

## The Path to Sustainability

It's hard to pick up a magazine or paper these days without reading about sustainability, green products, climate change and clean energy technology. But are public and corporate attitudes really changing? Or are these issues being perpetuated by the media?

In my role as Vice President of Sustainability, it is my responsibility to view sustainability from a variety of perspectives including compliance, corporate responsibility and business growth. We have found that sustainability is good for Johnson Controls business, good for our communities and good for the planet. And through recent research, we have discovered that many in our industry are beginning to believe the same. But believing in something, and making it happen, are two separate things. The current question in many board rooms, including our own, is how we can live our corporate sustainability objectives.



Clay G Nesler, Vice President of Sustainability

### Our approach

Johnson Controls has three corporate strategies related to environmental sustainability.

- The first focuses on reducing the environmental footprint of our facilities and operations
- The second involves greening the supply chain through collaboration with our suppliers and customers
- The third is to leverage our sustainability products, services and practices to help our customers reduce their energy use and environmental impact

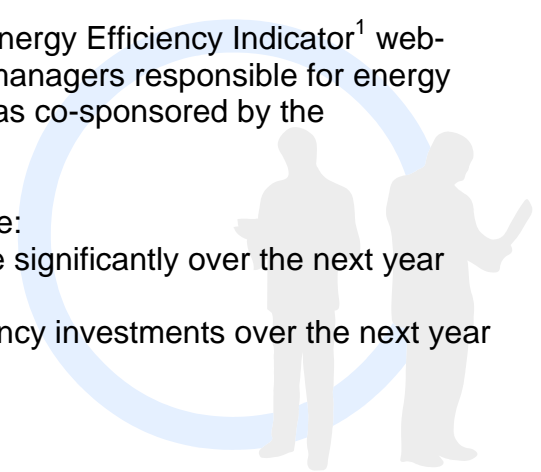
In our automotive business, this involves developing advanced hybrid battery systems for vehicles and reducing the weight of automotive interior components. In our building efficiency business, we are taking our energy efficient products, services and expertise to more customers around the globe and working with them as partners to reduce energy costs, increase energy security and improve the environment.

### Energy efficiency

In May this year, Johnson Controls conducted its first Energy Efficiency Indicator<sup>1</sup> web-based survey in North America. 1,249 executives and managers responsible for energy management decisions took part in the survey which was co-sponsored by the International Facility Management Association (IFMA).

Some of the key findings weren't too much of a surprise:

- 79% of participants believe that energy prices will rise significantly over the next year with an average increase expected to be 13.3%
- 57% of the participants expect to make energy efficiency investments over the next year using 8% of their capital budget



- 80% will also fund energy efficiency improvements through operating budgets and plan on using 6% of those budgets

But the biggest revelation was that 48% viewed environmental responsibility at least as important as cost reduction as a motivation for making energy efficiency investments. Not quite what we had expected.

The importance of environmental factors in making energy efficiency investments may seem a bit surprising at first, particularly given the cost reduction focus of the past decade. But in facilitating over a hundred customer strategy sessions in fourteen countries last year, we have learned that renewable energy, energy efficiency, greenhouse gas reduction, life cycle design, employee education and sustainability reporting are indeed top-of-mind with real estate executives these days.

They are also top-of-mind for our company as we continue to promote sustainable practices across our own three businesses. With energy efficiency being core to our building and automotive-related businesses, it is not surprising that Johnson Controls has it as a key platform to help meet our corporate sustainability goals.

The McKinsey Global Institute has recently published a study<sup>2</sup> that evaluated the cost effectiveness of various greenhouse gas abatement strategies. Without exception, energy efficiency in buildings and vehicles represented the lowest cost strategies beating out the more populist strategies such as solar energy, wind power and reforestation.

### **Leadership in Energy and Environmental Design (LEED™)**

Another area we are making good progress in is the greening of our buildings. Our Bregel Technology Center, constructed in 2000, was one of the first buildings in the United States to be certified under the Leadership in Energy and Environmental Design (LEED rating system).

This rating system, developed by the [U.S. Green Building Council](#), provides a benchmark for high performance green buildings. LEED promotes a whole-building approach to sustainability by recognising performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality. Buildings are rated against performance benchmarks and awarded a certification. We received a Silver rating in the new construction system for our technology centre. And four years after the building opened, we made additional improvements to the building and achieved Gold certification using the Existing Building rating system.

This additional certification was achieved with a payback of less than one year and results in a high performance building that has 35% lower operating costs and a lighting load of only 0.86 Watts/square feet.

Our focus isn't just on our own buildings though. Supported by Johnson Controls, the Beijing Prosper Centre became the first LEED-certified building in China, while in India the ITC Green Centre gained Platinum LEED certification – the first building in Asia and one of the largest in the world.

## Clinton Climate Initiative

A great example of leveraging sustainability best practices is the Clinton Climate Initiative (CCI), a global initiative of the William J. Clinton Foundation. In May this year, Johnson Controls signed a Memorandum of Understanding with the CCI to pledge to work with them and city governments to improve energy efficiency in municipal and private sector buildings around the world.

The CCI mission is to help large cities around the world to reduce their greenhouse gas emissions with the ultimate goal of reversing climate change on a global basis. This business-oriented approach is using performance contracting to implement large scale energy efficiency retrofit projects for both public and private sector buildings. Considering that 75% of greenhouse gas emissions come from cities and 50% of those from buildings, the CCI can play an important step in addressing climate change.

The initiative has already signed up sixteen major cities, four global energy services companies and secured \$5 billion in funding from five major banks. Our involvement in initiatives such as these makes sense – we have a 122-year record of developing energy efficiency solutions and creating technologies and systems that make the most of energy usage. It is also a great example of sustainability in action as it is good for business, good for communities and good for the planet.

## The triple bottom line

Today, business success is defined as more than financial results. The ‘triple bottom line’ is now the most widely accepted definition of sustainability – encompassing economic prosperity, environmental stewardship and social responsibility.

For the last two years Johnson Controls has reported its financial, environmental and social performance using the [Global Reporting Initiative](#) (GRI) 2002 Sustainability Reporting Guidelines. This gives our stakeholders the greatest level of transparency about our triple bottom line performance and the actions we are taking to live our objectives. Our commitment to sustainability runs deep – in fact we are one of only 20 companies included on both the Domini 400 Social Index and the KLD Global Climate 100 Index.



At Johnson Controls, our sustainability initiatives help to ensure that we will continue to have the resources and people we need to grow for generations to come.

<sup>1</sup> visit our Media Center at <http://www.ici.com/publish/us/en/news.html> and view the Energy Efficiency Indicator results under our 'press kits' section

<sup>2</sup> *A cost curve for greenhouse gas reduction*, The McKinsey Quarterly 2007 Number 1 [http://www.mckinseyquarterly.com/A\\_cost\\_curve\\_for\\_greenhouse\\_gas\\_reduction\\_1911\\_abstract](http://www.mckinseyquarterly.com/A_cost_curve_for_greenhouse_gas_reduction_1911_abstract)