

# JOHNSON CONTROLS INTERNATIONAL PLC

## CORPORATE GOVERNANCE GUIDELINES

Johnson Controls International plc'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 delegates its authority to management for managing the everyday affairs of the company. The board requires that senior management review major actions and initiatives with the board prior to implementation. 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 the Company and 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 Governance Committee annually reviews 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 Governance Committee annually (and more often if necessary) reports its findings to and recommend action by the entire Board regarding modification of these guidelines.

### Practices

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

- Director Independence. To maintain its objective oversight of management, the board consists of a substantial majority of independent directors. Directors meet a stringent definition of independence and, for those directors that meet this definition, the board will make an affirmative determination that a director is independent. Independent directors:
  - are not former officers or employees of the company or its subsidiaries or affiliates, nor have they served in that capacity within the last five years;
  - have no current or prior material relationships with the Company aside from their directorship that could affect their judgment;
  - have not worked for, nor have any immediate family members that have worked for, been retained by, or received anything of substantial value from the company aside from his or her compensation as a director;
  - have no immediate family member who is an officer of the company or its subsidiaries or has any current or past material relationship with the company;
  - do not work for, nor does any immediate family member work for, consult with, or otherwise provide services to, another publicly traded company on whose board of directors the Company's CEO or other senior management serves;
  - do not serve as, nor does any immediate family member serve as, an executive officer of any entity with respect to which the company's annual sales to, or purchases from, exceed the greater of two percent of either entity's annual revenues for the prior fiscal year or \$1,000,000.
  - do not serve, nor does any immediate family member serve, on either the board of directors or the compensation committee of any corporation that employs either a nominee for director or a member of the immediate family of any nominee for director; and
  - do not serve, nor does any immediate family member serve, as a director, trustee, executive officer or similar position of a charitable or non-profit organization with respect to which the company or its subsidiaries made charitable contributions or payments in excess of the greater of \$1,000,000 or two percent of such organization's charitable receipts in the last fiscal year.

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 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 general 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 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. 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 Governance Committee, will designate an independent Director to act as Lead Director. The Lead Director shall have the responsibilities set forth in the section titled "Lead Director" below.
- Board Meetings. The Board shall meet at least four times annually, and additional meetings may be called in accordance with the Company's Memorandum and Articles of Association. One of these meetings will be scheduled in conjunction with the Company's annual general meeting.
- 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 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. 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.
- Delegation. The Board shall have the authority to delegate any of its responsibilities, including decision making authority and administrative acts, along with the authority to take action in relation to such responsibilities, to one or more committees formed in accordance with the Company's Memorandum and Articles of Association and applicable law or the management of the Company, as the Board may deem appropriate in its sole discretion.
- 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 during 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 and the 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 Governance Committee regularly reviews issues such as the number of committees, member assignments and rotation, and the need for any restructuring of committees. The rotation of committee chairs and members is considered on an annual basis to ensure diversity of Board member experience and variety of perspectives across the committees, but there is no strict committee chair rotation policy. Any changes in committee chair or member assignments are made based on committee needs, Director interests, experience and availability, and applicable regulatory and legal considerations. Moreover, the value of rotation should be weighed carefully against the benefit of committee continuity and experience.

- 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 report out regarding committee meetings to all Directors at each regularly scheduled board meeting.
- Director Criteria and Qualifications. The Board as a whole should possess certain core competencies and directors should have individual backgrounds that provide a portfolio of experience and knowledge commensurate with the Company's needs. The 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 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 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 Governance Committee, (i) the Company's Chief Executive Officer may serve on no more than one public company board 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 of the Board and chair of the 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 Governance Committee that the 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 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. Each Director is otherwise required to notify the Corporate Secretary of any conflicts of interest.

- 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 Governance Committee and the Chair of the Board normally extend an invitation to nominees. The Board delegates screening of nominees to the 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 Governance Committee may, if it deems appropriate, retain recruiting professionals for a fee to identify candidates and assist in evaluating them.

- Director Election. Directors are elected by an affirmative vote of an absolute majority of the votes cast by shareholders at the annual general meeting and they serve for one-year terms. Any nominee for Director who does not receive an absolute majority of votes cast from the shareholders is not elected to 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 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 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 and accept or decline to accept such resignation.
- Board Succession. Directors shall tender their resignation from the board at the annual meeting following their 72nd birthday. The Board may, in its discretion, waive this limit in special circumstances. 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. The Board does not have a strict committee rotation policy, but may, upon recommendation of the Governance Committee, change committee assignment and chair positions periodically, with a view towards balancing director experience and interest, committee continuity and needs, and evolving legal and regulatory considerations.
- Board Compensation. The Company's management annually reports to the 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 Governance Committee shall recommend to the Board an overall compensation program for Directors including the specific elements of such compensation. The 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 conducts a process for setting performance objectives, evaluating performance and determining the compensation of the Chief Executive Officer. The Compensation Committee reviews these matters with the non-management directors on the Board for input and approval. The Compensation Committee establishes the compensation for the Company's Section 16 officers ("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 peer 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. The full board reviews the succession plans for the CEO and other executive officers.
- 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 for his or her recommendation and any necessary action by the Board. The Governance Committee will periodically review all pertinent shareholder communications.
- Board Share Ownership. The Governance Committee requires each Director to own an amount of Company ordinary shares equal to five times the Director's annual cash retainer within five years of being elected or appointed to the Board. The Governance Committee will regularly

compare this guideline for Director ownership of ordinary shares 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 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 Memorandum and Articles of Association. 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: If the offices of Chair and Chief Executive Officer are held by the same person, the Board considers it to be useful and appropriate to designate a director, who shall be “independent” as defined pursuant to the requirements of the New York Stock Exchange, to serve as Lead Director in order to coordinate the activities of the other independent directors and to perform such other duties and responsibilities as the Board may determine. The specific responsibilities of the Lead Director when acting as such shall be as follows:
  - In collaboration with the Chair and Chief Executive Officer, develops Board and committee meeting schedules to assure that there is sufficient time for discussion of all agenda items.
  - In collaboration with the Chair and Chief Executive Officer, develops Board meeting agendas to ensure that topics deemed important by the independent directors are included in Board discussions and sufficient executive sessions are scheduled as needed.
  - Calls meetings of the independent directors.
  - Develops the agenda for and serves as chairman of the executive sessions of the Board’s independent directors.
  - Serves as principal liaison between the independent directors and the Chair and Chief Executive Officer on sensitive issues.
  - Serves as chairman of meetings of the Board when the Chair and Chief Executive Officer is not present.
  - In collaboration with the Chair and Chief Executive Officer, consult with the appropriate members of senior management about what information pertaining to the Company’s finances, operations, strategic alternatives, compliance and members of management is to be sent to the Board in conjunction with meetings and between meetings, it being understood that management shall be responsible for the accuracy and completeness of such information.
  - If requested by the Company’s major stockholders, is reasonably available for direct communication.
  - Performs such other duties as the Board may determine.

The Chair and Chief Executive Officer shall promptly inform the Lead Director of any development or events pertaining to the Company’s finances, operations, strategic alternatives, compliance and members of management that may warrant calling a special meeting of the Board or discussion at a subsequent regular meeting. The Company’s General Counsel shall serve as the primary contact to the Lead Director and the other independent directors with regard to advice and counsel as requested by independent directors, the engagement of outside advisers, and otherwise as requested.

- 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:
  - In conjunction with the annual strategic planning meeting
  - Upon the request of any two other non-management Directors
  - 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.

- Board Performance Evaluation. The Governance Committee shall annually conduct a performance evaluation of the Board, each of the Board's committees and, as the committee deems appropriate, each individual director.
- Ethics Policy. The Directors shall each certify annually their compliance with the Company's Ethics Policy. In furtherance of the Ethics Policy, the Governance Committee must approve or ratify all Related Person Transactions (as described on Appendix 1) involving any executive officer, Director, or nominee for Director.

The Company maintains established procedures by which employees may anonymously report a possible violation of the Ethics Policy. The Audit Committee maintains procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters. The Audit Committee also maintains 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.
- 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.

JOHNSON CONTROLS INTERNATIONAL PLC  
BOARD OF DIRECTORS

Effective: September 8, 2016

## **Appendix 1 Related Party Transactions**

The following guidelines provide a process for compliance with the related party provisions of the Corporate Governance Guidelines, the Company's Ethics Policy, and the Company's Articles and Memorandum of Association, as well as the disclosure obligations of the Securities and Exchange Act regulations, through monitoring and submission to the Governance Committee (the "Committee") of material related party transactions between Johnson Controls International plc and its subsidiaries (collectively, the "Company") and its senior officers and directors for appropriate review and approval, if necessary. This policy is applicable to senior officers (the Company's Section 16 officers) and directors of the Company and supplements the Company's existing policies.

### Tracking of Related Parties

#### *Related Party List*

- On an annual basis, the Governance Committee will receive a list of related parties for each senior officer and director. The list (the "Related Party List") will include any entity that employs a director, any entity (including a charitable organization) for which the director or senior officer serves on the board of directors (or similar governing body), and any entity in which the senior officer or director owns more than a 10% interest.
- The Related Party List will be disseminated to all accounts payable/receivable departments for the purpose of tracking all payments to and from the entities on the list.

#### *Transaction Reports*

- On a quarterly basis, reports of all payments to and from the entities on the Related Party List will be provided by the Corporate Secretary's office to the Governance Committee.

#### *Notification of New Related Parties*

- Senior officers and directors should notify the Corporate Secretary of any new entities to be added to the Related Party List promptly following such entities becoming related parties.
- Senior officers and directors, in accordance with the Corporate Governance Guidelines, must also notify the Lead Director before joining a board of directors of another entity.

### Review of Related Party Transactions

#### *Transaction Type*

- There are three types of material related party transactions covered by these guidelines:
  - Type 1** – Transactions involving the purchase by or from the Company of products or services in the ordinary course of business in arms-length transactions.
  - Type 2** – Transactions involving the provision of consulting, legal, accounting or financial advisory services to the Company that could compromise a director's independence.
  - Type 3** – Transactions in which a director or officer has a direct or indirect personal interest or that creates a conflict of interest for the director or officer.

#### *Type 1 Review Procedures*

- Ordinary course of business, arms-length transactions with entities on the Related Party List are deemed pre- approved by the Governance Committee, in amounts in the aggregate for each such entity of less than 1% of the annual revenue of such entity or the Company. On an annual basis, prior to the filing of the Company's proxy statement for its annual general meeting, the Governance Committee will review the Related Party List, including the amount of payments to or from each related party in comparison to the 1% threshold to ensure that the directors meet the Board independence requirement.



- The Corporate Secretary will monitor the Related Party Transaction Reports, and report to the Committee, or if necessary in the interim between meetings, the chair of the Governance Committee, any entity for whom payments exceed 0.75% of the annual revenue of such entity or the Company. If payments to or from any entity exceed 0.75% of the annual revenue of such entity or the Company, the Corporate Secretary will also ask that the senior officers notify the Corporate Secretary of any proposed transactions with such entities prior to entering into such transactions to ensure that the 1% threshold is not exceeded.
- Any transaction with an entity on the Related Party List involving payments, when aggregated with all other payments in the current fiscal year that would exceed the 1% threshold requires prior approval by the Governance Committee.

#### *Type 2 Review Procedures*

- On a quarterly basis, the Governance Committee, with the assistance of the Corporate Secretary, will review the Related Party List and identify any entities that are director-related entities and that might provide services that could qualify as consulting, financial advisory, legal or accounting services under applicable rules and regulations. Such entities will be flagged on the list as "Type 2 Entities."
- All senior officers shall notify the Corporate Secretary prior to authorizing or entering into any transaction involving the provision of consulting, financial advisory, legal or accounting services with a Type 2 Entity.
- The Corporate Secretary and the chair of the Governance Committee, shall review the transaction to determine if it could impair the independence of the related director under the applicable rules and regulations of the New York Stock Exchange, the Securities and Exchange Commission and the Internal Revenue Code, the Irish Companies Act or other applicable standards.
- Any transaction that could impair a director's independence under such standards shall be approved in advance by the Governance Committee.

#### *Type 3 Review Procedures*

- Directors and senior officers shall notify the Corporate Secretary or the lead director of any transaction or relationship to the Company in which the director or officer has or may have (i) a direct or indirect personal interest, or (ii) which presents a possible conflict of interest under the Company's Ethics Policy.
- The director or senior officer must notify the Corporate Secretary or the lead director promptly upon becoming aware of such a transaction or relationship.
- The Corporate Secretary and the lead director will review the transaction or relationship to determine if it would constitute:
  - an interested party transaction under the provisions of the Company's Articles of Association or
  - a potential conflict of interest under the Company's Guide to Ethical Conduct.
- All interested party transactions must be approved by the majority of the disinterested directors on the Board of Directors. Any interested director may not vote on the transaction.
- All related party transactions involving potential conflicts of interest shall be reported to the Governance Committee and approved or ratified by the Governance Committee.

#### Charitable Contributions

The board understands that its members, or their immediate family members, serve as directors, trustees, executives, advisors, and in other capacities with a host of other organizations. If the Company directs a charitable donation to an organization in which a director, or his or her immediate family member, serves

as a director, trustee, executive, advisor, or in other capacities with the organization, the Governance Committee must approve the donation. Any such donation approved by the Governance Committee will be limited to an amount that is less than two percent of that organization's annual charitable receipts, and less than two percent of the Company's total annual charitable contributions. Furthermore, directors are eligible to participate in the Company's matching contribution program through which charitable donations by the company to eligible organizations associated with a director are limited to matching donations in an amount no greater than the amount contributed by the director, consistent with the program. Any commercial and charitable relations of the Company with the directors' outside organizations are publicly reported, consistent with the regulatory requirements.