TCFD Report 2022





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About this report

Our climate is changing faster than the world can keep up. Rising sea levels, droughts, and forest fires indicate the urgency of the situation. A comprehensive effort is needed to meet the goals of the Paris Agreement. At Ford, we're doing our part to address the urgency of climate change and to help build a better world for everyone.

Ford has published a Task Force on Climate-Related Financial Disclosure (TCFD) Index and a Climate Change Scenario Report since 2019 to be transparent around our climate change resiliency efforts. Using the TCFD framework, this year, we are releasing our first TCFD narrative report, which combines our TCFD Index and Climate Change Scenario Report and provides a progress update across each of the TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

It sets out our current understanding of the risks and opportunities associated with climate change and the resilience of Ford's strategy and business model under different climate scenarios.

The TCFD report supplements our Integrated Sustainability and Financial Report 2022 and sits alongside our standalone Human Rights Report 2022, both of which also examine aspects of climate change. It is aligned with the UN Sustainable Development Goals (SDGs) and our response to CDP (formerly known as the Climate Disclosure Project).

Not only does it build on our prior TCFD and Climate Change Scenario Reports, but this report also represents a step in our deepening understanding of climate risks and opportunities – for Ford, our industry and the world.

Ford's Risk Management Approach

Introduction

Introduction





Letter From Bill Ford and Jim Farley

For all of us at Ford, the truest mark of success is whether we leave the world a better place for the next generation. From our earliest days to the present day, Ford has followed that north star.

We invented the moving assembly line and the \$5 workday, scaled the Model T, forged the Arsenal of Democracy, and converted our plants to make ventilators and masks during the pandemic. Each generation faces different challenges, but our purpose has always been the same: to help build a better world, where every person is free to move and pursue their dreams.

Today, our industry and our world are going through a period of immense change. We believe it gives us the opportunity to create the most value for the company and our customers since Henry Ford scaled the Model T. But the change in our industry makes it even more important to stay true to the values that have defined our company. We publish this report to hold ourselves accountable and determine if we are truly moving the needle on the issues that matter.

Climate change, for example, is among the biggest challenges of our generation. We all share the responsibility to address the threat it poses our economy, our health, and our way of life. Just like the Model T revolutionized mobility, we believe electrification can do the same for reducing carbon emissions. So, we have been transforming our business to lead the electric revolution at scale, creating distinct but complementary businesses - Ford Model e, Ford Blue and Ford Pro that will help us compete and win in the new era of electric and connected vehicles.

We are introducing all-electric versions of our most popular, iconic nameplates - the F-150 Lightning, the Mustang Mach-E, and the E-Transit van – and scaling production to reach a target of producing more than 2 million electric vehicles per year by 2026. We are also leading a new era of sustainable manufacturing, remeasure up. Countries around the world are defining access to clean air and water as fundamental human thinking not just what we build, but how we build. In rights. We at Ford agree – and are setting clear targets for Tennessee and Kentucky, we have made the largest one-time U.S. investment by any automotive reducing the global emissions of our entire supply chain. manufacturer to construct the most sustainable Whenever the world faces disruption and uncertainty, manufacturing facilities in our history. Around the world, Ford has stepped up to shape it for the better. We are at we are dedicating more than \$50 billion through 2026 to our best when we are creating something larger than accelerate our zero-emission vehicle plan and create an ourselves. In this time of profound change, we will answer ultra-efficient manufacturing system for our vehicles and the call to lead our industry towards a more sustainable the batteries that power them, helping us achieve our future, while giving our customers the very best of Ford. goal of carbon neutrality by 2050. Our aspiration is to achieve a business model that goes beyond net-zero and **Bill Ford Executive Chair** becomes a net-positive for both the environment and the economy.

Investing in electric vehicles is the right thing to do for our children and grandchildren. It is also the right thing to do for our business. The demand for our first-generation electric vehicles has far exceeded expectations. We believe we can profitably grow as we invest in electric vehicles, connectivity, and modernization. We plan to maximize the potential offered by digital, connected vehicles to make our products more accessible, more inclusive, and safer to drive than ever before. We are proving that you can drive prosperity and protect the planet at the same time, and investors are taking notice. At Ford, we have always strived to take the long view

on the environment, even when it was unpopular. We were one of the first industrial companies to publish our progress towards sustainability, one of the first automakers to support the Paris Agreement, and the only full-line American automaker to partner with California on more stringent emissions standards. Now, we intend to lead the industry in another respect by putting a spotlight on human rights.

Ford is publishing stand-alone Human Rights Report a first for the company and for the U.S. auto industry. It will examine how our materials are sourced, where our products are manufactured, and how our labor standards

Jim Farley President and Chief Executive Officer

Company Purpose

We've been building the future for 118 years now, and we continue to invest to help build a better tomorrow. We take action because the future of this company centers on a purpose bigger than building vehicles and services. We are helping to build a better world, where every person is free to move and pursue their dreams. A world that is fully electric. A world that is more equitable, inclusive, and sustainable. And in doing so, we are putting people, the planet, and our shared prosperity first.

Introduction

We are directing our investments toward what's good for people and the planet, which is also good for our business, and will help achieve our goal of carbon neutrality no later than 2050.

Through our work in advancing our climate change activities, we are contributing to the following UN SDGs:







Environmental Aspirational Goals

Climate Change: Achieve carbon neutrality no later than 2050

Air: Attain zero emissions from our vehicles and facilities

Water: Make zero water withdrawals for manufacturing processes Use freshwater only for human consumption

Energy: Use 100 percent carbon-free electricity in all manufacturing by 2035

Materials: Utilize only recycled or renewable content in vehicle plastics

Waste: Reach true zero waste to landfill across our operations Eliminate single-use plastics from our operations by 2030

Ford's Road to **Carbon Neutrality**

Over the past 20 years, Ford has progressively developed our understanding of climate-related risks and opportunities while updating and setting increasingly ambitious goals. We are proud of the progress we have made to date and look forward to achieving the milestones ahead as we continue on our journey to carbon neutrality.

1999: **Published** our first **Corporate Citizenship** Report, "Connecting

2018:

with Society"

Met our goal to reduce operational GHG emissions per vehicle produced by 30% eight years early



2004:

2015:

Reopened our Ford Rouge Center with a living roof (the world's largest green roof at the time), daylighting system and waste minimization **Launched** the Escape Hybrid

Launched the lightweight,

all-aluminum F-150 Lightning

2007:

2014:

supplier program

2021:



2020:

Set aspiration to be carbon neutral no later than 2050 Launched all-electric Mustang Mach-E Achieved 75% absolute reduction in water use since 2000 **Offered** 155,000 charging stations in Europe on the FordPass Charging Network, in partnership with NewMotion

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Joined the United States **Climate Action Partnership** and UN Global Compact

2009:

Launched the EcoBoost engine, which optimizes power and efficiency using turbocharging and direct gasoline injection

Implemented Partnership for a Cleaner Environment (PACE) **Signed** the UN CEO Water Mandate

Announced saving of more than 10 billion gallons of water

2011:

Launched the full electric Focus EV



Set approved science-based emissions targets (SBTi) for our operations and vehicles

Joined RouteZero working toward 100% zero-emissions vehicles (ZEVs) globally in 2040

Launched new Sustainable Financing Framework and the first transaction from it, a \$2.5 billion green bond

Tied Corporate and Supplemental Credit Revolvers to sustainability-linked KPIs

Required suppliers to submit science-based GHG reduction targets



2022:

Launch all-electric F-150 Lightning and all-electric E-Transit Plan to spend \$5 billion on electric vehicles (EVs) in 2022, a two-fold increase over 2021

Power Dearborn Truck Plant, Michigan Assembly Plant and several new buildings on our Research and Engineering and Corktown campuses with 100% renewable electricity



2023:

Begin EV manufacturing in Cologne **Raise** global EV capacity to 600,000 by year end

2024:

Vehicles

2026:

Invest \$50 billion in EVs since 2022

Reach 100% passenger vehicle range in Europe with zero-emissions capable, all-electric or plug-in hybrid

Produce more than 2 million electric vehicles annually, about one-third of Ford's global volume

2030:

Achieve EV commitments

- Globally: 50%
- US: 50%
- EU: 100% of passenger cars, 2/3 of commercial vehicle sales
- Lincoln: 100%

Reduce greenhouse gas (GHG) emissions from U.S. manufacturing facilities 50% (Better Climate Initiative)

Eliminate single-use plastics from our operations

2025:

Build electric F-Series and battery packs with SK Innovation at BlueOval City

Source 100 percent carbon-free electricity for all Michigan manufacturing facilities

Launch new North American and EU programs with 20% recycled or renewable content in plastics (and programs from China and Turkey with 10%)

2035:

Meet our SBTi science-based emission targets for operations and vehicles

Work towards 100% zeroemission cars and vans globally (RouteZero)

2040:

Work towards 100% zeroemission vehicles (ZEVs) in leading markets (RouteZero)

Achieve 100 percent carbon-free electricity for our global operations

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Appendix

Achieve zero emissions capability for full range of European Light Commercial





2050: Carbon Neutrality

Responding to the Climate Challenge

Introduction

Climate is changing faster than the world can keep up. Rising sea levels, more frequent droughts, severe storms, and forest fires combined with environmental degradation threaten food, water, health, and energy security. Ford is working to minimize its impact on the climate aligned with the United Nations Framework Convention on Climate Change (the Paris Agreement). Ford identified addressing Just Transition as part of how we manage climate change, one of our salient human rights issue.

Read more on our salient issues in our Human Rights Report 2022

Global Trends Impacting our Business

The world is facing an array of challenges, from the ongoing pandemic, to income inequality, to climate change.

Extreme weather events are becoming more frequent, the costs and challenges of which fall disproportionately on the developing world. The physical impacts of floods, droughts, heatwaves, and storms, combined with environmental degradation, threaten food, water, health, and energy security.

The World Economic Forum (WEF) Global Risks Report 2022 identified climate action failure as the most severe risk on a global scale over the next 10 years. Ford's 2022 trend report showed that 81% of adults, globally, say climate change makes them concerned for their future. Yet, more than half of millennials and Gen Z-ers believe that by 2035 we'll have the technology in place to reverse the effects of climate change.

Infrastructure is also top of mind, as we contend with supply chain disruptions, changes in consumer preference for safer modes of travel, and increasing emphasis on developing sustainable infrastructure.

Technology trends, notably automation, artificial intelligence, digitalization of tasks and services, are dramatically improving efficiency and productivity but may pose higher cyber- and data-security risks. The adoption of these technologies will also continue to shift the employment landscape.

Social justice concerns also extend to the automotive industry. At a time when technology is transforming vehicles and how they are made and operated, workers from manufacturing through to customer service may need new skills and knowledge. This is a part of the Just Transition challenge.

A select number of governments supported the conditions for a Just Transition internationally at COP26. This includes ensuring environmental sustainability as well as decent work, social inclusion, and poverty eradication. The creation of new industries, new jobs, and new skills also gives us the opportunity to create more equal and resilient economies and communities.

Our Comprehensive Response

The Paris Agreement calls for limiting the global temperature rise to well below 2°C above pre-industrial levels and working to limit the temperature increase to 1.5°C above pre-industrial levels.

Road transportation accounts for 18% of global carbon emissions.* Ford's emissions, along with that of other automakers, are a part of road transportation. Ford focuses on reducing emissions from our vehicles, operations and supply chain which represent over 95% of our total emissions.

Our carbon neutrality goal is comprehensive. It includes less developed regions (which will progress at a slower pace than advanced economies), all our product segments (including larger commercial vehicles), and the fuels which power our vehicles.

*https://www.iea.org/data-and-statistics/data-product/greenhouse-gas-emissions-fromenergy-highlights

2019 Global CO₂ Emissions from Energy



2020 Ford CO₂ Emissions



Metrics and Targets

We are taking concrete steps to address the challenges outlined above and capture the opportunities they present as we reduce our emissions on the path towards carbon neutrality.

Carbon Neutrality no later than 2050

We are committed to doing our part to reduce greenhouse gases and have set a path to achieving zero carbon emissions by balancing carbon emissions with carbon removal no later than 2050. Ford is the only full-line U.S. automaker to align with the Paris Agreement and to stand with the California Air Resources Board in support of stronger vehicle greenhouse gas (GHG) emissions standards. We support the UN Business Ambition for 1.5°C, which calls on companies to commit to set sciencebased targets aligned with limiting global temperature rise to 1.5°C above pre-industrial levels, and the U.S. Nationally Determined Contribution to the Paris Agreement, which calls for an economy-wide approach to reducing greenhouse gas by 50-52% by 2030. We are cutting GHG emissions across the life cycle of our vehicles, driving energy efficiency and conservation in our facilities and manufacturing processes, and partnering with our suppliers to reduce their environmental impacts.

As we work to achieve our goal we understand that we face significant challenges, including customer acceptance, government regulations, economic conditions, and the availability of renewable, carbonneutral electricity and renewable fuels. However, over the last year we have made significant progress:

• Vehicles: At COP26, we joined RouteZero, a global coalition of public and private sector leaders working towards 100% zero-emission cars and vans globally by 2040, and in leading markets no later than 2035.

 Operations: Ford is the first automaker to join the Better Climate initiative by committing to reduce GHG emissions from our manufacturing facilities in the U.S. by 50% by 2030, in line with our global commitment to power our facilities with 100 percent carbon-free electricity by 2035.

Introduction

• Suppliers: We are working with our suppliers to develop science-based emissions reduction targets in line with the Paris Agreement while providing resources to help them achieve these goals.

Why 2050

A cross-functional Ford team from the U.S., Europe, and China developed the company's carbon-neutral approach after analyzing information on the environment, customers, technology, legislation, energy, competitive approaches, life-cycle assessments, and other trends.

Achieving global carbon neutrality no later than 2050 demonstrates our commitment to the Paris Agreement. However, the challenge of reaching the 2050 goal for our industry and company should not be underestimated. Enormous changes will be required to decarbonize the global energy and transportation systems. It will take time to update infrastructure, for the technology to become affordable, and other obstacles to be addressed, which is why we expect the goal of carbon neutrality to be reached in different product segments and regions at different times. For example, we expect passenger vehicles to be carbon neutral before larger commercial vehicles with more demanding duty cycles. Given favorable policy, we expect the European Union and the U.S. Green (Section 177) States to be carbon neutral before the rest of the world. Our interim targets reflect these differences.

It is important to note that carbon neutrality can be achieved using emission reductions and carbon offsets. Our philosophy is to focus on emission reductions using minimal carbon offsets. We also recognize that to be successful, we need to collaborate with key stakeholders to advocate for many external factors including government policies, technical solutions, and a carbon neutral grid. Despite these challenges, we are actively looking for opportunities to accelerate our timing.

SBTi Targets

We have set interim science-based targets for our vehicle emissions (from a well-to-wheels perspective) and operations (which include Scope 1 and 2 emissions for manufacturing and non-manufacturing locations). Our approved 2035 science-based targets (from SBTi, the Science Based Targets initiative) are:

- 50% reduction in Scope 3 GHG emissions per vehicle kilometer from use of sold products by 2035 from a 2019 base year
- 76% reduction in Scope 1 and 2 GHG emissions by 2035 from a 2017 base year

Our use of sold products (vehicle) target is consistent with the well below 2°C target* while our Scope 1 and 2 target is aligned with a 1.5°C path.* We have also committed to reduce our global manufacturing Scope 1 and 2 GHG emissions by 18% by 2023 from a 2017 base year. These targets do not include offsets and are strictly GHG reduction targets. The chart below shows our emissions path toward meeting our SBTi targets.

* Vehicle sector pathways for 1.5°C target setting have not yet been developed by SBTi.

CO, Emission Reduction Plan



Vehicles and Charging

Our transition to electrification is central to our carbon neutrality goal. We are committed to developing and manufacturing EVs that are sustainable, accessible, and affordable.

A robust public charging infrastructure is essential for electric vehicles to be fully accepted by consumers and commercial customers. Actual charging capacity is just as important as the number of charge points. Our charging networks in North America and Europe help address this barrier. It will also be important to transform the grid guickly to renewable electricity.







Operations

We're reimagining how EVs – and the batteries that power them - are designed, manufactured, and recycled, creating an all-new electric vehicle manufacturing ecosystem. In 2021, we announced plans to bring electric vehicles at scale to American customers by expanding production capacity at the Rouge Electric Vehicle Center and building two new massive, environmentally and technologically advanced campuses in Tennessee and Kentucky.

BlueOval City in Tennessee will become a vertically integrated ecosystem for Ford to assemble an expanded lineup of electric F-Series vehicles and will include a BlueOval SK battery plant, key suppliers, and recycling. Ford's new Tennessee assembly plant is designed to be carbon neutral and send zero-waste to landfill once fully operational.

Sustainable Supply Chains

With approximately 4,500 Tier 1 supplier sites around the world, it is a challenge to bring our complex supply chain along with us as we strengthen our global sustainability commitment. We are primarily focused on four areas: protecting and respecting human rights, protecting the environment, responsibly sourcing materials, and maintaining responsible business practices. Our Supplier Code of Conduct mandates that Tier 1 production suppliers minimize their impact on climate change, establish science-based targets, action plans, and transparent reporting mechanisms, and require their subcontractors to do the same.

Just Transition

An expectation of the Paris Agreement is to achieve a Just Transition as we move towards a low-carbon economy. A Just Transition should address the human rights implications of the decarbonization and energy transformation with attention on workers and communities that may need reskilling and upskilling, job creation, and responsible sourcing. Customers should also be considered in the Just Transition, such as by developing accessible and inclusive products (e.g. the availability and affordability of electric vehicles).

As Ford moves towards carbon neutrality, we are mindful of the impacts of the energy transition on our employees, our supply chain, our communities, and our customers. We are addressing and evolving our Just Transition strategy.

Read more about Ford's Just Transition strategy in our Human Rights Report





Governance and Accountability

Our response to climate change is embedded across our business, with governance sitting at the highest level of our company, our Board of Directors.

Board Oversight

We employ a variety of governance systems and processes to manage different aspects of sustainability across our business.

The newly named Sustainability, Innovation and Policy Committee, formerly the Sustainability and Innovation Committee, is responsible for reviewing and advising Ford's pursuit of innovative policies and technologies that promote product safety, improve environmental and social sustainability, including human rights, working conditions, and responsible sourcing. The Committee's focus reflects Ford's increased emphasis on policy relating to all aspects of our business to achieve our sustainable goals and innovation pursuits.

The Committee discusses and advises management regarding the development of strategies, policies, and practices that assist the Company in addressing public sentiment and shaping policy in the areas of energy consumption, climate change, greenhouse gas and criteria pollutant emissions, waste disposal, and water use.

The Committee reviews the Company's Integrated Sustainability and Financial Report Summary as well as Company initiatives related to sustainability and innovation.

Read more about the Charter of the Sustainability, Innovation and Policy Committee

Management's Role

We have a number of management processes, systems, committees, and groups in place that are designed to help us improve our sustainability performance, and act responsibly and ethically.

Ford's Vice President, Chief Sustainability, Environment and Safety Officer has primary responsibility for sustainability issues and oversees the Sustainability and Vehicle Environmental Matters group, the Environmental Quality Office, the Vehicle Homologation and Compliance group and the Automotive Safety Office. He leads a multidisciplinary senior-level team to oversee our actions in response to our climate change and sustainable mobility strategies. Other executives across functional areas also have responsibility for sustainability-related issues.

The Sustainability and Vehicle Environmental Matters team coordinates our company-wide sustainability strategy and activities and leads our sustainability reporting and stakeholder engagement. They also collaborate with other functional areas and skill teams to integrate sustainability throughout the Company.

The Vice President, Chief Sustainability, Environment and Safety Officer leads the Global Sustainability & ESG Meeting (GSM). This multidisciplinary executive-level team oversees actions in response to our sustainability strategies and integration and issues related to our We are Committed to Protecting Human Rights and the Environment Policy. The GSM approves our carbon neutrality strategy and monitors progress towards reducing CO_2 through metrics for our fleet, suppliers, and manufacturing. We also track metrics for low-carbon policies in North America, Europe, and China.

The GSM is scheduled to meet monthly to provide strategic direction for compliance, govern vehicle environmental compliance policies and strategies, evaluate and report sustainability business environment and impact to Ford, approve and govern each functional team's sustainability plan, long-term goals and metrics, and provide guidance and governance for key Sustainability & ESG trends that enable "Leadership."

Public Policy and Engagement

Addressing climate change is a global issue that no company, industry, country, or organization can achieve on its own. It requires collaboration to drive progress. We continue to work with partners in the public and private sectors to advance consistent market-driven policies (such as an effective carbon tax) supporting electrification, the EV charging infrastructure, the carbon neutral grid, and battery recycling.

Several policy approaches are underway to address climate change:

- At COP26 Ford joined RouteZero, a global coalition of governments and private industry working towards 100% zero-emission cars and vans globally by 2040, and in leading markets no later than 2035.
- In the U.S., the Biden administration proposed legislation that included measures to increase adoption of electric vehicles in the U.S. In August 2021, Ford issued a joint statement with GM and Stellantis calling for "the timely deployment of the full suite of electrification policies... including purchase incentives, a comprehensive charging network of sufficient density to support the millions of vehicles these targets represent, investments in R&D, and incentives to expand the electric vehicle manufacturing and supply chains in the United States."
- The European Union (EU) Green Deal foresees a 55% cut in greenhouse gas emissions by 2030, compared with 1990 levels, and a zero net emission target by 2050. The legislative proposals target a wide range of areas, including the transport sector. The EU has proposed an effective ban on the sale of new petrol and diesel cars from 2035 and some European countries and cities are starting earlier. The move aims to accelerate the switch to zero-emission electric vehicles. Ford supports the objectives of the Green Deal.



However, despite these advances, the policy approach has been fragmented. Aligned public policies are needed across the globe that help drive market requirements and support corporate financial sustainability through the transition.

Ford is participating openly and transparently in the political process, supporting local, regional, national, and international policies that are economically, environmentally, and socially sustainable for our company, our customers and their communities. Ford advocates for positions which are:

- Science-based
- Sustainable (i.e. address climate change and are aligned with the Paris Agreement)
- Market-based (e.g., carbon pricing)
- Performance-based and technology agnostic
- Harmonized



We are focused on issues including consistent policy toward electrification in all markets, an EV charging infrastructure, the carbon neutral grid, battery recycling polices, and an effective carbon tax.

At the same time, we are working to ensure that policymakers understand our commitment to reduce GHG emissions in our vehicles, our facilities, and our supply chain, and to expand our focus on electric vehicles – highlighting our \$50 billion global investment in EVs through 2026. Our message to regulators at the federal and state level is to urge collaboration towards one common standard that ensures regulatory certainty for product planning.

Our new internal policy framework

Achieving our carbon neutrality aspiration requires a greater emphasis within the company on policy, and even greater engagement with policymakers and with those who influence policymaking processes. This is important given the number of unsettled public policy issues that are central to Ford's success. To this end, a new policy framework – bringing organizational, procedural, and cultural change – will enhance Ford's policy capabilities and best advance the company's interests and values. This framework will leverage the existing capabilities across the Office of General Counsel, Government Affairs, and the Sustainability, Environment, and Safety Engineering offices, as well as the new Privacy office and provide a mechanism for these components to function as one team.

Tracking policy development

We track policy development in North America, the EU, and China to shape policies that support carbon neutrality. We support various policy measures which enhance market-driven adoption of lower/zero carbon transportation. Our policy ratings of a region are judgment calls based on progress toward their goals over the next seven years as well as a balance of supply and demand side drivers. We track the following policy categories:

- Demand Side Drivers: Carbon pricing, Incentives, HOV lanes, Free parking, Parking bans
- Supply Side Drivers
- Refueling Infrastructure: Electric Charging, Hydrogen, Low-Carbon Fuels
- OEM/Fuel Requirements: Fuel Economy Standards, OEM Sales Mandates, Low-Carbon Fuel Standard, ICE bans
- Carbon Neutral Grid

Ratings are made by a cross-functional, regional team which includes Government Affairs and are used to inform our policy approach. We believe that EU policies are on track to meet carbon neutrality but that in North America and China, additional policies are needed.

We continue to strive to improve our efforts in transparency to help build trust. Each year we publish a U.S. Political Engagement Report in an effort to be transparent about the principles that govern our participation in the political process, including the disclosure of the company's membership in organizations that contribute to debates on policy issues. We are proud that Ford was rated as a trendsetter in political disclosure and accountability in the 2021 CPA-Zicklin Index of Corporate Political Disclosure.

Read more in our US Political Engagement Report

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We realize that we can't do it alone – it will take collaboration to drive progress. That's why we are sitting down with governments and NGOs around the globe, as well as partners in the public and private sector, to show our leadership and advocate for stronger policies. Partnerships like RouteZero can help build momentum and deliver solutions."

Cynthia Williams, Ford's Global Director of Sustainability, Homologation and Compliance, told NPR after the COP26 conference in November 2021.

Memberships and Associations

As a global company, it is critical that Ford uses its voice to help inform the policies affecting our employees, customers, and shareholders. Ford works with a broad range of coalitions, industry groups, and trade associations in the markets where we operate to leverage our resources effectively on key issues. These connections help the company exchange ideas and collaborate to develop and promote sensible policies that benefit our company, our industry, and society. These organizations often bring diverse viewpoints to the debate, and sometimes their views are not shared by Ford. We make our positions clear and when necessary, have taken an alternative path.

American Automotive Policy Council

The American Automotive Policy Council (AAPC), in coordination with Ford, GM, and Stellantis, is taking a comprehensive, all-inclusive approach to "going green." Ford continues to promote alignment with U.S. standards in global export markets to ensure harmonization with fuel economy and safety initiatives. When an economywide carbon pricing initiative gains traction, AAPC will advocate for inclusion of a carbon border adjustment that will encourage other countries to implement similar climate policies and level the playing field for U.S. manufacturers.



Climate Leadership Council

Ford joined the Climate Leadership Council (CLC) in 2019. The CLC is an international policy institute founded in collaboration with business, opinion and environmental leaders to promote a carbon fee and dividends framework as the most cost-effective, equitable, and politically viable climate solution. Ford is educating members of Congress on a growing group of businesses and NGOs working towards the meaningful solutions needed to achieve significant reductions in GHG emissions.

CLIMATE LEADERSHIP COUNCIL

CEO Climate Dialogue

Ford is the first automaker to join the CEO Climate Dialogue and looks forward to exchanging ideas as we work with lawmakers to shape climate policy. Ford continues to highlight the need for a comprehensive market-based solution. We believe this will be necessary to achieve reductions needed for net-zero carbon emissions by 2050.

CEO CLIMATE DIALOGUE

Electric Drive Transportation Association

The Electric Drive Transportation Association (EDTA) is a trade association promoting electric drive technologies and infrastructure. EDTA is aligned with Ford on the need to accelerate the ICE to EV transition while extending/ expanding EV incentives including consumer tax credit, commercial incentives for EV, EV charging, investment tax credit for U.S. facilities for EV components like batteries.



Our Strategic Response

Our Climate-Related Risks and **Opportunities**

Climate-Related Risks and their Impact on the Business Activity

Introduction

We divide climate-related risks into two categories:

- Transition risks those that arise from actions associated with the transition to a low-carbon economy, including the introduction of new climate policies or low-carbon technologies, and
- Physical risks those that arise from the physical impacts of climate change.

Both categories are examined through short term (< 5 years), medium term (5 - 10 years), and long-term (>10 years) timeframes.

Timing of the major risks for leading markets currently in the transition to electrification cover the three examined timeframes and are listed below. We expect technology, market, and workforce risks to lessen in the long-term timeframe in leading markets as electrification becomes more widespread. Other markets will reach the electrification inflection point later, extending technology and market risks. The table is not a complete listing of the risks we considered but is an overview of major risks in the most pertinent categories.

Major Climate-Related Risks

TRANSITION RISKS	
Regulation	Ford is subject to emissions, fuel economy, zero emissions, and other regulations that govern product characterist continuously being proposed to address environmental concerns and the regulatory landscape can change quick
Technology	If cost-effective and timely hardware and software solutions are not available to meet our CO2 reduction goals, w more challenging to make cost-effective improvements. Technology may not be available to make the improvement may not keep pace with vehicle electrification which could negatively impact sales.
Financial	There is a potential that our carbon neutrality plan would need to be accelerated which would require increased in Ford tied our Corporate and Supplemental Revolvers to three sustainability-linked KPIs such as reducing greenho Europe's CO ₂ tailpipe emissions per passenger vehicle. The applicable margin and facility fees may be adjusted if
Legal	Non-compliance with requirements can lead to fines or sales restrictions.
Market	Meeting our climate goals relies on wide market acceptance of electrified vehicles. There is a risk that our offering caused by low gas prices, changes required to fueling behavior, or by more product entries than are supported by
Reputation	Reputation risk is tied to other risks such as meeting product emission targets or sales volumes for environmental line with expected progress for climate stabilization, which could result in lower sales.
Resource Scarcity	As electrified products proliferate, there is a risk that scarce materials such as cobalt will increase in price slowing
Workforce	With the significant shift in capabilities needed to deliver the transition to electrification, there is a risk of lack of s
PHYSICAL RISKS	
Extreme weather	Climate change can lead to increased extreme weather events such as storms or floods that can disrupt production operations, especially in water-scarce areas.

tics, and these can differ locally, regionally, and nationally. New regulations are ly. To comply, we may need to substantially modify product plans.

e are subject to technology risk. As we make further CO₂ reductions, it becomes ents at the rate required, and the carbon neutral grid and charging infrastructure

nvestments.

buse gas emissions from the company's manufacturing plants and lowering Ford of Ford fails to achieve, the specified targets.

gs do not meet sales volume expectations. Low market acceptance could be demand. Excessive supply could lead to decreased revenue and profitability.

lly friendly vehicles. Our reputation can suffer if we do not reduce vehicle CO₂ in

; the growth of EV sales if an alternative to the material cannot be quickly found.

killed workers and programs necessary to reskill the workforce.

on or component supplies, while droughts can affect our access to water for our

Our Climate-Related Risks and Opportunities - continued



Climate-Related Opportunities for the Business

At Ford we see opportunities across the time horizon for addressing climate-related issues. Timing of some major opportunities for leading markets is shown below. The opportunities related to adoption of electrification in lagging markets will occur later in the time horizon. The table is an overview of opportunities and is not a complete listing of what Ford is pursuing.

Major Climate-Related Opportunities

Product	Developing a portfolio of electrified opportunity for Ford. Our portfolio ir engines (e.g., EcoBoost). This portfo the transition occurs.
Financial	There is an opportunity to drive scal cost efficiency and improved profita Ford tied our Corporate and Suppler facility fees may be adjusted if Ford
Conserving Resources	We see several opportunities to con productivity. Our partnership with R lithium-ion battery recycling in the L which will reduce our energy costs. F
Reputation	An increasing number of consumers consumers say they are willing to pa expectations by delivering electrified ever-improving user experience will positioned to establish a "green" rep improved customer experience and circular economy actions.
Workforce	Electrification represents a revolutic impacts on our employees, our supp jobs, and new skills gives us the opp

vehicles for the transition away from the internal combustion engine is an ncludes all-electric, plug-in hybrid, hybrid, and fuel-efficient internal combustion plio provides Ford with the opportunity for growth and increased market share as

le, vertical (battery) integration in manufacturing, and battery innovation to deliver ability.

mental Revolvers to three sustainability-linked KPIs. The applicable margin and achieves the specified targets.

serve resources such as battery materials and energy, as well as improve business edwood Materials will help localize the battery supply chain network and ramp up J.S. We are reducing energy consumption in operations through efficiency projects Ford Pro helps commercial vehicle owners improve fleet efficiency and uptime.

s think it's important for companies to take action on climate change. These ay more for products that are better for the environment. Meeting customer d products and solutions, an always-on relationship with customers, and an strengthen our reputation and improve our bottom line. We believe Ford is well butation with customers based on our electrification plans supplemented with our broader sustainability efforts which include carbon neutral manufacturing and

on in the auto industry as it reshapes the future of work. We are mindful of the oly chain, our communities and our customers. The creation of new industries, new portunity to also create more equal and resilient economies and communities. **Our Strategic** Response

Approach and Introduction to Scenarios

Ford's Risk Management Approach

Our Strategic Response

Addressing climate change is an essential part of our commitment to help build a better world. Our response to climate risks and opportunities is centered on three areas that account for approximately 95% of our CO₂ emissions – our products, our operations, and our supply chain.

Electrification Plan

Electrification is a key part of our plan to reach carbon neutrality no later than 2050 which includes:

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- Providing a portfolio of electrified solutions as we transition to fully electrified vehicles.
- Electrifying our iconic vehicles beginning with the Mustang Mach-E, the F-150 Lightning, and the E-Transit. We expect fully electric vehicles to account for 50% of our global sales volume by 2030.
- Investing in sustainable manufacturing to create an efficient, carbon neutral manufacturing ecosystem.
- Accelerating R&D to remove obstacles to electrification - we have 2,500 patents in EV technology with another 4.300 pending.
- Expanding charging networks.

A Portfolio of Electrified Solutions

We are accelerating electrification investments to ramp up production in North America, Europe, and China. At the same time, we are investing in battery development and deriving efficiencies from Ford's flexible EV architecture and modular technologies. We understand what it takes to scale electric vehicle production guickly. We are focused on building a profitable electric vehicle portfolio at scale while building an ecosystem of highly desirable software and services around them. Our expansion of EV production capacity bodes well for the scenario where EVs are rapidly adopted. This scenario plays into Ford's strength, the production of must-have, affordable vehicles for the masses.

However, reducing vehicle carbon emissions is challenging. Over the past decade, consumer preferences have shifted away from cars towards trucks and SUVs, and fuel prices have fluctuated, remaining relatively low in some regions. As the transition to electrification occurs, our portfolio of electrified vehicles and improvements to internal combustion engine (ICE) technology provides resiliency to variations in the speed of the transition to electrification in various markets.

We understand that for the foreseeable future. ICE vehicles will continue to play a role in most markets. Our technology migration plan is based on delivering high-quality vehicles that consumers desire while responding to the risks associated with climate change. As technologies and infrastructure develop and requirements become increasingly stringent, traditionally powered vehicles will be increasingly displaced by electrified options. Our technology migration plan includes providing hybrids, plug-in hybrids, and all-electric versions of our most popular vehicles based on customer needs and preferences.

Hybrids and PHEVs

Our PowerBoost™ Full Hybrid F-150 exemplifies our portfolio approach. This vehicle couples our 3.5L EcoBoost engine with hybrid technology to offer significant fuel savings along with enhanced capability, such as providing exportable power. Additionally, we've incorporated advanced full and plug-in hybrid systems in multiple vehicles globally, including our new Maverick hybrid truck, achieving EPA-estimated 42 miles per gallon in the city^{*} for under \$20,000 in the U.S. In Europe, the Kuga is number 1 in its segment for all plug-in hybrid electric vehicles (PHEVs).

*2.51 Hybrid powertrain. Actual mileage will vary

	Hybrid**	PHEV	EV
Launched	Escape/ Kuga Explorer / Aviator Maverick F-150 Mondeo Fiesta Focus Puma S-Max Galaxy Tourneo Custom	Escape/Kuga Corsair Explorer Aviator Tourneo Custom	Mustang Mach-E E-Transit
Announced (upcoming)			F-150 Lightning Explorer Lincoln SUV Puma Medium Sized Crossover Sport Crossover Transit Courier Tourneo Courier Transit Custom Tourneo Custom

Additional unannounced vehicles are planned which are not shown.

**Includes full and mild hybrid vehicles.

Metrics and Targets

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Bidirectional charging

The F-150 hybrid and electric model both feature optional Pro-Power Onboard, a power backup system that transforms the vehicle into a generator that can supply enough power to run tools at your workplace or appliances on the go.

The F-150 Lightning's power source can even be used to power a home using Ford Intelligent Backup Power. Instead of installing a home generator or battery backup, the truck can be used to power a typical-size home up to three days in the event of a power outage.*

"There are so many new opportunities to innovate with features and functions made possible only through electrification," said Patrick Soderborg, Ford e-powertrain systems engineer. "This really hit home during the Texas power crisis in 2021, which left millions in the cold. F-150 Hybrid helped many Texans keep warm and powered up during those difficult times thanks to Pro Power Onboard – and we're trying to do even more with F-150 Lightning."

And in August 2021, one happy couple in Michigan was able to keep their wedding reception going during a power outage. As Ford CEO Jim Farley tweeted, "Last weekend, there was a power outage during this couple's wedding. Thankfully their friends - two @Ford employees - used their F-150 PowerBoost Hybrid with Pro Power Onboard to bring the party back to life! Love seeing the F-150 save the day."

*When home is properly equipped and home transfer switch disconnects home from the grid. Based on 30 kWh use per day using the F-150 Lightning with the extended-range battery. Your results may vary depending on energy usage. Rationing power assumes limiting the number of devices and turning the truck off when not needed



Introduction

Electrifying our Iconic Vehicles

For the transition to electrification to be successful, we must make electric vehicles that our customers want and demand. We are responding by electrifying our most popular vehicles with features that surprise and delight customers.

The reception of these products gives us confidence that we are on track to achieve 50% fully electric vehicle sales globally, 100% fully electric passenger vehicle sales in Europe, and two-thirds all-electric or plug-in hybrid commercial vehicle sales in Europe by 2030.

F-150 Lightning



The F-150 Lightning is the smartest truck Ford has ever built. With customer reservations for the F-150 Lightning nearing 200,000, there is clear demand for an electric pickup truck. The Lightning is drawing interest from new customers at a record rate in North America, with more than 75% of reservation holders new to the Ford brand.* To meet high customer demand, Ford is planning to nearly double production capacity to 150,000 trucks by the end of 2023.

- EPA-estimated range of 320 miles on LARIAT and XLT with the available extended-range battery.**
- Models with extended-range batteries are targeted to go from 0-60 mph in the mid-4-second range.***
- Mega Power Frunk washable, lockable, and 400L.

Mustang Mach-E



The all-electric, Mustang Mach-E creates a unique driving experience while retaining the Mustang feel. Ford brought the Mustang Mach-E to life through a development process concentrated entirely on customer needs and desires. With strong consumer demand, we are tripling the production of the Mach-E and expect to reach more than 200,000 units per year by the end of 2023.

- EPA-estimated range of 314 miles for the CA Route 1 Extended Range Model with extended-range battery and RWD.*
- GT Performance Edition 0-60 mph in 3.5 seconds.**
- Seamless connectivity.
- Ford Power-Up software updates.

*Based on full charge. Actual range varies with conditions such as external environment, vehicle use, vehicle maintenance, lithium-ion battery age and state of health. **Ford test data based on typical industry methodology using 1-ft rollout. Your results may vary.

E-Transit



The E-Transit is a smart workhorse providing customers cost and productivity improvements generated by a fully electric powertrain, software innovations and Pro Power Onboard options. Ford's commercial vehicle ecosystem is expanding to include EV monitoring software and connectivity that seamlessly integrate electric fleets into day-to-day operations. Demand for the 2022 E-Transit has been strong with more than 300 customers placing orders for more than 10,000 vans.

- 2022 Ford E-Transit Cargo Van Low Roof models have a targeted range of **126 miles**.*
- Up to 487.3 cubic feet of cargo space.**
- 8-year, 100,000-mile electric vehicle component warranty (whichever comes first).
- Lower maintenance requirements.***
- Available Pro Power OnBoard provides 2.4W of power, enough to charge tools.****

*Based on full charge. USA targeted range reflecting current capability based on analytical projection consistent with US EPA MCT drive cycle methodology. Actual range varies with conditions such as external elements, driving behaviors, vehicle maintenance, and lithium-ion battery age. **Cargo Van low-roof models. ***Scheduled maintenance costs for the E-Transit are estimated to be 40% lower than those of a gas-powered 2020 Transit. ****Like saws, drills, and jackhammers.

^{*}As of Jan 4, 2022. **Excludes Platinum models. Based on full charge. USA EPA-targeted range reflecting current status based on analytical projection consistent with U.S. EPA combined drive cycle. Actual range varies with conditions such as external environment, vehicle use. vehicle maintenance. lithium-ion battery age, and state of health. Final EPA-estimated ratings available in 2022 calendar year

^{***} Targeted performance reflects current status based on analytical projections consistent with U.S. Automotive publication processes. Final performance times will be available in the 2022 calendar vear.

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Alliance to speed recharging time

Ford researchers have successfully completed an early step in collaboration with Purdue University: we have invented a new, patentpending method for charging stations that could one day deliver significantly more power compared to today's leading systems.

Using liquid as an active cooling agent, the concept uniquely changes the liquid to vapor and could combine with in-development vehicle charging technology to lower the average time to recharge electric vehicles. This innovation could one day deliver significantly more power to charge electric vehicles than today's leading systems, making possible faster re-charging times if vehicle charging and other technology enhancements are made in parallel. Ultimately, this could lead to re-charging EVs as quickly as conventional gas station fill-ups.

We also will continue researching and developing hydrogen fuel cell technology, with a primary focus on medium and heavy-duty vehicles. Ford is partnering with the U.S. Department of Energy to develop and demonstrate five hydrogen fuel cell electric Class-5 Super Duty trucks.

> Read more about Electrification, Batteries and Alternative Fuels in our Integrated Sustainability and Financial Report

Investing In Sustainable Manufacturing

Ford has electric vehicle manufacturing footprints across the world, including four plants in North America, as well as locations in Germany, Turkey, and China.

Early in 2021 we announced a \$1 billion investment in a new electric vehicle manufacturing center in Cologne with our first European-built, volume all-electric passenger vehicle for European customers scheduled to roll off the line in 2023. We also announced plans to bring electric vehicles at scale to American customers with two new campuses in Tennessee and Kentucky that will produce the next generation of electric F-Series trucks and the batteries to power future electric Ford and Lincoln vehicles.

Read more about BlueOval City on p.21

After investing \$7 billion in Michigan since 2016 and committing \$700 million for the Rouge Electric Vehicle Center in 2020, we are investing an additional \$250 million across the Rouge Electric Vehicle Center, Van Dyke Electric Powertrain Center and Rawsonville Components Plant to help increase production capacity of the F-150 Lightning to 150,000 trucks a year by the end of 2023.

Accelerating R&D to Remove Obstacles

To accelerate research and development of battery and battery cell technology, we announced the establishment of the Ford Ion Park global battery center in southeast Michigan. Here, state-of-the-art equipment will be used to pilot new manufacturing techniques that will help the company quickly test and scale battery cell designs with novel materials.

We also recently increased our investment in Solid Power, an industry-leading producer of all-solid-state batteries for electric vehicles. Showing great promise, these batteries are designed to power longer-range, lower-cost



and safer electric vehicles using existing lithium-ion battery manufacturing infrastructure.

Expanding the Charging Network

For consumers to adopt electric vehicles, it is critical that the public charging infrastructure grows substantially. Actual charging capacity is equally important as the number of charge points. We are helping to address this barrier through our BlueOval and IONITY charging networks.

With more than 20,500 stations (over 70,000 plugs) and growing, Ford's BlueOval Charge Network is the largest public charging network in North America offered by automotive manufacturing.* Built-in cloud-connected navigation routes customers to nearby charging stations, recommends where to charge on trips and provides easy

access and payment via FordPass** for a seamless retail customer experience.

In Europe, the BlueOval Charging Network has over 250,000 charge points. Ford is also a founding member and shareholder in the IONITY consortium – which aims to offer high-power charging stations along major highways in Europe. The number of IONITY high-power charging points will more than quadruple to around 7,000 by 2025.

Ford is working with key stakeholders and government partners to accelerate deployment of the EV infrastructure needed to encourage consumer adoption.

Based on original equipment manufacturers (OEM)/automotive manufacturers that sell all-electric vehicles and have active charging networks. Department of Energy data used. **FordPass and Lincoln Way, compatible with select smartphone platforms, is available via a download. Message and data rates may apply.

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Despite these actions, sufficient growth of charging infrastructure remains a risk and a limiting factor on EV adoption.

Advances in Engine and Transmission Technologies

Recognizing that our customers are at different points along the path towards carbon neutrality, and will be transitioning at different times, we are continuing to improve the efficiency of our hybrid and internal combustion engine products as we electrify our nameplates and address the associated charging infrastructure.

For the foreseeable future, vehicles with internal combustion engines will continue to play a role in most markets. So, we are continuing to make progress here as well.

Gasoline Engines

We are ensuring that our internal combustion engine (ICE) powertrains continue to provide a desirable balance of performance, fuel economy, and durability while meeting increasingly stringent criteria emissions requirements. Our EcoBoost engines are deployed across nearly 100% of the portfolio.

Diesel Engines

Modern diesel engines offer reduced CO₂ emissions and fuel consumption, especially in commercial applications requiring heavy load and towing capability. They can achieve 20-30% better fuel economy than comparable gasoline engines in specific markets and segments, such as light commercial vehicles and heavy-duty vehicles. We continue to optimize these benefits in our EcoBlue and Powerstroke offerings.

Advanced Transmissions and Drivelines

We continue to optimize our transmissions by upgrading electronic controls to improve fuel economy and

emissions. We have introduced a 7-speed automatic transmission for Ford Fiesta and Puma (including mildhybrid variants), while most Ford vehicles will continue to use the 8-speed automatic transmissions for frontwheel-drive vehicles, and a 10-speed automatic for rear-wheel-drive vehicles.

Alternative Fuels and Powertrains

Alternative fuel vehicles enable our customers to reduce their carbon footprint during the transition to electrification. Our path toward a long-term carbonneutral portfolio will be powered by some combination of electricity, hydrogen, and hydrocarbon fuels from sustainable sources.

Alternative fuel vehicles can reduce GHGs on a well-towheels basis, which includes emissions from both producing and consuming the fuels. We offer our customers many vehicles that are capable of using reduced-GHG fuels.

→ Read more in our Integrated Sustainability and Financial Report 2022

Enhancing Customer Experience

Enhancing the customer experience is a key part of the transition to electric vehicles. Consequently, we are prioritizing connected, all-electric vehicles with distinctive services that help people more easily manage their lifestyles and businesses. From remote pick up and delivery, to over-the-air software updates, to our partnership with Google, we aim to give our customers ample reasons to make the switch to EVs.

Ford built almost 1 million over-the-air (OTA) capable vehicles by the end of 2021 and we expect to scale that to more than 30 million by 2028. This capability (and connectivity more broadly) helps strengthen our alwayson relationship with customers through digitally enabled tools, online ordering, simplified financing and renewal options, vehicle pick-up and delivery services, and mobile

repairs. In addition, Ford has created Ford Pro for commercial and government customers which provides a suite of solutions including EV consulting, charging, telematics, service, and financing. We believe this approach to provide an engaging customer experience will help ensure the success of our transition to electric vehicles.

Ford and Google are reinventing the connected vehicle experience through a unique strategic partnership that will push the boundaries of Ford's transformation, unlock personalized consumer experiences, and drive disruptive, data-driven opportunities. Ford has also named Google Cloud its preferred cloud provider to leverage Google's world-class expertise in data, artificial intelligence (AI), and machine learning (ML).

→ Read more about the customer experience in our Integrated Sustainability and Financial Report 2022

Considering a Just Transition and Climate Justice

We are addressing and evolving our Just Transition strategy. While transforming our business to electrification, Ford should consider our ability to reskill, upskill, and better develop our employees and invest in the communities where we live, work, and serve. We are introducing a new learning strategy to prepare Ford for today and into the future. The future of Ford will rely on the talent pipelines needed for the jobs of today and tomorrow.

Climate change is having a disproportionate effect on underserved and poor communities in the U.S. and around the world, underscoring the need for climate justice. To address this, we are democratizing electric vehicles beginning with our iconic nameplates: the Mustang Mach-E, the F-150 Lightning and the E-Transit van.

Metrics and Targets

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Ford Pro: Redefining Value for Commercial Customers

Ford Pro, a global vehicle services and distribution business, will help our commercial customers integrate all-electric E-Transit vans into their fleets. It will digitize and simplify transportation with capabilities spanning:

- Ford Pro Vehicles: Commercial trucks and vans, including gas, diesel, hybrid, and electric versions, with upfitting to meet the needs of almost any business – E-Transit is the latest example of Ford's continuing commercial vehicle innovation.
- Ford Pro Charging: Integrated and end-to-end solutions for home, public, and depot charging for customers to make a seamless transition to electric vehicles.
- Ford Pro Software: Business productivity tools that link gas, diesel, and electric vehicles together to manage fleets holistically, on Ford or non-Ford vehicles, to improve uptime and cut costs.
- · Ford Pro Service: A network of commercialfocused dealers across the country with uptime tools embedded like mobile service which reduces downtime by servicing customer needs where convenient for their business.
- Ford Pro Financing: Simplified financing, invoicing, and bundled solutions to make back-office management as hassle-free as possible.



Introduction

The topic of climate justice is important to us and part of our sustainability planning and commitments. We are:

- Increasing Vehicle Access Ford is working to make zero-emission vehicles more affordable by offering equitable and non-discriminatory financing for products that serve underserved borrowers.
- Increasing Charging Access –We are working with partners to ensure EV charging is accessible in low income and disadvantaged communities, to ensure an electric lifestyle can be for everyone.
- Developing new mobility solutions In Detroit, we are restoring Michigan Central Station to create a new mobility innovation district in Detroit's oldest neighborhood and launch new urban transportation solutions.

Supporting both a Just Transition and climate justice will take ongoing effort. We believe that our initiatives to create employment at BlueOval City, invest in job training and career readiness initiatives, introduce a new learning strategy at Ford, and lead the electric revolution at scale are steps in the right direction. Continued effort will be needed to increase electrified vehicle and charging access as well as to develop new mobility solutions. We are working towards to finding the solutions.

Read more about Ford's Just Transition strategy in our Human Rights Report

Improving the Transportation Ecosystem

Our vision for the future of urban mobility is a transportation ecosystem that helps improve how people get from point A to point B more seamlessly, deliveries to get people the goods they need, better parking, and traffic flow, while addressing such challenges as climate change and air pollution. We continue to collaborate directly with cities and other key stakeholders to help them solve their mobility issues and deliver our own mobility products and services to help make lives better.

Ford remains focused on large-scale deployment of autonomous vehicles as a service – ride-hailing to move people and delivery to move goods - across multiple U.S. cities starting in our launch city markets of Austin, Texas, Miami, and Washington, D.C.

While we continue to improve the technology and build a robust self-driving system with our partner Argo AI, we have also made progress over the last year in bringing these services to life through our collaboration with Lyft and Walmart. Together with Lyft, Walmart and Argo AI, we are deploying autonomous vehicle demonstration projects in various cities to lay the groundwork for scaling operations.

Read more about our work to improve the transportation ecosystem in our Integrated Sustainability and Financial Report.

→ Read more about Mobility and Autonomous Vehicles in our Integrated Sustainability and Financial Report 2022



Migrating to Sustainable Materials

We aspire to use only recycled or renewable content in vehicle plastics and have established an interim target of 20% renewable or recycled plastics in new vehicle designs for North America and Europe by 2025, and 10% in China and Turkey.

Recycling plastics keeps waste out of landfills and decreases the consumption of natural resources and energy. We transform recycled plastic bottles into carpeting, underbody shields and wheel liners and use post-consumer nylon and polypropylene carpeting for cylinder head covers, fans and shrouds, cam covers, and carbon canisters.

We are adding to our legacy of using sustainable materials in vehicles by being the first automaker to use 100% recycled ocean plastics to produce automotive parts. Wiring harness clips in Ford Bronco Sport models are made of ocean-harvested plastic from discarded fishing nets.

Renewable. plant-based materials. Ford currently has launched a dozen industry-first, plant-based materials in production vehicles since 2007, establishing a reputation as a leader in this space. These robust materials are often lighter in weight, improving fuel economy. They also sequester carbon during the plants growing phase, reducing global warming impacts, and they require less energy to manufacture. Ford's first sustainable materials include soy foam, wheat straw, rice hulls, tree-based cellulose, coconut fiber, and coffee chaff.

For example, soy seat cushions, backs, and headrests have been used on every Ford North American built vehicle (over 18.5 million vehicles) for more than a decade. Bio-based foams on Ford vehicles have collectively reduced greenhouse gas emissions by over 240 million pounds using over 730 billion soybeans, which also produces extra revenue for U.S. farmers. Soy foam reduces petroleum dependence by over 5 million pounds annually.

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Ford was also the first in the industry to launch wheat straw storage bins, rice hull filled electrical wiring covers, and tree-based cellulose composite armrest substrates and console substrates.

Through a partnership with McDonald's USA we have incorporated coffee chaff — the dried skin of the coffee bean - to reinforce headlamp housings. Our goal is to migrate these sustainable materials to other vehicles and applications.

Aluminum. Ford recovers up to 20 million pounds of high-strength, military-grade aluminum alloy per month through our aluminum recycling program. In fact, Ford is the largest automotive closed-loop aluminum recycler in the world. Recycled aluminum avoids 95% of the GHG emissions associated with primary aluminum production and uses significantly less energy and water.

Through our closed-loop recycling system, Ford minimizes the need for primary metal. We worked closely with our aluminum sheet suppliers to create unique alloys specifically for closed-loop recycling. The system recovers aluminum scrap during parts stamping but keeps the various aluminum alloys separated so they can be recycled back into fresh alloy for new vehicles.

Batteries. We are collaborating with Redwood Materials to integrate battery recycling into our domestic battery strategy. Redwood's recycling technology can recover, on average, more than 95% of strategic materials such as nickel, cobalt, lithium, and copper.

These materials can be recycled and remanufactured in a closed-loop where Redwood produces anode copper foil and cathode active materials for future battery production. Using domestically produced battery materials from as much recycled content as available, will help ensure valuable materials in products re-enter the supply chain, reducing our reliance on the existing commodities supply chain and overseas component manufacturers that will be quickly overwhelmed by industry demand.

Longer-term, Ford and Redwood plan to work together on the best approach to collect and disassemble end-of-life batteries from Ford's electric vehicles for recycling and remanufacturing to help reduce the cost associated with battery components and raw materials to manufacture all-new batteries.

Transforming our own Operations

We have worked extensively to ensure our facilities and those of our suppliers are resilient to severe weather conditions and water resource constraints. We're also using energy more efficiently, increasing our use of power from renewable sources, reducing the GHG emissions from operations and making our transport more fuel efficient. As a result, we believe our operations are resilient to the effects of climate change in the short to medium term.

Energy Efficiency and Conservation

Our energy efficiency and conservation efforts over the past decade have focused on improvements to lighting, compressed air, rotating equipment (fans, pumps, and motors), and heating systems. We've also improved processes and consolidated and/or closed plants to improve utilization of operations. In fact, we achieved our previous manufacturing GHG emissions target in 2017, eight years early.

Our present manufacturing target is an 18% absolute reduction in GHG emissions by 2023. To achieve this, we are focused on securing a local carbon-free energy supply for our manufacturing plants, making these facilities even more efficient, and leveraging data to drive decisions. (See Carbon-Free Electricity and Energy Section on next page.)

We report our global Scope 1 and 2 GHG emissions, participate in emissions trading schemes such as the EU European Trading Scheme (EU ETS), and adhere to a number of carbon reduction initiatives in the United States, Europe, Mexico, Canada, and other countries.

As we move ahead, we are driving energy efficiency throughout our global operations and procuring local carbon-free electricity to achieve our 2035 SBTi target of 76% GHG reduction which includes both our manufacturing and non-manufacturing locations. We're incorporating energy efficient best practices as we build new offices. Our Research and Engineering and Corktown campuses will achieve an Energy Utilization Intensity that is 50% better than historical Ford office spaces. And in Dearborn, the new Research and Engineering Center under construction is designed to be carbon neutral when it is occupied in 2025.

Funds from our Sustainable Financing Framework will help further reduce the environmental footprint of our operations through local carbon-free electricity, sustainable water and wastewater management, waste management, and energy efficient buildings. (See Sustainable Financing Framework section below.)

Read more in our Integrated Sustainability and Financial Report 2022

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Local Carbon-Free Electricity and Energy

Our goal of achieving 100 percent local carbon-free electricity in all manufacturing by 2035 will be bolstered by potential dedicated investments in wind, solar, geothermal, hydropower, and biomass.

We are committed to reducing the effects of our operations and supply chains. In addition to developing world-class facilities, sourcing 100 percent local carbonfree electricity for our global operations by 2035 is a key strategy to help us achieve this goal.

To replace fossil-based generation, we'll be procuring a mix of wind, solar power, nuclear, geothermal, biomass, energy storage, and hydro. One strategy is to secure carbon-free electricity locally through relationships with local utilities, power producers, and independent project developers. And we're already making progress.

All manufacturing facilities in Ohio, New York, and Mexico will be sourced with 100 percent carbon-free electricity by 2022 year end. All manufacturing and large commercial facilities in Michigan are expected to be sourced with 100 percent carbon-free electricity by 2025. Not only does this reduce our emissions, but it also creates jobs, improves air quality, and adds resiliency to the local grid.

Sustainability-linked performance metrics include increasing the percentage of renewable electricity consumed in Ford's global manufacturing plants.

Reducing GHG emissions from the Company's manufacturing plants is one of the sustainability-linked performance metrics aligning our financing actions with our commitment to operate a safe, sustainable, and successful business.

Global Effort

We expect that Europe will be among the first global regions to become carbon neutral. Ford is already using 100 percent carbon-free electricity to power: Dunton and Daventry in the UK, the Craiova plant in Romania and all facilities in Cologne, Germany including the vehicle assembly and engine plants, as well as the Research Center in Merkenich.

We're modernizing plants in South Africa and Thailand to improve energy efficiency. In Thailand we're making significant efforts to support environmentally friendly initiatives, including using renewable energy, reducing CO₂ emissions, and practicing zero waste to landfill. Our Silverton plant in South Africa will have a new robotic body shop and a new high-tech stamping plant on-site for the first time, modernizing and streamlining the integrated manufacturing process while contributing to higher quality and reducing overall cost and waste.

And Ford manufacturing facilities in China have reduced VOC emissions by more than 600 tons per year since 2015 through various management and engineering investment measures, contributing to cleaner air. In Argentina, our Pacheco plant achieved more than 40% of renewable electrical energy consumption and recycled 93% of total waste generated as of November 2021. It is reducing kWh usage in compressed air generation from 36% to 25% and completing energy meter installation in all manufacturing facilities.



Rooftop Solar Array

In Michigan, DTE Energy, the state's largest producer of renewable energy has commissioned a new rooftop solar array at a parking garage at Ford Research & Engineering Center in Dearborn. The 2,159-panel array includes an integrated battery storage system and will be used to power newly installed electric vehicle (EV) chargers. The solar array can generate 1,127 megawatt hours of clean energy, avoiding 880 tons of CO₂ which has the environmental benefit equal to the carbon sequestered by nearly 980 acres of U.S. forests in one year.

The new solar array is just one of several steps both companies are taking to reduce carbon emissions. In 2019, Ford became the first corporate customer to enroll in DTE's MIGreenPower voluntary renewable energy program. Through the program, Ford is purchasing 525,000 megawatt hours annually of Michigan wind energy from DTE's Isabella and Fairbanks wind parks.

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This is our moment – our biggest investment ever - to help build a better future for America. We are moving now to deliver breakthrough electric vehicles for the many rather than the few. It's about creating good jobs that support American families, an ultra-efficient, carbon-neutral manufacturing system, and a growing business that delivers value for communities, dealers, and shareholders."

Jim Farley, Ford president and CEO

Introduction

Responding to risks of extreme weather on our operations

Extreme weather events can disrupt production or component supplies, while droughts can affect our access to water for our operations. We have worked with S&P Global Trucost to analyze the exposure of over 70 of our manufacturing and non-manufacturing sites across 17 countries to the physical impacts of climate change. The most significant risk for Ford from the analysis is water stress, with Ford plants in India, China, South Africa, and Mexico among those identified most affected. Flooding, hurricanes and typhoons are also high risks for some sites in Asia.

Every year, we assess business continuity and resumption plans for our facilities and suppliers as a part of our risk management process. Business continuity plans include climate-related risks to our facilities, such as shifting patterns of extreme weather. We have taken actions to reduce these risks, including risks to the energy supplies we need to operate our manufacturing facilities.

Additionally, Ford has acted to reduce water consumption, focusing on freshwater use by facilities in water stressed areas. Our goal is to minimize the use of freshwater while aiming for a goal of zero impact on freshwater sources in the future.

BlueOval City

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Ford is creating an all-new electric vehicle manufacturing ecosystem that reimagines how electric vehicles – and the batteries that power them – are designed, manufactured, and recycled.

The all-new mega campus in Stanton, Tennessee, called BlueOval City, will be among the largest auto manufacturing campuses in U.S. history. Like the iconic Rouge complex in Michigan did a century earlier, BlueOval City will usher in a new era for American manufacturing.

BlueOval City will be a hive of technical innovation to build next-generation electric F-Series trucks. This growth opportunity will allow Ford to reach new customers with an expanded electric truck lineup.

The 3,600-acre campus covering nearly 6 square miles will encompass vehicle assembly, battery production, and a supplier park in a vertically integrated system that delivers cost efficiency while minimizing the carbon footprint of the manufacturing process. The assembly plant will use always-on cloud-connected technologies to drive vast improvements in guality and productivity. The mega campus is designed to add more sustainability solutions, including the potential to use local renewable energy sources such as geothermal, solar, and wind power.

BlueOval City is designed to achieve carbon neutrality, send zero waste to landfill, and use freshwater for human consumption only once fully operational.



Together with the BlueOval SK battery plants in Kentucky, BlueOval City will enable 129 gigawatt hours a year of U.S. production capacity for Ford.

Battery Recycling: Ford is collaborating with Redwood Materials, a leading battery materials company, to make electric vehicles more sustainable and affordable for Americans by localizing the supply chain network, creating recycling options for scrap and end-of-life vehicles, and ramping up lithium-ion recycling. Ford believes battery recycling is essential for the success of an electrified future and has the potential to offer significant economic benefits as it closes the battery recycling loop at BlueOval City.

Next-Generation Workforce: Together BlueOval City and the battery plants in Tennessee will create approximately 11,000 jobs. In addition, Ford is investing \$90 million in Texas alone as part of a \$525 million total investment across the U.S. during the next five years to transform America's auto technician industry. The investment will go toward job training and career readiness initiatives for the current and next generation of technicians.

These programs aim to develop highly skilled technicians and will support Ford's growing portfolio of connected electric vehicles as we work towards a Just Transition.

Introduction

Decarbonization of the Supply Chain

Building Supplier Capability

We actively work with our suppliers to reduce their carbon emissions, energy consumption, water, use and waste.

Our new Supplier Code of Conduct mandates that all Tier 1 production suppliers minimize their impact on climate change aligned with the United Nations Framework Convention on Climate Change (Paris Agreement), striving towards carbon neutrality. It also requires that our suppliers enforce a similar code of practice and require that their subcontractors do the same. Supplier Code of Conduct requires suppliers to:

- Report their Scope 1, 2, and 3 emissions and water usage data to Ford if requested.
- Establish science-based GHG reduction targets, action plans, and transparent reporting mechanisms.

In 2021, we conducted a supplier survey to identify our high-impact suppliers' GHG reduction targets, and we will continue to survey the rest of our suppliers in 2022. If suppliers do not yet have targets set, they are required to submit them by the end of 2022. Then we can develop a joint roadmap with our suppliers on our journey towards carbon neutrality.

We have also established internal targets for increasing engagement with our supply chain partners, including building on our successful CDP Supply Chain reporting program and our Partnership for A Cleaner Environment (PACE) programs.

In an accelerated transition to electrified vehicles, material and battery supply chains represent a risk. The increasing demand for raw materials for batteries is a fundamental issue that must be addressed to support the transition to electric vehicles. The Ford policy team is working to secure supply chains to support electric vehicle production. As noted above, we are also collaborating with Redwood Materials to make electric vehicles more sustainable and affordable by localizing the supply chain network, creating

recycling options for scrap and end-of-life vehicles, and ramping up lithium-ion recycling.

Helping our suppliers build a better world

We rely on thousands of suppliers to provide materials, components and services for our vehicles. By sharing what has worked well at Ford, we can help them cut costs, improve quality, and become more sustainable. We engage with our supply chain to understand our collective environmental footprint and work with selected suppliers through target setting and cascading best practices to reduce their carbon emissions, energy consumption, water use, and waste.

By sharing successful initiatives with nearly 80 key suppliers through our PACE program, we are cascading best practices through our supply chain. So far, our

A

Winning businesses are financially healthy and lead in sustainability – it's not a choice, they rely on each other."

Ford CFO John Lawler



suppliers have implemented projects in at least 13 countries: United States, Argentina, Brazil, Canada, China, Czech Republic, Germany, India, Mexico, Poland, Serbia, South Africa, and Thailand. FastPACE, a streamlined version of PACE, is helping reduce the impact of key partners in China, India, Thailand, and South Africa. Supplier participation has increased from 2020 to 2021 by over 60%. As a result, PACE and FastPACE suppliers are on track to save an estimated 17,652 metric tons of CO₂ and 17.7 million gallons of water over the next three years.

Responsible Materials Council

Ford launched the Responsible Materials Council (RMC) in 2021 to focus on integrating materials with reduced embedded carbon, recycled materials, and responsibly sourced raw materials in our vehicles. In addition to supporting our aspiration to become carbon neutral by 2050, the RMC aims to help Ford comply with growing global legislative requirements and align us with global leaders. It will also reduce reputational risk in our supply chain and help us meet stakeholder expectations including fleet customers, ESG investors, and NGOs.

Led by the Supply Chain Sustainability Responsible Materials Sourcing team, the RMC brings together key members of the Purchasing and Product Development teams.

Head more on our supplier programs in our Human Rights Report 2022

Sustainable Financing

Our commitment to clean transportation and manufacturing requires investment, which is why we have established a holistic Ford and Ford Credit Sustainable Financing Framework – the first fully integrated framework of its kind covering both an automotive manufacturer and its captive finance company.



The framework, which was announced on the fifth anniversary of the Paris Agreement, guides how we obtain financing for environmental and social projects in four key areas: clean transportation, clean manufacturing, making lives better, and community revitalization.

The first transaction under the framework was Ford's inaugural green bond in November 2021 that raised \$2.5 billion. The net proceeds from the 10-year green bond, another first for a North American OEM, will be allocated to our new portfolio of electric vehicles, including the Mustang Mach-E, F-150 Lightning, and E-Transit.

Guided by aggressive environmental and social goals, a significant portion of related financing will go toward accelerating Ford's leadership in electric vehicles and to drive investment in disadvantaged and underserved communities. Objectives include expanding EV technology and charging infrastructure to remove obstacles to adoption and improve the customer

experience, and EV and battery manufacturing to reduce emissions. Net proceeds from sustainable financing will be invested and expended as follows:

Clean Transportation includes designing, developing, and manufacturing zero-emissions transportation, focusing on electric vehicles and the batteries that power them across the full range of design, development, manufacturing, and end-of-life. Examples include our announcement of the largest U.S. investment in electric vehicles at one time by an automotive manufacturer, together with SK Innovation, in our new Tennessee and Kentucky mega-sites; our collaboration with Redwood Materials on recycling options for scrap and end-of-life EVs and lithium-ion batteries; and offering financing products and wholesale loans to establish or improve the EV charging infrastructure.

Clean Manufacturing includes further reducing the environmental footprint of Ford's operations through renewable energy, sustainable water and wastewater management, waste management, and energy-efficient

buildings. As examples, Ford's new advanced campuses in Tennessee and Kentucky will be designed to have as minimal an impact as possible on the surrounding environment.

Investments will also be made to help make lives better and revitalize communities.

The Sustainable Financing Framework will support Ford's progress in developing and manufacturing EVs and the batteries that power them in ways that are positive for the environment as well as enhancing the health and mobility of our neighbors by making EVs more accessible and more affordable. Together Ford will generate growth that's sustained and sustainable, driving the electric revolution forward, helping every person to move and pursue their dreams.

\$15.5 Billion Credit Facilities

We've also extended \$15.5 billion in revolving credit lines, which now include key metrics that further align the

company's financing actions with its commitment to operate a safe, sustainable, and successful business elements that are fundamental to the Ford+ plan for growth and value creation.

Specifically, the groundbreaking arrangement comprises extensions of three revolving credit lines: a five-year, \$10.1 billion facility maturing in September 2026, along with a three-year, \$3.4 billion facility and a three-year, \$2.0 billion supplemental facility, both maturing in September 2024.

The facility renewals are distinguished by their inclusion of well-rounded measures demonstrating how Ford's environmental, social, and corporate governance, or ESG, initiatives are integrated throughout its business including how the company is leading the electric vehicle revolution.

Sustainability-linked performance metrics reflecting Ford's actions and progress toward fighting climate change include:

- Reducing GHG emissions from the company's manufacturing plants, in line with the Paris Agreement's long-term temperature goal of limiting global warming and a 1.5-degrees Celsius path
- Increasing the percentage of renewable electricity consumed in Ford's global manufacturing plants, and
- Lowering Ford of Europe's CO₂ tailpipe emissions for the passenger vehicle fleet consistent with Ford's carbon neutrality goal.

Together, the Sustainable Financing Framework, green bond, and revolvers will help power our mission of revolutionizing the power of mobility and accelerate our journey to becoming carbon neutral no later than 2050.

Ford has implemented robust processes to monitor performance to our key metrics associated with the sustainable financing framework and revolving credit lines.

Approach and Introduction to Scenarios

Our Approach to Scenario Analysis

Introduction

Scenario planning defines possible future environments companies might face over a set time period. By engaging in scenario analysis, we explore a wide range of economic, regulatory, technological, and societal conditions, and consider how Ford's businesses and strategies might fare under varying operating environments.

We recognize that individual countries' efforts to mitigate climate change and unexpected technological innovations introduce additional uncertainty into the range of outcomes for regulations and consumer behaviors. Because of today's uncertain context, we do not assign probabilities to scenarios nor plan to a probable scenario; rather, we examine the resilience of our strategies to differing futures and adjust accordingly. Therefore, these scenarios are not predictions of the future and do not represent forecasts.

Introduction to the Scenarios

We are at the start of a profound change toward a decarbonized transportation system. It will take time to update infrastructure, for technologies to become affordable, and other obstacles to be addressed. We expect carbon neutrality will be reached in different product segments and regions at different times. Passenger vehicles will be carbon neutral before larger commercial vehicles, and advanced economies with progressive policies will be carbon neutral before the rest of the world. Our scenario analysis covers the 2030 to 2040 period as decarbonization of our sector will be well underway during this time and it is not so far in the future to be completely speculative.

We use the International Energy Agency (IEA) World Energy Outlook (WEO) scenarios as the IEA is an authoritative source for global energy projections. WEO scenarios provide insight into energy supply and demand with implications for climate targets and economic development. Of the four WEO scenarios, we use the Stated Policies Scenario and the Net Zero Scenario shown in the graph opposite.

During the timeframe of our analysis, 2030 to 2040, the temperature rise variation between the scenarios is less severe than in 2100. As such, we only use the two extreme scenarios as they "bookend" what is expected in the 2030 to 2040 time frame, which makes them best suited to test the resiliency of our strategies. The two scenarios are described below.

- Stated Policies Scenario (STEPS) does not take for granted that governments will reach all announced goals. Instead, it explores where the energy system might go without additional policy implementation.
- Net Zero Emissions by 2050 Scenario (NZE) shows the global energy sector achieving net zero CO₂ emissions by 2050, with advanced economies reaching net zero emissions ahead of others.

For our 2019 climate change scenario report, we had developed our own, unique scenarios which we also reference in our 2020 report. The alignment of these scenarios with WEO scenarios is shown in the Appendix.

Common Assumptions for WEO Scenarios*

The following assumptions are common between STEPS and NZE:

- The global economy is assumed to grow by ~ 3% per year on average over the period to 2050, with large variations by region and over time.
- Over the longer term, emerging market and developing economies are the main drivers of an expanding global economy.
- The global population is assumed to rise from just under 8 billion today to 8.5 billion in 2030 and 9.7 billion in 2050, an increase of just over 25% in 30 years.
- A rising share of older people in the global population is an increasingly important demographic trend. This has not been a major issue at the global level. However, it is already a noticeable trend in high income countries.





Aside from the economic implications, older populations have higher residential energy consur offset by a lower propensity to travel.

 Urbanization is a key driver. Some 56% of the glo population lived in cities and towns in 2020, and accounted for two-thirds of global energy consur and over 70% of CO₂ emissions. The share of the population living in towns and cities is expected t to almost 70% in 2050.

2030 – 2040 Scenario Comparison Overview

	Net Zero Emissions Scenario (NZE)	Stated Policies Scenario (STEPS)
Temperature increase	~1.5°C	~1.7°C
Policy	Global policy implemented to limit temp. rise to 1.5°C	Today's policies with no changes
	CO ₂ pricing rises rapidly in all regions	Existing & planned CO ₂ pricing
Technology	High policy support & collaboration Speed of scaling unprecedented	Evolutionary growth
Energy Prices in 2030s	Oil averages \$35/bbl +50% wind/solar supply	Oil averages \$90/bbl +20% wind/solar supply
% EVs in 2030	Higher EV adoption across markets	Lower EV adoption in advanced economies
Environment	Less severe weather events	Increasingly severe weather events
Economy	3% average annual growth	3% growth slows due to high rebuilding costs

ature	25					
				State	ed Policies So	cenario
					Net Zero S	cenario
40	2050	2060	2070	2080	2090	2100

mption	• Technologies across the energy sector get progressively cheaper over time. The pace at which this happens varies by scenario as cost reductions are linked to
bal they nption global o rise	cumulative deployment: the more a technology is deployed, the larger the assumed reductions in costs. Policies play a crucial role in this process, particularly in determining how quickly new, innovative clean technologies are scaled up. *Excerpts from "International Energy Agency World Energy Outlook 2021", pp. 96-105

Approach and Introduction to Scenarios – continued

Introduction

The Net Zero Emissions by 2050 Scenario (NZE)**

This is a normative IEA scenario that shows a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050, with advanced economies reaching net zero emissions in advance of others. This scenario also meets key energy-related United Nations Sustainable Development Goals (SDGs), in particular by achieving universal energy. The NZE does not rely on emissions reductions from outside the energy sector to achieve its goals, but assumes that non-energy emissions will be reduced in the same proportion as energy emissions. It is consistent with limiting the global temperature rise to 1.5 °C without a temperature overshoot (with a 50% probability).

The Stated Policies Scenario (STEPS)

The Stated Policies Scenario (STEPS) provides a more conservative benchmark for the future, because it does not take it for granted that governments will reach all announced goals. Instead, it takes a more granular, sector-by-sector look at what has actually been put in place to reach these and other energy-related objectives, taking account not just of existing policies and measures but also of those that are under development... The STEPS explores where the energy system might go without a major additional steer from policy makers. **International Energy Agency | World Energy Outlook 2021, pp. 94-95

Methodologies and Assumptions

Ford aspires to reach carbon neutrality no later than 2050 for vehicles, operations, and suppliers. We recognize that individual country efforts to mitigate climate change introduce uncertainty in regulations as well as consumer behaviors. To better understand the impact of these uncertainties, a team of experts evaluated our corporate strategies assessing our resilience to each scenario. The team reviewed the scenario assumptions, brainstormed scenario implications to industry and Ford, and considered whether our announced strategies and investments are resilient to future business environments.

In the scenarios we considered, urbanization will be an important feature of the new automotive landscape, and therefore we expect future urban environment trends will be a major determinant of consumer vehicle choice. How urbanization presents itself may differ between the scenarios.

Scenario analysis highlights that, while consumer preferences and technology choices are changing, there is uncertainty associated with the pace of uptake of new technologies such as all-electric and autonomous vehicles. One critical take-away from this future scenario deep dive is that Ford must position itself to meet the need for a diverse set of environmentally friendly technology solutions globally. Across all scenarios, customers will be expecting Ford to be part of the solution.

Implications of Scenarios

Net Zero Emissions Scenario (NZE)

Scenario	Industry Implications
Policy: What-it-takes policies to achieve net zero. CO ₂ pricing in all regions Environment: Lower climate change. Severe weather events increase	 Massive competition in greet Increased collaboration acrossing Fast paced shift in skills and Innovation allows for seamle Requires multiple mobility set
Social: More local/personal	Ford Implications
environmental activism Economy: Global growth ~ 3% per year. Economy is driven by new industries providing green solutions and technologies	 Rapid migration to electric v solutions Fuel cell emphasis and tech Struggle to switch to electric
Energy prices – Oil demand drops by 30% by 2030 and prices ~ \$35 per barrel	 Mix of public and private, firs Less developed regions requention
Technology: Speed of scaling up innovation is rapid. Governments support R&D and collaborate to reduce costs. ZEV sales robust	 Intense competition causes r and incorporate them into th Rapidly changing technology

Ford ASSESSMENT: Technology opportunities and environmental needs align to deliver diverse solution sets addressing climate change. Swift action required due to heightened competition. Challenge in finding winners globally to achieve scale.

Stated Policies Scenario (STEPS)

~ 3% per year but slows due to

Technology: Technologies get

slowly cheaper. ZEV sales lower than expected and primarily in

increasing rebuilding costs

Energy prices: Oil demand

rebounds, ~ \$90 per barrel

advanced economies

Scenario Industry Implications Policy: Assumes only policies already announced **Environment:** Higher climate change. Significant migration reliance on public transportation and rebuilding from frequent natural disasters Social: Middle class constrained due to pressure on urban areas. Ford Implications Urbanization is a key driver Economy: Global economy grows

- handle severe weather

- Smart mobility does not reach full potential foreseen in 2022; autonomous vehicles are a niche market
- Supply chain redundancy needed to prevent weather-related supply chain disruptions

Ford ASSESSMENT: Most difficult scenario to develop strategies for since the environment and economy are challenging. Increasing extreme weather events are a clear threat making it easier to gain multi-stakeholder support. Product, service, and supply chain diversification is critical to maintain resilience. Ford continues to focus on working towards developing meaningful, market-driven policy solutions to address climate change with urgency.

- en space with small, agile companies entering
- oss sectors and within auto industry on key challenges
- jobs
- ess coordination of private and public transportation
- solutions for urban, suburban, and rural applications

vehicles in developed countries while less-developed regions have diverse, low-cost

- nological advancement needed to retain commercial truck leadership
- c vehicles fast enough in developed countries
- st-mile and last-mile solutions
- uire low cost of ownership electrified solutions and maintaining internal combustion

niche focus by smaller players causing Ford to buy up smaller innovative companies ne company's technology portfolio or increase focus on "major" segments Rapidly changing technology requires upskilling and reskilling of workforce

- Mobility hampered by congestion, air pollution, and severe weather
- Healthcare, safety, and education systems strained by climate events and social unrest
- Decreased demand for personal vehicles due to environmental impact and urban congestion. Increased
- Increased supply chain disruptions lead to more complexity to avoid dependence on single suppliers or regions
- Buy local initiatives/nationalism increase and undermine global brands

• Vehicle solutions must be environmentally friendly (air quality and CO_2) and simultaneously rugged enough to

- Lower than expected electric vehicle demand requires pricing and policy support
- · Electric vehicles can provide electricity during power outages and extreme weather events
- · Electric vehicles are required but are expensive. Low demand and lack of policy hinder their profitability. Micromobility, such as e-bikes and e-scooters, satisfy the market for environmentally friendly solutions

Approach and Introduction to Scenarios – continued

Introduction

Resilience of Ford's Strategy

The risks and opportunities associated with climate change shape the way we do business, including our carbon reduction strategy focused on reducing emissions from our vehicles, operations, and supply chain. Ford leaders and experts evaluated each scenario against our strategies to assess our resilience to climate change and to confirm we are robust for potential futures. The themes we identified as critical to success are: electrification, public policy, workforce, customer experience, finance, mobility/AI, operations, suppliers, and reputation. The Our Strategic Response section of this report includes more detail on each theme.

Our scenario development process helps identify risks and opportunities as we work towards our goal to achieve carbon neutrality no later than 2050 allowing Ford leaders and subject matter experts to discuss associated challenges. Even with positive scenarios, there are challenges with customer adoption of sustainable solutions.

The scenario analysis process continues to impress on us the importance of maintaining flexibility in offering diverse solutions that allow us to be responsive to the changing needs of consumers. Based on the analysis of the scenarios against our strategies, we believe we are investing in the appropriate technologies, products, and customer experiences to increase our resiliency with various outcomes.

Ford, along with most industries, faces risks in the Stated Policies Scenario where:

- the cost of available technologies to reduce CO₂ is higher leading to lower consumer acceptance
- engineering and financial resources are required to deploy new technologies while maintaining existing ones across a range of products

 there is increased production stoppage at Ford's or its suppliers' facilities as a result of climate-related natural disasters

In this scenario, a significant disruption to our production schedule and lower volumes of more profitable products could have a substantial adverse effect on our financial condition.

A major shortcoming with this scenario is the lack of a market-driven, comprehensive carbon pricing solution. For this reason, Ford continues to focus on working towards developing meaningful, market-driven policy solutions focused on carbon pricing, such as a carbon fee and/or cap and trade, to address climate change with urgency.

The process of climate scenario analysis is evolving, and we expect the approaches and data quality to improve over time, which will contribute to our understanding of climate risks and opportunities and help strengthen our resilience and adaptation to climate change. This is Ford's third climate change scenario analysis, and we believe that our recent progress towards electrification and improved customer experiences has made the company more resilient to its effects.

Although we cannot suppress climate change through our actions alone, we are committed to doing our part. We will support the needed actions of other companies, governments, and stakeholders so that collectively, we can meet the challenges of climate change.

TCFD Index 2022

Our Risk Management Approach

Process for Monitoring Climate-Related Issues

We conduct materiality assessments every two years, and carried out our most recent analysis in early 2021. We consider material information to be of greatest interest to our stakeholders, so they can make informed decisions and judgments about the company's commitment to environmental, social, and economic progress.

The process involves:

- Identification: We created and maintain a list of potential issues, grouped into four categories: Environment, Social, Governance, and Economic. These were identified through research that included a peer review, stakeholder interviews, a media scan and an assessment of sustainability thought leadership from industry experts and associations.
- Prioritization: We continue to identify and prioritize key challenges and opportunities that we address through our Ford+ plan and other initiatives.
- Review: The results of the analysis were reviewed by a range of internal and external stakeholders. We made revisions based on the analysis to ensure that our process and list of issues were comprehensive and well understood, and reflected stakeholder views and feedback.

Materiality Results

Climate-related issues were identified among our most material issues which are:

- Electrification and alternative fuels/batteries
- Vehicle product safety and quality
- Economic performance

 Climate change, air quality and renewable energy energy future

We acknowledge emerging trends and assess them for inclusion as they arise. The emerging trends identified as affecting our business are climate change, public health, geopolitics, safety standards, data protection, privacy and security, and sustainable cities.

Our Materiality Matrix

The materiality matrix plots the ratings of each issue. The x-axis represents the impact that economic, environmental, and societal issues have on our business, while the y-axis represents the influence on stakeholder decision-making. Issues found toward the upper righthand corner of the matrix are of higher influence and importance to both Ford and stakeholders.

Aligning with the thoughts of some of our stakeholders, we believe that Just Transition and climate justice sit at the intersection of many material issues, but do not need to be called out specifically.

→ Read more about on our approach to materiality and for definitions of material issues in our GRI Index in our ESG **Data Book**

Management Processes

We have a number of management processes, systems, committees, and groups in place that are designed to help us identify, assess, and manage climate-related risks as well as improve our sustainability performance, act responsibly and ethically, and take responsibility for the impact our activities have on society and the world around us.

Materiality Matrix



Ford's Risk Management Approach – continued

Introduction

Board's Role in Risk Management

The oversight responsibility of the Board and its committees is supported by Company management and the risk management processes that are currently in place. Ford has extensive and effective risk management processes, relating specifically to compliance, reporting, operating, and strategic risks.

We believe that key success factors in the risk management at Ford include a strong risk analysis tone set by the Board and senior management, which is shown through their commitment to effective top-down and bottom-up communication (including communication between management and the Board and Committees), and active cross-functional participation among the Business Units and Functional Skill Teams.

We have institutionalized a regular Forecast, Controls and Risk Review and Special Attention Review process where the senior leadership of the Company reviews the status of the business, the risks, and opportunities presented to the business (in the areas of compliance, reporting, operating, and strategic risks), and develops specific plans to address those risks and opportunities.

The Enterprise Risk Management process adopted by the Company identifies the top critical enterprise risks identified through a survey process of senior management and the Board of Directors. Once identified, each of the top risks is assigned an executive risk owner who is responsible to oversee risk assessment, develop mitigation plans, and provide regular updates. The Enterprise Risk Management process also engages Business Units and Skill Teams to determine which of the enterprise risks are most relevant to their specific objectives, and identify any additional risks that can be managed at a lower level in the organization. Risks at all levels are shared and aligned for a top-down and bottom-up view and management of risk. The Audit Committee and Board annually review the process to update the list of critical risks and monitor risk movement and emerging trends.

Ford's Vice President, Chief Sustainability, Environment & Safety Officer has responsibility for climate-related issues governed by our ERM process and assists the Chair of the Board of Directors' Sustainability, Innovation and Policy Committee in coordinating topics for review and decision.

We monitor climate-related issues through the following reviews:

Operations Flash Review (Ops Flash): The senior leadership team, led by the CEO, and representing all skill teams and business units, holds Ops Flash meetings to review our management of sustainability and review of the overall business environment, competitor actions, and risks and opportunities. Ford's sustainability scorecard is reviewed alongside our business units' scorecards at these meetings.

Enterprise Special Attention Review (SAR): The SAR is a meeting to review and decide on topics related to the overall enterprise. The senior leadership team reviews significant matters in more detail and develops action plans and strategies to address more specific risks and opportunities.

The Strategy Forum is a review of key corporate and automotive strategic decisions driving the broader corporate directives with a focus on key transformational workstreams, validating actions, portfolio choices, process enhancements, and strategic choices.

Global Sustainability & ESG Meeting (GSM): The GSM is a meeting to review and decide on sustainability topics related to the overall enterprise. The senior leadership team reviews climate risks and opportunities in more detail and develops action plans and strategies to address them.

The People Forum enables us to review key peoplerelated matters, leadership development and organization fitness elements of our business.

Management Processes	
Board Committees	Sustainability Meets at leas Primary resp safety, enviro principles hav Evaluates an safety, enviro shareholder v Reviews the l initiatives relation
	→ Read the
	Governance, a
Executive Management	Vice President
	 Primary resp Oversees the Quality Office Leads a mult sustainability Human Right
	Other executi responsibility Experiences O
Function Areas	Sustainability
	 Coordinates Leads our sus Collaborates the company
Oversight of Risk Management	
	Compliance

	Compliance
Ford Board Oversight	Audit Comm
Ford Management Day to Day	Compliance Sarbanes-O>
	Internal Cont Disclosure Co

, Innovation and Policy Committee

st three times a year

- ponsibility for assessing the company's progress on strategic economic, product onmental and social issues, as well as the degree to which sustainability
- ave been integrated into the various skill teams
- nd advises on innovations and technologies that improve our economic, product onmental and social sustainability, enrich our customers' experiences, increase value, and improve people's lives
- Integrated Sustainability and Financial Report summary as well as any Company lated to sustainability and innovation

Charter of the Sustainability, Innovation and Policy Committee

committees: Audit, Compensation, Talent and Culture, Nominating and and Finance

t, Chief Sustainability, Environment and Safety Officer

onsibility for sustainability issues

- Sustainability and Vehicle Environmental Matters group, the Environmental e, the Vehicle Homologation and Compliance group and the Automotive Safety
- i-disciplinary executive-level team that oversees actions in response to our v strategies and integration and issues related to our We Are Committed to ts and the Environment Policy
- ive and group vice presidents across our functional areas also have for sustainability-related issues. These include our Chief People and Employee Officer and our Chief Diversity Officer.

and Vehicle Environmental Matters

our company wide sustainability strategy and activities

- stainability reporting and stakeholder engagement
- with other functional areas and skill teams to integrate sustainability throughout

e and Reporting	Operating and Strategic
nittee	Sustainability, Innovation and Policy Committee Compensation, Talent and Culture Committee Finance Committee Audit Committee
e Reviews Dxley Compliance htrols Committee	Business Units and Skill Teams Forecast, Controls and Risk Review Special Attention Review Product, Strategy and People Forums

Metrics and Targets

Metrics Used To Assess Climate-Related Risks And Opportunities

Introduction

To manage climate risks and opportunities, our primary vehicle metrics are fuel economy, CO₂ tailpipe emissions and fuel consumption. Our primary facility metrics are absolute tCO₂e and % renewable electricity. These metrics as well as some additional ones, are shown opposite.

Metric	Performance		
	2020	2019	2018
Scope 1 Emissions (metric tonnes CO ₂ e)	1,129,402	1,418,056	1,442,963
Scope 2 Emissions (metric tonnes CO ₂ e)	2,473,273	3,040,293	3,219,716
Scope 3 Emission (metric tonnes CO ₂ e)	349,281,992	435,144,438	398,915,810

Vehicles	
Sales weighted average fleet fuel economy for 2021	Ford U.S. corporate average fuel economy, combined car, and truck fleet (miles per gallon): 29.0 Ford (China) Import corporate average fuel consumption (L/100km): 10.68 Changan Ford Automobile Corporation (CAF) corporate average fuel consumption (L/100km): 7.25 Jiangling Motors Corporation (JMC) corporate average fuel consumption (L/100km): 9.25
Geographic breakdown of vehicle GHG emissions for 2021	Ford U.S. CO_2 tailpipe emissions per vehicle (grams per mile): 289 Ford Europe CO_2 tailpipe emissions per passenger vehicle (grams per kilometer): Data available June 2022. Ford Switzerland CO_2 tailpipe emissions per passenger vehicle (grams per kilometer): Data available May 202 Ford Switzerland CO_2 tailpipe emissions per light commercial vehicle (grams per kilometer): Data available May 202 Ford (China) Import CO_2 corporate average tailpipe emissions (grams per 100 kilometers): 253.12 Changan Ford Automobile Corporation CO_2 corporate average tailpipe emissions (grams per 100 kilometers): 219.23
Global fleet efficiency for 2020	The fleet average on-road well-to-wheels gCO ₂ e/km intensity decreased from 330 to 311 between 2019 and 2 decrease, due to fleet efficiency improvements and vehicle mix changes.
Life Cycle Reporting of Vehicle GHG Emissions for 2021	We estimate that our vehicles sold in 2021 will produce approximately 250 million metric tons of of CO_2 e from production and combustion over a 150,000 mile lifetime (based on preliminary data)
Vehicle sales by category for 2021	55,692 Electric Vehicles
	64,460 Plug-In Hybrid Vehicles

	Comment
	Emissions are market based
	Emissions are well to wheel. In 2020 we updated our Scope 3 Category 11 (Use of Sold Products) vehicle emissions calculation to be more comprehensive, adding upstream (well-to-tank) emissions, adjusting for on-road fuel consumption, and increasing lifetime miles travelled. In our 2018 and 2019 CDP Scope 3 reporting we used TTW emissions, which we have updated here to our more comprehensive methodology.
	Changan Ford (CAF) and Jiangling Motors Corp (JMC) are joint ventures with Ford Motor Company
22 1ay 2022	Changan Ford (CAF) and Jiangling Motors Corp (JMC) are joint ventures with Ford Motor Company
: 171.83	
2020, a 6%	Our Scope 3 SBTi target tracks fleet average gCO ₂ e/km for our U.S., EU+UK, and China vehicles. Light-duty (passenger and commercial) vehicles are included for all three regions, and medium/heavy duty commercial vehicles are included for the U.S. These vehicles represent about 88% of global vehicle emissions. Annual sales and tank-to-wheels gCO ₂ e/km emissions data are collected and converted to on-road well-to- wheels gCO ₂ e/km.
n fuel	Using the GHG Protocol methodology, estimated emissions shown are from vehicle on-road use, on a well-to-wheels basis. This estimate does not include emissions from materials, manufacturing or end of life.

Financial	Performance	Comment	
Revenues/savings from investments in low-carbon alternatives	Energy efficiency in buildings estimated annual savings is \$1.8 million Energy efficiency in production processes estimated annual savings is \$1.9 million	Investments made in global manufacturing locations to improve energy and process efficiency while generating savings sufficient to self-fund the capital investments (including LED Lighting, Compressed Air Systems, Paint Process, Machining and Building Management Systems Improvements)	
Expenditures (OpEx) for R&D	Year Expenses(in Billions) 2019 \$7.4 2020 \$7.1 2021 \$7.6	Engineering, research, and development expenses primarily consist of salaries, materials, and associated costs	
Investments (CapEx) in our low-carbon future	ur We're investing \$50 billion from 2022 to 2026 in electric vehicles and battery production. This includes \$5 billion in 2022, including capital expenditures, expenses, and direct investments, a two-fold increase over 2021. Some of the EV investments we have underway include:		
	\$700 million in the new Rouge Electric Vehicle Center for the production of F-150 Lightning.		
	\$100 million for the manufacture of the all-new E-Transit at our Kansas City Assembly Plant.		
	\$1.35 billion to build the next generation of electric vehicles at the Oakville Assembly Complex in Ontario.		
	\$11.4 billion planned investment by Ford and SK Innovation in Stanton, Tennessee and Glendale, Kentucky for production of electric vehicles and batteries to begin in 2025.		
	\$1 billion to modernize our vehicle assembly facility in Cologne to turn it into the Ford Cologne Electrification Center.		
	£230 million in the Halewood, UK Transmission Facility to build EV components for Europe.		

Sustainability Aspirations	Goals	Progress
Climate Spectrum	 Vehicles: Accelerate our electrification strategy Improve fuel economy across our global vehicle lineup, consistent with regulatory requirements and our commitment to the Paris Agreement Offer alternative fuel vehicles 	 Vehicles: We are on track to meet our SBTi target of 50% reduction in Scope 3 GHG ersold products by 2035 from a 2019 base year. Sales of 27,140 Mustang Mach-E vehicles in 2021 making it the nation's secon Tesla's Model Y. Launched the E-Transit with more than 10,000 small, medium, and large buse Launching the all-electric F-150 Lightning pickup in 2022 with 200,000 custor By the end of 2023, expand global capacity to produce 600,000 electric vehicles produced annually by 2026, representing Investing \$50 billion in electric vehicles from 2022 to 2026. Ford expects 50% of its global vehicle volume to be fully electric by 2030. Joined RouteZero, a global coalition working towards 100% zero-emissions no later than 2035.
Sustainability and Financial Report 2022 on page 83	Facilities: • Reduce global facility GHG emissions by 18% (2019–2023)	 Facilities: We are on track to meet our SBTi target of 76% reduction in Scope 1 and 2 GH Achieved a 35% reduction in our absolute manufacturing GHG footprint sind In Europe, Ford is already using 100 percent carbon-free electricity to power Craiova plant in Romania, and all facilities in Cologne, Germany including the well as the Research Center in Merkenich. Dearborn Truck Plant, Michigan Assembly Plant, and several new buildings of Corktown campuses powered by 100% local renewable electricity. All remaining manufacturing and large commercial facilities in Michigan will free electricity by 2025. Invested \$1 billion to modernize our vehicle assembly facility in Cologne to th Center. Ford and SK Innovation plan to invest \$11.4 billion and create nearly 11,000 new production of the electric vehicles and lithium-ion batteries in 2025, creating of half by 2030.
	 Suppliers: Establish baseline for supplier CO₂ emissions and develop a joint roadmap for performance improvements Work with selected suppliers to reduce our collective environmental footprint through PACE 	 Suppliers: We are on track to meet our supplier emissions target. We received GHG emissions data from 262 production suppliers (12% more program's Climate Change questionnaire. We have shared GHG emission reduction best practices with nearly 80 key 1 a Cleaner Environment (PACE) program. Increased FastPACE participation by over 60% from 2020, sharing Ford bes suppliers from China, India, Thailand, and South Africa. PACE and FastPACE suppliers are projected to save an estimated 17,650 me operations over the next three years.

Links to SDGs

- emissions per vehicle kilometer from use of
- ond bestselling full electric SUV behind
- siness customers' reservations.
- tomer reservations.
- hicles annually.
- ng about one-third of Ford's global volume.

cars and vans globally in leading markets

- HG emissions by 2035 from a 2017 base year.
- r: Dunton and Daventry in the U.K., the ne vehicle assembly and engine plants, as
- on our Research and Engineering and
- l be sourced with 100 percent local carbon-
- ourn it into the Ford Cologne Electrification
- ew jobs in Tennessee and Kentucky with our first greenfield carbon neutral facilities. GHG emissions from our facilities by at least
- than last year) using CDP Supply Chain
- Tier 1 suppliers through our Partnership for
- st practices in GHG emission reduction with
- etric tons of CO_2 emissions from their



Sustainability Aspirations	Goals	Progress
 ✓ ✓ ✓ Attain zero emissions from our vehicles and facilities ✓ Find out more in our Integrated Sustainability and Financial Report 2022 on page 92 	Air emissions reductions other than CO₂	 The tailpipe emissions of our vehicle fleet will drop significantly as our EV sate. Working to reduce vehicle emissions of non-CO₂ pollutants, in accordance with e world. Ford manufacturing facilities in China have reduced VOC emissions by more various management and engineering investment measures, contributing to shared air emission reduction best practices with nearly 80 key Tier 1 supplies.
Waste	Reduce waste to landfill by 35% when measured in kg per unit	 Beginning in the third quarter of 2021, Ford manufacturing plants in China has Waste generated in all factories are either being managed for thermal destrates recycled, instead of being sent to landfills for final disposal. 89 zero waste to landfill (ZWTL) sites globally, including manufacturing and 74% of manufacturing facilities are true ZWTL. In 2021, Ford facilities around the world sent approximately 16,300 metric to the set of the set o
landfill across our operations Eliminate single-use plastics	Reduce general trash by 25% when measured in kg per unit	 Standardizing the tracking and sorting of waste to increase recycling and re
from our operations by 2030 → Find out more in our Integrated	Improve waste avoidance by 15% when measured in kg per unit	 Implementing technologies and programs that minimize waste. Working with suppliers to increase the use of eco-friendly packaging.
Sustainability and Financial Report 2022 on page 95	Work with selected suppliers to reduce our collective environmental footprint	 Shared waste reduction best practices with nearly 80 key Tier 1 suppliers th Increased FastPACE participation by over 60% from 2020, sharing Ford bes suppliers from China, India, Thailand, and South Africa.



Introduction

Sustainability
Aspirations

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Aspirations	Goals	Progress
	Reduce absolute freshwater use by 15% by 2025	 More than 12.5 billion gallons of water saved since 2000.
Water Make zero water withdrawals for manufacturing processes	Continue to work towards using freshwater sources for human consumption	 Installed more non-water-based technologies and are using alternative souwastewater. Increased the use of offsite alternative water by 6%. Incorporating more water processes and technologies in our assembly plan systems.
Use freshwater only for human consumption → Find out more in our Integrated Sustainability and Financial Report 2022 on page 93	Work with selected suppliers to reduce our collective environmental footprint through PACE Engage with our supply chain to understand and reduce its water footprint	 PACE suppliers expect to save an estimated 182 million gallons of water in the Increased FastPACE participation by over 60% from 2020, sharing Ford best suppliers from China, India, Thailand, and South Africa. 196 of our suppliers (14% increase over last year) responded to the CDP Water in the
 ✓ ✓ ✓ ✓ ✓ ✓ ✓ Find out more in our Integrated Sustainability and Financial Report 	Expand our use of sustainable materials focusing on plastics, battery recycling, and sustainable sourcing	 More than 85%* of vehicle parts and materials are recycled and reused at t Established an interim target of 20% renewable and recycled plastics by 20 and Europe, and 10% in China and Turkey. Ford is the first automaker to use 100% recycled ocean plastics to produce The closed loop recycling system used to build F-Series recovered up to 20 grade, aluminum alloy per month. Collaborating with Redwood Materials to integrate battery recycling into ou Since 2000, we have used 12 industry- and world-first plant-based materia Researching the possible use of tomato skin, bamboo, agave fiber, dandelic as materials.
 ✔ Materials While the second se	sustainable materials focusing on plastics, battery recycling, and sustainable sourcing	 Established an interim target of 20% renewable and recycled p and Europe, and 10% in China and Turkey. Ford is the first automaker to use 100% recycled ocean plastice. The closed loop recycling system used to build F-Series recove grade, aluminum alloy per month. Collaborating with Redwood Materials to integrate battery recy. Since 2000, we have used 12 industry- and world-first plant-ba Researching the possible use of tomato skin, bamboo, agave fi as materials. Created a cross-functional Responsible Materials Council to implement.

*For North America and the EU.

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Links to SDGs



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Introduction

The Task Force on Climate-related Disclosures (TCFD) published its recommendations on information regarding climate change for companies in June 2017. The table below identifies the actions taken by Ford in response to these recommendations.

TCFD recommended disclosure	Location (section, page reference) and notes
GOVERNANCE: Disclose the organization's governance around climate-related risks and opportunities.	
a. Describe the Board's oversight of climate-related risks and opportunities.	Governance and Accountability – Board Oversight, page 9
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance and Accountability – Management's Role, page 9
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, an	d financial planning where such information is material.
a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Our Climate-Related Risks and Opportunities – Climate-Related Our Climate-Related Risks and Opportunities – Climate-Related Our Risks Management Approach – Process for Monitoring Clim Responding to the Climate Challenge – Carbon Neutrality No La
b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Our Climate-Related Risks and Opportunities – Climate-Related Our Climate-Related Risks and Opportunities – Climate-Related Our Strategic Response, page 14
c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Approach and Introduction to Scenarios – Introduction to the S Approach and Introduction to Scenarios – Implications of the S Approach and Introduction to Scenarios – Resilience of Ford's S
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.	
a. Describe the organization's processes for identifying and assessing climate-related risks.	Our Risks Management Approach – Process for Monitoring Clim
b. Describe the organization's processes for managing climate-related risks.	Our Risks Management Approach – Management Processes, pa
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Our Risks Management Approach – Management Processes, pa
Metrics And Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where	such information is material.
a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and Targets – Metrics Used to Assess Climate-Related F Metrics and Targets – Progress Against Aspirations (Climate Ch Metrics and Targets – Progress Against Aspirations (Air), page 3 Metrics and Targets – Progress Against Aspirations (Waste), pa Metrics and Targets – Progress Against Aspirations (Water), page Metrics and Targets – Progress Against Aspirations (Mater), page
b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Metrics and Targets – Metrics Used to Assess Climate-Related F Metrics and Targets – Progress Against Aspirations (Climate Ch
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Metrics and Targets – Progress Against Aspirations (Climate Ch Metrics and Targets – Progress Against Aspirations (Air), page 3 Metrics and Targets – Progress Against Aspirations (Waste), pa Metrics and Targets – Progress Against Aspirations (Water), pa Metrics and Targets – Progress Against Aspirations (Materials),

d Risks and their Impact on the Business Activity, page 12 d Opportunities for the Business, page 13 nate-Related Issues, page 27 ater than 2050, page 7 d Risks and their Impact on the Business Activity, page 12 d Opportunities for the Business, page 13 cenarios, page 24 cenarios, page 24 Strategy, page 26 nate-Related Issues, page 27 age 27 age 27 Risks and Opportunities, page 29 nange), page 31 32 age 32 ge 33 , page 33 Risks and Opportunities, page 29 nange), page 31 nange), page 31 32 ige 32 ge 33 , page 33

Appendix

Introduction

For our 2019 climate change scenario report, we developed our own, unique scenarios which we also reference in this report. The alignment of these scenarios with WEO scenarios is shown below.

2030 – 2040 Ford/WEO Scenario Alignment

Ford Scenario	IEA WEO Scenario	Description
Too Little, Too Late Speed of Adaptation Wins	Stated Policies Scenario	Today's policies with no changes Existing and planned CO_2 pricing Evolutionary technology growth Oil averages \$90/bbl Lower ZEV adoption in advanced economies
One Size Does Not Fit All Life Is Good, Speed Is Key	Net Zero Emissions Scenario	What it takes policy to limit temperature rise to 1.5°C CO ₂ prices rise rapidly in all regions High policy support and collaboration around technology results in unprecedented speed of scaling Oil averages \$35/bbl Higher ZEV adoption across markets

TCFD Index 2022



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