

# **Sustainability Risk Management**

**Joint Meeting – SOA, CAS, CIA**

**Quebec City - June 18, 2008**



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**Director, Risk Management**



# *Overview*

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- The Path to Sustainability
    - Company Profile
    - What is Sustainability?
    - How We Incorporated Sustainability into the Company
  - Achieving Sustainability
    - Risks & Rewards
    - Benefits to the Company
    - Impact on Risk Management
  - Going Forward
    - Culture of Sustainability
    - Value to Our Customers
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# *Three world-class businesses*

## **Building Efficiency**

Creating quality indoor environments that are energy efficient, comfortable and safe

## **Power Solutions**

Providing dependable starting power for cars today and the energy efficient hybrid vehicles of tomorrow

## **Automotive Experience**

Delivering world-class technologies that improve the driving experience and are environmentally friendly

**A continued focus on profitable growth by improving comfort, safety and sustainability in the places people live, work and travel**



# *Our Vision, Our Values*

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- **Founded in 1885**
- **HQ: Milwaukee, Wisconsin**
- **# 67 on Fortune 500 in 2007**
- **140,000 employees**
- **Over 500 locations in 52 countries**
- **Credo: 5 Core Values**

## **OUR VISION**

A more comfortable, safe and sustainable world.

## **OUR VALUES**

**Integrity** - Honesty, fairness, respect, and safety are of the utmost importance.

**Customer Satisfaction** - Our future depends on us helping to make our customers successful. We are proactive and easy to do business with. We offer expert knowledge and practical solutions, and we deliver on our promises.

**Employee Engagement** - We foster a culture that promotes excellent performance, teamwork, inclusion, leadership and growth.

**Innovation** - We believe there is always a better way. We encourage change and seek the opportunity it brings.

**Sustainability** - Through our products, services, operations and community involvement, we promote the efficient use of resources to benefit all people and the world.

## *What is Sustainability?*

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**“Sustainable development meets the needs of the present generation without compromising the ability of future generations to meet their needs.”**

- 1987 United Nations Brundtland Report

**“A business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”**

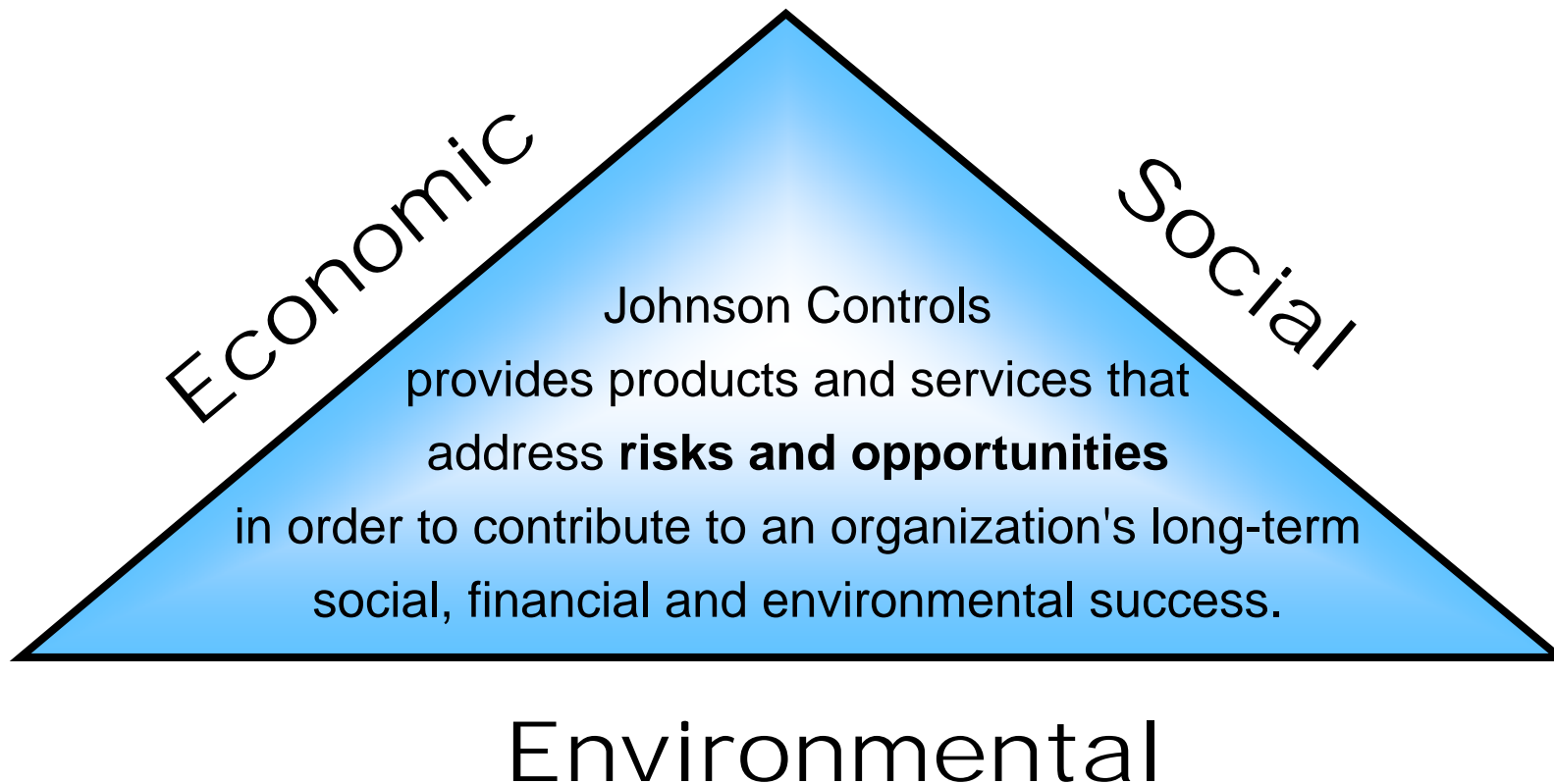
- Dow Jones Sustainability Index

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# *What is Sustainability?*

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## Measuring the triple bottom line



# *Sustainability: Before 2000*

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- **Sustainability a new concept**
- **Social investing immature**
- **Johnson Controls:**
  - **Strong commitment to Core Values and Ethics**
  - **Outstanding governance, social and environmental track record**
  - **Little press or NGO attention**
  - **Rapidly growing and not a Fortune 100**



*All seemed well...*

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# *Sustainability: After 2000*

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## **Social investing by 2007:**

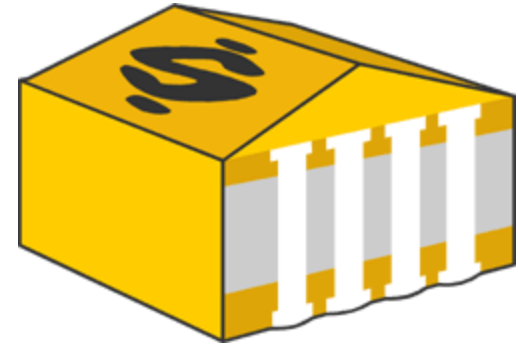
- **Over 230 social mutual funds in U.S. today**
- **Influence trillions of investment dollars**
- **Growing about 30% annually**

## **NGOs:**

- **More and better organized**
- **Target big companies**
- **Current focus:**
  - **Climate change**
  - **Governance**
  - **Supply chain management**

## **Customers:**

- **Demand less risks**





# *Sustainability*

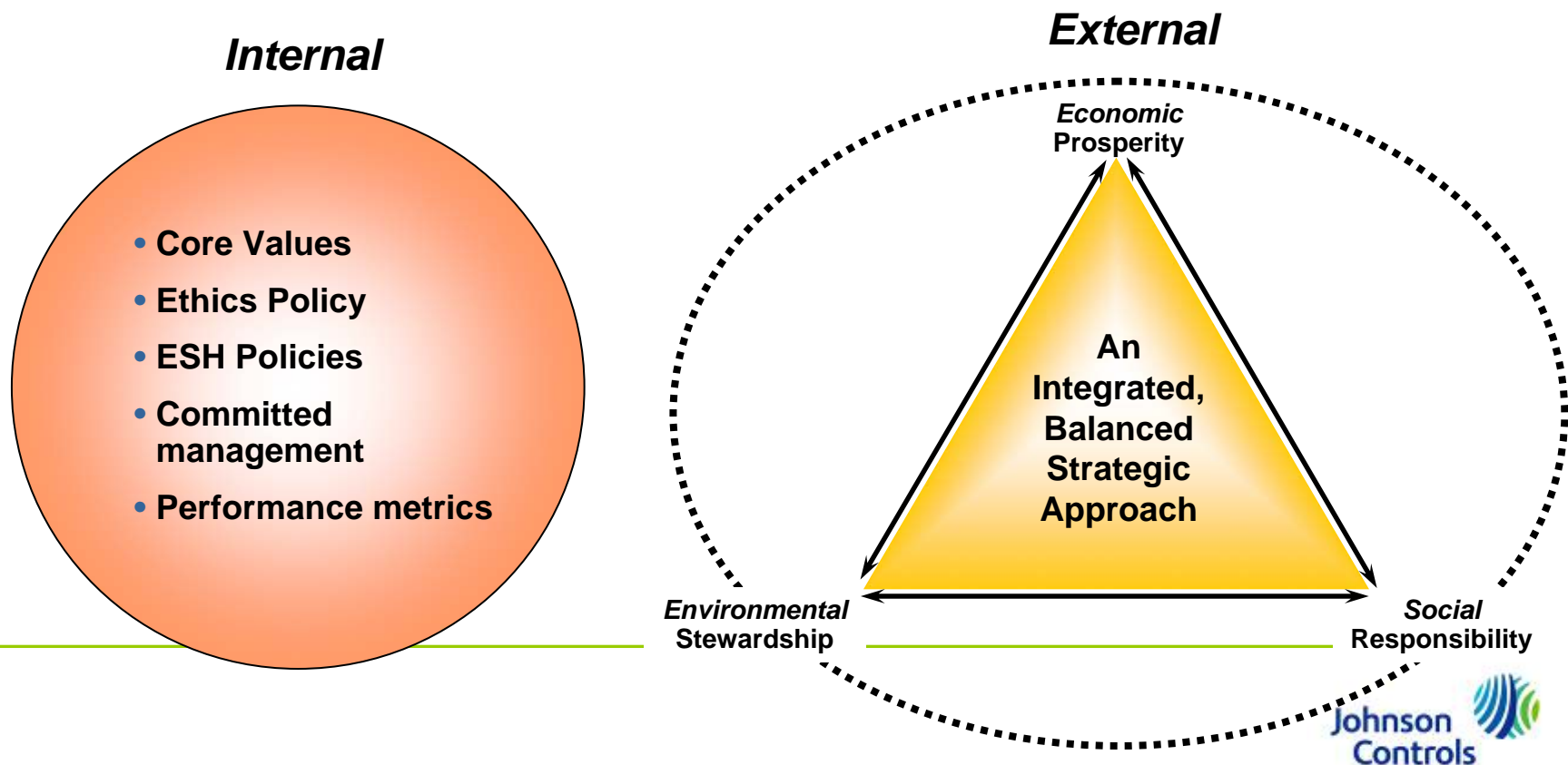
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- **Define it**
- **Measure it**
- **Report it (transparency)**
- **Use it (to find value)**
  - **New products and services**
  - **Branding**



# Defining Sustainability

- Numerous definitions depending on stakeholder's agenda
- AKA: Sustainable Development, Corporate Social Responsibility (CSR), Environmental, Social & Corporate Governance (ESG)
- “Triple Bottom Line” most accepted externally and consistent with internal policies/practices



# *Johnson Controls' Path to Sustainability*

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Addressing **risks and opportunities**  
that contribute to an organization's long-term  
social, financial and environmental success



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**Culture of Sustainability**

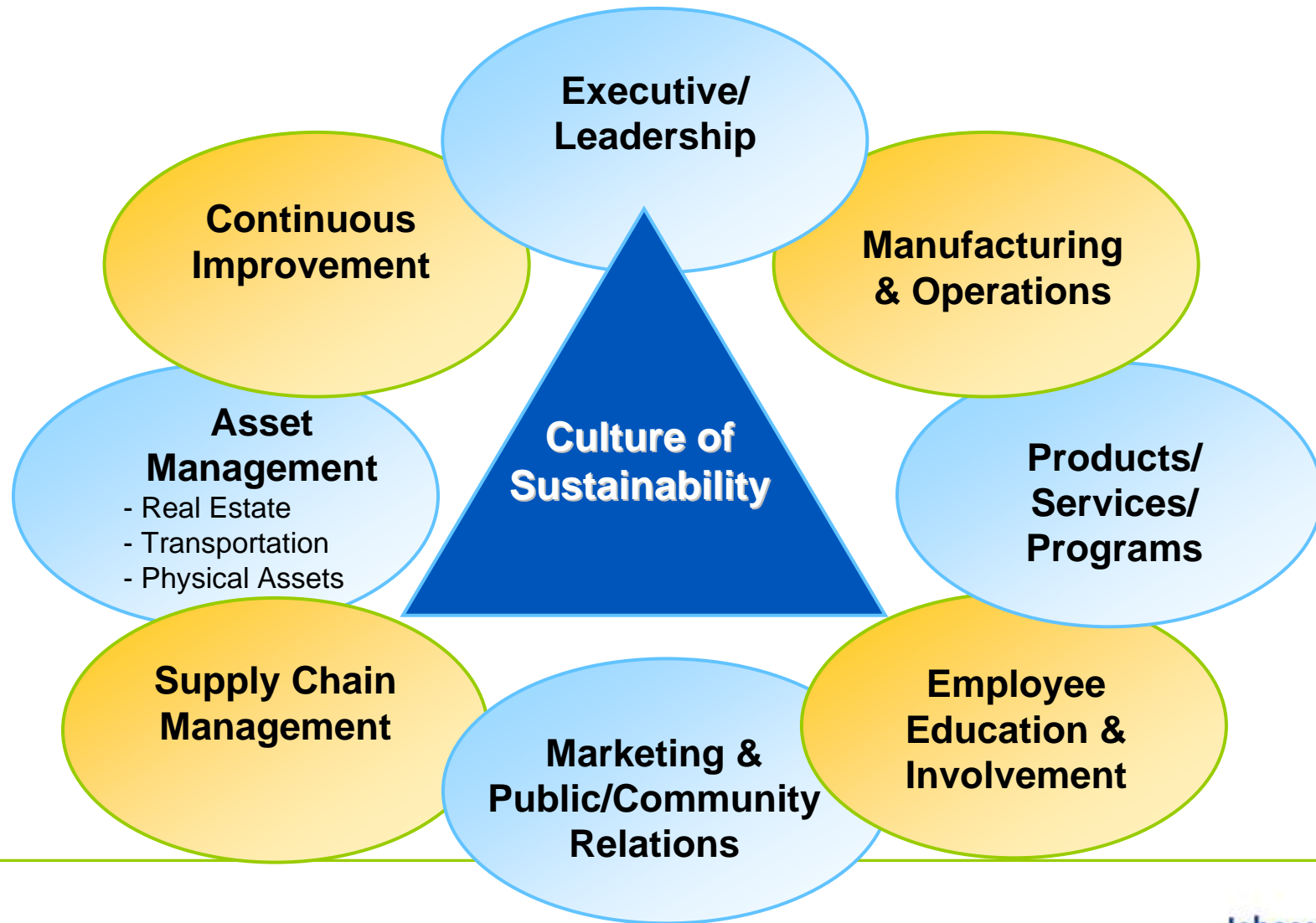
# Johnson Controls' Corporate Commitment

Commit	Assess & Prioritize	Implement		Communicate
<b>Understand Sustainability</b>  Executive Leadership  Business Group Accountability	<b>Risk/Opportunity</b>  Social  Financial  Environment	<b>Technologies</b> <i>What we sell</i>  Building Efficiency  Interior Experience  Power Solutions	<b>Strategies</b> <i>How we operate</i>  Facility Optimization  Manufacturing Processes  Employee Involvement  Supply Chain Management	<b>Intent &amp; Results</b>  Internal  External  Certification

**Culture of Sustainability**

# *Developing a Culture of Sustainability*

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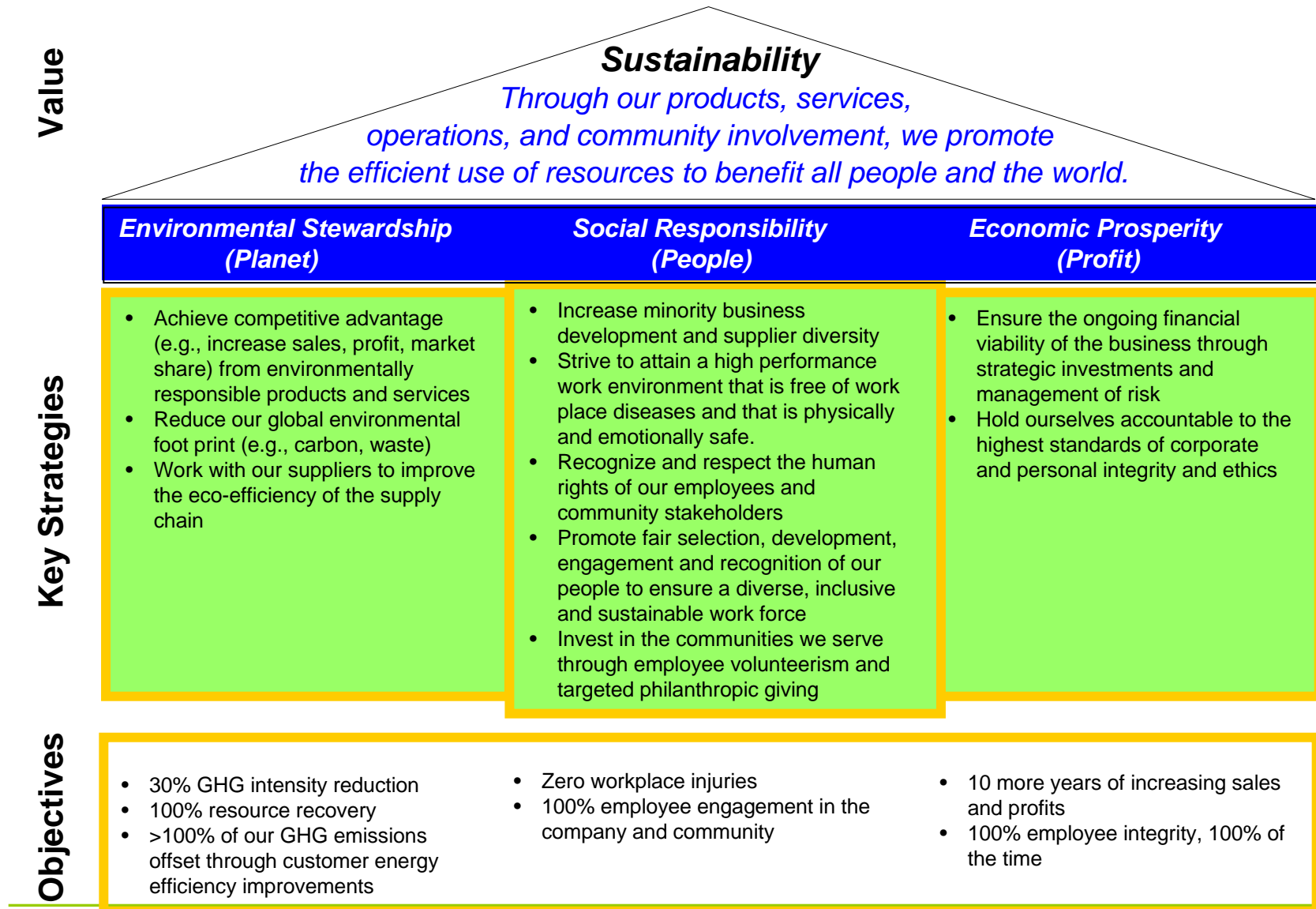


# *Sustainability Metrics*

<b>E C O N O M I C</b>	<b>Direct Economic Impacts</b>	<b>Customers</b> <b>Suppliers</b> <b>Employees</b> <b>Providers of capital</b> <b>Public sector</b> <b>Governance</b>
	<b>Environment</b>	<b>Materials</b> <b>Energy</b> <b>Water</b> <b>Biodiversity</b> <b>Emissions</b> <b>Effluents</b> <b>Waste</b> <b>Suppliers</b> <b>Products and services</b> <b>Compliance</b> <b>Transport</b> <b>Overall</b>

<b>S O C I A L</b>	<b>Labor Practices</b>	<b>Employment</b> <b>Labor/management relations</b> <b>Health and safety</b> <b>Training and education</b> <b>Diversity and opportunity</b>
	<b>Human Rights</b>	<b>Strategy and management</b> <b>Non-discrimination</b> <b>Freedom of association</b> <b>Child labor</b> <b>Forced labor</b> <b>Disciplinary practices</b> <b>Security practices</b> <b>Indigenous rights</b>
	<b>Society</b>	<b>Community</b> <b>Bribery</b> <b>Political contributions</b> <b>Competition and pricing</b>
	<b>Product Responsibility</b>	<b>Product safety</b> <b>Advertising</b> <b>Respect for privacy</b>

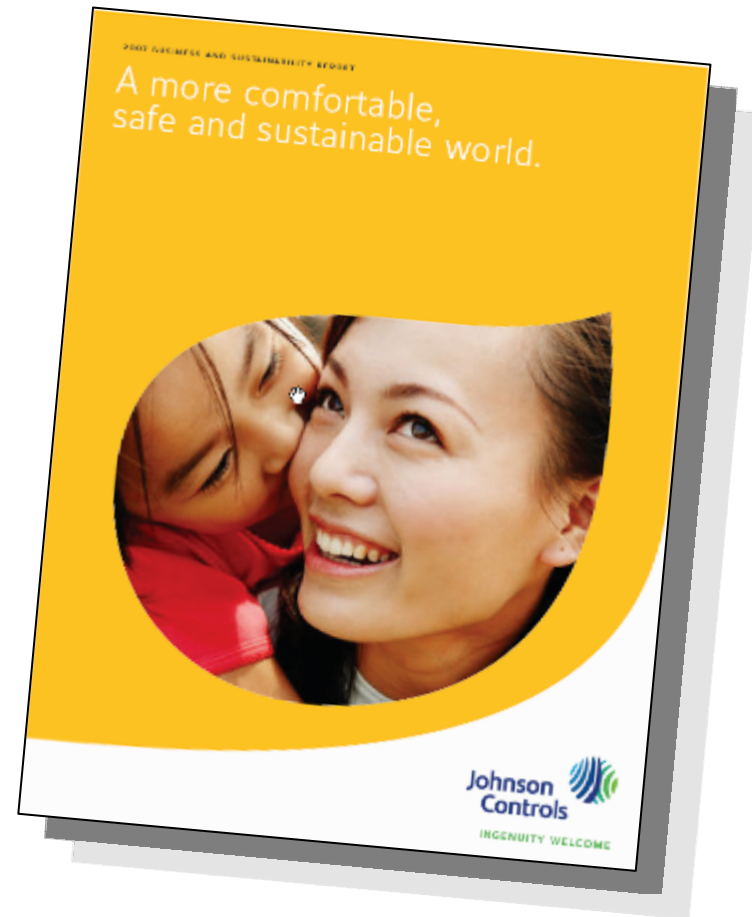
# 10 key sustainability strategies



# *2007 business review and sustainability report*

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- **How we're delivering on our Vision to create a more comfortable, safe and sustainable world**



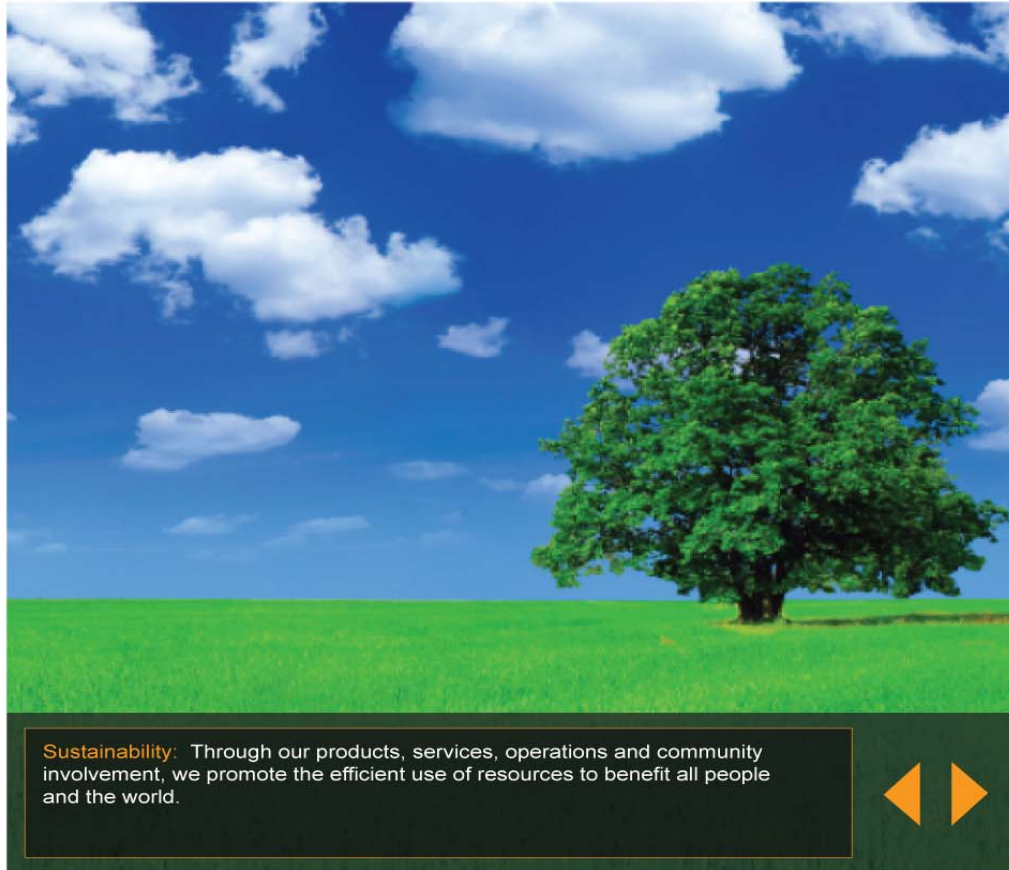
**GRI Matrix:**

[http://www2.johnsoncontrols.com/bluesky/gri\\_matrix/default\\_copy\(1\).asp](http://www2.johnsoncontrols.com/bluesky/gri_matrix/default_copy(1).asp)



# Our External Web Site

*Simplified with a Sustainability Theme*




ENVIRONMENTAL TIP OF THE DAY



**Low Flow.** Replace your faucets with low-flow models which save water and the energy used to heat it.

More Tips ▶

CUMULATIVE GREENHOUSE GAS EMISSION REDUCTIONS



METRIC TONS OF CARBON DIOXIDE SAVED

10,655,710

SINCE JANUARY 1, 2000

This estimate was calculated by applying national average emission factors to the annual guaranteed electricity and natural gas savings from these projects. The rate of change does not reflect the rate of actual emissions reductions; it represents

<http://www.johnsoncontrols.com/publish/us/en.html>



# *What are the Risks?*

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**Corporate Scrutiny/Transparency**



**Climate Change Awareness**



**Fuel Prices and Security**



**Consumer Preferences**

# Benefits to the Company

- Aligning corporate values with customer and societal values will secure license to operate and grow
- Integrating environmental, social and life cycle cost information into core business processes will improve decision-making – better identification of risks and opportunities



## *Impact on Risk Management – Economics*

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### **Ensure the ongoing financial viability of the business through the management of risk**

- Protect our employees
  - Protect our physical assets
  - Work with our suppliers to ensure they understand the risks and act appropriately
  - Ensure that our vendors adhere to JCI's ethic's policy or equivalent
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# *Impact on Risk Management – Environment*

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## **Commitment to the environment impacts our approach to risk management programs**

- Accountability and Responsibility
- Reduce Waste
- Minimize Environmental Impact
- Minimize Hazardous Substances
  - Mercury-Free Products
  - End-of-Life Regulations

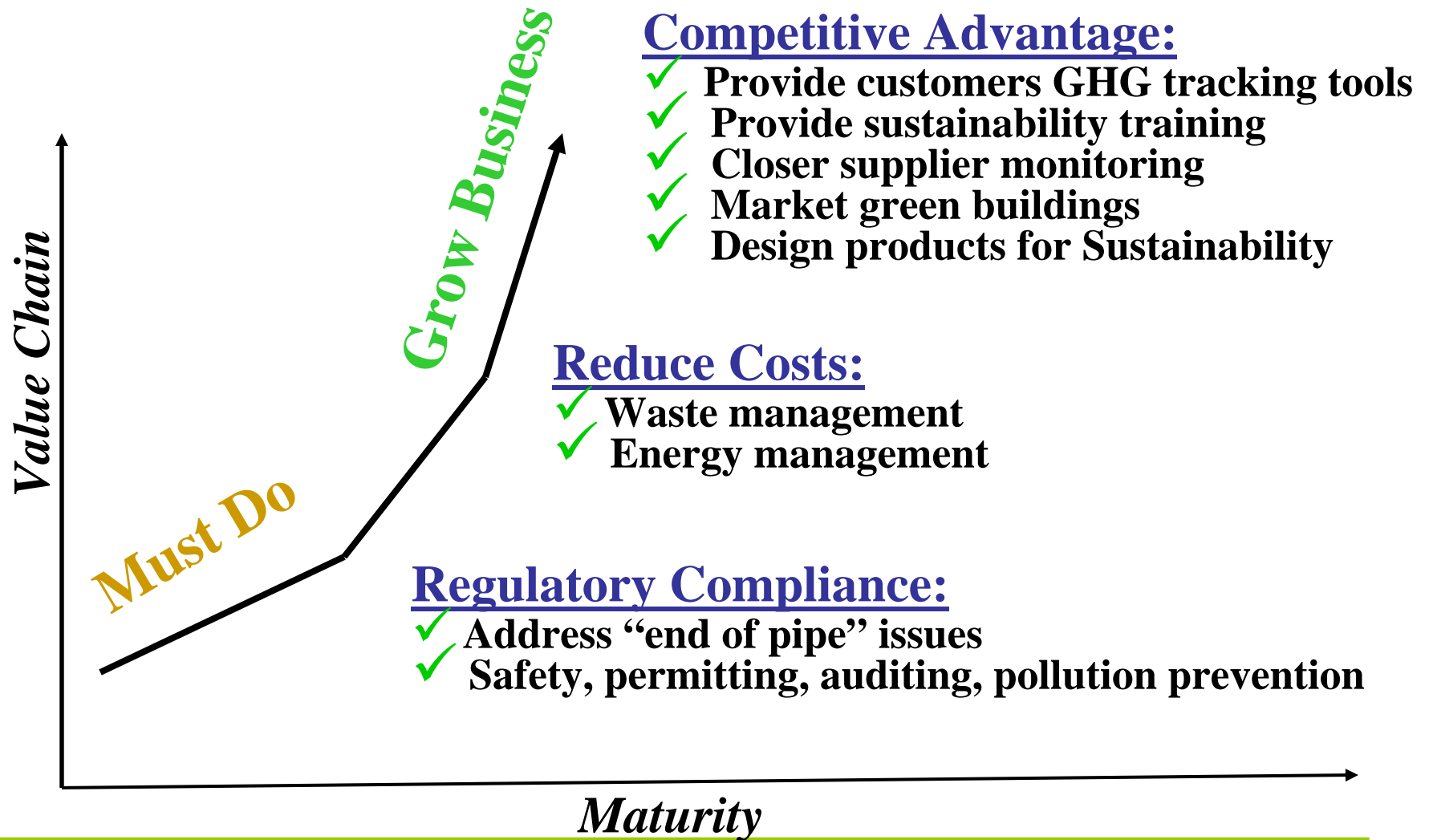
# *Impact on Risk Management – Social*

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## **Commitment to the social responsibility**

- Establish written employee policies and follow them
- Make employee safety an emphasis
- Design safe products and monitor any issues
- Support supplier diversity
- Act within the law in every country we operate

# *Finding Value for our Customers*



# Competitive advantage through green offerings

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**Power Solutions**

**Automotive Experience**

**Building Efficiency**

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# *A New Vision*

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**Creating a more comfortable, safe  
and sustainable world**

**.....by bringing ingenuity  
to the places where  
people live, work and  
travel**

- We have a legacy of helping customers succeed, by changing to meet emerging needs
- We see new ways of responding to those needs
  - Technology driving demand and affecting consumer choices
  - Understanding that everything we do affects the planet and its future
- People want surroundings that are "smarter"--more comfortable, safe and sustainable environments
- Johnson Controls is uniquely qualified to meet these expectations

