CORPORATE OTHER

Corporate Other primarily includes corporate governance expenses, interest income (excluding interest earned on our extended service contract portfolio that is included in our Automotive segment) and gains and losses from our cash, cash equivalents, and marketable securities (excluding gains and losses on investments in equity securities), and foreign exchange derivatives gains and losses associated with intercompany lending. Corporate governance expenses are primarily administrative, delivering benefit on behalf of the global enterprise, that are not allocated to operating segments. These include expenses related to setting and directing global policy, providing oversight and stewardship, and promoting the Company’s interests.

Effective January 1, 2023, past service pension and other postretirement employee benefits (“OPEB”) income/expense and related assets, previously reported in the Automotive segment, were realigned to Corporate Other.

INTEREST ON DEBT

Interest on Debt consists of interest expense on Company debt excluding Ford Credit.

GOVERNMENTAL STANDARDS

Many governmental standards and regulations relating to safety, fuel economy, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage, and theft prevention are applicable to new motor vehicles, engines, and equipment. In addition, manufacturing and other automotive assembly facilities are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances. The most significant of the standards and regulations affecting us are discussed below:

Vehicle Emissions Control

U.S. Requirements - Federal and California Tailpipe Emission Standards. Both the U.S. Environmental Protection Agency (“EPA”) and the California Air Resources Board (“CARB”) have established motor vehicle tailpipe and evaporative emissions standards that become increasingly stringent over time. Seventeen states have adopted California’s light-duty standards, four states have adopted California’s heavy-duty standards, and other states are expected to join. Both federal and California regulations also require motor vehicles to be equipped with on-board diagnostic (“OBD”) systems that monitor emission-related systems and components. In addition, light- and medium-duty vehicles and heavy-duty engines must be certified by EPA prior to sale in the United States and by CARB prior to sale in California and the relevant states. Canada accepts EPA certification. Compliance with emissions standards, OBD requirements, and related regulations can be challenging and can drive increased product development costs, warranty costs, and vehicle recalls.

CARB has adopted new emissions regulations applicable to model year 2024 heavy-duty engines, as well as extended heavy-duty warranty requirements beginning with the 2022 model year, and EPA has proposed more stringent heavy-duty standards beginning with the 2027 model year. These rules include more stringent emissions standards, as well as new requirements affecting durability testing, warranty, and OBD. CARB has also adopted new light-duty emissions standards applicable to 2026 model year vehicles, including a more stringent emissions standard and other new emissions requirements. These new rules are expected to impose increased challenges and costs on the development of light-duty vehicles and heavy-duty engines.

Compliance with automobile emissions standards depends in part on the widespread availability of high-quality and consistent automotive fuels that the vehicles were designed to use. Legislative, regulatory, and judicial developments related to fuel quality at both the national and state levels could affect vehicle manufacturers’ warranty costs as well as their ability to comply with vehicle emissions standards.