Risk Factors Comparison 2024-02-07 to 2023-02-03 Form: 10-K

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We have listed below the material risk factors applicable to us grouped into the following categories: Operational Risks; Macroeconomic, Market, and Strategic Risks; Financial Risks; and Legal and Regulatory Risks. Ford and Ford Credit' s financial condition...... to successfully execute our strategy. Ford is highly dependent on its suppliers to deliver components in accordance with Ford' s production schedule and specifications, and a shortage of or inability to acquire key components ~~, such as semiconductors,~~ or raw materials, such as lithium, cobalt, nickel, graphite, and manganese, can disrupt Ford' s production of vehicles. Our products contain components that we source globally from suppliers who, in turn, source components from their suppliers. If there is a shortage of a key component in our supply chain or a supplier is unable to deliver a component to us in accordance with our specifications, because of a production issue, limited availability of materials, shipping problems, restrictions on transactions with certain countries or companies, or other reason, and the component cannot be easily sourced from a different supplier, or we are unable to obtain a component on a timely basis, the shortage may disrupt our operations or increase our costs of production. For ~~example, the automotive industry continues to face a significant shortage of semiconductors, which has a complex supply chain with long lead times required to increase production and capacity. The shortage is due in large part to strong cross- industry demand, which has presented challenges and production disruptions globally, including at our assembly plants, and COVID- 19- related work restrictions in various parts of the world have further impacted semiconductor production. Accordingly, we and our competitors who need integrated circuits are experiencing various levels of semiconductor impact. For~~ the production of our electric vehicles, we are dependent on the supply of batteries and the raw materials (e. g., lithium, cobalt, nickel, graphite, and manganese) used by our suppliers to produce those batteries. As we increase our production of electric vehicles, we expect our need for such materials to increase significantly. At the same time, other companies are increasing their production of electric vehicles, which will further increase the demand for such raw materials. As a result, we may be unable to acquire raw materials needed for electric vehicle production in sufficient amounts that are responsibly sourced or at reasonable prices. As described below under " To facilitate access to the raw materials **and other components** necessary for the production of electric vehicles, Ford has entered into ~~,~~ and ~~expects to continue to~~ **may, in the future,** enter into ~~,~~ multi- year commitments to raw material **and other** suppliers that subject Ford to risks associated with lower future demand for such ~~materials~~ **items** as well as costs that fluctuate and are difficult to accurately forecast " as well as in the Liquidity and Capital Resources section in Item 7 below, we have entered into ~~,~~ and ~~expect to continue to~~ **we may, in the future,** enter into ~~,~~ offtake agreements and other long- term purchase contracts that obligate us, subject to certain conditions such as quality or minimum output, to purchase a certain percentage or minimum amount of output from certain raw materials suppliers. In the event the supplier under those agreements or any of our or our suppliers' raw material supply contracts is unable to deliver sufficient quantities of raw materials needed for our or our suppliers' production operations, e. g., if a mine does not produce at expected levels, or the raw materials do not otherwise satisfy our requirements, and we or our suppliers are unable to find an alternative resource with sufficient quantities, at reasonable prices, responsibly sourced **(e. g., in compliance with the Uyghur Forced Labor Prevention Act and similar regulations and standards)** , and in a timely manner, it could impact our ability to produce electric vehicles. A shortage of, or our inability to acquire or find adequate suppliers of, key components or raw materials as a result of disruptions in the supply chain, capacity constraints, limited availability, competition for those items within the automotive industry and other sectors, or otherwise can cause a significant disruption to our production schedule and have a substantial adverse effect on our financial condition or results of operations. **Further, as a result of lower- than- anticipated industrywide electric vehicle adoption rates or otherwise, suppliers of such raw materials or components may become distressed.** To facilitate access to the raw materials **and other components** necessary for the production of electric vehicles, Ford has entered into ~~,~~ and ~~expects to continue to~~ **may, in the future,** enter into ~~,~~ multi- year commitments to raw material **and other** suppliers that subject Ford to risks associated with lower future demand for such ~~materials~~ **items** as well as costs that fluctuate and are difficult to accurately forecast. We have announced plans to significantly increase our electric vehicle production volumes; however, our ability to produce higher volumes of electric vehicles is dependent upon the availability of raw materials **and other components** necessary for the production of batteries, e. g., lithium, cobalt, nickel, graphite, and manganese, among others. As described above under " Ford is highly dependent on its suppliers to deliver components in accordance with Ford' s production schedule and specifications, and a shortage of or inability to acquire key components ~~, such as semiconductors,~~ or raw materials, such as lithium, cobalt, nickel, graphite, and manganese, can disrupt Ford' s production of vehicles, " to facilitate our access to such raw materials, we have entered into ~~,~~ and ~~expect to continue to~~ **we may, in the future,** enter into ~~,~~ offtake agreements and other long- term purchase contracts. Such agreements obligate us, subject to certain conditions such as quality or minimum output, to purchase a certain percentage or minimum amount of output from raw material suppliers over an agreed upon period of time pursuant to an agreed upon purchase price mechanism that is typically based upon the market price of the material at the time of delivery. **Item 1A. Risk Factors (Continued)** Unlike our historical arrangements with suppliers ~~, which are typically annual commitments~~ , under multi- year offtake agreements and other long- term purchase contracts, the risks associated with lower- than- expected electric vehicle production volumes or changes in battery technology that reduce the need for certain raw materials **, batteries, or their components** are borne by Ford rather than our suppliers. In the event we do not purchase the materials **or components** pursuant to the terms of these agreements ~~, even if the supplier finds another purchaser~~ , we may be obligated to reimburse the supplier for costs it incurs ~~in~~ **. We have incurred and we may continue to incur such charges. This may be the case even if the supplier finds another**

purchaser, as we may be responsible for the costs of finding the new purchaser as well as any lost revenue attributable to the replacement purchaser paying a lower price than required under the pricing mechanism in our agreement. As a result of the competition for and limited availability of the raw materials needed for our electric vehicle business, the costs of such materials are difficult to accurately forecast as they may fluctuate during the term of the offtake agreements and other long- term purchase contracts based on market conditions. Accordingly, we may be subject to increases in the prices we pay for those raw materials, and our ability to recoup such costs through increased pricing to our customers may be limited. As a result, our margins, results of operations, financial condition, and reputation may be adversely impacted by commitments we make pursuant to offtake agreements and other long- term purchase contracts. Ford' s long- term competitiveness depends on the successful execution of Ford . We previously announced our plan for growth and value creation – Ford . Ford is focused on delivering distinctive and increasingly electric products plus " Always- On " customer relationships and user experiences. Our Ford plan is designed to leverage our foundational strengths to build new capabilities – enriching customer experiences and deepening loyalty. As we undertake this transformation of our business, we must integrate our strategic initiatives into a cohesive business model, and balance competing priorities, or we will not be successful. To facilitate this transformation, we are making substantial investments, recruiting new talent, and optimizing our business model, management system, and organization. Accordingly, maintaining discipline in our capital allocation continues to be important, as a strong core business and a balance sheet that provides the flexibility to invest in these new growth opportunities is critical to the success of our Ford plan. If we are unable to optimize our capital allocation among vehicles, services, technology, and other calls on capital, **make sufficient progress to become competitive on cost and quality,** or we are otherwise not successful in executing Ford (or are delayed for reasons outside of our control), we may not be able to realize the full benefits of our plan, which could have an adverse effect on our financial condition or results of operations. Furthermore, if we fail to make progress on our plan at the pace that shareholders expect, it may lead to an increase in shareholder activism, which may disrupt the conduct of our business and divert management' s attention and resources. Ford' s vehicles could be affected by defects that result in **recall campaigns, increased warranty costs, or** delays in new model launches, ~~recall campaigns,~~ **and the time it takes to improve the quality of** ~~or~~ **our** ~~increased warranty costs~~ **vehicles and services could continue to have an adverse effect on our business** . Government safety standards require manufacturers to remedy defects related to vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that the vehicles do not comply with a safety standard. We may also be obligated to remedy defects or potentially recall our vehicles due to defective components provided to us by our suppliers, arising from their quality issues or otherwise. NHTSA' s enforcement strategy has resulted in significant civil penalties being levied and the use of consent orders requiring direct oversight by NHTSA of certain manufacturers' safety processes, a trend that could continue. Should we or government safety regulators determine that a safety or other defect or a noncompliance exists with respect to certain of our vehicles prior to the start of production, the launch of such vehicle could be delayed until such defect is remedied. The cost of recall and customer satisfaction actions to remedy defects in vehicles that have been sold could be substantial, particularly if the actions relate to global platforms or involve defects that are identified years after production. For example, NHTSA and the automotive industry are currently engaged in a study of the safety of approximately 56 million Takata desiccated airbag inflators in the United States. Of these, approximately three and a half million of the inflators are in our vehicles. **In addition, NHTSA is considering action related to 52 million vehicles containing inflators from ARC Automotive and Delphi Automotive in the United States. Ford has 2. 5 million vehicles within this population.** Should NHTSA determine that ~~the~~ **these** inflators contain a safety defect, Ford and other manufacturers could potentially face significant incremental recall costs. Further, to the extent recall and customer satisfaction actions relate to defective components we receive from suppliers, our ability to recover from the suppliers may be limited by the suppliers' financial condition. We accrue the estimated cost of both base warranty coverages and field service actions at the time a vehicle is sold, and we reevaluate the adequacy of our accruals on a regular basis. In addition, from time to time, we issue extended warranties at our expense, the estimated cost of which is accrued at the time of issuance. For additional information regarding warranty and field service action costs, including our process for establishing our reserves, see " Critical Accounting Estimates " in Item 7 and Note 25 of the Notes to the Financial Statements. If warranty costs are greater than anticipated as a result of increased vehicle and component complexity, the adoption of new technologies, **the time it takes to improve the quality of our products and services (or if such efforts are unsuccessful),** or otherwise **(including as a result of higher repair costs driven by inflation or other economic factors)** , such costs could **continue to** have an adverse effect on our financial condition or results of operations. Furthermore, launch delays, recall actions, and increased warranty costs **have adversely affected and** could **continue to** adversely affect our reputation or **the public perception and** market acceptance of our products **and services** as discussed below under " Ford' s new and existing products and digital, software, and physical services are subject to market acceptance and face significant competition from existing and new entrants in the automotive and digital and software services industries, and its reputation may be harmed if it is unable to achieve the initiatives it has announced. " **In an effort to improve quality, we have slowed down and may continue to slow down launches, which may result in lost sales, revenue, and profits and could have an adverse effect on our financial condition or results of operations. In addition, as a result of vehicles on hold for quality control, our inventory levels may be higher.** Ford may not realize the anticipated benefits of existing or pending strategic alliances, joint ventures, acquisitions, divestitures, ~~restructurings,~~ or ~~new~~ business strategies. We have invested in, formed strategic alliances with, and announced or formed joint ventures with a number of companies, and we may expand those relationships or enter into similar relationships with additional companies. These initiatives typically involve enormous complexity, may require a significant amount of capital, and may involve a lengthy regulatory approval process. As a result, we may not be able to complete anticipated transactions, the anticipated benefits of these transactions may not be realized, or the benefits may be delayed. For example, we may not successfully integrate an alliance or joint venture with our operations, including the implementation of our controls, systems, procedures, and policies, or unforeseen expenses or liabilities may arise that were not discovered during due diligence prior to an investment or entry into a strategic alliance, or a misalignment of interests may develop between us and the other party. Further, to the extent we share ownership, control, or management with another party in a joint venture, our ability to influence the joint venture may be limited, and we may be unable to prevent misconduct or implement our compliance or internal control systems. In order to secure critical materials for production of electric vehicles, we have entered into and ~~plan to continue to~~ **may, in the future,** enter into offtake agreements and other long- term purchase contracts with raw materials suppliers and make investments in certain raw material and battery suppliers; however, we may not realize the anticipated benefits of these actions and our efforts to have such suppliers, particularly those in less developed markets, adopt Ford' s sustainability and other standards may be unsuccessful, which could have an adverse impact on our reputation. In addition, ~~a restructuring or~~ the implementation of a new or different business strategy may lead to the disruption of our existing business operations, including distracting management from current operations. **For example, our efforts to evaluate and implement alternative distribution models and channels for our products and services from those we have traditionally used may be challenged or may not succeed or be as successful as our historical arrangements. External factors may also impact the success of our initiatives. For example, our business and strategy are susceptible to tensions in U. S.- China relations and the rapid development of the Chinese electric vehicle industry, with domestic Chinese producers exporting to some key markets in which we operate. In addition, as we transition to producing a higher percentage of electric vehicles, if industrywide adoption rates continue to be lower than anticipated, we may take actions to better match the pace of electric vehicle adoption, such as not fully utilizing or reducing the capacity of our existing or future plants, reducing production hours or shifts, and we may become subject to claims by suppliers as a result.** Results of operations from new activities may be lower than our existing activities, and, if a strategy is unsuccessful, we may not recoup our investments, which may be significant, in that strategy. Moreover, we may continue to have financial exposure following a strategic divestiture or cessation of operations in a market ~~, and restructuring actions may cause us to incur significant costs, record impairments or other charges, subject us to potential claims from employees, suppliers, dealers, or governmental authorities or harm our reputation~~ . Failure to successfully and timely realize the anticipated benefits of the transactions or strategies described herein could have an adverse effect on our financial condition or results of operations. **Ford may not realize the anticipated benefits of restructuring actions and such actions may cause Ford to incur significant charges, disrupt our operations, or harm our reputation. We continually review and evaluate our business to find opportunities to make our operations more efficient and reduce costs. In doing so, we have taken and may in the future take restructuring actions, such as strategic divestitures or ceasing of operations in a market, particularly for those businesses where a path to sustained profitability is not feasible in light of the capital allocation requirements or for other reasons. Our plans for implementing such actions may be accelerated by shifting industry dynamics and new entrants to our industries with which we must compete. These actions may include employee separations, a reduced footprint (e. g., plant closures or smaller operations at existing plants or plants that are not yet on- line), or operating our plants at less than full capacity (e. g., reducing shifts). Such restructuring actions have caused us and may in the future cause us to incur significant costs; record impairments or other charges; subject us to potential claims from employees, suppliers, dealers, other counterparties, or governmental authorities (including a reduction or clawback of incentives); disrupt our operations; distract management from current operations; or harm our reputation. Further, we may not realize the expected benefits of such restructuring actions (e. g., anticipated cost savings), such benefits may be delayed, or market dynamics or other factors may have evolved such that we cannot obtain the original intended results of an action.** Operational **information** systems, security systems, vehicles, and services could be affected by ~~cyber~~ **cybersecurity** incidents, ransomware attacks, and other disruptions and impact Ford and Ford Credit as well as their suppliers and dealers. We rely on information technology networks and **information** systems, including in- vehicle systems and mobile devices, some of which are managed by suppliers, to process, transmit, and store electronic information that is important to the operation of our business, our vehicles, and the services we offer. Despite **devoting significant resources to our** ~~security~~ **cybersecurity** ~~measures~~ **program** , we are at risk for interruptions, outages, and compromises of: (i) operational **information** systems (including business, financial, accounting, product development, consumer receivables, data processing, or manufacturing processes); (ii) facility security systems; and / or (iii) in- vehicle systems or mobile devices, whether caused by a ransomware or other ~~cyber attack~~ **cybersecurity incident** , security breach, or other ~~reasons~~ - **reason** ~~,~~ **(** e. g., a natural disaster, fire, acts of terrorism or war, or an overburdened infrastructure system **)** . Such incidents could materially disrupt operational **information** systems; result in loss **or unwilling publication** of trade secrets or other proprietary or competitively sensitive information; compromise the privacy of personal information of consumers, employees, or others; jeopardize the security of our facilities; affect the performance of in- vehicle systems or services we offer; and / or impact the safety of our vehicles. This risk exposure rises as we continue to develop and produce vehicles with increased connectivity. Moreover, we, our suppliers, and our dealers have been the target of **cybersecurity incidents** ~~cyber attacks in the past,~~ and such ~~attacks will~~ **threats are** ~~continue~~ **continuing** and **evolving** ~~evolve in the future~~ , which may cause ~~cyber~~ **cybersecurity** incidents to be more difficult to detect for periods of time. Our networks and in- vehicle systems, sharing similar architectures, could also be impacted by, or a ~~data breach~~ **cybersecurity incident** may result from, the negligence or misconduct of insiders or third **-** parties who have access to our networks and systems. We ~~continually~~ employ capabilities, processes, and other security measures **we believe are** designed to **detect,** reduce **,** and mitigate the risk of ~~cyber attacks~~ **cybersecurity incidents** , and ~~we rely on~~ **have requirements for** our suppliers to do the same ~~for their operations~~ ; however, we may not be aware of all vulnerabilities **or might not accurately assess the risks of incidents,** and such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks, including potential production disruption **or the loss or disclosure of sensitive information** . Moreover, a ~~cyber~~ **cybersecurity** incident could harm our reputation, cause customers to lose trust in our security measures, and / or subject us to regulatory actions or litigation, which may result in fines, penalties, judgments, or injunctions, and a ~~cyber~~ **cybersecurity** incident involving us or one of our suppliers could impact **our** production, ~~our~~ internal operations **, business strategy, results of operations, financial condition** , or our ability to deliver products and services to our customers. Ford' s production, as well as Ford' s suppliers' production, and / or the ability to deliver products to consumers could be disrupted by labor **issues, public health** issues, natural or man- made disasters, adverse effects of climate change, financial distress, production difficulties, capacity limitations, or other factors. A work stoppage or other limitation on production could occur at Ford' s facilities, at a facility in its supply chain, or at one of its logistics providers for any number of reasons, including as a result of labor issues, including shortages of available employees, disputes under existing collective bargaining agreements with labor unions or in connection with negotiation of new collective bargaining agreements, absenteeism, public health issues (e. g., COVID ~~- 19~~), stay- at- home orders, or in response to potential restructuring actions (e. g., plant closures); as a result of supplier financial distress or other production constraints, such as limited quantities of components ~~, including but not limited to semiconductors,~~ or raw materials, quality issues, capacity limitations, or other difficulties; as a result of a natural disaster (including climate- related physical risk); ~~cyber~~ **social unrest; cybersecurity** incidents; or for other reasons. ~~Further~~ **A suspension or substantial curtailment of our manufacturing operations could have a significant adverse effect on our financial condition and results of operations** , **as was the case in 2020,when,consistent with actions taken by governmental authorities,we idled our plants in regions around the world.The duration** of a suspension of manufacturing operations and a return to our full production schedule will **vary** ~~depend,in part,on not only a sufficient number of employees being able to return to work but also whether our suppliers and dealers have resumed normal operations~~ .Our Ford Blue,Ford Model e,and Ford Pro operations generally do not realize revenue while our manufacturing operations are suspended,but we continue to incur operating and non- operating expenses,resulting in a deterioration of our cash flow.Accordingly,any significant future disruption to our production schedule,regionally or globally,whether as a result of our own or a supplier' s suspension of operations,could have a substantial adverse effect on our financial condition,liquidity,and results of operations.Moreover,our supply and distribution chains may be disrupted by supplier or dealer bankruptcies or ~~the~~ **their permanent discontinuation of operations triggered by a shutdown of operations. The** limited availability of components, labor shortages, ~~COVID- 19~~ **public health emergencies** , and supplier operating issues has led to **intermittent interruptions in our supply chain and** an inconsistent production schedule at our facilities. This has exacerbated the disruption to our suppliers' operations, which, in turn, has led to higher costs and production shortfalls **. As a result of this disrupted production schedule, we have received and continue to receive claims from our supply base for reimbursement of costs beyond our original agreed terms. Upon receipt, we evaluate those claims, and, in certain circumstances, we have made payments to our suppliers, and this trend may continue** . Given the worldwide scope of our supply chain and operations, we and our suppliers face a risk of disruption or operating inefficiencies that may increase costs due to the adverse physical effects of climate change, which are predicted to increase the frequency and severity of weather and other natural events, e. g., wildfires, extended droughts, and extreme temperatures. In addition, in the event a weather- related event, strike, international conflict, or other occurrence limits the ability of freight carriers to deliver components and other materials from suppliers to us or logistics providers to transport our vehicles for an extended period of time, it may increase our costs and delay or otherwise impact both our production operations and customers' ability to receive our vehicles. Many components used in our vehicles are available only from a single or limited number of suppliers and, therefore, cannot be re- sourced quickly or inexpensively to another supplier (due to long lead times, new contractual commitments that may be required by another supplier before ramping up to provide the components or materials, etc.). Such suppliers also could threaten to disrupt our production as leverage in negotiations. In addition, when we undertake a model changeover, significant downtime at one or more of our production facilities may be required, and our ability to return to full production may be delayed if we experience production difficulties at one of our facilities or a supplier' s facility. Moreover, as vehicles, components, and their integration become more complex, we may face an increased risk of a delay in production of new vehicles. Regardless of the cause, our ability to recoup lost production volume may be limited. Accordingly, a significant disruption to our production schedule could have a substantial adverse effect on our financial condition or results of operations and may impact our strategy to comply with fuel economy standards as discussed below under " Ford may need to substantially modify its product plans and facilities to comply with safety, emissions, fuel economy, autonomous driving technology, environmental, and other regulations. " **Failure to develop and deploy secure digital services that appeal to customers could have a negative impact on Ford' s business. A growing part of our business involves connectivity, digital and physical services, and integrated software services, and we are devoting significant resources to develop this business. If we fail to generate sufficient demand for our integrated software and digital services or if customers do not opt to activate the modems in our vehicles, which would hinder our ability to offer and sell such services, we may not grow revenue in line with the costs we are investing or achieve profitability on our increasingly digitally- connected products. For additional discussion on the market acceptance of our services, see below under " Ford' s new and existing products and digital, software, and physical services are subject to market acceptance and face significant competition from existing and new entrants in the automotive and digital and software services industries, and its reputation may be harmed if it is unable to achieve the initiatives it has announced. " We contract with third parties to offer digital content to customers and license technologies for use in our software and digital services. This includes the right to sell, or offer subscriptions to, third- party content, as well as the right to incorporate specific content into our own services; however, continuation of these third- party licensing and other arrangements, or their renewal on commercially reasonable terms, is not guaranteed or may be unavailable. Moreover, while we seek to grow our share of this business, third parties may be less inclined to continue developing or licensing software for Ford' s products or permit the Company to distribute their content, or such providers may offer competing products and services to the detriment of our business. If we are unable to offer integrated software applications and digital services on competitive terms, it may reduce customer demand or increase our costs to provide such applications and services, which we may be**

unable to pass on to customers. Alternatively, we may have to develop or license new content or technology to provide digital services, and there can be no assurance we would be able to develop or license such content or technology at a reasonable cost or in a timely manner, either of which could have a negative impact on our financial condition, results of operations, or reputation. Sophisticated software integration may have issues that can unexpectedly interfere with the intended operation of hardware or other software products and services. In addition, the services we offer can have quality issues and may, from time to time, experience outages, service slowdowns, or errors. As a result, these services may not always perform as anticipated and may not meet customer expectations. There can be no assurance we will be able to detect and remedy all issues and defects in the hardware, software, and services we offer, or successfully deliver over- the- air (" OTA ") updates. Failure to do so on a timely basis could result in widespread technical and performance issues affecting our products and services. For additional discussion on the risks associated with defects and quality issues, see above under " Ford' s vehicles could be affected by defects that result in recall campaigns, increased warranty costs, or delays in new model launches, and the time it takes to improve the quality of our vehicles and services could continue to have an adverse effect on our business. " The actions of end users are generally beyond our control and some users may engage in fraudulent or abusive activities that involve our digital services. These include unauthorized use of accounts through stolen credentials, failure to pay for services accessed, or other activities that violate our terms of service. While we have implemented security measures intended to prevent unauthorized access to our digital services and related information systems, malicious entities have and will continue to attempt to gain unauthorized access to them. If our efforts to detect such violations or our actions to control these types of fraud and abuse are not effective or timely, it may have an adverse effect on our financial condition, results of operations, or reputation. For further information, see above under " Operational information systems, security systems, vehicles, and services could be affected by cybersecurity incidents, ransomware attacks, and other disruptions and impact Ford and Ford Credit as well as their suppliers and dealers. " Ford' s ability to maintain a competitive cost structure could be affected by labor or other constraints. The vast majority of the hourly employees in our ~~Ford Blue and Ford Model e~~ manufacturing operations in the United States and Canada are represented by unions and covered by collective bargaining agreements. These agreements provide guaranteed wage and benefit levels throughout the contract term and some degree of income security, subject to certain conditions. **With the ratification of our new contracts with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (" UAW ") in the United States and Unifor in Canada in 2023, we expect to have a significant increase in labor costs through the life of the contracts, and if we are unable to offset those costs, it could have a significant adverse effect on our business. Further,** ~~These~~ **these** agreements may restrict our ability to close plants and divest businesses **. Some of our competitors do not have such collective bargaining agreements and are not subject to the same constraints** . A substantial number of our employees in other regions are represented by unions or government councils, and legislation or custom promoting retention of manufacturing or other employment in the state, country, or region may constrain as a practical matter our ability to sell or close manufacturing or other facilities **or increase the cost of doing so** . Ford' s ability to attract **, develop, grow,** and ~~retain~~ **reward** ~~talented~~ -- **talent** ~~, diverse, and highly skilled employees~~ is critical to its success and competitiveness. Our success depends on our ability to continue to ~~recruit~~ **attract, develop, grow,** and ~~retain~~ **reward** talented and diverse employees **with domain expertise** ~~who are highly skilled~~ in engineering, software, technology (including digital capabilities and connectivity), **integrated services, supply chain,** marketing, and finance, among other areas. **While we have been successful in attracting talent in recent years, as with any company, the ability to continue to attract talent is important, particularly in growth areas vital to our success such as software, electrification, and integrated services.** Competition for such ~~employees~~ **talent** is intense, which has led to an increase in compensation throughout a tight labor market, and, accordingly, may increase costs for **companies** ~~employers. We have struggled to hire and retain salaried, skilled hourly, and production hourly employees in some of our manufacturing and parts, supplies, and logistics locations~~ . In addition to **attracting talent, we must also retain the talent needed to deliver our business objectives. While** compensation considerations **remain important** , current and potential employees are increasingly placing a premium on various intangibles, such as working for companies with a clear purpose and strong brand reputation, flexible work arrangements, and other considerations, such as embracing sustainability and diversity, equity, and inclusion initiatives. If we are not perceived as an employer of choice, we may be unable to recruit ~~highly skilled employees~~ **the best talent** . Further, if we lose existing employees with needed skills ~~,~~ or we are unable to ~~upskill and~~ develop existing employees, particularly with the introduction of new technologies **and our focus on operational efficiency and quality** , it could have a substantial adverse effect on our business. Ford' s new and existing products and digital, software, and physical services are subject to market acceptance and face significant competition from existing and new entrants in the automotive and digital and software services industries, and its reputation may be harmed if it is unable to achieve the initiatives it has announced. Although we conduct extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside our control affect the success of new or existing products and services in the marketplace, and we may not be able to accurately predict or identify emerging trends or preferences or the success of new products or services in the market. It takes years to design and develop a new vehicle or change an existing vehicle. Because customers' preferences may change quickly, our new and existing products may not generate sales in sufficient quantities and at costs low enough to be profitable and recoup investment costs. Offering vehicles and services that customers want and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less desirable (whether in terms of price, quality, styling, safety, overall value, fuel efficiency, or other attributes) can exacerbate these risks. For example, if we are unable to differentiate our products and services from those of our competitors, develop innovative new products and services, or sufficiently tailor our products and services to customers in other markets, there could be insufficient demand for our products and services, which could have an adverse impact on our financial condition or results of operations. With increased consumer interconnectedness through the internet, social media, and other media, mere allegations relating to quality, safety, fuel efficiency, sustainability, corporate social responsibility, or other key attributes can negatively impact our reputation or market acceptance of our products or services, even where such allegations prove to be inaccurate or unfounded. Further, our ability to successfully grow through capacity expansion and investments in the areas of electrification, connectivity, digital and physical services, and software services depends on many factors, including advancements in technology, regulatory changes, infrastructure development (e. g., a widespread vehicle charging network), and other factors that are difficult to predict, that may significantly affect the future of electric ~~and~~ **vehicles,** autonomous ~~vehicles~~ **technologies** , digital and physical services, and software services. The automotive, software, and digital service businesses are very competitive and are undergoing rapid changes. Traditional competitors are expanding their offerings, and new types of competitors (particularly in our areas of strength, e. g., pick- up trucks, utilities, and commercial vehicles) that may possess superior technology, may have business models with certain aspects that are more efficient, and are not subject to the same level of fixed costs as us, are entering the market. **For example, Chinese electric vehicle producers are exporting their products to some key markets in which we operate.** This level of competition **necessitates that we invest in and integrate emerging technologies into our business and** increases the importance of our ability to anticipate, develop, and deliver products and services that customers desire on a timely basis, in quantities in line with demand, **with the quality they expect,** and at costs low enough to be profitable **. Moreover, if we do not meet customer expectations for quickly and effectively addressing and remedying issues that may develop with or that improve our products and services, e. g., successfully delivering OTA updates, it would have an adverse effect on our business** . We have announced our intent to continue making multi- billion dollar investments in electrification and software services. Our plans include offering electrified versions of many of our vehicles, including the F- 150 Lightning and E- Transit. If the market for electrified vehicles does not develop at the rate we expect, even if the regulatory framework encourages a rapid adoption of electrified vehicles, there is a negative perception of our vehicles or about electric vehicles in general **, we are unable to or are delayed in developing or embracing new technologies or processes** , or if consumers prefer our competitors' vehicles, there could be an adverse impact on our financial condition or results of operations. Further, as discussed below under " Ford may need to substantially modify its product plans and facilities to comply with safety, emissions, fuel economy, autonomous driving technology, environmental, and other regulations, " lower than planned market acceptance of our vehicles may impact our strategy to comply with fuel economy standards. Ford is addressing its impact on climate change aligned with the United Nations Framework Convention on Climate Change (Paris Agreement) by working to reduce our carbon footprint over time across our vehicles, operations, and supply chain. We have announced interim emissions targets approved by the Science Based Targets initiative (SBTi) and made other statements about similar initiatives, e. g., our expected electric vehicle volumes in future years. Achievement of these initiatives will require significant investments and the implementation of new processes; however, there is no assurance that the desired outcomes will be achieved. To the extent we are unable to achieve these initiatives or our transition to electrification is slower than expected, it may harm our reputation or we may not otherwise receive the expected return on the investment. For example, we are exposed to reputational risk if we do not reduce vehicle CO2 emissions in line with our targets or in compliance with applicable regulations. Further, our customers ~~and~~ **,** investors **, and other stakeholders** evaluate how well we are progressing on our announced climate goals and aspirations, and if we are not on track to achieve those goals and aspirations on a timely basis, or if the expectations of our customers and investors change and we do not adequately address their expectations, our reputation could be impacted, and customers may choose to purchase the products and services of, investors may choose to invest in, and suppliers and vendors may choose to do business with other companies **. Other parties may object to the positions we have taken and may, in the future, take on environmental, social, or other issues, or in the event we change our position on such issues, which may result in a loss of customers, a boycott of our products or services, or other actions that may impact not only our brand and reputation but also our results of operations, financial condition, and the price of our Common Stock** . Moreover, new offerings, including those related to electric vehicles and autonomous driving technologies, may present technological challenges that could be costly to implement and overcome and may subject us to customer claims if they do not operate as anticipated. In addition, since new technologies are subject to market acceptance, a malfunction involving any manufacturer' s autonomous vehicle may negatively impact the perception of autonomous vehicles **and autonomous vehicle technologies** and erode customer trust. Ford' s results are dependent on sales of larger, more profitable vehicles, particularly in the United States. A shift in consumer preferences away from larger, more profitable vehicles with internal combustion engines (including trucks and utilities) to electric or other vehicles in our portfolio that may be less profitable could result in an adverse effect on our financial condition or results of operations. If demand for electric vehicles grows at a rate greater than our ability to increase our production capacity for those vehicles, lower market share and revenue, as well as facility and other asset- related charges (e. g., accelerated depreciation) associated with the production of internal combustion vehicles, may result. In addition, government regulations aimed at reducing emissions and increasing fuel efficiency (e. g., ZEV mandates and low emission zones) and other factors that accelerate the transition to electric vehicles may increase the cost of vehicles by more than the perceived benefit to consumers and dampen margins. With a global footprint **and supply chain** , Ford' s results **and operations** could be adversely affected by economic or geopolitical developments, including protectionist trade policies such as tariffs, or other events. Because of the interconnectedness of the global economy, the challenges of a pandemic, a financial crisis, economic downturn or recession, natural disaster, war, geopolitical crises, or other significant events in one area of the world can have an immediate and material adverse impact on markets around the world. Changes in international trade policy can also have a substantial adverse effect on our financial condition ~~or~~ **,** results of operations **, or our business in general** . Steps taken by governments to apply or consider applying tariffs on automobiles, parts, and other products and materials have the potential to disrupt existing supply chains, impose additional costs on our business, and ~~may~~ **could** lead to other countries attempting to retaliate by imposing tariffs, which would make our products more expensive for customers, and, in turn, could make our products less competitive. In particular, China presents unique risks to U. S. automakers due to the strain in U. S.- China relations, China' s unique regulatory landscape, ~~and~~ the level of integration with key components in our global supply chain **, and the rapid development of the Chinese electric vehicle industry, with Chinese electric vehicle manufacturers exporting their products to some key markets in which we operate** . **With** ~~Ford has~~ operations in various markets with volatile economic or political environments ~~. This may~~ **and our global supply chain and utilization of transportation routes and logistics providers around the world, we are** ~~expose~~ **exposed** ~~us~~ to heightened risks as a result of economic, geopolitical, or other events ~~,~~ **. This could** ~~including~~ **include** governmental takeover (i. e., nationalization) of our manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities (such as the ~~actions taken by~~ **ongoing conflicts between** Russia ~~in~~ **and** Ukraine **and between Israel and Hamas, heightened tensions in the Red Sea, and potential tensions in the South China Sea**), and acts of terrorism, each of which could impact our supply chain as well as our operations and have a substantial adverse effect on our financial condition or results of operations. Further, the U. S. government, other governments, and international organizations could impose additional sanctions or export controls that could restrict us from doing business directly or indirectly in or with certain countries or parties, which could include affiliates. Industry sales volume can be volatile and could decline if there is a financial crisis, recession, **public health emergency,** or significant geopolitical event. Because we, like other manufacturers, have a higher proportion of fixed structural costs, relatively small changes in industry sales volume can have a substantial effect on our cash flow and results of operations. Vehicle sales are affected by overall economic and market conditions **, consumer behavior,** and developing trends such as shared vehicle ownership and ~~the transportation as a service model, e. g.,~~ ridesharing services. If industry vehicle sales were to decline to levels significantly below our planning assumption, the decline could have a substantial adverse effect on our financial condition, results of operations, and cash flow. For a discussion of economic trends, see Item 7. Ford may face increased price competition or a reduction in demand for its products resulting from industry excess capacity, currency fluctuations, competitive actions, or other factors **, particularly for electric vehicles** . The global automotive industry is intensely competitive, with installed manufacturing capacity generally exceeding current demand. Historically, industry overcapacity has resulted in many manufacturers offering marketing incentives on vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidized financing or leasing programs, price rebates, and other incentives. As a result, we are not necessarily able to set our prices to offset higher marketing incentives, commodity or other cost increases, tariffs, or the impact of adverse currency fluctuations. This risk includes cost advantages foreign competitors may have because of their weaker home market currencies, which may, in turn, enable those competitors to offer their products at lower prices. Further, higher inventory levels put downward pressure on pricing, which may have an adverse effect on our financial condition and results of operations. **Although we continue to invest in our electric vehicle strategy, we have observed lower- than- anticipated industrywide electric vehicle adoption rates and near- term pricing pressures, which has led us and may in the future lead us to adjust our spending, production, and / or product launches to better match the pace of electric vehicle adoption.** As **a result of the lower- than- anticipated adoption rates, near- term pricing pressures, and** ~~the~~ **other** ~~automotive industry transitions~~ **factors, we have accrued and may continue to incur charges, which could be substantial, related to payments to our electric vehicle- related suppliers (battery, raw material, or otherwise), inventory adjustments, or other matters. Battery costs remain high, which is detrimental** to electric vehicles **reaching pricing parity with ICE vehicles and further exacerbates the pricing pressures on electric vehicles. Furthermore** , **as we invest in battery production, including the construction of battery plants, if we are unable to operate those plants at their expected capacity because electric vehicle adoption rates remain lower- than- anticipated or otherwise, we may be unable to recoup the investments we have made. As electric vehicle adoption rates increase, the risk of** excess capacity, particularly for internal combustion engine trucks and utilities, may **be exacerbated** ~~continue or increase~~ . This excess capacity may further increase price competition in that segment of the market, which could have a substantial adverse effect on our financial condition or results of operations. Inflationary pressure and fluctuations in commodity and energy prices, foreign currency exchange rates, interest rates, and market value of Ford or Ford Credit' s investments, including marketable securities, can have a significant effect on results. We and our suppliers are exposed to inflationary pressure and a variety of market risks, including the effects of changes in commodity and energy prices, foreign currency exchange rates, and interest rates. We monitor and **attempt to** manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce potentially adverse effects on our business. Changes in commodity and energy prices (from tariffs and the actions taken by Russia in Ukraine, as discussed above under " With a global footprint **and supply chain** , Ford' s results **and operations** could be adversely affected by economic or geopolitical developments, including protectionist trade policies such as tariffs, or other events, " or otherwise), currency exchange rates, and interest rates cannot always be predicted, hedged, or offset with price increases to eliminate earnings volatility. As a result, significant changes in commodity and energy prices, foreign currency exchange rates, or interest rates as well as increased material, freight, logistics, and similar costs could have a substantial adverse effect on our financial condition or results of operations. See Item 7 and Item 7A for additional discussion of currency, commodity and energy price, and interest rate risks. ~~For example~~ **These market forces have caused us to incur higher material costs, which may continue, and our warranty costs have increased, in part, due to inflationary cost pressures at our dealers. Moreover, due to inflationary pressure, some of our suppliers have submitted claims to us for reimbursement of costs beyond our original agreed terms. Upon receipt, we evaluate those claims, and, in certain circumstances, we have made payments to our suppliers, and this trend may continue. Further** , interest rates have increased significantly as central banks in developed countries attempt to subdue inflation while government deficits and debt remain at high levels in many global markets. Accordingly, the eventual implications of higher government deficits and debt, tighter monetary policy, and potentially higher long- term interest rates may drive a higher cost of capital for the business. At Ford Credit, rising interest rates may impact Ford Credit' s ability to source funding and offer financing at competitive rates, which could reduce its financing margin. In addition, our results are impacted by fluctuations in the market value of our investments, with unrealized gains and losses that could be material in any period. Ford and Ford Credit' s access to debt, securitization, or derivative markets around the world at competitive rates or in sufficient amounts could be affected by credit rating downgrades, market volatility, market disruption, regulatory requirements, or other factors. Ford and Ford Credit' s ability to obtain unsecured funding at a reasonable cost is dependent on their credit ratings or their perceived creditworthiness. Further, Ford Credit' s ability to obtain securitized funding under its committed asset- backed liquidity programs and certain other asset- backed securitization transactions is subject to having a sufficient amount of assets eligible for these programs, as well as Ford Credit' s ability to obtain appropriate credit ratings **for those transactions** and, for certain committed programs, derivatives to manage the interest rate risk. Over time, and particularly in the event of credit rating downgrades, market volatility, market disruption, or other factors, Ford Credit may reduce the amount of receivables it purchases or originates because of funding constraints. In addition, Ford Credit may reduce the amount of receivables it purchases or originates if there is a significant decline in the demand for the types of securities it offers or Ford Credit is unable to obtain derivatives to manage the interest rate risk associated with its securitization transactions. A significant reduction in the amount of receivables Ford Credit purchases or originates would significantly reduce its ongoing results of operations and could adversely affect its ability to support the sale of Ford vehicles. **To the extent** ~~Furthermore, in addition to rising~~ interest rates **remain relatively high,** ~~adversely affecting overall economic activity and the~~ **they may** ~~financial condition of our customers, increases in interest rates could cause credit market disruptions, which~~ have ~~historically resulted in higher borrower~~ **an adverse effect on borrowing** costs ~~and made~~ **for Ford Credit, making** it more ~~difficult~~ **expensive** to ~~access~~ **fund our operations or leading to higher rates charged to our customers if** ~~the~~ **these costs are passed** ~~markets, obtain financing~~ on ~~favorable terms, and fund our operations~~ . The impact of government incentives on Ford' s business could be significant, and Ford' s receipt of government incentives could be subject to reduction, termination, or clawback. We receive economic benefits from national, state, and local governments in various regions of the world in the form of incentives designed to encourage manufacturers to establish, maintain, or increase investment, workforce, or production. These incentives may take various forms, including grants, loan subsidies, or tax abatements or credits. The impact of these incentives can be significant in a particular market during a reporting period. A decrease in, expiration without renewal of, or other cessation or clawback of government incentives for any of our **operations** ~~business units~~ , as a result of administrative decision or otherwise, could have a substantial adverse impact on our financial condition or results of operations. **For example,** ~~Until~~ **until** 2021, most of our manufacturing facilities in South America were located in Brazil, where the state or federal governments historically offered significant incentives to manufacturers to encourage capital investment, increase manufacturing production, and create jobs. As a result, the performance of our South American operations had been impacted favorably by government incentives to a substantial extent. The federal government in Brazil has levied assessments against us concerning the federal incentives we previously received, and the State of São Paulo has challenged the grant to us of tax incentives by the State of Bahia. See Note 2 of the Notes to the Financial Statements for discussion of our accounting for government incentives, and " Item 3. Legal Proceedings " for a discussion of tax proceedings in Brazil and the potential requirement for us to post collateral. The U. S. Inflation Reduction Act (" IRA ") provides, among other things, financial incentives in the form of tax credits to grow the domestic supply chain and domestic manufacturing base for electric vehicles, plug- in hybrid vehicles (PHEVs), and other " clean " vehicles. The law likewise incentivizes the purchase of clean vehicles and the infrastructure to fuel them. These incentives ~~are phasing in~~ **change over time** and will remain in effect until approximately 2032, unless modified by Congress. The IRA' s incentives are having and are expected to have material impacts on the automotive industry and Ford. The IRA authorizes tax credits to manufacturers for the domestic production of batteries and battery components for EVs and PHEVs **,** and **this credit is expected** to **improve the financial performance of domestic battery manufacturers, including the new operations at our upcoming facility in Michigan and BlueOval SK' s facilities in Kentucky and Tennessee. Further, the degree of success of some of our investment strategies depends upon IRA tax credit eligibility and for those credits to continue to remain available through the currently contemplated expiration. The IRA also authorizes tax credits for** purchasers of qualified commercial and retail clean vehicles. Ford expects that ~~many~~ **most commercial** customers **that purchase an EV or PHEV** will be **eligible for** ~~able to monetize~~ the commercial clean vehicle credit **, although it is unclear at this time how many** ~~in light of Ford' s range of electrified product offerings for~~ commercial ~~applications~~ **vehicle purchasers will have the underlying federal tax liability that is necessary to actually monetize this credit** . When paired with the IRA' s tax credit for the construction of certain electric vehicle charging infrastructure, Ford expects the commercial clean vehicle credit will ~~significantly~~ influence commercial fleets **, governmental fleets, and other vehicle purchasers** in their evaluation of a transition from internal combustion engine vehicles to EVs and PHEVs. To claim the retail tax credit, the IRA establishes numerous and complex prerequisites, including that the vehicle must be assembled in North America; the vehicle must be under specified limitations on manufacturer suggested retail price (" MSRP "); purchaser income limitations; starting in 2024, any vehicle that contains " battery components " that were " manufactured or assembled " by a " foreign entity of concern " will be ineligible; and, starting in 2025, any vehicle that contains battery materials that were " extracted, processed, or recycled " by a " foreign entity of concern " will be ineligible. A " Critical Minerals Credit " is available for those vehicles that have a specified percentage of critical minerals that are " extracted or produced " in the United States, in a country with which the United States has a Free Trade Agreement, or that is " recycled " in North America. A " Battery Components Credit " is available for those vehicles that have a specified percentage of " value " of its battery " components " that are " manufactured or assembled " in North America. Although we ultimately expect the IRA to benefit Ford and the automotive industry in general, the availability of such benefits will depend on the further development and improvement of the U. S. battery supply, sufficient access to raw materials within the scope of the IRA, and the terms of the regulations and guidance (and the limitations therein) the U. S. government issues to implement the IRA, which will ultimately determine which vehicles qualify for incentives and the amount thereof. ~~For example,~~

~~in late 2022 interim guidance was released on how to apply the MSRP limitations to the retail clean vehicle credit, and subjected a significant number of SUVs to a lower MSRP limitation than the industry expected, thereby excluding vehicles that may otherwise be eligible for the credit.~~ Automakers that better optimize eligibility for their vehicles, as compared to their competition, will have a competitive advantage. Ford Credit could experience higher- than- expected credit losses, lower- than- anticipated residual values, or higher- than- expected return volumes for leased vehicles. Credit risk is the possibility of loss from a customer' s or dealer' s failure to make payments according to contract terms. Credit risk (which is heavily dependent upon economic factors including unemployment, consumer debt service burden, personal income growth, dealer profitability, and used car prices) has a significant impact on Ford Credit' s business. The level of credit losses Ford Credit may experience could exceed its expectations and adversely affect its financial condition or results of operations. In addition, Ford Credit projects expected residual values (including residual value support payments from Ford) and return volumes for the vehicles it leases. Actual proceeds realized by Ford Credit upon the sale of returned leased vehicles at lease termination may be lower than the amount projected, which would reduce Ford Credit' s return on the lease transaction. Among the factors that can affect the value of returned lease vehicles are the volume and mix of vehicles returned industry- wide, economic conditions, marketing programs, and quality or perceived quality, safety, fuel efficiency, or reliability of the vehicles, or changes in propulsion technology and related legislative changes. Actual return volumes may be influenced by these factors, as well as by contractual lease- end values relative to auction values. ~~In 2022, Ford Credit experienced lower- than- expected return volumes.~~ If auction values decrease significantly in the future, return volumes could exceed Ford Credit' s expectations. Each of these factors, alone or in combination, has the potential to adversely affect Ford Credit' s results of operations if actual results were to differ significantly from Ford Credit' s projections. See " Critical Accounting Estimates " in Item 7 for additional discussion. Economic and demographic experience for pension and OPEB plans (e. g., discount rates or investment returns) could be worse than Ford has assumed. The measurement of our obligations, costs, and liabilities associated with benefits pursuant to our pension and OPEB plans requires that we estimate the present value of projected future payments to all participants. We use many assumptions in calculating these estimates, including assumptions related to discount rates, investment returns on designated plan assets, and demographic experience (e. g., mortality and retirement rates). We generally remeasure these estimates at each year end and recognize any gains or losses associated with changes to our plan assets and liabilities in the year incurred. To the extent actual results are less favorable than our assumptions, we may recognize a remeasurement loss in our results, which could be substantial. For additional information regarding our assumptions, see " Critical Accounting Estimates " in Item 7 and Note 17 of the Notes to the Financial Statements. Pension and other postretirement liabilities could adversely affect Ford' s liquidity and financial condition. We have defined benefit retirement plans in the United States that cover many of our hourly and salaried employees. We also provide pension benefits to non- U. S. employees and retirees, primarily in Europe. In addition, we sponsor plans to provide OPEB for retired employees (primarily health care and life insurance benefits). See Note 17 of the Notes to the Financial Statements for more information about these plans. These benefit plans impose significant liabilities on us and could require us to make additional cash contributions, which could impair our liquidity. If our cash flows and capital resources are insufficient to meet any pension or OPEB obligations, we could be forced to reduce or delay investments and capital expenditures, suspend dividend payments, seek additional capital, or restructure or refinance our indebtedness. Ford and Ford Credit could experience unusual or significant litigation, governmental investigations, or adverse publicity arising out of alleged defects in products, services, perceived environmental impacts, or otherwise. We spend substantial resources to comply with governmental safety regulations, mobile and stationary source emissions regulations, consumer and automotive financial regulations, and other standards, but we cannot ensure that employees or other individuals affiliated with us will not violate such laws or regulations. In addition, as discussed below under " Ford may need to substantially modify its product plans and facilities to comply with safety, emissions, fuel economy, autonomous driving technology, environmental, and other regulations " and " Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations, " regulatory standards and interpretations may change on short notice and impact our compliance status. Government investigations against Ford or Ford Credit could result in fines, penalties, ~~or~~ orders **, or other resolutions** that could have an adverse impact on our financial condition, results of operations, or the operation of our business. Moreover, compliance with governmental standards does not necessarily prevent individual or class action lawsuits, which can entail significant cost and risk. In certain circumstances, courts may permit civil actions even where our vehicles, services, and financial products comply with federal and / or other applicable law. Furthermore, simply responding to actual or threatened litigation or government investigations of our compliance with regulatory standards, whether related to our products, services, or business or commercial relationships, requires significant expenditures of time and other resources. Litigation also is inherently uncertain, and we **have in the past experienced and** could **in the future** experience significant adverse results, including compensatory and punitive damage awards, a disgorgement of profits or revenue, or injunctive relief, any of which could have an adverse effect on our financial condition, results of operations, or our business in general **, particularly with larger jury verdicts becoming more prevalent** . In addition, adverse publicity surrounding an allegation **, litigation, or investigation, even if there is no merit to the matter,** may cause significant reputational harm ~~that~~ **or create a negative public perception of our products and services, which** could have a significant adverse effect on our sales. Ford may need to substantially modify its product plans and facilities to comply with safety, emissions, fuel economy, autonomous driving technology, environmental, and other regulations. The automotive industry is subject to regulations worldwide that govern product characteristics and that differ by global region, country, and sometimes within national boundaries. ~~Further, additional and new regulations~~ **Regulators** ~~continue to be proposed~~ **have enacted and are proposing standards** to address concerns regarding the environment (including concerns about global climate change and ~~its impact~~ **air quality**), vehicle safety, and energy independence, and the regulatory landscape can change on short notice. These regulations vary, but generally require that over time motor vehicles and engines emit less air pollution, including **GHG** ~~greenhouse gas~~ emissions, oxides of nitrogen, hydrocarbons, carbon monoxide, and particulate matter **, and there are associated increased reporting requirements** . Similarly, we are making substantial investments in our facilities and revising our processes to not only comply with applicable regulations but also to make our operations more efficient and sustainable. As our suppliers make similar investments, ~~those~~ **any** higher costs may be passed on to us. In the United States, legal and policy debates on environmental regulations are continuing, with a primary trend toward reducing GHG emissions and increasing vehicle electrification. Recently, different federal administrations have either sought to make standards more strict or to make them less strict, with one administration often replacing the regulations enacted by the last. Various third parties routinely seek judicial review of these federal regulatory and deregulatory efforts. In parallel, California continues to enact increasingly strict emissions standards and requirements for ~~zero emission vehicles~~ **ZEVs (standards that some other states are adopting)** , and those actions are also the subject of legal challenges ~~from third parties~~ . Court rulings regarding regulatory actions by federal, California, and other state regulators create uncertainty and the potential for applicable regulatory standards to change quickly. In addition, many governments regulate local product content ~~and /~~ or impose import requirements with the aim of creating jobs, protecting domestic producers, and influencing the balance of payments. We **regularly refine** ~~are continuing to make changes to~~ our product cycle plan to improve the fuel economy of our **internal combustion** ~~petroleum- powered~~ vehicles and to offer more propulsion choices, such as **hybrid and** electrified vehicles, ~~with~~ **that generate** lower GHG emissions. Electrification is our core strategy to comply with current and anticipated environmental laws and regulations in major markets. However, there are limits ~~on~~ **to** our ability to reduce emissions and increase fuel economy over ~~a~~ given time ~~frame~~ **frames** and many factors ~~are involved~~ that could delay or impede our plans ~~,~~ **. Those factors** primarily ~~relating~~ **relate** to the cost and effectiveness of available technologies ~~,~~ **;** consumer acceptance of new technologies and **their costs;** changes in vehicle mix (as described in more detail above under " Ford' s new and existing products and digital, software, and physical services are subject to market acceptance and face significant competition from existing and new entrants in the automotive and digital and software services industries, and its reputation may be harmed if it is unable to achieve the initiatives it has announced ") **;** ~~, willingness of consumers to absorb the additional costs of new technologies,~~ the appropriateness (or lack thereof) of certain technologies for use in particular vehicles ~~,~~ **;** the widespread availability (or lack thereof) of supporting infrastructure for new technologies, including charging for electric vehicles ~~,~~ **;** the availability (or lack thereof) of the raw materials and component supply to make **affordable** batteries and other elements of electric vehicles ~~,~~ **;** and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products and powertrains in a short time. If fuel prices are relatively low and market conditions **or the consumer attributes of our vehicles** do not ~~drive~~ **lead** consumers to purchase electric vehicles and other highly fuel- efficient vehicles in ~~large~~ **sufficient** numbers, it may be difficult to meet applicable environmental standards ~~without compromising results~~ . Moreover, ~~a~~ **the rates of EV growth,** production ~~disruption~~ **disruptions** , stop ~~ship~~ **ships** , **supply chain limitations** ~~limited availability of necessary components, e. g., batteries or the raw materials necessary for their production~~ , lower **-** than **-** planned market acceptance of our vehicles, **and /** or other **circumstances** ~~intervening events~~ may cause us to modify ~~our~~ product plans, or, in some cases, purchase credits, **which we have done,** in order to comply with **emissions** standards ~~regarding~~ **,** fuel economy ~~and air pollution~~ **standards, or ZEV requirements** , which could have an adverse effect on our financial condition ~~or~~ **and** results of operations and ~~/ or~~ cause reputational harm. Increased scrutiny of automaker emission compliance by regulators around the world has led to new regulations, more stringent enforcement programs, additional field actions, demands for reporting on the field performance of emissions components and higher scrutiny of field data, and ~~/ or~~ delays in regulatory approvals. The cost to comply with ~~existing~~ government regulations ~~(~~ **concerning new vehicle standards and** in ~~addition to the cost of any~~ **- use vehicle requirements, including** field service actions **,** ~~that may result from regulatory actions)~~ is substantial ~~and~~ **.** ~~additional~~ **Additional** regulations, changes in regulatory interpretations, or changes in consumer preferences that affect vehicle mix, as well as ~~a~~ **any** non- compliance with applicable laws and regulations, could have a substantial adverse impact on our financial condition or results of operations. In addition, a number of governments, as well as non- governmental organizations, publicly assess vehicles to their own protocols. **Any** ~~The protocols could change, and any~~ negative perception regarding the performance of our vehicles subjected to such tests could reduce future sales. Court decisions arising out of consumer and investor litigation could give rise to de facto changes in the interpretation of existing emission laws and regulations, thereby imposing new burdens on manufacturers. For more discussion of the impact of standards on our global business, see the " Governmental Standards " discussion in " Item 1. Business " above. We and other companies continue to develop autonomous vehicle **and driver assist** technologies, and the U. S. and foreign governments are continuing to develop the regulatory framework that will govern autonomous vehicles **and related technologies** . ~~The evolution of the~~ **Manufacturers are facing increased scrutiny from** ~~regulatory~~ **regulators** ~~framework~~ **at the state and federal level on system misuse by customers, feature capabilities, and whether advertising** for **this technology contains false or misleading information. Some states are developing their own regulations that impact the testing and design of** autonomous vehicles **. This patchwork approach without federal guidance** ~~, and the pace of the development of such regulatory framework,~~ may subject ~~us~~ **Ford** to ~~increased~~ **additional compliance** costs ~~and uncertainty~~ **. In addition** , **the demand for these** ~~and may ultimately impact our ability to deliver autonomous vehicles and related~~ services ~~that customers want~~ **by consumers is fluctuating as the technology is rolled out in various stages and with mixed industry results** . Ford and Ford Credit could be affected by the continued development of more stringent privacy, data use, ~~and~~ data protection **, and artificial intelligence** laws and regulations as well as consumers' heightened expectations to safeguard their personal information. We are subject to laws, rules, guidelines from privacy **and other** regulators, and regulations in the United States and other countries (such as the European Union' s and the U. K.' s General Data Protection Regulations and the California Consumer Privacy Act) relating to the collection, use, cross- border data transfer, and security of personal information of consumers, employees, or others, including laws that may require us to notify regulators and affected individuals of a data security incident. Existing and newly developed laws and regulations may contain broad definitions of personal information, are subject to change and uncertain interpretations by courts and regulators, and may be inconsistent from state to state or country to country. Accordingly, complying with such laws and regulations may lead to a decline in consumer engagement or cause us to incur substantial costs to modify our operations or business practices. Moreover, regulatory actions seeking to impose significant financial penalties for noncompliance and / or legal actions (including pursuant to laws providing for private rights of action by consumers) could be brought against us in the event of a data compromise, misuse of consumer information, or perceived or actual non- compliance with data protection ~~or~~ **,** privacy **, or artificial intelligence** requirements **. The rapid evolution and increased adoption of artificial intelligence technologies may intensify these risks** . Further, any unauthorized release of personal information could harm our reputation, disrupt our business, cause us to expend significant resources, and lead to a loss of consumer confidence resulting in an adverse impact on our business and / or consumers deciding to withhold or withdraw consent for our collection or use of data. Ford Credit could be subject to new or increased credit regulations, consumer protection regulations, or other regulations. As a finance company, Ford Credit is highly regulated by governmental authorities in the locations in which it operates, which can impose significant additional costs and / or restrictions on its business. In the United States, for example, Ford Credit' s operations are subject to regulation and supervision under various federal, state, and local laws, including the federal Truth- in- Lending Act, Consumer Leasing Act, Equal Credit Opportunity Act, and Fair Credit Reporting Act. The Dodd- Frank Act directs federal agencies to adopt rules to regulate the finance industry and the capital markets and gives the Consumer Financial Protection Bureau (" CFPB ") broad rule- making and enforcement authority for a wide range of consumer financial protection laws that regulate consumer finance businesses, such as Ford Credit' s automotive financing business. Exercise of these powers by the CFPB may increase the costs of, impose additional restrictions on, or otherwise adversely affect companies in the automotive finance business. The CFPB has authority to supervise and examine the largest nonbank automotive finance companies, such as Ford Credit, for compliance with consumer financial protection laws. Failure to comply with applicable laws and regulations could subject Ford Credit to regulatory enforcement actions, including consent orders or similar orders where Ford Credit may be required to revise practices, remunerate customers, or pay fines. An enforcement action against Ford Credit could harm Ford Credit' s reputation or lead to further litigation.