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California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: California Climate-Disclosure Information Solicitation

Dear Climate Disclosure staff:

Thank you for the opportunity to comment on implementation of Senate Bills (SB) 253 and 261 by the California Air Resources Board (CARB).

Johnson Controls (JCI) offers the world`s largest portfolio of building technology, software and service solutions from some of the most trusted names in the industry. We are committed to leading and addressing climate change, helping our customers and industries around the world pursue goals for best-in-class environmental targets in carbon and water. Our business enables decarbonization and water conservation through the trifecta of energy efficiency, electrification, and digitalization. By 2030, we have committed to cut our Scope 1 and 2 absolute emissions by 55% and in FY24 have reached a 48% reduction since 2017. Our 2030 Scope 3 target is to reduce product in use emissions by 16% and as of FY24, we reduced such emissions by 20% since 2017. These ambitious emissions reduction targets have been approved by the Science Based Targets initiative. We are also committed to achieving Net Zero Scope 1 and 2 emissions and 100% met or matched renewable electricity by 2040.

Johnson Controls strongly supports California's goal to achieve net zero emissions by 2045, including through requirements that entities doing business in California regularly disclose their GHG Emissions Inventory and its Risks and Opportunities associated with Climate Change. JCI annually discloses its GHG Emissions Inventory, which is verified by an independent assurance provider, in its Sustainability Report. Additionally, we disclose Risks and Opportunities associated with Climate Change, which are reevaluated biannually, to various public entities. We offer responses to CARB's solicitation questions below based on our experience in voluntarily making these disclosures. Generally, we urge CARB to align as closely as possible to internationally accepted standards including those published by the International Sustainability Standards Board (ISSB), the European Union's Corporate Sustainability Reporting Directive (CSRD), and Greenhouse Gas Protocol. Specifically, multinational entities which submit a disclosure under CSRD should be able to utilize the same documentation to comply with CARB's disclosure requirements.

3a. Ensuring California-specific Needs and Alignment with Evolving Standards:

The GHG Protocol standards already meet the needs of California by providing a comprehensive and widely accepted framework for measuring and reporting greenhouse gas emissions. To ensure that CARB's regulations remain current and aligned with these evolving standards, CARB should regularly review and update its own regulations as changes to the GHG Protocol standards are made and/or provide that compliance with widely recognized standards such as the GHG Protocol will similarly comply with California's own requirements. This approach will ensure that California-specific needs are addressed while maintaining consistency with globally recognized standards.

3b. Minimizing Duplication of Reporting Efforts:

To minimize duplication of effort for entities required to report GHG emissions or financial risk under other mandatory programs, CARB should align its reporting requirements with the ISSB. This alignment will help maintain consistency with other regulatory reporting frameworks, such as CSRD, and reduce the administrative burden on reporting entities by leveraging existing reporting mechanisms and standards. To this extent, disclosure under a widely recognized mandatory or voluntary framework such as CSRD or ISSB, which covers an entity's consolidated GHG inventory and climate risk assessment at a global scale, should be universally acceptable for other regulatory reporting requirements, including SB 253.

3c. Consistency in Reporting Methods:

While it is advisable for reporting entities to select a specific reporting method and consistently use it year-to-year, companies should have the flexibility to adjust reporting methods as needed. However, if such adjustments create significant changes in previous years' reporting, emissions should be restated using the updated reporting method, pursuant to the GHG Protocol Corporate Standard. This approach will ensure the comparability and reliability of the reported data over time while allowing for necessary adjustments to reflect evolving standards and practices.

7. Aspects of Scope 1, 2, and/or 3 Emissions that CARB should consider Standardizing:

JCI advises against standardizing GHG inventory and disclosure methods for Scope 1, 2, or 3 emissions beyond the standards already established by the GHG Protocol. The GHG Protocol provides sufficiently clear guidance, ensuring that entities measure their direct and indirect sources of emissions with as much precision as possible. By relying on the established GHG Protocol standards, CARB can ensure consistency and comparability in emissions reporting without the need to develop its own standards. This approach will also reduce the administrative burden on reporting entities and maintain alignment with globally recognized reporting frameworks.

8a. Options for 3rd-party Assurance of GHG Emissions Inventory:

Historically JCI has obtained 3rd-party verification of our Scope 1, 2, and 3 Emissions Inventory from APEX Companies LLC, a specialized environmental reporting firm. Additionally, many traditional accounting firms also offer assurance services of emissions inventories in accordance with the GHG Protocol.

8b. Definition of Reasonable Assurance:

We urge CARB to align with the requirement in the European Union's CSRD for *limited assurance*, as opposed to reasonable assurance. We note that this would be in alignment with the European Union's recently released Omnibus proposal, which would only require limited assurance for reporting under CSRD.

Historically JCI has received limited assurance of its GHG emissions inventory disclosures by a 3rd-party auditor. We use the AICPA definition for limited assurance: *assurance that concludes as to whether any material modifications are needed for the information to be in accordance with specified criteria*.

We recommend that CARB require limited assurance of Scope 1,2, and 3 inventories in alignment with the CSRD.

9c. Frequency and Time Period for Reporting of GHG Emissions:

JCI reports its GHG Emissions on an annual basis in our Sustainability Report. Typically, we will report the previous three fiscal years' GHG emissions in each new edition of our Sustainability Report. Additionally, JCI has set emissions reduction targets against a Fiscal Year 2017 baseline, so these emissions are also included in each report. For example, our 2024 Sustainability Report includes our Scope 1, 2, and 3 Emissions for fiscal years 2023, 2022, 2021, and 2017.

9d. Timing of Data Availability for Reporting of GHG Emissions:

In our experience, data to support the prior year's GHG Emissions reporting – including utility bills, and data from procurement, operations, and sales – becomes available in the first quarter following the close of the fiscal year. Typically, JCI aims to have its Scope 1, 2, and 3, emissions 3rd-party assured and published in our Sustainability Report within six months of the close of the fiscal year. We note that it may take even longer for less mature companies to obtain data, prepare reports and secure assurance. We encourage CARB to allow reporting entities sufficient time to complete their collection and reporting of GHG emissions data by allowing entities to timely file reports within 1 year of their most recently completed fiscal year.

10. Appropriate Timeframe to Publish a Climate-related Financial Risk Report:

We urge CARB to align requirements for Climate-related Financial Risk Reports to the guidance provided by ISSB.

Per ISSB guidance, JCI's climate-related risks are aligned to a short-term time horizon of 1 to 3 years, medium-term time horizon of 4 to 10 years and a long-term time horizon of 11 to 30 years. Our short-term horizon aligns with our internal financial and strategic planning horizon; our medium-term and long-term horizons were developed in alignment with our medium and long-term sustainability commitments, together with peer analysis.

11. Reporting Years for Climate-related Financial Risk Reports:

The evolving world of ESG reporting and operational requirements creates an administrative burden for many companies. Allowing companies to report any time in a two-year period will provide flexibility and reduce the administrative burden of the required reporting.

12. Required Disclosures within a Climate-related Financial Risk Report:

We urge CARB to align as closely as possible to internationally accepted standards including those published by the ISSB, CSRD, and GHG Protocol.

13f. Types of Existing Climate-related Financial Risk Disclosures already being Prepared:

Johnson Controls publishes its climate-related financial risks in its annual CDP Climate Change disclosure, including impacts to our operations, workforce, and supply chain through changes in the frequency, intensity, and duration of physical climate risks.

13g. Approaches Used to Report Climate-related Financial Risk:

We conduct materiality assessments to understand the most impactful environmental, social and governance (ESG) topics for our business and to ensure we're building robust strategies to manage our strategic impacts, risks and opportunities.

For physical risk, we conduct climate risk assessment and climate scenario analysis to evaluate the current and future exposure of key facilities and supplier locations using global climate models, which are featured in the IPCC Sixth Assessment Report, focusing on three scenarios including a high-emission scenario and a lower-emission scenario (SSP1-2.6, SSP2-4.5, and SSP5-8.5) from the CMIP6 data archive. Our analysis included owned or operated facilities and supplier locations. and assessed physical hazards based on facility geography, stakeholder interviews, and historical impacts. The physical climate risks evaluated included acute risks and chronic risks.

For transition risks, Johnson Controls performed a climate scenario analysis to understand how material issues may evolve under a subset of scenarios and future time horizons utilizing three climate scenarios considering aggressive action to mitigate climate change (SSP1-1.9), moderate action (SSP2-4.5) and Insufficient action (SSP5-8.5).

We calculate the financial impacts of our significant risks and opportunities based on estimates of Johnson Controls revenue growth opportunities under a range of scenarios and risks to our supply chain and physical portfolio in gross terms.

More detail can be found in our publicly-available CDP Climate Change disclosure.

13h. Consistency with the Guidance Provided by the Task Force on Climate-related Financial Disclosures:

Our climate-related risks and opportunities process and disclosure are consistent with the guidance provided by the Task Force on Climate-related Financial Disclosures, which is now incorporated into ISSB guidance.

Thank you again for the solicitation to comment on implementation of SB 253 and SB 261. If you wish to discuss these comments further, please contact me at the information below.

Sincerely,

Mark Lessans
Sr. Director, Sustainability & Regulatory Affairs