

STRATEGY AND GOVERNANCE

At Ford, we believe part of being a successful business is making a positive impact on the world. Our stakeholders expect and trust us to operate responsibly and transparently, living our promise to Go Further, the Right Way.

“We have always believed that freedom of movement drives human progress, which is why we aspire to be the world’s most trusted company, designing smart vehicles for a smart world. As we look to the future, we will move from reducing our impacts to contributing positively on the environment while also making people’s lives better through greater mobility, more connectivity, less congestion and reduced emissions.”

William Clay Ford, Jr.
Executive Chairman

Jim Hackett
President and Chief Executive Officer

LETTER FROM WILLIAM CLAY FORD, JR. AND JIM HACKETT

“The purpose of any company should be to make people’s lives better. Otherwise, it shouldn’t exist.”

Ford Motor Company was founded on the belief that freedom of movement drives human progress, and our aspiration is to become the world’s most trusted company by designing smart vehicles for a smart world. As a global company, our culture is made up of people with diverse backgrounds, opinions, experiences and perspectives from all over the world. Together, they help make our business stronger and foster a truly collaborative workplace.

Today, we continue to face challenges that affect lives around the world, from increasing congestion, air quality and the effects of climate change. Their implications are profound and the cost of not addressing them is too high.

We know climate change is real, and we remain committed to doing our part to address it by delivering on CO₂ reductions consistent with the Paris Climate Accord. We already have charted our course for the future that includes investing \$11 billion to put 40 hybrid and fully electric vehicle models on the road by 2022, as well as responsible development of the self-driving car.

As we look to the future, we know we can do even more around the world. We have a vision that will move us from just reducing our impacts on the environment to actions that will positively affect it.

In an increasingly electric and connected world, our vision for smart vehicles in a smart world will make transportation more efficient and accessible. New mobility solutions will help take vehicles off the road while providing community and connection.

For example, we are building the Transportation Mobility Cloud, an open platform that will allow for the orchestration of these mobility services in a system, and it will create a better experience for its users. Its promise is that it will support a more efficient transportation system that works to our advantage in reducing congestion, emissions and improving the overall quality of life.

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- [Letter From William Clay Ford, Jr. and Jim Hackett](#)
- [Our Sustainability Strategy](#)
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- [Governance](#)
- [Prioritizing Key Issues](#)

Even as these mobility solutions evolve to be different in the future than they are today, our core belief will remain constant: we will continue to work to make people’s lives better through greater access to mobility, more connectivity, less congestion and reduced emissions.

We will deliver smart vehicles for a smart world, and we will remain committed to doing what’s right to meet the challenges and opportunities that lie ahead.

OUR SUSTAINABILITY STRATEGY

OUR VISION

The Freedom to Move Drives Human Progress

In line with our expansion to be an automotive and mobility company, our long-term vision is not just about selling more cars. It’s about making people’s lives better with the freedom to move.

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

OUR AIMS



Trusted Mobility

To become the world’s most trusted mobility company, designing smart vehicles for a smart world.



Driving Human Progress

To provide products and services that help create a better world and facilitate freedom of movement.



Positive Impact

To not just lower our footprint, but to develop product innovations that have a positive contribution to society.

OUR ENABLERS

Building on Our Strengths

We’re prioritizing the strengths that differentiate us and help us stand out:



Cars

SUVs

Trucks

Electric Vehicles

by investing in our core business of:



Designing



Manufacturing



Marketing



Financing



Servicing

Sustainable Growth

We're pursuing emerging opportunities in key areas by driving innovation at every level.

- **Electrification**
- **Autonomous Vehicles**
- **Mobility Services and Solutions**

NAVIGATING A CHANGING WORLD

Responding to Global Trends

Our strategy reflects the rapidly changing world around us. It recognizes seismic shifts in lifestyles, aspirations and global trends, as well as major challenges facing all of us, and the emerging technologies, such as electrification and autonomous vehicles, that can help address them.

- **Rapidly Growing Cities**
- **Shifting Lifestyles, Aspirations and Consumer Trends**
- **Climate Change**
- **Digitization and the Sharing Economy**
- **Congestion**
- **Air Quality Concerns**

TO GO FURTHER

We Are Working Toward Ambitious Long-Term Goals



Global Mobility

We are focused on delivering our Ford Smart Mobility plan, providing solutions such as on-demand ride sharing to complement mass transit and continuing to invest in advanced vehicle technologies.



Customers and Products

We continue to produce high-quality, smart, clean and safe vehicles that delight our customers, by pursuing fuel economy improvements, electrification, lightweighting, alternative fuels, sustainable materials and safety excellence.



Operations

We have comprehensive programs in place to help us reduce energy and water use, greenhouse gas emissions and waste to landfill.



Human Rights/Supply Chain

We aim to protect human rights, build supplier capacity, assess compliance, and improve the transparency of our mineral sourcing. We're also working to reduce our collective environmental footprint, build understanding of carbon and water footprints, and source from diverse suppliers.



Health and Safety

The safety of our people is always a priority of the utmost importance. We will always target zero fatalities and serious injuries. We aim to drive continuous improvements and improve employee health.

Related Page:

> [Goals and Progress](#)

CLIMATE CHANGE STRATEGY

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

Our Strategy at a Glance

Over the past decade and more, we have developed a comprehensive approach that puts us in a good place to manage the issues of a changing climate and the opportunities of a changing world. We are focusing on three key areas:

- **Reducing vehicle emissions**
- **Efficient, state-of-the-art manufacturing**
- **Supporting our suppliers to drive positive change**

Our strategy is also shaped by external factors, including government policies, physical risks such as extreme weather and other effects of climate change, market trends, and investor concern over climate change. For detail on these and other risk factors, see the [Ford annual report 2017 \(Form 10-K\), page 12](#).

You can read more about our progress on climate change from [Bill Ford and Jim Hackett](#).

Related Page:

> [Our Sustainability Strategy](#)

Salient Issue

Climate Change

During our first formal human rights saliency assessment, we identified climate change as one of our nine most important issues – those at risk of the most severe negative impact through Ford's activities and business relationships.

Going forward, we're taking steps to develop action plans to manage and remediate these issues, and to expand our reporting on them.

> [Find out more about our human rights saliency assessment](#)

The Science Behind Our Strategy

Our climate change strategy is based on our commitment to do our share in limiting the global temperature increase to less than 2°C in line with the [Paris Climate Accord](#). Many scientists, businesses and government agencies have concluded that a 2°C limit may help to forestall or substantially delay the most serious consequences of climate change. This is extremely challenging and requires a major effort globally to stabilize carbon dioxide (CO₂) concentrations in the atmosphere.

How We Developed Our Approach



Based on climate science and modeling by recognized authorities, including the [International Energy Agency](#), we developed a model of global and light-duty vehicle (LDV) CO₂ emissions from different regions.



Using the model, we calculated the 2°C stabilization emission reduction levels for LDVs over time, resulting in "CO₂ glide paths" for the LDV sector, taking into account regional differences in vehicle size and fuel consumption, and biofuel availability.



We then calculated Ford-specific glide paths (CO₂ reduction goals) for our new vehicle lineups across our major operating regions. We also applied the methodology to determine CO₂ reduction targets for our facilities.



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

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

In the absence of certainty about future regulations, the glide paths are an approximate guide rather than a precise limitation for our long-term fuel economy and CO₂ emissions vehicle planning.

Delivering Long-Term Reductions Across Our Lineup

We review our product development plans annually to ensure our vehicles are aligned with the 2°C stabilization glide path. While our plans are based upon delivering long-term reductions in CO₂ emissions from new vehicles that are similar to those for the industry-average LDV glide paths, we anticipate that the reductions will vary from year to year. This is due to market forces that we do not fully control, such as energy price fluctuation, changes in the mix of vehicles demanded by consumers and other factors that influence our product plans.

Refining Our Model

Recognizing the long timeframe of climate science, we update our glide path model's assumptions and input data every five years. In 2017, we completed a major revision, moving to a 2°C temperature stabilization pathway, which is similar to our previous 450 ppm CO₂ concentration-based pathway. We also evaluated a 1.5°C sensitivity scenario. Our 2017 glide path is specific to LDVs,¹ instead of an all-sector pathway. Between major updates, we conduct other sensitivity analyses to understand the effect on the glide paths of global changes, such as economic conditions, biofuel availability or regulations. In 2018, we adjusted the model to account only for the physical CO₂ emissions from our vehicles and decoupled it from regional regulatory requirements. We are continuing to review the effects of recent LDV regulatory incentives such as electric vehicle multipliers (supercredits) that encourage new technologies but do not physically reduce CO₂ and our future vehicle fleet plans including increased electrification. As climate science, alternative fuels and technologies advance, we will be considering ways to refine and adjust our science-based CO₂ targets in future updates – for example, how best to factor in emissions other than CO₂ – and how best to recognize the fact that to address climate change, cost-effective actions across different economic sectors are needed.

Two Degree Scenario Analysis Framework

Investors are leading initiatives to establish common strategy and planning assessment tools to evaluate climate change risks and opportunities. Frameworks established for the oil and gas industry evaluate how scenarios, including policies, technology and market and climate trends, could impact their future business strategies and capital planning. Ford is engaging with [Ceres](#), a nonprofit organization encouraging companies to take stronger action on climate change, to develop and validate the framework for the automotive industry and complete the framework for Ford.

Related Page:

> [Our Climate Commitment](#)

1. IEA. Energy Technology Perspectives 2016. OECD/IEA, Paris (2016).

OUR VALUE CHAIN AND IMPACTS

To create value and reduce our footprint, we need to deliver a positive impact, both across Ford's direct operations and throughout the whole value chain.

Our Value Chain

01 Design

We consider sustainability criteria in a holistic way during product design, as decisions made at this stage can have far-reaching impacts throughout the product life cycle.

Issues Addressed

Impacts at all stages of the product life cycle, e.g.:

- Sustainable, renewable and recyclable materials
- Product quality
- Occupant safety
- Material handling at end of life

Value Created

- New and better ways to move in future, leading to easier commutes, less congestion and improved air quality (see also [Vehicles in Use](#))
- Contributing to the circular economy, e.g., recycling and reusing materials
- Innovations are often shared with the automotive industry as a whole

02 Materials and Suppliers

We depend on materials, parts and components from our suppliers, and work with them to encourage high environmental and social standards.

Issues Addressed

- Human rights and working conditions
- Conflict minerals
- Use of materials and natural resources
- Waste reduction
- Water use

Value Created

- Securing a sustainable supply of materials, goods and services through responsible sourcing
- Achieving tangible improvements for workers and the environment through supply chain management and engagement
- Contributing to local economies, entrepreneurship and livelihoods through our global procurement activity

03 Logistics

With our logistics service providers, we focus on delivering inbound freight (components, parts, etc.) and transporting finished vehicles from our manufacturing facilities to dealerships in an environmentally efficient way.

Issues Addressed

- Fuel consumption
- Transport emissions and impact on climate change
- Packaging

Value Created

- Reducing road miles and optimizing efficiencies through a balanced transport mix
- Collaborating with partners and industry on methods to accurately measure and improve transport impacts
- Designing packaging to reduce materials use and waste

04 Manufacturing

By investing in world-class facilities, we drive innovation and excellence in vehicle manufacturing and production.

Issues Addressed

- Use of materials and natural resources
- GHG emissions
- Water use
- Energy use
- Waste reduction
- Occupational health and safety
- Local community impacts (noise, congestion, etc.)

Value Created

- Lean process innovations such as recycling
- Manufacturing process innovations that use less water, energy, etc.
- Socio-economic contributions (e.g., salaries for local workers, taxes paid to local governments)
- Promoting safe and healthy work environments

05 Sales and Service

The Blue Oval is recognized in Ford dealerships worldwide as a sign of quality, service and corporate citizenship.

Issues Addressed

- Customer satisfaction
- The environmental impacts of our dealerships

Value Created

- Dealerships provide local employment
- Recycling of used parts
- Fundraising and volunteering to support good causes

06 Our Vehicles In Use

The greatest impact we have is through our products. We innovate to achieve continuous improvement across our lineup while shaping transportation of the future.

Issues Addressed

- Carbon footprint of our products
- Urbanization and congestion
- Air quality
- Driver and occupant safety

Value Created

- Affordable fuel economy
- Mobility solutions (car-sharing and public transport apps, connected and autonomous vehicles, big data, fold-up bikes) that reduce congestion and pollution and positively affect the environment
- Improved road safety from driver assist technologies and safe driving courses

07 End of Vehicle Life

Designing in recyclability from the start is key to driving the circular economy, facilitating disassembly and enabling materials to be recaptured and reused at end of service.

Issues Addressed

- Recyclable materials
- Waste reduction

Value Created

- Closed-loop processes with materials going back into processing, e.g., aluminum recycling
- Making “waste” a valuable resource, stimulating demand for recovered and recycled materials
- Reduced waste to landfill and in oceans

CONTRIBUTING TO THE UN SDGS

Ford promotes the United Nations 2030 Agenda for Sustainable Development by communicating how our products and operations contribute toward achieving the UN Sustainable Development Goals (SDGs).

Our Priorities

We contribute toward meeting those SDGs that most directly relate to our business and where we can add most value. However, such global challenges require effective, multi-stakeholder collaboration at a local, national and international level. So as we strive to meet these ambitions, we also call on all our stakeholders and partners to join us in our efforts.

What Are the SDGs?

In September 2015, the Member States of the United Nations adopted the Sustainable Development Goals (SDGs). The 17 Goals – and the 169 targets that lie behind them – form a new sustainable development agenda intended to end poverty, protect the planet and ensure prosperity for all.

> [Find out more about the UN SDGs](#)



Good Health and Well-Being

Ensure healthy lives and promote well-being for all at all ages

Why Is This a Priority?

Health and safety is our number one priority. We are committed to ensuring the safety and well-being of our people in our facilities around the world, those in our extensive supply chain and when our customers get behind the wheel. Both health and safety and product quality and safety were identified as important human rights issues in our 2018 [saliency assessment](#).

How We're Contributing

- We take the [health and safety](#) of our people very seriously, working to ensure a safe working environment throughout our operations
- We are continually looking to develop [driver assist technologies](#) that improve the [safety performance of our vehicles](#) and strive to understand what our customers want and continuously improve the [quality of our vehicles](#) to meet their needs and expectations
- Our [Project Better World activities](#) include initiatives designed to improve health and well-being, enhance community life and [encourage safer driving](#)



Clean Water and Sanitation

Ensure availability and sustainable management of water and sanitation for all

Why Is This a Priority?

Access to safe drinking water and adequate sanitation is a fundamental human right, and was identified as a major issue in our 2018 [human rights assessment](#). Water resources are unevenly distributed and water security is high on the global agenda. Water is also critical to our manufacturing operations so we continually strive to reduce our water consumption, as well as that of our supply chain.

How We're Contributing

- Focusing our [water strategy](#) on reducing our use of drinkable water and using more saltwater and wastewater
- Sharing best practice to help reduce the impacts of [water use in our supply chain](#)
- We leverage our resources, including [employee volunteers](#), to support [community projects through Project Better World](#) and environmental initiatives aimed at improving access to water, hygiene and sanitation



Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Why Is This a Priority?

Today's transportation networks are congested and inefficient, especially in urban areas. But we have an alternative vision of mobility in the future: an integrated system that employs advanced technologies, shared mobility services and autonomous vehicle technology to help people move more safely, confidently and freely.

How We're Contributing

- Developing [alternative fuels and powertrain technology](#) with [improved fuel economy](#) and lower emissions, including significant investments in electrified vehicle technology
- Our research and development of [global mobility services](#) and [autonomous vehicle technology](#) to give people the freedom to move



Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable

Why Is This a Priority?

Sustainable transport will provide access to safe, affordable, accessible and sustainable transport systems for all. Our mobility services and solutions will help the cities of tomorrow address a host of challenges. These range from traffic congestion to poor air quality, which was identified as an important human rights issue in our [formal saliency assessment](#) in 2018.

How We're Contributing

- Our research and development of [global mobility solutions and services](#), from [self-driving vehicles](#) to the technology needed for [smart cities](#), will give people greater freedom of movement in the future
- We leverage our resources to support [Project Better World](#) initiatives that are designed to strengthen the communities in which we operate



Responsible Consumption and Production

Ensure sustainable consumption and production patterns

Why Is This a Priority?

Manufacturing vehicles requires using natural resources with a limited or even finite supply. Therefore, we need to use, reuse and recycle them efficiently and sustainably, reduce our dependence on petroleum-based plastics and move toward zero waste to landfill throughout our operations. To maximize our impact, we also seek to increase the resource efficiency of our supply chain. Product quality, the responsible sourcing of raw materials, forced labor and child labor were all highlighted as key issues in our 2018 [human rights assessment](#).

How We're Contributing

- Directly managing the impacts of [our operations](#) by lowering energy consumption and reducing emissions from our [manufacturing](#) and [logistics](#), as well as responsible [water stewardship](#) and [waste reduction](#)
- Efficient resource use, including the use of [recycled, renewable and sustainable materials](#)
- Helping reduce the [environmental impacts of our key suppliers](#) through our PACE program
- Conducting due diligence to ensure the [responsible sourcing of raw materials](#) in compliance with local laws, reporting frameworks and respect for indigenous populations



Climate Action

Take urgent action to combat climate change and its impacts

Why Is This a Priority?

The production and use of combustion engine vehicles for transport contributes to climate change, negatively impacting people and communities. The scientific community has concluded that limiting global temperature increase to less than 2°C may help to delay the impacts of climate change. Both climate change and air quality were identified as key human rights issues in our [saliency assessment](#) in 2018.

How We're Contributing

- Our comprehensive [climate change strategy](#) focuses on [reducing vehicle emissions](#), eco-efficient [operations](#) with lower [greenhouse gas emissions](#) and reduced energy consumption at our facilities, and helping our [suppliers reduce their environmental impacts](#)
- Our [electrification plans](#) are focused on delivering affordable electric vehicles at scale, to reduce the emissions associated with the use of our vehicles
- We are using [sustainable materials](#) to lower greenhouse gas emissions and energy use, and move away from plastics made from fossil fuels

Supporting the Wider Goals

We also contribute to many of the other SDGs, illustrating the significant role that transportation and the freedom to move plays in increasing social mobility and driving human progress.



Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

We train our suppliers to address issues concerning human rights and working conditions in their facilities, and invest in education programs designed to build our future talent pipeline.

- > [Human Rights](#)
- > [Learning and Development](#)
- > [Environmental Impact of Our Suppliers](#)
- > [Building Sustainable Communities](#)



Gender Equality

Achieve gender equality and empower all women and girls

We are an equal opportunity employer that respects and supports women across our business and supply chain, creating opportunities for empowerment and advancement.

- > [Human Rights](#)
- > [Diversity and Inclusion](#)
- > [Building Sustainable Communities](#)
- > [Supplier Diversity](#)



Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all

We are working to meet more of our energy needs from renewable sources to reduce our reliance on fossil fuels and address climate change.

- > [Energy and Emissions](#)
- > [Emissions From Logistics Operations](#)



Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We are making employees' lives better, and improving retention and satisfaction levels, by creating a safe, collaborative and respectful workplace where employees can fulfill their potential, and encouraging our suppliers to do the same.

- > [Human Rights](#)
- > [Our People](#)
- > [Our Dealers](#)



Reduced Inequalities

Reduce inequality within and among countries

Embracing all aspects of inclusion and equality better reflects the communities in which we operate, and the range of skills, opinions and experiences of a diverse workforce strengthens our business.

- > [Human Rights](#)
- > [Diversity and Inclusion](#)
- > [Supplier Diversity](#)
- > [Building Sustainable Communities](#)



Peace, Justice and Strong Institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

We seek to conduct our business in an ethical and responsible manner, with strong policies and governance structures in place to guide all aspects of our business, from human rights to customer privacy and data protection.

- > [Governance](#)
- > [Ethics and Compliance](#)
- > [Policy Letters and Directives](#)
- > [Public Policy](#)
- > [Human Rights](#)
- > [Responsible Sourcing of Raw Materials](#)
- > [Data Privacy and Security](#)



Partnerships for the Goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development

We are working with a range of partners to develop the next generation of mobility technology and services, to reduce the environmental impact of our business and to create a better world.

- > [Global Mobility](#)
- > [Collaborating for Human Rights](#)
- > [Collaborating on Water](#)
- > [Environmental Impact of Our Suppliers](#)
- > [Building Sustainable Communities](#)

GOVERNANCE

High standards of governance are essential if we are to maintain the trust of all our stakeholders. Importantly, all sustainability-related structures, processes and management systems are integrated within the business, ensuring our business operations are transparent and accountable.

Corporate Governance

Our [Board of Directors](#) is guided by our Corporate Governance Principles, Code of Ethics and charters for each Board Committee. These are publicly available in the [Corporate Governance section](#) of our corporate website.

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

Sustainability Governance

To continually improve our performance and deliver on our plans, we are guided by our Creating Value Roadmap. Across our business we employ a variety of governance systems and processes to manage the different aspects of sustainability, and these are summarized throughout this report.

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

Board Committees

Sustainability and Innovation Committee

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

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

Executive Management

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

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

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

Function Areas

Sustainability and Vehicle Environmental Matters

- Coordinates our companywide sustainability strategy and activities
- Leads our sustainability reporting and stakeholder engagement
- Collaborates with other functional areas and global skill teams to integrate sustainability throughout the company by aligning with the most relevant and actionable United Nations Sustainability Development Goals where we make the largest impact
- Chairs the leadership forum to govern skill teams' now, near and far sustainability goals and metrics

Key Business Processes

Key governance processes enable us to manage issues that cut across functional areas.

Creating Value Roadmap Process

Our Creating Value Roadmap Process (CVRP) is the model for how we run the company. It contains the management processes we follow to continually improve our performance and deliver on our plans.

The CVRP, institutionalized as Policy Letter 25, enables us to continually monitor the ever-changing global business environment for risks and opportunities, including those related to sustainability, and use the resulting analysis to inform our strategies as needed. It also creates stronger accountability for setting, tracking and reporting progress against our goals and objectives, revenue targets, other financial indicators and stakeholder satisfaction measures.

The processes set out below allow us to respond to new internal and external developments in a timely manner and use these evaluations to adjust our management approaches where necessary.

- **Business Plan Review (BPR):** The senior leadership team (representing all skill teams and business units) holds meetings on a regular basis to review our management of sustainability and other business issues. Ford's sustainability scorecard is reviewed alongside our business units' scorecards at these meetings
- **Special Attention Review (SAR):** The senior leadership team reviews significant matters in more detail, and develops action plans and strategies to address more specific risks and opportunities

Business Plan Development and Compensation

As part of our annual business planning process, our business units track their performance using scorecards. Sustainability targets are integral to companywide achievements and are translated into product manufacturing and financial performance metrics. These metrics contribute to performance assessment for managers at various levels of the company and affect their compensation.

ETHICS AND COMPLIANCE

As Ford continues to grow, we work hard to ensure that ethics and compliance remain the foundation of all our business practices. Our integrated governance systems and processes help us manage the different aspects of sustainability across our business, from climate change to product quality and safety, and from ensuring ethical business practices to managing our supply chain.

Ethics Advice at Our Fingertips

We have clear policies and strategies for creating value, continually improving our performance and addressing a wide range of social, economic and environmental challenges in a changing world. To help our employees to do things the right way, we provide them with the information they need, when and where they need it. To support this, our Corporate Compliance Office – which promotes a culture of compliance and ethics across our business, turning our aspirations and high standards into action – has developed innovative training and communication tools that make knowing how to comply with corporate policy and the law as easy as possible.

Related Page:

> [Governance](#)

These tools include a free mobile app, The Right Way. This app puts key compliance information at our employees' fingertips, providing answers to frequently asked questions. Topics covered include our human rights commitment, the signs of human trafficking, our stance against harassment and discrimination, and our strict policy against [bribery and corruption \(see next page\)](#). Employees can also use the app to contact the Compliance Office directly.

The *Right Way* app is available in seven languages, making it accessible across our global workforce. It is also publicly available, which means our suppliers and other business partners can use it to become more familiar with our ethical policies and practices. We have also made it available as "open source" material for other companies and groups to build on.

Related Page:

> [Public Policy](#)

Ethics and Compliance Training

Our many [Policy Letters and Directives](#) formally establish expectations for our employees and others working on our behalf. Our primary ethical guidance document is our [Code of Conduct Handbook](#), which contains the most important and relevant of our letters and directives. The Code is available in 14 languages to ensure accessibility to employees around the world.

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

We continuously work to improve our online training courses to offer shorter, more frequent and more memorable modules. This includes honing our annual Code of Conduct online training module, presenting timely topics that will be meaningful and thought-provoking for our employees. The first module in this refreshed series launched in the fall of 2017 and featured a leading researcher who spoke on being mindful of ethical challenges in a talk entitled *Why Do Good Companies Do Bad Things?* We had such a strong positive and thoughtful response from employees around the globe that we are following up with a timely module in the fall of 2018. Encouraging everyone to think about how we interact, the module, called *Civility: The High Cost of Bad Behavior*, will be presented by a leading expert. We look forward to continuing to encourage dialogue around business ethics and compliance.

Related Page:

> [Policy Letters and Directives](#)

Reporting Violations

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

Anti-Bribery and Anti-Corruption

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

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

Case study

An Ethical Corporate Citizen

We are absolutely committed to being a good, ethical corporate citizen. Our efforts were recognized by several third-party organizations in 2017. Forbes named Ford to its [The Just 100: America's Best Corporate Citizens](#) and [2018 America's Best Employer](#) lists, and we scored 100 percent on the [Human Rights Campaign's Corporate Equality Index](#).

POLICY LETTERS AND DIRECTIVES

We use Policy Letters to establish a framework of broad, basic principles within which we conduct our business across the world. Corporate Directives provide more in-depth information on narrower topics, or relate only to specific business segments. A variety of business standards and practices, handbooks and guidelines are also used to govern the conduct of our people globally.

The following corporate standards have a particular relevance to sustainability.

Anti-Bribery and Anti-Corruption

We comply fully with the laws of each country in which we do business. In particular, we never pay bribes, nor do we allow others to pay bribes for us. All our employees are directed to report any requests or solicitations for improper payments through our companywide reporting systems. We also have [ethical standards](#) that govern and restrict the types of entertainment, gifts and favors that our workers can give and accept.

Diversity and Inclusion

We recognize that a diverse workforce is a valuable asset, and are committed to equal opportunity throughout every aspect of our business. We strive to provide an inclusive work environment in which different ideas, perspectives and beliefs are respected and encouraged. Our Policy Letter and Directives relating to [diversity and inclusion](#) address equal opportunity and prohibit disparate treatment because of race, religion, color, age, sex, national origin, disability, gender identity, sexual orientation, veteran status and other factors that may be covered by local law.

Health, Safety and the Environment

Every single person at Ford has responsibility for protecting health, safety and the environment. The importance of sustainable economic development – for both Ford and for society in general – is highlighted in our company policies. We regularly review our products, services, processes and facilities against objectives and targets that are designed to minimize waste and pollution from our [operations](#) and those of our suppliers, as well as any adverse impact on workers' [health and safety](#).

Human Rights

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

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

In 2018, we conducted a [saliency assessment for human rights](#), the first original equipment manufacturer (OEM) to complete such an assessment.

Political Contributions

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

Privacy

Building long-term relationships and delivering excellent products and services requires the trust and confidence both of our customers and of our employees. A key issue in maintaining that trust is [data privacy and security](#). We recognize that customers, employees and others have concerns about this and naturally expect us to protect and handle personal information responsibly. We are committed to implementing responsible privacy and data-handling practices, and our relevant Policy Letters and Directives are designed to ensure continuing trust and confidence.

Product Quality and Customer Safety

Ford has a number of policy statements aimed at continuously improving the quality of our products and promoting customer safety. Our quality policy (Policy Letter 1) emphasizes the importance of quality in everything we do, and recognizes that quality is defined not by Ford, but by our customers. Sustaining and improving the [quality of our products](#) also depends on collaboration between employees, suppliers and dealers.

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

[Vehicle safety](#) is a fundamental aspect of our QOS. Our Policy Letter 7 outlines our commitment to design and build vehicles that meet or exceed applicable laws and regulations while meeting the safety needs and expectations of our customers.

Social Media Interactions

We recognize the growth and importance of social media, such as Facebook, Twitter and Instagram, as well as blogs and online discussion forums, and encourage our employees to use them responsibly. Our [Digital Participation Guidelines](#) outline what is expected of them when using social media, and the need to communicate honestly and respectfully in connection with our business.

Suppliers

Our work with Supplier Partners is governed by our Global Terms & Conditions, and by our [Policy Letter 24](#). This policy addresses workplace issues including working hours, child labor, forced labor, non-discrimination, freedom of association, health and safety, and the environment, and is supplemented by web-guides on a range of topics. The policy applies to our own operations, but we also encourage businesses we work with throughout our supply chain to adopt similar policies.

Related Page:

> [Governance](#)

PUBLIC POLICY

Every day, around the world, governments make decisions that in turn have an impact on our business. As a global company, it is important that, wherever we operate, we have a voice in policies that affect our business. We must also continue to be recognized as a credible source of information to help shape those policies.

Supporting the Policy-Making Process

We seek to support our business interests by participating openly and transparently in the political process. Our aim, across a range of issues, is to be part of the solution. We support local, regional, national and international policies that are economically, environmentally and socially sustainable for our company, our customers and their communities.

In our major markets, on issues of the highest priority, we maintain regular dialogue with legislators and regulatory officials. We share our expertise and add our perspective to the policy-making process, which is overseen by our Government Affairs offices around the world.

Advocacy Through Coalitions and Associations

To leverage our resources more effectively on important issues, we work with numerous external partners. We belong to a broad range of partnerships, coalitions, industry groups and trade associations that advocate for legislation and regulation on behalf of their members. This work helps us develop and promote policies that could have far-reaching benefits for our company, our industry and society as a whole.

Of course, there are times when our views may not align with those of the associations to which we belong. In such cases, we always reserve the right to speak with our own voice and make our own stance clear.

One such instance was in response to the midterm evaluation of greenhouse gas (GHG) standards, when we made our position clear: *"We support increasing clean car standards through 2025 and are not asking for a rollback. We want one set of standards nationally, along with additional flexibility to help us provide more affordable options for our customers. We believe that working together with EPA, NHTSA and California, we can deliver on this standard."*

Related Pages:

> [Policy Letters and Directives](#)

> [Ethics and Compliance](#)

PRIORITIZING KEY ISSUES

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

Materiality Results

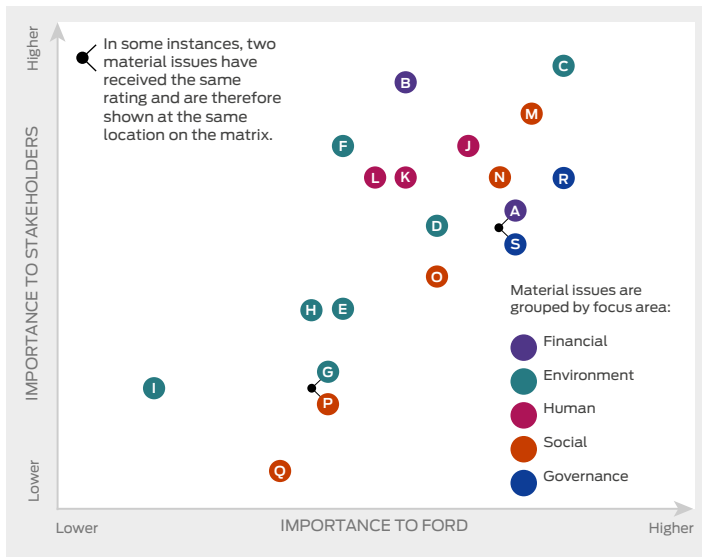
Our most recent materiality analysis was carried out in 2016 and early 2017. The results are reflected in the matrix on the next page.

The analysis identified our most important issues as:

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

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

Our Materiality Matrix



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

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

MATERIALITY DEFINITIONS AND METHODOLOGY

We published our first materiality analysis in our 2004/5 Sustainability Report, making us an early adopter of materiality in the sustainability context. We update our assessment every other year, and this report contains our most recent analysis.

Definitions of Materiality

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

This definition predates, but is consistent with, the Global Reporting Initiative (GRI) definition of material topics: "those that reflect the organization's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders."

Related Page:

> [Prioritizing Key Issues](#)

Our Materiality Process

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



Identification

We created a list of potential issues, grouped by four different types of "capitals" – social, environmental, financial and human – as well as governance. Issues were identified through desk-based research, which included a peer review, media scan and review of sustainability thought leadership from industry experts and associations.



Prioritization

Once potential issues had been identified, internal and external stakeholders were invited to comment on the topics and rate them in terms of their perceived importance. Internal stakeholders came from a wide range of functions across the business, while external stakeholders from the Ceres stakeholder committee included representatives of sustainability nongovernmental organizations, socially responsible investment organizations and industry peers. The interviews were analyzed to identify key challenges, opportunities and linkages between the issues. Average ratings were obtained from both groups of stakeholders.



Review

Once the materiality analysis was completed, the results were reviewed internally by Ford's Sustainability & Vehicle Environmental Matters (S&VEM) group and regional stakeholders. Revisions were then made to ensure that our process and list of important issues were complete, well understood and inclusive of the perspectives obtained from stakeholders, and that all feedback was appropriately reflected.

Related Pages:

> [Stakeholder Review of Report](#)

> [Stakeholder Engagement](#)

STAKEHOLDER ENGAGEMENT

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

Key Stakeholders

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

Strategy and Governance

Customers and Products

Operations

People and Society

Performance and Data

Communities

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

67 Ford manufacturing sites

Customers

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

6.6 million vehicles sold

Dealers

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

11,428 dealerships worldwide

Employees

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

202, 275 employees worldwide

Investors

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

More than 120,000 stockholders

Suppliers

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

Total global spend of \$110+ billion

Engagement on This Report

Among the specific reviewers of our report are our Sustainability and Innovation Board Committee, the Global Executive Leadership team, global subject matter experts, the SE&SE Vice-President, Ceres, employees, sustainability think tanks and non-automotive corporations.

We also specifically engage with a Ceres Stakeholder Committee when producing this report, giving us a wider, multi-stakeholder perspective on sustainability topics. For details of their feedback and our responses, see the [Stakeholder Review of Our Report](#).

STAKEHOLDER REVIEW OF REPORT

For this Sustainability Report, as with our previous 11 reports, Ford agreed to work with a stakeholder team selected by Ceres to advise us. Ceres leads a national coalition of investors, environmental organizations and other public interest groups working with companies to address sustainability challenges.

The Ceres Stakeholder Committee, which was convened in March 2018, is an independent group of individuals drawn primarily from the Ceres coalition and representing a range of constituencies that have expertise in environmental, social and governance issues. Committee members provided feedback and recommendations associated with Ford's assessment of the relative importance of financial, environmental, social and governance issues, and its sustainability performance and disclosure with respect to these issues.

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

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

Recommendation: Fuel Economy and GHG Standards

Ford response: We work with numerous external partners to leverage our resources more effectively on key issues. As part of this approach, we belong to a broad range of partnerships, coalitions, industry groups and trade associations that advocate on behalf of their members for legislation and regulation. Our work with these partners helps us develop and promote policies that could have far-reaching benefits, not just for our company but for our industry and society as a whole.

On occasion, our views may not align with those of the associations to which we belong, and we always reserve the right to speak with our own voice and make our own stance clear.

Recommendation: Addressing Harassment and Gender-Based Discrimination

Ford response: Ford restated its full commitment to creating a workplace free of discrimination and harassment and the need to consider new management tactics with the company's Human Resources team and Chief Diversity Officer (who currently reports to the Chief Human Resources Officer). Ford has taken several steps in the wake of public stories outlining the conditions at its Chicago manufacturing operations and the senior leadership team is keenly focused on this issue as well. Ford also noted ongoing conversations about an external advisory council with Michigan State University, which recently created a similar body. Ford is committed to a pay equity strategy, which was reviewed with the Board of Directors.

Recommendation: Accountability in Supply Chain Management

Ford response: Ford switched from internally developed audit systems to the [Responsible Business Alliance \(RBA\)](#) audit framework in 2016 (concurrent with the company joining the RBA as its first automobile manufacturer member), and thus did not have additional data to disclose in its most recent Sustainability Report. The company has since applied the new audit framework to a range of suppliers, including technology suppliers, interiors, and key raw commodities. In this report, Ford is publishing data and is able to disclose year-over-year information.

Recommendation: Operational Eco-Efficiency

Ford response: Ford knows there are several corporate campaigns that the company could take advantage of, but the company has to weigh where it will get maximum benefit for the resources invested. Additionally, Ford recognizes there are several opportunities for the company to disclose more information about the environmental impacts associated with specific materials and, more importantly, material substitutions.

Recommendation: Transportation Electrification

Ford response: Ford agrees that it has a role to play at each level of government to support policies and investments that will help grow the market for electric vehicles, particularly investments in charging infrastructure. Ford also noted several recent or continuing instances of relevant support, including:

- Being the first OEM to push for maintenance of the electric vehicle tax credit
- Not advocating against the Zero Emission Vehicle (ZEV) mandate while also talking with California about what ZEV looks like for medium and heavy-duty vehicles
- Working with Ionity (and a group of other OEMs including BMW and VW) on infrastructure development in the EU and actively looking for similar opportunities at the local level in the United States (e.g., in Lansing, MI)
- Contributing to a fund for the purpose of educating consumers on this and engaging with several New England states to identify additional opportunities to support market development, learning from and building on successful initiatives in other states

Recommendation: Renewable Energy Procurement

Ford response: We have met our 2025 goal of reducing emissions per vehicle produced by 30 percent relative to a 2010 baseline eight years early, achieving a 32 percent reduction. The company's success was attributable in part to its use of renewable energy as well as energy conservation measures.

Related Page:

> [Stakeholder Engagement](#)