

Revision	Release Date	Effective Date	Description of Changes
1	2011-12-01	2011-12-01	Initial Release
2	2018-07-02	2018-08-14	<p>Divide the previous Quality Expectations into 3 sections:</p> <ol style="list-style-type: none"> 1. Supplier On-boarding Processes 2. Product On-boarding Processes. 3. Supplier Monitoring & Continuous Improvement <p>Add the <Procure to Pay> Section</p>
3	2023-04-10	2023-04-10	<p>Version three revamped Version two as follows:</p> <ol style="list-style-type: none"> 1. New BOS Format 2. Added Hyperlinks, updated References, and definitions 3. Streamlined Purpose and Scope 4. Added Responsibility, Global Supplier General Expectations focusing on: <ol style="list-style-type: none"> a. Management Standards b. Global Expectations for ISO Standards c. Supplier Development d. Electronic Commerce e. Integrity and Ethics 5. Updated hyperlink to Global Terms and Conditions 6. Resilience and ESG added to align with supplier scorecard ratings and removed several sections from previous manual by including: <ol style="list-style-type: none"> a. Hyperlinks, aligned with JCI external site, and simplified sections 7. Supplier Onboarding added: <ol style="list-style-type: none"> a. Supplier Validation, Supplier Set-up, GEP Profile, eRFX and b. Updated SOA and ISA to include DSOA and FSOA 8. Product Onboarding added, updated, or expanded APQP, PPAP/PAPSO, Packaging requirements, Supply Chain Logistics, LeanDNA®, Line of Balance, and ASN 9. Procure-to-Pay updated with Supply Chain Finance and direct hyperlinks <p>Added section Performance Monitoring, Relationship Development and Supplier Escalations to include Supplier Scorecard Training hyperlink, IRIS process, PPM, Deviation Process Control, Supplier Change</p>

			Management, Supplier Notification of NCMR Quarterly Business Reviews, and Escalation path
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1.0. PURPOSE

At Johnson Controls (JCI) we are committed to providing safe, quality products and services. JCI's goal is to work collaboratively with our suppliers to exceed our customer's increasing expectations, achieving outstanding performance through best-in-class products, services, and processes. JCI expects suppliers to conduct their operation in a socially and environmentally responsible manner, aligning with JCI's values and policies.

To ensure suppliers meet JCI standards, JCI has developed the Global Supplier Standards Manual (Manual) to drive value and collaboration with suppliers on key metrics.

2.0. SCOPE

This Manual applies globally to all JCI Manufacturing and Parts Distributions locations. This includes Joint Ventures and Affiliates involved in the procurement of Products and services for internal or resale use.

3.0. RESPONSIBILITY

All JCI suppliers providing equipment, products, materials, and services to JCI Direct, Indirect and Field Enterprise Operations are expected to comply with all requirements and expectations outlined in the Global Supplier Performance Standards Manual (Manual). Suppliers are responsible for reviewing, complying, and distribution of Manual to their respective locations to ensure compliance.

4.0. GLOBAL SUPPLIER GENERAL EXPECTATIONS

4.1.1. Management Standards

Johnson Controls expects our suppliers to demonstrate their commitment to Integrity, ethics, environment, and quality. Key to this commitment is the implementation of appropriate quality, environmental, occupational health, and safety management standards.

The following table indicates Johnson Controls minimum expectations, or equivalent, as approved by Johnson Controls Procurement. Additional requirements to conduct business with Johnson Controls can be found within this manual. Contact your local Johnson Controls Procurement representative for any additional requirements/expectations.

4.1.2. Global Expectations for ISO Certifications

	Quality System Registration/Compliance	Environmental Management Registration/Compliance	Safety & Health Management Registration/Compliance
Direct Material Suppliers	ISO 9001:2015	ISO14001:2015	ISO 45001:2018
Indirect Material Suppliers - General	ISO 9001:2015	ISO14001:2015	ISO 45001:2018

4.1.3. Supplier Development

Johnson Controls will collaborate with our suppliers to establish development plans to ensure compliance and continuous improvement with respect to the requirements established in this manual. The methods for executing the supplier development activities are established by each business and region as appropriate. Please use the links contained in the manual to access the business and/or Global requirements.

4.1.4. Electronic Commerce

Through continuous improvement efforts in electronic commerce, JCI expects our Suppliers to support us in such collaborative improvement efforts. Tools such as, [Ecovadis® Assessment](#), Electronic Data Interchange (EDI), [LeanDNA®](#), [Oracle® Transportation Management \(OTM\)](#), [Procure to Pay Procure-to-Pay \(Purchase-to-Pay or PTP/P2P\)](#), and [Quantum](#) are used to support electronic commerce with our suppliers. The expectation is that JCI and the Supplier will use these applications as the primary means of communication for day-to-day collaboration

4.1.5. Integrity and Ethics

Johnson Controls commitment to ethics and integrity benefits communities and the world — while improving our shareholder value, reputation, productivity, and employee retention. The policies and initiatives which govern the way we do business and expect all our suppliers to abide by are noted below:

- [Values First the JCI Code of Ethics](#)
- [Climate Change Policy](#) and [Position](#), commitments on energy and climate change guides us on how to reduce our carbon footprint both internally and within our Supply-Chain
- [Conflict Minerals Policy](#) defines the responsible sourcing conflict minerals throughout our Supply-Chain

- [Global Environmental, Health, & Safety \(EHS\) Policy](#) identifies key operating principles in conducting business which is protective of health, safety, and the environment
- [Human Rights and Sustainability Policy](#) which affirms our adherence to global standards
- [Integrity Helpline](#), which allows employees report any suspected violations
- Our commitment to [Diversity and Inclusion](#)
- Our belief in ethical, transparent [Corporate Governance](#)
- [Political Contributions Policy](#) guides political contributions and activities to ensure compliance with applicable federal and state laws and go beyond compliance to implement leading practices in accountability and transparency
- [Slavery & Human Trafficking Policy](#) and [Statement](#) which demonstrates our commitment to conducting our business in a manner that respects human rights.

Suppliers are expected to uphold the highest Integrity and Ethical standards to include:

- Prohibit corruption, extortion and embezzlement, bribery, or other means of obtaining undue or improper advantage and to ensure fair business, advertising, and competition.
- Properly disclose and protect business information, customer information, and intellectual property rights in accordance with applicable requirements and prevailing industry practices.
- Protect supplier and employee whistleblower confidentiality

4.2. GLOBAL PROCUREMENT TERMS & CONDITIONS

Johnson Controls expects all its suppliers to abide by its key policies, processes, Terms and Conditions of Purchase:

- [Global Terms and Conditions of Purchase](#)

If a supplier is unable to locate these documents, please contact your JCI Procurement contact.

4.3. RESILIENCE

4.3.1. Financial Assessment

It is Johnson Controls' desire to understand its own financial health and the financial health of our business partners. Assessment of a supplier's financial health is a crucial tool in due diligence and on-going monitoring activities. Johnson Controls' supplier financial health assessment process is a key requirement in Johnson Controls Category Strategy, Sourcing Board, Supplier Business Continuity (SBC), and Preferred Supplier List processes. Supplier financial health assessment may also be required at the request of a Category Manager, Leadership or Supplier Owner.

To achieve this goal Johnson Controls partners with a Third-Party financial health assessment provider, [RapidRatings®](#), to routinely evaluate suppliers. When contacted by [RapidRatings®](#) to participate on behalf of Johnson Controls, we expect suppliers to engage with this program.

Participation will:

- Strengthen our business relationship by building confidence, trust, longevity, and alignment
- Improve transparency enabling Johnson Controls to support and collaborate with you
- Ensures uninterrupted serve Johnson Controls customers, now and in the future

The process is simple. If selected for participation in the [RapidRatings®](#) financial assessment, you will receive a request from [RapidRatings®](#) on behalf of Johnson Controls. You will be asked to provide financial information and/or documents through [RapidRatings®](#)' secured portal. Your information is only accessible to [RapidRatings®](#) for the purpose of evaluation; Johnson Controls will never have access to the source information through this process. Johnson Controls receives only an

analysis report based on the information provided. A Johnson Controls representative may follow up to discuss observations from the analysis report.

4.3.2. Business Continuity and Disaster Recovery Planning

Business Continuity and Disaster Recovery Planning is important to Johnson Controls for our own operations and along our supply chains. We expect suppliers to maintain appropriate plans, tools, processes, and governance to assure continuity within their own operations and within their supply chains. Johnson Controls suppliers must ensure their business continuity planning activities support delivery and performance commitments and align with sound, industry best practices (such as ISO Standards). Continuity plans should prioritize activities to:

- Protect employees and potentially save lives
- Maintain operations during and after a disruptive event
- Build / strengthen customer confidence and trust
- Safeguard company reputation
- Minimize loss of revenue
- Reduce exposure to risks that could result in further financial impacts
- Assure suppliers make similar requirements of their own priority suppliers, and oversees them appropriately

Some ISO Standards related to Business Continuity Management include, but are not limited to, the following:

ISO Standard (or newer as published)	Title of Standard
ISO/TS 22318:2021	Security and resilience - Business continuity management systems - Guidelines for supply chain continuity management
ISO 22301:2019	Security and resilience - Business continuity management systems - Requirements
ISO 22313:2020	Security and resilience - Business continuity management systems - Guidance on the use of ISO 22301
ISO/IEC 27031:2011	Information technology - Security techniques - Guidelines for information and communication technology readiness for business continuity
ISO 9001:2015	Quality management systems - Requirements
ISO 14001:2015	Environmental management systems - Requirements with guidance for use
ISO 45001:2018	Occupational health and safety management systems - Requirements with guidance for use

Johnson Controls may require suppliers to participate in self-assessments and/or facilitated on-site or operational assessments to review/validate the efficacy of the supplier's Business Continuity planning (see the SOA section below).

4.4. ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG)

4.4.1. Supplier Diversity

Johnson Controls' supplier diversity program is successful because of accountability, training, and supplier diversity processes that extend into our customer and supplier networks. Supplier diversity is approached as a discipline that is not confined to one department, geography, or an elite group of star performers. All the operational, commercial, and advanced supplier diversity activities are tied together with standardized processes company wide.

- [Supplier Diversity | Johnson Controls](#)
- [Diverse Vendor Profile & Diverse Spend Report \(Quantum\)](#)

4.4.2. Ecovadis® Assessment

As an alternative to the supplier sustainability rating survey, Johnson Controls has chosen EcoVadis®, a global sustainability rating company based on international standards, to conduct individual sustainability performance assessments of our supply chain partners. EcoVadis® assessments scores can be substituted for sustainability ratings in the supplier scorecard. EcoVadis® will equip you with the tools and understanding to actively participate in our supply chain sustainability activities.

- [Ecovadis® Assessment](#)

5.0 SUPPLIER AND PRODUCT ONBOARDING

5.1. SUPPLIER ON-BOARDING PROCESS

5.1.2. Supplier Validation and Vendor Master Setup

Suppliers to JCI may be asked to provide documentation depending on the region they do business with. (I.e., W8/W9, banking information on letterhead, etc.) For additional details, please work with your Category Manager for requirements on the Supplier Add/Change process

5.1.3. Supplier Location and Contacts Profile (in addition to ERP setup)

Along with payment/remittance details gathered through ERP Supplier Validation and Vendor Master setup, Johnson Controls leverages a separate, global vendor information management system to gather and maintain supplier profiles, including supplier contacts and locations, used in everyday communications and emergency response situations.

5.1.3.1 Key Contacts

Suppliers who already have or are asked to create a profile on the system are expected to provide and maintain contact details (names, titles, phone, and email) for all the following key roles where applicable:

- Sales, Account Representatives and Customer Care
- Build/RFP, Contract, Catalog and Ordering
- Accounts Payable and Receivable
- Safety and Operations
- IT and Information Security
- Regulatory and Trade Compliance
- Executive leaders including President/CEO and leaders for key functions (Sales, Product Management, Quality, Manufacturing/Production Operations, Distribution, Information Security, etc.)

5.1.3.2. Key Locations

Suppliers who already have or are asked to create a profile on the system are expected to provide and maintain location details (address with street, city, state/province, country, and postal codes) for key locations involved in the production and delivery of goods and services to Johnson Controls such as:

- Headquarters
- Manufacturing / Production / Fabrication / Assembly / Testing
- Data Centers
- Distribution Hubs
- Service Locations

Johnson Controls leverages the [GEP SMART™](#) tool for gathering and maintaining such data. The tool includes a self-service supplier portal. Suppliers who already have or are asked to create a profile on the system are expected to review and update their [GEP SMART™](#) profile details at least annually and respond in a timely fashion when requested to make additional updates.

Please see the [GEP SMART™ Suppliers Quick Reference Guide](#) for more information about creating and maintaining a supplier profile. Registration and access to the [GEP SMART™](#) platform is by invitation from JCI.

5.1.4. eRFX

JCI reserves the right to award business to one or more suppliers through the eRFX [Global Products Request for Quotation](#) process. JCI will seek to identify the supplier(s) which most closely matches its service and cost expectations. The full value of each proposal will be carefully analyzed before reaching a decision.

Primary selection criteria include:

- Pricing (unit cost and total cost of ownership)
- Ability to meet JCI product and/or service requirements
 - Capability – Infrastructure, People, Technology & Innovation
 - Capacity to meet JCI's requirement
 - Delivery Lead time or service completion time
 - Quality and demonstrated performance (ex: past SOA results [see below])
 - Manufacturing, service, sales & support footprint/availability
 - Breadth of product range
 - Global and Regional coverage
- Payment and Warranty terms
- Risk assessment including financial stability and operational resilience
- Ease of implementation
- References

5.1.5. Supplier Operational Assessment (SOA), Distributor Supplier Operational Assessment (DSOA), Indirect Supplier Assessment (ISA), and Field Supplier Operational Assessment (FSOA)

5.1.5.1. SOA & DSOA

A Supplier Operational Assessment (SOA) may be conducted by a member of the Global Supplier Quality & Development Excellence team or their designee prior to the award of production orders and/or being placed on Johnson Controls Preferred Supplier List (PSL).

- The SOA and DSOA comprise a series of questions to audit the supplier in Quality, Commercial, Materials, Engineering, Leadership and Sustainability.
- The SOA process will normally start with a request to the supplier to complete a Self-Assessment outlined within the SOA file. That will be followed by either a virtual/desktop assessment, or an onsite assessment. When the SOA is completed, there may be a follow up visit scheduled to validate and close out the actions identified during the initial SOA.
- During the SOA, the Johnson Controls representative(s) will review each section by evaluating and validating, but not limited to, supporting/relative documentation, manuals, production operations, interviewing direct and indirect personal and issuing action requests should the minimum requirements not be met.
- All findings will be discussed during the assessment and/or closing meeting with the supplier. Actions, due dates, and person/department responsible will be assigned during the closing meeting and/or after the completed assessment has been submitted to the supplier.
- Suppliers are required to actively engage in this development process to ensure that all actions are closed by the agreed dates, which in turn will enable the assessment score to increase to meet the required level while minimising any identified risks to JCI.

- The SOA/DSOA will be completed as part of the supplier onboarding process but will also be performed at least every 5 years at key strategic suppliers. However, an assessment may be requested at any time due to low performance or any significant changes such as factory relocations or new process introductions.
- The SOA/DSOA assessment process may be substituted or supplemented using a Quality Best Business Practice (QBBP) which enables a more detailed process focused audit.
- The SOA/DSOA may be performed on a reduced version if the supplier is ISO certified (ISO 9001, IATF 16949, AS9100, etc.).

5.1.5.2. ISA & FSOA

The Indirect Supplier Assessment (ISA) process serves the same basic purpose as the SOA outlined above but is used with Indirect Suppliers, while the Field Supplier Operational Assessment (FSOA) is used for suppliers of materials to the Field business within JCI. The ISA workbook evaluates four (4) areas outlined below. A Johnson Controls representative will ensure the Supplier receives an electronic copy of the ISA workbook or a link to the online form used to collect supplier information to aid in evaluating our Indirect Suppliers:

- Health and Safety
- Environmental
- Quality
- Process

The ISA workbook uses a “Yes” / “No” scoring approach with an “Overall Score” at the end of each section to assist in assessing the overall risk.

Suppliers may be asked in advance to complete the “Supplier Evaluation” tab prior to completing the other sections within the workbook. Your Johnson Controls representative will contact you and provide the necessary directions prior to completing the ISA workbook.

5.2. PRODUCT ON-BOARDING PROCESS

Product On-Boarding is the PPAP/PAPSO development process in which the Business Requirements and specifications are reviewed and assessed, such as sample testing/approval, DFMEA development/review, drawing accuracy, CTQ/technical aspects, as well as capability studies which are requested/conducted to assess the manufacturability and risk to both Johnson Controls and the Supplier.

5.2.1 Material Requirements

5.2.1.1. Advanced Product Quality Planning (APQP)

Advanced Product Quality Planning (APQP) is a structured method of defining and establishing the steps necessary to assure that a product satisfies customer as defined by the AIAG (Auto Industry Action Group). Johnson Controls require its suppliers to have a documented APQP process to support launch activities.

5.2.1.2. Production Part Approval Process (PPAP) / Product Approval & Process Sign-Off (PAPSO)

The PPAP/PAPSO process and requirements followed by JCI are aligned with the AIAG (Auto Industry Action Group) process. The JCI plants will be supported where required by the Global Supplier Quality & Development Excellence (SQDE) team to ensure supplier readiness for PPAP submission. Where the PPAP/PAPSO requirements are not clear or the deliverables are not clearly understood, the supplier must engage with their JCI quality contact to review the PPAP/PAPSO process as defined in JCI procedure BE-PDP-PR-08-E Product Approval and Process Sign-Off PAPSO, which can be shared upon request.

Suppliers are required to have a Part Submission Warrant (PSW) approved by the JCI Quality Manager or Designee to supply products or services to JCI.

An interim PSW approval is acceptable in some cases as defined and agreed by JCI.

5.2.1.3. Packaging

Supplier will properly pack, mark, and ship Products according to the requirements of JCI, the involved carriers, and the country of destination. Standard packaging guidelines are available from JCI. Shipment packaging and labelling should be approved by JCI as part of the PPAP/PAPSO process utilizing JCI's Supplier Packaging Container Qualification Form or equivalent. All labels affixed to a container must be a barcoded, scannable and contain the following information

- Barcoded Information
- Part Number
- PO Number(s)
- PO Line Number, Release Number or Scheduling Agreement Number
- Quantity
- Supplier Identification Number
- Label Serial Number
- Part Description
- Manufacturing Date
- Part Revision Level
- Lot Number
- International Build Statement (e.g., Made in USA)
- Manufacturing Address

Figure 1 illustrates a Container Label Standard Sample

Figure 1 - Container Label Standard Sample

Block A1	Block A2	2D Barcode
Block B1	Block B2	
Block C1	Block C2	
Block D1	Block D2	
Block E1	Block E2	

FROM: JCI Supply Chain 1234 Main Street Anytown, USA 12345		TO: Johnson Controls, Inc. 5678 Highway 1 Anytown, USA 54321		2D Barcode	
PART NO: (P) 38008063		REV LEVEL: (R) 003D		PLANT / SUCK: 66	
QUANTITY: (Q) 1536 PCS		LOT NO: (L) M10492003			
SERIAL NO: (S) 52560478		KAMBAR: (K) 110608			
MFG DUNS: 527742743		SHP DUNS: 005366878			
DESC: PLUG, ASM		MFG DATE: 15/02/17			
HEAT/FID #: 2230445		EXP DATE: 15/03/18			

5.2.1.4. Supply Chain Logistics

Products shall be delivered to the address or location specified in the Order (the "JCI Location") during JCI's normal business hours. Incoterms 2020 will apply to all shipments except those entirely within the USA. Shipments originating in and shipped entirely within the USA shall be shipped FCA (loaded) at the Seller's final production location, using Buyer's transportation.

Product prices include storage, handling, packaging and all other expenses and charges, duties, and taxes, but excludes any governmentally imposed value added tax (VAT), which must be shown separately on Seller's invoice for each shipment.

Please locate the most current routing guide at our Oracle® Transportation Management (OTM) Logistics site here:

- [OTM Routing Guides for JCI](#)
- For suppliers needing access to OTM Logistics site please access instructions:
 - [Routing Guides \(johnsoncontrols.com\)](#)
 - Password: johns

5.2.1.5. [LeanDNA®](#)

[LeanDNA®](#) is a planning and inventory management solution that will empower our business to reduce excess inventory, deliver on time and establish operational command of JCI's inventory operations. [LeanDNA®](#) is a third-party solution partnering with JCI to provide solutions to many of the JCI inventory and planning operations. It is expected and understood that all direct material suppliers will participate in [LeanDNA®](#) to the full extent of their capabilities. Instructions for [LeanDNA®](#) Supplier Connect are provided at link:

- [LeanDNA® Supplier Connect](#)

5.2.1.6. Line of Balance

The line of balance (LOB) will be provided by JCI, or in some cases, is available on the supplier portal in various ERP systems. The LOB will provide details regarding the current and future demand at the JCI location, including the quantity and date required for the supplier to provide the requested materials.

5.2.1.7. Advance Shipping Notices (ASN)

An ASN is the electronic transfer of shipment data from a supplier to a customer. Johnson Controls has made ASNs a standard expectation upon implementation of EDI. Until a supplier has EDI capability an emailed ASN must be provided. The customer plant utilizes the information contained within the ASN in two ways:

- Determine and confirm goods in transit.
- Verification against the shipment as product is received.

Accuracy is imperative to maintain the integrity of information related to inventory records, MRP/supplier schedules, and invoice payments. ASN timeliness is critical to information accuracy and functionality.

The ASN must be created upon finalization of the shipment and be received by Johnson Controls within one hour of the time the shipment leaves the supplier's shipping location and prior to its arrival at the Johnson Controls plant.

All shifts in a facility must be capable of sending the ASN to meet these requirements.

Confirmation of ASN receipt is available to suppliers (contact the Johnson Controls plant for availability). For the ASN to be successfully transmitted to the Johnson Controls plant, the ASN must contain all the SPECIFIED INFORMATION listed below. ASN's received without a Bill of Lading (BOL), Packing list or Invoice number fail our rules and is not received, and a Discrepant Material Report (DMR) will be issued for failure to send an ASN:

- BOL Number, Packing List or Invoice number: Must be barcoded
- Shipment date/time
- Gross weight of shipment
- Net weight of shipment
- Total Bill of Lading quantity (e.g., # of cartons)
- Standard Carrier Alpha Code (SCAC)
- Mode code (e.g. "E" for Expedite, "A" for Air, etc.)
- Pool points location (if applicable)

- Tracking or Pro number
- Packing slip number(s)
- Ship from location (our supplier code or supplier DUNS Code)
- Ship to location(s) (our plant code(s) including dock code(s)) or DUNS Code
- Part number - Must be barcoded
- Engineering change level (Part)
- Quantity shipped - Must be barcoded
- Unit of measure
- Purchase order or Schedule Agreement number, line, release– Must be Barcoded
- Number of cartons shipped of each part
- Quantity per carton EDI SPECIFICATIONS
- Shipment mode, i.e. LTL, Truck load
- Carrier Name
- Planned Delivery Date

6.0. PROCURE TO PAY: Materials and Services

At JCI, we continuously strive to make Procure-to-Pay a seamless process, from point-of-order to payment, driving efficiency, effectiveness, and enhancements to our internal controls. Therefore, we continually focus on compliance with our Procure-to-Pay Process, and work closely with our suppliers to provide clear definitions and expectations to ensure process adherence.

6.1. [Procure-to-Pay \(PTP\)](#) Invoicing & Payment

[Procure to Pay Procure-to-Pay \(Purchase-to-Pay or PTP/P2P\)](#) is the process of obtaining and managing the goods and/or services needed for manufacturing a product or providing a service. The process involves the transactional flow of data that is sent to our suppliers, the data surrounding the fulfilment of the actual order and payment for those products or services. It is important for our suppliers to follow the instructions in the link above to ensure payments are processed on time. The process involves the transactional flow of data that is sent to our suppliers, the data surrounding the fulfilment of the actual order and payment for those products or services

6.2. Supply Chain Finance

Johnson Controls Standard Payment terms are 90 days NPR (Next Payment Run) to align with benchmarks and competitors. This allows us to maintain our competitive position in the industry and grow our business with you.

[Supply Chain Finance \(SCF\)](#) is a working capital solution that optimizes cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their suppliers to get paid early. Register to watch one of our on-demand recordings by selecting from one of the links below based on supplier type.

- [Subcontractors with Annual Spend >\\$250K](#)
- [Subcontractors with Annual Spend <\\$250k](#)
- [Materials with Annual Spend >\\$500K](#)
- [Materials with Annual Spend <\\$500K](#)

7.0 PERFORMANCE MONITORING, RELATIONSHIP DEVELOPMENT & SUPPLIER ESCALATIONS

7.1. Supplier Scorecard

The supplier scorecard provides a structured and objective way for businesses to assess the performance of their suppliers, identify areas for improvement, and establish clear expectations for future performance. By regularly monitoring and reporting on supplier performance using a scorecard, JCI can build stronger relationships with our suppliers, improve supply chain

efficiency, reduce risk, and drive better business outcomes. JCI Supplier Scorecard Category Distributions are:

- Quality
- Cost
- Delivery
- Environmental, Social, and Governance
- Resilience

7.2. Quality Objectives: Parts Per Million (PPM)

One of the measurements of Quality Performance of suppliers is defective Parts Per Million (PPM).

Suppliers are expected to establish both internal and customer PPM, have defined internal and external goals and have evidence of meeting them.

The expectation for supplier performance is 0 PPM (zero defects), while a maximum of 60 PPM is required to achieve full points on the Supplier Scorecard.

Product received by Johnson Controls facilities that is identified as nonconforming to the drawing, specifications and/or agreed upon standards will be counted against a supplier's PPM record. Quantities will be reported in the units of measure in which they are purchased.

If the supplier identifies, communicates, and takes appropriate action to contain and correct a potential problem before the problem is identified or the parts are used at a Johnson Controls site, then the parts will not be counted against PPM.

7.3. Deviation Process/Control

The supplier is responsible for meeting all the requirements of the purchase order, drawings and specifications or applicable Industry Standards (e.g., EIA, ASTM).

- When material that does not conform to these requirements, it shall not be shipped to Johnson Controls, its customers and/or other suppliers without prior written approval. Request for approval of deviation from requirements shall be brought to the attention of the Johnson Controls Buyer/authorized Supply Chain personnel. Approval or disapproval of supplier deviation requests will be documented and communicated to the supplier.
- Each request for deviation shall include a statement of deviation, refer to the clause deviated, corrective action for future supplies, person responsible for the corrective action, affected lot numbers / quantities and estimated date of implementation of corrective action to prevent recurrence of the nonconformance.
- Supplier will maintain a list of deviations and copies of the approvals from Johnson Controls. A copy of the deviation should accompany any shipment made for products under deviation to Johnson Controls.

7.4. Supplier Change Management

Supplier shall establish an internal change management process. All the changes regarding the 4M1E (Man, Machine, Material, Method, and Environments), which will cause a non-conformance with existing PPAP/PAPSO records, must be submitted to Johnson Controls for approvals before Implementation.

7.5. Supplier Notification of Nonconforming Material

Suppliers are notified of non-conforming material or service through a documented rejection notice. This document is issued whenever purchased material or service is identified which does not conform to quality requirements.

- An administrative fee may be assessed for each Rejection Document to capture Johnson Control's cost for managing supplier nonconforming material. This will normally be issued via the IRIS platform (ref. next section) in the form of a Supplier Chargeback (SCB) which may also include all extraordinary (Cost of Poor Quality (COPQ)) and/or administrative cost associated with SMRR's (Supplier Material Rejection Reports) (\$100 USD admin fee) & DMR's (\$250 USD admin fee).

- Suppliers must send their appropriate Johnson Controls Supplier Quality contact a written interim containment plan within 24 hours of problem notification using the 4D/8D methodology unless an alternate response time is requested by the Johnson Controls Supplier Quality contact.
- When requested, within seven (7) to thirty (30) calendar days, as identified by the appropriate Johnson Controls Supplier Quality contact, the supplier is expected to communicate in writing the problem-solving results utilizing the 8D approach. If the supplier is unable to resolve the quality issue within the identified timeframe, a weekly updated 8D must be provided to Johnson Controls until problem resolution is achieved, unless otherwise specified.

7.6. Issue Resolution Information System (IRIS)

JCI has implemented the Issue Resolution Information System (IRIS) software to track resolution of quality and material issues. Links below provide further details on the IRIS Program:

- [Issue Resolution Supplier Communication Letter \(PDF\)](#)
- [Issue Resolution Supplier Training \(PDF\)](#)

7.7. Management Quality Review (MQR) Introduction

Management Quality Review (MQR) meetings are held to analyze and review current problem situations (quality, delivery, or other issues). Supplier accountability and response will be the focus.

An MQR may be arranged if a supplier is considered responsible for an issue that results in:

- Product Safety characteristic as defined on the print does not meet Process Performance Index (PPK), Capability Performance Index (CPK) requirements.
- Production was suspended due to supplier's product quality or part shortage.
- A sort or rework at Johnson Controls and / or customer completed due to supplier's product quality.
- One of the poorest performing suppliers during a given period.
- Poor delivery performance affecting Johnson Controls Operations.

The purpose of an MQR is to emphasize and prioritize high-risk problems.

7.8 Supplier Quarterly Business Reviews (QBRs)

Quarterly Business Reviews (QBRs) provide an opportunity for JCI Category Management, Internal Stakeholders, and Suppliers to meet and assess a supplier's performance against Key Performance Indicators (KPIs). The goals of a QBR (Quarterly Business Reviews) are to review:

- Alignment (realignment) of Goals
- Benchmark Data and Metrics
- Supplier Scorecard
- Performance Assessment
- Notable Risk Observations (ex: financial stability ratings and operational resilience related to business continuity and disaster recovery planning)
- Strategic Roadmap

7.9. Supplier Escalations

JCI Category Management works closely with suppliers to understand their capabilities, negotiate contracts, and monitor performance. In the event of an escalation, Category Management would be responsible for managing the issue and working with the supplier to find a resolution.

By working collaboratively with suppliers and internal stakeholders, Category Management can help ensure that the organization is getting the best value from its suppliers while minimizing risks and maximizing efficiencies.

8.0 RESOURCE SITES (in order of appearance)

- [Values First the JCI Code of Ethics](#)
- [Climate Change Policy and Position](#)
- [Conflict Minerals Policy](#)
- [Global Environmental, Health, & Safety \(EHS\) Policy](#)
- [Human Rights and Sustainability Policy](#)
- [Integrity Helpline Diversity and Inclusion](#)
- [Corporate Governance](#)
- [Political Contributions Policy](#)
- [Slavery & Human Trafficking Policy and Statement](#)
- [RapidRatings®](#)
- [Supplier Diversity | Johnson Controls](#)
- [Diverse Vendor Profile & Diverse Spend Report](#)
- [Ecovadis® Assessment](#)
- [GEP SMART™ Suppliers Quick Reference Guide](#)
- [Global Products Request for Quotation](#)
- [OTM Routing Guides for JCI](#)
- [Routing Guides \(johnsoncontrols.com\)](#)
- [Issue Resolution Supplier Communication Letter \(PDF\)](#)
- [Issue Resolution Supplier Training \(PDF\)](#)
- [Procure-to-Pay \(PTP\) Invoicing & Payment](#)
- [Subcontractors with Annual Spend >\\$250K](#)
- [Subcontractors with Annual Spend <\\$250k](#)
- [Materials with Annual Spend >\\$500K](#)
- [Materials with Annual Spend <\\$500K](#)
- [LeanDNA®](#)

9.0 DEFINITIONS

- **Approved Supplier:** Has completed the due diligence as defined and is in an Active/Approved Supplier Status in the Enterprise Resource Planning (ERP) system.
- **Advanced Shipping Notice or Advance Ship Notice (ASN):** Is a notification of pending and upcoming deliveries matched to the provided packing list. It is usually sent in an electronic format and is a common EDI document.
- **Business Continuity and Disaster Recovery (BCDR) Planning:** Supplier Maintenance of appropriate plans, tools, processes, and governance to assure continuity within own operations and within their supply chains. Suppliers must ensure their business continuity planning activities support delivery and performance commitments and align with sound, industry best practices
- **Capital Tooling and Equipment Spend:** Refers to spend related to any equipment used in production and production support facilities such as the labs, aftermarket sales and support, excluding facility repairs and improvements
- **Category Strategy: A category significant to Johnson Controls requiring a long-range/long-term procurement strategy.** A Global Category Strategy list will be managed by the Commodity Strategy Director/Indirect Buyer.
- **Category: Material or service groups with similar characteristics managed by Procurement, this may be interchangeably used with the term commodity.**
- **Conflict of Interest:** Due Diligence and Supplier Add / Change criteria which require the Business Requester and Approver to verify that they have no financial or beneficial interest in the Supplier.
- **Capability Performance Index (CPK):** Process Capability Performance Index or CPK which predicts whether a process has the potential to meet certain specifications.
- **Contract Lifecycle Management (CLM):** Is the proactive, methodical management of a contract from initiation through award, compliance, and renewal.

- **Cost of Poor Quality:** Is defined as the costs associated with providing poor quality products or services.
- **Direct Spend:** Refers to purchase of goods directly incorporated into a product being manufactured. These materials are included in the bill of materials. This includes raw materials, aftermarket parts, finished goods.
- **Discrepant Material Report** or DMR: Is used to report nonconforming material. It indicates that a manufacturer should perform a corrective action preventive action (CAPA) to resolve the situation. The report is useful for launching deviations and submitting supplier corrective action requests (SCARs).
- **Diverse Supplier:** A business that is at least 51% owned, managed, and controlled by a minority or women, as defined by the Small Business Administration (SBA) or historically underutilized business based on local country definitions.
- **EcoVadis:** EcoVadis, a global sustainability rating company based on international standards, conducts individual sustainability performance assessments of our supply chain partners.
- **Electronic Data Interchange (EDI)** - Is the computer-to-computer exchange of business documents in a standard electronic format between business partners.
- **Enterprise Resource Planning (ERP) System:** A business system that serves as a database to store the procurement vendor master records, issue purchase orders or issue payments.
- **4D:** Problem solving approach can help in providing you the necessary toolkit to approach a problem and solve it in a structured manner
- **8D:** The purpose of the 8D methodology is to identify, correct, and eliminate recurring problems, making it useful in product and process improvement.
- **eRFX** – In procurement technology, eRFX (or ERFX) is an acronym for electronic request for [x], where x can be Proposal (RFP), Quotation (RFQ), Information (RFI) or Tender (RFT).
- **Field Spend:** Refers to the purchase of material goods or subcontract services being procured by a JCI branch location and resold directly to an end customer (COGS (Cost of Goods Sold)) to support a specific project or service requirement. This spending is non-manufacturing/factory spending related to customer/client job cost.
- **GEP SMART™:** Procurement software platform which unifies upstream sourcing and downstream procurement operations into one state-of-the-art cloud platform with a powerful, complete set of capabilities for direct as well as indirect spend management.
- **Global Suppliers Standards Manual:** The purpose of the Global Supplier Standards Manual (the “Manual”) is to communicate Johnson Controls requirements to suppliers providing materials, products and/or services (individually and collectively, “Products”) to Johnson Controls in support of our Building Technology & Solutions (BT&S (Building Technology & Solutions)) Division and Enterprise Corporate functions. It is the expectation of Johnson Controls that all suppliers of Direct Material, Field Material & Service, and Indirect Material & Service comply with all the requirements and expectations documented in this Manual
- **Global Supplier Quality & Development Excellence (GSQDE):** Supplier quality is a supplier’s ability to deliver goods or services that will satisfy customers’ needs. Supplier quality management (SQM) is defined as the system in which supplier quality is managed by using a proactive and collaborative approach.
- **In Scope Third Party (3P) Suppliers:** A Supplier relationship that requires additional Legal Compliance evaluation due to the supplier business.
- **Indirect Spend:** Refers to the purchase of goods and services not directly incorporated into a product being manufactured, not included in the bill of material and not billable to a field/customer project. These are typically products and services such as MRO (Maintenance, Repair, Operations), office supplies, dues/membership, education, entertainment, and meetings.
- **Indirect Supplier Assessment (ISA):** Process serves the same basic purpose as the SOA. To aid in evaluating our Indirect Suppliers, the ISA workbook evaluates four (4) areas: Health & Safety, Environmental, Quality and Process
- **ISO - SO (International Organization for Standardization):** is an independent, non-governmental international organization. International Standards covering all aspects of technology, management, and manufacturing.

- **LeanDNA®:** Cloud-based actionable intelligence platform, with powerful analytics and best practices operational dashboards.
- **Manufacturing Agreements:** Custom, Private/white label, or Joint Development (JDA)
- **Management Quality Review (MQR):** MQR meetings are held to analyze and review the current problem situation (quality, delivery, or other problems). Supplier accountability and response will be the focus.
- **Next Payment Run (NPR) or Monthly Payment Run (MPR):** Payments Terms are all on the next or monthly payment run from invoice receipt date.
- **Oracle® Transportation Management (OTM):** Is a cloud-based system with robust features for end-to-end transport management, from initial planning to execution. It enables transport managers to streamline logistics, enhance service levels, and optimize freight costs.
- **Part per Million or PPM:** Means parts per million. PPM is in the automotive industry and established KPI (Key Performance Indicator) to measure your quality performance. Example: 1PPM means that you got 1 defect within 1 million parts produced.
- **Preferred Supplier List:** List of suppliers for use by Johnson Controls as an outcome of the Category Strategy Process. A supplier may be Preferred, Non-Preferred, Evaluate or Directed and can be used as defined in the preferred supplier list.
- **Process Performance Index or PPK:** Evaluates how a process has performed and whether it is meeting specifications or not.
- **Procure-to-pay (also known as Purchase to Pay (P2P or PTP):** Is a term used in the software industry to designate a specific subdivision of the procurement process. The P2P or PTP systems enable the integration of the purchasing department with the accounts payable (AP) department.
- **Product Approval and Process Sign-Off (PAPSO):** The process and the deliverables for Product Approval and Process Sign-Off (PAPSO) activities and responsibilities for new products, interplant transfers, product changes, and for new suppliers or supplier changes
- **Production Part Approval Process (PPAP):** Industry standard that outlines the process to demonstrate engineering design and product specifications are met by the supplier's manufacturing process. Through PPAP, suppliers and customers agree upon the requirements needed to obtain approval of supplier manufactured parts. Applicable to all parts and commodities, PPAP principles help reduce delays and non-conformances during part approval by providing a consistent approval process.
- **RapidRatings:** Third-Party financial health assessment provider, focusing on the financial stability of a strategically selected supplier and providing a gradient grading.
- Records related to contract terminations or expirations
- **Request for proposal (RFP):** Is a document that solicits a proposal, often made through a bidding process, by an agency or company interested in procurement of a commodity, service, or asset, to potential suppliers to submit business proposals.
- **SAP® Ariba Buying and Invoicing:** Is a best-in-class, easy-to-use procure-to-pay solution that helps companies effectively manage all spend-related processes and ensure negotiated savings reach the bottom line.
- **SAP® Ariba Supply Chain Collaboration (SCC):** Ensures comprehensive and flexible collaboration between the Buyer and Supplier across the Ariba Network. Assure supply of direct materials, through better planning, inventory visibility and automation
- **Standard Carrier Alpha Code (SCAC):** Is a unique two-to-four letter coding system used to identify transportation companies.
- **Supplier Chargeback:** Supplier is charged for the additional cost incurred by a manufacturer due to non-conforming components, materials and late deliveries from suppliers
- **Supplier Material Rejection Report:** Suppliers are notified of non-conforming material through a documented rejection notice, called a Supplier Material Rejection Report (SMRR)
- **Sole Sourced:** A "sole source" procurement can be defined as any contract entered without a competitive process, based on a justification that only one known source exists or that only one single supplier can fulfill the requirements. A sole source purchase means that only one supplier (source), to the best of the requester's knowledge and belief, based upon thorough research, (i.e., conducting a market analysis), can deliver the required product or service.

- **Sourceable Spend:** Spend that can be influenced by Procurement. Not all Sourceable spending is controllable.
- **Supplier Agreement:** Supplier agreements are documents under which the Company (Johnson Controls, Inc. and/or its subsidiaries) purchases, rents or leases goods, services, materials, or software for its own use/consumption, or for resale from third party Suppliers, including:
 - Supplier agreements (Agreement, Contract or Proposal)
 - Commodity Supply Contracts o Master Agreements
 - Procurement Contracts with government entities (Energy, Utilities, taxes) o Reseller Agreements
 - Manufacturing Agreements: Custom, Private/white label, or Joint Development (JDA)
 - Specialty Agreements: Letters of intent, Memorandums of Understanding (MOU) or Indemnification Agreements o Leasing Agreements: Equipment or vehicle leasing
 - Contract Amendments (including Amendments to Johnson Controls “Global Terms and Conditions” and/or “Amendment and Supplemental terms by Region and country” as seen on the Global Procurement Standards & Terms site
 - Contract Renewal and Extension
 - Records related to contract terminations or expirations
 - SOWs (Statements of Work), or ordering documents
- **Supplier Business Continuity (SBC)** – Holistic management of the process of identifying the organization’s business critical functions, evaluating risks and their impacts, and developing plans that enable organizational resiliency during Incidents.
- **Supplier Operational Assessment (SOA):** Conducted by a member of the Global Supplier Development & Quality Engineering department team or their designee prior to the award of production orders and/or being placed on Johnson Controls Preferred Supplier List (PSL).
- **Supplier Status** - Describes the basic activity level of the Suppliers within Johnson Controls Buildings Enterprise Resource Planning (ERP) Systems
- **Supplier: May also be called Vendor or Third Party.** Johnson Controls has 21 standard supplier types that are used to distinguish supplier risk and the Supplier’s potential for improper or illegal behavior impacting Johnson Controls.