



CORPORATE ACCOUNTING & FINANCIAL PROCEDURES

SERIES NUMBER 140	SEQUENCE NUMBER 30
<div>DATE ISSUED: Feb 2014</div> <div>DATE REVISED: Nov 2016</div> <div>LAST REVIEWED: April 2017</div>	
<div>SUBJECT:</div> <div>Global Antitrust & Fair Competition Policy</div>	
<div>DEPARTMENT:</div> <div>Legal Department</div>	
<div>DEPARTMENT CONTACT:</div> <div>VP, Chief Ethics & Compliance Officer (414) 524-2370</div>	
<div>APPROVED:</div> <div>Judy Reinsdorf</div>	

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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.**

INTRODUCTION

Johnson Controls will vigorously pursue business opportunities in the global marketplace. In doing so, Johnson Controls is committed to business practices that respect global antitrust and fair-competition laws ("Competition Laws") wherever we conduct business. The purpose of this Policy therefore is to (i) inform Johnson Controls employees about the fundamental requirements of Competition Laws and their duty to comply with them, (ii) establish the responsibility of Johnson Controls businesses to support and train employees regarding competition issues, and (iii) notify employees where they can seek assistance or report concerns about compliance with Competition Laws.

SCOPE

This Policy applies to all directors, officers and employees of Johnson Controls, its subsidiaries, affiliates and businesses, wherever incorporated, chartered, organized or located, including related companies, partnerships and joint ventures in Johnson Controls has a controlling interest.

POLICY AND RESPONSIBILITIES

All Johnson Controls employees, partners, agents and representatives must comply with Competition Laws. There is no such thing as approved anti-competitive conduct. No Johnson Controls employee can



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authorize, direct, collaborate with, participate in, facilitate, perform, approve, or tolerate a violation of antitrust or competition law.

All employees are expected to immediately report any violation of a fair-competition law they become aware of to the Legal Department and/or the Johnson Controls Ethics Helpline. All designated Johnson Controls employees must certify every two years that they have read and understand the Fair Competition Policy. Johnson Controls employees should request Legal Department review of any activity that raises questions under this Policy or that might contradict it. Employees who violate this Policy may be subject to disciplinary action up to and including termination, and may also face criminal penalties including fines and imprisonment.

All designated managers must ensure that their designated direct reports certify every two years that they have read and understand this Policy. Managers must implement internal controls that will reduce the opportunity or ability of Johnson Controls employees to engage in anticompetitive conduct and must designate new and existing employees who must receive fair competition training.

The Legal Department will provide guidance and support to employees who have questions or concerns regarding any of the competitively-sensitive conduct explained below.

Competitively Sensitive Situations

1. Relationship with Competitors

The most frequent Competition Law violations involve competitor relationships. Competition Laws prohibit agreements between competitors that could have an anti-competitive effect and harm consumers. A regulator, judge, or jury might infer the existence of an agreement between competitors based on a minimal amount of evidence, such as a casual discussion between employees of competitors or a few carelessly written words. It is critical that you always keep in mind that your communications with competitors might be misinterpreted.



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The most commonly-prosecuted, competitor-relationship offenses are always anticompetitive, necessarily harmful to consumers, and therefore *per se* illegal agreements that provide for (1) horizontal price-fixing, (2) market/customer allocation and bid rigging, or (3) boycotts. The definition of a *per se* violation varies by country and region. Some examples of *per se* violations of Competition Laws and other anticompetitive misconduct are below. If you have questions about whether certain conduct could violate Competition Laws, you must consult the Legal Department.

2. Horizontal price-fixing

“Horizontal price-fixing” occurs when competitors agree to directly or indirectly set prices they charge/pay, or other terms that have an impact on price. Most countries reserve the most serious competition law penalties for this kind of conduct, including lengthy terms of imprisonment for the employees involved, large monetary fines for Johnson Controls and individuals, and large monetary damage awards in private cases. Price-fixing rules cover any agreement with a competitor that affects prices, including agreements about components of price, agreements about the process by which prices, discounts, bidding, rebates and credit terms are set.

3. Market allocation and bid rigging

Allocation of product markets, product lines, business opportunities, source of supply, territories, or customers among competitors is always unlawful, regardless of competitive effect or alleged justifications. For example, competitors may not agree upon geographic areas in which each will or will not sell, or agree on particular customers or classes of customers that each will or will not serve. Likewise, an agreement between competitors to coordinate bids in any manner is unlawful. This illegal conduct includes competitor agreements around who will quote and/or how each of the competitors will quote. Violations in this area can also result in lengthy terms of imprisonment for employees, large monetary fines for Johnson Controls and individuals, and large monetary damage awards in private cases.



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4. Boycotts

When two or more companies agree not to do business with another company, that agreement may violate Competition Laws. A company, acting alone, generally has the right to select the people or companies it does business with.

5. Illegal communications with competitors

Competition Laws also generally prohibit communication between competitors that have the same effect as an illegal agreement. For example, this may be the case when competitors share confidential business information that allows them to coordinate their market behavior. Johnson Controls employees therefor must not share confidential information about bidding intentions, costs, customers, manufacturing capacity and planned investments with competitors. Conversely, Johnson Controls employees may gather information about the activities of competitors from public sources.

6. Legitimate communications with competitors

Communication with a competitor in connection with the following activities may be reasonable if the communication serves a legitimate purpose and ultimately benefits consumers:

- a. Trade Associations and Professional Societies
- b. Standardization Activities
- c. Joint Activities to Influence Government Action
- d. Acquisitions and Joint Ventures
- e. Teaming Arrangements and Joint Research and Development

Johnson Controls' employees who communicate with competitors in the context of any of these activities should work with the Legal Department to ensure that business contacts and communications are limited to proper subjects and that appropriate procedures are followed to record the nature and



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scope of these activities. Whenever possible, you should contact the Legal Department before you have any communications with competitors.

7. Monopolization

Having a monopoly position as a consequence of a superior product, business acumen, or historical accident is not unlawful. Competition laws prohibit predatory or exclusionary conduct intended to obtain or preserve a monopoly or dominant share of a market. A “dominant share” can be far less than 100% of a market; in some countries, it may be as low as 30% of a market and even lower if authorities find that a small number of companies have a dominant combined market share. Therefore, companies with these high market shares may face restrictions in how they distribute and sell their products. Johnson Controls businesses achieving market shares that may be viewed as dominant are required to consult with the Legal Department before adopting new sales or marketing tactics.

8. Relationships with Customers

Customer relationships could also violate Competition Laws. Johnson Controls is generally free to select its own customers and to impose certain restraints on those customers. Competition Laws however prohibit restraints that have an anti-competitive effect.

9. Vertical price-fixing:

There are Competition Laws that restrict agreements between a manufacturer and a distributor or dealer, or between a distributor and a retailer concerning the price at which a product may be resold. These laws generally do not restrict Johnson Controls from suggesting resale prices to customers. It is however against this Policy to have an agreement with a customer concerning resale prices. It is also against this Policy to condition our business with a customer on the customer’s willingness to sell out our suggested or to provide for incentives or sanctions to ensure that customers follow resale price suggestions.



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10. Non-price restraints:

It is generally permissible in most jurisdictions to place reasonable non-price restraints on customers who sell Johnson Controls products. For example, it is generally permissible for Johnson Controls to restrict customers' sales of our products to a particular territory or customer group, or require customers to carry only Johnson Controls products. In order to impose such restrictions, two requirements must be met: (1) there must be a legitimate business reason for the restriction such as to encourage distributors to engage in aggressive sales efforts; and (2) the restriction must be the result of an independent decision of Johnson Controls and not imposed as a result of an agreement with a competitor or other distributors. Consult the Legal Department before you impose any non-price restraint on customers.

Additionally, Johnson Controls employees should never meet or communicate with two or more distributors, or retailers at one time to discuss:

- a) the selection, number or designation of distributors or retailers;
- b) the territorial restrictions placed on distributors or retailers;
- c) the pricing practices of any distributor or retailers; or
- d) suggested distributor or retailer pricing policies.

It is important not to engage in these kinds of communications because regulators enforcing Competition Laws throughout the world could interpret such discussions as an agreement among a group of competing distributors or retailers facilitated by Johnson Controls.

11. Tying

Under certain circumstances, competition laws prohibit tying the sale of one product to the sale of another. For example, a tying arrangement could involve allowing a customer to purchase one product (the "tying product") only if the customer purchases a second product (the "tied product"). In these



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cases, the concern of Competition Laws is that the seller will use “leverage” from selling a very desirable product (the tying product) in order to force a less desirable product (the tied product) on the customer. Not only may the customer be disadvantaged, but competitors who sell their versions of the tied product may be harmed as well. The tying prohibition applies only if: (1) there are actually two separate products; and (2) the seller has a substantial market share in one of the products and, therefore, has “leverage” to force the purchase of the second product. In most countries, products that are economically impractical to sell separately are not subject to tying rules. It is usually permissible to offer promotions in which one product is offered at a discounted price in combination with another product, provided that the products are not sold below cost. Tying rules vary by country and region. It is critical that you verify the legality of any plan to tie products with the Legal Department before you proceed.

12. Reciprocity

Under some Competition Laws, it is illegal for Johnson Controls to condition its purchases from a customer on the customer making purchases from Johnson Controls. Assuming there are no issues regarding dominance, it is not illegal for Johnson Controls to decide independently to place purchase orders with a present or potential customer for the purpose of inducing that customer to make further purchases from Johnson Controls.

13. Price discrimination that lessens competition

Certain Competition Laws do not allow sellers to discriminate between different purchasers of the same product by charging different prices when the price difference might lessen competition or tends to create a monopoly in any line of commerce. Price differences may be permissible, however, if the two customers do not compete with one another, or if it is necessary to lower the price to one customer in order to meet competition. In establishing that a price is lowered to “meet competition,” the employee responsible for setting prices should ensure that (i) the lower price is limited to customers the



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competitor made the lower price available to; (ii) the lower price is set in good faith, meaning an honest effort to meet competition based on facts known to the employees responsible for setting prices; (iii) the lower price is offered only so long as it is necessary in order to meet competition; and (iv) the lower price does not represent a predatory price. The employee responsible for setting prices should document the basis for offering the lower price. Never contact a competitor to document a price. It is illegal per se to verify a lower price by contacting the competitor.

Additionally, Johnson Controls employees are prohibited from offering a customer prices or terms more favorable than those offered to competing customers buying similar volumes without first consulting with the Legal Department to ensure that such discriminatory pricing is legal.

14. Trade Associations, Conferences, and Meetings with Competitors Present

Johnson Controls employees are prohibited from attending trade associations, industry conferences, or any other meetings with competitors at which any of the following topics will be discussed: (i) prices, pricing policies, price changes, or price plans or intentions; (ii) terms or conditions of sales, including credit or payment terms; (iii) discounts to be provided to customers; (iv) profits, profit margins or cost; (v) specific or anticipated customers (with the exception of presenting and supporting; (vii) Company approved marketing efforts); (viii) market shares; (ix) bids, setting up a bidding rotation, the intent to bid or the terms of a bid; (x) sales territories or markets; (xi) sales, marketing or promotional activities or strategies; (xii) output or production plans; (xiii) distribution practices; (xiv) product-development plans or activities; (xv) competitive information; and (xvi) any other matter inconsistent with complete freedom of action and independence of Johnson Controls in the conduct of its business.

15. Mergers, Acquisitions, Joint Ventures, and Other Business Combinations

Competition Laws apply to the combination or integration of businesses, even if the businesses are not competitors. Substantial acquisitions or mergers are subject to regulatory filings with government authorities in many jurisdictions, regardless of whether there is or may be an impact on competition. Acquisitions, mergers, joint ventures or other business combinations that do not require a regulatory



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filing may also be of concern to the antitrust or competition government agencies and require a cautious, structured approach. Employees should consult with the Legal Department for guidance regarding proper behavior when evaluating these types of transactions. Johnson Controls employees must be mindful of and avoid premature integration or “gun jumping” during a merger or acquisition. Johnson Controls and any potential acquisition must remain competitors until the transaction has received regulatory approval and the deal has been closed. Sharing of competitive information during an acquisition, especially with regard to prices, upcoming bids and customers, is prohibited without prior review and approval by the Law Department.