



Environmental, Social, and Governance Review

November 2020

[Ford Sustainability Report 2020](#)

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Introduction

Our ESG Commitment

Environmental, social, and governance (ESG) initiatives are a **top priority** at Ford Motor Company, as we seek to become the world's most trusted company.

In addition to being the right thing to do, we believe our ESG investments will both **decrease downside risk** and **increase upside value** over the long term.

In 2019, we launched bold aspirational goals around the environment, diversity, and human rights. In 2020, we bolstered our **sustainability strategy** by announcing our aspiration to become carbon neutral by 2050.

ESG risks and opportunities are being integrated into our **core strategy**, through efforts like embedding diversity and inclusion into the process of how we evaluate our culture that proactively measures the transformation of Ford to enhance a culture of mutual respect.



Drive Growth, Improve Execution, Speed Transformation

Turnaround Automotive

- Improve quality
- Reduce costs
- Accelerate restructuring of underperforming businesses
- Modernize and simplify

Growth Levers – Disrupt Ourselves

- Allocate more capital, resources and talent to strongest businesses and vehicle franchises
- Expand leading commercial vehicle business with a suite of software services that drive loyalty and recurring revenue streams
- Lead the electrification revolution by offering compelling, uniquely Ford fully electric vehicles at scale in areas of strength including Transit, F-Series, Mustang, SUVs and Lincoln
- Add more affordable vehicles to global lineup, including North America
- Stand up new customer-facing businesses enabled by Argo AI's world-class self driving system



ESG Highlights in 2020

Environmental

- Aspiring to achieve carbon neutrality globally by 2050
- Committing to the Paris Climate Agreement and committing to working with California to adopt meaningful GHG emissions reductions (only full line U.S. automaker committed to both)
- Investing more than \$11.5 billion through 2022 to deliver a portfolio of hybrids, plug-in hybrids and Battery Electric Vehicles (BEV) to meet our customers' evolving needs and preferences

Social

- Became a signatory to the United Nations (UN) Women's Empowerment Principles in February 2020
- Appeared in the Bloomberg Gender-Equality Index for the second straight year
- Received a perfect score of 100 in the 2019 Disability Equality Index®
- Continued our commitment to the CEO Action Pledge for Diversity & Inclusion™

Governance

- Supported the Task Force on Climate-related Financial Disclosures (TCFD) that fully discloses our governance around climate-related risks and opportunities
- Enterprise risk management capability shared by Board and senior management
- Highly qualified, independent Board with complementary skills and experience to advance Ford's strategy



Global Response to COVID-19

People

- Put people first – proactive policies focused on health of our stakeholders
- Phased-in production restart with robust safety protocols and work from home plans for remote workforce though June 2021
- Community support– Targeting the donation of 100 million medical grade masks and the production of 72 million pieces of PPE and healthcare equipment

Customers & Dealers

- Offering deferred payments and no-contact service options
- Increasing online sales activity and remote service
- Supporting dealer network, including continued parts supply and PPE

Operations/ Supplier Assistance

- Continuing launch preparations, including Mustang Mach-E, F-150 and Bronco
- Leveraging connected vehicle data to anticipate customer requirements
- Supplier Technical Assistance (STA) team granted suppliers access to our playbook and PPE to ensure their readiness to restart production

Profit & Liquidity

- Prioritizing liquidity and cash flow
- Reducing cost and discretionary spending
- Prioritizing investments in critical products and technology



ESG Key Metric Trends

Climate: Total Worldwide Facility CO₂ Emissions (Million Metric Tons)



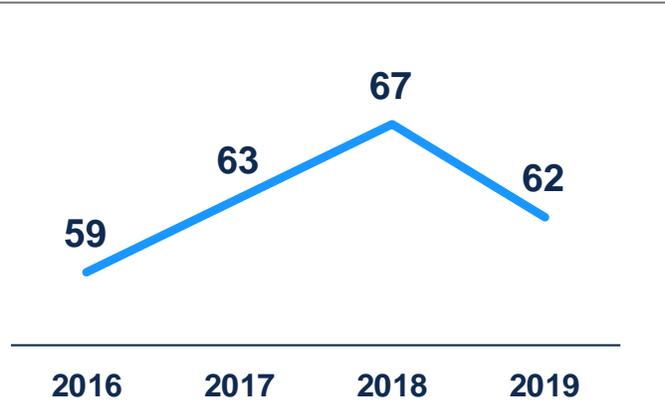
Waste: Waste-to-landfill per Vehicle (Kilograms)



Quality: Total “Things Gone Wrong” per 1,000 vehicles in N. America



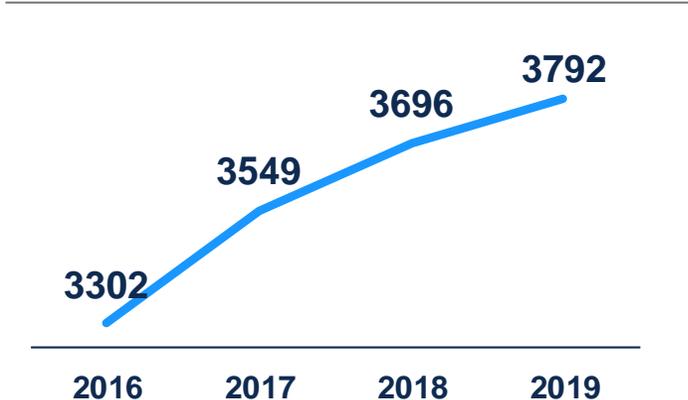
Social: Ford Fund Charitable Contributions (\$ Million)



Diversity: Female Corporate Officers (Percent)



Supply Chain: Total Supplier Sites Trained in Sustainability Management



E and S Aspirational Goals



Climate Change

We aspire to achieve carbon neutrality by 2050



Energy

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



Materials

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



Waste

We will achieve true zero waste to landfill across our operations

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



Water

We will make zero water withdrawals from manufacturing

We aspire to use freshwater for human consumption only



Air

We aspire to achieve zero air emissions from our facilities



Access

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



Human Rights

We aspire to responsibly source all raw materials used within our vehicles globally



Diversity

We are family. We celebrate our differences. We all belong.



Environmental

Reducing Our Carbon Footprint

Climate Change Strategy

We aspire to achieve carbon neutrality globally by 2050 and are focusing on three main areas that account for about 95% of Ford's carbon emissions: vehicle use, factories & suppliers

Strategic focus areas include vehicle electrification, improved efficiency of internal combustion engines, and efficient manufacturing

Announced agreement with California and three other automakers to regulate vehicle CO₂ through 2026 with increasing YOY standards; committed to meeting new standards in Europe and China

Using Sustainable Materials

Plant-based renewable materials have been used in over 20 million Ford vehicles, reducing cost and CO₂ versus petroleum-based material

Set an interim goal of 20% sustainable plastic by 2025

Awarded the Society of Plastic Engineers Environmental Award in 2019 for creating the first injection-molded under-hood emission control component, made from 100% post-consumer recycled carpet resulting in a 25% cost reduction and no impact on performance

Combatting Climate Change Is A Strategic Priority



Sustainable Operations

Energy and Emissions

In 2019, we reduced our absolute emissions by 14.6%, or 0.64 million metric tons, the equivalent of more than 138,000 passenger vehicles being driven for a year

Award-winning, fuel-saving EcoBoost technology is available on more than 80% of our nameplates, and has now been used in 8 million engines worldwide

Water Use

One of only 9 US companies to appear on both CDP Water Security “A List” and Climate Change “A List”

Reduced absolute operational water use by 13% since 2018 and have achieved a 70% reduction since 2000, increasing operational resiliency in water-stressed areas globally

Waste Reduction

Achieved true zero waste-to-landfill status at 102 company locations

Recycling and reuse practices support circular economy and supply valuable resources with the goal of eliminating single use plastic from operations by 2030

We Are Striving To Make Positive Environmental Contributions From Operations



Innovating Future Motion

Electrification Strategy

Investing over \$11.5 billion for new hybrid and fully electric vehicle (EV) models by 2022; strengthened plan with VW alliance

Electrifying our most iconic nameplates and Offering EV customers North America's largest public charging network- almost 40,000 charge plugs

Connectivity & Mobility Solutions

Building the Transportation Mobility Cloud as an open platform to help solve challenges including shared mobility and congestion

Spin plans to invest in hundreds of additional charging hubs and continues to expand its reach to help make shorter journeys more efficient in cities and universities around the US and continues to grow Europe

Self-Driving Vehicles

Investing more than \$4 billion through 2023 to develop self-driving vehicles in collaboration with Argo AI and Volkswagen

Working toward launching self-driving services in 2022 by prioritizing safety, reliability, and customer experience to earn public trust

Innovative New Products And Services Will Reduce Air Pollution And Congestion





Social

Respecting Human Rights

Vehicle Safety and Quality

Committed to creating vehicles with high levels of safety that meet or exceed applicable laws and regulations

Ranked among top five most awarded brands in 2020 by J.D. Power with awards in quality, dependability and performance

Human Health and Safety

Continuing to drive a robust safety culture to reduce workplace injuries, supported by effective communication, reporting, and external benchmarking

Lost-time case rate (LTCR) decreased year over year in 2019

Human Rights Partnerships

Signatory of the UN Global Compact to align operations with ten universally accepted human rights principles

First automaker to join the Responsible Business Alliance to improve social, environmental, and ethical conditions in supply chains

First automotive company to conduct a Human Rights saliency assessment

We Are Empowering Our People To Create A Better World



Responsible Sourcing of Raw Materials

Supply Chain

Committed to the procurement of materials that do not contribute to human rights abuses, including child and forced labor, bribery and corruption, or environmental concerns

Launched the Raw Materials Observatory with the Drive Sustainability partnership to mitigate such risks in material sourcing

Conflict Minerals

Partnering with suppliers to ensure tin, tungsten, tantalum, and gold (3TG) are sourced responsibly using due diligence frameworks by the OECD

Ford's SEC conflict minerals disclosure was highest-ranked of any automaker in the "Mining the Disclosures 2019" report from Responsible Sourcing Network

Battery Raw Materials

Reducing supply risk of cobalt, lithium, and nickel through strategic partnerships, supply chain investment, and recycling research; visibility at board level

Founding member of the Responsible Sourcing Blockchain Network (RSBN) to trace & validate ethically sourced minerals

Conducting due diligence on cobalt in alignment with OECD mineral guidance

Committed To Sourcing Materials In A Safe And Responsible Way



Empowering Our People

Employee Engagement and Satisfaction

Recipient of an i4cp 2020 Next Practice Award for our new ask/listen/observe framework – a comprehensive methodology for studying employee sentiment

Introduced Working Remotely resources for over 115,000 virtual workers in response to the COVID-19 pandemic with programs to support their physical, mental, and emotional health and wellbeing

Diversity, Equity, and Inclusion

Included in the 2020 Bloomberg Gender-Equality Index for our commitment to transparent gender reporting and workplace equality

First global automotive company to sign on to the UN Women's Empowerment Principles in February 2020

Investing in the Next Generation

After more than two decades of sponsorship, we became a strategic partner of FIRST Robotics to encourage learning among students of all ages

Reached more than 600K students through education programs worldwide in 2019

Our People-First Approach Is Vital To Attract And Retain Top Talent



Building Sustainable Communities

Ford Fund

Ford Fund oversees and coordinates volunteering and philanthropic investments, supporting initiatives across community life, education, and driver safety

Donated \$62 million in 2019 to civic organizations to strengthen communities globally

Employee Volunteering

Volunteerism is an integral part of our business with 17,000 employees participating in 1400+ projects in 2019

Awarded \$1.5 million to support projects in India, Mexico, South Africa, Thailand and the US since 2015 through the Bill Ford Better World Challenge

Supporting Social Enterprises

Opened in Oct. 2019 the Ford Resource and Engagement Center serves as a hub for Thailand's most innovative nonprofits and social enterprises

Over the past 5 years the Ford College Community Challenge has helped around 2,500 students launch 190 social enterprise that have impacted more than 200,000 people around the world

We Strive To Make A Positive Impact On The Communities Where We Live and Work



Cybersecurity and Data Privacy Leadership

Cybersecurity

Ford manages cyber risk with an industry-leading cybersecurity organization and capability

To ensure synergies, this capability is truly end-to-end, encompassing enterprise, vehicle, and mobility

The program is regularly assessed by industry experts such as Mandiant, Symantec, and PWC

Ford cybersecurity supports the full Ford ecosystem through industry partnerships, regulatory compliance, and strategic investments

Data Privacy

Information that customers provide helps us deliver great products, a personalized experience, and continued innovation

We take our responsibilities concerning the privacy and security of customer data seriously

Our companywide governance drives a holistic approach, which includes policies and directives focused on transparency, responsible data handling and use, and choice where appropriate

Ford Cybersecurity Actively Protects Data, Operations, And Reputation





Governance

Risk Management

- Ford has extensive and effective risk management processes relating to compliance, reporting, operating and strategic risks
- Board and Senior Management deeply engaged in risk management, which is shown through top-down and bottom-up communication and cross-functional participation across Business Units and functional Skill Teams
- Board and its committees have responsibility for oversight over specific areas of risk management
- Critical risks are routinely reviewed by the Board and its committees as appropriate

OVERSIGHT OF RISK MANAGEMENT

	Compliance & Reporting	Operating & Strategic
Ford Board Oversight	Audit Committee	Sustainability & Innovation Committee Compensation Committee Finance Committee
Ford Management Day-to-Day	Compliance Reviews Sarbanes-Oxley Compliance Internal Controls Disclosure Committee	Business Units & Skill Teams Monthly Business / Enterprise Review Monthly Business / Enterprise Review Special Topics Product, Strategy and People Forums

Board Maintains Effective Oversight Of Risk Management

Enterprise Risk Management

- Top 10 critical enterprise risks identified through survey process of Senior Management and Board
- Assigned risk owners oversee risk assessment, develop mitigation plans and provide regular updates at Monthly Business / Enterprise Review
- Business Units and Skill Teams follow the same process for local risk identification and management; risks at all levels are shared and aligned for a top-down and bottom-up view and management of risk
- Annual risk review with Board to update list of critical risks and monitor risk movement and emerging trends



Board And Senior Management Collaborate For Effective Risk Management

Governance in Practice

- Ensures our business manages risk and operates in a transparent and accountable way
- Enables us to monitor the changing global business environment to inform and adjust our strategies as needed
- Creates accountability for setting, tracking and reporting progress against our goals, objectives, revenue and sustainability targets
- Helps ensure we implement sustainability-related risk assessments, planning, strategy implementation and performance reviews consistently across the organization



Governance Framework Enables Us To Monitor Our Business, Make Long-Term Decisions And Develop Strategic Inputs To The Board

Sound Governance Practices

Board Independence

- Majority independent Board
- Separate Chairman of the Board and CEO with Lead Independent Director
- Independent Audit, Compensation, and Nominating & Governance committees

Board Practices

- Regular Board and committee self-evaluation process
- Committee charters reviewed annually
- Independent directors meet regularly without management and non-independent directors

Compensation

- Robust stock ownership goals for executives
- Compensation for NEOs focused on performance
- Mandatory deferral of compensation for directors to link Board and shareholder interests
- Clawback provision in our incentive grants
- Officers are prohibited from hedging their exposure to, and limited in pledging, Ford common stock

Accountability

- Annual election of all directors
- Majority vote standard
- Shareholders have the right to call special meetings
- Shareholders may take action by written consent

Board Has A Long History Of Operating Under Sound Corporate Governance Practices



Our Board's Evaluation and Refreshment Process

Process Overview

- Robust Board assessment and succession planning process in place
- Regularly evaluate mix of Board skills and experience in the context of our strategy and evolving industry and business trends
- Focus on director candidates who possess a multitude of skills professional experience, and backgrounds aligned with our strategy
- Prioritization of diverse backgrounds and perspectives

Key Selection Criteria

- Possess the highest personal and professional ethical standards, integrity and values
- Commitment to represent the long-term interests of all shareholders
- Practical wisdom and mature judgment
- Objective and inquisitive
- Advance goal of greater Board diversity
- Willing and able to devote sufficient time to carrying out their duties and responsibilities effectively
- Free from conflicts of interest

Our Process in Action

- Ford has strengthened its Board through recent refreshment



Gov. Jon M. Huntsman, Jr.

- Former U.S. Ambassador to Russia, China and Singapore
- Former Governor of Utah

- Extensive international experience, including foreign relations and trade agreements, brings a well-informed global perspective to Board deliberations
- Distinguished public service career provides important insight on governmental relations at the state, federal and international levels



Beth E. Mooney

- Former Chairman & CEO, KeyCorp
- Former Vice Chair, Key Community Bank

- Over 35 years of experience in retail banking, commercial lending and real-estate financing
- Recognized by Forbes as one of the *World's 100 Most Powerful Women* and by Fortune Magazine as one of the *Most Powerful Women in Business*

**Commitment To Regular Refreshment To Evolve Our Board
In Line With Our Strategy**

Directors



Kimberly (Kim) Casiano **I A N S**

*President, Kimberly Casiano & Associates
President & COO, Casiano Communications*

- Marketing and sales expertise, particularly in the U.S. Hispanic community and Latin America
- Provides valuable insight in where to play and how to win analyses and enterprise risk management systems



Anthony (Tony) Earley, Jr. **L C N S**

*Retired Chairman, CEO & President, PG&E
Former Chairman, CEO, President & COO, DTE*

- Seasoned public company executive with strong transactional experience
- Electrical infrastructure expertise brings product development insights to electrification strategy



James (Jim) Farley, Jr.

*President & CEO, Ford Motor Company
Former GVP and GM, Lexus Division, Toyota*

- Extensive automotive industry knowledge and experience
- Focused on accelerating Ford's transformation through operational excellence that benefits customers and delivers sustainable profit growth



Edsel Ford II **F S**

*Consultant, Ford Motor Company
Former President & COO, Ford Motor Credit*

- Adds value in various stakeholder relationships, including with dealers, NGOs, employees and others
- Creative / technology-driven marketing expertise helps develop marketing and vehicle distribution strategies



William (Bill) Clay Ford, Jr. **F S**

*Executive Chairman, Ford Motor Company
Former CEO, Ford Motor Company*

- Long-term perspective and history with Ford add value to stakeholder relationships and corporate culture
- Recognized as a leader in advancing mobility, connectivity and electrification in the auto industry



William (Bill) Helman IV **I F N S**

General Partner, Greylock Partners

- Experience investing in new technologies provides critical perspectives as Ford continues to invest in connectivity and mobile technologies
- Expertise in finance, investing and M&A

L Lead Independent **I** Independent **A** Audit **C** Compensation **F** Finance **N** Nominating & Governance **S** Sustainability & Innovation

Directors Bring Diverse Experience And Qualifications To Deliver Accountability, Strong Risk Oversight, And Strategic Direction



Directors (Cont'd)



Gov. Jon Huntsman, Jr. I C N S

Former U.S. Ambassador to Russia, China & Singapore

- Brings a well-informed global perspective to Board deliberations
- Distinguished public service career provides important insight on governmental relations at the state, federal and international levels



William (Bill) Kennard I F N S

*Chairman, Velocitas Partners
Former US Ambassador to the EU
Former Chairman of the U.S. FCC*

- Diverse experience in private equity, law and public policy
- Technological regulatory landscape expertise helps innovative work in connectivity and mobility solutions



John Lechleiter I C N

Retired Chairman & CEO, Eli Lilly

- Science and R&D expertise provide meaningful insight as Ford accelerates development of new products
- Executive experience in highly regulated industry assists Ford as it navigates a dynamic environment



Beth Mooney I A N

*Former Chairman & CEO, KeyCorp
Former Vice Chair, Key Community Bank*

- Public executive experience in finance and commercial lending
- Banking and business expertise enhances the Board during a transformational time for Ford and the industry



John Thornton I C F N

*Executive Chairman, Barrick Gold
Former Co-CEO, Goldman Sachs International*

- International business (especially in China), emerging markets and financial expertise
- Offers insight in financing the strategic plan, improving the balance sheet and creating profitable growth



John Veihmeyer I A N

*Retired Chairman & CEO, KPMG
Retired Chairman, KPMG International*

- International business expertise recognized for his leadership in diversity and inclusion
- Financial and risk management skills add value at an unprecedented time of disruption in the auto industry



Lynn Vojvodich I A N S

Former Executive Vice President & Chief Marketing Officer, Salesforce

- Marketing technology, innovation and market analysis expertise guides how Ford markets and positions itself
- Start-up and growth-stage technology expertise helps Ford as it invests in new technologies



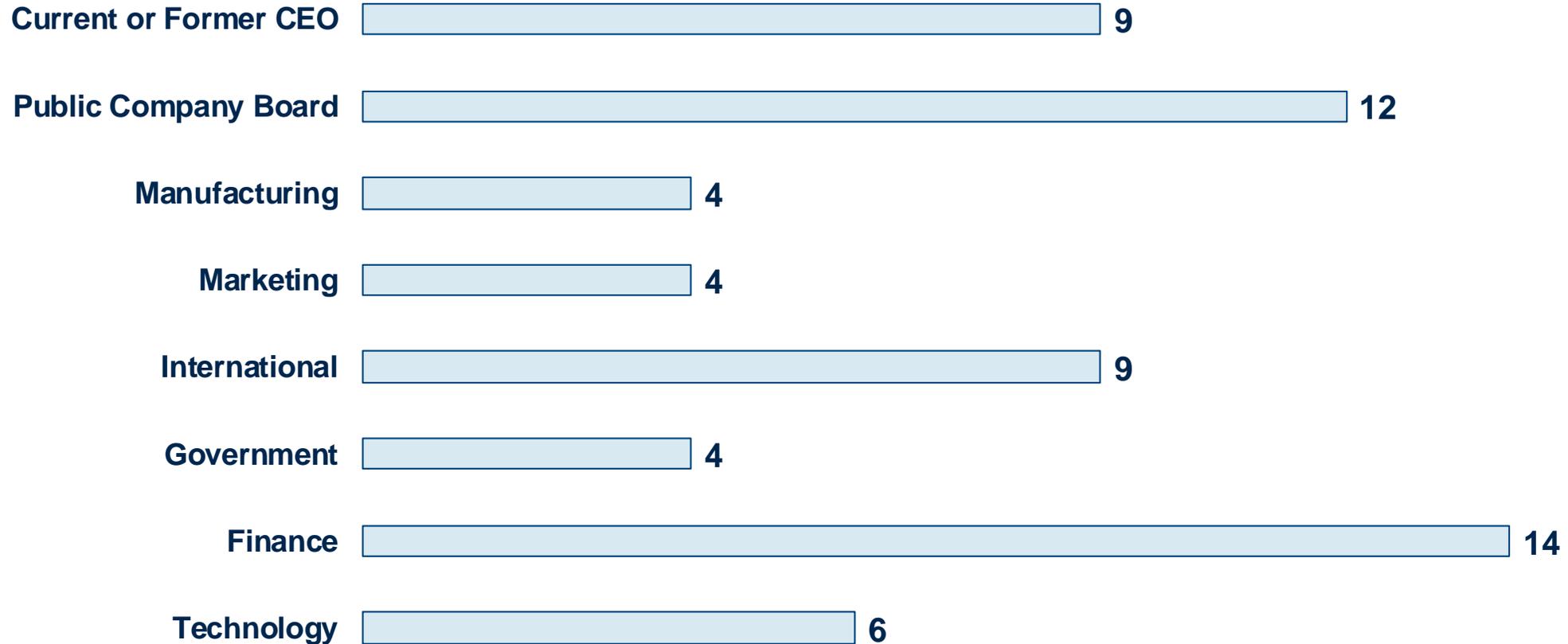
John Weinberg I C F N S

*Co-Chairman & Co-CEO, Evercore Partners
Former Vice Chairman, Goldman Sachs*

- Finance, banking and capital markets expertise with a deep understanding of Ford, its history and its needs
- Financial expertise aids in rapidly improving fitness, reallocating capital and financing the business



Diverse and Relevant Experience on the Board



Industry Leaders Bring Unique Perspective And Insights To Advance Our Strategy



Director Tenure

Number of Directors

Average Tenure (Years)

10.9

Average Tenure without Ford Family (Years)

7.4

5



0 - 4 Years
Served

4



5 - 9 Years
Served

5



10+ Years
Served

Board Has Appropriate Mix Of Director Tenure To Ensure Diverse Perspectives

Executive Compensation

- In 2020, long-term incentive awards were granted in Time-Based Restricted Stock Units (40%) and Performance Units with a three-year performance period (60%)
 - Our Time-Based Units vest over three years at a rate of 33%-33%-34%
 - Our Performance Unit Program aligns executive interests with shareholder interests by awarding performance to internal financial metrics over separate one-year performance periods in years one and two. Restricted Stock Units are “banked” after each of year one and two and relative TSR performance against a peer group over a three-year performance period modifies the final award by +/- 25%

Performance Unit Program—Long-Term Alignment with Shareholders



Our Equity-Based Incentive Awards Are Tied To Our Performance And The Future Value Of Common Stock

Executive Compensation

- Executive compensation is structured to ensure that there is appropriate balance among various forms of compensation
- The Compensation Committee strikes a balance by looking at the competitive market for executive talent, our business results and forecasts, and our key strategic goals for the year

Elements of Compensation Comparators

Salary 18%	Incentive Bonus Target 20%	Long-Term Incentives 62%
18%	18%	64%

Fixed vs. Variable Comparators

Fixed 18%	Variable 82%
18%	82%

Short-Term vs. Long-Term Comparators

Short-Term 38%	Long-Term 62%
36%	64%

Cash vs. Equity Comparators

Cash 38%	Equity 62%
36%	64%

Ford's Overall Executive Compensation Allocation Is In Line With Its Comparator Group's Median

Cautionary Note On Forward-Looking Statements

Statements included or incorporated by reference herein may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

- Ford and Ford Credit’s financial condition and results of operations have been and may continue to be adversely affected by public health issues, including epidemics or pandemics such as COVID-19;
- Ford’s long-term competitiveness depends on the successful execution of global redesign and fitness actions;
- Ford’s vehicles could be affected by defects that result in delays in new model launches, recall campaigns, or increased warranty costs;
- Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, or new business strategies;
- Operational systems, security systems, and vehicles could be affected by cyber incidents;
- Ford’s production, as well as Ford’s suppliers’ production, could be disrupted by labor issues, natural or man-made disasters, financial distress, production difficulties, or other factors;
- Ford’s ability to maintain a competitive cost structure could be affected by labor or other constraints;
- Ford’s ability to attract and retain talented, diverse, and highly skilled employees is critical to its success and competitiveness;
- Ford’s new and existing products and mobility services are subject to market acceptance;
- Ford’s results are dependent on sales of larger, more profitable vehicles, particularly in the United States;
- With a global footprint, Ford’s results could be adversely affected by economic, geopolitical, protectionist trade policies, or other events, including tariffs and Brexit;
- Industry sales volume in any of our key markets can be volatile and could decline if there is a financial crisis, recession, or significant geopolitical event;
- Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors;
- Fluctuations in commodity prices, foreign currency exchange rates, interest rates, and market value of our investments can have a significant effect on results;
- Ford and Ford Credit’s access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors;
- Ford’s receipt of government incentives could be subject to reduction, termination, or claw back;
- Ford Credit could experience higher-than-expected credit losses, lower-than-anticipated residual values, or higher-than-expected return volumes for leased vehicles;
- Economic and demographic experience for pension and other postretirement benefit plans (e.g., discount rates or investment returns) could be worse than Ford has assumed;
- Pension and other postretirement liabilities could adversely affect Ford’s liquidity and financial condition;
- Ford could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, perceived environmental impacts, or otherwise;
- Ford may need to substantially modify its product plans to comply with safety, emissions, fuel economy, autonomous vehicle, and other regulations that may change in the future;
- Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, and data protection laws and regulations as well as consumer expectations for the safeguarding of personal information; and
- Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations.

We cannot be certain that any expectation, forecast, or assumption made in preparing forward-looking statements will prove accurate, or that any projection will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. For additional discussion, see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, as updated by our subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

