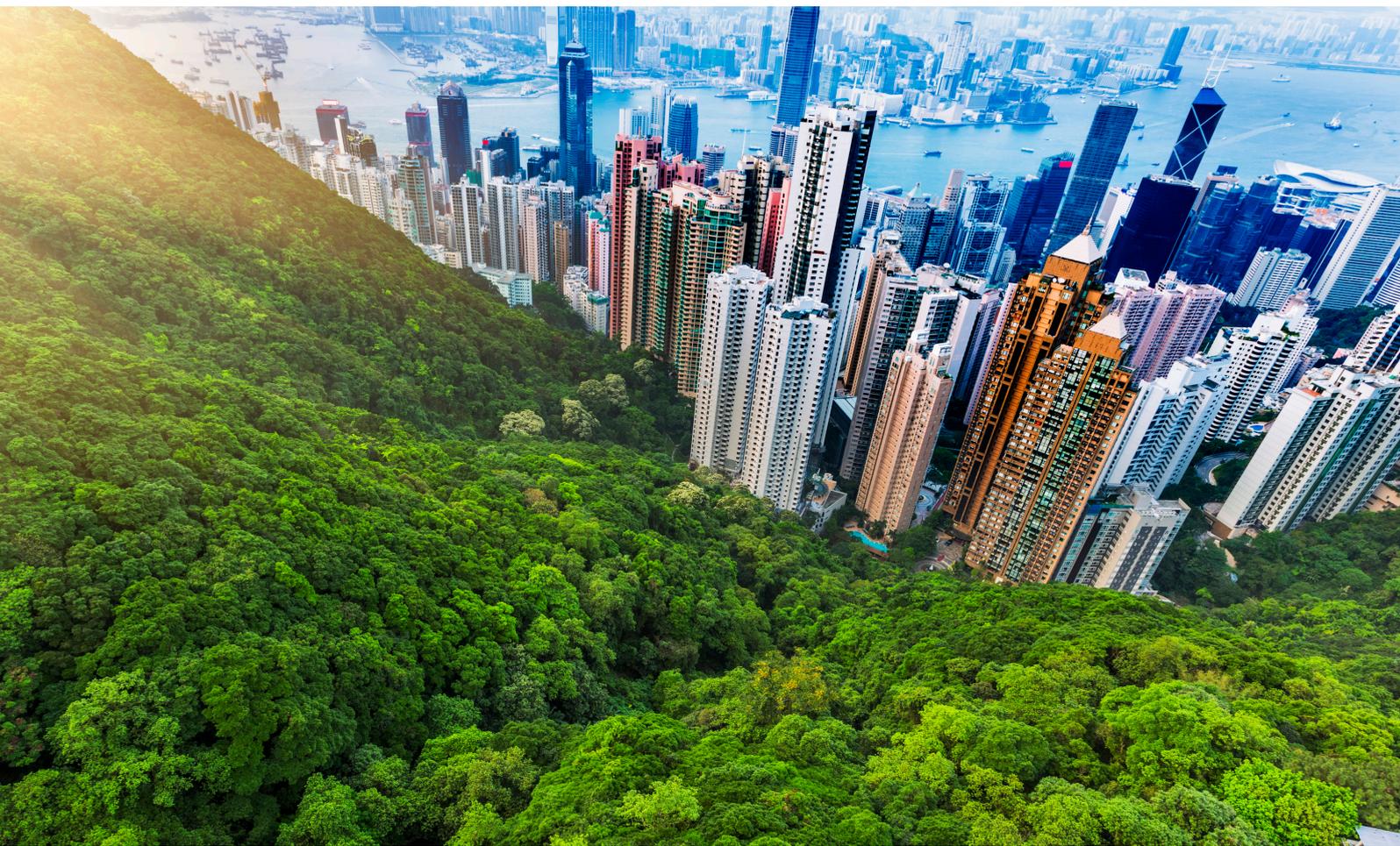


# Green Finance Framework



August 2020

The power behind **your mission**

Johnson  
Controls 





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Part 1:

# Johnson Controls Sustainability Commitment

## 1.1 Company Overview

Johnson Controls International, together with its subsidiaries (herein referred to as “JCI”, “Johnson Controls”, or the “Company”) is an internationally diversified technology and multi-industrial leader that focuses on creating intelligent buildings, efficient energy solutions, and integrated infrastructure. The Company offers air systems, building management, HVAC controls, security, and fire safety solutions to customers in more than 150 countries.

The Company started in 1885 with Warren Johnson’s invention of the first electric room thermostat, an instrument that quickly pioneered the growth of an entire industry. Today, JCI is a global leader with operations spanning over 70 countries in 2,000 worldwide locations.

After several mergers and acquisitions (M&A) and divestiture transactions in the past few years, the Company is completely focused on providing building technologies and solutions. JCI is a leader in design, development, manufacturing and installation of a variety of products and services from HVAC to energy storage to fire/security-protection systems. JCI also has a strong presence in the North American residential air conditioning and heating systems market and is a global market leader in industrial refrigeration products. JCI’s global business mix is comprised of installation, service, and products.



## 1.2 Approach to Sustainability

Sustainability is at the core of Johnson Controls, which strives to grow its business by providing sustainable products and services, improving operational effectiveness, empowering its people, and reducing the environmental footprint of its own operations and supply chain. JCI believes that its leadership in sustainability will ultimately create long-term benefits for customers, employees, shareholders and society.

The Company’s 2025 Sustainability Strategy integrates sustainability throughout its business by focusing on five key areas. JCI has also committed to a number of 2025 Goals centered on each of the five key areas of the Sustainability Strategy, as outlined in Table 1. The first two areas of the 2025 Sustainability Strategy play a key role in the development of JCI’s Green Finance Framework. A progress report on the 2025 Goals is available in Annex I.

**Table 1: 2025 Sustainability Strategy & Goals**

Strategy	2025 Goals
<p><b>Solutions:</b> Provide increasingly sustainable products and services</p>	<ul style="list-style-type: none"> <li>Integrate sustainable design for products and services identified as having the highest environmental and social impact</li> </ul>
<p><b>Performance:</b> Improve sustainability performance and track the Company's progress</p>	<p>From a 2017 baseline:</p> <ul style="list-style-type: none"> <li>25% reduction in greenhouse gas emissions intensity</li> <li>25% reduction in energy intensity</li> <li>10% water reduction at water-stressed locations</li> <li>25% reduction in recordable safety incidents</li> <li>Increase diverse supplier spend at a rate exceeding revenue growth</li> </ul>
<p><b>People:</b> Foster a culture of sustainability that engages and attracts people who want to make a difference</p>	<ul style="list-style-type: none"> <li>Volunteer 2.5 million hours by 2025</li> <li>Align 80% of volunteer activities with the United Nations Sustainable Development Goals (UN SDGs)</li> <li>Establish employee engagement groups globally</li> <li>Integrate sustainability into recruitment</li> </ul>
<p><b>Partnerships:</b> Lead in global partnerships that significantly increase the Company's sustainability impact</p>	<ul style="list-style-type: none"> <li>Leverage our impact through at least three global strategic sustainability partnerships</li> </ul>
<p><b>Governance:</b> Demonstrate the Company's commitment from the top</p>	<ul style="list-style-type: none"> <li>Continue to integrate sustainability into company goals and decision-making</li> <li>Ensure a robust sustainability governance process</li> <li>Disclose climate-related risks in financial reporting</li> <li>Implement new policies/practices to maintain leadership</li> </ul>

### 1.3 Sustainability Recognition

In pursuit of achieving improvements in environmental work across the organization, JCI has been included in more than 40 prestigious sustainability indexes.



The Company has also been recognized for its sustainability commitment through several ESG Awards and Ratings, including an MSCI AAA Rating, and the 18th Best Corporate Citizen 2020.



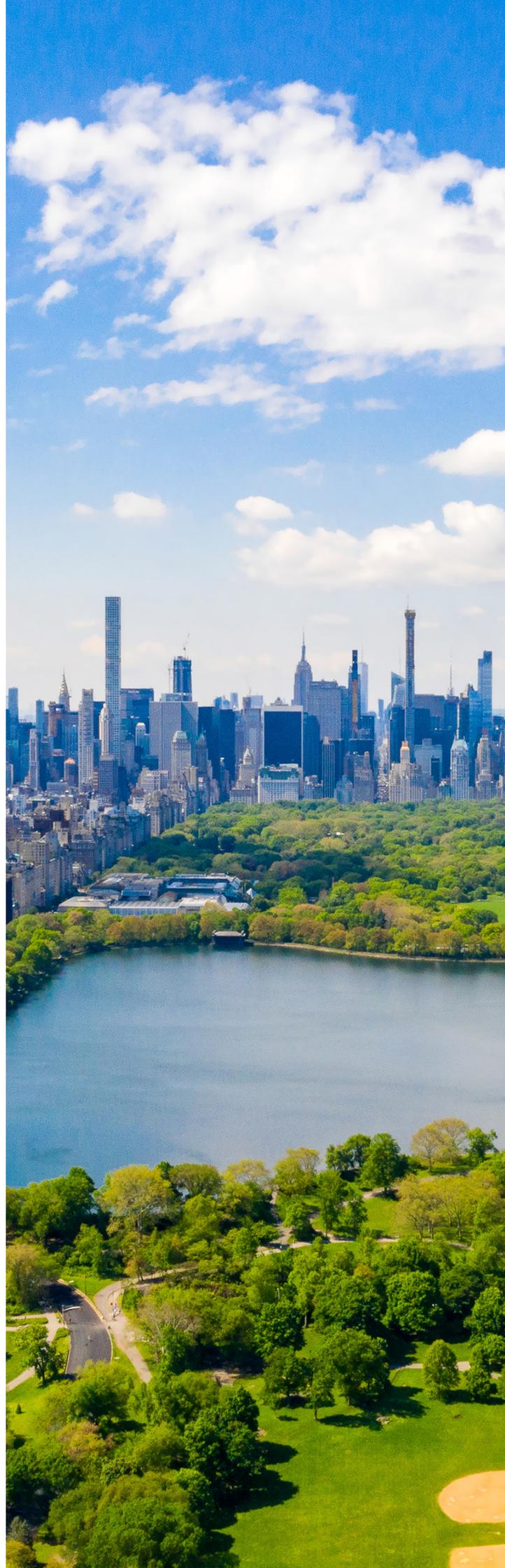
## 1.4 Sustainability Governance

JCI centralizes its sustainability governance through a newly formed Sustainability Leadership Committee (SLC). The Committee, chaired by Katie McGinty, Vice President & Chief Sustainability, Government and Regulatory Affairs Officer, will be charged with:

- Ensuring Johnson Controls is world class across all measures of sustainability, including environmental, social and governance (ESG);
- Building a “sustainability by design” culture and engraining sustainability in all of Johnson Controls operations across all business units;
- Reinforcing JCI’s progress by building sustainability metrics and KPIs into performance goals;
- Launching working groups under a long-standing Global Sustainability Council sponsored by Grady Crosby, Vice President Public Affairs & Chief Diversity Officer, and chaired by Clay Nesler, Vice President, Global Environmental Affairs;
- Directing government relations efforts toward the adoption of smart sustainability laws and regulations around the world

The SLC will report on a regular basis to the Executive Committee and to JCI’s Board of Directors (the Board). The Board is committed to ensuring the appropriate oversight of sustainability efforts. Specifically, the Board:

- Directed that the Governance Committee would directly oversee our sustainability work. Recognizing the importance of this change, the Board changed the name of the committee to the “Governance and Sustainability Committee”;
- Amended the [Governance][Sustainability Leadership] Committee charter to emphasize its oversight of our sustainability agenda and;
- Established a regular cadence such that sustainability and/or government relations will be reviewed at every meeting





## 1.5 Materiality Assessment

JCI conducted a Sustainability Materiality Assessment in 2019. The assessment gathered key stakeholders' feedback on the most important ESG issues for the Company to address. The issues were aligned to the SASB Materiality Matrix and the GRI Standards for JCI's sector.

The Company is using these results to identify and prioritize sustainability issues that are likely to affect its financial condition and/or operating performance, in order to inform both sustainability and reporting. Many of the material issues identified in the assessment form the basis of the Green Finance Framework, including:

- Innovation
- Energy-efficient products
- Energy and environmental laws and regulations
- Waste and hazardous materials management
- Climate policy and engagement leadership
- Sustainable products and services

The 2019 Sustainability Materiality Assessment report, Climate Commitments and Partners, and public sustainability reports are available at <https://johnsoncontrols.com/corporate-sustainability/environment>.

Johnson Controls also aligns its sustainability efforts with the UN SDGs, a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs that JCI has identified as most relevant are outlined in Annex II, and those aligned with the Green Finance Framework are outlined in Table 2.

## 1.6 Sustainable Finance Commitments

In December 2019, Johnson Controls became one of the first industrial companies to tie its senior revolving facilities to individual sustainability metrics in the U.S. syndicated loan market. The Company's new five-year senior revolving credit facility and its one-year senior revolving credit facility include a sustainability-linked pricing mechanism that adjusts interest rates in line with JCI's sustainability performance.

The sustainability metrics are tied to: (i) employee safety, (ii) the greenhouse gas emissions savings the company is able to achieve for its customers, and (iii) reduced greenhouse gas emissions from its own operations.





## Part 2:

# Green Finance Framework

JCI may from time to time issue, incur, borrow or undertake financings in line with this Green Finance Framework (collectively “Green Finance” or “Green Financings”).

### Green Bond Principles (GBP) & Green Loan Principles (GLP)

We believe that the JCI Green Finance Framework is aligned with the Green Bond Principles (GBP) 2018 edition and Green Loan Principles (GLP and, together with the GBP, the Principles) 2020 edition. These principles intend to promote integrity of the green financing market by offering guidelines that recommend transparency, disclosure and reporting in order to drive investors to allocate capital to projects that are more environmentally sustainable.

The Principles provide for guidelines in four key areas:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**

### 2.1 Use of Proceeds

JCI intends to allocate an amount equal to the net proceeds from the sale of any Green Financing instruments to financing or refinancing, in whole or in part, a portfolio of new or existing Eligible Green Projects across one or more of the following categories:

- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green Buildings
- Pollution prevention & control
- Sustainable water and wastewater management
- Clean transportation
- Renewable energy

Table 2 provides examples of potential uses of proceeds within each of the stated six Eligible Green Project categories. It also maps the project categories to the elements of JCI’s Sustainability Strategy, as well as the UN SDGs. Annex III provides an illustrative guide to JCI’s Sustainable Products & Solutions that may be included as Eligible Green Projects.

**Table 2: Use of Proceeds under JCI Green Finance Framework**

Pillar of JCI Strategy	ICMA GBP Category	UN SDGs	JCI activities that would be eligible uses of proceeds
 <p><b>Solutions</b> Provide increasingly sustainable products and services”</p>	<p>Eco-efficient and/or circular economy adapted products, production technologies and processes</p>	  	<p>New or existing investments and expenditures to develop, manufacture, distribute and install products, services, and solutions that optimize the energy and water efficiencies of buildings and homes. Examples include:</p> <p><b>Products &amp; Solutions:</b></p> <p><b>i) Digital Solutions</b> AI (Artificial intelligence) and IoT (Internet of Things) based solutions for improved environmental performance of buildings through smart data analytics and energy management software (e.g. Enterprise Management or OpenBlue Systems)</p> <p><b>ii) Building Automation and Controls</b> Integration technologies to extend automated control to building systems, including smart HVAC and smart lighting, to drive energy performance and optimize resource consumption in buildings (e.g. Metasys)</p> <p><b>iii) Residential and Smart Home</b> Sensor-based controls and smart home thermostats (e.g. LUX Thermostats), as well as best-in-class or certified residential air conditioning and heat pump units (e.g. York YXV Series; awarded EPA Energy Star ‘Most Efficient’)</p> <p><b>iv) Eco-Efficient HVAC Equipment</b> Components and systems<sup>1</sup> that provide a minimum 15% improvement in energy efficiency (measured on a product specification basis) to Heating, Ventilation and Air Conditioning Systems in commercial, institutional and industrial facilities<sup>2</sup> (e.g. York YZ Chiller)</p> <p><b>v) Distributed Energy Storage</b> Lithium-ion and technology systems to support renewable energy generation, demand response, backup power, peak shaving, frequency regulation and load shifting in order to optimize energy usage in buildings (e.g. L2000 SU50)</p>
			<p><b>Services &amp; Support:</b></p> <p><b>vi) Energy and Efficiency Solutions</b> Services include: Energy Demand Response Installations, Energy Performance Contracting (EPC) and Energy Retrofit Programs, Intelligent Lighting Infrastructure, Renewable Energy Installation and Maintenance, Water Conservation Solutions</p>

<sup>1</sup> Chillers, industrial heat pumps, commercial heat pumps, residential heat pumps, residential air conditioners, commercial split systems, residential split systems, commercial rooftop units, commercial air handling units and air distribution products

<sup>2</sup> Improvement in performance measured benchmarked using current applicable U.S. Department of Energy (DOE) minimum energy efficiency standards or applicable national and/or local equivalent

**Table 2: Use of Proceeds under JCI Green Finance Framework**

Pillar of JCI Strategy	ICMA GBP Category	UN SDGs	JCI activities that would be eligible uses of proceeds
 <p data-bbox="134 1070 309 1200"><b>Performance</b> Improve our sustainability performance and track our progress</p>	<b>Green Buildings</b>		New or existing investments and expenditures related to the design, construction, maintenance or refurbishment of buildings that have or are expected to achieve a LEED v3,4: Gold or Platinum Standard, BREAAAM: Excellent or Outstanding, or other equivalent local and regional certifications.
	<b>Pollution Prevention &amp; Control</b>		Investments and expenditures related to minimizing or eliminating the amount of waste sent to landfill by JCI's manufacturing facilities. As of FY 2019, 19 total manufacturing facilities have a 100% diversion rate (i.e. internally certified land-fill zero).
	<b>Sustainable Water and Wastewater Management</b>		Investments and expenditures related to the treatment of (waste) water as well as water-saving technologies, including leak detection and ultra-efficient water cooling technologies (e.g. BlueStream™ hybrid data center cooling system)
	<b>Clean Transportation</b>		New or existing investments and expenditures related to the electrification of JCI's vehicle fleet. Eligible expenses include purchasing & maintenance costs for battery electric vehicles (BEV) and charging stations
	<b>Renewable Energy</b>		Investments and expenditures related to the development, construction, maintenance, and operation of renewable energy projects, such as solar & wind. This includes: <ul style="list-style-type: none"> <li>• Power purchase agreements (PPAs) and virtual PPAs that are project-specific with terms of at least seven (7) years</li> <li>• On-site renewable energy projects and associated energy storage systems</li> </ul>

## 2.2 Process for Project Evaluation and Selection

Projects that will potentially receive allocations of amounts related to the Green Finance proceeds are evaluated and selected based on compliance with the definition of Eligible Green Projects by JCI's Green Finance Committee. JCI's Green Finance Committee is formed by members of the SLC, Treasury, Legal and other members to be nominated as subject matter experts.

The Green Finance Committee will also ensure that all Eligible Green Projects selected comply with the Company's Enterprise Risk Management (ERM) program, which provides a common framework and terminology to ensure consistency in the identification, reporting, analytics, and management of key risks. More specifically, JCI has teams in place to oversee and advise on sustainability risks and opportunities. These include the Executive Committee, Executive Leadership Team, Global Sustainability Council, Purchasing Leadership Team, and specialized committees and management groups.

JCI's Green Finance Committee will seek to minimize the extent to which the net proceeds of any Green Financing are allocated to Eligible Green Projects with the potential to significantly adversely affect environmental objectives.

JCI's operations are conducted in accordance with environmental, social and sustainability policies that can be found at <https://www.johnsoncontrols.com/corporate-sustainability/environment>.

## 2.3 Management of Proceeds

The Finance department will maintain responsibility for tracking the amount of net proceeds allocated to the portfolio of Eligible Green Projects.

JCI intends for the proceeds of any Green Financing will be allocated to Eligible Green Projects within 24 months of incurrence of the debt.

Pending the allocation of the net proceeds of a Green Financing, JCI will hold or invest an amount equal to the unallocated balance of the proceeds in cash, cash equivalents and/or treasury securities. In the case of divestment or if a project no longer meets the criteria as an Eligible Green Project, JCI intends to reallocate the funds to one or more other Eligible Green Projects. Payment of principal and interest on Green Financing Instruments will be made from JCI's general account and will not be linked to the performance of any Eligible Green Project unless expressly so noted in the documentation in respect of a particular Green Financing Instrument. JCI may apply a 3-year look back period prior to issuance year.

## 2.4 Reporting

JCI intends to make and keep readily available Green Finance reporting following the one year anniversary of any Green Financing, to be renewed annually until full allocation of any net outstanding proceeds. JCI intends to show the allocation of the net proceeds of its Green Financings to the portfolio of Eligible Green Projects (the Portfolio) at least at the category level.

JCI intends to align the reporting with the portfolio approach described in the Handbook "Harmonized Framework for Impact Reporting" (April 2020).

### Allocation Reporting

The allocation report will provide, on a portfolio basis, indicators such as:

- Total amount allocated to Portfolio
- Total amount allocated to each Eligible Green Project category
- Balance of unallocated proceeds
- Amount or the percentage of new financing and refinancing

### Impact Reporting

Where feasible, JCI also intends to provide, on a portfolio basis, impact reporting including metrics regarding the Portfolio's environmental impacts (see examples in Table 3)

**Table 3: Examples of potential impact metrics for each Green Portfolio Category**

Category	Examples of reporting
<b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b>	Estimated Annual GHG Emissions avoided or reduced (tons of CO2e)
<b>Green Buildings</b>	Estimated Annual GHG Emissions avoided or reduced (tons of CO2e)
<b>Pollution prevention &amp; control</b>	Tons of waste diverted from landfill
<b>Sustainable water and wastewater management</b>	Estimated water savings [gallons per year]
<b>Clean transportation</b>	Estimated Annual GHG Emissions avoided or reduced (tons of CO2e)
<b>Renewable energy</b>	Estimated Annual GHG Emissions avoided or reduced (tons of CO2e)

Both allocation report and impact reporting will be made available via JCI's website (<https://www.johnsoncontrols.com/corporate-sustainability/green-finance>).

## 2.5 External Review

### Second party opinion (pre-issuance)

Johnson Controls has retained an independent consultant with recognized environmental and social expertise to provide a second party opinion (SPO) on the environmental benefits of its Green Finance Framework as well as the alignment to relevant industry standards. The SPO will be made available on the SPO Provider's website.

### Verification (post-issuance)

Johnson Controls intends to request, one year after incurrence of any Green Financing or after full allocation or following any material events, verification by an independent third party of a management statement on the allocation of the net proceeds from a Green Financing to the Portfolio.

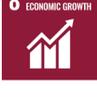
# Annex I

## Progress on 2025 Sustainability Goals

2025 Goals	Progress by the end of FY2019
Integrate sustainable design for products and services identified as having the highest environmental and social impact	<ul style="list-style-type: none"><li>• Since January 2000, performance contracting projects have helped our customers save more than 29.4 Million Metric Tons CO2e and \$6.3 billion through energy and operational savings.</li><li>• Use end-of-life impact models on main product lines near completion</li><li>• Our products and services were honored with sustainability awards including: Sustainability Product of the Year for the YORK® Mission Critical Direct Evaporative Cooling Air Handling Unit by The Business Intelligence Group along with our project partners, and the Digie Award for “Most Intelligent Building – Corporate Headquarters” for Bee’ah’s new sustainable headquarters in the United Arab Emirates.</li></ul>
From a 2017 baseline: <ul style="list-style-type: none"><li>• 25% reduction in greenhouse gas emissions intensity</li><li>• 25% reduction in energy intensity</li><li>• 10% water reduction at water-stressed locations</li><li>• 25% reduction in recordable safety incidents</li><li>• Increase diverse supplier spend at a rate exceeding revenue growth</li></ul>	<ul style="list-style-type: none"><li>• Achieved two significant sustainability milestones in 2019 by reducing our enterprise-wide greenhouse gas intensity by half while doubling the energy productivity of our operations over a period of 16 years</li><li>• Our renewable energy amounted to 251,908 MWh through the purchase of Renewable Energy Certificates. Through this initiative we offset 100% of our greenhouse gas emissions from our Global Products manufacturing plants in the United States</li><li>• We exceeded our FY2019 2.5% reduction goal for greenhouse gas intensity by achieving 5.1%, and also reduced our energy intensity by 1.8%.</li><li>• We are on track to meet our Zero Landfill goals and have achieved 19 Zero Landfill certified facilities</li><li>• Committed to adopt science-based targets in 2020.</li></ul>
<ul style="list-style-type: none"><li>• Volunteer 2.5 million hours by 2025</li><li>• Align 80% of volunteer activities with U.N. Sustainable Development Goals</li><li>• Establish employee engagement groups globally</li><li>• Integrate sustainability into recruitment</li></ul>	<ul style="list-style-type: none"><li>• In 2019, employees brought our total volunteer hours to 1.74 million, both individually and on group projects in communities around the world.</li><li>• More than 83% of our volunteering and philanthropy efforts align with U.N. Sustainable Development Goals.</li><li>• Our sustainability employee group has grown from one chapter in North America to multiple chapters in Asia, North America, South America, and Europe.</li></ul>
Leverage our impact through at least three global strategic sustainability partnerships	<ul style="list-style-type: none"><li>• At the U.N. Climate Action Summit in September, we made three global commitments to the Three Percent Club for Energy Efficiency, The Cool Coalition, and the EP100 Cooling Challenge, which focus on building efficiency and high-efficiency cooling.</li><li>• Clay Nesler, Vice President, Global Sustainability and Regulatory Affairs, and the Global Sustainability Council’s chairman, is serving as interim president and an executive-on-loan to the Alliance to Save Energy, a nonprofit, bipartisan alliance of business, government, environmental and consumer leaders working to expand the economy while using less energy.</li></ul>
<ul style="list-style-type: none"><li>• Continue to integrate sustainability into company goals and decision-making</li><li>• Ensure a robust sustainability governance process</li><li>• Disclose climate-related risks in financial reporting</li><li>• Implement new policies/practices to maintain leadership</li></ul>	<ul style="list-style-type: none"><li>• Sustainability-linked financing agreement completed.</li><li>• Conducted Sustainability Materiality Assessment aligned with SASB and GRI. Results integrated into sustainability reporting.</li><li>• Annual U.N. Global Compact Communication on Progress submitted by George Oliver.</li><li>• Quarterly sustainability performance scorecard reviewed by board of directors and Executive Committee.</li><li>• Grady Crosby, Chief Diversity Officer and Vice President, Public Affairs, is secretary of the Board and chairman of the nomination and governance committee of the United Nations Global Compact Network USA.</li><li>• Katie McGinty, Vice President, Global Government Relations, appointed to Wisconsin Governor Tony Evers’ climate change task force.</li></ul>

# Annex II

## JCI Alignment to UN SDGs

UN SDG	Description
	Dedicate employee volunteer hours to community causes, including foodbanks and hunger task forces
	Continue to implement Women in Technology program that encourages young women to advance their education and careers in STEM
	Measure water consumption in both manufacturing and office buildings to detect and repair water leaks and deploy water-saving technologies
	Utilize more electric vehicles and higher fuel economy for fleet vehicles in order to reduce fuel emissions and greenhouse gas emissions
	Expand product and service offerings to include elements of solar, biomass, wind, waste-to-energy, and other renewable sources
	Increase energy productivity across all global operations
	Incorporate diverse supplies, such as companies owned/operated/controlled by minorities or women
	Administer Energy Performance Contracting (EPC) to deploy equipment upgrades and management services to help customers reduce greenhouse gas emissions
	Increase the percentage of renewable energy in the purchased energy portfolio through on-site generation and renewable energy certificates
	Reduce carbon intensity by implementing Energy Hunt Program across all manufacturing facilities
	Align with regional and global initiatives for sustainable development (e.g. United Nations Global Compact, Copenhagen Communique, EP100, etc.)

# Annex III

## Examples of JCI Sustainable Products & Solutions

JCI Products & Solutions Area	Illustrative Example	Environmental Benefits
Digital Solutions		<p>JCI's recently launched <b>Enterprise Management 2.2</b> software drive digital transformation by providing data and insights to lower energy costs, improve utilization and productivity</p> <p>The <b>OpenBlue Enterprise Management</b> utilizes AI and machine learning (ML) technologies to proactively analyze building data across the entire enterprise and help customers identify opportunities to save money and streamline operations.</p>
Building Automation & Controls		<p><b>Metasys</b> software systems allow users to find energy and operational savings through advanced analytics and visualizations, connecting seamlessly to energy storage solutions</p>
Residential & Smart Home		<p><b>YXV 21 SEER Variable Capacity Air Conditioner</b> is certified EPA ENERGY STAR Most Efficient 2020, with up to 32% savings over federal minimum requirements</p>
Energy-Efficient HVAC Equipment		<p><b>YZ Magnetic Bearing Centrifugal Chiller</b> delivers up to 35% annual energy savings, with zero Ozone Depletion (ODP) and Low Global Warming Potential (GWP) refrigerant</p> <p>The <b>YORK® Sun™ Select 27.5- to 50-ton</b> rooftop units under development are expected to exceed DOE's 2023 energy efficiency standards by up to 22%, while surpassing current DOE 2018 levels by up to 39%.</p>
Distributed Energy Storage		<p><b>L2000 SU50 Modular Distributed Energy Storage Systems</b> are used for renewable energy storage, meeting the requirements for California's Self-Generation Incentive Program</p>

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At Johnson Controls, we transform the environments where people live, work, learn and play. From optimizing building performance to improving safety and enhancing comfort, we drive the outcomes that matter most. We deliver our promise in industries such as healthcare, education, data centers, and manufacturing. With a global team of over 100,000 experts in more than 150 countries and over 130 years of innovation experience, we are the power behind our customers' mission. Our leading portfolio of building technology and solutions includes some of the most trusted names in the industry, such as Tyco®, YORK®, Metasys®, Ruskin®, Titus®, Frick®, PENN®, Sabroe®, Simplex® and Grinnell®.

For more information, visit [www.johnsoncontrols.com](http://www.johnsoncontrols.com) or follow [@johnsoncontrols](https://twitter.com/johnsoncontrols) on Twitter.

The power behind **your mission**

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