



CORPORATE ACCOUNTING & FINANCIAL PROCEDURES

SERIES NUMBER	SEQUENCE NUMBER
140	110

DATE ISSUED: Nov 2016 DATE REVISED: LAST REVIEWED: April 2017	SUBJECT: CONFLICT OF INTEREST POLICY	Page 1 of 11
DEPARTMENT: Legal Compliance Department	DEPARTMENT CONTACT: VP, Chief Ethics & Compliance Officer (414) 524-2370	APPROVED: Matt Tanzer

APPLICABILITY

CorporateYes
U.S. Divisions and majority owned subsidiariesYes
Non-U.S. divisions and majority owned subsidiariesYes
Consolidated joint ventures and affiliatesYes
Unconsolidated joint venture affiliates **

**** At the discretion of business unit management.**

POLICY STATEMENT

The purpose of this policy is to identify and prevent situations in which an employee's activities conflict or appear to conflict with the interests of Johnson Controls, its subsidiaries and affiliates, and to provide guidance and rules for prompt disclosure of a conflict of interest situation.

 **Note:** This Policy is used in conjunction with the **Johnson Controls Ethics Policy**

SCOPE

This policy applies to all Johnson Controls' businesses and employees globally, except where compliance with this policy violates local law. In such case, the locally affected Johnson Controls business must establish a policy that is similar to this Policy and consistent with local law.

DEFINITIONS

Conflict of Interest: Any situation in which an employee has a personal or private interest that impacts or interferes with, or appears to impact or interfere with, the employee's ability to perform his/her job responsibilities fairly and ethically, compromising his or her position of trust with the company.



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Personal or Private Interest: Any situation that does in fact or could be perceived as affecting an employee's unbiased, professional judgment or decision making.

Position of Trust: Every Johnson Controls employee holds a position of trust with the company. Therefore, every employee has an obligation to:

- 1) Act in the best interests of Johnson Controls when making acting on behalf of the company;
- 2) Never compete with Johnson Controls; and
- 3) Never let outside interests influence business dealings on behalf of Johnson Controls.

Family Member and Personal Relationship: A connection between persons, other than professional, which could be perceived to influence an employee's conduct or decision.

- 1) A "family member" is any person related to an employee by blood, marriage or close affinity, including but not limited to a spouse, partner, parents, children, siblings and in-laws.
- 2) A "personal relationship" includes friends, acquaintances or associates, or anyone with whom an employee has or develops a personal or romantic relationship.

RESPONSIBILITIES

Employees must avoid any relationship or activity that could affect their independent judgment in the conduct of Johnson Control business, or conflicts with or could reasonably give the appearance of conflicting with Johnson Controls' interests. In assessing whether a situation poses a conflict of interest, employees should examine whether their interest or activity could influence, or could give the appearance of influencing, the their decisions on behalf of the Company.



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Managers and Supervisors are responsible for ensuring that their employees understand this policy. Managers and supervisors are also responsible for promptly escalating any conflict of interest situations of which they become aware to the Legal Department.

POLICY OVERVIEW

1. TYPES OF CONFLICT OF INTEREST SITUATIONS

Conflicts of interest may not always be obvious. Even the perception of a conflict could negatively affect an employee and Johnson Controls, causing severe reputational harm. Therefore, it is important to understand the following conflict situations:

- A. **Actual Conflict of Interest:** A situation of direct conflict between the employee's current duties and responsibilities and existing private or personal interests.
- B. **Perceived Conflict of Interest:** A situation in which it appears that personal or private interests improperly influence the performance of job duties—whether or not this is in fact the case.
- C. **Potential Conflict of Interest:** A situation that could arise in the future where personal or private interests would affect an employee's duties and responsibilities on behalf of Johnson Controls.


2. CONFLICT OF INTEREST GUIDELINES

Conflicts of interest may occur in a variety of forms and can be difficult to view impartially. This section describes some of the more common types of conflicts of interest and expectations of conduct.



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 **Note:** The following scenarios are not all-inclusive. When in doubt, an employee should contact the Legal Department for assistance.

A. Customers and Suppliers

Johnson Controls awards business solely on merit, and obtains the best products/services at the best price and terms. To uphold this policy, employees must be objective and impartial and may not:

- 1) Accept or solicit gifts, loans, favors or other things of value that could influence the employee's decisions.
- 2) Maintain private or personal business relationships that could affect the employee's independence and objectivity.
- 3) Offer or accept bribes, payments, loans, kickbacks, special privileges or services.

B. Accepting Gifts

Johnson Controls prohibits soliciting or accepting anything of value that may be seen as a means to unduly influence business judgment. The following guidelines summarize what employees may or may not accept.

- 1) Employees may accept:
 - a) Gifts of nominal value, provided they are given as a business courtesy and not in connection with an employee's decision-making responsibilities.
 - b) Meals/entertainment of reasonable value in connection with business discussions.



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Note the distinction between gifts and business meals/entertainment: A Johnson Controls supplier or customer must be present at a meal or entertainment to enable business discussions; otherwise, a meal or entertainment provided to a Johnson Controls employee where no supplier or customer is present is considered a gift.

2) Employees may not:

- a) Accept a gift, favor or entertainment that would compromise the employee's business judgment.
- b) Accept meals, gifts or entertainment that would be considered "lavish," "extravagant" or "too frequent."
- c) Solicit gifts or favors.

Reminder: Employees should exercise professional judgment when planning or participating in business meals or entertainment. Business entertainment is not permitted at establishments that provide adult entertainment of a sexually explicit nature, and employees must not participate in any type of entertainment that is offensive or inappropriate in a work environment.

Important: If an employee is offered or receives money or an inappropriate gift from a current or potential Johnson Controls supplier or customer, or any gift with a value of \$200 or more, the employee should notify his or her manager immediately and follow the steps outlined in the Third Party Travel Gifts & Entertainment Policy.

C. Duty of Loyalty



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Employees are expected to act in accordance with the best interests of Johnson Controls, which includes avoiding personal engagement with competitors. This duty of loyalty requires:

- 1) Each employee to avoid situations that may divide his/her loyalty between Johnson Controls and any other business interest.
- 2) Employees refrain from engaging in prohibited activities, such as:
 - a) Entering into unauthorized business relationships with competitors or vendors.
 - b) Working, without Johnson Controls consent, for anyone who competes with Johnson Controls.
 - c) Entering into any consulting relationship or personal engagement outside of Johnson Controls that compromises or conflicts with this Duty of Loyalty.
 - d) Owning a competing business or assisting anyone in competing activities.
 - e) Participating in any activity that competes with Johnson Controls' business interests.
- 3) It is Johnson Controls' policy that only the CEO, COO and their direct reports should be considered for Board of Director positions at public or private companies. If a CEO or COO direct report wishes to take a board position at another entity, including public, private, and not-for-profit entities, he or she must first obtain approval from the Governance Committee.

All Section 16 Officers who wish to serve as a Director of a charitable non-profit must first seek approval from the VP Public Affairs and Chief Diversity Officer who will coordinate with the Corporate Secretary to review related party matters.

All Other Employees

All other employees who are not a CEO or COO direct report who wish to take a board



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position at a public or private for-profit company must first obtain CEO approval and meet all requirements of the Johnson Controls International plc Delegation of Authority.

All other employees who are not a CEO or COO direct report or Section 16 Officer may serve as a Director of a charitable or non-profit organization with approval of their supervisor.

Important: An employee should consult a supervisor or the Legal Department before pursuing a questionable activity.

D. Outside Activities

Johnson Controls does not seek to restrict employees' personal activities outside of work. However, an employee's outside activities must not interfere or conflict with his/her work obligations, use Johnson Controls' resources or be perceived to represent Johnson Controls in any way.

1) Conflicts may arise:

- If an employee engages in outside activities at the expense of Johnson Controls' business interests;
- Through an employee's public service and political participation;
- If an employee gives a presentation, writes an article, or otherwise publicly discloses work-related activities, especially if the employee accepts compensation; or
- If an employee chooses to speak out on public issues.

2) For any outside activities where potential conflicts may arise, an employee should:



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- a) Consult with his or her supervisor before taking on any outside activity involving compensation and/or charitable or non-profit board participation or directorships.
 - b) Consult with the Legal Department if in doubt.
- 3) To avoid conflicts of interest, employees should:
- a) Make clear that he or she is not speaking on behalf of Johnson Controls, unless authorized to do so, when speaking publicly on non-company issues.
 - b) Not use Johnson Controls' name, influence, funds, materials, facilities, employees or work time for outside activities without authorization.

E. Financial Interests

Employees must exercise caution in pursuing financial interests outside the company, especially where the pursuit involves or appears to involve the use of Johnson Controls' information, property or authority. Employees' personal financial benefit must be clearly separated from the best interests of Johnson Controls.

- 1) An employee's personal financial interests may not:
 - a) Adversely affect or conflict with Johnson Controls' interests.
 - b) Influence the proper performance of an employee's duties as an employee.
- 2) An employee must disclose any personal financial interests of more than one percent (1%) in the following:
 - a) Any entity that has established (or is attempting to establish) a business relationship with Johnson Controls.
 - b) Any entity that competes with Johnson Controls.



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- 3) Employees may not loan money to other employees that are in the scope of their managerial control unless such loan has been disclosed to and pre-approved by the Legal Department.
- 4) It is prohibited for employees to accept or provide loans or other payments to or from persons or organizations that do or seek to do business with Johnson Controls. Loans to employees from financial institutions that do business with the Company are permissible as long as the loans are made on prevailing terms and conditions and are in amounts meeting the institution's usual and ordinary lending guidelines.

F. Family and Personal Relationships

Perceived influence due to outside relationships, whether founded or not, may negatively impact Johnson Controls. Promptly disclosing relationships and following relationship guidelines help avoid the appearance of conflict of interest.


- 1) An employee must follow these measures to avoid conflicts of interest in connection with family and personal relationships:
 - a) Business decisions must be fair and impartial, based on sound business practices, and not influenced by family/personal concerns.
 - b) Family members or those with a close personal relationship working for Johnson Controls must be separated from an employee's scope of influence.
 - c) An employee must disclose family or personal relationships that may cause or appear to cause a conflict.
- 2) Employees shall not:
 - a) Hire/supervise family members or people the employee has close, personal relationships with.



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- b) Have direct involvement in Johnson Controls' decisions affecting members of an employee's immediate family.

 **Important:** If unsure, an employee should consult with his or her manager or the Legal Department.

DISCLOSURE OF CONFLICTS OF INTEREST

All employees must provide written notice to the Company of an actual or potential conflict of interest, including those described above, as circumstances require, on the Conflict of Interest Questionnaire at JCComplianceForms.com.

CONSEQUENCES OF CONFLICTS OF INTEREST

Failing to promptly disclose and address a conflict of interest can cause serious harm to the company and have negative consequences for an employee personally. The following are a few examples of potential consequences:

- A. Increased cost/lost revenue: Hiring employees, contracting with suppliers and other third parties selected based on personal interest may deny the company the opportunity to choose the best talent and identify the most cost-effective solution.
- B. Loss of business: Many government and regulatory agencies expect that conflicts of interest are disclosed and appropriately handled. Failure to do so can result in the loss of government contracts (debarment).
- C. Unlawful conduct: In some circumstances, benefiting from a conflict of interest can be illegal, and can be associated with other illegal activity, such as bribery and corruption.



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- D. Lack of employee engagement: As employees become aware of a conflict of interest situation, it can lead to feelings of unfair bias, favoritism and distrust, damaging employee morale.
- E. Damage to credibility and reputation: The individuals involved in a conflict and the organization itself may lose credibility and the trust of business partners, employees, and other stakeholders.
- F. Disciplinary action: Failing to comply with this Policy may be grounds for disciplinary action, in accordance with local law, up to and including termination of employment.