January 26, 2018

Mr. William Ford
Executive Chairman
Ford Motor Company
1 American Road
Dearborn, MI 48126

Mr. Jim Hackett
President and Chief Executive Officer
Ford Motor Company
1 American Road
Dearborn, MI 48126

Dear Mr. Ford and Mr. Hackett,

As long-term investors with $666 billion in assets under management, we believe that the mitigation of climate change is essential to safeguarding our investments. Accordingly, we are writing to voice our concern that Ford Motor Company's current and future fleet emissions are not consistent with the Paris Agreement's climate goals[1] and the global commitment to a clean energy transition. As a result, we are concerned that the company faces financial risk and decreased global competitiveness as the world moves toward low-carbon forms of transportation.

We urge Ford to commit to support retaining or strengthening the overall current U.S. fuel economy (CAFE) and greenhouse gas (GHG) vehicle standards, and dissociate itself from the Automobile Alliance's efforts to delay compliance. We also urge Ford to publicly commit to working with California to develop a post-2025 framework for emissions reductions as well as identify any appropriate minor modifications to the 2022-2025 standards that would not compromise its ability to meet climate goals.

Global investors are increasingly integrating climate considerations and company management of climate risk into their investment decisions. In September 2017, investors announced the launch of Climate Action 100+[2] — a global investor initiative in which major investors will engage with large GHG emitters, including Ford, regarding their emissions, climate-related governance and climate-related disclosures. Specifically, investors will request that Ford take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.[3]

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[1] The Paris Agreement commits to "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels."
[2] http://www.climateaction100.org/
[3] https://climateaction100.wordpress.com/faq/

We are especially concerned about the near and long-term alignment of Ford's fleet emissions with climate targets of 2°C or below. The acceleration of climate change necessitates additional GHG emissions reductions beyond current regulatory requirements. For example, a recent University of Michigan study[4] found that the U.S. automotive sector cannot meet 2°C targets without taking additional action beyond the current federal CAFE/GHG emissions standards.[5] Further, the study found that industry abatement costs will increase sharply every year after 2020. Given the urgent need for additional near term GHG reductions from the automotive sector, and the financial implications of delay, we believe that the efforts of the Auto Alliance to weaken the current CAFE standards for 2021-2025 (especially for trucks and SUVs) are short sighted and troubling—as is Ford's recent announcement that it will shift its focus from cars to trucks and SUVs (reallocating $7 billion) at this critical time.[6]

Ford faces significant economic risks from failing to align its fleet GHG reductions with climate targets of 2°C or below and from weakened vehicle standards. A recent analyst note[7] regarding automakers' financial performance found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards enhance the global competitiveness of the U.S. auto industry. Governments around the world are adopting low carbon transportation policies: China, the world's largest car market, is planning to require that 40% of all cars sold in 2030 be new energy vehicles, in addition to eventually banning vehicles with traditional internal combustion engines; India and several European countries and cities are planning to institute similar bans. Successfully competing in this new era will require aggressive fleet wide improvements, not a fleet with increased GHG emissions which would occur under weakened vehicle standards. While we commend Ford's announcement about the establishment of Team Edison and planned investments in electrification, connectivity and sharing platforms, near term fleet wide improvements are essential.

In summary, given the urgent need to reduce emissions from the auto sector, as well as the value of strong standards in ensuring the global competitiveness of the U.S. auto industry, we urge Ford to publicly support retaining or strengthening the current U.S. fuel economy and GHG vehicle standards, and dissociate itself from the Automobile Alliance's efforts to delay compliance. We also urge Ford to publicly commit to working with California to develop a post-2025 framework for emissions reductions as well as identify any appropriate minor modifications to the 2022-2025 standards that would not compromise its ability to meet climate goals.

We would like to set up a meeting or call with you to discuss next steps; please contact Patrick Doherty, at pdoherty@osc.state.ny.us or 212-383-1428.

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[4] Supekar and Skerlos, "Analysis of Costs and Time Frame for Reducing CO2 Emissions by 70% in the U.S. Auto and Energy Sectors by 2050," *Environmental Science & Technology*, 2017, 51: 10932-10942.
[5] The authors found that including additional real-world factors, such as any delays or costs such as those that may arise from production ramp-up, or policy enforcement, which would further increase costs and reduce the climate action time frame.
[6] http://www.latimes.com/business/autos/la-fi-hy-ford-future-vision-20171003-story.html
[7] https://www.ceres.org/resources/reports/whats-driving-us-auto-industrys-financial-performance

Thank you for your attention to this critical issue; we strongly believe that Ford must demonstrate how its business and policy strategy will align with climate goals.

Sincerely,

New York Comptroller Thomas P. DiNapoli
Local Authority Pension Fund Forum
ACTIAM
Hermes Investment Management
Andra AP-fonden (AP2)
Connecticut State Treasurer Denise L. Nappier
Calvert Research and Management
Pax World Funds

CC: Lynn Antipas Tyson
Mary Culler