

## **JOHNSON CONTROLS, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

Johnson Controls, Inc.'s vision is a more comfortable, safe, and sustainable world. In addition to achieving financial performance objectives, the Company's Board of Directors and management believe that the Company must assume a leadership position in the area of corporate governance to fulfill its vision.

#### **Board Duties**

All corporate authority resides with the Board as fiduciaries of the Company's shareholders, except for those matters reserved to the shareholders. The Board has retained oversight authority — defining and overseeing the implementation of and compliance with standards of accountability and monitoring the effectiveness of management policies and decisions in an effort to ensure that the Company is managed in such a way to achieve its objectives. The Board has delegated to management the authority to pursue the Company's objectives. Management, not the Board, is responsible for managing the Company.

Consistent with this division of authority, the Board in discharging its obligations under law shall, among other things:

#### **Corporate Focus**

- Confirm that processes are in place designed to maintain the integrity and ethical conduct of the Company, including the integrity of its financial statements, its compliance with law and ethics, and its relationships with shareholders, customers, employees, and the communities in which the Company operates
- Review and approve strategic plans and profit plans to enhance shareholder value
- Review corporate performance: financial, operations, customer and supplier relations, and community relations
- Stay apprised of relations with shareholders

#### **Management Focus**

- Oversee and evaluate management's systems for internal control, financial reporting, and public disclosure
- Oversee and evaluate senior management performance and compensation
- Plan for effective succession of the chief executive officer and senior management, including leader development and promoting diversity
- Provide advice and counsel to senior management
- Oversee pension investment and management

#### **Board Focus**

- Represent the shareholders in carrying out the Board's statutory role of overseeing management to assure that the Company serves the long-term interests of its shareholders
- Oversee and evaluate management's systems and processes for the identification, assessment, management, mitigation, and reporting of major risks impacting the Company
- Establish corporate governance standards
- Regularly review and assess the Board's leadership structure, including the Lead Director role and responsibilities
- Undertake an annual performance evaluation regarding the effectiveness of the Board and its committees

### Director Focus

- Recommend candidates to the shareholders for election to the Board
- Set standards for Director qualification
- Set standards for Director orientation and continuing education

### Process

The Company makes these Corporate Governance Guidelines available on its website and provides written copies to shareholders upon request. The charter of the Board's Corporate Governance Committee empowers the Corporate Governance Committee to review the corporate governance practices and policies of the Company, regularly comparing them with those of other public companies and those recommended by the investment community. The charter also empowers the Corporate Governance Committee to make recommendations to the Board to assure the Company's leadership in the area of corporate governance. In this regard, the Corporate Governance Committee regularly reviews guidelines or practices adopted by other leading public companies, surveys and trend information published by academia and the investment community, reports on investor forums in the subject area, and the written policies of the Company's institutional investors. In addition to the review that the Corporate Governance Committee completes, representatives of the Company periodically contact some of its largest institutional investors directly to solicit their views on specific governance issues. The Corporate Governance Committee annually reviews the voting results from the Company's annual meeting of shareholders and any voting trends apparent from the overall proxy season of other public companies. The Corporate Governance Committee annually (and more often if necessary) reports its findings and will report to the entire Board for action any recommendations that it may have regarding modification of these guidelines.

### Practices

The Board believes the Company shows leadership in the corporate governance area through the following practices:

- Director Independence. The Board shall establish and maintain standards to determine which Directors are independent. These standards shall comport with the New York Stock Exchange's ("NYSE") definition of "independence," as stated in section 303A.02 or other relevant section of the NYSE Listed Company Manual. Under the Company's standards, the following relationships that currently exist or that have existed, including during the preceding three years, will not be considered to be material relationships that would impair a Director's independence:
  - a) A family member of the Director is or was an employee (other than an executive officer) of the Company.
  - b) A Director, or a family member of the Director, receives or received less than \$120,000 during any twelve-month period in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided that such compensation is not contingent in any way on continued service with the Company). Compensation need not be considered if received by (a) a Director for former service as an interim Chairperson or Chief Executive Officer or other executive officer of the Company or (b) a family member of the Director for service as a non-executive employee of the Company.
  - c) A Director, or a family member of the Director, is a former partner or employee of the Company's internal or external auditor but did not personally work on the Company's audit within the last three years; or a family member of a Director is employed by an internal or external auditor of the Company but does not personally work on the Company's audit.
  - d) A Director, or a family member of the Director, is or was an employee, other than an executive officer, of another company where any of the Company's present executives serve on that company's compensation committee.
  - e) A Director is or was an executive officer, employee or director of, or has or had any other relationship (including through a family member) with, another company, that makes payments

- (other than contributions to tax exempt organizations) to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues. Both the payments and the consolidated gross revenues to be measured shall be those reported in the last completed fiscal year.
- f) A Director is or was an executive officer, employee or director of, or has or had any other relationship (including through a family member) with, a tax exempt organization to which the Company's and its foundation's contributions in any single fiscal year do not exceed the greater of \$1 million or 2% of such organization's consolidated gross revenues.
  - g) A Director is a shareholder of the Company.
  - h) A Director has a relationship that currently exists or that has existed (including through a family member) with a company that has a relationship with the Company, but the Director's relationship with the other company is through the ownership of the stock or other equity interests of that company that constitutes less than 10% of the outstanding stock or other equity interests of that company.
  - i) A family member of the Director, other than his or her spouse, is an employee of a company that has a relationship with the Company but the family member is not an executive officer of that company.
  - j) A family member of the Director has a relationship with the Company but the family member is not an immediate family member of the Director. An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.
  - k) Any relationship that a Director (or an immediate family member of the Director) previously had that constituted an automatic bar to independence under NYSE listing standards after such relationship no longer constitutes an automatic bar to independence in accordance with NYSE listing standards.
  - l) A Director (or an immediate family member of the Director) has purchased products or services from the Company in a transaction on standard pricing and terms that arose in the ordinary course of the Company's business in an amount which, in any single fiscal year, does not exceed \$1 million.

The Board shall affirmatively determine whether each Director has a material relationship with the Company taking into account the standards expressed above. The Board shall make this determination on an on-going basis and at least once annually through a Director and Officer Questionnaire. The Board will report these determinations, and the standards used to make such determinations, in the Company's proxy statement to the extent such disclosure is required by the proxy rules and/or the rules of the NYSE. The Board requires that a substantial majority of its Directors, and in any case at least two-thirds, be independent.

- Director Responsibilities. Each Director shall use his or her best efforts to attend in person all Board and committee meetings on which such Director serves; to review all distributed background and explanatory materials, including interim financial and operational reports; and to be prepared to participate actively at such meetings. Directors may attend meetings by phone with the prior consent of the Chair of the Board if they are unable to attend in person due to circumstances beyond their control. Directors must attend the annual meeting of the Company's shareholders unless the Chair of the Board gives prior consent to a Director's absence in an extenuating circumstance.
- Board Structure. The Corporate Governance Committee regularly reviews and makes recommendations on the size of the Board, the frequency and length of its meetings, and the operation of the Board. The Board annually elects one Director to serve as Chair of the Board. The Chair may also be the Company's Chief Executive Officer or any other officer of the Company who is a Director of the Board. The Board frequently evaluates whether the best interests of the

Company's shareholders are served if roles of the Chair and Chief Executive Officer are separate or combined. The Board has the flexibility to determine whether the Chair and Chief Executive Officer roles should be separate or combined based upon the Company's needs and the Board's assessment of the Company's leadership from time to time. If the Chair is not an independent Director, the independent members of the Board, based upon the recommendation of the Corporate Governance Committee, will designate an independent Director to act as Lead Director. The Lead Director shall have the responsibilities set forth below and as more fully detailed in the Lead Director Charter adopted by the Board.

- Board Operation. The Board publishes a calendar with the regular agenda items it will consider at each of its meetings. Each Board member may also suggest agenda items. The agenda includes reports from each committee that held a meeting, and Board members may discuss a committee's processes and actions when that committee makes a report. With the assistance of the Lead Director, the Chair of the Board establishes any additional agenda items for each Board meeting. Directors shall receive written agenda and supporting materials a sufficient time before the meeting date to allow for their complete review and consideration before the meeting. Directors shall receive interim financial and operational reports every month. The Board has full authority to retain such financial, legal, or other consultants as it deems appropriate. Company management shall make the necessary funds available to pay for such services.
- Board Interaction. The Company seeks to broadly expose its business managers to the Board through regular presentations on the business and its plans. Board members have complete access to the Company's management and, as necessary and appropriate, independent advisors.
- Strategic Planning Role. Multiple meetings are scheduled annually at which management presents the strategic and profit plans to the Board, including plans for human resources. The Board reviews the proposed plans, receives answers and information on any questions, considers and discusses the plans in executive session (without management present), and approves or rejects the strategic plan of the Company by formal resolution.
- Committee Independence. The Audit Committee, the Compensation Committee, the Finance Committee and the Corporate Governance Committee shall consist entirely of independent Directors.
- Committee Structure. Each committee has a written charter specifying its responsibilities and scope. The committees annually review their charters and submit any proposed changes to the Board for review and approval. The Company publishes an annual calendar that includes input from each committee indicating the schedule of the regular topics to be considered by each committee at each of its meetings during the year. The Corporate Governance Committee regularly reviews issues such as the number of committees, member assignments and rotation, and the need for any restructuring of committees.
- Committee Operation. Each committee Chair, in consultation with the members of the committee, determines the frequency and length of their meetings, as well as any additional agenda items. Committee Chairs shall distribute minutes of each committee to all Directors before their next meeting.
- Director Criteria and Qualifications. The Board as a whole should possess certain core competencies. The Corporate Governance Committee shall establish the qualifications it determines to be necessary for Directors to possess, the criteria to evaluate any candidate's capabilities to serve as a Director, and a selection procedure relating to Director candidates. The Corporate Governance Committee periodically reviews these criteria and qualifications to determine any need to revise such criteria and qualifications based upon corporate governance best practices and the Company's needs at the time of the review.

The Corporate Governance Committee then shall review each candidate based upon the Board's current capabilities and core competencies, the Board's current needs, and the capabilities of the candidate.

The Company recognizes the importance of having directors with significant experience in other businesses and activities; however, directors are expected to ensure that other commitments, including outside board memberships, do not interfere with their duties and responsibilities as members of the Company's Board. Subject to the discretion of the Corporate Governance Committee, (i) the Company's Chief Executive Officer may serve on no more than two public company boards in addition to the Company and (ii) all other directors may serve on no more than three public company boards in addition to the Company. All Directors must advise the Chair and chair of the Corporate Governance Committee prior to accepting an invitation to serve on another board and must not accept such invitation until being advised by the chair of the Corporate Governance Committee that the Corporate Governance Committee has determined that (i) service on such other board will not create unacceptable regulatory issues or conflicts of interest, and (ii) the director will have the time required for attendance, preparation and participation at the Company's Board meetings. Audit Committee members may serve on no more than two audit committees of public companies in addition to the Company. The Chief Executive Officer shall review any service on new or additional boards with the Corporate Governance Committee before accepting such positions. For purposes of this section, "public company" shall mean a company with equity securities registered pursuant to Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934, as amended.

Directors who attended or participated in less than seventy-five percent of the Board and committee meetings on which they serve for two consecutive years will not be eligible for reelection and may be removed by the Board unless the Board finds extenuating circumstances.

The Chairs of the Board and of the Corporate Governance Committee shall lead a performance evaluation of each Director whose term of office expires at the next annual shareholders' meeting. Each Director should receive this evaluation between March and September of the year prior to the annual shareholders' meeting at which his or her term of office expires. Even though the Corporate Governance Committee is responsible for determining how to evaluate Director performance, each evaluation shall at a minimum contain a review of the Director's:

- (i) Attendance
- (ii) Changes in independence
- (iii) Changes in criteria and qualifications
- (iv) Changes in status relating to principal occupation
- (v) Participation
- (vi) Expertise; and
- (vii) Other contributions to the Board and its committees

The Corporate Governance Committee shall review each evaluation and discuss it with the Director being evaluated. This evaluation shall form the basis for a decision on whether the Board nominates the Director to stand for reelection.

- Board Selection. The Board selects nominees to become Board members for consideration by shareholders as nominees of the Board or for election by the Board to fill vacancies. After selection, the Chair of the Corporate Governance Committee and the Chair of the Board normally extend an invitation to nominees. The Board delegates screening of nominees to the Corporate Governance Committee, with direct input from the Chair of the Board and the Chief Executive Officer, taking into account the matters discussed under "Director Criteria and Qualifications" above. The Corporate Governance Committee may, if it deems appropriate, retain recruiting professionals for a fee to identify candidates and assist in evaluating them.
- Director Election. In accordance with the Company's Articles of Incorporation and By-Laws, in a non-contested election, directors will be elected by a majority of the votes cast at any meeting of the shareholders for the election of directors at which a quorum is present. In a contested election,

directors shall be elected by the vote of a plurality of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this guideline, (i) a “majority of the votes cast” means that the number of shares voted “for” a director’s election exceeds 50% of the number of votes cast with respect to that director’s election (with abstentions and broker nonvotes not counted as votes cast with respect to that director’s election); and (ii) a “contested election” means any election of directors in which the number of candidates for election as directors exceeds the number of directors to be elected, as determined by the Company’s Secretary.

If an incumbent director fails to receive a majority of votes cast in a non-contested election, the incumbent director must tender his or her resignation after the failed vote. Upon tender of the director’s resignation, the Corporate Governance Committee makes a recommendation to the Board whether to accept the director’s resignation (or whether other action should be taken). The Corporate Governance Committee, in making its recommendation, and the Board, in making its decision, may consider any factors or other information that it considers appropriate or relevant. The director who tendered his or her resignation is not allowed to participate in the Corporate Governance Committee’s recommendation or Board’s decision regarding his/her resignation. The Board will then act on the tendered resignation, taking into account the Corporate Governance Committee’s recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of certification of the director election results. If a director’s resignation is accepted by the Board, then the Board, in its sole discretion, either may fill the resulting vacancy or may decrease the size of the Board.

- Change in Principal Occupation. Upon a change of status relating to a Director’s principal occupation responsibilities, such Director shall promptly advise the Chair of the Corporate Governance Committee in writing of such change, include a description of the change and tender his or her resignation. Following receipt of such notice and resignation tender, the Corporate Governance Committee shall determine whether the change represents a material adverse change in principal occupation responsibilities and will adversely impact the director’s ability to fulfill his or her obligations as a director. The Corporate Governance Committee shall then make a recommendation to the Board regarding whether the Board should accept such resignation.
- Board Succession. Directors shall retire by the last day of the calendar year in which the Director reaches his or her 72nd birthday. No Director may serve as a committee Chair after the last day of the calendar year in which the Director reaches his or her 70th birthday. The Chief Executive Officer shall resign or retire from the Board upon resigning or retiring from the Company, following a transition period mutually agreed upon between the Chief Executive Officer and the Compensation Committee.
- Board Compensation. The Company’s management annually reports to the Corporate Governance Committee the status of the Board’s compensation in relation to other public companies, using the published studies of experts in the field. The Board believes that a compensation system should align the Directors’ interests with those of the Company’s shareholders. The Corporate Governance Committee shall recommend to the Board an overall compensation program for Directors including the specific elements of such compensation. The Corporate Governance Committee also recommends any changes in compensation for action by the full Board. Directors who are employees of the Company shall receive no additional compensation for serving on the Board, except for reimbursement of reasonable expenses incurred to attend Board or committee meetings.
- Management Evaluation and Development. The Compensation Committee annually meets in executive session to establish goals with the Chief Executive Officer and to evaluate his or her performance. The Compensation Committee establishes the compensation of the Chief Executive Officer and reviews this matter with the Board. The Compensation Committee also establishes the compensation for the Company’s executive officers other than the Chief Executive Officer. The Compensation Committee retains an independent outside expert to compare the Company’s executive compensation with that of similar public companies. The Compensation Committee reviews annually whether such compensation programs are effectively structured to be

performance based and to align such executives' interests with those of the Company's shareholders. The Compensation Committee also considers annually the Company's succession plans for its key positions and the management development programs.

- Institutional Investor Interaction. The Company's management continually communicates with its major institutional investors and provides feedback to the Board. If an investor requests contact with the Board, management refers the request to the Chair of the Board for his or her recommendation and any necessary action by the Board.
- Board Stock Ownership. The Corporate Governance Committee requires each Director to own an amount of Company stock equal to five times the Director's annual retainer within five years of being elected or appointed to the Board. The Corporate Governance Committee will regularly compare this guideline for Director ownership of stock with guidelines established by comparable public companies.
- Board Diversity. The Board should be, and is, composed of qualified individuals who reflect diversity of experience, gender, race, ethnicity, and age.
- Board Orientation and Continuing Training. The Company presents an orientation program for each new Director to acquaint them with the business, the financial picture, compliance policies, and other policies relevant to Directors. It also annually distributes a "Director Information Book" to each Director containing information on their service to the Company, including Director compensation, indemnification, meeting schedules, Company Securities and Exchange Commission filings, Company policies, and the Company's Articles of Incorporation and Bylaws. The Company's management periodically advises Directors of continuing education programs. The Company bears a Director's cost of attending such programs and encourages each Director to attend such programs periodically.
- Lead Director and Executive Sessions. The Board shall meet in executive session, without members of management present, at least twice annually. These executive sessions are led by a Lead Director, who must be an independent Director and who is appointed by the affirmative vote of a majority of the independent, non-management directors. The Lead Director shall hold additional executive sessions of the Board:
  - (i) In conjunction with the annual Strategic Planning meeting;
  - (ii) Upon the request of the Corporate Governance Committee;
  - (iii) Upon the request of any two other non-management Directors; or
  - (iv) When the Lead Director determines additional executive sessions to be necessary or appropriate.

If the Lead Director is unavailable to lead an executive session at any time, the remaining independent directors shall appoint a Director to serve in that capacity for the executive session.

In addition, as more fully detailed in the Lead Director Charter, the Lead Director shall:

- (i) Communicate with the Chair after each Board meeting to provide feedback on the substance of the items presented and make suggestions for enhancing management's effectiveness;
- (ii) Moderate, coordinate, and set the agenda for executive sessions of the Board's independent Directors;
- (iii) Act as the principal liaison between the independent Directors and the Chair on sensitive issues;
- (iv) Approve the Board and committee meeting schedules;
- (v) Preside at regular and special Board meetings when the Chair cannot be present;
- (vi) Approve agendas and materials sent to Directors for regularly scheduled Board meetings; and
- (vii) Participate in Executive Committee meetings.

In performing the above-described responsibilities, the Lead Director may consider the comments and requests of shareholders. The Company encourages shareholders to communicate with its Directors. The Corporate Governance Committee will maintain the procedures it has established for shareholders to communicate directly to the Lead Director, the Chair of the Corporate Governance Committee, the Chair of the Audit Committee, or any Director regarding financial or accounting policies. The Company may screen emails and regular mail to Directors for relevance, but not based on the content of communications that are relevant to Directors in their capacities as Directors.

- Board Performance Evaluation. The Corporate Governance Committee shall annually conduct a performance evaluation of the Board and of each of the Board's committees.
- Ethics Policy. The Directors shall each certify annually their compliance with the Company's Ethics Policy. In furtherance of the Ethics Policy, the Audit Committee must approve or ratify all Related Person Transactions (as defined below) involving any executive officer, Director, or nominee for Director. Each executive officer, Director, or nominee for Director must disclose for review, approval or ratification by the Audit Committee the following information regarding Related Person Transactions:
  - (i) the name of the Related Person (as defined below) and the nature of any immediate family relationship that exists between that Related Person and an executive officer, Director, or nominee for Director;
  - (ii) the Related Person's interest in the transaction;
  - (iii) the approximate dollar value of the amount involved in the transaction;
  - (iv) the approximate dollar value of the amount of the Related Person's interest in the transaction; and,
  - (v) in the case of indebtedness:
    - the largest total amount of principal outstanding since the beginning of the Company's last fiscal year;
    - the amount of principal outstanding as of the latest practicable date;
    - the amount of principal paid since the beginning of the Company's last fiscal year; and
    - the rate or amount of interest payable on the indebtedness.

This disclosure should occur either before or as soon as practicable after the Related Person Transaction occurs, but in any event as soon as practicable after the executive officer, Director or nominee for Director becomes aware of the Related Person Transaction. In addition, the questionnaire sent annually by the Company to Directors and executive officers will solicit information regarding Related Person Transactions that are currently proposed or occurred since the beginning of the Company's last fiscal year. Any executive officer, Director, or nominee for Director who becomes aware of a Related Person Transaction between the Company and a shareholder holding 5% or more of the Company's stock must disclose to the Audit Committee as soon as practicable the information in subsection (i)–(v) above respecting the Related Person Transaction. The Audit Committee shall decide whether to approve or ratify the Related Person Transaction after determining whether it believes the transaction would be or was contrary to the best interests of the Company. The Audit Committee may take into account the effect of a Director's Related Person Transaction on such person's status as an independent member of the Board and eligibility to serve on Board committees under Securities & Exchange Commission rules and NYSE listing standards. The Audit Committee must disclose any Related Person Transactions to the full Board.

A "Related Person" means a "related person" as defined in Instruction 1 to Item 404(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended ("Regulation S-K").

A "Related Person Transaction" is a consummated transaction that Item 404(a) of Regulation S-K would require the Company to disclose or a currently proposed transaction that, if consummated, Item 404(a) of Regulation S-K would require the Company to disclose.

An executive officer or Director shall submit in writing to the Corporate Governance Committee any request for a waiver of or exception from the Ethics Policy. The Corporate Governance Committee shall consider any such request and make a recommendation to the full Board for its decision. The Board shall exclude any Director requesting a waiver or exception from all meetings and votes on the matter. The Corporate Governance Committee and the Board may secure any legal or other independent advice they deem necessary to complete such consideration and decision.

The Company maintains established procedures by which employees may anonymously report a possible violation of the Ethics Policy. The Audit and Corporate Governance Committees maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters. The Audit and Corporate Governance Committees also maintain procedures for employees to report concerns regarding questionable accounting or auditing policies or practices on a confidential, anonymous basis.

- Transparency. The Board believes that it is important that the Company's stakeholders and others are able to review its corporate governance practices and procedures. The Company publishes its Corporate Governance Guidelines, committee charters and procedures, Ethics Policy, and other key governance materials on its website.
- Executive Committee. The Chair of the Board, the Vice Chair (if any), past Chairs of the Board who are current Board members, the Lead Director, and the Chairs of each of the Board committees comprise the Executive Committee of the Board. The Executive Committee meets as necessary to:
  - (i) Exercise the authority of the Board in the management of the business and affairs of the Company between meetings of the Board
  - (ii) Coordinate activities among the committees of the Board to ensure efficient allocation of responsibilities
  - (iii) Address such other issues in respect of which the Chair of the Board seeks guidance; and
  - (iv) Act on other matters the Board delegates to it
- Confidentiality. Directors must act on behalf of all shareholders and maintain the confidentiality of information entrusted to them by the Company, except when the law requires disclosure. Directors may use Company information only to the extent needed to perform their responsibilities properly. Directors should not grant interviews or provide comments to the press without prior approval from the Company. Unless Directors receive other guidance from the Company, Directors should decline the opportunity to respond to any inquiries for news or information about the Company and refer the request to the appropriate Company spokesperson.
- Confidential Shareholder Voting. Only election inspectors and certain independent individuals who help with processing and tabulating have access to shareholder votes. Directors and employees of the Company may see a shareholder's vote only if the Company needs to defend itself against a claim or if there is a proxy solicitation by someone other than the Company.

JOHNSON CONTROLS, INC.  
BOARD OF DIRECTORS

Effective: January 29, 2014