
POLICY STATEMENT

To publish our tax strategy in compliance with UK tax legislation under Finance (No. 2) Bill 2016.

TAX STRATEGY

Johnson Controls International plc

About Johnson Controls

The future is being built today, and Johnson Controls is making that future more productive, more secure and more sustainable. We create intelligent buildings, efficient energy solutions, integrated infrastructure and next generation transportation systems that work seamlessly together to deliver on the promise of smart cities and communities. At its core, that promise is about delivering innovation that make people's lives – and the world – better.

Johnson Controls is a global diversified technology and multi industrial leader serving a wide range of customers in more than 150 countries. Our commitment to sustainability dates back to our roots in 1885, with the invention of the first electric room thermostat. We are committed to helping our customers win and creating greater value for all of our stakeholders through strategic focus on our buildings and energy growth platforms.

The Johnson Controls values of Integrity, Customer Satisfaction, Employee Engagement, Innovation and Sustainability have strengthened our organization, shaped our culture and guided behavior on the job for more than 125 years. These values support our 10-Year Marker, a set of strategic guideposts for operating our businesses to achieve long-term success. We expect the Company's values to be followed at all times across Johnson Controls.

Our business activities have a substantial global tax footprint. We pay corporate income taxes, customs duties, excise taxes, stamp duties, employment and many other business taxes in all jurisdictions where applicable. In many jurisdictions we are also responsible for collection of taxes borne on others, such as employee taxes and Value Added Tax (VAT). In this manner we make a significant contribution to the countries in which we operate.

Our robust policies and internal governance ensure compliance with tax laws in the territories in which we do business. We strive for open and constructive relations with tax authorities and seek to engage with them in any complex matters that may lead to disputes.

Management of Our Tax Risks

Throughout our history, Johnson Controls has conducted business with integrity. Our dedication to "do the right thing" improves our long-term business performance, reputation, productivity and employee retention.

Integrity is at the center of everything we do at Johnson Controls. Our Company's ongoing success stems from our deeply engrained culture of ethics and integrity. Acting with integrity allow us to meet the high expectations of our customers, partners and communities, and gives us a competitive advantage. Doing business with integrity is the only way to do business.

Johnson Controls always acts in accordance with and seeks to comply with all relevant tax laws and obligations in all the countries in which we do business. We do not engage in tax evasion, nor do we engage in transactions that are artificial or contrived. As a multinational enterprise, Johnson Controls is exposed to inherent tax risks. These tax risks generally occur due to different interpretations of cross-border activities between jurisdictions or differences of interpretation of law.

Our approach to tax risks is to manage the risks of double taxation or tax exposure that would leave the group uncompetitive, along with ensuring compliance with applicable laws and regulatory requirements. Our key focus is on the long term interests of shareholders, both economic and reputational.

Tax risks

The Johnson Controls International plc group ("the group") seeks to follow the law and pay all taxes due wherever it operates. In order to accomplish this the group seeks to identify and mitigate tax risks, carefully plan any strategic transactions that may have a tax consequence and work carefully to ensure the group is compliant with all its obligations.

In order to ensure that our tax footprint is managed in the long term interests of shareholders, we maintain appropriate controls as below.

- An adequately resourced in-house tax function with appropriately trained tax professionals. This enables the Group to make fully informed decisions on tax matters and to aim for outcomes that satisfy the long term interests of the group, both financial and reputational.
- We maintain tax policies and procedures for key tax processes such as corporation tax return submission, VAT collection and payment, transfer pricing and tax planning. Our tax processes are subject to the internal controls, external audits and our global Code of Conduct.
- We have financial reporting obligations to report on our tax position to the New York Stock Exchange and therefore maintain robust accounting systems and tax software in order to recognize and measure tax positions to fully inform our shareholders.
- Effective oversight of the tax function is maintained by at least an annual presentation to the audit committee of the Board, formal quarterly meetings with the Group's Chief Financial Officer and Finance leadership and ad-hoc meetings with the Chief Financial Officer to discuss emerging tax matters.

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- The group ensures its employees adhere to a global code of conduct and local disciplinary policies enable the company to take action should employees not adhere to local laws.

Our approach to planning for the impact of taxes

The groups' tax structuring activities are driven by commercial business decisions and substantive business activities, for example the group has recently been through the divestiture of the Automotive Experience business into Adient plc and the merger between Johnson Controls Inc and Tyco International Plc, both of which required careful management of the tax consequences.

The group's tax department seeks to ensure that the Board is able to carry out such strategic business decisions without incurring an excessive tax burden that would undermine the value of that strategy to shareholders.

As the cost of tax has a material impact on the performance of the group and its ability to reinvest or pay dividends, the group has a responsibility to its shareholders to ensure that it pays the appropriate amount of tax as required by law.

The group's tax planning is carried out in accordance with local tax legislation. All intercompany transactions are based on international transfer pricing principles and with reference to the guidelines of the Organization for Economic Co-operation and Development.

The group does not seek to enter into aggressive tax planning arrangements or transactions that could be considered tax evasion.

The group has a robust transfer pricing function to ensure that our transfer pricing policies adhere to arm's length guidelines as required by local tax legislation.

Tax authority relations

All of our businesses require engagement with local tax authorities. We acknowledge that tax authorities need to understand our existing business and any tax obligations arising from them.

Certain tax authorities operate a co-operative approach to taxpayers. We believe that the interests of our stakeholders and that of tax authorities are often aligned, as we seek predictable rule-based tax administration that provides certainty for the group's financial reporting obligations.

The group seeks to work constructively with tax authorities. Where possible, we aim to meet regularly with the tax authorities to collaboratively discuss any issues that arise. It is inevitable that the interpretation of relatively complex tax issues can be a matter of dispute between different parties. Should any such issues arise with tax authorities, we seek to provide full disclosure of necessary information and maintain open and constructive discussions with a view to a fair resolution of such matters. We consider that the tax authorities are also our "customers" and therefore look to the Johnson Controls values, particularly those of Integrity, Customer Satisfaction and Sustainability, to guide our relationship with them.