

Written Testimony of D. Mitchell Jackson
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To The
Committee on Environment and Public Works
Subcommittee on Children's Health and Environmental Responsibility
United States Senate

Growing Long-Term Value: Corporate Environmental Responsibility and Innovation
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Mr. Chairman, Ranking Member Alexander, and Members of the Subcommittee:

Thank you for your kind invitation to testify today on the subject of growing long-term value through corporate environmental responsibility and innovation. I commend you for the focus and attention to this complex and important subject facing businesses and the nation at large.

At FedEx, our focus is simple when it comes to environmental responsibility and sustainability - to connect the world in responsible and resourceful ways. In essence, it is to work to integrate environmental stewardship into our daily actions of serving our customers.

The underlying philosophy we use in doing so is called Practical Environmentalism. I define Practical Environmentalism as strategic and transformational environmental stewardship that adds tangible value in the effort to be more responsible. Any organization can practice it. For a business, this entails that it should be economically viable; it should be aligned with the core strategic business objectives; it should involve

and motivate team members, and it should be responsible to the communities in which it operates and serves.

The building blocks for Practical Environmentalism include:

- Performance
- Transparency
- Innovation
- Leadership

As you can imagine, performance is very important to FedEx. We must exercise discipline in our day-definite and time-definite portfolio of services each and every day. However, FedEx was also the first company in the U.S. transportation-logistics industry to set a goal to reduce carbon dioxide in our global aviation operations by 20% in emission intensity by 2020. Through our fiscal year 2011, we have achieved a reduction of 13.8% from the 2005 baseline. We were also the first in our industry to set a goal to improve the mileage of our FedEx Express vehicles. Through our fiscal year 2011, we have achieved a 16.6% improvement in fuel economy since 2005. We also are seeking to have 30% of our aviation fuel come from alternative fuels by 2030. And, we have six solar-energy facilities, five in the U.S. and one in Europe. These have generated over 18 gigawatt-hours of solar electricity since we built our first solar facility in 2005. These six facilities alone reduce CO₂ emissions by an estimated 6,858 metric tons per year.

With regard to transparency, FedEx was the first company in the U.S. transportation-logistics industry to establish a Citizenship Blog, to report global Scope 1 (direct) greenhouse gas emissions in 2008, and to disclose climate risks to the Securities and Exchange Commission. We did this because it gives information to our stakeholders on what we are doing and why it is important. It is similar to our customer service wherein we move our customers' goods and provide tracking information during shipment and verification of delivery.

Concerning innovation, FedEx worked closely with the Environmental Defense Fund (EDF) to bring hybrid-electric vehicles to the commercial vehicle sector. We have also gone further to advocate for, and work to bring to market, full electric vehicles. In fact, Frederick W. Smith, Chairman and CEO of FedEx Corporation, participates in The Electrification Coalition - a nonpartisan, not-for-profit group of business leaders committed to promoting policies and actions that facilitate the deployment of electric vehicles on a mass scale.

FedEx also strives to innovate with new services in the area of environmental stewardship, such our recently introduced FedEx Carbon-Neutral Envelope Shipping, wherein FedEx neutralizes the carbon emissions created and emitted in shipping our customers' FedEx Envelopes around the world through investments in projects that reduce greenhouse gas emissions - all at no additional costs to our customers. These projects include generating renewable electricity from biogas in the United States, the Netherlands, China and Thailand, a reforestation project in Tanzania, and generating renewable energy from a wind farm in Turkey.

In addition, some of the progress referenced in lowering aviation emissions comes from the fuel efficiency and environmental advantages of our new Boeing 777 Freighters, a recent innovation. It is important to note they are beneficial for other reasons too. For example, their fuel efficiency translates to greater range, which allows FedEx to fly direct from Asia to the U.S., thereby giving Asian customers a two-hour later package drop-off timeframe. They are also major investments by FedEx in the U.S. economy, and there is an almost perfect correlation between investment in new productive assets and jobs in this country. At least partially in response to the expensing tax provisions that have been repeatedly passed into law over the last decade with strong bipartisan support, FedEx has purchased a large number of these new, innovative aircraft, and other capital assets, that have created jobs. And in that regard, we would urge that Congress extend the expensing provisions through 2012 as many have proposed.

As mentioned, leadership is also a building block for Practical Environmentalism. As such, FedEx was the first company in the U.S. transportation-logistics industry to push for commercial-vehicle fuel-economy legislation, which was enacted by the United States Congress in the Energy Independence & Security Act of 2007. In fact, Frederick W. Smith, and General P.X. Kelley (Ret.), 28th Commandant of the U.S. Marine Corps, co-chaired Securing America's Future Energy (SAFE) Energy Security Leadership Council's report, *Recommendations to the Nation on Reducing U.S. Oil Dependence*, which called for first-ever fuel economy standards for commercial vehicles in 2006. And, in January 2007, FedEx testified before Congress, asking to "set fuel efficiency standards annually for medium and heavy-duty vehicles. This would help stimulate the production of hybrid electrics within the medium-duty vehicle sector, such as our pickup and delivery fleet, and alternatives for improved fuel efficiency in the heavy-duty vehicles."

At FedEx, we have encapsulated these building blocks of Practical Environmentalism into our EarthSmart program. EarthSmart is our commitment to connect the world responsibly and resourcefully by integrating innovative, more sustainable practices into the way we work and the services we offer our customers. It is made up of three pillars:

- EarthSmart Innovations
- EarthSmart @ Work
- EarthSmart Outreach

EarthSmart Innovations is the pillar that seeks to inspire products and services, physical assets and initiatives that go beyond their obvious impacts to set new solutions for environmental stewardship and deliver clear and tangible benefits for the environment, our customers, our team members and our business. It is intended to encourage our design teams to build in and evaluate the sustainable benefits of the products, services or programs they work on.

EarthSmart @ Work seeks to build a culture of environmental sustainability through education and innovation, to engage team members across the enterprise to understand

and implement sustainable practices at work, at home, and in the community; and to promote behavior change in the workplace as it relates to environmental sustainability efforts.

EarthSmart Outreach is our volunteer and philanthropic efforts with the company's focus on environmental sustainability in three key areas: Sustainable Transportation, Sustainable Cities, and Sustainable Ecosystems.

In summary, our efforts and experience at FedEx as it relates to growing environmental responsibility, or sustainability, and innovation distill down to the following considerations:

1. At a national level, maximizing successful sustainability requires everyone working together: businesses, government and non-governmental organizations.
2. At an organizational level, sustainability should be a team sport, with everyone working to the same plan.
3. Transformation requires persistence and a plan.
4. Sustainability needs to make organizational sense and offer value if it is to remain sustainable – it should be related to the mission of the organization.
5. Performance is critical, but not unilaterally sufficient for the current challenges.
6. Transparency is important for what is learned, not for what is simply reported.
7. Innovation is applied inspiration, and is critical for long-term competitiveness.
8. Innovation requires investment, and public policies that support it.
9. Leadership is necessary on relevant issues for the organization.

Chairman Udall, Ranking Member Alexander, and Members of the Subcommittee, this concludes my testimony today. Thank you for the opportunity to appear before you and respond to any questions you may have.