



**PRENTISS
SMITH & CO**

Socially Responsible Investment Report for:

Ford Motor Company

Dearborn, MI

Ticker: F US Equity

Website: www.ford.com

Last Updated: 6-16-2021

I. Exclusionary Screening

Does Ford Motor Company appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Tobacco
- Pornography

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Defense & Retail Gun Sales

- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does Ford Motor Company exhibit? Positive factors may help support a decision to invest.

General

Just Capital Overall (1-922)

#67

RobecoSAM Sustainability Score (1-100)

30

GRI Criteria Compliance

Yes

United Nations Global Compact Signatory

Yes

MSCI ESG Rating

B

Climate Change & Fossil Fuels

TCFD Supporter Since:

3/2020

2021 CDP Climate Change Score:

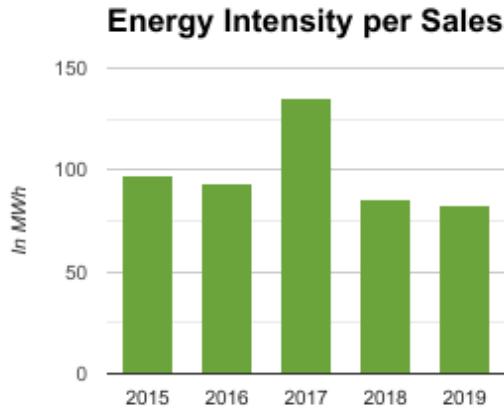
A

Plans for Climate Risks

Yes

Initiatives and Policies in Place:

- **Climate Change Policy**
- **Renewable Electricity Target Policy**



Environmental Stewardship

Just Capital - Environment (1-922)

#140

Publicly Disclosed Sustainable Supply Guidelines
Encompassing ESG Area

Yes

2019 Environmental Fines (\$ USD millions)

0.015

2021 CDP Water Security Score

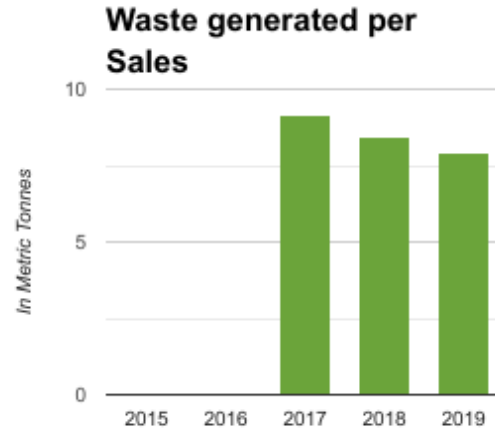
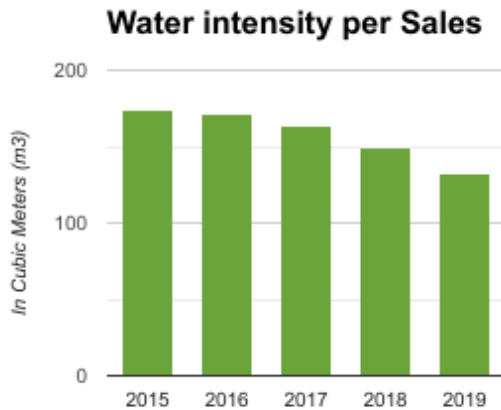
A

Green Buildings

Yes

Initiatives and Policies in Place:

- **Sustainable Development Goals Target Policy**
- **Social Supply Chain Management**
- **Biodiversity Policy**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**



Human Rights & Well-Being

Forbes Best World's Employers (1-500)

#185

Just Capital - Workers (1-922)

#246

Just Capital - Communities (1-922)

#26

Just Capital - Customers (1-922)

#332

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

Diversity, Equity, Inclusion and Justice

HRC Equality Index (100 points)

90

Women on the Board

Women Employees

28%

Number of Women on the Board

21%

Women Executives

22%

3

Women in Middle Management

22%

Corporate Responsibility

Just Capital - Shareholders (1-922)

#387

Size of the Board

14

Community Spending (\$ USD millions)

62.2

Independent Directors

79%

Number of Employee Representatives on the Board

0

Shareholder vote on management remuneration

84%

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index

- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how Ford Motor Company conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Ford Motor Company is a major American auto manufacturer with a 100+ year history of making widely used cars, trucks, SUVs and other vehicles. Headquartered in Michigan, a majority of vehicles sold by the Ford of today are pickup trucks, including its F-series pickups which sell more than any other vehicle in the United States. In recent years, Ford has begun to focus increasing investment on the electrification of its vehicle fleet, as well as the development of autonomous vehicles. The company has set approved, Science-Based Targets for reducing emissions, and has a goal of carbon neutrality by 2050. It has also demonstrated progress in reducing water use and waste. Labor relations, once a major challenge for Ford (and other automakers), have now become a strength for the company, with a large unionized workforce and recent, successful collective bargaining efforts. The company has many worker- and family-friendly policies that appear to have helped drive high marks for employee satisfaction in recent years.

While Ford has been notably transparent regarding workforce diversity and pay equity, the company needs to follow up this strong disclosure with remediation, particularly in the gender diversity of its employees and in the gender and racial diversity of its management and board. These changes are especially important in the wake of racial and sexual harassment suits filed against the company in 2014, which it is still defending despite a large settlement in 2017. Although Ford has a strong sexual harassment policy, the company should also require annual sexual harassment training for all employees, which it currently does not do. Finally, while Ford has recently shown itself to be a leader in electrification, more stringent fuel economy standards, and climate policy, and has begun to disclose more information related to its lobbying efforts, increasing the specificity of this disclosure would help reassure investors that a traditionally emissions-heavy industry player is truly on the fast track to a different way of doing business.

Products & Services

Ford is considered one of the “Big Three” American auto manufacturers, incorporated in Michigan 1903 to make automobiles designed by Henry Ford. Today, Ford is still headquartered in Michigan, with approximately 186,000 employees worldwide. In 2020, the company reports that it sold 2 million vehicles in the US, for a 13.7% market share, and 4.5 million vehicles worldwide, for a 5.8% market share. In its annual filing, the company states that it “is pursuing leadership positions in electrification; mobility solutions, including self-driving services; and connected vehicle services.”¹

Ford has 3 business segments: automotive, mobility, and credit services. Its best-known automotive segment includes the sale of vehicles, parts and accessories under the Ford and Lincoln brands. While the company was founded as a car manufacturer, in 2020 truck sales made up 54% of its retail sales volume, while SUV sales accounted for 37%.² This gradual shift in focus to trucks has come about as Ford’s F-series pickups have been the best-selling vehicle in the United States for more than 40 years.³

In January 2019, Ford announced that it would begin developing a fully-electric version of its F-150 series, and in July of that year made public a demonstration of an early electric prototype towing over 1 million pounds.⁴ In May 2021, Ford named the fully-electrified pickup the F-150 Lightning and announced it would begin production in Spring 2022. At \$39,974, the truck’s base price is relatively low for an all-electric vehicle of any kind. Within two days of the announcement, the company said it had received more than 45,000 reservations for the F-150 Lightning.⁵ At the same time, during the first half of 2021 Ford produced more of its fully-electric Mustang Mach-E SUV crossovers than the same vehicle’s gas counterpart.⁶

The F-150 Lightning and Mustang Mach-E not only align with Ford’s increasingly aggressive approach to vehicle electrification, they also make sense in the context of the company’s January 2019 announcement that it would allocate 90% of its spending through 2023 on trucks, SUVs and commercial vehicles, up from the 64% allocated under its previous plan.⁷ Other vehicles Ford

¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000037996/000003799621000012/f-20201231.htm>

² <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000037996/000003799621000012/f-20201231.htm>

³ <https://www.edmunds.com/most-popular-cars/>

⁴ <https://www.youtube.com/watch?v=bXFHgoon7lg>

⁵

<https://www.detroitnews.com/story/business/autos/ford/2021/05/21/ford-ceo-says-automaker-has-more-than-44-500-f-150-lightning-deposits/5204444001/>

⁶ <https://www.caranddriver.com/news/a36651347/ford-mustang-mach-e-vs-gas-production/>

⁷ <https://europe.autonews.com/blogs/fords-redesign-europe-emphasizes-suvs-lcvs>

manufactures today for retail sale include SUVs such as the Ecosport, Escape, Bronco and Bronco Sport, Edge, Explorer, and Expedition; cars such as the Fusion and Mustang; trucks and vans including the Ranger, Super Duty, Transit and Transit Connect; other electrified vehicles including the Escape Hybrid and Plug-in Hybrid, the Fusion Hybrid and Fusion Energi, and the Explorer Hybrid; and performance vehicles including the Edge ST, Explorer ST, and Mustang Shelby GT500.

Ford's automotive segment also includes many vehicles produced primarily for commercial use. These include Super Duty trucks and vans in the Transit series, as well as stripped-down chassis and cutaway versions of several vans and trucks, which can be customized to fit a variety of commercial, construction and other needs.

The company's credit segment operates mainly through consumer vehicle financing and dealer loans, and accounted for 45% of the company's net income in 2019.⁸

Ford's mobility segment, which it began reporting with its automotive segment beginning in 2021, includes the company's development of autonomous vehicles and its equity ownership of Argo AI (autonomous driving systems) and Spin (micro-mobility services via electric scooters). In 2018, the company purchased Michigan Central Station, and says it is testing connected, self-driving vehicles to create a "smart mobility corridor linking Detroit and Ann Arbor."⁹ Ford plans to launch self-driving vehicles in 2022.

Environment

In April 2021 Ford announced two new emissions targets, approved by the Science-Based Targets initiative to limit warming to 1.5 degrees Celsius, that will help the company reach its longer-term goal of carbon neutrality by 2050: an absolute reduction in scope 1 and 2 emissions of 76% by 2035 (2017 baseline year), and a 50% reduction in scope 3 emissions per vehicle/kilometer by 2035 (2019 baseline year).¹⁰ The company also reports a 40% reduction in operational carbon emissions since 2011.¹¹ Along with its Science-Based Targets, Ford publishes a TCFD report and has received an "A" score on both Climate and Water from CDP for 2019 and 2020.¹² In 2018, Ford was one of

⁸

https://www.sec.gov/ix?doc=/Archives/edgar/data/0000037996/000003799621000012/f-20201231.htm#i50ca97c02686454fb096588b8c462fda_70

⁹

<https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/economic-and-innovation/index.html>

¹⁰ <https://sciencebasedtargets.org/companies-taking-action#table>

¹¹ <https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/environment/index.html>

¹² <https://www.cdp.net/en/responses/6595>

four automakers who reached a voluntary agreement with California to meet stricter fuel efficiency standards, as the Trump administration fought to take away that state's right to set its own rules.¹³

A series of announcements by the company in early 2021 served to underscore its aspirations. In February, the company announced that all vehicles sold in Europe would be fully-electric by 2030, with every vehicle featuring either an electric or plug-in hybrid powertrain by 2026.¹⁴ That same month, the company announced that it was doubling the amount it would invest in electrified vehicles by 2025, to \$22 billion. Three months later, Ford made an updated announcement that it had decided to raise this investment to \$30 billion.¹⁵

Notably, Ford's 2021 emissions targets were released as part of the company's first integrated sustainability and financial report, which also includes goals to use 100% local, renewable energy in all manufacturing by 2035, eliminate single-use plastics from operations by 2030 and use 20% recycled or renewable plastics in vehicles by 2025, and reduce absolute freshwater use 15% by 2025 (following a 75% reduction since 2000). The company says it already has 103 zero waste to landfill sites globally, uses recycled plastic bottles, carpeting and tires in its vehicles, and has been exploring and using plant replacements for petroleum-based plastics since 2000.

In 2016, Ford's supply chain was written up in an EPA case study, which noted that as early as 2007, Ford had requested that its entire supply chain apply its environmental and sustainability policies to their own operations. In 2016, 84% of the 242 suppliers from whom Ford requested a response to CDP's climate survey did so; Ford then used this data to target further progress among its highest-emitting suppliers. A similar effort regarding water security produced a 71% response rate from 196 suppliers, many of them in water-stressed areas of China and India.¹⁶

Management Integrity and Ethics

Ford's executive chairman, William Clay Ford Jr, is the great-grandson of company founder Henry Ford, and served in the CEO role for 5 years. Ford Jr was succeeded as CEO in 2006 by Alan Mullaly, a former Boeing senior executive who is credited with helping Ford navigate the 2008-2009 financial crisis without taking TARP payments, unlike the other 2 major US automakers.

¹³ <https://www.cnn.com/2019/08/22/trump-attacks-ford-motor-for-not-backing-fuel-economy-rollback.html>

¹⁴ <https://www.carbonbrief.org/daily-brief/ford-to-go-fully-electric-in-europe-by-2030>

¹⁵

<https://www.nytimes.com/2021/05/26/business/ford-electric-vehicles.html?action=click&module=RelatedLinks&pgt=Article>

¹⁶ https://www.epa.gov/sites/production/files/2018-10/documents/ford_write_up_draft_100518_final.pdf

In October 2020, Ford appointed James Farley as its new President and CEO. Farley replaced Jim Hackett, who, like Hackett's predecessor Mark Fields, had been on the job for just 3 years. At the time of Farley's appointment in 2020, he had been with Ford for 13 years, following his tenure with Toyota that included launching that company's Lexus luxury brand. While Hackett is acknowledged to have begun the process of moving Ford away from less-profitable passenger vehicles and other aspects of its legacy business, Farley has already been credited with refocusing the company on key products like the F150 and large-scale initiatives like the transition to electric and autonomous vehicles, via more comprehensive strategic planning, restructuring operations, changing executive personnel and reallocating investment dollars.¹⁷

Other members of Ford's Board of Directors, along with Ford Jr. and Farley, include Henry Ford III and Alexandra Ford English, company insiders and also members of the founding family. The rest of the 13-member board are independent; overall the board includes 4 women and 1 person of color. Ford's 5 most senior executives include 2 people of color and no women, while its larger team of 38 "company officers" includes 7 people of color and 7 women (18% in each case).

In 2021, Ford was included in the Bloomberg Gender-Equality Index Survey and recognized for a high level of disclosure and overall performance, with a score of 78.5 (out of 100).¹⁸ In its responses to the survey, which Ford voluntarily made public, the company reported that women represented 27.5% of its overall workforce (of which 11% were multicultural), 15.8% of its senior management, 22.9% of its middle management and 31% of its fiscal year promotions.¹⁹ The company also performed a global pay equity audit including all elements of compensation, which revealed a global mean pay gap of 18% (while its salaried pay gap ratio is 98.2%).²⁰

With historically fraught labor relations now viewed as a strength for the company,²¹ in 2021 Ford reported that 79% of its global workforce was unionized. The company provides 16 weeks paid

¹⁷ <https://www.cnbc.com/2020/10/01/new-ford-ceo-jim-farley-announces-restructuring-and-executive-shakeup.html>

¹⁸ <https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/files/ir21-bloomberg-gei.pdf>

¹⁹ <https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/files/ir21-bloomberg-gei.pdf>

²⁰ <https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/files/ir21-bloomberg-gei.pdf>

²¹ <https://www.freep.com/story/money/cars/ford/2019/10/31/ford-uaw-contract-negotiations-talks-history/2505589001/>

<https://www.freep.com/story/money/cars/ford/2019/10/31/ford-uaw-contract-negotiations-talks-history/2505589001/>

parental leave for primary parents, and 8 weeks paid parental leave for secondary parents.²² Ford receives an average 4.1 (out of 5) rating from employees on GlassDoor.com.²³

Bloomberg reports that in 2019, Ford spent more than \$60 million in the community. The company's philanthropic arm, the Ford Motor Company Fund, reported donating more than \$1.1M in 2020 COVID relief through an employee donation match, along with \$500K in emergency funding to Detroit area non-profits and 1.65 million pounds of food through Detroit community centers.²⁴ The fund additionally reported \$400K in emergency relief to Black and Hispanic students, and \$1M in grants and resources to Black and Latina small business owners and entrepreneurs.²⁵ The fund reports that it invests more than \$16M annually to support educational initiatives,²⁶ and says Ford employees have logged more than 1.7M volunteer hours globally since 2005.²⁷

Ford says it does not make direct contributions to campaigns and political organizations even when allowed by law, and does not contribute to Super PACs.²⁸ Ford does have its own PAC, funded by management, employees, and shareholders. Ford's spending on corporate lobbying has followed a largely downward trend since a high of nearly \$14M in 1998, down to \$3.18M in 2020,²⁹ significantly less than rivals GM and Toyota, although this may be attributable in part to its 2007 filing to bring more lobbying in-house.³⁰ In 2020, the Comptroller of the City of New York and the Unitarian Universalist Association jointly filed a shareholder resolution to improve Ford's lobbying disclosures.³¹

As a large global automaker, Ford Motor Company is party to many ongoing legal disputes, some of which may result in product recalls and settlements. Of note in Ford's recent legal history are a suit filed in 2014 over sexual and racial harassment complaints at two of its Chicago plants. In 2017, Ford settled the claims for a total of \$10M,³² although attempts to make the suit a class action

22

<https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/files/ir21-bloomberg-gei.pdf>

23 https://www.glassdoor.com/Overview/Working-at-Ford-Motor-Company-EI_IE263.11.29.htm

24 <https://www.fordfund.org/2020annualreport>

25 <https://www.fordfund.org/2020annualreport>

26 <https://www.fordfund.org/education>

27 <https://www.fordfund.org/employee-volunteering>

28

<https://corporate.ford.com/content/dam/corporate/us/en-us/documents/reports/2020-ford-political-disclosure-report.pdf>

29 <https://www.opensecrets.org/industries/indus.php?ind=T2100>

30 <https://projects.propublica.org/represent/lobbying/300979899>

31 https://www.iccr.org/sites/default/files/page_attachments/ford_proxy_memo_-_final_4.28.20.pdf

32 <https://www.chicagotribune.com/business/ct-ford-eeoc-harassment-allegations-20170817-story.html>

have continued, so far without success.³³ The complaints date back to the 1990s, but continued into the 2010s despite the company's active efforts to change the culture of harassment at the plants. In response to the original suit (as well as a subsequent New York Times investigation), the company took disciplinary action and fired employees, increased its human resources staff by 30 percent, and put additional policies in place. Notably, while Ford today has a public code of conduct required of all employees that includes a sexual harassment policy, the company still does not mandate annual sexual-harassment training.³⁴

³³ <https://www.nytimes.com/2019/08/23/business/ford-sexual-harassment-lawsuit.html>

³⁴ <https://corporate.ford.com/microsites/integrated-sustainability-and-financial-report-2021/files/ir21-bloomberg-gei.pdf>

Legal Notice

The material contained in this report is provided for informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product. This report is not intended to be used as a general guide to investing, or as a substitute for personalized investment advice, and it makes no implied or express recommendations concerning the manner in which any specific client account should be handled. If you have questions regarding the applicability of any issue discussed on this report to your own situation, you are encouraged to consult with a professional advisor of your choosing. Prentiss Smith & Co is neither a law firm nor a certified public accounting firm, and no portion of this report should be construed as legal or tax advice.

No guarantee is made as to the accuracy, completeness or timeliness of any information, projections or opinions contained in this report or upon which any such projections or opinions have been based. The information contained in this report is compiled for the convenience of site visitors and is accepted by the reader on the condition that errors or omissions shall not be made the basis for any claim, demand or cause of action. Due to factors that may include changing market conditions or applicable laws, some content on this report may no longer be reflective of our current positions or opinions. Some information on this report has also been obtained from published sources and/or prepared by unaffiliated third parties. While such sources are believed to be reliable, neither Prentiss Smith & Co nor its respective employees or representatives assumes any responsibility for the accuracy or completeness of such information. References and hyperlinks to other websites are not an endorsement, approval or certification of information, projections or opinions located at such web sites.

Investing in securities involves risk, including the loss of all principal invested. Other types of investments involve varying degrees of risk. There can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prentiss Smith & Co), will be profitable or suitable for your portfolio or individual situation.