



YEAR IN REVIEW



OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



FORD AROUND THE WORLD

# Our Blueprint for Sustainability



At Ford, we define sustainability as a business model that creates value consistent with the long-term preservation and enhancement of environmental, social and financial capital.



[Our Strategy >](#)

[Materiality Analysis >](#)

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## Our Blueprint for Sustainability

Strategy

Materiality Analysis

Our Value Chain and Its Impacts

Governance

Several years ago, the term “Blueprint for Sustainability” was introduced at Ford to describe the actions we are taking to achieve outstanding fuel economy and reduce greenhouse gas emissions from our products. We now use the term more broadly to describe our sustainability strategy as a whole, reflecting the fact that our important sustainability issues are part of a complex system that interconnects our products, plants, people and the communities in which we operate.

This section provides an overview of how our business and sustainability strategies relate, how the Company is governing and managing sustainability issues, and how these, together, drive sustainability performance.

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

## 4th year

in a row named as one of the World’s Most Ethical Companies.



## Materiality Analysis

For this report, we updated our analysis of what sustainability issues are most material to our business and our stakeholders.



## Public Policy

Read detail about Ford’s perspective on key U.S. policy issues, such as human rights and international trade.



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## Strategy

Ford's business strategy is embodied in our ONE Ford plan. ONE Ford expands on our Company's four-point business plan for achieving success globally. The four-point business plan consists of the following:

- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

Building on this plan, ONE Ford encourages focus, teamwork and a single global approach, aligning employee efforts toward a common definition of success. It emphasizes the importance of working together as one team to achieve automotive leadership, which is measured by the satisfaction of our customers, employees and essential business partners, such as our dealers, investors, suppliers, unions/councils and the communities in which we operate. We have defined a set of [behaviors that are expected of all employees](#) to support the ONE Ford plan.

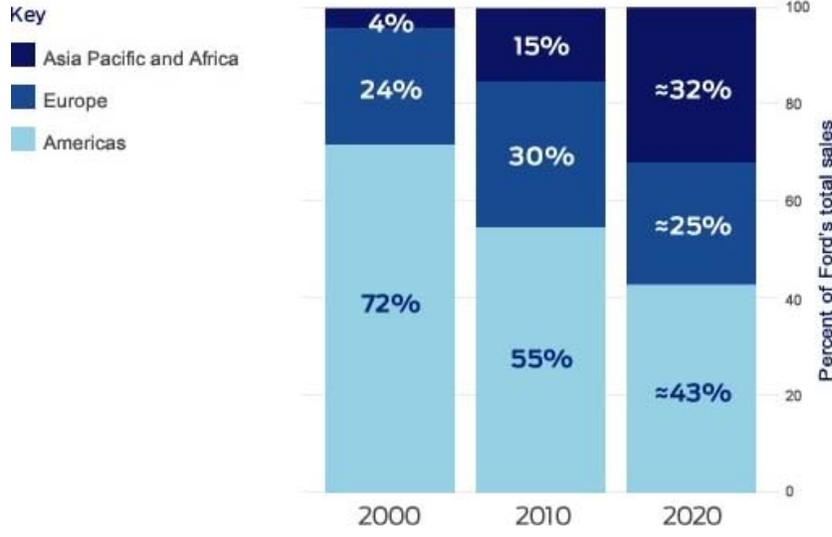
The goal of ONE Ford is to create an exciting and viable company delivering profitable growth for all. We are focused on building:

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

Our aim is to have profitable growth across geographies and product types (see graphics below).

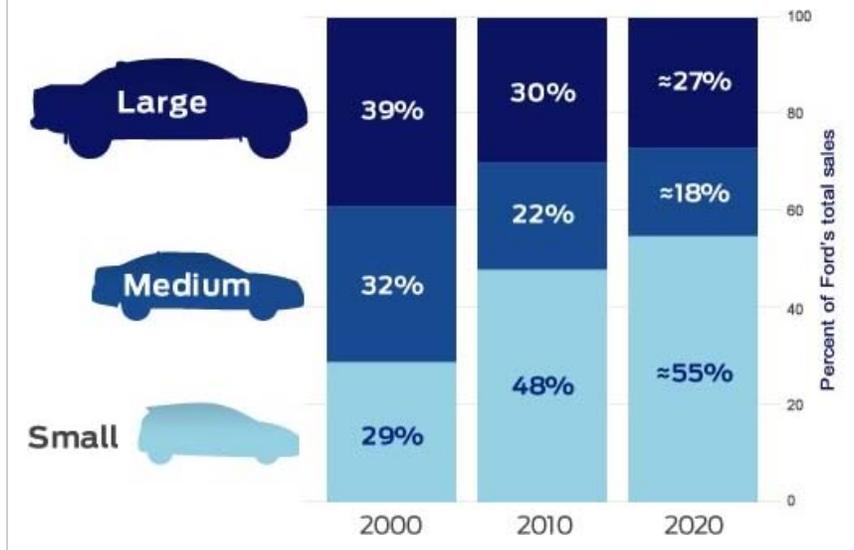
### Ford's Changing Geographic Mix of Volume

Volumes grow in all regions, with Asia Pacific and Africa expected to greatly exceed overall industry growth.



## Ford's Changing Product Segmentation

Our small vehicle mix will continue to grow, while large vehicles including trucks remain important.



As detailed in the [Financial Health](#) section, during 2012 Ford continued its turnaround, fueled by disciplined adherence to the ONE Ford plan. Driven by strong results from Ford North America, we reported total Company full-year, pre-tax profit of \$8 billion – our third year in a row of \$8 billion or more in pre-tax profits.<sup>1</sup> Ford was the best-selling brand in the U.S., and the Ford Focus was the No. 1-selling vehicle nameplate in the world in 2012.<sup>2</sup>

Our financial turnaround has been based largely on our ability to deliver high-quality, innovative and desirable products everywhere we operate, in both mature and rapidly growing markets. To further our progress, we are continually improving quality and customer satisfaction and anticipating and responding to changes in customer demand. We have aligned our product development, manufacturing and marketing organizations worldwide to deliver the right products to the right markets as efficiently as possible.

Regardless of vehicle or region, Ford's global vehicles showcase our commitment to fuel efficiency. Technologies like EcoBoost®, direct injection of gasoline or diesel fuel, six-speed transmissions, and hybrid and plug-in hybrid powertrains deliver true "power of choice" to drivers everywhere.

As we shift our focus from surviving to thriving, we're continuing to implement the ONE Ford plan. But we also [Go Further](#) – to deliver ingenious products, make them available to everyone and serve each other, our customers and our communities. Go Further is our global brand promise and our approach as we accelerate ahead.

1. Pre-tax profits exclude special items. For additional information, see Ford Motor Company's Annual Report on Form 10-K for the year ended December 31, 2012, on [our website](#).  
2. According to R L Polk 2012 Top 10 global registrations.



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## Sustainability Strategy

Our sustainability strategy is embedded in our business plan and consistent with our aim to deliver Great Products, a Strong Business and a Better World. At Ford, we define sustainability as a business model that creates value consistent with the long-term preservation and enhancement of environmental, social and financial capital.

For more than a dozen years, we have built our sustainability strategy on a foundation of transparency, accountability and [stakeholder engagement](#). We focus our efforts using a [materiality analysis](#), which was updated early in 2013. Our [public reporting](#) has been an important part of our commitment to transparency and has helped to drive progress in our Company and across the industry.

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

- Our climate change strategy is based on what needs to happen in the world – the stabilization of greenhouse gases in the atmosphere – and our contribution to achieving stabilization through fuel economy improvements, the use of alternative fuels and energy-efficiency improvements at our facilities. A cross-functional team called Sustainable Mobility Governance oversees the strategy. Please see the [Climate Change section](#) for details of our strategy and performance.
- We have set goals for water use and are developing a comprehensive water strategy based on an analysis of risks and opportunities in our own operations and in our supply chain. Please see the [Water section](#) for details of our strategy and performance.
- We were the first automaker to recognize that protecting human rights in our operations and our supply chain is an important sustainability issue. Our human rights strategy includes adherence to our [Code of Human Rights, Basic Working Conditions and Corporate Responsibility \(Policy Letter 24\)](#) (pdf, 55b), as well as assessments of alignment with the Code in our operations and by our suppliers. It also includes training and building the capabilities of our suppliers to manage sustainability issues in their operations. Please see the [Governance](#) and [Supply Chain](#) sections for more information on our human rights strategy and performance.

We take a holistic approach to these and other sustainability issues, recognizing the interconnections between them. Our Sustainability & Vehicle Environmental Matters department oversees sustainability strategy development and implementation by identifying emerging challenges and opportunities and mobilizing resources within the Company to address them and help us remain competitive in a changing world. Our philosophy is that sustainability issues should be integrated into business processes and managed by the organizational functions, just like we do for other key business issues. For example, our work on human rights and environmental sustainability in the supply chain is managed by our Procurement division and forms an important theme in our ongoing partnerships with our suppliers. Please see the [Sustainability Governance](#) and [Sustainability Management](#) sections and the [letter from Robert Brown](#) for more information on these topics.

Our business units have set a series of [goals and targets](#) related to sustainability. Our Manufacturing function, for example, develops a yearly [scorecard](#) that impacts performance evaluation and compensation for all managers who work in manufacturing. These targets cover performance areas such as safety, energy and water use, and emissions reductions.

Our sustainability strategy, and the pursuit of our related goals, have enhanced our reputation and contributed to the competitiveness of our products, operations and workforce, helping us build social, environmental and financial value.



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## Materiality Analysis

For this 2012–13 Sustainability Report, Ford conducted an update of our materiality analysis, adding key inputs, replacing outdated inputs and gathering feedback from internal experts. In addition, a [Ceres Stakeholder Committee](#) reviewed this analysis and provided feedback. The analysis will be updated again for our 2014–15 report.

In the current analysis, climate change issues remained at the highest level of concern for Ford and external stakeholders. Water and supply chain issues, which rose to the highest level of importance for both Ford and external stakeholders in the last materiality analysis, remained highly important.

In addition, in the two years since our last analysis, some new issues emerged, some dropped out and others were recast or reorganized. Significant changes included the following:

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



## Materiality Matrix

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



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## Overview of the Analysis Process

### What Is Materiality?

For the purposes of this report, we consider material information to be that which is of greatest interest to, and which has the potential to affect the perception of, those stakeholders who wish to make informed decisions and judgments about the Company's commitment to environmental, social and economic progress. Thus, materiality as used in this Sustainability Report does not share the meaning of the concept for the purposes of financial reporting.

### How Was the Analysis Conducted?

To identify and prioritize material issues, we updated the analysis done for our 2010/11 Sustainability Report using a three-step process.

### Identification of Material Business Issues

We developed a list of almost 550 issues, grouped into 15 topics. The issues were identified by reviewing Ford business documents as well as inputs from employees, dealers and our major external stakeholders: customers, communities, suppliers, investors and nongovernmental organizations (NGOs). For the Ford analysis, the documents included Ford policies, business strategy and performance tracking tools, and the Annual Report on Form 10-K. To represent stakeholder views, we looked at Ford-specific inputs such as summaries of stakeholder engagement sessions as well as documents that represent stakeholder views more broadly, such as the Ceres Roadmap to Sustainability, reports on consumer trends and attitudes, and reports from socially responsible and mainstream investors.

### Assessment of Value Chain Impacts

This year, we added a formal value chain analysis step to our materiality process. We did this to pilot some of the changes to the material issue identification and reporting process proposed in the Global Reporting Initiative's (GRI) draft "G4" guidelines. Though we had previously identified key impacts and impacted stakeholders across Ford's value chain stages, for this report we updated that analysis and integrated it into our material issue identification and prioritization process. First, we mapped our material issues across Ford's value chain to ensure we are considering each issue at all the value chain stages where it has a substantial impact. Then, we assessed which stakeholders are more and less impacted by each issue at each value chain stage. We then gave the stakeholder group or groups that are most impacted by a certain issue across Ford's value chain a higher weight in estimating the overall importance of that issue to non-Ford stakeholders. However, for the final results of our prioritization of issues, described below, we did not apply this new methodology, as the results of both approaches to calculating the overall impact score for non-Ford stakeholders on an issue-by-issue basis were similar.

### Prioritization of the Issues

We noted the frequency with which issues were raised in the source documents and rated each issue as low, moderate or high for current or potential impact on the Company in a three- to 10-year timeframe, as well as degree of concern to stakeholders (by stakeholder group). Though we consider possible impacts and importance out to 10 years, three to five years is the timeframe in which Ford can make meaningful changes in our own actions based on our internal planning and production cycles. For each issue, the ratings were averaged separately for Ford and stakeholders (with extra weight assigned to investors and multi-stakeholder inputs, as they are key audiences of our reporting).

The issues and their ratings were then plotted on a "materiality matrix." The y-axis shows concern to stakeholders increasing from bottom to top. The x-axis shows increasing impact to Ford from left to right. "Current or potential impact on Ford" was assessed based on the potential an issue has to impact Ford's financial position; corporate reputation including standing in local communities, social license to operate and consumer perceptions of our Company and products; employee productivity

and retention; and other key impacts.

We consider the issues in the “upper right” sector to be the most material. We do not further prioritize issues within a given box of the matrix as relatively more or less important than other issues in that same box, but we encourage users to click through the interactive matrix to access the detailed descriptions and other context on the individual issues. None of the issues is unimportant; the position of each in the matrix simply represents our understanding of its relative importance to the Company and its stakeholders.

## Review of the Analysis

The draft matrix was reviewed internally. It was then revised again after review by a Ceres stakeholder committee that included representatives of environmental and other NGOs, socially responsible investment organizations and a supplier company. Please see the [Assurance section](#) for information on how we responded to the Committee’s recommendations.

## Use of the Analysis

We use this analysis to identify issues to cover in our reporting and as an input to our sustainability strategy development. This analysis, and the methods for conducting materiality analyses generally, are works in progress. Though we undertake an in-depth materiality analysis every two years, we continue to consider material issues and stakeholder inputs informally between formal analyses. We are continually improving our reporting based on the formal and informal assessment of changing issues and stakeholder perspectives. Due to the timing of analysis, reviews and report development, the results of one materiality analysis may not be fully realized in our reporting until the following year’s report.

We work hard to ensure that our materiality analysis and the resulting matrix is comprehensive and precise without being so complicated that it is difficult to understand or apply. However, sustainability issues are not discrete. Rather, they overlap and interconnect in a complex system that is difficult to capture in a list of issues. Analyzing issues by stakeholder group adds depth to our understanding of who is concerned about which issues and why, but in the process of placing them on a two-dimensional matrix, some of that nuance is lost. Finally, an element of subjectivity is inevitable.

We have participated with other companies and organizations in documenting current methods for materiality analysis with the expectation that this will help advance the practice.



Go Further

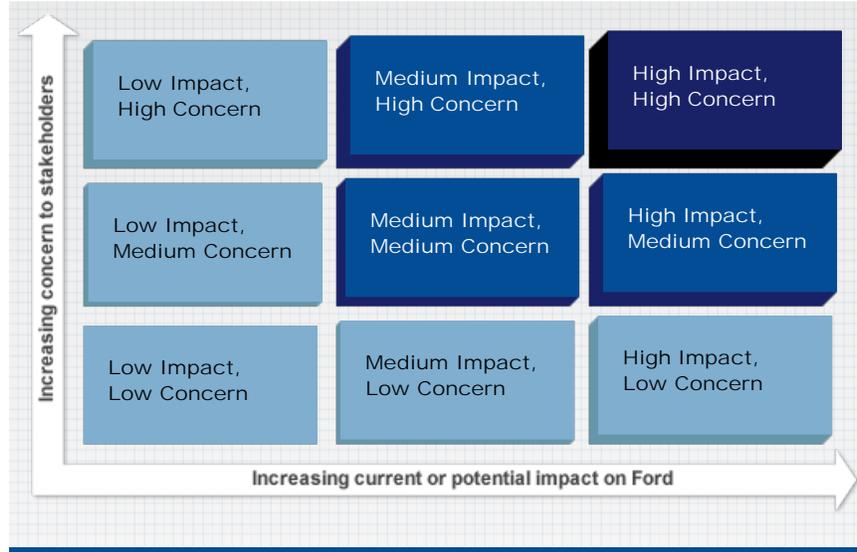
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## Materiality Matrix



### Reporting Priorities

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

Above is our interactive materiality matrix. In it, issues are categorized according to their concern to stakeholders and their current or potential impact on the Company. Click each box to see which issues are categorized within each sector.



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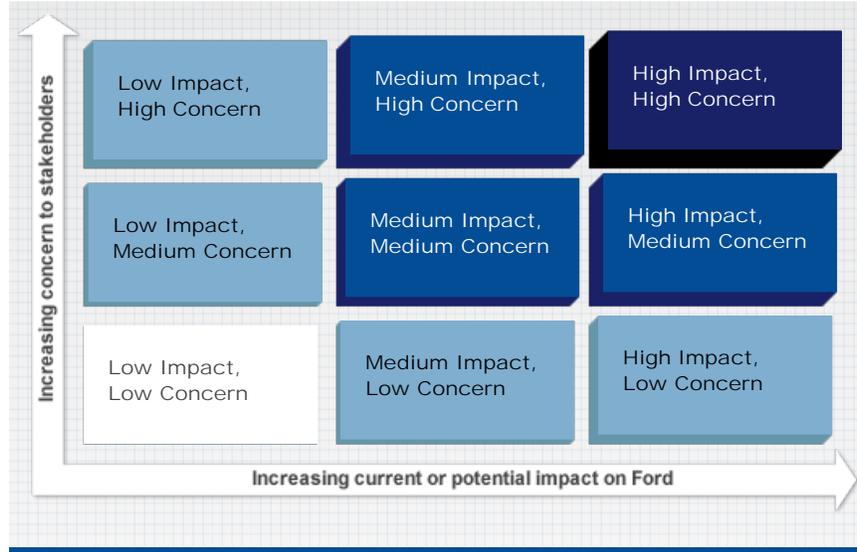


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### Low Impact, Low Concern

Two material issues have been identified at this level

#### PUBLIC POLICY

- Health care policy

#### CLIMATE CHANGE

- Emissions trading/cost of carbon



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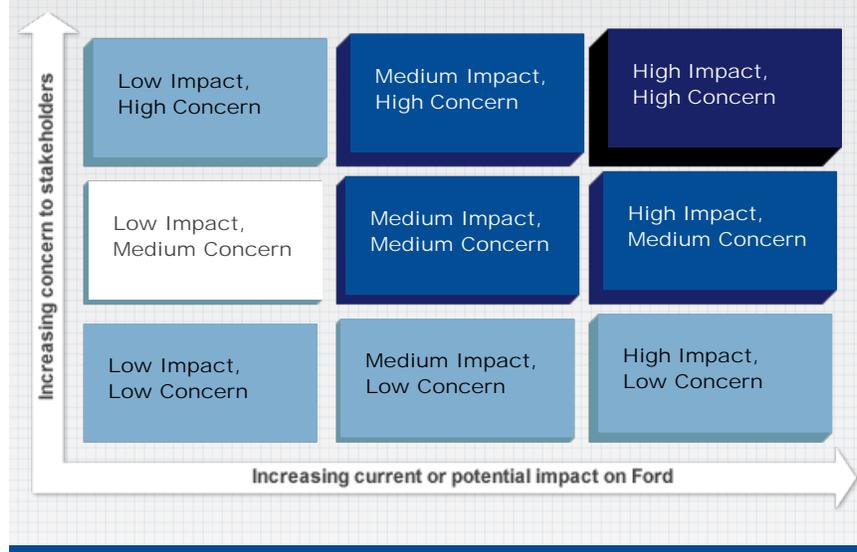
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### Low Impact, Medium Concern

One material issue has been identified at this level

#### FORD FUTURE COMPETITIVENESS

- Innovation management



Go Further

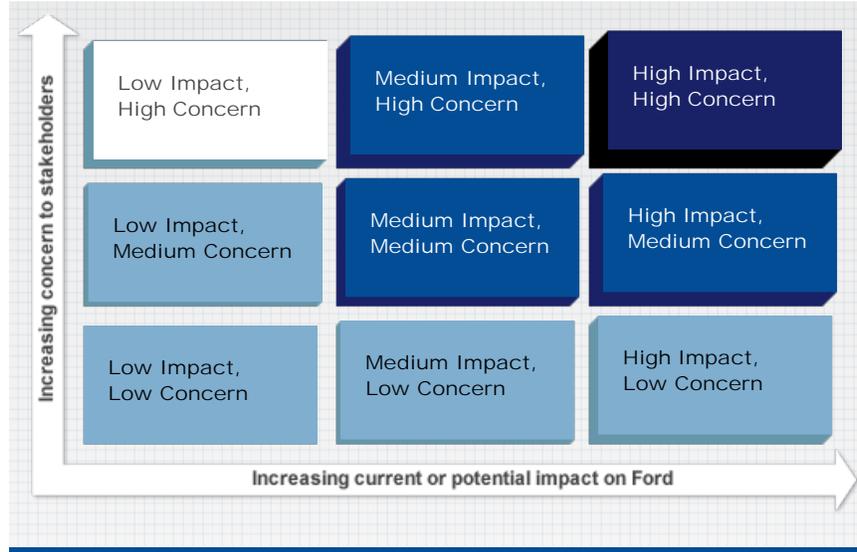
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### Low Impact, High Concern

No material issues have been identified at this level

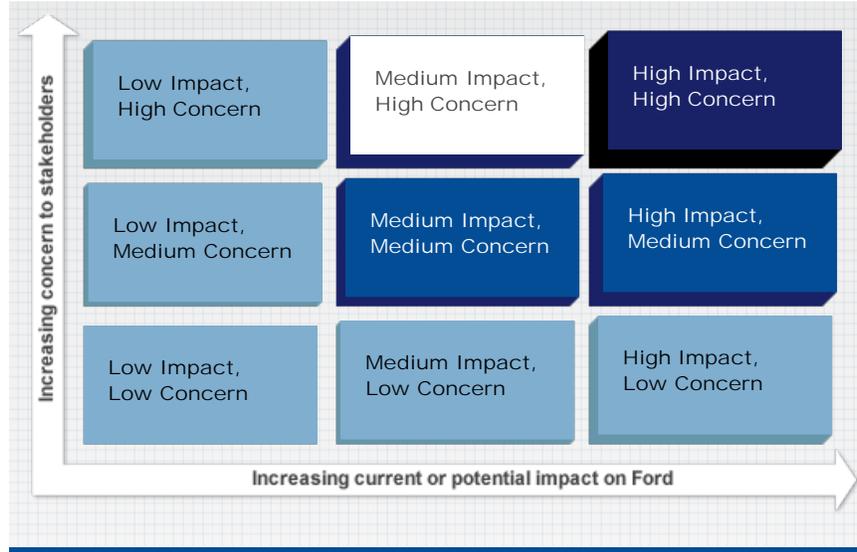


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### Medium Impact, High Concern

No material issues have been identified at this level



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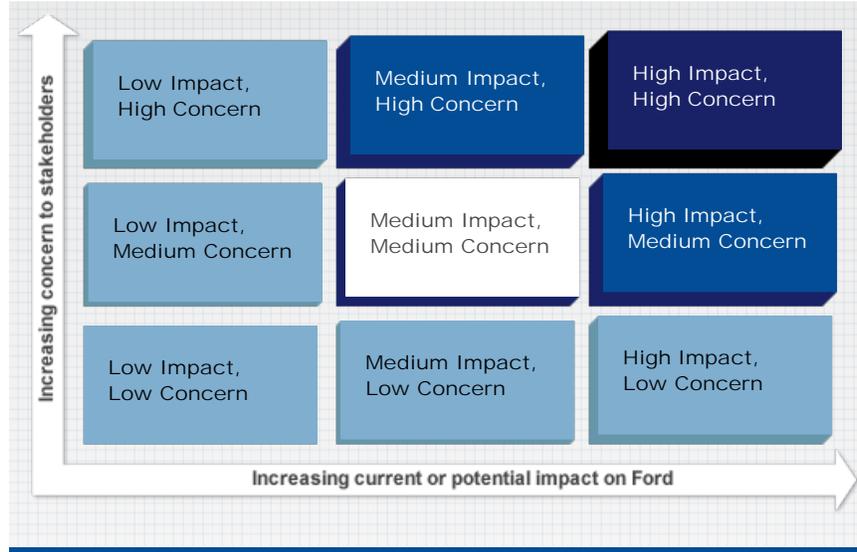
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**Medium Impact, Medium Concern**

Nine material issues have been identified at this level

**PUBLIC POLICY**

Political payments and contributions	
Definition/Description	Includes need for a consistent and transparent public policy position and concerns about company donations to candidates and campaigns; lobbying costs; employee Political Action Committee; indirect giving through trade associations, etc.
Comments	Stakeholders, including shareholders, remain interested in "political accountability" or transparency around corporate participation in the political process and various forms of corporate political donations.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> <li>» <a href="#">Public Policy</a></li> <li>» <a href="#">Policy Letters and Directives</a></li> </ul>

**FORD FINANCIAL HEALTH**

Supplier viability and competitiveness	
Definition/Description	Includes economic viability of suppliers and the importance of supplier viability for Ford's operations and products as well as communities where Ford and suppliers operate
Comments	Was already at mid-level of concern for Ford in previous

	analyses. Increased in concern for stakeholders in this analysis.
Trend (from previous analysis)	↑ Increased in importance to stakeholders
More information	» <a href="#">Creating a Sustainable Supply Chain: Ford's Approach</a> » <a href="#">Building Strong Supplier Relationships</a>

## OPERATIONS

Energy use and oil consumption	
Definition/Description	Operations/facilities: concerns about cost and availability; energy security
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Operational Energy and Greenhouse Gas Emissions</a>

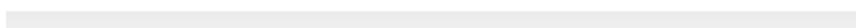
Air emissions (other than GHGs)	
Definition/Description	Includes volatile organic compound emissions and ozone-depleting emissions from operations
Comments	Lower level of concern to Ford reflects active and successful management toward targets.
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Non-CO<sub>2</sub>, Facility-Related Emissions</a>

Hazardous pollutants	
Definition/Description	Hazardous substances in products, manufacturing and supply chain
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Sustainable Materials</a> » <a href="#">Non-CO<sub>2</sub> Tailpipe Emissions</a> » <a href="#">Non-CO<sub>2</sub>, Facility-Related Emissions</a> » <a href="#">Waste Management</a>

Land and nature	
Definition/Description	Impacts of Ford operations on land and nature including biodiversity
Comments	Increased in importance to Ford largely due to increased relevance of land and nature impacts due to building new plants in the Asia Pacific region.
Trend (from previous analysis)	↑ Increased in importance to Ford
More information	» <a href="#">Sustainable Land Use and Biodiversity</a> » <a href="#">Green Buildings</a>

Other environmental operational issues	
Definition/Description	Includes spills, nuisances (noise), and pre- and post-production logistics
Trend (from previous analysis)	↓ Lower level of concern to Ford
More information	» <a href="#">Greening Our Operations</a>

## PRODUCT



### End-of-life management

Definition/Description	Includes design for recycling, extended producer responsibility for end-of-life vehicles, and market demand for recycling and recovery of components and materials.
Trend (from previous analysis)	Decreased in importance for Ford, but increased in importance for stakeholders.
More information	» <a href="#">Sustainable Materials</a>

## GOVERNANCE

### Shareholder concerns/resolutions

Definition/Description	Includes issues related to the Board of Directors and executive management including compensation, board independence, and evaluation of Board performance and effectiveness; issues brought up in past shareholder resolutions; and shareholder engagement.
Trend (from previous analysis)	↑ Increased in importance for Ford
More information	» <a href="#">Governance</a> » <a href="#">Corporate Governance – Board of Directors</a>



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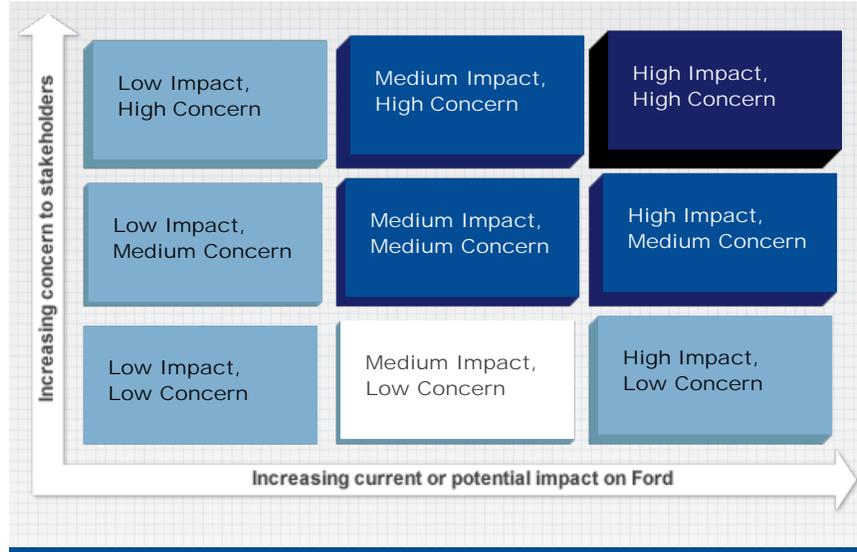


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## Medium Impact, Low Concern

Five material issues have been identified at this level

### FORD FINANCIAL HEALTH

- Dealer viability and competitiveness

### PRODUCT

- Labeling
- Noise
- Vehicle interior air quality

### VEHICLE SAFETY

- Emerging market vehicle and road safety



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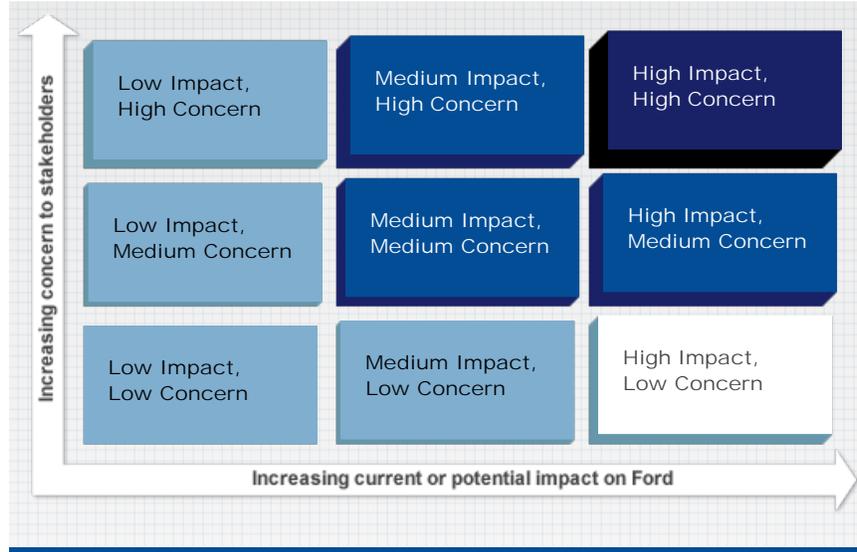
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### Reporting Priorities

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- Issues in these boxes set the agenda for the rest of the web report and future reporting
- Issues in these boxes are not currently covered in detail by reporting

## High Impact, Low Concern

Two material issues have been identified at this level

### PRODUCT

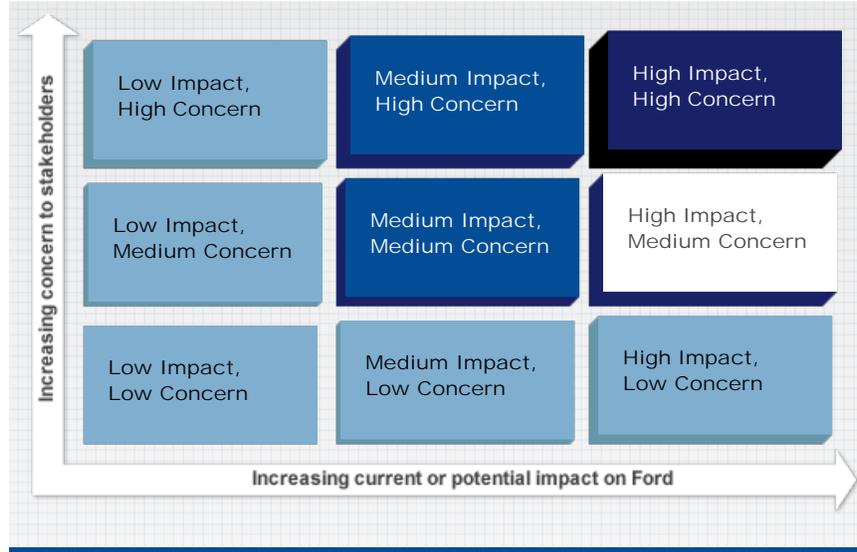
- Compliance
- Tailpipe emissions



### Our Blueprint for Sustainability

- Strategy
- Materiality Analysis
  - > Overview of the Analysis Process
  - > **Materiality Matrix**
- Our Value Chain and Its Impacts
- Governance

## Materiality Matrix



### Reporting Priorities

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

## High Impact, Medium Concern

28 material issues have been identified at this level

### GOVERNANCE

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

### PUBLIC POLICY

Global environmental regulation	
Definition/Description	Trend toward greater regulation and the cost of compliance
Comments	Continues to be of high importance to Ford.
Trend (from previous analysis)	➡ Same position

More information	<ul style="list-style-type: none"> <li>» <a href="#">Public Policy</a></li> <li>» <a href="#">Climate Change Policy and Partnerships</a></li> </ul>
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## FORD FINANCIAL HEALTH

### Risk and cost management

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

### Product competitiveness

Definition/Description	Ford's strategy related to products and sales, including product mix, market share and meeting customer demands, including for more fuel-efficient products
Comments	A top concern for Ford and mid-level concern to stakeholders.
Trend (from previous analysis)	↓ Lower in importance to non-Ford stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Financial Health</a></li> <li>» <a href="#">Product Competitiveness</a></li> </ul>

### Manufacturing efficiency

Definition/Description	Includes reducing complexity of products, lean and flexible manufacturing, flexible work rules
Comments	A key element of Ford's ability to respond to changing markets; part of public discussion about aid to automakers.
Trend (from previous analysis)	➡ Same position
More information	<ul style="list-style-type: none"> <li>» <a href="#">Current Financial Health</a></li> <li>» <a href="#">Greening our Operations</a></li> </ul>

### Alignment of production with demand

Definition/Description	Ford's realignment of production capacity to lower levels of demand and the shift from trucks and SUVs to cars; supply-base rationalization; managing downsizing
Comments	Same importance to stakeholders, still of highest concern to Ford, particularly because of overcapacity in Europe.
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Financial Health</a>

### Quality

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

## FORD FUTURE COMPETITIVENESS

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

Emerging market product and service strategy	
Definition/Description	Ford's approach to emerging markets: infrastructure development; human rights as an issue in growth markets; Ford's impacts/contributions in emerging markets (other than products and services), including local sourcing, pollution, potential for partnerships
Comments	With projected growth in the company's Asia Pacific operations, would have increased in importance for the Company if it was not already at the highest level. Key drivers of the issue include congestion, shifting demographics, urbanization and social equity. Added the sub-issues of increasing importance of urban customers and introduction of green products and operations technologies into emerging markets.
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Financial Health</a> » <a href="#">Product Competitiveness</a> » <a href="#">Mobility Solutions</a> » <a href="#">Ford Around the World</a>

## WATER

Operational water use	
Definition/Description	Includes impacts on water sources; water management, cost of water and discharges to water.
Comments	Particular concern in areas of water scarcity; issue gaining a higher public profile.
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Progress in Reducing Water Use</a> » <a href="#">Case Study: Ford Manufacturing Water Saving Technologies</a>

## CLIMATE CHANGE

Cleaner vehicle technologies	
Definition/Description	Ford's development of low-carbon technologies, including hybrids, electric vehicles, clean diesel, fuel cells; also emerging technologies such as nanotechnology
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Sustainable Technologies and Alternative Fuels Plan</a>

- » [Electrification: A Closer Look](#)
- » [Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance](#)

### Fuel economy

Definition/Description	Increasingly global issue, but particular focus on Ford's U.S. fleet
Comments	Increasingly driven by regulatory requirements as well as Ford's voluntary product CO <sub>2</sub> goal; reduced in importance since last analysis, primarily to NGOs.
Trend (from previous analysis)	↓ Lower in importance to non-Ford stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a></li> <li>» <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> </ul>

### Other climate change issues

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

### Clean/alternative fuels

Definition/Description	Includes vehicle and refueling infrastructure issues related to increased use of biofuels, and the lifecycle carbon footprint of alternative fuels.
Trend (from previous analysis)	↑ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>» <a href="#">Electrification: A Closer Look</a></li> <li>» <a href="#">Vehicle Fuel Efficiency and CO<sub>2</sub> Emissions Progress and Performance</a></li> </ul>

## OPERATIONS

### GHG emissions

Definition/Description	Includes cost of controlling GHG emissions
Comments	Less of a concern than GHG emissions from vehicles; a mid-level concern for Ford and NGOs/stakeholders.
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Operational Energy and Greenhouse Gas Emissions</a>

### Waste generation and management

Definition/Description	Includes Ford's operational waste generation, management and disposal
Comments	Increased in importance to Ford in this analysis after increasing in importance to stakeholders in the last analysis.
Trend (from previous analysis)	↑ Higher concern for Ford
More information	» <a href="#">Waste Management</a>

## VEHICLE SAFETY

Vehicle safety	
Definition/Description	Active and passive safety; pedestrian safety; customer interest in and demand for safe vehicles; increasing regulation generally with focus on active safety; challenge of evolving in-vehicle technology
Comments	Developed and emerging market issues differ.
Trend (from previous analysis)	↓ Lower in importance for stakeholders
More information	» <a href="#">Vehicle Safety and Driver Assist Technologies</a>

## PRODUCT

Lifecycle assessment	
Definition/Description	Includes the need for rigorous lifecycle assessment processes
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Design for Lifecycle Sustainability</a>

Environmentally preferable materials	
Definition/Description	Cradle-to-cradle approach: use of renewable, recycled and recyclable materials
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Sustainable Materials</a>

Customer privacy	
Definition/Description	Ford's management of customer information to maintain customer privacy.
Trend (from previous analysis)	⬆ Increased in importance to Ford and stakeholders
More information	» <a href="#">Ford Motor Credit Company</a> » <a href="#">Policy Letters and Directives</a>

Marketing and communications/demand creation/advertising	
Definition/Description	Includes issues associated with Ford's marketing, communications and advertising efforts, including the issue of demand creation for different vehicle types
Trend (from previous analysis)	⬆ Increased in importance to Ford and stakeholders
More information	» <a href="#">Customers</a> » <a href="#">Policy Letters and Directives</a>

## WORKPLACE

Workplace health and safety	
Definition/Description	Health and safety management systems; ergonomics
Trend (from previous analysis)	➡ Same position
More information	» <a href="#">Workplace Health and Safety</a>

## Employee morale and teamwork

Definition/Description	Includes issues of employee satisfaction, development, recruitment and retention as well as increasing employee interest in sustainability
Comments	New sub-issues were added in this category, including employee interest in working for a sustainable company and the need to engage employees in sustainability issues.
Trend (from previous analysis)	⬆️ Increased in importance to stakeholders
More information	» <a href="#">Employees</a>

## Employee labor practices/decent work

Definition/Description	Ford's employment practices, including wages, wage ratios, benefits, permanent v. temporary positions; training and education; turnover; impact of aging workforce
Comments	High concern to communities and investors.
Trend (from previous analysis)	⬆️ Increased in importance to Ford
More information	» <a href="#">Working Conditions in Ford Plants</a> » <a href="#">Policy Letters and Directives</a>

## Diversity/equal opportunity

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

# COMMUNITY ENGAGEMENT

## Community engagement

Definition/Description	License to operate, NGO relationships and specific community concerns such as breast cancer, obesity, compliance
Comments	Increasing concern to Ford, lower concern to communities and NGOs in this analysis. However, community interest in specific issues of engagement like water increased in this analysis.
Trend (from previous analysis)	➡️ Same position
More information	» <a href="#">Engaging with Communities</a>

## Community impacts and contributions

Definition/Description	Encompasses a range of direct and indirect economic impacts, including local hiring and sourcing and philanthropic donations to the community; also local environmental impacts
Comments	High concern to communities.
Trend (from previous analysis)	⬆️ Increased in importance to Ford
More information	» <a href="#">Communities</a> » <a href="#">Human Rights in the Supply Chain: Ford's Global Working Conditions Program</a> » <a href="#">Financial Health</a>

## SUPPLY CHAIN SUSTAINABILITY

### Identifying and managing sustainability-related supply chain risks

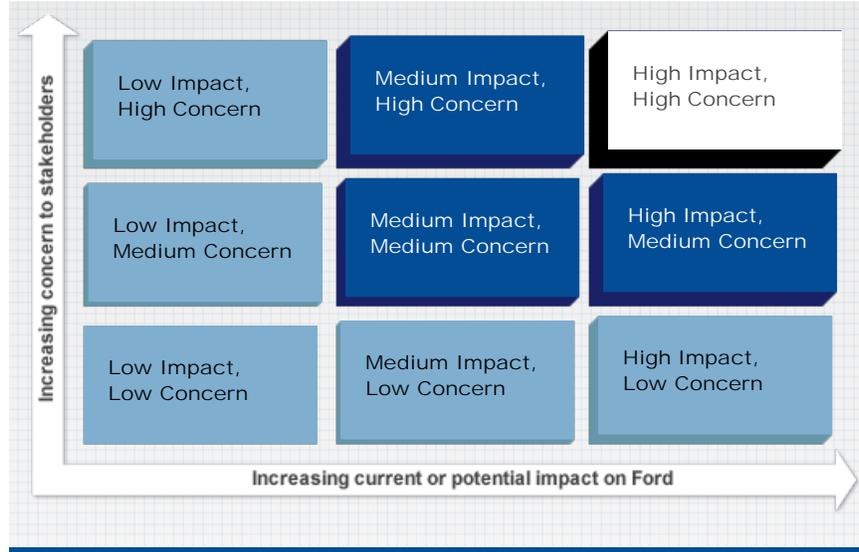
Definition/Description	Includes Ford's approach to assessing and managing suppliers' sustainability performance, including supplier requirements, assessments/monitoring and remediation. Also includes risks related to raw materials sourcing, such as scarcity/single source, conflict minerals and raw material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



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## Materiality Matrix



### Reporting Priorities

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## High Impact, High Concern

14 material issues have been identified at this level

### SUSTAINABILITY VISION AND MANAGEMENT

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

### PUBLIC POLICY

GHG/fuel economy regulation	
Definition/Description	Regulation of vehicle emissions globally, state-by-state regulation in U.S.; increasing stringency and inconsistency of regulation; challenges posed by lack of U.S. federal climate legislation
Comments	Some decrease in concern for stakeholders on this issue,

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

## GOVERNANCE

<a href="#">Human rights strategy</a>	
Definition/Description	Includes Ford's policies and practices related to human rights
Comments	In previous analyses, an issue of top concern for stakeholders. It fell to mid-concern in the last analysis but returned to high concern in this analysis.
Trend (from previous analysis)	⬆ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Human Rights in the Supply Chain: Ford's Global Working Conditions Program</a></li> <li>» <a href="#">Working Conditions in Ford Plants</a></li> </ul>

## CLIMATE CHANGE

<a href="#">Low-carbon strategy</a>	
Definition/Description	Ford's strategy to reduce carbon emissions from products and operations; goals and targets; use of renewable energy and offsets
Comments	Strongly related to other material issues; of high interest to government and investors and increased in interest to communities since the last analysis.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>» <a href="#">Climate Change</a></li> <li>» <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>» <a href="#">Electrification: A Closer Look</a></li> <li>» <a href="#">Operational Energy and Greenhouse Gas Emissions</a></li> </ul>

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

<a href="#">Electrification strategy</a>	
Definition/Description	Ford's strategy to deliver electric vehicles to the marketplace and work with partners to address infrastructure and utility interface issues
Comments	Reflects the challenges of transitioning from traditionally fueled vehicles to plug-in vehicles and modest consumer

	uptake of electric vehicles.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>» <a href="#">Sustainable Technologies and Alternative Fuels Plan</a></li> <li>» <a href="#">Electrification: A Closer Look</a></li> </ul>

## WATER

Water strategy – local community impacts	
Definition/Description	Includes growing recognition of water as a key sustainability issue, including water scarcity and risks, need for water risk assessments, and understanding of linkages between water and carbon
Comments	Reorganized for this analysis to disaggregate the impacts of water issues on communities, Ford operations, and Ford product decisions. Added issue of human right to water.
Trend (from previous analysis)	➡ Already at the highest level
More information	<ul style="list-style-type: none"> <li>» <a href="#">Water Impacts, Risks and Opportunities</a></li> <li>» <a href="#">Operating in Water-Stressed Regions</a></li> <li>» <a href="#">Water Strategy Approach</a></li> </ul>

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

Water strategy – water impacts of operations	
Definition/Description	Includes impacts on water sources, water management, cost of water and discharges to water
Comments	Particular concern in areas of water scarcity; issue gaining a higher public profile.
Trend (from previous analysis)	⬆ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Water Impacts, Risks and Opportunities</a></li> <li>» <a href="#">Operating in Water-Stressed Regions</a></li> <li>» <a href="#">Water Strategy Approach</a></li> <li>» <a href="#">Progress in Reducing Water Use</a></li> <li>» <a href="#">Water Consumption in the Vehicle Lifecycle</a></li> </ul>

## OPERATIONS

Environmental management	
Definition/Description	High-level environmental operational concerns, including environmental management, environmental compliance
Comments	Continues to have highest importance to Ford, reflecting continued management focus on achieving environmental targets. Increased in importance to external stakeholders since last analysis.

Trend (from previous analysis)	⬆️ Increased in importance to stakeholders
More information	<ul style="list-style-type: none"> <li>» <a href="#">Greening Our Operations</a></li> <li>» <a href="#">Manufacturing</a></li> </ul>

## SUPPLY CHAIN SUSTAINABILITY

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

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

Sustainable raw materials	
Definition/Description	Includes issues around conflict minerals, rare earth metals and other strategic materials, and overall impacts of raw material extraction on the environment, communities, geopolitics and Ford's costs
Trend (from previous analysis)	➡️ Already at the highest level
More information	<ul style="list-style-type: none"> <li>» <a href="#">Sustainable Raw Materials</a></li> </ul>

Supply chain environmental sustainability	
Definition/Description	Includes the need to address carbon and water issues in supply chain relationships
Trend (from previous analysis)	➡️ Already at the highest level
More information	<ul style="list-style-type: none"> <li>» <a href="#">Supply Chain Environmental Management</a></li> </ul>



Go Further

Sustainability 2012/13



YEAR IN REVIEW



OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



FORD AROUND THE WORLD

### Our Blueprint for Sustainability

Strategy

Materiality Analysis

Our Value Chain and Its Impacts

Governance

## Our Value Chain and Its Impacts



## Our Value Chain

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

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

## Product Planning and Design

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

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

### Key Issues/Impacts

- Greenhouse gas (GHG)/fuel economy and other environmental regulations
- Low-carbon strategy
- Energy use/oil consumption and GHG emissions
- Electrification strategy
- Environmental management

In 2012:

We spent

**\$5.5 billion**

on engineering, research and development.

**661**

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

We launched

**25 vehicles**

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

and  
**31 powertrains**  
 globally.

### Key Stakeholders

- Ford
- Employees
- Suppliers
- Communities

---

## Raw Material Extraction

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

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

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

### Key Issues/Impacts

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

We have reduced the use of dysprosium, a rare earth element, by about

**50 percent**

in our hybrid systems; we expect this will save up to 500,000 pounds of rare earth metals annually.

### Key Stakeholders

- Suppliers
- Communities
- Ford

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## Logistics / Transportation

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

We create value at this stage by providing business and jobs in the transportation and

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

packaging industries. We also work to reduce emissions and waste associated with parts transportation and packaging. However, transportation causes impacts to local communities and the environment, especially in the areas of emissions, waste, traffic and road safety.

### Key Issues/Impacts

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

### Key Stakeholders

- Suppliers
- Ford
- Employees
- Communities

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

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

Our European operations use

**90 percent**

reusable containers, and we are seeking to increase that amount.

## Supplier Parts Manufacturing

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

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

### Key Issues/Impacts

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

### Key Stakeholders

- Suppliers
- Ford
- Communities
- Employees

In 2012, we spent **\$90 billion** with more than 12,700 production and non-production supplier companies globally.

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

To date, more than **80 percent**

of our production Aligned Business Framework (ABF) suppliers – which represent approximately 65 percent of our annual buy – have demonstrated that they have codes of conduct aligned with international standards.

As of December 31, 2012, Ford's supplier training programs had impacted

**84,710**

sub-tier supplier companies and more than

**430,200**

individual employees at

---

## Ford Manufacturing

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

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

### Key Issues/Impacts

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

### Key Stakeholders

- Ford
- Employees
- Communities

In 2012, we employed

**171,000**

people globally.

Also in 2012, we added

**8,100**

salaried and hourly jobs in the U.S. and

**2,470**

hourly and salaried jobs in our Asia Pacific and Africa region.

From 2013 through 2017, we expect to spend about

**\$125 million**

on our facilities in the Americas and Europe to comply with stationary source air and water pollution and hazardous waste control standards that are now in effect or are scheduled to come into effect during this period.

In 2012, we contributed

**\$3.2 billion**

in taxes globally.

Also in 2012, we invested

**\$30.1 million**

in local communities through charitable contributions.

---

## Sales

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

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

### Key Issues/Impacts

- Alignment of production with demand
- Product competitiveness

In 2012, we sold more than

**5.66 million**

vehicles globally.

As of year-end 2012, our

**3,286**

Ford and Lincoln dealers in the U.S. employed

**189,000**

- Emerging market products and services strategy
- Electrification strategy
- Sustainable mobility
- GHG/fuel economy regulation
- Quality
- Low-carbon strategy
- Cleaner vehicle technologies

### Key Stakeholders

- Dealers
- Ford
- Customers
- Investors

individuals, with an annual payroll of approximately

**\$7 billion.**

Worldwide, we had

**11,619**

Ford and Lincoln dealerships as of year-end 2012.

## Use

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

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

For the 2013 model year, Ford offers

**eight vehicles**

that get 40 mpg (or MPGe) or better.

From the 2007 to the 2012 model year, we reduced fleet-average carbon dioxide (CO<sub>2</sub>) emissions from our new vehicles in the U.S. by

**15 percent,**

and from the 2006 to 2012 calendar year we reduced the fleet-average CO<sub>2</sub> emissions from our European vehicles by

**14 percent.**

For the 2012 model year,

**93 percent**

of Ford nameplates earned a Top Safety Pick from the Insurance Institute for Highway Safety.

In Europe, Ford earned the most Best in Class awards from the European New Car Assessment Program (Euro NCAP), as well as the most Euro NCAP Advanced rewards for advanced safety technologies.

### Key Issues/Impacts

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

### Key Stakeholders

- Customers
- Ford
- Communities

## Service

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

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

### Key Issues/Impacts

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

### Key Stakeholders

- Dealers
- Ford
- Customers

As of March 2013, more than

**600**

dealers in 48 states have participated in our green dealer onsite facility assessment to identify energy- and cost-saving opportunities and become certified to sell our electrified vehicles. More than

**200**

additional dealers have signed up to undergo this process during the remainder of 2013.

Since 2002, our Core Recovery Program – through which we reuse and recycle parts removed at dealership service centers for use in the production of new Ford vehicles – has saved approximately

**120 million**

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

## End of Life

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

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

### Key Issues/Impacts

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

### Key Stakeholders

- Recyclers
- Ford
- Communities

In North America, about

**95 percent**

of vehicles that go out of registration are processed by a dismantler or scrap metal recycling facility, with approximately

**86 percent**

of the vehicle by weight recovered for reuse, remanufacturing or recycling.

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

**85 percent**

and recoverability of

**95 percent.**



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OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



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## Governance

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

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

In 2012, we strengthened our governance systems by enhancing our anti-corruption program. Specially, we increased our global training on bribery, and we began to work more closely with some of our joint ventures – which we do not directly control – to be sure they have appropriate compliance programs in place. We also strengthened the anti-bribery/anti-corruption portions of our Global Terms and Conditions – i.e., our contracts with suppliers – to help ensure that they are doing business ethically.

In 2012 and early 2013, Ford received a number of awards and recognitions for our corporate responsibility and sustainability efforts and governance practices, as noted below.

## Awards and Recognitions

In 2013, Ford was honored by the Ethisphere Institute – for the fourth year in a row – as one of the World’s Most Ethical Companies. Using in-depth research and a multi-step analysis, Ethisphere reviewed nominations from companies in more than 100 countries and 36 industries.

Also in 2013, Ford was again named by *Corporate Responsibility Magazine* as one of the 100 Best Corporate Citizens in the U.S. This listing ranks companies in seven separate categories – the environment, climate change, human rights, employee relations, corporate governance, philanthropy and financial performance – and then produces an overall weighted average score. Ford ranked 83rd overall, and was listed 15th in the environment category and 25th in human rights.

Ford’s additional 2013 recognitions included listing on *Maclean’s* Sustainalytics inventory of the 50 Most Socially Responsible Corporations in Canada, as well as on the FTSE4Good Index Series. The FTSE4Good Index Series includes companies meeting stringent environmental, social and governance criteria.

In 2012, Ford received a Climate Leadership Award from the U.S. Environmental Protection Agency, for “Excellence in GHG Management – Goal-Setting Certificate.” The award recognizes companies that have set aggressive, public greenhouse gas reduction goals and are working to achieve them, in addition to other criteria.

In 2012, for the fourth year in a row, Ford was listed among *Newsweek* magazine’s “Green Rankings.” This list rates companies globally as well as America’s 500 largest companies on environmental impact, environmental policies and performance, and reputation among CEOs, social responsibility professionals, academics and other environmental experts. On the U.S. list, Ford ranked 50th overall and 1st in the vehicles and components sector; on the global list, we ranked 107th overall and 5th in the vehicles and components sector.

In 2012, Ford ranked number 15 on Interbrand’s list of Best Global Green Brands. The rankings are determined via an analysis of 82 submetrics across six pillars: governance, stakeholder engagement, operations, supply chain, transportation and logistics, products and services.

Also in 2012, Ford was one of two companies honored for “Outstanding Achievement in Low Carbon Transport over the last 10 years” by the Low Carbon Vehicle Partnership (Low CVP) in the U.K. In announcing the award, Low CVP managing director Andy Eastlake said: “The carbon credentials and success of the latest Ford cars show just what can be achieved.”

Finally, Ford was also named one of *Fast Company* magazine's "World's Most Innovative Companies" in 2012, and was included in the Dow Jones Sustainability Index North America.

We also won several [awards related to diversity](#) in 2012 and 2013. And, our vehicles and engines won several ["green" awards](#).



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## Sustainability Governance

Upholding high standards of corporate governance is key to maintaining the trust of investors and other stakeholders. In this section, we discuss governance by our Board of Directors and how we set, communicate and enforce these standards to employees. In addition, we discuss how we are integrating sustainability into our organizational structures and business processes, and our approach to sustainability reporting – a key element of our commitment to transparency.

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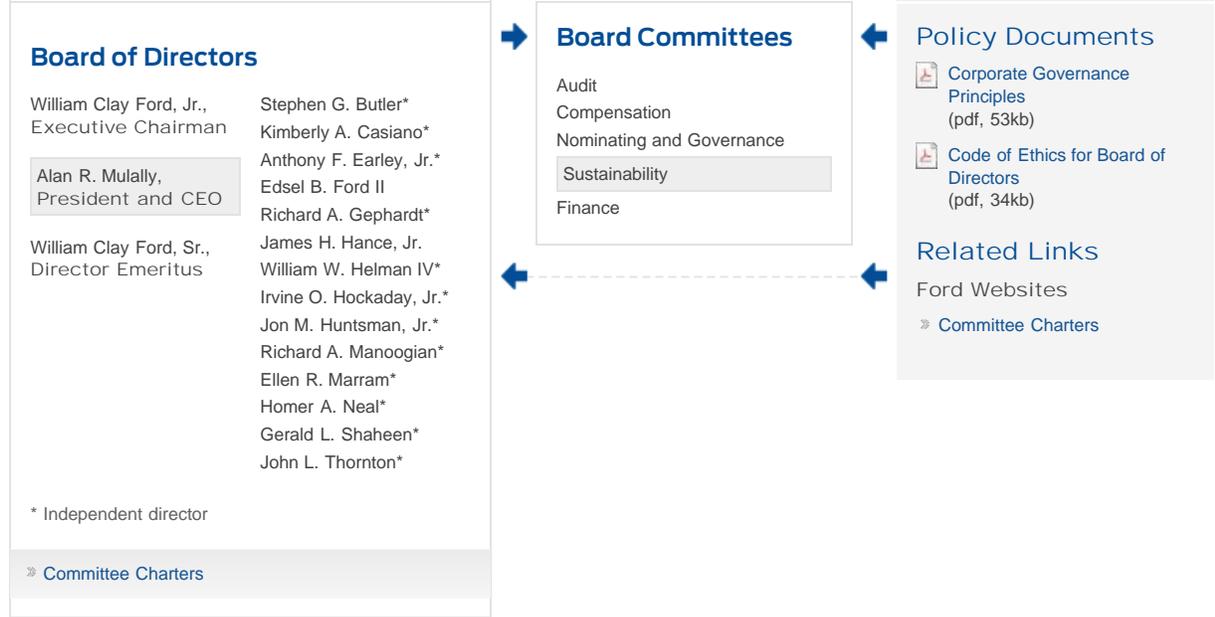


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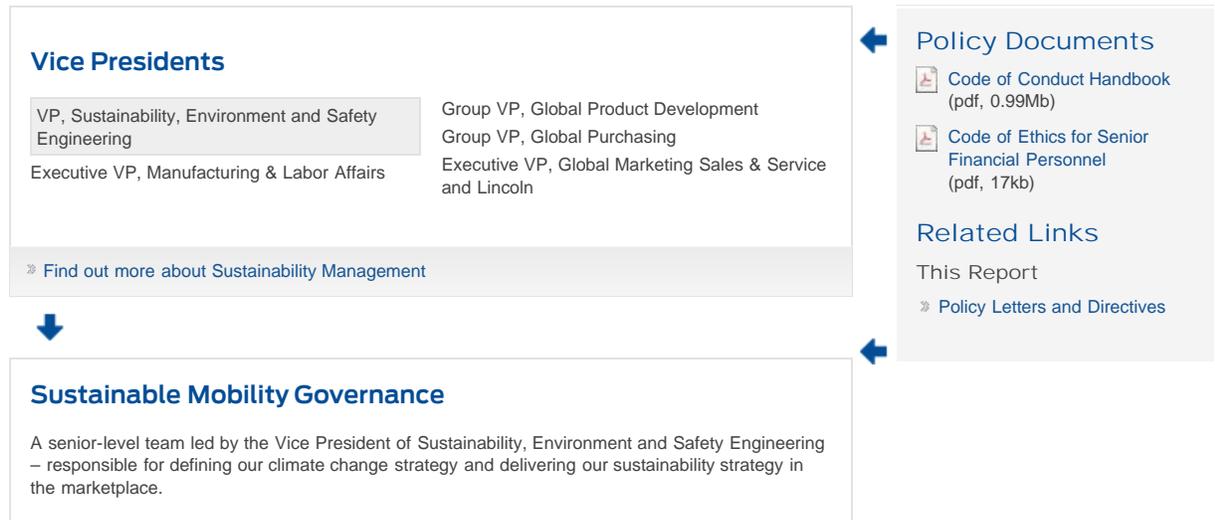
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## Governance and Management Structures

### Board-Level Governance



## Sustainability Management



## Key Business Processes

Business Plan Review  
Global Product Development System  
Special Attention Review

Ford Production System  
ISO 14001 Certification  
Order-to-Delivery



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## Corporate Governance – Board of Directors

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

The Board addresses significant business issues as a full group and through five committees: Audit, Compensation, Finance, Nominating and Governance, and Sustainability. The Sustainability Committee was formed in 2008 from the former Environment and Public Policy Committee, reflecting the evolution of its responsibilities and the Company's challenges and opportunities. The [Sustainability Committee charter](#) is available online.

During 2012, nine Directors served on the Sustainability Committee, which is chaired by Dr. Homer Neal, an independent director. Ford's Board of Directors met 10 times and the Sustainability Committee met four times.

The Board's Nominating and Governance Committee considers several qualifications when considering candidates for the Board. Among the most important qualities directors should possess are the highest personal and professional ethical standards, integrity and values. They should be committed to representing the long-term interests of all shareholders. Directors must also have practical wisdom, mature judgment and objectivity. Ford recognizes the value of diversity, and we endeavor to have a diverse Board, with experience in business, government, education and technology, and in areas that are relevant to the Company's global activities.

Under New York Stock Exchange (NYSE) Listed Company rules, the majority of our directors must be independent directors. The NYSE rules also provide that no director can qualify as independent unless the Board affirmatively determines that the director has no material relationship with the listed company. Ford's standards in determining whether or not a director has a material relationship with the Company are contained in the Company's Corporate Governance Principles. Based on Ford's standards, 13 of the Company's current 16 Directors are independent. Two of Ford's Directors are women, one Director is African-American and one Director is Hispanic.

Each Board member participates in an annual assessment of the effectiveness of the Board and the Committees on which he or she serves. We have established a procedure for shareholders to submit accounting and other concerns to independent directors and to send other communications to the Board.

For more information on [Ford corporate governance practices](#), including the principles and policies that govern the conduct of the Board and the members of the Board, please visit our website.



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## Policy Letters and Directives

At Ford, Policy Letters establish a framework of broad, basic principles within which the Company conducts its business globally. Corporate Directives provide more in-depth information on narrower topics than Policy Letters, and therefore may only apply to a particular segment of the business or specific activities. In addition to Policy Letters and Directives, numerous descriptions of business practices, handbooks, guidelines and statements of business standards govern the conduct of employees globally.

The following are Ford standards with particular relevance to sustainability.

### Human Rights

Ford’s commitment to human rights is embodied in our Code of Human Rights, Basic Working Conditions, and Corporate Responsibility, which forms the foundation for work within our own operations and our supply chain. This Code articulates our commitments on key human and labor rights issues.

First adopted in 2003 as the Code of Basic Working Conditions, this Code was more formally issued as Policy Letter 24 in 2007. In early 2012, Policy Letter 24 was revised and its title was changed to the [Code of Human Rights, Basic Working Conditions and Corporate Responsibility](#) (pdf, 55b).

Policy Letter 24 is based on fundamental elements of internationally recognized labor standards, including the Universal Declaration of Human Rights, International Labour Organization Covenants, the Organisation for Economic Co-operation and Development’s Guidelines for Multinational Enterprises, the United Nations’ Global Compact Principles, the Global Sullivan Principles, and standards of the Fair Labor Association and International Metalworkers’ Federation. Ford encourages businesses throughout our supply chain to adopt and enforce similar policies, and seeks to identify and do business with organizations that conduct business to standards that are consistent with Policy Letter 24. See Setting [Requirements for Sustainability Issues in Our Supplier Contracts and Guides](#) for more information.

Policy Letter 24 covers workplace and recruitment issues such as working hours, child labor and forced labor. It also reflects our increasingly integrated approach to managing human rights and community issues by articulating our commitments on several key issues that extend beyond the fence lines of our facilities, including community engagement and indigenous populations, bribery and corruption, and environment and sustainability.

One of the aims of the early 2012 revision to Policy Letter 24 was to develop an implementation plan for the “protect, respect and remedy” framework designed by John Ruggie, Special Representative to the United Nations Secretary General on business and human rights at the international level. Ford is eager to implement many of these recommendations, and we are using the framework to benchmark our own strategies and to integrate the principles into the assessment process. The revised Policy also includes a commitment to work with local, indigenous people on sustainable water use, and language to specifically address human trafficking. In previous versions of Policy Letter 24, Ford has considered human trafficking to be a potential element of “forced labor.” However, given the new California law requiring disclosure on supply chain due diligence related to forced labor and human trafficking, we felt it important to make our definition of forced labor and human trafficking more explicit to our suppliers and stakeholders. See [Forced Labor and Human Trafficking in Supply Chains](#) for more information.

Finally, Policy Letter 24 – consistent with our Global Terms and Conditions – communicates our encouragement of suppliers to adopt and enforce similar policies for their suppliers and subcontractors. We actively promote and assess [implementation of sustainable policies and practices in our own operations](#) and [in our supply chain](#). The performance criteria for assessments of Ford-owned facilities and facilities operated by Ford now address several key community issues and evaluate engagement with members of the local community. The key community issues

include environmental impact, local environmental concerns, social performance, volunteerism, philanthropy, and commitment to all local citizens, indigenous populations and community groups.

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

## Diversity

We are committed to equal opportunity in all aspects of our business and to fostering diversity in our workforce. Our Policy Letter and Directives relating to diversity address equal opportunity and require that there be no disparate treatment because of race, religion, color, age, sex, national origin, disability, gender identity, sexual orientation or veteran status, and/or other factors that may be covered by local law. We recognize that diversity in our workforce is a valuable asset, and we strive to provide an inclusive work environment in which different ideas, perspectives and beliefs are respected.

## Bribery and Corruption

Our Policy Letters and Directives govern integrity within Ford and state that it is our policy to comply fully with the laws of each country in which we do business. Further, no employee may agree to, make or solicit, for their benefit or that of the Company, any improper payments or other improper benefits, directly or indirectly, to or from any government or government agency official, legislator or other government employee or person purporting to represent government agencies. Employees and contract personnel should immediately report through the Company reporting system any requests or solicitations for an improper payment, except in countries where mandatory reporting is restricted.

## Political Contributions

Ford's Policy Letter on governmental relationships covers issues relating to public policy and political contributions. These issues are discussed in depth in the [Public Policy](#) section.

## Customer Satisfaction and Safety

Ford has several policy statements aimed at increasing the quality of our products and promoting the safety of our customers. Our Policy Letter on [quality](#) sets the foundation for a process that emphasizes the importance of quality in everything we do and notes that the customer defines quality. It establishes a Quality Operating System and the use of metrics and data to make decisions. Our Policy Letter on [vehicle safety](#) sets forth Ford's commitment to design and build vehicles that meet or exceed applicable laws and regulations and to advance the state of the art in safety wherever practicable. We strive for continuous improvement in vehicle safety, which applies to accident avoidance attributes as well as occupant protection systems. This policy requires that we will be demonstrably active and responsible in all areas of automotive safety, including vehicle design and manufacture, operator behavior and the highway environment.

## Environment and Employee Health and Safety

Our policies on employee health and safety and the global environment make clear that sustainable economic development is important to the future welfare of Ford and society in general. Protecting these things is an important consideration in the business decisions we make and an integral part of our business planning processes. Our products, services, processes and facilities are planned and operated to incorporate relevant objectives and targets that are periodically reviewed to minimize to the extent practical the creation of waste, pollution, and any adverse impact on employee health, safety or the environment. Protection of health, safety and the environment is a Company-wide responsibility of employees at all levels.

## Privacy

The trust and confidence of our customers are important to Ford Motor Company and essential to building long-term relationships and delivering excellent products and personalized services. The Company recognizes that customers, employees and others have concerns about privacy and expect us to protect and handle personal information responsibly.

Ford is committed to implementing responsible privacy and data-handling practices. The Company's Policy Letters and related Directives are designed to ensure the continuing trust and confidence of individuals who entrust us with personal information.

## Social Media Interactions

We encourage responsible employee participation in social media – such as Facebook, Twitter and Flickr, as well as blogs and other web-based discussion forums – and have developed a set of “digital participation guidelines” for our employees. [A version of the guidelines](#) is available publicly. We also use online training to educate our nonmanufacturing workforce on the guidelines and how they affect their use of social media.

Completed in 2010, the guidelines encourage employees to use social media in a responsible way. They advise employees to be mindful that online communications require the same kind of ethical behavior and honesty that we expect in other external communications. For example, if a discussion relates to Ford or the automotive industry, employees are expected to be honest about the fact they work for Ford. At the same time, employees need to make clear their opinions are their own and they are not official spokespeople for the Company. Conversations should remain respectful and in good taste, just as would be expected in any other medium. Employees should use good judgment in not revealing confidential Company information, including financial information. And, employees should always remember that whatever they say or write is there for all to see, permanently.

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## Working Conditions in Ford Plants

Ford's Code of Human Rights, Basic Working Conditions and Corporate Responsibility, or Policy Letter 24, applies to our own facilities as well as those of our joint venture partners and suppliers. Between 2004 and 2010, we conducted 53 formal assessments of Ford facilities and joint venture facilities. During 2011, we revised Policy Letter 24 and did not conduct any assessments. In 2012, we conducted four assessments, and in 2013, we plan on conducting five.

Sites are selected for assessment by Ford's Sustainability and Environmental Policy, Global Labor Affairs and Supply Chain Sustainability functions based on the sites' impact on our supply chain, emerging issues, and the views of thought leaders, nongovernmental organization representatives and human rights activists.

The process for assessing Ford facilities includes a questionnaire completed by facility management and a detailed review of documents related to the full range of working conditions issues (e.g., collective bargaining agreements, grievance procedure logs, employee hotline records, and health and safety audit reports).

The findings of the questionnaire and document review serve as the basis for interviews with facility management. Where procedures and/or documentation are lacking, or where we feel it would otherwise be valuable, the assessments also include facility visits.

The findings of the assessments are initially shared with human rights organizations with which Ford works and are then published on our website. We have sought the opinions of neutral third parties who have visited plants and/or reviewed the assessment process, and they have agreed that the process is robust and has integrity.

The findings of the past assessments confirmed that Ford's wholly and majority-owned facilities are operating in compliance with Policy Letter 24.

We continue to receive positive feedback from external stakeholders about the policies and systems in place at Ford facilities. While we and our stakeholders have confidence in our systems, we nonetheless believe it is important to continue conducting the assessments given that conditions can change and new issues emerge.

For information on working conditions in our supply chain, see the section on [Human Rights in the Supply Chain: Ford's Global Working Conditions Program](#).



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## Ethical Business Practices

Our Corporate Compliance Office has a comprehensive program in place to guide compliance with Ford Policy Letters and Directives as well as key legal requirements. The Corporate Compliance Office is part of Ford's Office of the General Counsel. Our compliance program is overseen by a senior management compliance committee and the Audit Committee of the Board of Directors.

The compliance program raises awareness of the Company's commitment to ethical practices, defines corporate practices through Policy Letters and Directives, ensures an infrastructure that allows for the reporting of Policy violations or business-related legal violations through a number of avenues worldwide, oversees the investigation of such reports, conducts risk assessments, and provides training and education on key legal and ethical risk areas. In 2012, we hired an external law firm to assess our entire compliance program.

Our Policy Letters and Directives formally establish expectations for our employees and others working on behalf of the Company, and our Code of Conduct Handbook is the fundamental tool for communicating these expectations. The Code of Conduct Handbook, our chief ethical guidance document, is a compilation of the most important and relevant Policy Letters, Directives and standards for Ford employees. It is available in 14 languages. The online version, available to Company personnel, includes active links to the original source documents, thus providing a single source for the relevant information.

The Handbook outlines requirements for our employees and those working on behalf of the Company and provides background resources for a wide range of business-related situations, including:

- The workplace environment
- Gifts, favors and conflicts of interest
- Use of Company assets and data safeguarding
- Integrity of financial records
- Product quality, safety and environmental matters
- Intellectual property
- Working with governments (political activities)
- Competition and antitrust laws
- International business practices

All nonmanufacturing employees and most contract personnel around the world are required to certify that they have reviewed the Handbook.

To reinforce information contained in the Code of Conduct Handbook, we introduce new mandatory online training courses on a regular basis for our global nonmanufacturing employees and other targeted personnel. The courses focus on ethics, conflicts of interest, gifts and favors – topics on which we have long provided employee training – as well as touching on additional issues that have global applicability, such as bribery. Recent courses have also covered the topic of protecting personal and Company information. A new Code of Conduct online training course was introduced in December 2012. As of April 5, 2013, more than 84,000 individuals, or approximately 84 percent of those invited, had completed the course.

Another component of our compliance program is an infrastructure that encourages and allows for the reporting of any potential violations of our Policy Letters and Directives, and any violations of laws related to the business. Our nonmanufacturing workforce and contract personnel are regularly reminded of their responsibility to report any known or suspected violation of the law or Company policies. There are many ways for individuals to report such violations, including direct communications to a member of one of the control groups – such as the General Auditors' Office, Human Resources, or the Office of the General Counsel – as well as telephone tip lines and email. All of our plants have posters describing how our manufacturing workforce can centrally report. In

addition, nonmanufacturing employees must either report potential conflicts of interest, or attest (annually) that they do not have any conflicts of interest to report.

We assess compliance with our ethical standards through regular legal audits that cover a range of topics relating to legal requirements and internal policies.

## Anti-Bribery/Anti-Corruption

Part of Ford's philosophy as a company is to manufacture products close to where our consumers are located. We have 67 plants worldwide<sup>1</sup>, and all of the countries in which these plants are located have their own business-related laws, with varying levels of enforcement and differing cultural norms. It's essential to us that we conduct our business according to the highest ethical standards in every location in which we operate, and that we not acquiesce to local norms where those norms do not meet our high standards. We have clear policies in place relating to bribery and corruption, as well as procedures for reporting any breaches of those policies.

In 2012, we took steps to ensure that our anti-corruption program was as strong as possible. For instance, we have increased our global training on bribery. We also worked more closely with some of our joint ventures – which we do not directly control – to be sure they have appropriate compliance programs in place. And, we strengthened the anti-bribery/anti-corruption portions of our Global Terms and Conditions – i.e., our contracts with suppliers – to help ensure that they are doing business ethically. We are undertaking additional enhancements to our anti-corruption program in 2013.

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1. This figure includes our consolidated joint ventures.



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## Reporting and Transparency

External reporting is a fundamental element of accountability. Sustainability reporting not only demonstrates transparency but, in our view, is the basis of organizational learning, demonstrates our values, and both reflects and drives outstanding economic, environmental and social performance. The following are central elements of our reporting strategy.

### Materiality

Over the last several years, Ford has sought to increase the materiality and responsiveness to stakeholders of our sustainability reporting. A key part of our reporting strategy has been a materiality analysis, which has been a critical tool in helping shape the content of this report. The analysis is updated every other year, most recently in early 2013. We use the analysis to focus our reporting on those issues determined to be most material to the Company over a three- to ten-year time horizon. This report discusses in detail the issues identified as most material, while also covering other sustainability issues of importance to Ford and our stakeholders.

### Assurance

Please see the [Assurance](#) section for discussion of our approach to third-party review of this report and data assurance.

### External Guidelines

This report is aligned with the Global Reporting Initiative (GRI) G3 Guidelines at the [self-declared A application level](#). Ford has supported and participated in the development of the GRI Guidelines since their inception.

This report also serves to disclose how we are implementing the United Nations Global Compact (UNGC). An index cross-referencing the Compact and relevant sections of this report can be found on the [UNGC Index](#) page.

### Targeted Reporting

Linked with our efforts to increase the materiality of our reporting, Ford has also taken steps to produce more targeted audience-, location- and subject-specific sustainability communications. For example, we produce an eight-page [executive summary](#) (pdf, 1.75Mb), which is provided to employees as a pull-out in the regularly published internal magazine, *Ford World*.

And, beginning with our 2011/12 Sustainability Report, we have increased our coverage of regional issues with regional reports for Asia Pacific and Africa, Europe and South America.

### Benchmarking and External Feedback

Ford seeks formal and informal feedback on our Sustainability Report from a number of organizations with expertise in reporting, in addition to the Ceres Stakeholder Review Committee. Other feedback we received can be found in [Downloads](#).

Over the years, our Sustainability Reporting has been recognized for its quality. Ford's 2009/10 Sustainability Report was a finalist in the 2010 Ceres/Association of Chartered Certified Accountants (ACCA) North American Awards for Sustainability Reporting. Our 2008/9 report took second place in this award in 2009, and our 2007/8 report was the co-winner in 2008. Our 2004/5 report placed in the top five. Ceres chose not to host the awards in 2012.



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## Sustainability Governance and Integration

Like our ONE Ford plan, our overall and sustainability governance remains unchanged despite several significant changes in our senior management team in 2012. Most notably, Mark Fields was promoted from chief of Ford's Americas division to fill the new position of Chief Operating Officer of the Company; Joe Hinrichs moved from head of our Asia Pacific Africa operations to take Fields' place as head of the Americas business; Dave Schoch was tapped to replace Hinrichs as head of our Asia Pacific operations; and Stephen Odell, chief of Ford's European operations, was given additional oversight of Ford's Africa and Middle East business.

Working together with our new senior management team, the entire leadership team and our Board of Directors, we will continue our progress in delivering great products, building a strong business and contributing to a better world by implementing our ONE Ford plan, which is unchanged.

Our goal is to fully integrate sustainability issues into our core business structures and processes, rather than manage them separately. As we build capacity in this area and move toward that goal, however, we recognize that it is also important to establish some sustainability-specific structures and processes.

### Structures for Managing Sustainability

The following are the primary structures we use to manage and embed accountability for sustainability within Ford.

- **Board and Executive-Level Responsibility:** Ford's governance of sustainability issues builds on a strong foundation of Board of Director and senior management accountability for the Company's environmental, social and economic performance. At the Board level, the Sustainability Committee has primary responsibility for reviewing strategic sustainability issues, though some of those issues are also addressed in other committees and by the Board as a whole. Within management, the Vice President of Sustainability, Environment and Safety Engineering has primary responsibility for sustainability issues and oversees the Sustainability & Vehicle Environmental Matters group, the Environmental Quality Office, the Vehicle Homologation & Compliance group and the Automotive Safety Office, as well as having dotted-line oversight over the Sustainable Mobility Technology group (which is formally part of the Product Development function).
- **Dedicated Sustainability Function:** Ford's Sustainability & Vehicle Environmental Matters group coordinates corporate-wide sustainability strategy and activities, including leading the Company's corporate-level sustainability reporting and stakeholder engagement and integrating sustainability throughout the Company.
- **Integration into Core Functions:** Numerous functions within the Company have responsibility for some or multiple aspects of sustainability. For example, the Workplace Health and Safety Office, the Environmental Quality Office and the Human Resources Department each manage specific issues that fall under the umbrella of sustainability. As Ford works to embed sustainability more deeply across all functions, groups such as Product Development, Purchasing, Manufacturing & Labor Affairs and Ford Land are taking on an increasing role in the Company's sustainability efforts. For example, Product Development is taking the lead on the Company's sustainable mobility efforts; Global Purchasing is managing sustainability issues in the supply chain, including assessment and training programs associated with our Code of Human Rights, Basic Working Conditions and Corporate Responsibility; and Ford Land and Manufacturing & Labor Affairs personnel are implementing energy efficiency and water reduction efforts in our buildings and plant facilities. In addition, our Marketing function is involved via the "Go Green" Dealership Sustainability Program; our Information Technology group is implementing a PC power management program to help us decrease energy consumption; and our Communications department helped us transition to the use of office

paper with post-consumer recycled content.

- **Issue-Specific Structures:** Ford has also developed structures to address specific global sustainability issues facing the Company. For example, we have established a Sustainable Mobility Governance Forum – a senior-level team led by the Vice President of Sustainability, Environment and Safety Engineering – responsible for defining our climate change strategy and delivering our sustainability strategy in the marketplace. The Group’s strategic direction is provided by a senior executive forum, including Vice President and executive stakeholders, which guides the development of the vision, policy and business goals.

## Key Processes for Integrating Sustainability

We believe that integrating sustainability considerations into our existing systems and processes – rather than creating new systems and processes – is the most effective way to embed sustainability into our business. The following are some examples of how we are doing this.

- **Business Plan Development and Compensation:** In 2012, we continued to align elements of performance and compensation to support our ONE Ford plan. As part of the annual business planning process, Ford’s business units develop scorecards to track their performance. Metrics from these scorecards are part of the performance assessment of managers at various levels of the Company and affect their compensation. Executive compensation is affected by the Company’s performance in a range of areas, including sustainability. Compensation is awarded based on two basic processes. First is the achievement of individual goals and performance evaluation. Significant elements of an individual’s evaluation are based on achievement of performance targets – some with significant sustainability implications, depending on the individual’s role. Second, depending on individual performance, employees may be awarded bonuses and other compensation based on Company-wide performance against annually established targets. Sustainability targets are integral to Company-wide achievements and translate primarily into product and financial performance metrics.
- **Business Plan Review:** Sustainability issues are a formal part of Ford’s weekly Business Plan Review (BPR) meetings, one of the key management processes used within the Company. At these regular, frequent meetings, convened by Ford’s CEO (and now by Ford’s COO), members of the Company’s top leadership team review sales, financial, manufacturing and other information to manage global operations and identify issues that are critical to the future of the Company. Each unit also provides an update on performance relative to their individual scorecards. To manage corporate-wide sustainability metrics, Ford has developed a sustainability scorecard, which is reviewed alongside other units’ scorecards at the BPR meetings. Also, functions including Manufacturing, Product Development and Purchasing have integral sustainability-specific indicators in their overall performance scorecards.
- **Special Attention Review and Automotive Strategy Meetings:** Ford’s CEO and COO also convene regular Special Attention Review and Automotive Strategy meetings to look in depth at issues identified as potential concerns on any unit’s scorecard.
- **Corporate Policy Letters and Directives:** Ford maintains a comprehensive set of Policy Letters, Directives and other corporate standards that govern all Company activities. Several of these relate to aspects of sustainability, including, for example, Policy Letter 24, the Code of Human Rights, Basic Working Conditions and Corporate Responsibility.
- **Management Systems:** Ford uses a variety of systems and processes to manage the different aspects of our business, several of which govern or incorporate sustainability issues. For example, all Ford manufacturing facilities and our Product Development function are certified to ISO 14001, the leading global system standard for managing environmental issues. We also require our preferred “Q1” suppliers of production parts to certify their facilities to ISO 14001. In another example, Ford’s Purchasing function has integrated assessments of working conditions into its broader process for evaluating suppliers on issues such as quality, cost and delivery (see our [Supply Chain](#) section for more).

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## Sustainability Management

This section describes our systems for managing sustainability within two of our major business functions – Product Development and Manufacturing – and on the key sustainability issues of environmental and climate change management. (Our systems for supply chain management are discussed in the [Supply Chain](#) section.)

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## Product Development

The development of our new products starts with an [understanding of the consumer](#): who they are, how they live and what they want in a vehicle. Next comes the identification of advanced technologies and breakthrough ideas by our Research Labs and our Advanced Product Strategy, Advanced Marketing and Advanced Design groups. These and other groups work within an annual planning process to assess the latest developments in technologies and consumer trends to identify the best new technologies and anticipate the needs and desires of the marketplace. Our product cycle plan defines timing for new or updated vehicles and the associated technology applications. Product development engineers, designers and product marketing teams work together to finalize a vehicle concept. Once the business case is approved, our vehicle programs are brought to market using our Global Product Development System, or GPDS.

The GPDS, launched in 2005, merges the best product-creation methods from all of Ford Motor Company's global operations and is refreshed continually with the latest lessons learned as we develop new products. The GPDS provides a common set of milestones and metrics for the development of all vehicle programs across our regional business groups, which increases efficiency and quality.

As a part of this system, and as part of our ONE Ford global integration process, we require all vehicles to meet specific competitive and performance targets at every milestone along the product's development path. These targets consider a wide range of environmental performance criteria, such as fuel economy, recycled materials and substances of concern. For example, our product carbon dioxide emission-reduction goal, coupled with a commitment to class-leading fuel economy, has been translated into fuel economy targets for each new vehicle. Our targets aim to make our vehicles either leaders or among the leaders compared to competitor vehicles in the same segments. We develop these competitive vehicle attribute targets for every vehicle program, to deliver on key customer demands and Ford strategies, by using a range of consumer data, internal brand data and competitor vehicle data. Based on this process, we have committed that every all-new or redesigned vehicle we introduce will be the best in class or among the best in class for fuel economy in its segment. We are following through on this commitment with vehicles introduced in both the U.S. and Europe, and we will continue to do so in future product launches. For examples of 2012 and 2013 vehicles that meet this commitment, please see [Vehicle](#).

In addition, we have identified global leaders and attribute teams within Ford who coordinate the development of the global product attribute targets in key areas such as sustainable materials, recycling, materials of concern, vehicle interior air quality and vehicle lifecycle issues. These leaders coordinate the global implementation of our corporate sustainability strategies and support our ONE Ford strategy to harmonize product development across regions.

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



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## Manufacturing

The Ford Production System (FPS) is a continuously improving, lean, flexible and disciplined common global production system that encompasses a set of principles and processes to drive a lean manufacturing environment. Key elements of the system include effective work groups, zero waste/zero defects, aligning global capacity with global market demand, optimizing production throughput, and using total cost to drive performance.

Each principle has a set of guidelines, or “measurables,” that help us to meet or exceed objectives. The measurables are deployed and tracked for every manufacturing location using the SQDCPME Scorecard, which keeps focus on the vital components of a sustainable business: Safety, Quality, Delivery, Cost, People, Maintenance and Environment. An example of the Scorecard is illustrated below.

Many processes have been put into place to support the FPS and the Scorecard, including SQDCPME metrics, internal process confirmations and FPS Best Practices. The Scorecard is reviewed regularly by management, and progress against SQDCPME targets is a factor in the performance reviews of all managers in the manufacturing chain of command, from site-level managers to Ford’s CEO. Each Manufacturing employee has an annual performance review that is based on objectives that are derived from the Scorecard. Manufacturing’s Scorecard objectives are cascaded through each organization down to the plant-floor-level employee at the beginning of each year, to create alignment on objectives and measures of performance throughout the Manufacturing organization.

Manufacturing is integrated with Product Development in the Global Product Development System (GPDS). Beginning early in a program, the GPDS includes deliverables for Manufacturing that drive a consistent and reliable process through the implementation of such requirements as efficient die construction practices, standard and current bill of process, manufacturing design specifications, modularity and complexity. The standard bill of process allows us to confirm that our operations include all of our global best practices, as well as effective failure mode avoidance and successful process quality control. Manufacturing Engineering utilizes computer-aided, or “virtual,” design for manufacturing, which is aligned with the GPDS milestones, to improve the efficiency and quality of vehicle assembly.

Manufacturing works within the Global Quality Operating System (QOS) to develop, measure and continuously improve robust processes. This work starts early in the product development cycle to ensure that our manufacturing facilities are able to achieve the metrics outlined on the Scorecard. By following the disciplined processes and deliverables of the GPDS, the FPS and the QOS, we are able to continue defect prevention and reduce “things gone wrong” and warranty spending using global design rules and the manufacturing standard bill of process.



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## Environmental Management

Ford has an environmental Policy and environmental Directives that apply to our operations globally (see our [Code of Conduct Handbook](#) (pdf, 0.99Mb)). All Ford manufacturing facilities and product development functions are certified to ISO 14001, the leading global standard for managing environmental issues. In addition, we require our preferred “Q1” suppliers of production parts to certify their facilities. These commitments place our most significant potential environmental impacts under one comprehensive environmental management system.

Ford’s manufacturing management team sets environmental targets annually for all of our facilities. We develop these targets through a comprehensive process that considers past performance, future regulation trends, environmental technology advances, financial conditions and other relevant factors. Global targets are translated into regional- and facility-level targets, which differ depending on the relevant regulations and financial and production constraints in each region. Progress against these targets is reviewed regularly by all levels of management.

Ford’s Vehicle Operations (VO) and Powertrain Operations (PTO) functions are implementing systems to track and enhance the sustainability of new vehicle and powertrain programs. We are also implementing corporate design specifications for the development of new plants, to make them more sustainable. These specifications require that new manufacturing facilities be designed and constructed using the best practices Ford has developed at plants all over the world. These standards will act to replicate best practices across our global operations and create efficient and sustainable plants.

In 2010, Ford completed the full global implementation of an Environmental Operating System (EOS). As a counterpart to our Quality Operating System, the EOS provides a standardized, streamlined approach to maintaining compliance with all legal, third-party and Ford internal requirements, including government regulations, ISO 14001 and Ford’s own environmental policies and business plan objectives and targets. The EOS drives compliance responsibility to the operations level by assigning compliance-related tasks to the appropriate personnel and tracking the completion of those tasks. The system also standardizes tracking and reporting systems, which simplifies compliance, reporting and analysis at all levels of the Company. This system allows us to manage an ever-increasing range of external regulations and internal performance objectives more effectively and with fewer resources. For example, the average plant has to comply with approximately 90 corporate requirements, 100 to 400 national regulations and 200 plant-specific requirements. The EOS consolidates all of these requirements into easy-to-follow tracking and reporting systems organized by recurring tasks, nonrecurring tasks and critical tasks. The EOS is fully aligned with the Ford Production System.

Ford has moved to a single group ISO 14001 certification for its plants in North America. All plants and Ford Customer Service Division facilities in North America share this group certification. Likewise, South American plants share a single group certification, as do European plants. Group certification saves time and money, with no degradation in plant environmental performance.

Ford continues to use the Global Emissions Manager (GEM) database, which provides a globally consistent approach for measuring and monitoring environmental data. This system helps us track our efforts to reduce water consumption, energy use, carbon dioxide emissions and the amount of waste sent to landfill. The data that GEM provides and the level of analysis it allows also helps us set more effective environmental management targets and develop more specific strategies for improving environmental performance. We are continuing to add metrics and tracking systems to GEM to further enhance our environmental management objectives.

For more information on our new plant development standards please see [Green Buildings](#). For more information on our plans to develop new plants in Asia, please see [Focus on Asia](#).



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## Climate Change Governance

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

Our plans for addressing climate change – whether relating to our products, facilities or policies – are highlighted and agreed to at the highest levels of Ford's executive management through the Business Plan Review process. Related emerging issues are reviewed as needed in Special Attention Review meetings.

In addition, strategic product direction related to climate change goals is provided by a senior executive committee, made up of vice president and executive stakeholders, who guide the development of the vision, policy and business goals. (See [Governance and Management Structures](#).)

Related executive planning teams are responsible for developing detailed and specific policy, product and technical analyses to meet objectives. These teams base their plans on scientific data and promote actions that will help achieve the Company's environmental ambitions, recognizing the need to use a holistic approach to effectively protect the environment. Metrics have been established and are reviewed regularly to ensure satisfactory progress. We have also developed [strategic principles](#) to guide our approach.



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## Public Policy

Every day, government officials around the world make decisions that impact Ford. As a global automotive company, it is important that we have a voice in policies that affect our business in the countries in which we operate, and that Ford be recognized as a credible, leading source of information as those policies are formulated. Across a range of issues – including manufacturing, climate change, energy security, human rights, trade, education and vehicle safety, among others – we strive to shape policies that are economically, environmentally and socially sustainable for Ford and for the world. Informed policy makes for better policy, whether at the international, national, regional, state or local level. The Ford policies discussed in this section are outlined in our [Code of Conduct Handbook](#) (pdf, 0.99Mb), which applies to Ford globally.



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## Participation in the Policy-Making Process

Ford seeks to be an active participant in the political process in a manner that is transparent and supports our business interests. On issues of highest priority for us, we stay in regular contact with legislators and regulatory officials in our major markets, to share with them our interests and perspectives and offer expert input into the policy-making process. Our Government Affairs office oversees these lobbying activities.

## Membership in Coalitions and Associations

Ford belongs to a broad range of partnerships and coalitions, as well as industry and trade associations (such as the Alliance of Automobile Manufacturers), that lobby in the legislative and regulatory realms on behalf of their members. Working with others in these types of organizations enables Ford to better leverage our resources on issues of importance to us and to develop and promote policies that have potentially far-reaching benefits for industry and society.

Of course, we do not always agree with every position taken by these organizations. In cases where we don't agree, we have to determine if, on balance, we agree with enough of the organization's positions that we should continue to engage with them. And, we always reserve the right to speak with our own voice and make our own positions clear, even when they may not align with the positions of associations to which we belong.

## Ford Policy on Political Contributions

Ford Motor Company does not make contributions to political candidates or political organizations, nor otherwise employ Company resources for the purpose of helping elect candidates to public office, even when permitted by law. Nor do we take positions for partisan political purposes – that is, specifically for the purpose of advancing the interest of a political party or candidate for public office. These policies remain unchanged, notwithstanding the U.S. Supreme Court's January 2010 decision that loosened restrictions on corporate independent expenditures.

With proper executive approval, Ford may contribute to support or oppose a U.S. state or local ballot proposal, if such contributions are permitted by law and if the issue is of significant interest or importance to the Company. Information with respect to contributions made in connection with ballot questions and referenda is publicly available through the appropriate local or state reporting authorities.

We do encourage employees to participate in political and governmental affairs and recognize that Company efforts and programs to encourage employee participation must respect fully the right of employees to use personal time as they choose, and decide the extent and direction of their political activities. The Ford Motor Company Civic Action Fund (the "Ford PAC"), which is supported by voluntary donations from Ford employees, gives campaign contributions to national, state and local political candidates from both major political parties in the U.S. The Company pays the solicitation and administrative expenses of the Fund, which are minimal, as permitted by law.

All contributions made to the Ford PAC and all distributions from the Ford PAC are in compliance with Federal Election Commission (FEC) and applicable state regulations. A list of the Ford PAC's contributions made during 2012 can be found at the [FEC website](#).

Decisions about political contributions by the Ford PAC are made by Ford's Governmental Affairs office, in accordance with business objectives that support our competitiveness in the global automotive industry. Ford PAC contributions are used to support issues directly related to manufacturing and Ford business objectives. All Ford PAC candidate contributions in excess of \$3,000 must be approved by the Ford PAC Political Contributions Committee, an eight-member, cross-functional group of Ford employees representing a range of organizational levels.

Ford complies fully with all laws and rules governing our employees' interactions with officials at all levels of government (federal, state and local). Furthermore, all of our contact and dealings with

government officials must not only comply with all applicable laws, but also with our global corporate Policies and Code of Conduct. Note that under federal law, foreign nationals are prohibited from making contributions in connection with any U.S. election and are thus not eligible to join the Ford PAC.



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## Public Policy Positions

This section summarizes Ford's positions on key public policy issues currently under discussion in the U.S. Two important topics are not addressed here: [Climate change policy](#) is discussed in the [Climate Change Policy and Partnerships](#) section, and policy regarding sustainable raw materials is discussed in the [Sustainable Raw Materials](#) section.

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## Non-CO<sub>2</sub> Tailpipe Emissions

In the U.S., the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) regulate smog-forming tailpipe emissions, including hydrocarbons, nitrogen oxides, carbon monoxide and particulate matter. California finalized Low Emission Vehicle III standards in 2012, and the EPA is expected to issue Tier 3 emissions and fuels standards in 2013.

We will continue to work with the agencies through their regulatory processes to help develop rules that are both effective and feasible. In setting tailpipe emission regulations, consideration of other vehicle rules such as fuel economy and greenhouse gas standards and safety standards must be taken into account to ensure that the total package of requirements is workable.

Ford continues to oppose technology mandates that seek to impose quotas or limits on the production or sale of vehicles with specified powertrain technologies. Regulatory efforts to dictate market outcomes, or to pick technology “winners” and “losers,” have never produced a successful outcome. Manufacturers need the flexibility to build the kinds of vehicles that the marketplace demands based on consumer preferences and other external factors. Emissions standards should be performance-based and should be designed to enable manufacturers to introduce vehicles with an array of different, affordable technologies.

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## Undesirable Chemicals

The European Union's REACH program (Registration, Evaluation, Authorization and restriction of Chemical substances) regulates and seeks to phase out chemicals of concern. More and more countries are adopting similar regulations. Turkey and Romania adopted their own versions of REACH in 2009; China adopted a version in October 2010. In 2011, Japan also adopted REACH-like regulations to manage their chemicals. South Korea will adopt REACH regulations in 2013 and will begin implementation in 2015.

In the U.S., the Senate and House both proposed bills in 2010 to overhaul the Toxic Substances Control Act, which was first enacted in 1976. The state of California is in the process of finalizing a “Safer Consumer Product (green chemistry)” law, scheduled to take effect in 2013, which will

require manufacturers of selected products sold in California to identify safer alternatives to a potential range of 1,200 chemicals known to be harmful to public health and the environment. The California law will also phase in a requirement that manufacturers whose products contain listed chemicals of concern must conduct an alternative material assessment and replace the chemicals of concern with safer alternatives, or explain to state regulators why the chemicals of concern are needed and warn consumers or undertake steps to mitigate the public's exposure to those substances.

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

We believe that regulatory requirements for the phase-out of undesirable chemicals need to be prioritized and implemented in a workable manner. Government and industry resource constraints mean that not all chemicals of concern can be addressed at once. Moreover, manufacturers and suppliers need adequate lead-time to identify replacement substances that are more environmentally friendly than the ones they replace, and also to design and engineer components that incorporate these new substances. Ford will continue to work with regulatory agencies to help develop rules that target the highest-priority chemicals first, and that drive steady progress toward the elimination of chemicals of concern in an effective and efficient manner.

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## Manufacturing Policy

Manufacturing is essential to local, regional and national economies. Manufacturing provides jobs and tax revenue, creates new products and technologies and promotes overall prosperity. About 70 percent of all the research and development investment in the U.S. comes from the manufacturing sector. We believe that a strong manufacturing base – with its attendant focus on engineering, science and technology innovations – is important not only for national prosperity but for energy independence, energy security, national defense and sustainability.

Government is a key stakeholder in helping shape the competitive climate on which the auto industry depends. U.S. policy makers can work together to support manufacturing by shaping a climate for economic growth, regulatory certainty and a strong foundation for U.S. exports. Integrated elements of a competitive U.S. manufacturing agenda include the following:

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

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## Vehicle Safety

At Ford, safety is one of the key principles that inform and guide our every design and engineering effort. We are committed to continuous improvement in vehicle safety; we are also actively involved in driver education and efforts to promote safer roadways. Ford will continue working with governments and the public to help further reduce auto accident and fatality rates, which reached historic lows in 2011. (Early estimates from the U.S. National Highway Traffic Safety Administration project that traffic fatalities in 2012 increased as the U.S. economy continued to recover.)

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

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

Ford strongly supports Graduated Driver Licensing (GDL) programs in the U.S. as a means of helping to reduce crashes, injuries and fatalities involving novice teen drivers. The most effective GDL programs require a minimum learner permit age of 16, an intermediate license until age 17, and at least 65 hours of supervised training, in addition to prohibiting night-time driving after 8pm and banning all teenage passengers for intermediate drivers. Although all U.S. states have adopted some level of GDL requirements, some have adopted all elements of GDL while others have chosen to adopt only selected portions. Ford encourages all states and the District of Columbia to adopt maximum GDL program requirements, including information on safety belt use and the dangers of impaired and distracted driving.

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

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## Human Rights

Ford is committed to respecting human rights everywhere we operate, because it is the right thing to do and it strengthens our business in the long run. We are a leader in addressing human rights and working conditions in the auto industry.

In 2008, Ford joined the United Nations Global Compact, a framework for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

And for several years, Ford has worked with leaders of the U.S. Department of State's human rights programs and the U.S. Department of Labor to explore how to encourage multinational companies to act as a positive force in protecting human rights in global trade, both through work in their own supply chains and through advocacy. We have also consulted with these agencies on how the U.S. government can encourage the protection of human rights through its purchasing practices.

Several states have passed local legislation to prevent human trafficking, and we are watching for a federal regulation. Ford supports the underlying goals of human rights legislation, and where appropriate, Ford is participating in sector-specific initiatives and with international organizations to systematically evaluate supply chains to determine the most effective measures to combat human rights violations.

For more on our commitment to human rights, see [Human Rights in the Supply Chain](#).

## International Trade

As a global automaker, Ford has a strong interest in issues relating to international trade. With manufacturing facilities in the Americas, Europe, Asia Pacific and Africa, sales in all key global markets and a global supply chain that moves parts worldwide, we are a strong supporter of trade liberalization. In fact, free trade is foundational to our business model.

Ford has supported every free-trade agreement (FTA) ratified by the U.S. government since the U.S. first began free-trade negotiations in the mid-1960s. In fact, the auto sector is the largest exporter of goods in the U.S., and Ford is the largest exporter within the sector.

To further increase U.S. exports and support American jobs, we believe a new approach to trade is required that puts U.S. manufacturing at the forefront. Given the importance of manufacturing to the U.S. economy, Ford supports a manufacturing-driven trade strategy that:

- Drives innovation and delivers economic opportunity to its citizenry by maintaining a vibrant manufacturing sector as its cornerstone
- Enables U.S. manufacturing to compete on a level playing field against the best competition from around the globe

Finally, we believe the elimination of trade-distorting policies such as currency intervention and manipulation must be considered a key pillar of any trade initiative. Currency manipulation provides foreign automakers with an export subsidy of several thousand dollars per vehicle, while at the same time acting as the ultimate nontariff barrier, protecting their market from imports. Ford believes the market should set currency exchange rates – not governments.

## Education

Ford understands that global competitiveness depends on the ability of our K-12 educational systems and post-secondary institutions to prepare a 21<sup>st</sup> century workforce. With baby boomers beginning to retire in large numbers, and many high-skilled jobs going unfilled, improving the quality and performance of our schools has become an urgent issue facing communities large and small across the country. Within these communities, too many students are disconnected and unsuccessful in schools that struggle to be as engaging and relevant as they need to be. Add to that the considerable anxiety being generated by an economy in transition – from industrial- to knowledge-based – and education emerges as a critical factor in securing financial health and prosperity for individuals, communities and the nation.

Ford recognizes the importance of these issues and supports public policies and initiatives that are designed to mobilize educators, employers and community leaders to bring communities together to transform the entire educational system. These programs provide students with real-world learning opportunities that help them:

- Develop essential higher-order skills, such as critical thinking, problem solving, communication, innovation and creativity
- Make connections between the academic subjects taught in the classroom and their application in the real world
- Make meaningful connections to higher education
- Build more sustainable communities by involving local business and community organizations to create service-based academic projects that make learning more applicable to real-world situations and positively impact the community

By helping communities address this most critical challenge, Ford continues its long tradition of leading and supporting educational initiatives that empower students, strengthen communities and benefit the U.S. economy. See the [Investing in Communities](#) section for more information on the programs we support.

## Electrification

As advanced technology vehicles – such as hybrids, plug-in hybrids and all-electric vehicles – emerge onto our highways and roads, manufacturers must work together, and with governments as appropriate, to set standards for certain technical aspects of these new vehicles, to enable the market for them to proceed forward smoothly.

Consider, for example: When we go to a gas station, we take for granted that the pump nozzle is a size that will work with our vehicle. Early on, a standard size and configuration had to be developed and agreed to across all automobile and gasoline pump manufacturers, so that drivers could have a hassle-free experience when they went to fill up. As demand for and availability of plug-in electric vehicles continues to rise, it is similarly important that consistent standards be put in place regarding the technical aspects of these vehicles.

In North America, the Society of Automotive Engineers (SAE), with Ford's participation, successfully aligned all original equipment manufacturers (OEMs) on a standard charge connector and communication protocol that enables all plug-in vehicles to use common charge points. This allows all public charge stations to be compatible with all vehicle manufacturers' products. For Ford, it enables our plug-in vehicles to charge a fully depleted battery in 2.5 to 3.5 hours. The same approach is under consideration in Europe and China. For faster charging, the SAE (again with Ford's participation) also approved a standard plug and interface to enable future equipped vehicles to charge their battery in 15 minutes or less. In Europe, the standards organizations adopted this same "fast-charge" framework, called the DC Combo System. Ford is now participating in standards work to harmonize wireless charging globally. In addition, Ford is working with other OEMs and suppliers to provide a common database of charge point locations for display within vehicles' navigation systems. In addition, Ford and the industry are working collaboratively with the Obama administration and the U.S. Congress to address the challenges associated with the deployment and commercialization of electric-drive vehicles and infrastructure.

We have also taken a standards approach in the design of the Ford/Leviton charge station. We co-designed a single version of the 240V charge station that not only meets the standards referenced above, but works with all of our plug-in products (i.e., plug-in electric vehicles and battery electric vehicles) and can be used in indoor, outdoor, residential and commercial use throughout U.S. and Canada. In Europe, a similar relationship has been established with Schneider Electric consistent with our European deployment of electrified vehicles.

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

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Go Further

Sustainability 2012/13



YEAR IN REVIEW



OUR BLUEPRINT FOR SUSTAINABILITY



FINANCIAL HEALTH



CLIMATE CHANGE AND THE ENVIRONMENT



WATER



VEHICLE SAFETY



SUPPLY CHAIN



PEOPLE



FORD AROUND THE WORLD

### Our Blueprint for Sustainability

- Strategy
- Materiality Analysis
- Our Value Chain and Its Impacts
- Governance
  - > Sustainability Governance
  - > Sustainability Management
  - > Public Policy
- ▼ Stakeholder Engagement
  - > Engaging with These Stakeholders

## Stakeholder Engagement

We have sustained, interdependent relationships with several distinct categories of stakeholders: employees, customers, dealers, suppliers, investors and communities. Also important is our relationship to “society,” which includes government agencies, nongovernmental organizations (NGOs) and academia. We identified these categories of stakeholders through internal analysis and discussion during the early phases of developing our sustainability programs. This section describes who our primary stakeholders are and how we engage with them. See the [People](#) section for further discussion of our stakeholders.



Employees



Customers



Dealers



Suppliers



Investors



Communities



# 171,000

Employees

### Employees

As of year-end 2012, we employed approximately 171,000 individuals at 67 plants, 40 distribution centers/warehouses, 58 engineering research/development facilities and 113 sales offices worldwide. (These figures include our consolidated joint ventures.) Substantially all of the hourly employees in our Automotive operations in the U.S. are represented by unions and covered by collective bargaining agreements. Most hourly employees and many nonmanagement salaried employees of our subsidiaries outside the U.S. are also represented by unions. These unions are key partners with Ford in providing a safe, productive and respectful workplace.

Ford faces workplace health and safety challenges similar to those of many multinational manufacturing companies. These challenges include, for example, establishing and reinforcing high, common expectations for the safety of our employees worldwide. Most of our manufacturing facilities have joint union/management safety committees that guide the development and implementation of safety programs in their operations.



# 5.7 million

Vehicles

### Customers

Ford's customers make us who we are. In 2012, we sold more than 5.7 million vehicles to our customers worldwide.

We serve three primary types of customers: individual retail consumers, small business customers and large commercial fleet customers. We will continue to expand our products and services for these existing customers while working simultaneously to gain new customers in emerging markets. In North America, we continue to focus on offering a wide variety of fuel-efficient vehicles. In all of our markets, our customers' mobility needs and desires are changing faster than ever.



**11,619**

Dealers

## Dealers

Our dealers are the face of Ford to our customers and communities. They are key employers and contributors to local economies. Ford and Lincoln dealers in the U.S. alone employed 189,000 individuals at the end of 2012, with an annual payroll of approximately \$7 billion. Worldwide, we had 11,619 Ford and Lincoln dealerships at the end of 2012.



Over

**\$90 billion**

Annual Buy

## Suppliers

Suppliers are an integral part of our business, and our success is interdependent with theirs. We rely on 1,200+ global production suppliers to provide many of the parts that are assembled into Ford vehicles. Another 11,500 supplier companies provide a wide range of nonproduction goods and services, from industrial materials to computers to advertising.

Our supply base is increasingly global. We are expanding production in several regions to serve the sales growth that is expected to occur in emerging markets. We are also expanding our sourcing in these lower-cost emerging markets, as a way to serve both local markets and the global supply chain. These changes, and our efforts to ensure good working conditions in our supply chain, are discussed in detail in the [Supply Chain](#) section of this report.



**151,240**

Stockholders

## Investors

Our success as a company directly affects our approximately 151,000 investors, and we have been focused on improving Ford's financial health. More information on our investors is available in the [Financial Health](#) section of this report.

We continue to maintain open communication with the investment community. We regularly host conference calls and participate in key automotive conferences during the year. In addition, our [Investor Relations website](#) is a good source of information for investors. It contains various Company reports, a schedule of events and investment information.



**278**

Facilities Worldwide

## Communities

Our Company impacts the communities in which we operate in numerous ways, from the employment we provide and the taxes we pay, to the environmental and safety performance of our operations, to the ways in which we support and participate in civic life. Responsibly managing these impacts is not just about being a good neighbor; it is fundamental to the success of our business.

The communities in which we operate are composed of a diverse range of individuals and groups. They include our customers, our employees, our business partners and their employees, government regulators, members of civil society and community organizations, and those individuals who live and work around our facilities, among others. Developing and maintaining positive relationships with these varied groups is an important factor in our reputation and operational efficiency.



## Our Blueprint for Sustainability

- Strategy
- Materiality Analysis
- Our Value Chain and Its Impacts
- Governance
  - › Sustainability Governance
  - › Sustainability Management
  - › Public Policy
  - ▼ Stakeholder Engagement
    - › Engaging with These Stakeholders

## Engaging with These Stakeholders

Stakeholder engagement takes place in countless formal and informal ways every day across our Company, from meetings with local community groups to market research with customers to gatherings of Ford dealers and suppliers.

At the corporate level, we use a variety of mechanisms to engage with stakeholders on sustainability issues to help us better understand the broader societal issues that our Company addresses. Some of these mechanisms are informal and ad hoc. In fact, simply picking up the telephone to discuss an issue with any of the numerous sustainability-related organizations or individuals with whom Ford has a relationship is a part of our standard protocol.

Indeed, the very process of engaging with stakeholders on our Sustainability Report has led to expanded and enhanced information in the report in a number of areas, including our positions on key public policy and other issues.

Some of our more formal engagement mechanisms include the following:

- The creation of forums to gather stakeholder input on our activities, challenges and performance. We work with stakeholder committees to help shape and provide feedback on our Sustainability Reports. For example, working with a Ceres Stakeholder Committee is one of the important ways we get input from stakeholders – including environmental groups, engaged shareholder groups and investors – to inform and shape our reporting approach and our materiality analysis. We have also organized meetings with individuals and groups of stakeholders to solicit input on the key sustainability challenges and opportunities facing Ford. These and other engagements have provided valuable feedback on our sustainability strategy.
- Outreach on emerging and ongoing issues of particular importance to Ford or our stakeholders. We believe we have taken a thoughtful approach to our stakeholders as we work through challenging issues. For example, stakeholder input has been critical to the development and testing of our approach to human rights over the past several years. Several organizations, notably the Interfaith Center on Corporate Responsibility (ICCR), have been key partners with Ford, providing information, input and feedback at every step of the process, especially during conversations around shareholder resolutions. Our engagement with the ICCR and others helped us formulate our public commitment to product carbon dioxide reductions. We have also done outreach to the United Nations Global Compact, particularly as we developed our strategy to be a global leader in human rights, and have worked with stakeholders to address specific issues in the automotive industry supply chain. (See the [Human Rights](#) section for more detail.)
- Engagement with local stakeholders in the communities in which we operate as part of our Code of Human Rights, Basic Working Conditions and Corporate Responsibility assessment process. Read more about our community engagement in our [Communities](#) section.
- Consultation with organizations that have implemented campaigns targeting Ford. We are not currently being targeted by organizations implementing campaigns. However, in the past we have benefited from the alternative perspectives presented during these consultations.
- Engagement with rating and ranking organizations in the investment community. This has provided insight into external perspectives on some important issues and our relative performance in addressing them.
- Offering new product test-drive opportunities to our employees, who, in turn, communicate about our vehicles to their friends and families. Read more about [our employee engagement efforts](#) in the People section.

Stakeholder	Communications Forums
<p><b>Communities/Society</b></p> <p>278 plants, distribution centers/warehouses, and engineering, research/development and sales facilities worldwide*</p> <p>*We have announced plans to close three plants in Europe: two in 2013 and one in 2014.</p>	<ul style="list-style-type: none"> <li>● Community Relations Committees</li> <li>● Interactions with governments</li> <li>● Membership in associations</li> <li>● NGO dialogues</li> </ul>
<p><b>Investors</b></p> <p>151,240 stockholders*</p> <p>*Common stockholders as of February 1, 2013.</p>	<ul style="list-style-type: none"> <li>● Investment community forums</li> <li>● Quarterly earnings communications</li> <li>● Annual shareholders' meeting</li> <li>● Annual report</li> <li>● Proxy statement</li> <li>● SEC filings (e.g., 10-K, 10-Q, 8-K)</li> </ul>
<p><b>Customers</b></p> <p>5.7 million vehicles</p>	<ul style="list-style-type: none"> <li>● Consumer Insight process</li> <li>● Customer care programs</li> <li>● Dealer interactions</li> </ul>
<p><b>Suppliers</b></p> <p>~1,200+ production suppliers 11,500+ nonproduction suppliers Over \$90 billion annual buy</p>	<ul style="list-style-type: none"> <li>● Top supplier meetings</li> <li>● Aligned Business Framework supplier dialogue sessions</li> <li>● Supplier quality roundtables</li> <li>● Supplier Diversity Development Networking</li> <li>● External supplier organizations, such as the Automotive Industry Action Group and the Original Equipment Suppliers Association</li> </ul>
<p><b>Dealers*</b></p> <p>Ford: 10,537 Ford–Lincoln (combined): 876 Lincoln: 206 Total: 11,619</p> <p>*Worldwide dealerships, as of December 31, 2012.</p>	<ul style="list-style-type: none"> <li>● Intranet communications</li> <li>● Brand sales and service representatives</li> <li>● Brand Dealer Councils</li> <li>● Dealer roundtables</li> <li>● President's Circle</li> <li>● Salute to Dealers</li> <li>● Advertising and public service announcements</li> </ul>
<p><b>Employees</b></p> <p>Approximately 171,000 employees*</p> <p>*As of December 31, 2012</p>	<ul style="list-style-type: none"> <li>● Town hall meetings</li> <li>● Labor/management committees</li> <li>● Pulse survey</li> <li>● Union representation</li> <li>● Intranet surveys and chats</li> <li>● Executive Diversity Council</li> <li>● Local Diversity Councils</li> <li>● Employee Resource Groups</li> </ul>