

# ETHICS AND COMPLIANCE

## Ethics and Compliance Program Charter

as of October 14, 2016

### A. Overview

The Johnson Controls Ethics and Compliance Program (the “Program”) consists of enterprise-wide and business unit-specific policies, standards, procedures, guidelines and responsibilities designed to:

- a. Promote and foster an organizational culture of integrity, ethical decision-making and compliance with the Company’s values as reflected in the *Ethics Policy*;
- b. Assure that the Company’s Directors, Officers, and employees conduct business with the highest standards of ethics and integrity and in compliance with all applicable laws and regulations; and
- c. Promote appropriate risk assessment and due diligence to prevent and detect unlawful and unethical conduct.

The Program is designed to be global, sustainable, and continuously improving to identify and address the Company’s existing and emerging ethical, legal and regulatory risks consistent with the Company’s commitment to the highest ethical standards. The Board of Directors and Senior Management implement and oversee the Program as more fully described below.

### B. Responsibilities

1. Board of Directors: The Board of Directors, through the Audit Committee, exercises oversight over the Program’s implementation, ongoing management, and effectiveness. In order to fulfill its duties under this Charter, the Audit Committee shall review and approve the performance evaluation, appointment or replacement of the Vice President, Chief Ethics & Compliance Officer (CECO), and meet with the CECO on a regular basis in open or executive session
2. Executive Vice President and General Counsel: The Executive Vice President and General Counsel (EVPGC) of the Company is the named Officer with general oversight responsibility for the Company’s Program. The EVPGC reports to the Company’s Chief Executive Officer (CEO) and to the Company’s Board of Directors. The EVPGC is responsible for managing the Vice President – Chief Ethics & Compliance Officer on a day-to-day basis and ensuring that the Program meets all necessary legal and regulatory requirements for an effective compliance program. The EVPGC shall:
  - a. Periodically review the performance of the CECO and the overall effectiveness of the Program.
  - b. Establish strategic Program goals and objectives to be carried out by the CECO and the broader Program organization.
  - c. Address and escalate violations of the Company’s *Ethics Policy* or criminal misconduct involving any of the Company’s Officers.

3. Vice President – Chief Ethics & Compliance Officer: The Vice President – Chief Ethics & Compliance Officer (CECO) has overall day-to-day responsibility for managing the Program. The CECO reports directly to the EVPGC and reports periodically to the Audit Committee and to the Company’s Executive Compliance Council (ECC) regarding the Program’s administration, its major initiatives and any serious compliance violations. The CECO will specifically:
  - a. Report annually to the Board of Directors on the Program’s implementation, continuous improvement and overall effectiveness.
  - b. Report to the Audit Committee regularly, but no less than quarterly, on the statistics related to the Company’s Helpline and on any significant investigations of *Ethics Policy* violations, as well as on significant investigations, including any matter involving criminal misconduct or potentially serious violations of the *Ethics Policy*;
  - c. Chair the Executive Compliance Council (ECC) and ensure the adequacy and robustness of the Business Unit Compliance Councils (BUCC);
  - d. Coordinate with leaders in the Law Department, Internal Audit, Finance, Procurement, Risk Management, Human Resources and business unit senior management on the implementation of the Program;
  - e. Ensure that the Program is implemented across all Company businesses, is appropriately resourced, is functioning properly, and is monitored for effectiveness;
  - f. Manage a coordinated global approach to investigating and resolving significant compliance violations, and informing the ECC, and the Audit Committee, as appropriate;
  - g. Ensure that the Company takes “reasonable steps” to respond to potentially significant criminal misconduct or serious violations of the *Ethics Policy*;
  - h. Ensure that a periodic assessment and prioritization of the Company’s greatest legal and regulatory risks within its businesses is conducted; and
  - i. Recommend changes to the Program in light of any serious compliance violations, revised risk assessment or assessed weaknesses.
  
4. Executive Compliance Committee: The ECC consists of the Company’s Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), Chief Marketing Officer (CMO), Corporate Controller, EVPGC and other senior leaders. The CECO shall chair the ECC, which shall meet on a regular basis, but no less than quarterly. The ECC shall:
  - a. Foster and promote a culture that encourages ethical conduct and a commitment to ethical decision-making and compliance with the law throughout the Company;
  - b. Oversee the Program’s implementation, operation and continuous improvement;
  - c. Review benchmarking and measure progress from the business units’ Compliance Councils;
  - d. Oversee the periodic assessment and prioritization of the Company’s greatest legal and regulatory risks within its businesses;
  - e. Oversee the annual monitoring and auditing of the Program’s effectiveness;
  - f. Review the Program’s effectiveness and make recommendations for continuously improving the Program;

- g. Review all significant compliance violations and, as appropriate, assess whether the violation was the result of a program gap or weakness; and
  - h. Decide whether to accept or modify the CECO's recommended changes to the Program made in response to any serious compliance violations, revised risk assessment or assessed weaknesses.
5. Business Unit Compliance Committees (BUCCs): Each Business Unit will have Compliance Committees consisting of high-level business leaders to oversee the management of the Program within each business unit. The members of the BUCCs will meet periodically and will:
- i. Foster and promote a culture that encourages ethical conduct and a commitment to compliance with the law throughout the business unit;
  - j. Oversee the Program's implementation, operation and refinement;
  - k. Oversee the periodic assessment and prioritization of the business unit's greatest legal and regulatory risks;
  - l. Review the Program's refinement and implementation of its improvements, which includes collecting information on the Program's implementation and effectiveness;
  - m. Review all compliance violations and, as appropriate, assess whether the violation was the result of a program gap or weakness; and
  - n. Provide periodic updates to the CECO on recommended changes to the Program made in response to any serious compliance violations, revised risk assessment or assessed weaknesses.
6. Employees: Employees must understand and adhere to the principles set forth in the *Ethics Policy*, all Johnson Controls corporate and business unit policies, and all applicable laws and regulations. Employees' actions must reflect the highest standards of ethics and integrity.
7. Entities: The Program applies to all Johnson Controls subsidiaries and controlled/consolidated entities. For non-consolidated affiliates, such as minority-owned joint ventures, the Company will proceed in good faith to use its influence, to the extent reasonable under the circumstances, to cause the affiliate devise and maintain a system of internal accounting controls consistent with the Company's, and to adopt a comparable compliance program, with due consideration of the laws and practices governing the business operations of the country in which the affiliate exists, as well as the affiliate's most significant legal and regulatory risks.

C. Standards

The Program's standards for ethical and compliant behavior are documented in a series of Company and business unit policies, including the *Ethics Policy* and the Ethics and Compliance program elements. The CECO will, with support from the BU Compliance Managers, guide the creation, implementation, monitoring and enforcement of consistent policies, processes and guidelines that support and supplement the direction that the *Ethics Policy's* guiding principles provide employees.

D. Dissemination/Publication of Standards:

The Program's standards, in addition to the *Ethics Policy*, will be published and provided to employees and others using appropriate media and means to ensure widespread dissemination and understanding of the standards.

E. Program Training and Education

Training will be provided regularly to selected employees on key compliance and ethics topics with a particular emphasis on employees who work in functions with an elevated risk for compliance violations. The Company's selected agents and business partners will be instructed in accordance with Company's Third Party Management Program on those topics where the business partner's conduct could present a significant compliance risk to Johnson Controls.

F. Monitoring/Auditing: Internal Audit will ensure that the Program is monitored and audited annually for effectiveness.

G. Prevention of Unlawful Conduct: The Company will deploy processes designed to ensure that only persons who are likely to demonstrate compliant and ethical behavior will be hired or promoted to positions where misconduct would create a compliance or ethics risk.

1. To the extent permissible in the relevant jurisdiction, background checks will be used in appropriate circumstances.
2. Any employee in a position of substantial authority who has demonstrated a risk of engaging in unlawful behavior or of departing from the highest standards of ethics and Ethics and Compliance will be counseled and/or disciplined, to the extent permitted by local employment regulations.
3. An employee who has engaged in criminal conduct or a significant violation of the *Ethics Policy* will be subject to appropriate discipline, up to and including termination.
4. Personal performance reviews will address the employee's adherence to the principles underlying the Program.

H. Periodic Review of the Program

1. The Vice President of Internal Audit will have primary responsibility for measuring those components of the Program capable of meaningful measurement and reporting these findings not less than annually to the ECC.
2. On an annual basis, the CECO will prepare for the Board of Directors a review of the "year in compliance," including a summary of completed training, significant compliance violations, any changes in legal and regulatory risks, an assessment of the effectiveness of the Program and recommendations for improvements in the Program.