for parents, to enable them to cooperate in their children's education. Ford has served more than 4,600 families with this program. Since 1988, Ford has built more than 100 media rooms and implemented numerous sports tournaments. All of these actions, including construction and maintenance, represent an investment of more than \$4 million per year.

Hermosillo's other commitments to the community include:

- Donation programs to several charitable institutions, including the Red Cross, Sonora's Alzheimer Association and the Association for Children affected by Cancer and Leukemia, among others
- Plant participation in cultural events
- Safety messages published in newspapers and other local publications

HSAP officials hope the plant helps bring to its community what Ford has championed for more than a century: an industrial philosophy, an educated workforce, a strong middle class and a better world.

ABOVE (LEFT TO RIGHT) Students from Ford School number 117 during recess; playing soccer during the annual Ford Schools Sports Tournament; bottle feeding baby pronghorns in a camp sponsored by Ford and the Mexican dealers; inauguration of Ford School number 200.

The Hermosillo Stamping and Assembly Plant is in business to make high-quality vehicles. We are also an important member of the community, and we take this responsibility seriously.

When we began operations here 16 years ago, we faced the challenge of building a workforce. At first we looked for people with 12 years of grade school education, because our processes require strong math skills. But people with this background expected more than we could offer in terms of management opportunity. Our turnover rate increased to as high as 50 percent. After much study, we found that we could work with people having less education and more experience, so we changed our requirements. We have excellent employees and provide the additional training necessary for them to succeed with us.

As we expanded our workforce, our employees were coming from throughout Sonora and facing a housing shortage. Ford built 500 houses for employees in a new community called Nuevo Hermosillo. The homes are provided to employees on a rent-to-own basis. After eight years in service, the employee owns his or her home. Today, more than 90 percent of the homes belong to employees.

These steps cut our turnover rate to less than 1 percent.

Much of what we've done at HSAP has to do with culture: building an industrial culture in a largely agricultural region; creating a culture of quality and commitment in our workforce; establishing a safe and healthy environment; and involving all of our people in growing the business.

Our growth also means growth in the supplier community. Our expanded supplier community is building a new supplier park near the plant for at least 19 companies, which will employ many hundreds of local people. We want to understand and manage the impacts on the area that this will bring, including impacts on water usage and transportation. We are working to share our manufacturing culture with our suppliers, including through a "lean learning academy."

HSAP has a lot of "firsts" and "bests" in safety, quality, environment, productivity and other factors. We are proud of what we have accomplished. Now we're gearing up for another "best" – the best new product launch ever.

China – moving into the fast lane

In a few short decades, China has transformed itself from a centrally planned economy to a globally connected center of production and consumption. Because economic growth creates newfound wealth, China is emerging as a critical market for the automotive industry. Projections show that the Asia-Pacific region will be the fastest-growing market for the automotive industry in the coming decade, with China accounting for the largest part of that growth.





China's transition to a market economy is not without growing pains, however, which makes it a challenging place for multinational companies to work. The Western provinces of China lag the coastal areas of the East in development and prosperity. Questions have been raised about the adequacy of energy supplies to fuel projected growth and the potential impact on global energy security and prices should supplies be inadequate. The potential for rapid growth in transportation will also present sustainable mobility challenges related to congestion, infrastructure, pollution and safety. In addition, uncertainties exist around the possible impact of excess capacity in the automotive sector, currency value changes, environmental and labor standards, and intellectual property rights.

Ford's involvement in China dates back to 1913, when Model Ts were first sold to customers there. In 1978, Deng Xiaoping and Henry Ford II met and re-established ties between Ford Motor Company and China's auto industry. Their meeting not only launched trade activities in trucks and components, but also initiated the Ford Visiting Scientist Program for scientists and engineers from China. Since that time, Ford has trained hundreds of Chinese engineers and invested in joint research projects, helping to create the base of technical competence in China that now attracts automotive companies. We are now building on this foundation to develop a larger presence more quickly in China, in a responsible and profitable manner.

In October 2003, Bill Ford visited China to announce that Ford Motor Company and Changan Automotive – the joint-venture parents of Changan Ford – would expand operations, introducing at least one new product per year and jointly exploring new automotive business opportunities in the region. Investments by both companies will total more than \$1 billion for the expansion and will begin with a boost in production at the Chongqing plant from 20,000 to 150,000 units per year, construction of a second assembly plant and other projects.

Ford's investment in China will help the Company strengthen and expand its global networks of product development, manufacturing, distribution and service. We are expanding our

ABOVE
An October 2003 ceremony with Changan Group to sign a memorandum for expanding Ford's investment in China.

FAST FACT
More than 60 authorized Ford dealer sites in 50 cities had opened for business by the end of 2003 in China, more than triple the number operating in China at the beginning of 2003.

BELOW
Ford Mondeo, produced at Changan Ford, China

operations in China and building a local presence consistent with our global strategies, standards, processes and Business Principles.

HIGH-QUALITY PRODUCTS AND PRODUCTION FACILITIES

In January 2003, the first Ford car produced in China – a Fiesta – rolled off the assembly line in Chongqing. (Ford has produced the Transit commercial vehicle in China at its equity investment Jiangling Motors Corporation (JMC) since December 1997.) The subcompact Fiesta was joined later in the year by the midsize Mondeo. Both vehicles are based on the award-winning European models of the same names. Also in 2003, Mazda introduced in China the Mazda6, which won Car of the Year from Auto Club-Motor Trend magazine. Mazda has two contract manufacturing activities in China through affiliates of the FAW Group, China's largest automotive company. They produce the Mazda6, Mazda Premacy and Mazda 323. We will continue expanding our offerings in China of state-of-the-art vehicles derived from our global technologies.

Our plants in China use Ford management systems to promote efficient, safe and environmentally sound performance, including third-party certification to ISO 14001. In 2003, JMC had zero lost days due to work-related injuries or illnesses. The entire Ford China operation received a Special Recognition by the president of the Company acknowledging the preventative measures taken during the SARS outbreak that resulted in not one employee being infected.

BUILDING STRONG RELATIONSHIPS

Chinese consumers are increasingly well-informed, expecting the latest automotive technologies and world-class performance in vehicle quality, fuel economy, emissions and safety. These consumers, however, are quite diversified in their location, preferences, purchasing power and experience in buying vehicles.

Given the projected pace of growth of the automotive industry in China, and our expanding participation, we plan to increase the





number of dealers and service centers in the country at a rapid rate to ensure the highest-quality interaction with our customers. Our new dealers include experienced Chinese nationals, joint ventures and Chinese branches of dealers based elsewhere. Changan Ford has reached an agreement with the Bank of China and the China Construction Bank for credit to be provided to dealerships, a convenience that is still unusual in China. Ford Credit is also investigating how it might serve our customers in China and is cooperating with Chinese regulatory authorities to create an effective infrastructure for automotive finance operations.

We are building a global, multicultural team of Ford people to execute our China strategy, including strong cooperation and exchange of talent with our Ford Lio Ho operations in Taiwan. Our employees in China are expected to adhere to our Standards of Corporate Conduct that, among other things, embody our commitment to comply with all legal requirements and Company policies. The rights of our employees and suppliers in China are protected by our Code of Basic Working Conditions and the compliance assessment processes described on Page 78.

Our compensation practice for hourly employees is to match the average of automotive competitors in the country or region where

ABOVE
Ford Motor Company reveals the all-new Ford Focus Concept at Auto China 2004 in Beijing on June 8, 2004.

we operate. For salaried employees, we aim to provide total compensation (e.g., base salary, variable pay and benefits) competitive with the average total compensation of leading companies in each country in which we operate.

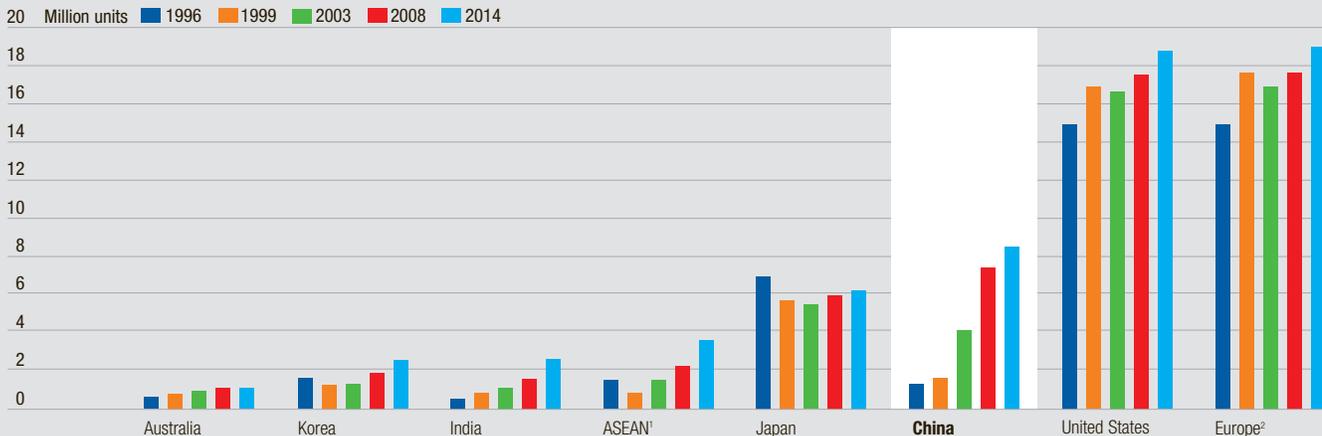
A strong base of well-qualified local suppliers is essential to support the expansion of manufacturing capacity in China and to provide an additional source of high-quality, low-cost parts and components globally. Ford's decisions to source parts and components from China follow the same process we would use in making sourcing decisions in the United States or elsewhere.

BELOW
Percentage increase in forecasted sales volume, 2003–2014
Australia – 13%
Korea – 78%
India – 182%
ASEAN – 149%
Japan – 6%
China – 111%
U.S. – 12%
Europe – 13%

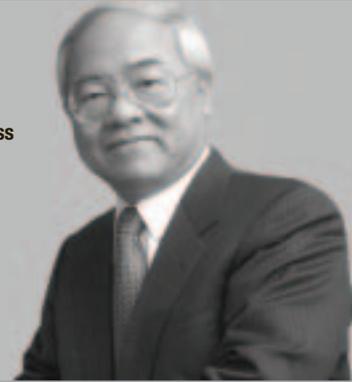
CONTRIBUTING TO SOCIETAL WELL-BEING

We have always seen our presence in China as increasing prosperity and well-being in the communities in which we operate, which in turn builds the vehicle market and supports favorable business results. We chose to locate our first Changan Ford plant in Chongqing, a megacity of more than 30 million residents in the less-developed Western region of China, in part to participate in the economic development efforts of that region. We contribute to community well-being in many other ways as well, including sponsoring research programs at universities and research institutes, conducting volunteer

PROJECTED GROWTH IN GLOBAL AUTOMOBILE SALES



¹ ASEAN includes: Thailand, Philippines, Indonesia, Singapore and Malaysia. Data not available for other members.
² Europe includes: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and United Kingdom
 Note: Data exclude Heavy Truck – Class 4 to 8
 Source: Ford Forecast based on Global Insight Inc. Forecast Data



“We do not see ourselves as an outside company doing business within a nation’s borders.”

Mei-Wei Cheng
Chairman and CEO, Ford Motor China, Ltd.

projects and supporting grassroots environmental projects through the Ford Conservation and Environmental Grants China program, which is now in its fifth consecutive year.

We have participated in research on alternative fuels that could take advantage of China’s abundant reserves of natural gas while also addressing air-quality concerns. We expect to see interest in alternative fuels, diesel and hybrids grow along with the size of China’s automobile fleet and its demand for and dependence on imported fuel.

In a rapidly changing economy, government’s role in setting and enforcing rules is essential. We have developed sound relationships with Chinese government agencies and offered our expertise and perspective on the many complex issues facing Chinese decision-makers.

We remain well aware of the challenges posed by the rapid growth of individual ownership of automobiles in China. Sustainable mobility in China, if that goal is to be achieved, will result from a cooperative effort on the part of makers of transportation equipment and fuels, governments, academic experts and civil society. We hope to play a constructive role in securing that future.

2003 CHINA SALES VOLUME BY BRAND

Ford (Fiesta, Mondeo, Transit, Maverick)	33,000
Mazda (323, Familia, Premacy, Mazda6)	79,000
Premier Automotive Group (Jaguar, Land Rover, Volvo)	3,000

Sales figures are rounded

China is the fastest-growing market in the world today. Our plans for expansion in China are very much long term. While some may question whether we are moving fast enough to benefit from the recent surge of growth, we believe we are investing reasonably and laying the foundation to meet projected demand in a sustainable way.

We do not see ourselves as an outside company doing business within a nation’s borders. Our relationship with China dates back to 1913. We see ourselves as a corporate citizen of China, with a citizen’s sense of responsibility. So while we are here to grow and prosper, we in turn want the same for the people and economy of China. This may come through the jobs that we create, directly or indirectly. It can also be a result of contributions we make in other ways – for example, our many cooperative research and development efforts with Chinese universities and authorities, our work with the China Medical Foundation, our projects in alternative fuels and emissions control, and our Conservation and Environmental Grants.

Several things are needed to sustain continued growth in China, however. Energy and quality steel need to be available in adequate quantities. Transportation infrastructure must keep pace with private automobile ownership, and well-planned urban and rural expansion must circumvent congestion and enable greater access to mobility for all – not just for automobile owners. China is in an excellent position to adopt advanced automotive and transportation technologies and a state-of-the-art fueling infrastructure. And removing trade barriers, as evidenced in market after market around the world, will ensure the importation of the latest technologies and the best that the industry has to offer.

Change does not happen overnight. But in a market where the auto industry as a whole saw a 35 percent increase in sales in 2003, change is happening faster than might have seemed possible.

Responding to the threat of HIV/AIDS



A GLOBAL PANDEMIC

The HIV/AIDS global pandemic persists, as both the number of people infected and the number of deaths continues to rise. Reversing the spread of the pandemic and dealing with the human toll requires commitment from governmental, nongovernmental and business sectors – it cannot be accomplished by any one actor alone.

Two-thirds of the more than 40 million people worldwide living with HIV/AIDS are in sub-Saharan Africa. In South Africa, the World Health Organization estimates that 5.3 million people are infected with HIV/AIDS, more than five times the number in the United States.

OUR ACTIONS IN SOUTHERN AFRICA

In 1999, Ford Motor Company of Southern Africa (FMCSA), which has plants located in Silverton (Pretoria) and Port Elizabeth, found itself at the epicenter of the pandemic. Recognizing the potential impact of HIV/AIDS on its employees and their families as well as the community, the FMCSA, in cooperation with trade union representatives, developed and implemented a comprehensive response. This response included:

- Development of an HIV/AIDS policy that protects employees' privacy, ensures nondiscrimination in the workplace and emphasizes prevention and treatment
- Prevention of new infections through training and awareness programs for the entire workforce; free distribution of condoms to workers (at a rate of 17,000 per month); an HIV/AIDS awareness family day involving employees, spouses and dependents; training of 77 peer educators to provide continual training and education; and a pilot program involving education of 11- to 13-year-old children in 40 Port Elizabeth schools
- Voluntary, confidential HIV/AIDS testing for employees, accompanied by one-on-one counseling
- Additional health care resources for infected employees and their dependent family members through third-party



“HIV/AIDS thrives on denial and ignorance. With knowledge and transparency, the business community can help fight against the disease.”

Mary Ann Gaido
St Joseph Health System



LEFT
Leading by example. Deborah Coleman, CEO and Group MD of the Ford Motor Company of Southern Africa, shows the way by being one of the first employees to participate in the Company's HIV/AIDS Voluntary Counseling and Testing program.

providers specializing in support for the person and his or her family and treatment of the disease. Monitoring and free antiretroviral drugs are part of the treatment program

- Care and support for affected people in the Mamelodi (Pretoria) community in cooperation with the U.S. Centers for Disease Control and local community-based organizations

EXPANDING OUR COMMITMENT

Building on Ford's South African experience, we have established a global HIV/AIDS team composed of representatives of our Health and Safety and Corporate Governance groups and a member of the Ford Board of Directors. This group has developed an HIV/AIDS policy, modeled on the South Africa policy, that is now in effect globally. We are also pilot testing the Global Reporting Initiative's HIV/AIDS Resource Document for a comprehensive report on our response to the pandemic, to be issued in late 2004.

We have begun further implementation of HIV/AIDS programs in India, China and Thailand. We are developing the programs in partnership with local people and NGOs to ensure that they are appropriate to the needs and culture of each location.

Unless they have access to life-saving medicines, every one of the 42 million people currently infected with HIV/AIDS will die an early death – and soon. When they do, in the most economically productive years of their lives, the economies and capacity of the world's most vibrant emerging markets will die with them.

Not since the plagues of the Middle Ages has a disease threatened the growth and development of the world's economy as HIV/AIDS does today. No medicines can cure AIDS – but for people, communities and companies, knowledge can stop the disease.

Investors in Ford Motor Company – and in every multinational with hopes for India and China – must determine if their companies are attuned to the risk of HIV/AIDS and are managing it accordingly.

The data are not encouraging; most companies do not currently report anything, even as life expectancy and GDP growth plummet in AIDS-impacted economies. South Africa, the strongest economy in the region and the site of Ford production facilities, will see 17 percent lower GDP growth over 10 years, according to economists' projections.

The business community is opening its eyes to AIDS in fits and starts. In South Africa, several companies, including Ford, provide life-saving medicines to HIV-infected employees. But most companies respond to AIDS once the crisis has hit full bore. St. Joseph Health System and other faith-based investors affiliated with the Interfaith Center on Corporate Responsibility are seeking proactive, comprehensive action. And we're seeking information.

Ford Motor Company has agreed to take the first steps and report on the impact of HIV/AIDS on the Company, as well as the Company's response. The report – using a new GRI reporting standard funded by the Bill & Melinda Gates Foundation – will give investors a first look at HIV/AIDS.

HIV/AIDS thrives on denial and ignorance. With knowledge and transparency, the business community can help the fight against the disease. Investors should lead the way, and they are. Forty-two million lives – and the world's most vibrant markets – depend on it.

Safeguarding human rights

In 2003, following an extensive process of consultation with internal and external stakeholders, we adopted a Code of Basic Working Conditions to safeguard human rights in our value chain. The Code covers child labor, compensation, forced labor, freedom of association and collective bargaining, harassment and discrimination, health and safety, work hours and verification. It is available in full at www.ford.com/go/globalcitizenship.

Following adoption of the Code, we developed processes for assessing compliance with it at Ford's and suppliers' facilities (see Figure 1).

THE CODE AT FORD FACILITIES

During 2004 we will assess compliance with the Code of Basic Working Conditions at Ford-owned facilities in the United States, Mexico, Argentina, Australia and Taiwan. The assessment process will include a document review (similar to that conducted in a financial, environmental or quality audit), management interviews, a plant visit and employee interviews. The audit team will consist of representatives of the employee union, plant management, Ford management and an independent community stakeholder or human rights expert.

Figure 1: CODE OF BASIC WORKING CONDITIONS



EXTENDING THE CODE TO OUR SUPPLIERS

Beyond Ford's own facilities, we encourage our business partners throughout the value chain to adopt and enforce similar policies. Ford seeks to identify and utilize business partners who aspire to conduct their businesses to standards consistent with our Code.

Our updated supplier terms and conditions, which became effective Jan. 1, 2004, cover more than 2,000 global companies that provide Ford with production parts. The Code of Basic Working Conditions is embedded in these terms and conditions, along with our expectation that the suppliers conduct business based on aligned principles. Our contract terms require suppliers to comply fully with all local laws and regulations. In addition, the terms specifically prohibit:

- Use of forced labor, regardless of its form
- Use of child labor, defined as employment of any person under the age of 15, unless it is part of a government-approved job training, apprenticeship or other program that would be clearly beneficial to its participants
- Physically abusive disciplinary practices

These expectations are extended to our direct suppliers (Tier 1), as well as all other suppliers in the value chain.

The global terms also make clear Ford's right to perform third-party site assessments to evaluate supplier performance, as well as the penalties for suppliers refusing to correct identified issues.

Working Conditions pilot program

We are piloting a process to further communicate our expectations regarding working conditions and to evaluate suppliers' sites. It is a multifaceted approach, including:

- Training and education
- Third-party site assessments (including management interviews, worker interviews, document reviews and factory walk-throughs)
- Development of corrective action plans, remediation of issues and development of supplier management system competencies

FAST FACT
Approximately
200,000 Ford Motor
Company employees
belong to labor
unions worldwide.

As a first step, third-party site assessments were initiated in late 2002, on a pilot basis, with a focus on new sourcing in China and selected other emerging markets.

Since that time, we have trained more than 200 prospective suppliers in China. The training was done in conjunction with Business for Social Responsibility and emphasized Ford's expectations for supply chain working conditions and management practices and a review of local labor laws.

During the same time period, we conducted approximately 50 third-party site assessments, which included initial evaluations and the development of corrective action plans, where needed, to address identified issues. Over the next year, we will work with suppliers to complete their corrective action plans and verify their progress.

Learnings and findings

Both Ford personnel and the third-party auditors noted a high level of cooperation exhibited by the assessed suppliers. We expect that this level of cooperation will continue as we work to correct problems and ensure acceptable working conditions in our supply chain.

The issues identified thus far have varied in magnitude and frequency of occurrence. Health and safety issues have required the most attention. Concerns have ranged from improper use of personal protective equipment to outdated or inadequate emergency systems. These have been our prioritized issues that suppliers must correct to continue supplying to Ford Motor Company.

The pilot assessments are a small step toward developing a more comprehensive and scaleable approach. They have been invaluable in helping us identify specific issues of importance and learning to work with our suppliers to help provide healthy and safe working conditions for their employees.

As the process continues, the lessons we learn will help us mold a broader-based approach to further engage our supply chain.

F-150 according to our Principles

The successful launch of the new Ford F-150 pickup truck was arguably Ford's most important accomplishment of 2003, playing a key role in our product-led transformation and further standardizing our quality-driven, newly installed flexible manufacturing systems.

For more than 55 years, the Ford F-Series has delivered on its Built Ford Tough heritage. Nearly 29 million F-Series trucks have been sold to date. F-Series has been America's best-selling truck for 27 years and the country's best-selling vehicle for 22 consecutive years.

As it neared time for a new F-150, we recognized that, to retain our truck leadership, the 2004 F-150 would need to set a new benchmark for the segment. In September 2003, we launched the new truck to widespread praise. The F-150 launch has delivered on our product-led revitalization. Here's a look at the F-150 through the lens of our Business Principles.

PRODUCTS AND CUSTOMERS

Why is the F-Series a perennial bestseller? We have more than 85 years of experience selling trucks, and we understand the wants and needs of our customers. Ford has always delivered the capability, functionality and toughness that is a benchmark of the full-size pickup segment. In addition, the F-Series offers the largest range of configurations in its class, appealing to a diversity of customers.

We used the opportunity of the F-150 launch to bring the latest flexible manufacturing technology to the three U.S. plants that make the truck. Flexible manufacturing allows us to be quicker and more nimble in responding to customer needs.

We rigorously implemented our manufacturing and quality processes to ensure that the new F-150s maintained a high level of quality and dependability. This included the equivalent of more than 5 million miles of testing, error-proofing the manufacturing process at hundreds of points and analyzing customer feedback on the previous F-150 to identify systems critical to outstanding performance.

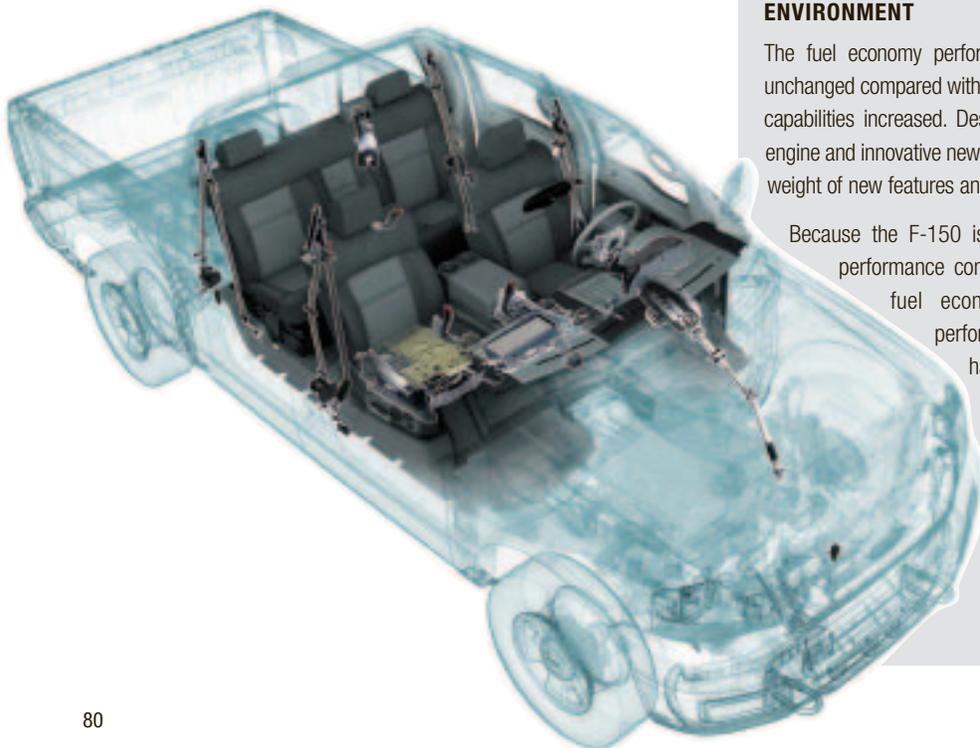
The results, as supported by the 2004 J.D. Power Initial Quality Survey, saw the new truck launch at a quality level exceeding that of the outgoing F-150 Heritage models, with both among the top three in the segment.

ENVIRONMENT

The fuel economy performance of the new F-150 remained essentially unchanged compared with the previous model, while size, safety features and capabilities increased. Designers used variable cam timing in the 5.4-liter engine and innovative new materials to help offset the impact of the additional weight of new features and capabilities on fuel economy performance.

Because the F-150 is our highest-volume vehicle, its fuel economy performance contributes significantly to our sales-weighted fleet fuel economy average, and consequently our CO₂ performance. Improving F-150 fuel economy would have both customer and environmental benefits and is important to us.

On average, the 2004 F-150 emits one-third fewer smog-forming emissions than the 2003 model it replaced (see table above right).



FAST FACT

Through the end of June 2004, the new F-150 had received more than 30 awards, including *Motor Trend* magazine's 2004 Truck of the Year, 2004 North American Truck of the Year, 2004 Truck of Texas and the 2004 Canadian Truck of the Year.

RIGHT

Smog-forming emissions for the new F-150 were reduced by one-third. Fuel economy remained essentially unchanged.

FUEL ECONOMY

Engine – 5.4L V8 4x2

Engine – 5.4L V8 4x4

EMISSIONS

(Sales-weighted average)

Engine – 4.6L, 5.4L

NEW (2004 model year)

City label – 15 mpg

Highway label – 19 mpg

City label – 14 mpg

Highway label – 18 mpg

0.57 grams per mile

PREVIOUS (2003 model year)

City label – 14 mpg

Highway label – 19 mpg

City label – 14 mpg

Highway label – 18 mpg

0.85 grams per mile

SAFETY

Our goal for the new F-150 was to continue to achieve class-leading, real-world safety. Although the previous model F-150 had a real-world safety performance among the best in its field, third-party crash tests did not always demonstrate this.

We used sophisticated computer modeling and thousands of simulations to safety test the design and components of the new F-150. The 2004 F-150 was the first, and only, pickup to receive a “best pick” (top rating) in the high-speed frontal offset crash category from the Insurance Institute for Highway Safety. The F-150 also was the only pickup to earn five-star (highest) ratings in the National Highway Traffic Safety Administration's frontal impact crash test for the driver and the front-seat passenger. Safety features of the F-150 include:

- **Driving dynamics:** Outstanding ride and handling, not typically expected in a pickup, through advances to the suspension, steering and brakes
- **Crash-optimized structure:** Protection of occupants with a structure designed to help absorb and dissipate crash energy and maintain occupant compartment integrity
- **Personal Safety System™:** Technologies including driver and passenger frontal airbags that deploy at different levels based on the severity of the crash and other factors; driver seat position sensor; safety belt pretensioners and load limiters; and safety belt use technology. Weight-sensing technology in the right front passenger seat detects whether an adult or child is in the passenger seat and turns the airbag on or off accordingly. (Ford recommends, as always, that children be properly restrained in the back seat.)
- **Beltminder™:** Provides a gentle but persistent reminder to the driver and front-seat passenger to buckle up

COMMUNITY

During 2003, the 2004 F-150 began production at the Norfolk, Virginia, and Kansas City, Missouri, assembly plants. In 2004, the Dearborn Truck Plant at the Ford Rouge Center began building the F-150. All three plants are using flexible manufacturing processes, providing the adaptability needed to be competitive in 21st-century auto manufacturing.

The Ford Rouge Center has been transformed as a model of sustainable manufacturing. The historic complex now incorporates the world's largest living roof as part of a natural stormwater management system and other environmental and social innovations. It is also the second facility to pilot our Community Impact Assessment process, designed to forge strong stakeholder relationships and establish a foundation for strategic community investment by aligning community-related issues and business goals (see Page 45).

QUALITY OF RELATIONSHIPS

Can a new product improve our relationships with stakeholders? We think so. We have had positive feedback from our dealers about the ability of the new F-150 to satisfy long-time customers and attract new ones. The 2,300 employees at Norfolk and the 5,900 at Kansas City have been energized by the teamwork required to deliver the new F-150 using the improved manufacturing processes.

Collaborative projects with our suppliers yielded innovations. Johnson Controls provided the versatile overhead rail system that allows customers to add electronics, storage and other personal items to their vehicle. *Automotive News* recognized this project with a 2004 PACE Award. Techform Products Ltd. developed the tailgate-assist feature that cuts, by half, the effort required to open or close the F-150's tailgate.

FINANCIAL HEALTH

Despite the tough financial environment during development of the new F-150, we took a long view, investing what was needed to achieve best-in-class features and performance and connecting the launch to our commitment to flexible manufacturing.

In the first quarter of 2004, we reported financial results ahead of our turnaround plan objectives. The F-150's contribution to this success was significant, reinforcing our focus on providing high-quality, innovative products that meet customer needs.



Glossary and acronyms

ACEA	European Automobile Manufacturers Association (Association des Constructeurs Européens d'Automobiles)	Model U	Ford concept vehicle showcasing innovative design and technologies
Alternative-Fueled Vehicles	Vehicles that run on fuels other than gasoline or diesel (e.g., natural gas, hydrogen).	MY (Model Year)	The manufacturer's annual production period which includes Jan. 1 of the calendar year. For example, production of 2004 model year vehicles might begin in June 2003 and end in May 2004, but could start as early as Jan. 2, 2003, and end as late as December 2004. We report fuel economy by model year because that is how it is reported to government agencies, and therefore this data corresponds to what is available in the public domain.
Annual Report on Form 10-K	An audited annual financial report required by the U.S. Securities and Exchange Commission containing more detailed information about the Company's business, finances and management than the annual report. It also includes the bylaws of the Company, other legal documents and information about lawsuits in which the Company is involved.	NADA	National Automobile Dealers Association
Atkinson Cycle	An Atkinson cycle engine uses a delayed intake valve closing to significantly increase the gasoline engine's energy conversion efficiency. With conventional powertrains, this results in a small power loss. With a hybrid powertrain, the electric motor makes up for the power loss.	NCAP	New Car Assessment Program, the U.S. government "crash testing" program
Biodiversity Hotspots	Regions of the Earth that harbor a great diversity of endemic species and, at the same time, have been significantly impacted and altered by human activities. The hotspot concept focuses conservation efforts on regions where the threat of species loss is greatest (Conservation International).	NGO	Nongovernmental organization
Bin	A set of emissions standards under the new U.S. Tier 2 emissions program. The lower the Bin number, the lower the vehicle's tailpipe emissions.	NHTSA	National Highway Traffic Safety Administration (U.S. government)
Business Operation	Ford's major operating unit, generally a region (e.g., Ford Europe), group of brands (e.g., Premier Automotive Group) or service (e.g., Ford Credit)	NPI	National Pollutant Inventory (Australia), similar to U.S. TRI
CAFE (Corporate Average Fuel Economy)	A U.S. regulation requiring auto companies to meet certain sales-weighted average fuel economy levels for passenger cars and light trucks and report these numbers annually.	NPRI	National Pollutant Release Inventory (Canada), similar to U.S. TRI
CERES	Coalition for Environmentally Responsible Economies	PACE	An innovation award given annually by <i>Automotive News</i>
CVT (Continuously Variable Transmission)	A type of automatic transmission that uses an essentially infinite number of "gears" to achieve superior performance and fuel economy.	PULSE Survey	An annual, voluntary survey of Ford salaried-employee satisfaction
DOE	U.S. Department of Energy	PZEV (Partial Zero Emission Vehicle)	A vehicle standard that is part of the LEV II Program. A vehicle that meets SULEV tailpipe emissions and has zero fuel evaporative emissions.
EPA	U.S. Environmental Protection Agency	6-Sigma	A structured process of analysis and problem solving. Ford uses Consumer Driven 6-Sigma to reduce process variability and waste for improved customer satisfaction.
EU	European Union	SARS	Severe Acute Respiratory Syndrome
EuroNCAP	European New Car Assessment Program (vehicle safety assessments)	Six-Speed Automatic Transmission	A transmission using six gears for improved fuel economy compared to typical four-speed transmissions.
Flexible Manufacturing	Using common platforms and shared manufacturing technologies that allow a single plant to make multiple models and switch relatively rapidly between them, allowing faster response to changing customer demand.	Stakeholder	Anyone who is impacted or believes he is impacted by the operations or practices of the Company is a stakeholder, including customers, employees, business partners, shareholders, governments, communities and nongovernmental organizations. Some also consider the environment a stakeholder.
FPDS (Ford Product Development System)	A structured process Ford uses to develop cars and trucks. It defines the process, associated timing and other requirements for new products and associated manufacturing systems.	SULEV (Super Ultra-Low Emission Vehicle)	A level of standards for tailpipe emissions (hydrocarbon, carbon monoxide and oxides of nitrogen) enforced in California and states that have adopted California standards. A SULEV II vehicle meets the same smog-forming tailpipe emissions standards as a federal Tier 2 Bin 2 vehicle.
FPS (Ford Production System)	A structured process Ford uses to organize and manage production at all Ford manufacturing plants globally.	SUV	Sport Utility Vehicle
Fuel Cell	A type of power plant that generates electricity by combining oxygen and hydrogen to form electricity.	Things Gone Wrong (TGW)	The number of problems reported by owners of new vehicles after three months in service.
Fuel Economy	The distance that a vehicle can travel on a single gallon of fuel.	Tier 2	The new U.S. federal program, starting with the 2004 model year, to control vehicle tailpipe and evaporative emissions. The program provides several sets of vehicle emissions standards, called Bins, ranging from 1 (lowest emissions) to 10 (highest emissions). At the conclusion of the phase-in period, auto manufacturers' U.S. fleets must meet an average Bin 5 level of emissions.
GDP	Gross Domestic Product	TRI (Toxics Release Inventory)	An inventory of releases and transfers of certain chemicals that are required to be reported to the U.S. government.
GHG (Greenhouse Gases)	Gases (e.g., CO ₂ , H ₂ O, HFC, PFC, SF ₆ , CH ₄) that trap infrared radiation (i.e., heat) in the Earth's atmosphere.	TVM (Team Value Management)	Philosophy under which Ford's purchasing, engineering, manufacturing and finance staff are effectively integrated with suppliers in commodity-focused teams to identify waste in the entire value chain and work together to achieve better-value products and further quality improvements.
GRI	Global Reporting Initiative, a multistakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.	UAW	The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)
Hybrid Electric Vehicle	A vehicle utilizing a hybrid engine, which combines an electric powertrain with an internal combustion engine to meet peak demands for power more efficiently and to capture and store energy during braking. They can run on conventional fuels and never need to be plugged in.	ULEV (Ultra-Low Emission Vehicle)	A level of standards for tailpipe emissions (hydrocarbon, carbon monoxide and oxides of nitrogen) enforced in California and states that have adopted California standards. A ULEV II vehicle meets tailpipe emissions standards slightly higher than a federal Tier 2 Bin 4 vehicle.
ICE (Internal Combustion Engine)	An engine powered by fuel ignited (by either spark or compression) inside a cylinder.	Variable Cam Timing	Improves fuel economy by allowing valves to be operated at different points in the combustion cycle, and provides performance that is precisely tailored to the engine's specific speed and load at that moment.
IIHS	Insurance Institute for Highway Safety	Vehicle Dependability Index	A J.D. Power and Associates index that evaluates vehicle quality after four to five years of ownership.
IMDS (International Material Data System)	An industry-wide, Web-based database that collects information on materials used in the auto industry.	VOCs (Volatile Organic Compounds)	Compounds that vaporize (become gases) at relatively low temperature. They are a concern for indoor and outdoor air quality and contribute to smog formation. VOCs are emitted from manufacturing facilities (including painting operations) and from vehicles (as hydrocarbon tailpipe emissions and from evaporation of fuel and other fluids).
ISO 14001	Global environmental management system standard	WBCSD	World Business Council for Sustainable Development
LEV (Low Emission Vehicle)	A level of standards for tailpipe emissions (hydrocarbon, carbon monoxide and oxides of nitrogen) enforced in California and states that have adopted California standards. An LEV II vehicle meets the same tailpipe standards as a federal Tier 2 Bin 5 vehicle.	Well-to-Wheels CO₂ Emissions	Accounts for CO ₂ emissions from the vehicle itself, as well as CO ₂ emissions resulting from the production and distribution of the fuel.
LEV Program	The unique vehicle emissions program adopted by California for the control of tailpipe and evaporative emissions that provides several sets of emissions standards (LEV, ULEV, etc.). The LEV II Program starts with the 2004 model year and offers approximately the same air-quality benefit as the new federal Tier 2 program.	WRI	World Resources Institute
Living Roof	The use of plants to cover a roof, absorb water, save energy and extend the life of the roof.	ZEV (Zero Emission Vehicle)	The lowest level of standards for vehicle emissions (zero emissions) enforced in California and states that have adopted California standards. A federal Tier 2 Bin 1 vehicle is also a "zero emission vehicle."

Corporate profile

Ford Motor Company is one of the world's largest producers of cars and trucks and one of the largest providers of automotive financial services. We market our vehicles under the eight brands described below. We produce our products in facilities operated by Ford Motor Company and/or joint ventures. We are a publicly traded company listed on the New York Stock Exchange.

During 2003, we made 6.7 million vehicles and employed 328,000 people worldwide. Our business partners include 25,000 dealers and more than 10,000 suppliers.

Our subsidiaries – Ford Credit and Hertz – provide financing and leasing services to retail and fleet customers. Quality Care, Motorcraft and Extended Service Plan provide customer service support to our dealers. In 2003, there were no significant changes in our corporate structure.

Automotive core and affiliate brands	Dealers and markets*	Retail vehicle sales	Sales mix
	10,651 dealers 141 markets	5,460,935 vehicles	60% North America 27% Europe 6% Asia-Pacific 4% South America 3% Rest of world
	1,544 dealers 34 markets	169,262 vehicles	99% North America 1% Rest of world
	2,016 dealers 36 markets	209,072 vehicles	98% North America 2% Rest of world
 (33% ownership)	5,830 dealers 143 markets	1,113,219 vehicles	29% North America 21% Europe 46% Asia-Pacific 2% South America 2% Rest of world

Premier Automotive Group

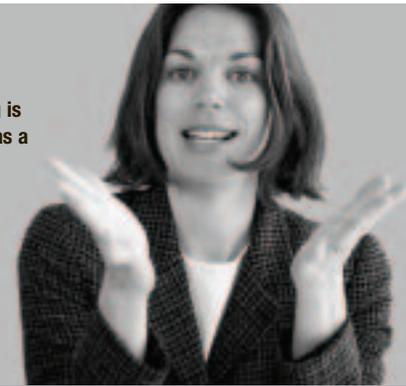
 ASTON MARTIN	104 dealers 26 markets	1,514 vehicles	33% North America 24% Europe 35% United Kingdom 8% Rest of world
	814 dealers 66 markets	120,570 vehicles	48% North America 42% Europe 8% Asia-Pacific 2% Rest of world
	2,277 dealers 105 markets	415,046 vehicles	36% North America 53% Europe 7% Asia-Pacific 4% Rest of world
	1,524 dealers 118 markets	165,163 vehicles	25% North America 60% Europe 8% Asia-Pacific 1% South America 6% Rest of world

*Because many dealerships distribute more than one of our brands from the same sales locations, a single dealership may be counted under more than one brand.

“Sustainability reporting is increasingly regarded as a mainstream business necessity.”

Rachel Jackson

Head of Social and Environmental Issues, Association of Chartered Certified Accountants



Sustainability reporting is increasingly regarded as a mainstream business necessity. But reporting standards vary at this experimental stage, so we need to secure a better understanding of what constitutes a “good” report.

Sustainability reports should be high-level, strategic and independently verified. They must address the issues, challenges and opportunities that sustainable development offers to the business and its industry. Reports should focus on all relevant economic, environmental and social elements, in addition to showing the impacts when these elements integrate. As a strategic document, key business issues like public policy positions, risk management procedures and governance commitment should also be disclosed, as should the scope of the report.

Good reporters involve their stakeholders in the reporting process. They’ll disclose their key stakeholders and at whom the report is aimed, describe the dialogue process and explain how stakeholder feedback has influenced both reporting and internal management procedures.

The very best reporters have started to calculate and disclose the full cost of their operations by internalizing their externalities, enabling readers to gauge the organization’s total impacts. Such reporters also discuss and report their progress on more challenging business risk issues like climate change, and disclose wider economic indicators beyond profit and revenues.

GRI index



This index shows where to find full or partial information relating to the Global Reporting Initiative (GRI) core elements and indicators in this report.

Elements and indicators listed in silver are covered only in the Web version of this report (www.ford.com/go/global_citizenship). Also in the Web version are a complete index of core and additional GRI elements and indicators and notes on the following core indicators not covered: 2.18, EC4, EC9, EN9, EN12, LA9.

GRI is a multistakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

More information is available at www.globalreporting.org.

GRI reference	Content	Pages
1.1	Vision and strategy Sustainable development vision and strategy	2–4, 6–7, 10, 48–54, 60–67, 78–79
1.2	Chief executive statement	2–4
2.1–2.9	Profile Organizational profile	Cover, 10, 12–19, 48–55, 58, 62–63, 80–81, 83
2.1, 2.11–2.16	Report scope	Inside front cover, 10, inside back cover
2.17, 2.19–2.22	Report profile	Inside front cover, 10–11, 85
3.1–3.8	Governance structure and management systems Structure and governance	2–4, 6–10, 12, 20, 32, 44, 48–49, 56, 78–79
3.9–3.12	Stakeholder engagement	9–10, 45–46, 48–55
3.13, 3.14–3.20	Policies and management systems	6–11, 16, 20–28, 32–40, 49–50, 54, 60–61, 64–79, 84
4.1	GRI index	84
EC1–EC2	Economic performance indicators Customers	58, 83
EC3	Suppliers	49
EC5	Employees	55
EC6–EC7	Providers of capital	58
EC8, EC10	Public sector	58, 46–47
EN1–EN2	Environmental performance indicators Materials	21, 24–25, 27, 30
EN3–EN4	Energy	25–26, 30
EN5	Water	26–30
EN6–EN7	Biodiversity	28
EN8, EN10–EN11, EN13	Emissions, effluents and waste	23–24, 27, 29–31, 60–61
EN14–EN15	Products and services	21–25, 60
EN16	Compliance	
LA1	Social performance indicators <i>Labor practices and decent work</i> Employment	50, 55, 71
LA3–LA4	Labor/management relations	50–52, 79
LA5–LA8	Health and safety	32–34, 76–77
LA10, LA11	Diversity and opportunity	50, 55
HR1–HR3	<i>Human rights</i> Strategy and management	78–79
HR4	Nondiscrimination	
HR5	Freedom of association and collective bargaining	79
HR6	Child labor	78–79
HR7	Forced and compulsory labor	78–79
SO1	Society Community	45–46
SO2	Bribery and corruption	9
SO3	Political contributions	
PR1	Product responsibility Customer health and safety	35–42
PR2	Products and customers	14
PR3	Respect and privacy	

Feedback and additional information

FEEDBACK

Preparing this report is a valuable opportunity for us to assess and improve upon our economic, environmental and social progress and performance.

To continue to do so, we need your feedback. We welcome your opinion and perspective through several means:

Write or call:

Rob Frederick or Krista Gullo
Ford Motor Company
One American Road
Dearborn, MI 48126
U.S.
+1 (313) 322 3000

E-mail us at:

corpcit@ford.com

Take our online survey at:

www.ford.com/go/globalcitizenship

WHAT'S ON OUR WEB SITE

The Web version of this report (www.ford.com/go/globalcitizenship) provides supplemental information and links to resources on Ford.com and external Web sites. It includes a more detailed GRI index. A pdf version of this report is available for download, along with access to other Ford reports. You can fast track to the kind of information you want – data, closer looks, Ford and outside voices, etc.

Please visit the site!

OTHER FORD REPORTS

Ford Motor Company Annual Report
Ford Motor Company Annual Report on Form 10-K
Proxy Statement
Ford Motor Company Fund Annual Report

Available from
Ford Motor Company
Shareholder Relations
One American Road
Dearborn, MI 48126
U.S.
(800) 555 5259 (U.S. and Canada)
+1 (313) 845 8540
www.ford.com

BRAND AND COUNTRY-LEVEL REPORTS AVAILABLE ON www.ford.com/go/globalcitizenship

Jaguar Environmental & Social Report

Volvo Corporate Citizenship Report

Ford Australia

Ford China

Ford India

Ford Malaysia

Ford Otosan (Turkey)

Ford Rouge Center (U.S.)

Ford Taiwan – Lio Ho

Ford Thailand

Paper stock This report is printed on Mohawk Options, which is process chlorine-free and constituted of 100 percent post-consumer waste

Credits The Corporate Governance team, Ford Motor Company, thanks:

Flag for design and production

Leah Haygood for copy writing

Jennifer Thomas-Larmer for copy editing

Graphic Enterprises, Inc. for printing

Ford Communication Services (Diane Bagwell, Terry Burke, Suzanne Fleming)

Ford Photographic (Keith Tolman, Tom Wojnowski)

Stephen Landes; Charlie Gray; Robin Thompson; RPM and Yuan Man, Xin Hua News Agency for photography



www.ford.com/go/globalcitizenship

Ford Motor Company
One American Road
Dearborn, Michigan 48126