

Perspectives on Sustainability

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[Lewis Booth](#)

Executive Vice President and Chief Financial Officer
Ford Motor Company

"Our product decisions ... reinforce the essential link between a financially sustainable company and a sustainable environment."

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Professor of Mechanical Engineering and Associate Program Director
Sustainable Design & Manufacturing Program
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Ph.D. Candidate, Public Policy and Sociology
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Acting Director
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Director, Sustainable Business Strategies
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"The fact that we already had a sustainability plan really helped us last year when the auto companies went before Congress."

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Lewis Booth

Ford Motor Company

Executive Vice President and Chief Financial Officer

As a global company, Ford is subject to a range of economic cycles as they occur in different regions of the world. One unusual aspect of the current financial crisis is that it is affecting large parts of the global economy at the same time. This means that many areas of our own business are under pressure as key world markets struggle with falling consumer demand and other recessionary trends.

At times like this, it is important that we do not lose sight of creating a sustainable company that balances the needs of our business and society. For example, when oil prices fall, as they did in the second half of 2008, we must not be lulled into complacency. Our assumption is that the dip in oil prices is almost certainly temporary. We expect the price of energy to rise over time as economies around the world recover and consumers once again begin buying new cars and trucks.

Our product decisions reflect that thinking, and reinforce the essential link between a financially sustainable company and a sustainable environment. We must find ways to develop the vehicles that consumers want and value while at the same time build products that burn less fossil fuel and reduce CO₂ emissions.

We believe the best way to make a difference is to focus on solutions that reach not just hundreds or thousands of cars, but millions of vehicles. Our commitment is to be the best, or among the very best, on fuel economy with each new vehicle we introduce.

Furthermore, we are convinced that electrification is a significant part of the solution, and we're moving quickly to bring electric vehicles to market.

At the same time, we have sharpened our focus on shifting customer trends. In the 1990s and early this decade, Ford in North America put significant resources into producing full-size pickup trucks and SUVs. Our investments in generating cars that people would want and value trailed that of trucks and SUVs. While the move made business sense at the time, we were not as prepared for a change in customer trends as we might otherwise have been.

Customers want cars that deliver as much fun, emotion and value as their trucks and SUVs do. We are making substantial progress toward creating an exciting, profitable passenger car line, but we have undoubtedly been hampered by the continued slowdown in demand for new vehicles. Are we progressing fast enough? We're all impatient, so it's never fast enough.

But we can point to solid progress constructing a balanced portfolio of products that includes cars, crossovers, utilities, pickup trucks and commercial vehicles. We also are well into the process of realigning our manufacturing system so that we have the flexibility to match production capacity to market demand as it evolves.

A business that is less reliant on revenues from full-size pickup trucks and SUVs must find new ways to generate better profits from the rest of our product range. As such, under the banner of One Ford, we continue to improve how our product development, purchasing, marketing and manufacturing operations work together globally and more efficiently.

Our cars and trucks now and in the future will stand for safety, fuel economy, high quality and cutting-edge technology. This strategy puts us on the path for operating as a lean, global company that satisfies customers and makes a solid return – one that allows us to protect our shareholders and employees, as well as the interests of our suppliers and dealers.

I know we can produce cars that delight people around the world and meet society's expectations for sustainability. That's what Ford has been in the past, and that's what Ford will be in the future.



Lewis Booth

Executive Vice President and Chief Financial Officer, Ford Motor Company

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Bert Bras and Tina Guldberg

Sustainable Design & Manufacturing Program, Manufacturing Research Center, Georgia Institute of Technology Professor of Mechanical Engineering and Associate Program Director

The notion of sustainable mobility is rapidly evolving. When we were growing up, most people in developed nations aspired to own their own cars. That's not necessarily the case any more, particularly in densely populated areas. City dwellers need a broad range of options to get from point A to point B without having to operate a vehicle themselves.

The challenge is finding ways to blend advanced technologies with transportation services. There must be a significant "cool" factor that makes people want to change their driving behaviors to reduce congestion and vehicle emissions. Georgia Tech and Ford are working together to redefine sustainable mobility and transportation in cutting-edge ways.

For example, we have been developing touch-screen kiosks, powered by solar energy, and mobile phone applications that will put transportation information at people's fingertips, allowing them to see at the touch of a button locations and departure schedules for the nearest trains, buses, shuttles or taxi services.

We initially began working with Ford on just one project, helping to maximize efficiencies on a particular plant assembly line. Our relationship has grown, and over the last six years our projects have identified potential cost savings for Ford of more than \$4 million per year, in addition to environmental and social benefits.

Our partnership with Ford really lends credibility to our own program. All too often, people think of "sustainability" and they think you're a tree-hugger. When you have a name like Ford associated with your program, there's recognition that we must be providing value. Sustainability is not just about saving the planet; it's about saving companies, too. If you have a company that goes bankrupt, that's not sustainable for anyone involved.

We're very excited about our latest project with Ford, which examines mobility options and transportation alternatives in urban "mega-cities." We're looking at transportation issues from all sides of the equation – engineering, computer science, business, industrial design, marketing and branding. Congestion, air quality and population growth are the trends that are driving sustainable mobility – and they are relevant whether you're in Bangalore or in New York City. The difference is that in the developing cities you don't have the infrastructure and you typically don't have the means to buy a car.

Locally, we're working to improve transportation options in and around our own campus through such simple things as bike share programs and shuttle buses that connect to Atlanta city buses. It makes sense to focus first on large metropolitan areas, like Atlanta, where transportation systems are already in place. Ideally, one would want to develop and apply new modes of transportation in large cities, and then connect outward to smaller, surrounding communities.

When evaluating new transportation ideas, one must consider not only the potential benefits but also any potential unintended consequences. For example, the Dutch conducted an energy consumption study after promoting energy-efficient light bulbs, but did not see the energy savings they expected. The reason? People left the lights burning longer because the new bulbs were cheaper to operate, so they were back to square one.

The same theory applies to mobility issues: we want to make sure there's no rebound effect. Widespread transportation changes need to be efficient, cost effective and convenient or they're not going to catch on.

**Bert Bras**

Professor of Mechanical Engineering

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Melissa Forbes

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Sustainability and governance are very broad terms. At a minimum, sustainability encompasses a firm's long-term environmental, social and financial performance, while governance is an umbrella term for the processes and structures a company uses to address these sustainability dimensions. Historically, many companies viewed these three areas separately and managed them in isolated silos. This trend has been shifting dramatically over the past several years, however, as more firms have begun identifying connections between environmental and financial performance.

Institutional investors have been a driving force behind this change. A broad range of shareholders – including faith-based investors, public pension funds, foundations, unions and SRI firms – have united on climate change and other corporate governance issues tied to sustainability. Through organizations like Ceres' Investor Network on Climate Risk (INCR) and the Interfaith Center on Corporate Responsibility (ICCR), these investors are pushing U.S. firms to disclose their business risks to climate change and voluntarily adopt greenhouse gas emission (GHG) reduction targets in anticipation of government regulation of GHGs.

Some companies, including Ford, view these shareholders as a source of expertise and seek out their advice on complex environmental and social governance issues. To better understand this phenomenon, I conducted an academic case study on Ford's shareholder engagement with the Sisters of St. Dominic, an order of Dominican nuns in New Jersey. Together with other ICCR and INCR investors, the Sisters have been filing climate change resolutions at the company since 1991. In particular, Sister Patricia Daly, or "Sister Pat," is a well-known shareholder activist described by some at Ford – only half in jest – as part of the management team.

After two years of dialogue with the Sisters and the State of Connecticut Retirement Funds, the shareholders withdrew their climate change resolution after the Company agreed to publish its goal to reduce CO₂ emissions from its products in this report. I interviewed Ford managers and the investors to study this relationship and its broader applications for good governance. Ford managers viewed the Sisters as long-term investors who want not just environmental sustainability for the planet but financial sustainability for the Company as well. The relationship between the Company and the nuns is one infused with trust. Both Ford and the Sisters said they are committed to the relationship they have built over nearly two decades.

The relationship goes both ways; Ford has also earned the trust of Sister Pat by demonstrating a willingness to share information with her and other responsible shareholders on issues of climate risk. The case demonstrated an attitude of openness toward shareholders and stakeholders at the Company, as well as an interest among managers in gaining exposure to outside perspectives on sustainability issues.

In Ford's case, responsible investors are viewed as trusted intermediaries who can lend legitimacy to a company's emerging business strategies and communicate information about new initiatives to other activist groups. Both the Company and responsible investors view continued engagement as a win-win situation as Ford moves forward with its sustainability strategies.





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Paul Hawken

Environmentalist, entrepreneur, journalist, author

We could debate how quickly or slowly climate change is occurring, but since no one knows for sure, it's a useless exercise. We will know the rate of change in hindsight, but that should not prevent us from taking action now.

It's the uncertainty over the rate of change that creates a rationale for inaction among some. I interpret it the other way around. Uncertainty calls for action precisely because of what we don't know. Some scientists tell us that a permissible limit for CO₂ is 450 parts per million (ppm); others say it is 350ppm. Since we're already at 387, the mandate is clear. This is a physics and engineering problem that is solvable – but not if we dither.

The pluses for addressing climate change are huge, and the minuses are almost negligible. Tackling climate change addresses energy security, creates jobs and cultivates rapid innovation in technology.

The biggest obstacle to addressing climate change is ignorance. Many people simply don't understand the data, the science and the related implications. Climate change has been gamed by the media in such a way as to introduce doubt where there is none. This is not an environmental issue. It is a civilizational issue, and the first truly global one in the history of humankind.

This general lack of understanding creates problems for companies that are working to adapt their products and confront the issue. To whom will they sell? To the 80 percent that don't understand the problem or to the 20 percent that are concerned and want to do something about it? Companies need 100 percent of sales, not 20 percent, so the dilemma is obvious.

The question for a large company like Ford is, how quickly can it adapt to changing environmental and market conditions so it can outmaneuver competitors, but without penalizing its capital costs? This is a period in which business destinies will be made or broken. Historically, companies have resisted change in favor of the status quo. I think you can say, with all due respect, that Detroit had been stuck in the past for quite a while. So what is the auto industry going to do going forward now that the status quo has been pulled out from underneath them?

It takes years for a new automobile design to reach consumers. Ford has been reducing the cycle time to become more adaptive and using global platforms to create a more resilient, flexible system. Those who foment and demand efficiency changes in the American automobile fleet want it yesterday, which is understandable. But we're still talking about iron here – and that has its own rate of transformation.

You can't sell cars that people won't buy, even if they're better for the environment. There remains a significant gap between the harmonization of what's good for us, and what a consumer can or will actually purchase. Ford has to manage its product timeline so they're not reacting after the fact to shifts in customer demand. Conversely, we all know that if you get too far ahead of the curve, you fall off. How do you engineer the car for the future if the future is changing faster than ever? This is not an easy task.

Ford, which has really exciting products in the pipeline, has a challenge and an opportunity in the way it communicates with the public. For example, I don't think it's well understood that Ford's new Fusion hybrid is the best midsize hybrid in the market. That's a big deal.

Ford Motor Co. started with a communitarian sense when it began in 1903. I believe Ford needs to communicate the idea that they are making changes to their automobiles so that society and humanity can continue to evolve and grow. That may be an aspirational vision, but it's a pressing need in the face of climate change.

I have said in the past that if you look at climate change data, and you're optimistic, then you're not understanding the data. However, if you look at people who are working to address the future and you're not optimistic, then you don't have a pulse. It's Dickensian in that way – being the best and worst of times. The best is what many people are doing now and the worst is the legacy of what we've done to our planet out of ignorance.





Paul Hawken

Environmentalist, entrepreneur, journalist, author

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Dr. Adrian K. Lund

President, Insurance Institute for Highway Safety and the Highway Loss Data Institute

The Insurance Institute for Highway Safety plays a direct and an indirect role in the sustainability of motor vehicle transportation. To be sustainable, we must continue to make motor vehicle transportation even safer than it is today. That's our direct role. Our indirect role focuses on the intersection of safety with related issues, such as a greener environment through increased fuel economy.

Over the last five to 10 years, vehicle manufacturers have become drivers of safety improvements. For example, auto manufacturers have developed new safety features, such as electronic stability control, and installed them in vehicles without any mandates from federal regulators. Electronic stability control is clearly a huge benefit and every customer should look to purchase this feature when buying a new vehicle.

Vehicle manufacturers and suppliers are leading the curve with new technologies like blind spot warning, lane departure warning, and forward collision detection and warning. It used to be that groups like ours had to advocate for the development of new safety technologies. Now, we're trying to keep up with vehicle manufacturers to determine which ones really do work and to understand how drivers are responding to them. For example, will electronic lane departure warnings work as well as the rumble strips that we have in roadways? Or will drivers turn them off?

The Institute, the auto industry and government must work together to help ensure that motor vehicle safety and the environment achieve a proper balance. We all want safer motor vehicle transportation and a greener environment. We should achieve increased fuel economy through a variety of technologies, such as hybrid-electric vehicles, and not just by reducing vehicle weight, which can increase safety risks.

We have achieved so much over the last decade that it may seem like we have done all we can for safety. Yet, each year, 40,000 people are killed in motor vehicle crashes in the United States. We must not lose sight of that fact. As vehicles themselves have become safer, the environment has grown riskier. Drivers are traveling faster, while cell phones and other gadgets have added to the list of potential driver distractions.

Although the fatality count has stayed within the same range for a number of years, we have seen significant improvement when that rate is normalized per miles driven. Our studies have shown that the fatality rate would have gone up over the past decade if vehicles had not been getting progressively more protective of their occupants. This means that the operating environment has been getting riskier, but better designed motor vehicles more than compensate for those increased risks.

Presumably, vehicles will continue to improve, especially as we learn which crash prevention technologies really work. But as a society, we must also focus on improving the operating environment for drivers, by enforcing speed limits or redesigning intersections. Replacing stoplights with roundabouts, for example, can virtually eliminate serious injuries in side impact crashes.

Ford has a lot to be proud of in its safety history. The Ford Taurus was one of the first vehicles to perform well when our institute introduced frontal offset crash tests in 1995. Ford also helped to focus automakers on driver side airbags and was the first to include a noticeable seat belt use reminder in U.S. vehicles – without a federal requirement. We shouldn't be surprised that Ford, along with Volvo, was the leader among manufacturers in our latest round of Top Safety Picks.

We all know there's still much to be learned and more to do where safety is concerned, but things are definitely moving in the right direction.





Dr. Adrian K. Lund

President, Insurance Institute for Highway Safety and the Highway Loss Data Institute

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Mark Mittelhauser

Office of International Labor Affairs and Corporate Social Responsibility, Bureau of Democracy, Human Rights and Labor, U.S. Department of State
Acting Director



Mark Mittelhauser

Acting Director, Office of International Labor Affairs and Corporate Social Responsibility, Bureau of Democracy, Human Rights and Labor, U.S. Department of State

Protection of labor rights is a fundamental human right. In 2007, our office added Corporate Social Responsibility to our title to reflect the essential role that companies can play in promoting human rights, which is a longstanding goal of U.S. foreign policy.

We make the argument that effective CSR policies are good for business in terms of worker retention, morale, productivity and risk mitigation. Even when times are challenging, it makes sense to continue to have effective CSR policies. At the same time, one must recognize that the current global economic crisis will present many new challenges, particularly for suppliers facing price pressures.

We concentrate primarily on the labor aspects of human rights, and CSR is a key tool in our efforts. Much of our focus is on eradicating labor abuses within international supply chains, whether in pig iron from Brazil, cotton from Uzbekistan or cocoa from West Africa.

In the auto industry, the complexity of the supply chain is mind-boggling, with thousands of suppliers spread out across the globe. Each product has its own challenges, particularly in remote regions where there are multiple layers of suppliers. Charcoal sourced from the Brazilian Amazon that may be tainted with forced labor, for example, is used in the making of some pig iron, which, in turn, is used to make steel, which is then turned into auto parts.

There are a tremendous number of hurdles for companies with vast supply chains – not only in controlling the conditions within the product chains, but even in simply getting a handle on what might be going on, particularly in areas where labor rights violations are hard to detect.



Ultimately, the responsibility for enforcement lies with governments. But in many cases, countries must contend with underfunded labor ministries and factories that are practically unreachable or hidden in the informal sector. In Brazil, it can take days for inspectors to travel by truck to the charcoal camps where forced labor might be alleged.

Ford's leadership within the Automotive Industry Action Group has been essential in bringing automakers together to focus more clearly on CSR policies and social goals. Ford has also been part of multi-stakeholder dialogues that include companies, governments and NGOs. These dialogues are critical to our understanding of the issues and to determining what role each of us can play.

One of the trends we're seeing is a shift from focusing solely on monitoring of supply chains to focusing more on remediation and training. The monitoring model in and of itself may not be entirely effective. Companies need to know their suppliers, they need to know the suppliers of their suppliers, and they need to do the types of training that Ford has been doing within its supply chain in order to reach the lowest rung of suppliers.

Individual companies can absolutely have a real impact by monitoring working conditions, providing livelihoods for individuals and offering models for others. Despite the economic climate, we remain optimistic that efforts to improve working and social conditions will continue to receive greater focus internationally.

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John Viera

Ford Motor Company

Director, Sustainable Business Strategies

In 2007, Ford took a big step forward on the climate change front, developing a goal to reduce vehicle CO₂ emissions by 30 percent by 2020. We are executing to that plan, delivering vehicles to the market that have best-in-class fuel economy. In fact, we have really accelerated our efforts by announcing, for example, our plan to deliver a battery-powered van in 2010, a battery electric small car in 2011 and a fleet of plug-in hybrids in 2012.

Bottom line: we will see some overachievement and some underachievement each year as we work toward our 30 percent reduction goal. But without a doubt, we're on the path to get there.

The fact that we already had a sustainability plan really helped us last year when the auto companies went before Congress. We didn't have to create a plan to give to lawmakers – we already had our blueprint for sustainability to prove how we are moving forward. The blueprint had many of the elements Congress was looking for to respond to climate change, including more fuel-efficient vehicles and better technologies.

Companies like Ford can play an active role in developing climate change-related public policies. Our vehicle emission goals are consistent with the aggressive CO₂ reduction targets that were outlined by the U.S. Climate Action Partnership. We're participating actively in the Partnership and in other efforts around the world.

For example, in a move to reduce CO₂ emissions, some European countries created voucher incentive programs to encourage people to trade in their older vehicles. A similar program in the U.S. could have a significant impact on climate change by replacing less-efficient vehicles with newer models that are equipped with much cleaner technologies. As this report was published, such proposals are being considered for the U.S. At the same time, such programs would also boost auto sales and help our industry. In Germany, car sales jumped to their highest level in 10 years in February 2009, thanks to the program.

In a bad economic environment, it's even more important for Ford to stay focused on issues of sustainability because they directly impact our bottom line. For starters, market conditions convinced us to produce more fuel-efficient vehicles, and new regulatory requirements will penalize us if we fail to meet new standards. Moreover, customers continue to indicate that fuel economy is a reason to buy a new vehicle, even when gasoline prices are low. Clearly, we need to push the sustainability agenda when developing new products to make them more attractive to consumers.

A few years ago, Ford was looking equally at electrification and hydrogen fuel cells as possible replacements for petroleum in the long term. But over the last year, we made the decision to concentrate our efforts on electrification. Given our difficult economic situation, we had to prioritize one area for our vehicle technology focus. Electricity won out in part because of the infrastructure advantages over hydrogen.

Of course, the climate change debate isn't just about vehicle technology; it's also about fuels and how much people drive. A company like ours can't make much of an impact on the fuels themselves, but we can help reduce the number of miles driven by engaging with governments and others to improve transportation options in and around cities.



John Viera

Director, Sustainable Business Strategies, Ford Motor Company

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