

JOHNSON CONTROLS INTERNATIONAL PLC

Annual Report

For the Year Ended September 30, 2024

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JOHNSON CONTROLS INTERNATIONAL PLC
DIRECTORS' REPORT
For the Financial Year Ended September 30, 2024

The directors present their report and the audited consolidated financial statements of Johnson Controls International plc and its subsidiaries (hereinafter referred to as "Johnson Controls", the "Company" or the "Group") for the financial year ended September 30, 2024, which are set out on pages 52 to 116, and audited entity financial statements of Johnson Controls International plc ("Johnson Controls Ireland" or "the Parent Company") for the financial year ended September 30, 2024, which are set out on pages 117 to 126.

The directors have elected to prepare the consolidated financial statements of the Company in accordance with Section 279 of the Companies Act 2014 (the "Act"), which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

The directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"), together with the Companies Act 2014.

DIRECTORS' COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Parent Company's compliance with its relevant obligations.

The directors confirm that the Parent Company has:

1. Drawn up a compliance policy statement setting out its policies respecting compliance with its relevant obligations.
2. Put in place appropriate arrangements or structures that are designed to secure material compliance with its relevant obligations.
3. Conducted a review during the financial year ended September 30, 2024 of the arrangements and structures referred to at 2 above.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the Company's and Parent Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Company for the financial year. Under that law, the directors have prepared the consolidated financial statements in accordance with U.S. accounting standards, as defined in Section 279(1) of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Act, or of any regulations made thereunder, and the Company financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's and Parent Company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the consolidated financial statements of the Company comply with U.S. GAAP to the extent that it does not contravene Irish Company Law, and that the Company financial statements comply with accounting standards issued by the UK Financial Reporting Council and Irish Law; and
- prepare the Company and Parent Company financial statements on a going concern basis unless it is inappropriate to presume that the Company and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regards to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerized accounting systems. In accordance with Section 283 of the Companies Act 2014, sufficient books of account are maintained in the Company's registered office in One Albert Quay, Cork, Ireland and at the Company's office at 5757 N Green Bay Ave, Milwaukee, WI 53209, USA to disclose, with reasonable accuracy, the financial position of the Company at intervals not exceeding six months.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in United States dollars and reflect the consolidated operations of the Company. Unless otherwise indicated, references to 2024 and 2023 are to financial years ending September 30, 2024 ("fiscal 2024") and 2023 ("fiscal 2023"), respectively.

PRINCIPAL ACTIVITIES

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers in more than 150 countries. The Company's products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

Johnson Controls was originally incorporated in the state of Wisconsin in 1885 as Johnson Electric Service Company to manufacture, install and service automatic temperature regulation systems for buildings and was renamed Johnson Controls, Inc. in 1974. In 2005, Johnson Controls acquired York International, a global supplier of heating, ventilating and air-conditioning ("HVAC") and refrigeration equipment and services. Following this acquisition, Johnson Controls continued to expand its portfolio of building related product and service offerings for residential and commercial customers. In 2016, Johnson Controls, Inc. and Tyco International plc ("Tyco") completed their combination (the "Merger"), combining Johnson Controls' portfolio of building efficiency solutions with Tyco's portfolio of fire and security solutions. Following the Merger, Tyco changed its name to "Johnson Controls International plc."

In 2016, the Company completed the spin-off of its automotive business into Adient plc, an independent, publicly traded company. In 2019, the Company closed the sale of its Power Solutions business, completing the Company's transformation into a pure-play building technologies and solutions provider.

In 2024, the Company announced that it was evaluating its non-core product lines in connection with its objective to be a pure-play provider of technologies and solutions for commercial buildings. During the fourth quarter of fiscal 2024, the Company completed the sale of its Air Distribution Technologies business included within its Global Products segment. During the fourth quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business to Robert Bosch GmbH ("Bosch"). The R&LC HVAC business includes the Company's North America ducted business and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., the Company's global residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which the Company owns 60% and Hitachi owns 40%. The sale of the R&LC HVAC business is expected to be completed in the fourth quarter of fiscal 2025.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial HVAC equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, security and fire-protection space), and energy-management consulting. The Company's OpenBlue digital software platform enables enterprises to better manage their physical spaces by combining the Company's building products and services with cutting-edge technology and digital capabilities to enable data-driven "smart building" services and solutions. The Company partners with customers by leveraging its broad product portfolio and digital capabilities powered by OpenBlue, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers' needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

Business Segments

The Company conducts its business through four business segments:

- *Building Solutions North America* which operates in the United States and Canada;
- *Building Solutions EMEA/LA* which operates in Europe, the Middle East, Africa and Latin America;
- *Building Solutions Asia Pacific* which operates in Asia Pacific; and
- *Global Products* which operates worldwide.

The Building Solutions segments:

- Design, sell, install and service HVAC, controls, building management, refrigeration, integrated electronic security and integrated fire-detection and suppression systems; and
- Provide energy-efficiency solutions and technical services, including data-driven "smart building" solutions as well as inspection, scheduled maintenance, and repair and replacement of mechanical and controls systems.

The Global Products segment designs, manufactures and sells:

- HVAC equipment, controls software and software services;
- Refrigeration equipment and controls;
- Fire protection and suppression; and
- Security products, including intrusion security, anti-theft devices, access control, and video surveillance and management systems.

The Company's segments provide products and services primarily to commercial, institutional, industrial, data center, and governmental customers.

For more information on the Company's segments, refer to Note 19, "Segment Information," of the notes to consolidated financial statements.

Products, Systems, Services and Solutions

The Company sells and installs its commercial HVAC equipment and systems, control systems, security systems, fire-detection and fire suppression systems, equipment and services primarily through its extensive direct channel, consisting of a global network of sales and service offices. Significant sales are also generated through global third-party channels, such as distributors of air-conditioning, controls, security and fire-detection and suppression products. The Company's large base of current customers leads to significant repeat business for the maintenance, retrofit and replacement markets. The Company is also able to leverage its installed base to generate sales for its service business. Trusted building brands, such as YORK®, Metasys®, Ansul, Frick®, FM:Systems®, PENN®, Sabroe®, Silent-Aire®, Simplex® and Grinnell®, together with the breadth and depth of the products, systems and solutions offered by the Company, give it what it believes to be the most diverse portfolio in the building technology industry.

The Company has developed software platforms, including on-premises platforms and cloud-based software services, and integrated its products and services with digital capabilities to provide data-driven solutions to create smarter, safer and more sustainable buildings. The Company's OpenBlue platform enables enterprises to better manage their physical spaces delivering sustainability, new occupant experiences, safety and security by combining the Company's building expertise with cutting-edge

technology, including artificial intelligence and machine learning-powered service solutions such as remote diagnostics, predictive maintenance, workplace management, compliance monitoring and advanced risk assessments. The Company leverages its product portfolio and service network, together with digital and data-driven technologies to offer integrated and customizable solutions focused on delivering outcomes to customers, including OpenBlue Buildings-as-a-Service, OpenBlue Net Zero Buildings-as-a-Service and OpenBlue Healthy Buildings. These services are generally designed to generate recurring revenue for the Company as it supports its customers in achieving their desired outcomes.

In fiscal 2024, products and systems accounted for 70% of sales from continuing operations and services accounted for 30% of sales from continuing operations.

Competition

The Company conducts its operations through a significant number of individual contracts that are either negotiated or awarded on a competitive basis. Key factors in the award of contracts include system and service performance, quality, price, design, reputation, technology, application engineering capability, availability of financing and construction or project management expertise. Competitors for HVAC equipment, security, fire-detection, fire suppression and controls in the residential and non-residential marketplace include many local, regional, national and international providers. Larger competitors include Honeywell International, Inc.; Siemens Smart Infrastructure, an operating group of Siemens AG; Schneider Electric SA; Carrier Global Corporation; Trane Technologies plc; Daikin Industries, Ltd.; Lennox International, Inc.; GC Midea Holding Co, Ltd. and Gree Electric Appliances, Inc. In addition, the Company competes in a highly fragmented building services market. The Company also faces competition from a diverse range of established companies, start-ups and other emerging entrants to the buildings industry in the areas of digital services, software as a service and the Internet of Things. The loss of any individual contract or customer would not have a material adverse effect on the Company.

Business Strategy

The Company's business strategy is to sustain and expand its position as a leader in commercial building technology and solutions by offering a full spectrum of products and solutions for commercial customers across the globe. In 2024, the Company acted to optimize its core commercial buildings portfolio with the sale of its Air Distribution Technologies business and the entry into a definitive agreement to sell its R&LC HVAC business. Following these portfolio optimization actions, the Company's core strategy remains focused on creating growth platforms, driving operational improvements and creating a high-performance, customer-centric culture.

The Company has strong positions in attractive and growing end-markets across HVAC, controls, fire, security and services, enhanced by its comprehensive product portfolio and substantial installed base. The Company believes that it is well positioned to capitalize on the emerging and prevalent trends in the commercial buildings industry, including data centers, sustainable buildings, healthy buildings/indoor environmental quality and smart buildings. To capitalize on these trends, the Company remains focused on maintaining leading positions in delivering commercial building products, systems and solutions through its direct and indirect channels, as well as enabling growth through digital, to develop and leverage the breadth of its portfolio to drive attachment, offer differentiated services and solutions over the building lifecycle and generate recurring revenue. In furtherance of these goals, the Company has four strategic priorities:

Capitalize on Key Growth Vectors: Data centers, sustainable buildings, healthy buildings/indoor environmental quality and smart buildings represent key growth opportunities for the Company. The Company seeks to leverage its existing portfolio breadth and investments in product development, combined with the expansion of its digital products and capabilities powered by OpenBlue, to offer differentiated solutions and innovative deal structures to help customers achieve their objectives. The Company intends to expand its capabilities by investing in products and technologies, as well as expanding its partnerships, to power innovation that will allow it to provide differentiated services that are tailored to its customers' desired outcomes.

Bringing Value Across the Building Lifecycle: The Company provides system and service solutions that maximize the opportunities around the lifecycle of the building, delivering outcomes to the customer that save energy, reduce emissions and optimize building lifecycle costs while improving the overall occupant experience. The Company's ability to drive direct, integrated solutions within multiple domains enables opportunities for attachment, cross-selling, recurring revenue, and developing long term relationships with customers from installation to service, retrofit, and replacement.

Accelerate in High Growth Digital Services, Regions and Verticals: The Company is focused on transforming its large service business through digital technology, further enabled by the Company's installed base, domain expertise and global coverage. The Company is focused on developing and deploying connected equipment, systems and controls that will support the provision of digital services and solutions. The Company further intends to expand its presence in high growth regions and

invest in high growth verticals within the markets it serves, including healthcare, commercial offices/campus, education and data centers.

Sustain a High-Performance, Customer-Centric Culture: The Company recognizes that developing talent and creating positive customer experiences is central to accomplishing its business strategies. The Company is investing in its talent to build a diverse workforce that is digital capable, solutions oriented and focused on continuous learning and growth. The Company aims to leverage its talent capabilities and training to create a customer-focused culture to drive customer loyalty and decisions.

To realize these priorities, the Company is leveraging its technology leadership, comprehensive product portfolio, global presence, substantial installed base and strong channels to monetize the lifecycle opportunities of systems, service, retrofit and replacement which are established and delivered by the Company's direct field businesses and third-party channels across the globe. The Company is augmenting its strategic priorities with disciplined execution, productivity enhancements and sustainable cost management to create a path to realize expanded margins and enhanced profitability.

Backlog and Orders

Backlog and orders are additional metrics that are meant to provide management with a deeper level of insight into the progress of specific strategic and growth initiatives. Backlog is applicable to sales of products and systems and services and totaled \$15.2 billion at September 30, 2024, including both the Building Solutions and Global Products segments. Orders provide management with a signal of customer demand for the Company's products and services, as well as an indication of future revenues and performance. However, the timing and conversion of backlog and orders are subject to numerous uncertainties and risks and are not necessarily indicative of the amount of revenue to be earned in the upcoming fiscal year.

The following table summarizes backlog and orders for the Building Solutions segments:

(in billions)	Backlog		Orders	
	September 30, 2024	Year-over-Year Change ⁽¹⁾	Year ended September 30, 2024	Year-over-Year Change ⁽¹⁾
Building Solutions North America	\$ 9.1	10 %	\$ 12.3	9 %
Building Solutions EMEA/LA	2.5	10 %	4.6	9 %
Building Solutions Asia Pacific	1.5	(10)%	2.5	(8)%
Total Building Solutions	<u>\$ 13.1</u>	<u>7 %</u>	<u>\$ 19.4</u>	<u>7 %</u>

⁽¹⁾ Change is compared to September 30, 2023 (backlog) and the year ended September 30, 2023 (orders) and excludes the impact of mergers, acquisitions, dispositions and foreign currency.

Remaining performance obligations were \$21.1 billion at September 30, 2024. Differences between the Company's remaining performance obligations and backlog are primarily due to:

- Remaining performance obligations include large, multi-purpose contracts to construct hospitals, schools and other governmental buildings, which are services to be performed over the building's lifetime with average initial contract terms of 25 to 35 years for the entire term of the contract versus backlog which includes only the lifecycle period of these contracts which approximates five years;
- Remaining performance obligations exclude service contracts with an original expected duration of one year or less and contracts that are cancellable without substantial penalty versus backlog which includes short-term and cancellable contracts; and
- Remaining performance obligations include the full remaining term of service contracts with substantial termination penalties versus backlog which includes only one year for all outstanding service contracts.

The Company reports backlog, which it believes is a useful measure of evaluating the Company's operational performance and relationship to total orders.

Raw Materials

Raw materials used by the Company's businesses in connection with their operations include steel, aluminum, brass, copper, polypropylene and certain fluorochemicals used in fire suppression agents. The Company also uses semiconductors and other electronic components in the manufacture of its products. During fiscal 2022 and portions of fiscal 2023, the Company experienced material cost increases due to global inflation, supply chain disruptions, labor shortages, increased demand and other regulatory and macroeconomic factors. The collective impact of these trends were favorable to revenue due to increased demand and price increases to offset inflation, while negatively impacting margins due to supply chain disruptions and cost pressures. However, throughout fiscal 2023 and 2024, the Company experienced improved margins as supply chain disruptions eased and higher priced backlog was converted to sales. Although the Company has seen its supply chain normalize, the Company could experience further disruptions, shortages and price inflation in the future, the effect of which will depend on the Company's ability to successfully mitigate and offset the impact of these events. In fiscal 2025, commodity prices and availability could fluctuate throughout the year and could significantly affect the Company's results of operations. For a more detailed description of the risks related to the availability of raw materials, components and commodities, see Principal Risks and Uncertainties.

Intellectual Property

Generally, the Company seeks statutory protection for strategic or financially important intellectual property developed in connection with its business. The Company protects its intellectual property investments in a variety of ways. The Company works actively in the U.S. and internationally to ensure the enforcement of copyright, trademark, trade secret, and other protections that apply to the Company's products, services, software, solutions, and branding. Certain intellectual property, where appropriate, is protected by contracts, licenses, confidentiality or other agreements.

The Company owns numerous U.S. and non-U.S. patents (and their respective counterparts), the more important of which cover those technologies and inventions embodied in current products or which are used in the manufacture of those products. Internal development allows the Company to maintain competitive advantages that come from product differentiation and closer technical control over its products and services. While the Company believes patents are important to its business operations and in the aggregate constitute a valuable asset, no single patent, or group of patents, is critical to the success of the business. The Company, from time to time, grants licenses under its patents and technology and receives licenses under patents and technology of others.

The Company's trademarks, certain of which are material to its business, are registered or otherwise legally protected in the U.S. and many non-U.S. countries where products and services of the Company are sold. The Company, from time to time, becomes involved in trademark licensing transactions.

Most works of authorship produced for the Company, such as computer programs, catalogs and sales literature, carry appropriate notices indicating the Company's claim to copyright protection under U.S. law and appropriate international treaties.

Environmental, Health and Safety Matters

Laws addressing the protection of the environment and workers' safety and health govern the Company's ongoing global operations. They generally provide for civil and criminal penalties, as well as injunctive and remedial relief, for noncompliance or require remediation of sites where Company-related materials have been released into the environment.

A portion of the Company's products consume energy and use refrigerants. Increased public awareness and concern regarding global climate change has resulted in more regulations designed to reduce greenhouse gas emissions. These regulations tend to be implemented under global, national and sub-national climate objectives or policies, and target the global warming potential ("GWP") of refrigerants, equipment energy efficiency, and the combustion of fossil fuels as a heating source. The Company continues to invest in its product portfolio to meet or exceed emerging emissions regulations and standards.

The Company has expended substantial resources globally, both financial and managerial, to comply with environmental laws and worker safety laws and maintains procedures designed to foster and ensure compliance. Certain of the Company's businesses are, or have been, engaged in the handling or use of substances that may impact workplace health and safety or the environment. The Company is committed to protecting its workers and the environment against the risks associated with these substances.

The Company's operations and facilities have been, and in the future may become, the subject of formal or informal enforcement actions or proceedings for noncompliance with environmental laws and worker safety laws or for the remediation of Company-related substances released into the environment. Such matters typically are resolved with regulatory authorities through commitments to compliance, abatement or remediation programs and, in some cases, payment of penalties. In addition, governments in the United States and internationally have increasingly been regulating perfluorooctane sulfonate ("PFOS"), perfluorooctanoic acid ("PFOA"), and/or other per- and poly-fluoroalkyl substances ("PFAS"), which were contained in certain of the Company's legacy firefighting foam products. These regulations include declining emission standards and limits set as to the presence of certain compounds. See Note 21, "Commitments and Contingencies," of the notes to consolidated financial statements for further discussion of environmental matters.

Government Regulation and Supervision

The Company's operations are subject to numerous federal, state and local laws and regulations, both within and outside the United States, in areas such as consumer protection, government contracts, international trade, environmental protection, labor and employment, tax, licensing and others. For example, most U.S. states and non-U.S. jurisdictions in which the Company operates have licensing laws directed specifically toward the alarm and fire suppression industries. The Company's security businesses currently rely extensively upon the use of wireline and wireless telephone service to communicate signals. Wireline and wireless telephone companies in the U.S. are regulated by the federal and state governments. In addition, government regulation of fire safety codes can impact the Company's fire businesses. The Company's businesses may also be affected by changes in governmental regulation of refrigerants, PFAS, energy efficiency standards, noise regulation and product safety regulations, including changes related to hydro fluorocarbons/emissions reduction efforts, energy conservation standards and the regulation of fluorinated gases. These and other laws and regulations impact the manner in which the Company conducts its business, and changes in legislation or government policies can affect the Company's worldwide operations, both favorably and unfavorably. For a more detailed description of the various laws and regulations that affect the Company's business, see Principal Risks and Uncertainties.

Regulatory Capital Expenditures

The Company's efforts to comply with numerous federal, state and local laws and regulations applicable to its business and products often results in capital expenditures. The Company makes capital expenditures to design and upgrade its fire and security products to comply with or exceed standards applicable to the alarm, fire suppression and security industries. The Company also makes capital expenditures to meet or exceed energy efficiency standards and comply with applicable regulations, including the regulation of refrigerants, hydro fluorocarbons/emissions reduction efforts and the regulation of fluorinated gasses, particularly with respect to the Company's HVAC products and solutions. The Company's ongoing environmental compliance program also results in capital expenditures. Regulatory and environmental considerations are a part of all significant capital expenditure decisions; however, expenditures in fiscal 2024 related solely to regulatory compliance were not material. It is management's expectation that the amount of any future capital expenditures related to compliance with any individual regulation or grouping of related regulations will not have a material adverse effect on the Company's financial results or competitive position in any one year. See Note 21, "Commitments and Contingencies," of the notes to consolidated financial statements for further discussion of environmental matters.

Seasonal Factors

Certain of the Company's sales are seasonal as the demand for residential air conditioning equipment and services generally increases in the summer months. This seasonality is mitigated by the other products and services provided by the Company that have no material seasonal effect.

RESEARCH AND DEVELOPMENT EXPENDITURES

Refer to Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to consolidated financial statements for research and development expenditures. The Company has committed to invest a substantial portion of its new product research and development in climate and efficiency-related innovation to develop sustainable products and services. The Company invests in enhancements to the capabilities of its product lines and services to support its strategy, meet consumer preferences and achieve regulatory compliance. This includes investments in the development of the Company's OpenBlue platform and related service offerings, digital product capabilities, energy efficient products, and low GWP refrigerants and technology.

PRINCIPAL RISKS AND UNCERTAINTIES

Provided below is a cautionary discussion of what we believe to be the most important risk factors applicable to the Company. Discussion of these factors is incorporated by reference into and considered an integral part of this report. The disclosure of a risk should not be interpreted to imply that such risk has not already materialized. Additional risks not currently known to the Company or that the Company currently believes are immaterial may also impair the Company's business, financial condition, results of operations and cash flows.

Risks Related to Our Business Operations

Our future growth is dependent upon our ability to develop or acquire new products, services and technologies that achieve market acceptance with acceptable margins.

Our future success depends on our ability to develop or acquire, manufacture and bring competitive, and increasingly complex, products and services to market quickly and cost-effectively. Our ability to develop or acquire new products, services and technologies requires the investment of significant resources. These acquisitions and development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies, products or services on a timely basis. Further, we must continue to effectively adapt our products and services to a changing technological and regulatory environment to drive growth and defend against disruption caused by competitors, regulators or other external forces impacting our business and operations. If we are unable to be agile and responsive to disruption in the development of new products, services and technologies, including technologies such as artificial intelligence and machine learning, our business, financial condition, results of operations and cash flows could be adversely affected.

Even after introduction, new or enhanced products may not satisfy customer preferences and product failures may cause customers to reject our products. Further, as we integrate emerging and rapidly evolving technologies, including artificial intelligence and machine learning into our products and services, we may not be able to anticipate or identify vulnerabilities, design flaws or security threats resulting from the use of such technology and develop adequate protection measures. As a result, these products may not achieve market acceptance and our brand image could suffer. We must also attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop new technologies and introduce new products, particularly with respect to our digital services and solutions business and OpenBlue software platform. The laws and regulations applicable to our products, and our customers' product and service needs, change from time to time, and regulatory changes may render our products and technologies noncompliant or result in new or enhanced regulatory scrutiny. In addition, the markets for our products, services and technologies may not develop or grow as we anticipate. The failure of our technology, products or services to gain market acceptance due to more attractive offerings by our competitors, the introduction of new competitors to the market with new or innovative product offerings or the failure to address any of the above factors could significantly reduce our revenues, increase our operating costs or otherwise materially and adversely affect our business, financial condition, results of operations and cash flows.

Failure to increase organizational effectiveness through the execution of our operating model and organizational improvements may reduce our profitability or adversely impact our business.

Our results of operations, financial condition and cash flows are dependent upon our ability to execute on our operating model and drive organizational improvement. We seek to develop and maintain a high-performance, customer centric culture and commercial organization characterized by continuous efficient and timely customer service, customer support, and customer intimacy enabling long-term customer loyalty. Our ability to successfully implement our operating model includes our ability to organize our operations around our commercial strategy through organizational improvements and implementing incentive programs that promote and reward the effective execution of our strategy. If we are unable to successfully implement and execute our operating model, our business, financial condition, results of operations and cash flows could be adversely affected.

We seek to drive organizational improvement through a variety of actions, including restructuring and integration activities, digital transformation, strategic initiatives, business portfolio reviews, productivity initiatives, functionalization, incentive programs, training, executive management changes, and business and operating model assessments. During the fourth quarter of fiscal year 2024, the Company committed to a multi-year restructuring plan to address stranded costs and further right-size its global operations as a result of previously announced portfolio optimization transactions. The Company's ability to execute the most significant aspects of the restructuring plan will be dependent on the timing of the close of the R&LC HVAC business divestiture transaction. Risks associated with these actions include delays in execution, including a delay in the completion of the R&LC HVAC business divestiture, additional unexpected costs, loss of customer relationships, realization of fewer than estimated productivity improvements, increased change fatigue, organizational strain and adverse effects on employee morale. We may not realize the full operational or financial benefits we expect, the recognition of these benefits may be delayed, and

these actions may potentially disrupt our operations. In addition, our failure to effectively implement our operating model and manage organizational changes may lead to increased attrition of customers and employees and harm our ability to attract and retain key talent.

Our business success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a high-performance, customer-centric and diverse management team and workforce. Continuous efficient and timely customer service, customer support and customer intimacy are essential to enabling customer loyalty and driving our financial results. Our growth strategies require that we pivot to new talent capability investments and build the workforce of the future, with an emphasis on developing skills in digital and consultative, outcome-based selling. Failure to ensure that we have the leadership and talent capacity with the necessary skillset and experience could impede our ability to deliver our growth objectives, execute our strategic plan and effectively transition our leadership. Any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations.

The nature of our business requires us to maintain a labor force that is sufficiently large enough to support our manufacturing operations to meet customer demand, as well as provide on-site services and project support for our customers. This includes recruiting, hiring and retaining skilled trade workers to support our direct channel field businesses. We have in the past, and could in the future, experience shortages for skilled or unskilled labor. The impacts of such labor shortages could limit our ability to scale our operations to meet increased demand and convert backlog into revenue, which could negatively impact our growth and results of operations.

In July 2024, we announced that George Oliver, our Chief Executive Officer, had informed the Board of his plan to retire and requested that the Board initiate the Company's Chief Executive Officer succession plan. If we are unable to identify and retain a qualified successor for Mr. Oliver and successfully implement our Chief Executive Officer succession plan, then we could experience disruption in the setting and execution of our operational and strategic objectives, which could have a material adverse effect on our results of operations, financial condition and cash flows. We also may have difficulty attracting and recruiting, or retaining, qualified senior leadership during the pendency of our search for a new Chief Executive Officer.

Failure to achieve and maintain a high level of product and service quality could damage our reputation with customers and negatively impact our results.

Product and service quality issues could harm customer confidence in our company and our brands. If certain of our product and service offerings do not meet applicable safety standards or our customers' expectations regarding quality, safety or performance, we could experience lost sales and increased costs and we could be exposed to legal, financial and reputational risks. In addition, when our products fail to perform as expected, we are exposed to warranty, product liability, personal injury and other claims. We have experienced such quality issues in the past and may experience such issues in the future.

We cannot be certain that our quality controls and procedures will reveal defects in our products or their raw materials, which may not become apparent until after the products have been placed in use in the market. Accordingly, there is a risk that products will have defects, which could result in loss of sales or delays in market acceptance and require a product recall or field corrective action. Such remedial actions can be expensive to implement and may damage our reputation, customer relationships and market share. We have conducted product recalls and field corrective actions in the past and may do so again in the future.

In many jurisdictions, product liability claims are not limited to any specified amount of recovery. If any such claims or contribution requests or requirements exceed our available insurance or if there is a product recall, there could be an adverse impact on our results of operations. In addition, a recall or claim could require us to review some or all of our product portfolio to assess whether similar issues are present in other products, which could result in a significant disruption to our business and which could have a further adverse impact on our business, financial condition, results of operations and cash flows. There can be no assurance that we will not experience any material warranty or product liability claims in the future, that we will not incur significant costs to defend such claims or that we will have adequate reserves to cover any recall, repair and replacement costs.

Cybersecurity incidents impacting our IT systems and digital products could disrupt business operations, result in the loss of critical and confidential information, and materially and adversely affect our reputation and results of operations.

We rely upon the capacity, reliability and security of our IT and data security infrastructure and our ability to expand and continually update this infrastructure in response to the changing needs of our business. As we implement new systems or integrate existing systems, they may not perform as expected. We also face the challenge of supporting our older systems, which are vulnerable to increased risks, including the risk of security breaches, system failures and disruptions, and implementing necessary upgrades. In addition, certain of our employees work remotely at times, which increases our vulnerability to cybersecurity and other IT risks. If we experience a problem with the functioning of an important IT system as a result of increased burdens placed on our IT infrastructure or a security breach of our IT systems, the resulting disruptions could have a material adverse effect on our business.

Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to IT systems to sophisticated and targeted measures known as advanced persistent threats directed at the Company, its products, its customers and/or its third-party service providers, including cloud providers. These threats and incidents originate from many sources globally, including threats from sophisticated nation-state actors and organized criminal groups, and include malware in the form of computer viruses, ransomware, worms, Trojan horses, spyware, adware, scareware, rogue software, and programs that act against the computer user. Techniques used to obtain unauthorized access to, or to sabotage, IT systems or networks are constantly evolving and may not be recognized until launched against a target. We and third parties utilize vendors to support our business and operations have experienced, and expect to continue to experience, these types of threats and incidents, which add to the risks to our IT systems (including our cloud services providers' systems), internal networks, our customers' systems and the information that they store and process. In September 2023, we experienced a cybersecurity incident consisting of unauthorized access, data exfiltration and deployment of ransomware by a third party to a portion of our internal IT infrastructure. We have and may continue to incur significant costs in connection with the cybersecurity incident, including infrastructure investments or remediation efforts. The incident could also cause reputational damage, exposure to legal claims or enforcement actions and fines levied by governmental organizations, which in turn could materially and adversely affect our results of operations. There can be no assurance that additional unauthorized access or cyber incidents will not occur or that we will not suffer material losses in the future. We could also experience similar consequences from future cybersecurity incidents. Other potential consequences could include the theft of intellectual property and the diminution in the value of our investment in research, development and engineering, which in turn could materially and adversely affect our competitiveness and results of operations.

Our customers, including the U.S. government, are increasingly requiring cybersecurity protections and mandating cybersecurity standards in our products, and we may incur additional costs to comply with such demands. We deploy countermeasures to deter, prevent, detect, respond to and mitigate cybersecurity threats, including identity and access controls, data protection, vulnerability assessments, product software designs which we believe are less susceptible to cyber-attacks, monitoring of our IT networks and systems, maintenance of backup and protective systems and the incorporation of cybersecurity design throughout the lifecycle of our products. Despite these efforts, we have experienced, and will likely continue to experience, attacks and resulting breaches or breakdowns of our, or our third-party service providers', databases or systems. Cybersecurity incidents, depending on their nature and scope, have resulted, and may in the future result, in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. Such incidents have remained, and could in the future remain, undetected for an extended period of time, and the losses arising from such incidents could exceed our available insurance coverage for such matters. In addition, security breaches impacting our IT systems have in certain cases resulted in, and in the future could result in, a risk of loss or unauthorized disclosure or theft of information, which could lead to enforcement actions, litigation, regulatory or governmental audits, investigations and possible liability.

An increasing number of our products, services and technologies, including our OpenBlue software platform, are delivered with digital capabilities and accompanying interconnected device networks, which include sensors, data, building management systems and advanced computing and analytics capabilities. If we are unable to manage the lifecycle cybersecurity risk in development, deployment and operation of our digital platforms and services, they could become susceptible to cybersecurity incidents and lead to third-party claims that our product failures have caused damages to our customers. This risk is enhanced by the increasingly connected nature of our products and the role they play in managing building systems.

Data privacy, identity protection and information security compliance may require significant resources and presents certain risks.

We collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, customer data, personal data or other information that is subject to privacy and security laws, regulations and/or customer-imposed controls. Despite our efforts to protect such data, our business and our products may be vulnerable to security incidents, theft, misplaced or lost data, programming errors, or errors that could potentially lead to compromising such data, improper use of our products, systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. During September 2023, we experienced a cybersecurity event consisting of unauthorized access, data exfiltration and deployment of ransomware by a third party to a portion of our internal IT infrastructure. The actual or perceived risk of theft, loss, fraudulent use or misuse of customer, employee or other data as a result of the cybersecurity incident, as well as non-compliance with applicable industry standards or our contractual or other legal obligations or privacy and information security policies regarding such data, could result in costs, fines, litigation or regulatory actions. We could face similar consequences in the future if we, our suppliers, channel partners, customers or other third parties experience the actual or perceived risk of theft, loss, fraudulent use or misuse of data, including as a result of employee error or malfeasance, or as a result of the imaging, software, security and other products we incorporate into our products. Such an event could lead customers to select the products and services of our competitors. Both the cybersecurity incident and similar future incidents could harm our reputation, cause unfavorable publicity or otherwise adversely affect certain potential customers' perception of the security and reliability of our services as well as our credibility and reputation, which could result in lost sales.

We operate in an environment in which there are different and potentially conflicting data privacy laws in effect in the various U.S. states and foreign jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secure. For example, proposed regulations restricting the use of biometric security technology could impact the products and solutions offered by our security business. Government enforcement actions can be costly and interrupt the regular operation of our business, and violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements.

Some of our contracts do not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. While we maintain general liability insurance coverage and coverage for errors or omissions, such coverage might not be adequate or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, that such coverage will continue to be available to us on acceptable terms or at all, or that such coverage will pay future claims. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business.

We are incorporating artificial intelligence technologies into our products, services and processes. These technologies may present business, compliance and reputational risks.

Recent technological advances in artificial intelligence ("AI") and machine-learning technology both present opportunities and pose risks to us. If we fail to keep pace with rapidly evolving technological developments in AI, our competitive position and business results may suffer. The introduction of these technologies, particularly generative AI, into internal processes and/or new and existing offerings may result in new or expanded risks and liabilities, including due to enhanced governmental or regulatory scrutiny, litigation, compliance issues, ethical concerns, confidentiality or security risks, as well as other factors that could adversely affect our business, reputation, and financial results. In addition, our personnel could, unbeknownst to us, improperly utilize AI and machine learning-technology while carrying out their responsibilities. The use of AI in the development of our products and services could also cause loss of intellectual property, as well as subject us to risks related to intellectual property infringement or misappropriation, data privacy and cybersecurity. The use of artificial intelligence can lead to unintended consequences, including generating content that appears correct but is factually inaccurate, misleading or otherwise flawed, or that results in unintended biases and discriminatory outcomes, which could harm our reputation and business and expose us to risks related to inaccuracies or errors in the output of such technologies. We also face risks of competitive disadvantage if our competitors more effectively use AI to drive internal efficiencies or create new or enhanced products or services that we are unable to compete against.

Infringement or expiration of our intellectual property rights, or allegations that we have infringed upon the intellectual property rights of third parties, could negatively affect us.

We rely on a combination of trademarks, trade secrets, patents, copyrights, know-how, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. We cannot guarantee that the steps we have taken to protect our intellectual property will be adequate to prevent infringement of our rights or misappropriation or theft of our technology, trade secrets or know-how. For example, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in some of the countries in which we operate. While we generally enter into confidentiality agreements with our employees and third parties to protect our trade secrets, know-how, business strategy and other proprietary information, such confidentiality agreements could be breached or otherwise may not provide meaningful protection for our trade secrets and know-how related to the design, manufacture or operation of our products. From time to time, we resort to litigation to protect our intellectual property rights. Such proceedings can be burdensome and costly, and we may not prevail. Further, adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and manufacturing expertise. For those products in our portfolio that rely on patent protection, once a patent has expired, the product is generally open to competition. Products under patent protection usually generate significantly higher revenues than those not protected by patents. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could harm our business, financial condition, results of operations and cash flows.

In addition, we are, from time to time, subject to claims of intellectual property infringement by third parties, including practicing entities and non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. The litigation process is subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Intellectual property lawsuits or claims may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and they may have a material adverse effect on our business, financial condition, results of operations and cash flows.

We rely on our global direct installation channel for a significant portion of our revenue. Failure to maintain and grow the installed base resulting from direct channel sales could adversely affect our business.

Unlike many of our competitors, we rely on a direct sales channel for a substantial portion of our revenue. The direct channel provides for the installation of fire and security solutions, and HVAC equipment manufactured by us. This represents a significant distribution channel for our products, creates a large installed base of our fire and security solutions and HVAC equipment, and creates opportunities for longer term service, monitoring, solutions and retrofit revenue over the lifecycle of the building. If we are unable to maintain or grow this installation business, whether due to changes in economic conditions, a failure to anticipate changing customer needs, a failure to introduce innovative or technologically advanced solutions, or for any other reason, our installation revenue could decline, which could in turn adversely impact our product pull-through and our ability to grow service, monitoring, solutions and retrofit revenue.

Global climate change and related regulations could negatively affect our business.

The effects of climate change create financial and operational risks to our business. For example, the effects of climate change could impact the availability and cost of materials needed for manufacturing, exacerbate existing risks to our supply chain and increase insurance and other operating costs. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them.

Increased public awareness and concern regarding global climate change has resulted in more regulations designed to reduce greenhouse gas emissions. These regulations tend to target the global warming potential (“GWP”) of refrigerants, equipment energy efficiency, and the combustion of fossil fuels. Many of our products consume energy and use refrigerants. Regulations which seek to reduce greenhouse gas emissions present a risk to our global products business, predominantly our HVAC business, if we do not adequately prepare and refresh our product portfolio. As a result, we have and may in the future be required to make increased research and development and other capital expenditures to meet new regulations and standards. Further, our customers and the markets we serve may impose emissions or other environmental standards through regulation, market-based emissions policies or consumer preference that we may not be able to timely meet due to the required level of capital investment or technological advancement. While we have been committed to continuous improvements to our product portfolio to meet and exceed anticipated regulations and preferences, there can be no assurance that our commitments will be successful, that our products will be accepted by the market, that proposed regulation or deregulation will not have a negative competitive impact or that economic returns will reflect our product development investments.

There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to incentives, which if discontinued, could adversely impact the demand for energy efficient buildings, and could increase costs of compliance. These factors may impact the demand for our products, obsolescence of our products and our results of operations.

Failure to achieve our public sustainability commitments could negatively affect our reputation and business.

As of the date of this filing, we have made several public commitments regarding our intended reduction of carbon emissions, including commitments to achieve net zero carbon emissions for Scope 1 and 2 by 2040 and the establishment of science-based targets to reduce Scope 1 and 2 carbon emissions from our operations and Scope 3, category 11 emissions from the use of sold products in the operations of our customers. Although we intend to meet these commitments, we may be required to expend significant resources to do so, which could increase our operational and capital costs. Further, there can be no assurance of the extent to which any of our commitments will be achieved, or that any future investments we make in furtherance of achieving such targets and goals will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance. We may determine that it is in the best interest of our company and our shareholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If we are unable to meet these commitments, we could incur adverse publicity and reaction from investors, activist groups and other stakeholders, which could adversely impact the perception of our brand and our products and services by current and potential customers, as well as investors, which could in turn adversely impact our financial condition and results of operations.

The ability of suppliers to deliver raw materials, parts and components to our manufacturing facilities, and our ability to manufacture and deliver services without disruption, could affect our results of operations.

We use a wide range of materials (primarily steel, copper and aluminum) and components (including semiconductors and other electronic components) in the global production of our products, which come from numerous suppliers around the world. Because not all of our business arrangements provide for guaranteed supply and some key parts may be available only from a single supplier or a limited group of suppliers, we are subject to supply and pricing risk. Our operations and those of our suppliers are subject to disruption for a variety of reasons, including supplier plant shutdowns or slowdowns, transportation delays, work stoppages, labor relations, labor shortages, global geopolitical instability, price inflation, governmental regulatory and enforcement actions, intellectual property claims against suppliers, financial issues such as supplier bankruptcy, information technology failures, and hazards such as fire, earthquakes, flooding, or other natural disasters. For example, during 2022 and 2023 we experienced the following supply chain issues, due to economic, political and other factors largely beyond our control: increased input material costs and component shortages; supply chain disruptions and delays and cost inflation. In addition, some of our subcontractors have experienced supply chain and labor disruptions, which have and could in the future impact our ability to timely complete projects and convert our backlog. Such disruptions have and could in the future interrupt our ability to manufacture or obtain certain products and components, thereby adversely impacting our ability to provide products to customers and realize expected profit margins. We could experience the reoccurrence of similar or new disruptions in the future, the effect of which will depend on our ability to successfully mitigate the impact of these disruptions. Any such disruption could materially and adversely affect our business, financial condition, results of operations and cash flows.

Material supply shortages and delays in deliveries, along with other factors such as price inflation, can also result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in component prices and other factors, we may bear the risk of price increases that occur between any such repricing or, if such repricing is not permitted, during the balance of the term of the particular customer contract. The inability to timely convert our backlog due to supply chain disruptions subjects us to pricing risk due to cost inflation occurring between the generation of backlog and its conversion into revenue. If we are unable to effectively manage the impacts of price inflation and timely convert our backlog, our results of operations, financial condition and cash flows could materially and adversely be affected.

A material disruption of our operations due to catastrophic or geopolitical events, particularly at our monitoring and/or manufacturing facilities, could materially and adversely affect our business.

If our operations, particularly at our monitoring facilities and/or manufacturing facilities, were to be disrupted as a result of significant equipment failures, natural disasters, pandemics, climate change, cybersecurity incidents, power outages, fires, explosions, abrupt political change, armed conflict, terrorism, sabotage, adverse weather conditions, public health crises, labor disputes, labor shortages or other reasons, we may be unable to effectively respond to alarm signals, fill customer orders, convert our backlog, collect revenue and otherwise meet obligations to or demand from our customers, which could adversely affect our financial performance. These events may also cause us to experience increased costs and reduced productivity. For

example, our recent cybersecurity incident caused disruptions to our operations, adversely affecting our financial performance in early fiscal 2024. Further, the occurrence or reoccurrence of regional epidemics or a global pandemic, such as COVID-19, may adversely affect our operations, financial condition, and results of operations.

Interruptions to production could increase our costs and reduce our sales. Any interruption in production capability could require us to make substantial capital expenditures or purchase alternative material at higher costs to fill customer orders, which could negatively affect our profitability and financial condition. We maintain property damage insurance that we believe to be adequate to provide for reconstruction of facilities and equipment, cybersecurity insurance to mitigate losses resulting from cybersecurity incidents, as well as business interruption insurance to mitigate losses resulting from significant production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our business, financial condition, results of operations and cash flows.

Our business may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force.

We employ approximately 94,000 people worldwide. Approximately 23% of these employees are covered by collective bargaining agreements or works councils. Although we believe that our relations with the labor unions and works councils that represent our employees are generally good and we have experienced no material strikes or work stoppages recently, no assurances can be made that we will not experience in the future these and other types of conflicts with labor unions, works councils, other groups representing employees or our employees generally, or that any future negotiations with our labor unions will not result in significant increases in our cost of labor. Additionally, a work stoppage at one of our suppliers could materially and adversely affect our operations if an alternative source of supply were not readily available. Work stoppages by employees of our customers could also result in reduced demand for our products.

Risks Relating to Strategic Transactions

We may not realize the benefits of our ongoing efforts to simplify our portfolio.

We continually evaluate the performance and strategic fit of all of our businesses and may sell businesses or product lines. Recently, we have been engaged in a strategic evaluation of our non-core product lines, leading to the divestiture of our Air Distribution Technologies business and the entry into a definitive agreement to divest our R&LC HVAC business. Divestitures such as these involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain environmental or other contingent liabilities related to the divested business. We may also experience unfavorable reaction to the divestiture by customers, competitors, suppliers and employees, making it more difficult to maintain business and operational relationships. Some divestitures, including the divestiture of our R&LC HVAC business, are or may be dilutive to earnings and we may not be successful in executing restructurings and other actions to minimize or offset dilution. We may also fail to successfully complete divestitures, achieve the strategic objectives of divestitures or not realize such objectives within the expected time frame, including our objective to simplify our portfolio to be a pure-play provider of comprehensive solutions for commercial buildings. With respect to the R&LC HVAC business divestiture, there can be no assurance whether and when the closing conditions will be satisfied or waived, and whether the strategic benefits and expected financial impact of the divestiture will be achieved. In addition, divestitures may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. In the event we are unable to successfully divest a business or product line, we may be forced to wind down such business or product line, which could materially and adversely affect our results of operations and financial condition. We cannot provide assurance as to whether we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows, and may also result in a diversion of management attention, operational difficulties and losses.

We may be unable to successfully execute or effectively integrate acquisitions or joint ventures.

We expect acquisitions of businesses and assets, as well as joint ventures (or other strategic arrangements), to play a role in our future growth and our ability to build capabilities in our products and services. We cannot be certain that we will be able to identify attractive acquisition or joint venture targets, obtain financing for acquisitions on satisfactory terms, successfully acquire identified targets or form joint ventures, or manage the timing of acquisitions with capital obligations across our

businesses. Competition for acquisition opportunities may rise, thereby increasing our costs of making acquisitions or causing us to refrain from making further acquisitions.

Acquisitions and investments may involve significant cash expenditures, debt incurrences, equity issuances, operating losses and expenses and may be dilutive to earnings. Acquisitions involve numerous other risks, including: the diversion of management attention to integration matters; difficulties in integrating operations and systems; challenges in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures; difficulties in assimilating employees and in attracting and retaining key personnel; challenges in successfully integrating and operating businesses with different characteristics than our current core businesses; challenges in keeping existing customers and obtaining new customers; difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects; contingent liabilities (including contingent tax liabilities and earn-out obligations) that are larger than expected; and potential unknown liabilities, adverse consequences and unforeseen increased expenses associated with acquired companies. The goodwill and intangible assets recorded in past acquisitions were significant, and in future acquisitions could be significant, and impairment of such assets could result in a material adverse impact on our financial condition and results of operations.

Many of these factors are outside of our control, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, which could materially and adversely impact our business, financial condition and results of operations.

Risks associated with joint venture investments may adversely affect our business and financial results.

We have entered into several joint ventures and we may enter into additional joint ventures in the future. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. In addition, we may compete against our joint venture partners in certain of our markets. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. Our joint venture arrangements may require us, among other matters, to pay certain costs or to make certain capital investments or to seek our joint venture partner's consent to take certain actions. Our joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and we may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. Additionally, the financial performance of our joint ventures has resulted in, and in the future could result in, the Company having to record losses or impairments of our investment. These risks could result in a material adverse effect on our business and financial results.

Risks Related to Macroeconomic and Political Conditions

Some of the industries in which we operate are cyclical and, accordingly, demand for our products and services could be adversely affected by downturns in these industries.

Much of the demand for our products, services and solutions is driven by commercial, institutional, industrial, data center, governmental and residential construction, industrial facility expansion, retrofit activity, maintenance projects and other capital investments in buildings within the sectors that we serve. Construction and other capital investment projects are heavily dependent on general economic conditions, localized demand for real estate and availability of credit, public funding or other sources of financing. Some of the real estate markets we serve are prone to significant fluctuations in supply and demand. In addition, most real estate developers rely heavily on project financing in order to initiate and complete projects. Declines in real estate values and increases in prevailing interest rates could lead to significant reductions in the demand for and availability of project financing, even in markets where demand may otherwise be sufficient to support new construction. These factors could in turn temper demand for new building products and solutions and have a corresponding impact on our financial condition, results of operations and cash flows.

Levels of industrial capital expenditures for facility expansions and maintenance are dependent on general economic conditions, economic conditions within specific industries we serve, expectations of future market behavior and available financing. The businesses of many of our industrial customers are to varying degrees cyclical and have experienced periodic downturns. During such economic downturns, customers in these industries tend to delay major capital projects, including greenfield construction, maintenance projects and upgrades. Additionally, demand for our products and services may be affected by volatility in energy, component and commodity prices, commodity and component availability and fluctuating demand forecasts, as our customers may be more conservative in their capital planning, which may reduce demand for our products and services as projects are postponed or cancelled. Increases in prevailing interest rates or disruptions in financial markets and banking systems could make credit and capital markets difficult for our customers to access and could significantly raise the cost of new debt for our customers. Any difficulty in accessing these markets and the increased associated costs can have a

negative effect on investment in large capital projects, including necessary maintenance and upgrades, even during periods of favorable end-market conditions.

Many of our customers inside and outside of the industrial and commercial sectors, including governmental and institutional customers, have experienced budgetary constraints as sources of revenue have been negatively impacted by adverse or stagnant economic conditions, including sustained increases in interest rates. These budgetary constraints have in the past, and may in the future, reduce demand for our products and services among governmental and institutional customers.

Reduced demand for our products and services could result in the delay or cancellation of existing orders or lead to excess capacity, which unfavorably impacts our absorption of fixed costs. This reduced demand may also erode average selling prices in the industries we serve. Any of these results could materially and adversely affect our business, financial condition, results of operations and cash flows.

Risks associated with our non-U.S. operations could adversely affect our business, financial condition and results of operations.

We have significant operations in a number of countries outside the U.S., some of which are located in emerging markets. Long-term economic and geopolitical uncertainty in any of the regions of the world in which we operate, such as Asia, South America, the Middle East, Europe and emerging markets, could result in the disruption of markets and negatively affect cash flows from our operations to cover our capital needs and debt service requirements. During fiscal year 2024, our results of operations were impacted by continued softening of economic conditions in China, negatively impacting the performance of the Building Solutions Asia Pacific segment. The continuation of economic weakness in China or in other regions could adversely impact our financial performance in such regions, as well as our consolidated financial performance.

In addition, as a result of our global presence, a significant portion of our revenues and expenses is denominated in currencies other than the U.S. dollar. We are therefore subject to non-U.S. currency risks and non-U.S. exchange exposure. While we employ financial instruments to hedge some of our transactional foreign exchange exposure, these activities do not insulate us completely from those exposures. Exchange rates can be volatile and a substantial weakening of foreign currencies against the U.S. dollar could reduce our profit margin in various locations outside of the U.S. and adversely impact the comparability of results from period to period. During 2022 through 2024, we experienced a reduction in revenue and profits as a result of the significant strengthening of the U.S. dollar against foreign currencies. The continued strength of the U.S. dollar could continue to adversely impact our revenue and profit in non-U.S. jurisdictions.

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions, laws and regulations, including anti-trust, labor and environmental laws, and monetary and fiscal policies; the ability to enforce rights, collect revenues and protect assets in foreign jurisdictions; protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes; unsettled or unstable political conditions; international conflict; government-imposed plant or other operational shutdowns; backlash from foreign labor organizations related to our restructuring actions; corruption; natural and man-made disasters, hazards and losses; violence, civil and labor unrest, and possible terrorist attacks. These and other factors may have a material adverse effect on our business and results of operations.

Changes in U.S. or foreign trade policies and other factors beyond our control may adversely impact our business and operating results.

Geopolitical tensions and trade disputes can disrupt supply chains and increase the cost of our products. This could cause our products to be more expensive for customers, which could reduce the demand for or attractiveness of such products. In addition, a geopolitical conflict in a region where we operate could disrupt our ability to conduct business operations in that region. Countries also could adopt restrictive trade measures, such as tariffs, laws and regulations concerning investments and limitations on foreign ownership of businesses, taxation, foreign exchange controls, capital controls, employment regulations and the repatriation of earnings and controls on imports or exports of goods, technology, or data, any of which could adversely affect our operations and supply chain and limit our ability to offer our products and services as intended. Changes in laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs or taxes on imports from countries where we manufacture products or from where we import products or raw materials (either directly or through our suppliers) could have an impact on our competitive position, business operations and financial results. For example, the U.S., China and other countries continue to implement restrictive trade actions, including tariffs, export controls, sanctions, legislation favoring domestic investment and other actions impacting the import and export of goods, foreign investment and foreign operations in jurisdictions in which we operate. These kinds of restrictions could be adopted with little to no advanced notice, and we may not be able to effectively mitigate the adverse impacts from such measures. Political uncertainty

surrounding trade or other international disputes also could have a negative impact on customer confidence and willingness to spend money, which could impair our future growth. Any of these events could increase the cost of our products, create disruptions to our supply chain and impair our ability to effectively operate and compete in the countries where we do business.

Economic, political, credit and capital market conditions could adversely affect our financial performance, our ability to grow or sustain our business and our ability to access the capital markets.

We compete around the world in various geographic regions and product markets. Global economic and political conditions affect each of our primary businesses and the businesses of our customers and suppliers. Recessions, economic downturns, price instability, inflation, slowing economic growth and social and political instability in the industries and/or markets where we compete could negatively affect our revenues and financial performance in future periods, result in future restructuring charges, and adversely impact our ability to grow or sustain our business. For example, recent and ongoing macroeconomic and political instability caused by rising interest rates, global supply chain disruptions, inflation, ongoing conflicts between Russia and Ukraine as well as Israel and Hamas, geopolitical tensions and the strengthening of the U.S. dollar, have and could continue to adversely impact our results of operations. Other consequences arising from ongoing conflicts, the further escalation of geopolitical tensions globally and their effect on our business and results of operations as well as the global economy, cannot be predicted. This may include economic sanctions, embargoes, regional instability, geopolitical shifts, expansion of current conflicts, energy instability, retaliatory action by governments, supply chain disruptions, disruption to local markets, increased cybersecurity attacks against us, our third-party service providers and customers, collateral consequences from cyber conflicts between nation-states or other politically motivated actors targeting critical technology infrastructure, and increased tensions among countries in which we operate. Our failure to adequately react to these and other political and economic conditions could materially and adversely affect our results of operations, financial condition or liquidity.

The capital and credit markets provide us with liquidity to operate and grow our business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and/or disruption of the credit markets could reduce our access to capital necessary for our operations and executing our strategic plan. In addition, we have experienced, and could continue to experience, increased capital costs due to increases in global interest rates. If our access to capital were to become significantly constrained, or if costs of capital increased significantly due to increased interest rates, lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors; then our financial condition, results of operations and cash flows could be adversely affected.

Volatility in commodity prices may adversely affect our results of operations.

Increases in commodity costs can negatively impact the profitability of orders in backlog as prices on such orders are typically fixed; therefore, in the short-term, our ability to adjust for changes in certain commodity prices is limited. In these cases, if we are not able to recover commodity cost increases through price increases to our customers on new orders, then such increases will have an adverse effect on our results of operations. In cases where commodity price risk cannot be naturally offset or hedged through supply-based fixed-price contracts, we use commodity hedge contracts to minimize overall price risk associated with our anticipated commodity purchases. Unfavourability in our hedging programs during a period of declining commodity prices could result in lower margins as we reduce prices to match the market on a fixed commodity cost level. Additionally, to the extent we do not or are unable to hedge certain commodities and the commodity prices substantially increase, such increases will have an adverse effect on our results of operations.

During fiscal 2022 and 2023, we at times experienced increased commodity costs as a result of global macroeconomic trends, including global price inflation, supply chain disruption and international conflict. We could experience further cost fluctuations in the future, which could negatively impact our results of operations to the extent we are unable to successfully mitigate and offset the impact of increased costs.

Risks Related to Government Regulations

Our businesses operate in regulated industries and are subject to a variety of complex and continually changing laws and regulations.

Our operations and employees are subject to various U.S. federal, state and local licensing laws, codes and standards and similar foreign laws, codes, standards and regulations. Changes in laws or regulations could require us to change the way we operate or to utilize resources to maintain compliance, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses. Competition or other regulatory investigations can continue for several years, be costly to defend and can result in

substantial fines. If laws and regulations were to change or if we or our products failed to comply, our business, financial condition and results of operations could be adversely affected.

Due to the international scope of our operations, the system of laws and regulations to which we are subject is complex and includes regulations issued by the U.S. Customs and Border Protection, the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Treasury Department's Office of Foreign Assets Control and various non U.S. governmental agencies, including applicable export controls, anti-trust, customs, currency exchange control and transfer pricing regulations, laws regulating the foreign ownership of assets, and laws governing certain materials that may be in our products. No assurances can be made that we will continue to be found to be operating in compliance with, or be able to detect violations of, any such laws or regulations.

We are also subject to a complex network of tax laws and tax treaties that impact our effective tax rate. For more information on risks related to tax regulation, see "Risks Related to Tax Matters" below.

We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

We are subject to requirements relating to environmental and safety regulations and environmental remediation matters which could adversely affect our business, results of operation and reputation.

We are subject to numerous federal, state and local environmental laws and regulations governing, among other things, solid and hazardous waste storage, treatment and disposal, and remediation of releases of hazardous materials. There are significant capital, operating and other costs associated with compliance with these environmental laws and regulations. Environmental laws and regulations may become more stringent in the future, which could increase costs of compliance, decrease demand for our products, create reputational harm or require us to manufacture with alternative technologies and materials. For example, our Tyco Fire Protection Products business discontinued the production and sale of fluorinated firefighting foams in fiscal 2024, including Aqueous Film-Forming Foam ("AFFF") and related products, and has transitioned to non-fluorinated foam alternatives.

Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety laws governing employee injuries, and permitting requirements in addition to the environmental matters discussed above. If we are unable to adequately comply with applicable health and safety regulations and provide our employees with a safe working environment, we may be subject to litigation and regulatory action, in addition to negatively impacting our ability to attract and retain talented employees. New legislation and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of production. Additionally, violations of environmental, health and safety laws are subject to civil, and, in some cases, criminal sanctions. As a result of these uncertainties, we may incur unexpected interruptions to operations, fines, penalties or other reductions in income which could adversely impact our business, financial condition and results of operations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws around the world.

The U.S. Foreign Corrupt Practices Act (the "FCPA"), the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business, and require that companies maintain accurate books and records. Our policies mandate compliance with these laws. We operate in many parts of the world that are recognized as having governmental and commercial corruption and local customs and practices that can be inconsistent with anti-bribery laws. We cannot provide assurance that our internal control policies and procedures will preclude reckless or criminal acts committed by our employees or third-party intermediaries. Where we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, or if we are subject to allegations of any such violations, we have and will investigate the allegations and from time to time as necessary may engage outside counsel to investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. In addition, we could be subject to commercial impacts such as lost revenue from customers who decline to do business with us as a result of such compliance matters, which also could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

We are subject to risks arising from regulations applicable to companies doing business with the U.S. government.

Our customers include many U.S. federal, state and local government authorities. Doing business with the U.S. federal, state and local governments subjects us to certain particular risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. Agreements relating to the sale of products to government entities may be subject to termination, reduction or modification, either at the convenience of the government or for failure to perform under the applicable contract. We are subject to potential government investigations of business practices and compliance with government procurement and security regulations, which can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended from bidding on or receiving awards of new government contracts, which could have a material adverse effect on our results of operations. In addition, various U.S. federal and state legislative proposals have been made in the past that would deny governmental contracts to U.S. companies that have moved their corporate location abroad. We are unable to predict the likelihood that, or final form in which, any such proposed legislation might become law, the nature of regulations that may be promulgated under any future legislative enactments, or the effect such enactments and increased regulatory scrutiny may have on our business.

Risks Related to Litigation

Potential liability for environmental contamination could result in substantial costs.

We have projects underway at multiple current and former manufacturing and testing facilities to investigate and remediate environmental contamination resulting from past operations by us or by other businesses that previously owned or used the properties, including our Fire Technology Center and Stanton Street manufacturing facility located in Marinette, Wisconsin. These projects relate to a variety of activities, including arsenic, solvent, oil, metal, lead, PFOS, PFOA and/or other per- and polyfluorinated substances ("PFAS") and other hazardous substance contamination cleanup; and structure decontamination and demolition, including asbestos abatement. Governments in the United States and internationally have increasingly been regulating PFAS, which is contained in certain of the Company's legacy firefighting foam products. These regulations include declining emission standards and limits set as to the presence of certain compounds. Because of uncertainties associated with environmental regulation and environmental remediation activities at sites where we may be liable, future expenses that we may incur to remediate identified sites and resolve outstanding litigation could be considerably higher than the current accrued liability on our consolidated statement of financial position, which could have a material adverse effect on our business, results of operations and cash flows.

In addition, we have been named, along with others, in a number of class action and other lawsuits relating to the use of firefighting foam products by the U.S. Department of Defense, the U.S. military and others for fire suppression purposes and related training exercises. It is difficult to predict the outcome or ultimate financial exposure represented by these matters. Such claims may also negatively affect our reputation. See Note 21, "Commitments and Contingencies," of the notes to consolidated financial statements for additional information on these matters.

We are party to asbestos-related product litigation that could adversely affect our financial condition, results of operations and cash flows.

We and certain of our subsidiaries, along with numerous other third parties, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos containing materials. These cases typically involve product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were used with asbestos containing components. We cannot predict with certainty the extent to which we will be successful in litigating or otherwise resolving lawsuits on satisfactory terms in the future and we continue to evaluate different strategies related to asbestos claims filed against us including entity restructuring and judicial relief. Unfavorable rulings, judgments or settlement terms could have a material adverse impact on our business and financial condition, results of operations and cash flows. See Note 21, "Commitments and Contingencies," of the notes to consolidated financial statements for additional information on these matters.

Legal proceedings in which we are, or may be, a party may adversely affect us.

We are currently, and may in the future, become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes with our suppliers or customers, intellectual property matters, third party liability, including product liability claims, and employment claims. In addition, we may be exposed to greater risks of liability for employee acts or omissions, or system failure, in our fire and security businesses than may not be inherent in other businesses. In particular, because many of our fire and security products and services are intended to protect lives and real and personal property, we may have greater exposure to

litigation risks than other businesses. The nature of the services we provide exposes us to the risks that we may be held liable for employee acts or omissions or system failures. As a result, such employee acts or omissions or system failures could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Tax Matters

Future potential changes to the tax laws could adversely affect us and our affiliates.

Legislative and regulatory action may be taken in the U.S. and other jurisdictions in which we operate, which, if ultimately enacted, could result in an increase in our effective tax rate. For example, if the U.S. or other jurisdictions override tax treaties upon which we rely, or broaden the circumstances under which we would be considered a U.S. resident, each of which could materially and adversely affect our effective tax rate. We cannot predict the outcome of any specific legislative or regulatory proposals and such changes could have a prospective or retroactive application. However, if proposals were enacted that had the effect of disregarding our incorporation in Ireland or limiting Johnson Controls International plc's ability, as an Irish company, to take advantage of tax treaties with the U.S., we could be subject to increased taxation, potentially significant expense, and/or other adverse tax consequences.

In October 2021, the Organization for Economic Co-operation and Development ("OECD")/G20 inclusive framework on Base Erosion and Profit Shifting (the Inclusive Framework) published a statement updating and finalizing the key components of a two-pillar plan on global tax reform which has now been agreed upon by the majority of OECD members. Pillar One allows countries to reallocate a portion of residual profits earned by multinational enterprises ("MNE"), with an annual global revenue exceeding €20 billion and a profit margin over 10%, to other market jurisdictions. The adoption of Pillar One and its potential effective date remain uncertain. Pillar Two requires MNEs with an annual global revenue exceeding €750 million to pay a global minimum tax of 15%. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. A number of countries, including Ireland, have enacted legislation to implement the core elements of Pillar Two, which will be effective for the Company beginning in fiscal 2025. We are continuing to evaluate the impact on future periods of Pillar Two, including legislative updates and adoption by additional countries, which could result in an increase in our effective tax rate.

Future potential changes to the U.S. tax laws could result in us being treated as a U.S. corporation for U.S. federal tax purposes, and the Internal Revenue Service ("IRS") may not agree that we should be treated as a non-U.S. corporation for U.S. federal tax purposes.

Because Johnson Controls International plc is organized under the laws of Ireland, it would generally be classified as a foreign corporation under the general rule that a corporation is considered tax resident in the jurisdiction of its organization or incorporation for U.S. federal income tax purposes. However, Section 7874 of the Code ("Section 7874") provides an exception to this general rule under which a non-U.S. incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes. The IRS may assert that, as a result of the Merger, Johnson Controls International plc should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Internal Revenue Code. The IRS may also assert that the ability of our U.S. affiliates to utilize U.S. tax attributes, such as net operating losses and certain tax credits, to offset U.S. taxable income resulting from certain transactions may be limited under Section 7874. The application of these rules could result in significant additional U.S. tax liability. In addition, a retroactive change to U.S. tax laws in this area could change the tax classification of Johnson Controls International plc. If it were to be treated as a U.S. corporation for federal tax purposes, we could be subject to substantially greater U.S. tax liability than currently contemplated as a non-U.S. corporation.

Based on the terms of the Merger, we currently expect that Section 7874 does not apply to us or our affiliates as a result of the Merger. However, determining the applicability of Section 7874 is complex and is subject to factual and legal uncertainties. Thus, there can be no assurance that the IRS will agree with the position that Johnson Controls International plc should not be treated as a U.S. corporation for U.S. federal tax purposes or that Section 7874 does not otherwise apply.

Changes to the U.S. model income tax treaty could adversely affect us.

On February 17, 2016, the U.S. Treasury released a revised U.S. model income tax convention (the "new model"), which is the baseline text used by the U.S. Treasury to negotiate tax treaties. If any or all of the modifications to the model treaty are adopted in the main jurisdictions in which we do business, they could, among other things, cause double taxation, increase audit

risk and substantially increase our worldwide tax liability. We cannot predict the outcome of any specific modifications to the model treaty, and we cannot provide assurance that any such modifications will not apply to us.

Negative or unexpected tax consequences could adversely affect our results of operations.

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to additional changes in our valuation allowances against deferred tax assets and other tax reserves on our statement of financial position, and the future sale of certain businesses could potentially result in the reversal of outside basis differences that could adversely affect our results of operations and cash flows. Additionally, changes in tax laws in the U.S., Ireland or in other countries where we have significant operations could materially affect deferred tax assets and liabilities on our consolidated statement of financial position and our income tax provision in our consolidated statement of income.

We are also subject to tax audits by governmental authorities. Negative unexpected results from one or more such tax audits could adversely affect our results of operations.

Risks Relating to Our Jurisdiction of Incorporation

Irish law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

As an Irish company, Johnson Controls is governed by the Irish Companies Acts, which differ in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of Johnson Controls International plc securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

Transfers of Johnson Controls ordinary shares may be subject to Irish stamp duty.

For the majority of transfers of Johnson Controls ordinary shares, there is no Irish stamp duty. However, Irish stamp duty is payable for certain share transfers. A transfer of Johnson Controls ordinary shares from a seller who holds shares beneficially (i.e., through the Depository Trust Company ("DTC")) to a buyer who holds the acquired shares beneficially is not subject to Irish stamp duty (unless the transfer involves a change in the nominee that is the record holder of the transferred shares). A transfer of Johnson Controls ordinary shares by a seller who holds shares directly (i.e., not through DTC) to any buyer, or by a seller who holds the shares beneficially to a buyer who holds the acquired shares directly, may be subject to Irish stamp duty (currently at the rate of 1% of the price paid or the market value of the shares acquired, if higher) payable by the buyer. A shareholder who directly holds shares may transfer those shares into his or her own broker account to be held through DTC without giving rise to Irish stamp duty provided that the shareholder has confirmed to Johnson Controls transfer agent that there is no change in the ultimate beneficial ownership of the shares as a result of the transfer and, at the time of the transfer, there is no agreement in place for a sale of the shares.

We currently intend to pay, or cause one of our affiliates to pay, stamp duty in connection with share transfers made in the ordinary course of trading by a seller who holds shares directly to a buyer who holds the acquired shares beneficially. In other cases, Johnson Controls may, in its absolute discretion, pay or cause one of its affiliates to pay any stamp duty. Johnson Controls Memorandum and Articles of Association provide that, in the event of any such payment, Johnson Controls (i) may seek reimbursement from the buyer, (ii) may have a lien against the Johnson Controls ordinary shares acquired by such buyer and any dividends paid on such shares and (iii) may set-off the amount of the stamp duty against future dividends on such shares. Parties to a share transfer may assume that any stamp duty arising in respect of a transaction in Johnson Controls ordinary shares has been paid unless one or both of such parties is otherwise notified by Johnson Controls.

Dividends paid by us may be subject to Irish dividend withholding tax.

In certain circumstances, as an Irish tax resident company, we will be required to deduct Irish dividend withholding tax (currently at the rate of 25%) from dividends paid to our shareholders. Shareholders that are residents in the U.S., European Union countries (other than Ireland) or other countries with which Ireland has signed a tax treaty (whether the treaty has been ratified or not) generally should not be subject to Irish withholding tax so long as the shareholder has provided certain Irish dividend withholding tax forms. However, some shareholders may be subject to withholding tax, which could adversely affect the price of our ordinary shares.

Dividends received by investors could be subject to Irish income tax.

Dividends paid in respect of Johnson Controls ordinary shares generally are not subject to Irish income tax where the beneficial owner of these dividends is exempt from dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Johnson Controls.

Johnson Controls shareholders who receive their dividends subject to Irish dividend withholding tax generally will have no further liability to Irish income tax on the dividend unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Johnson Controls.

General Risk Factors**The potential insolvency or financial distress of third parties could adversely impact our business and results of operations.**

We are exposed to the risk that third parties to various arrangements who owe us money or goods and services, or who purchase goods and services from us, will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. If third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us. In such events, we may incur losses, or our results of operations, financial condition or liquidity could otherwise be adversely affected.

Risks related to our defined benefit retirement plans may adversely impact our results of operations and cash flow.

Significant changes in actual investment return on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect our results of operations and the amounts of contributions we must make to our defined benefit plans in future periods. Because we mark-to-market our defined benefit plan assets and liabilities on an annual basis, large non-cash gains or losses could be recorded in the fourth quarter of each fiscal year or when a remeasurement event occurs. Generally accepted accounting principles in the U.S. require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our defined benefit plans are dependent upon, among other factors, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations.

A variety of other factors could adversely affect the results of operations of our business.

Any of the following could materially and adversely impact the results of operations of our business: loss of, changes in, or failure to perform under guaranteed performance contracts with our major customers; cancellation of, or significant delays in, projects in our backlog; delays or difficulties in new product development; our ability to recognize the expected benefits of our restructuring actions, downgrades in the ratings of our debt, material increases to our level of indebtedness, products and services that we are unable to pass on to the market; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their building control systems; and natural or man-made disasters or losses that impact our ability to deliver products and services to our customers.

NON-FINANCIAL STATEMENT

These non-financial information disclosures are included for the purpose of complying with European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for fiscal 2024.

Our annual Sustainability Report also provides information that may be relevant to investors on the development, performance, position, and impact of our non-financial activity and can be accessed at www.johnsoncontrols.com/corporate-sustainability/

reporting-and-policies. This reference to our Internet address is for informational purposes only and shall not, under any circumstances, be deemed to incorporate the information available at or accessible through such internet address, including our Sustainability Report, into this report

Our Business Model

As a global leader in smart, healthy, and sustainable buildings, our mission is to reimagine the performance of buildings to serve people, places and the planet. Building on a proud history of nearly 140 years of innovation, we deliver the blueprint of the future for industries such as healthcare, education, data centers, airports, stadiums, manufacturing and beyond through our best-in-class operating equipment and OpenBlue, our comprehensive digital offering. Today, with a global team of experts, Johnson Controls offers the world's largest portfolio of building technology and software as well as service solutions from some of the most trusted brands in the industry. See the Principal Activities section of this Directors' Report for further description of our business model.

Our Principal Risks and Uncertainties

A description of our principal risks and uncertainties and their impact on our business, including those related to environmental matters, social and employee matters, bribery, corruption and respect for human rights, if applicable, are set out at the Principal Risks and Uncertainties section of this Directors' Report.

Analysis of Key Performance Indicators

Johnson Controls tracks and analyzes non-financial key performance indicators on an ongoing basis.

The full Board of Directors oversees our overall strategy and enterprise strategic risk through robust and constructive engagement with management, taking into consideration our key priorities, global trends impacting our business, regulatory developments, and disruptors in our businesses. The Governance and Sustainability Committee of our board of directors provides oversight of our environmental, social and governance ("ESG") programs and goals, sustainability management, sustainability risks, sustainability trends and environmental health and safety, receiving regular briefings on our progress. In addition, the Compensation and Talent Development Committee provides oversight of certain social matters impacting our workforce, including human capital management, diversity and inclusion and organizational health.

Our Chief Sustainability and External Relations Officer reports directly to our CEO. The Global ESG Leadership Committee ("ESG LC") is chaired by our Vice President of Global Sustainability & Regulatory Affairs, who reports to the Chief Sustainability & External Relations Officer. Its members consist of senior leaders across our businesses, functions and regions. The ESG LC is charged with leading the enterprise across all measures of sustainability, managing and reporting progress toward our ESG commitments, and is responsible for embedding sustainability into our culture and operations across the enterprise.

Our non-financial policies, positions and statements are available publicly on our website at <https://www.johnsoncontrols.com/corporate-sustainability/reporting-and-policies>. This reference to our internet address is for informational purposes only and shall not, under any circumstances, be deemed to incorporate the information available at or accessible through such internet address into this report.

The key performance indicators that we monitor in relation to our policies include:

- greenhouse gas emissions
- energy consumption
- health and safety
- volunteer hours
- spend with diverse suppliers

Environmental matters

As the challenges posed by climate change become increasingly apparent, action from national and subnational governments, including regulations on building products, is driving initiatives to reduce the emissions and increase efficiency of our products. We support the drive to adopt these regulations and standards and drive business growth by developing and delivering technologies and solutions to create smart, sustainable and healthy buildings. Throughout our product portfolio, we offer a wide array of low-emission products and continue to expand as we anticipate future regulation. We believe that our business is well positioned to manage the overall impacts of climate change on ourselves and our customers.

Our 2030 science-based emission-reduction targets are approved by the Science-Based Targets initiative, through which we are committed to reducing Scope 1 and 2 by 55 percent and Scope 3 by 16 percent by 2030 vs 2017. We have also set a target to achieve net zero Scope 1 and 2 emissions by 2040, ten years ahead of the goal set out in the United Nations Paris Climate Agreement. We continue to take steps to further improve environmental impacts across our value chain:

- Our business provides a range of innovative, sustainable technologies and solutions that help our customers mitigate and adapt to climate change through reductions in carbon, energy, and water consumption. Our solutions, such as the OpenBlue digital platform and Sustainable Infrastructure services, help our customers and suppliers achieve their emissions goals, cutting emissions while creating savings in energy and operational costs.
- As the HVAC industry evolves to meet the needs of building decarbonization, our portfolio of commercial and industrial heat pumps is positioned to revolutionize the built environment. Heat pumps are recognized as a critical tool for reducing greenhouse gas emissions by the International Energy Agency and national and subnational governments across the globe.
- We are committed to investing at least 75 percent of new product research and development annually in climate-related innovation to develop sustainable products and services. In 2024, we began shipping the YORK YVWH water-to-water heat pump, which uses the ultra-low GWP refrigerant R1234ze and produces industry-leading hot water temperatures up to 176 degrees Fahrenheit. We also began shipments of the YVAM air-cooled oil free centrifugal chiller, purpose-built for data center applications. The YVAM delivers a 78% improvement in energy efficiency compared to conventional chiller systems, while also eliminating water consumption for cooling.
- We actively engage with leaders around the world to address decarbonization in the built environment. Members of our leadership team take a leading role in global forums, such as New York Climate Week, the Conference of the Parties to the UN Convention on Climate Change, and the World Economic Forum's Annual Meeting, urging bold action to tackle climate change while spurring sustainable growth. Our Chairman and Chief Executive Officer, George Oliver serves as chair of the Sustainable Buildings Task Force of the Sustainable Markets Initiative, working together with global CEOs to accelerate net zero solutions.

Key performance indicators, fiscal 2024 data:

- Goal: Reduce absolute scope 1 and 2 emissions 55% by 2030 from a 2017 baseline. Progress: Fiscal 2024 absolute Scope 1 and 2 emissions: 529,000 Metric Tons CO₂e, a 48% reduction since 2017.
- Goal: Reduce energy intensity 25% by 2025 from a 2017 baseline. Progress: At the end of fiscal 2024 we have exceeded our 2025 goal: 228 GJ per Million USD in revenue, a 28% reduction since 2017.
- Goal: Reduce scope 1 and 2 emissions intensity 25% by 2025 from a 2017 baseline. As of the end of fiscal 2024, we have exceeded our 2025 goal: 20 Metric Tons CO₂e per Million USD in revenue, a 56% reduction since 2017.

Our environmental sustainability metrics reporting is consistent with the GHG Protocol Corporate Reporting and Accounting Standard and includes data from Johnson Controls and the Johnson Controls-Hitachi joint venture. Scope for energy and emissions include what is under the company's operational control as of September 30, 2024.

During fiscal 2024, the Company completed the divestiture of its Air Distribution Technologies ("ADTi") business which was included within the Global Products segment. Emissions pertaining to the ADTi business are excluded from fiscal 2024 Scope 1 and Scope 2 emissions. No changes were made to the 2017 baseline based on management's conclusion that the divestiture did not have a material impact on overall emissions.

We continue to enhance our capability to track and report our emissions data, including improving the overall quality and detail of the data used in emission calculations. Scope 1 emission and energy calculations from the use of company fleet have been updated in fiscal 2024 to reflect a change in calculation methodology to reflect the availability of more refined data on personal and commute mileage. As per change in methodology, emissions and energy from personal and commute mileage have been excluded from the Scope 1 emissions and energy intensity calculation. As a result, we have also restated fiscal 2017 scope 1 emissions and energy intensity to reflect this change in our methodology.

Absolute emissions have been rounded to the nearest thousand. Fiscal 2024 intensity metrics are measured as the total energy consumed or total scope 1 and 2 emissions divided by revenue. Revenue values used in this analysis exclude the ADTi business

in order to ensure consistency with energy and emissions values reported. Indirect emissions (Scope 2) are market-based. Stationary combustion data is tracked using the Environmental, Health and Safety Information System ("EHSIS") tool.

Apex, an independent third-party assurance provider, has given limited assurance of our greenhouse gas emissions and water data.

Social and employee matters

At Johnson Controls, we drive a high-performance culture, represented by practices and behaviors that reflect our values. The CEO, the Chief Human Resources Officer ("CHRO"), our Human Resources Leadership Team and other senior leaders are responsible for the execution of our human resources strategy. The Compensation and Talent Development Committee, the Governance and Sustainability Committee, and the full board of directors have oversight over various social and employee matters, including human capital trends, practices and operations, diversity and inclusion, health and safety, leadership development, and succession planning.

Health and safety

Health and Wellness, Safety, and Environment are the three pillars of our Zero Harm vision. We are committed to a safe and healthy work environment for our employees, our customers and contractors, our visitors, and our communities. Our Global Environmental Health and Safety Policy identifies the key operating principles that define our expectations, actions and behaviors of all Johnson Controls employees in conducting business that is protective of health, safety and the environment. Health and safety programs are designed around global standards addressing multiple jurisdictions and regulations, the specific hazards and unique working environments of our manufacturing, service and install teams, and headquarter operations.

We require each of our locations to perform regular environmental, health, and safety compliance audits to ensure proper policies, program procedures, analyses and training are in place. In addition, we engage an independent third-party conformity assessment and certification vendor to audit selected operations for adherence to our global health and safety standards and local environmental health and safety regulations.

Key performance indicators based upon the number of incidents per 100 employees and supervised contractors, per 200,000 work hours:

- By 2025, reduce recordable safety incident rate by 25% from a 2017 baseline: Progress: We exceeded our goal and continue to strive toward our Zero Harm vision. For fiscal 2024, Total Recordable Incident Rate: 0.34, a 39% reduction to date.

Employee matters

At Johnson Controls, we support the continued development and advancement of our people. Strategic talent reviews and succession planning occur annually, and we emphasize real-life, real-time learning that enables employees to meet the demands of challenging and changing work. To ensure our people have the skills and capabilities to drive success, we have embedded our enterprise leadership competency model into our talent processes. The model is part of our leadership curriculum and self-directed development guides for employees' personal development.

The Company's strategy to drive a High-Performance Culture is driven by three strategies:

1. Recruit and develop industry's best talent to enable business growth and cultivate next generation leadership
2. Establish and deliver a compelling employee value proposition to drive engagement and retention
3. Enable a high performance culture through clear expectations

We prioritize promoting from within and attracting top talent to stay innovative in a changing business landscape. By developing tools and resources that prioritize and support employee growth at all levels of the company, we enable the mindsets and behaviors that foster our culture of continuous learning. We offer various leadership development programs designed to enhance leadership skills and prepare employees for higher roles.

The Company encourages employees to enable an inclusive culture through active participation in Business Resource Groups ("BRGs") - employee-led voluntary organizations of people with similar interests, experiences, or demographic characteristics. The Company continues to increase participation in its BRG chapters worldwide across eleven categories: African American, Asia Pacific, LGBTQ+, Emerging Leaders, Hispanic, Disabilities, Veterans, Women, Sustainability, Parents and Caregivers,

and Mindful Living. Each BRG is open to all employees and sponsored and supported by senior leaders across the enterprise. The Company's BRG structure includes monthly learning series, an active recruitment platform, an innovation hub, community engagement and feedback sessions.

We also offer a 24-hour integrity helpline managed by our Ethics and Compliance team which allows employees, suppliers, customers or third parties to raise concerns by phone or through the web-based platform.

As of September 30, 2024, the Company employed approximately 94,000 people worldwide of which approximately 35,000 were employed in the United States and approximately 59,000 were outside the United States. Approximately 22,000 employees are covered by collective bargaining agreements or works councils and the Company believes that its relations with its labor unions are generally positive.

Key performance indicators, fiscal 2024 data:

- In fiscal 2024, we offered a robust curriculum of over 225,000 activities, consisting of videos, courses, e-learning, documentation, articles and books, including over 4,140 active (in-person or virtual) learning courses
- Over 1.17 million learning activities were completed by approximately 81,160 employees (excluding non-wired)

Our 2024 Diversity, Equity and Inclusion Annual Report and our EEO-1 are reported and publicly available on our website. This reference to our website is for informational purposes only and shall not, under any circumstances, be deemed to incorporate the information available at or accessible through such website address into this report.

Community engagement and philanthropic strategy

Johnson Controls seeks to promote the well-being of our communities through philanthropy and volunteerism. Our philanthropic reach is focused on those communities where our employees live and work in the countries we call home. Through our employee gift matching program, Johnson Controls employees can request matches for donations they make to eligible organizations.

We align our volunteering and philanthropy efforts with the UN Sustainable Development Goals.

Key performance indicators, fiscal 2024 data:

- Goal: Volunteer two million hours in 2025 and align 80 percent of volunteer activities with the United Nations Sustainable Development Goal.
- Progress to date:
 - We achieved our goal one year early, with our employees volunteering over 2 million accumulated hours towards our goal of 2 million volunteer hours by the end of 2025
 - 72,507 volunteer hours, the most volunteer hours recorded in one year since 2017
 - 84% of our volunteer hours are aligned to the UN Sustainable Development Goals

Supplier diversity

Johnson Controls defines diverse suppliers as companies that are certified as owned, operated and controlled by minorities, women, members of the LGBTQ+ community, veterans, people with disabilities and members of indigenous communities, as well as those designated by government agencies as small or disadvantaged businesses.

Our supplier diversity initiative is integrated into our corporate strategy and directed by senior management.

In 2024, we spent more than \$694 million with certified diverse suppliers worldwide, exceeding our commitment to grow our spend with certified diverse business enterprises at a rate higher than revenue growth. Our initiatives included identifying new, diverse suppliers and integrating them into our procurement processes, category strategies, sourcing board events, and supplier development activities.

Anti-bribery, anti-corruption, and respect for human rights

Johnson Controls was an early signatory of the United Nations Global Compact and is committed to the United Nations Global Company's Ten Principles. These principles are based on The Universal Declaration of Human Rights; The International Labor Organization's Declaration on Fundamental Principles and Rights at Work; The Rio Declaration on Environment and Development; The United Nations Convention against Corruption; and the United Nations Framework on Business and Human Rights.

Our Human Rights and Sustainability Policy and our Code of Ethics define our overall management approach to human rights, anti-corruption, the environment, governance, social and other related matters.

Values First: The Johnson Controls Code of Ethics applies to everyone at Johnson Controls – including the board of directors, company officers, employees, agents, and contract workers. The Code of Ethics is translated into 32 languages and provides specific guidance on the behaviors that allow us to implement our culture globally. Compliance with our Code of Ethics and our anti-corruption policy is a condition of employment.

All online employees must complete online training modules and biennially review and attest to the Code of Ethics.

In addition to Code of Ethics training, our global compliance training program has two pillars – Vital Values and Values in Action. Vital Values are online courses on topics such as anti-corruption, conflicts of interest, fair competition, and privacy, which are assigned to employees who work in functions at elevated risk. Values in Action are scenario-based ethics discussions conducted twice a year by all managers in the company with their respective teams. In fiscal 2024, we achieved 98.6 percent completion across these trainings.

Johnson Controls requires the management of each facility to ensure they implement equal opportunity and no-harassment policies in accordance with national, state or provincial law. Employees, temporary employees, visitors, and other non-employees are encouraged to immediately report harassment or any ethics or compliance violations committed by anyone, including our visitors.

Our slavery and human trafficking policy complies with the UK Modern Slavery Act of 2015 and our slavery and human trafficking statement is reviewed annually. We are committed to taking steps to ensure that slavery and human trafficking do not take place in any part of our business or supply chain.

Our Code of Ethics is communicated to our employees, suppliers, partners and contract workers. It encourages individuals to report any wrongdoing that extends to human rights violations, such as slavery and human trafficking. All reports are fully investigated, and appropriate remedial actions taken when warranted. Our Integrity Helpline is available for individuals inside and outside of the company to raise concerns or report any alleged wrongdoing.

Our Supplier Sustainability Program includes EcoVadis, a globally-recognized ESG assessment ratings agency, to evaluate our supply chain. The EcoVadis rating is included on our supplier scorecards and is equal to cost, quality, and delivery in supplier performance evaluations.

We are proud to have received a Gold Rating from EcoVadis, joining the top 5% of more than 130,000 companies they assess across environment, labor, human rights, ethics and sustainable procurement.

Outcome of the Policies Pursued

Johnson Controls is a recognized leader in environmental matters, social and employee matters and respect for human rights. We report in detail annually through Johnson Controls Sustainability Report.

We are honored to be recognized for our ongoing innovation and leadership across sustainability:

- 2023 CDP Climate Change 'A List', one of less than 400 companies recognized for global climate leadership
- 2024 Corporate Knights Clean200, marking our 9th consecutive year on the list
- 2024 TIME list of the World's Best Companies List
- 2024 Forbes Net Zero Leaders list
- 2024 EcoVadis Gold, top 5% percent of companies assessed

Disclaimer: The information in the Johnson Controls Non-Financial Statement is shared based on the best available data at publication. In some cases, data is estimated. In addition, the data on environmental, social and governance matters presented

herein is not presented in accordance with GAAP, and is subject to varying degrees of assurance, limited assurance, or, in some cases, not subject to external third-party verification. Johnson Controls cautions that our statements with respect to current and future potential implications of corporate social responsibility and sustainability topics are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Johnson Controls' control, which could cause Johnson Controls' actual results and business implications to differ materially from those expressed or implied by the information in this report. The non-financial statements have been prepared in United States dollars.

While Johnson Controls believes that its assumptions, expectations, commitments, and projections are reasonable in view of the currently available information, you are cautioned not to place undue dependence on forward-looking statements. They are subject to future events, risks, and uncertainties - many of which are beyond Johnson Controls' control—as well as potentially inaccurate assumptions that could cause actual results to differ materially from expectations, projections and commitments. You are advised to review the factors described under the caption “Principal Risks and Uncertainties” in this Annual Report and any further disclosures Johnson Controls makes on related subjects in materials it files with or furnishes to the Securities and Exchange Commission. The forward-looking statements included in this report are made only as of the date of this report, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this report.

BUSINESS REVIEW

Macroeconomic Trends

Much of the demand for the Company's products and solutions is driven by construction, facility expansion, retrofit and maintenance projects within the commercial, institutional, industrial, data center, governmental and residential sectors. Construction projects are heavily dependent on general economic conditions, localized demand for real estate and the availability of credit, public funding or other financing sources. Positive or negative fluctuations in construction, industrial facility expansion, retrofit activity, maintenance projects and other capital investments in buildings within the sectors that the Company serves, as well as availability of credit, financing or funding for such projects, could have a corresponding impact on the Company's financial condition, results of operations and cash flows. During fiscal 2024, the Company observed continued softening of economic conditions in China, negatively impacting the performance of the Building Solutions Asia Pacific segment. The Company expects economic conditions in China to stabilize in fiscal 2025, however, if conditions do not stabilize, results of the Building Solutions Asia Pacific segment could be negatively impacted.

As a result of the Company's global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar. The Company is therefore subject to non-U.S. currency risks and non-U.S. exchange exposure. While the Company employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate it completely from those exposures. In addition, the currency exposure from the translation of non-U.S. dollar functional currency subsidiaries are not able to be hedged. Exchange rates can be volatile and a substantial weakening or strengthening of foreign currencies against the U.S. dollar could increase or reduce the Company's profit margin, respectively, and impact the comparability of results from period to period. During fiscal 2024, revenue and profits were negatively impacted by movements in foreign exchange rates against the U.S. dollar.

The Company continues to observe trends demonstrating increased interest and demand for its products and services that enable smart, safe, efficient and sustainable buildings, particularly within verticals including data centers, government, healthcare and higher education. This demand is driven in part by capital investment, government tax incentives, building performance standards and regulations designed to limit emissions and combat climate change. In particular, legislative and regulatory initiatives such as the U.S. Climate Smart Buildings Initiative, U.S. Inflation Reduction Act and EU Energy Performance of Buildings Directive include provisions designed to fund and encourage investment in decarbonization and digital technologies for buildings. This demand is supplemented by an increase in commitments in both the public and private sectors to reduce emissions and/or achieve net zero emissions. The Company seeks to capitalize on these trends to drive growth by developing and delivering technologies and solutions to create smart, sustainable and healthy buildings. The Company is investing in new digital and product capabilities, including its OpenBlue platform, to enable it to deliver sustainable, high-efficiency products and tailored services to enable customers to achieve their objectives. The Company is leveraging its install base, together with data-driven products and services to offer outcome-based solutions to customers with a focus on generating accelerated growth in services and recurring revenue.

The Company has experienced, and could continue to experience, increased material cost inflation and component shortages, as well as disruptions and delays in its supply chain, as a result of global macroeconomic trends, including increased global demand, geopolitical and economic tensions, including the conflict between Russia and Ukraine and Israel and Hamas, and labor shortages. Actions taken by the Company to mitigate supply chain disruptions and inflation, including expanding and

redistributing its supplier network, supplier financing, price increases and productivity improvements, have historically been successful in offsetting some, but not all, of the impact of these trends. The collective impact of these trends has been favorable to revenue due to increased demand and price increases to offset inflation, while negatively impacting margins primarily due to ongoing cost pressures. Although the Company has experienced recent stabilization, it could experience further disruptions, and shortages and cost increases could occur in the future, the effect of which will depend on the Company's ability to successfully mitigate and offset the impact of these events.

The extent to which the Company's results of operations and financial condition are impacted by these and other factors in the future will depend on developments that are highly uncertain and cannot be predicted. See Principal Risks and Uncertainties for an additional discussion of risks.

Portfolio Simplification Transactions

The Company has been engaged in an ongoing evaluation of its non-core product lines in connection with its objective to be a pure-play provider of comprehensive solutions for commercial buildings. During the fourth quarter of fiscal 2024, the Company completed the sale of its Air Distribution Technologies business included within the Global Products segment. During the fourth quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business to Robert Bosch GmbH ("Bosch") for approximately \$8.1 billion in cash with the Company's portion of the aggregate consideration being approximately \$6.7 billion, inclusive of an upfront royalty payment for the licensing of the York tradename. The R&LC HVAC business includes the Company's North America Ducted business and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., the Company's global residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which the Company owns 60% and Hitachi owns 40%. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as a discontinued operation and, as a result, its historical financial results are reflected in the consolidated financial statements as a discontinued operation, and assets and liabilities were reclassified as held for sale for all periods presented. The Company expects that the sale of the R&LC HVAC business will close in the fourth quarter of fiscal 2025.

Cybersecurity Incident

During the weekend of September 23, 2023, the Company experienced a cybersecurity incident impacting its internal information technology ("IT") infrastructure and applications. The cybersecurity incident consisted of unauthorized access, data exfiltration and deployment of ransomware by a third party to a portion of the Company's internal IT infrastructure. The incident caused disruptions and limitation of access to portions of the Company's business applications supporting aspects of the Company's operations and corporate functions, which disruptions and limitations continued into the first quarter of fiscal 2024.

The Company's investigation and remediation efforts remain ongoing, including the analysis of data accessed, exfiltrated or otherwise impacted during the cybersecurity incident. Based on the information reviewed to date, the Company has not observed evidence of any impact to its digital products, services and solutions, including OpenBlue and Metasys.

The overall impact of the cybersecurity incident did not have a material impact on net income, net of insurance recoveries, or cash flows from operations in fiscal 2024.

The Company maintains insurance covering certain losses associated with cybersecurity incidents. A substantial portion of direct costs incurred related to containing, investigating and remediating the incident, as well as business interruption losses, have been or are expected to be reimbursed through insurance recoveries. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses.

Restructuring and Cost Optimization Initiatives

During the fourth quarter of fiscal 2024, the Company committed to a multi-year restructuring plan to address stranded costs and further right-size its global operations as a result of previously announced portfolio simplification actions. It is expected that one-time restructuring costs, including severance and other employee termination benefits, contract termination costs, and certain other related cash and non-cash charges, of approximately \$400 million will be incurred over the course of fiscal 2025, 2026 and 2027, resulting in expected annual cost savings of approximately \$500 million upon full completion of the plan. The Company's ability to execute the most significant aspects of the restructuring plan will be dependent on the timing of the close of the R&LC HVAC business divestiture transaction. Accordingly, the Company is unable to estimate the specific costs to be incurred and savings to be achieved in fiscal 2025; however, depending on the timing of the closing of the transaction and the

ability to execute more significant aspects of the planned restructuring actions, the impact of costs on net income could be material in fiscal 2025. Restructuring costs will be incurred across all segments and Corporate functions.

FISCAL YEAR 2024 COMPARED TO FISCAL YEAR 2023

Net Sales

(in millions)	Year Ended September 30,		Change
	2024	2023	
Net sales	\$ 22,952	\$ 22,331	3%

The increase in net sales was due to higher organic sales (\$790 million), partially offset by the negative impact of foreign currency translation (\$98 million) and the net impact of acquisitions and divestitures (\$71 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, consolidated net sales increased 4% over the prior year, as strong growth in Products and Systems in the Building Solutions North America segment and growth in Services in all Building Solutions segments were partially offset primarily by weakness in China's Systems/Install business. Refer to the "Segment Analysis" below for a discussion of net sales by segment.

Cost of Sales / Gross Profit

(in millions)	Year Ended September 30,		Change
	2024	2023	
Cost of sales	\$ 14,875	\$ 14,527	2%
Gross profit	8,077	7,804	3%
% of sales	35.2%	34.9%	

The increase in gross profit was primarily due to higher gross profit in the Systems/Install and Services businesses of the Building Solutions segments, partially offset by the Global Products segment. Refer to the "Segment Analysis" below for a discussion of segment earnings before interest, taxes and amortization ("EBITA").

Selling, General and Administrative Expenses

(in millions)	Year Ended September 30,		Change
	2024	2023	
Selling, general and administrative expenses	\$ 5,661	\$ 5,387	5%
% of sales	24.7%	24.1%	

The increase in selling, general and administrative expenses ("SG&A") was primarily due to the net impact of the water systems AFFF settlement agreement costs net of insurance recoveries (\$383 million), partially offset by the year-over-year impact of net mark-to-market adjustments (\$100 million) and productivity improvements. Refer to the "Segment Analysis" below for a discussion of segment EBITA.

Restructuring and Impairment Costs

(in millions)	Year Ended September 30,	
	2024	2023
Goodwill and other intangible asset impairments	\$ 296	\$ 212
Held for sale impairments	35	498
Long-lived and other tangible asset impairments	36	78
Restructuring and related costs	143	261
Restructuring and impairment costs	<u>\$ 510</u>	<u>\$ 1,049</u>

Refer to Note 2, "Acquisitions and Divestitures," "Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations," Note 7, "Property, Plant and Equipment," Note 8, "Goodwill and Other Intangible Assets," and Note 17, "Restructuring and Related Costs," of the notes to consolidated financial statements for further disclosure related to the Company's restructuring plans and impairment costs.

Net Financing Charges

	Year Ended September 30,	
	2024	2023
Interest expense, net of capitalized interest costs	\$ 381	\$ 297
Other financing charges	38	50
Gain on debt extinguishment	(25)	(25)
Interest income	(17)	(17)
Net foreign exchange on financing activities	(35)	(47)
Net financing charges	<u>\$ 342</u>	<u>\$ 258</u>

* Measure not meaningful

Refer to Note 10, "Debt and Financing Arrangements," of the notes to consolidated financial statements for further disclosure related to the Company's debt.

Income Tax Provision (Benefit)

(in millions)	Year Ended September 30,		Change
	2024	2023	
Income tax provision (benefit)	\$ 111	\$ (468)	*
Effective tax rate	7 %	(42)%	

* Measure not meaningful

The fiscal 2024 effective tax rate was higher than fiscal 2023 primarily due to the establishment of a deferred tax liability on the outside basis difference of the Company's investment in certain subsidiaries as a result of the planned divestiture of its R&LC HVAC business, partially offset by lower tax reserve adjustments as the result of tax audit resolutions and expired statute of limitations for certain tax years, valuation allowance adjustments and the benefits of continuing global tax planning initiatives. Refer to Note 18, "Income Taxes," of the notes to consolidated financial statements for further details.

In October 2021, the Organization for Economic Co-operation and Development ("OECD")/G20 inclusive framework on Base Erosion and Profit Shifting (the Inclusive Framework) published a statement updating and finalizing the key components of a two-pillar plan on global tax reform which has now been agreed upon by the majority of OECD members. Pillar One allows countries to reallocate a portion of residual profits earned by multinational enterprises ("MNE"), with an annual global revenue exceeding €20 billion and a profit margin over 10%, to other market jurisdictions. The adoption of Pillar One and its potential effective date remain uncertain. Pillar Two requires MNEs with an annual global revenue exceeding €750 million to pay a

global minimum tax of 15%. The OECD has since issued administrative guidance providing transition and safe harbor rules around the implementation of the Pillar Two global minimum tax. A number of countries, including Ireland, have enacted legislation to implement the core elements of Pillar Two, which will be effective for the Company beginning in fiscal 2025. The Company continues to evaluate the impact on future periods of Pillar Two, including legislative updates and adoption by additional countries, which could result in an increase to the effective tax rate.

Income From Discontinued Operations, Net of Tax

(in millions)	Year Ended September 30,		Change
	2024	2023	
Income from discontinued operations, net of tax	\$ 489	\$ 452	8 %

The increase in income from discontinued operations, net of tax was primarily due to decreased SG&A as a result of productivity improvements. Refer to Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations," of the notes to consolidated financial statements for further information.

Segment Analysis

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income from continuing operations before income taxes and noncontrolling interests, excluding amortization of intangible assets, corporate expenses, restructuring and impairment costs, the water systems AFFF settlement costs and AFFF insurance recoveries, net financing charges, loss on divestiture and net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments.

(in millions)	Net Sales for the Year Ended September 30,			Segment EBITA for the Year Ended September 30,		
	2024	2023	Change	2024	2023	Change
Building Solutions North America	\$ 11,348	\$ 10,330	10 %	\$ 1,663	\$ 1,394	19 %
Building Solutions EMEA/LA	4,296	4,096	5 %	391	316	24 %
Building Solutions Asia Pacific	2,237	2,746	(19)%	261	343	(24)%
Global Products	5,071	5,159	(2)%	1,403	1,317	7 %
	<u>\$ 22,952</u>	<u>\$ 22,331</u>	<u>3 %</u>	<u>\$ 3,718</u>	<u>\$ 3,370</u>	<u>10 %</u>

Net Sales

- The increase in Building Solutions North America was due to organic growth (\$957 million), incremental sales related to business acquisitions (\$48 million) and the positive impact of foreign currency translation (\$13 million). Excluding the impacts of foreign currency translation and business acquisitions, sales growth was led by growth in Applied HVAC & Controls.
- The increase in Building Solutions EMEA/LA was due to organic growth, including higher prices (\$233 million) and the net impact of business acquisitions and divestitures (\$6 million), partially offset by the negative impact of foreign currency translation (\$39 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, sales growth was led by growth in Services.
- The decrease in Building Solutions Asia Pacific was primarily due to organic sales declines (\$440 million), the negative impact of foreign currency translation (\$62 million) and the net impact of business acquisitions and divestitures (\$7 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, sales decreased as Services growth was more than offset by weakness in the China Systems business.
- The decrease in Global Products was due to the net impact of business acquisitions and divestitures (\$118 million) and the negative impact of foreign currency translation (\$10 million), partially offset by organic growth (\$40 million). Excluding the impacts of foreign currency translation and business acquisitions and divestitures, sales increased as growth in Commercial HVAC was more than offset by declines in Fire & Security and Industrial Refrigeration.

Segment EBITA

- The increase in Building Solutions North America was primarily due to higher margin backlog conversion and continued growth in Services. A favorable earn-out liability adjustment also contributed to the increase.
- The increase in Building Solutions EMEA/LA was primarily due to growth in higher margin Services and productivity improvements.
- The decrease in Building Solutions Asia Pacific was primarily due to continued weakness in the Systems business in China.
- The increase in Global Products was primarily driven by operational efficiencies leading to productivity improvements.

Liquidity and Capital Resources

Working Capital

(in millions)	September 30,		Change
	2024	2023	
Current assets	\$ 11,179	\$ 10,737	
Current liabilities	(11,955)	(11,084)	
	(776)	(347)	*
Less: Cash and cash equivalents	(606)	(828)	
Add: Short-term debt	953	361	
Add: Current portion of long-term debt	536	645	
Less: Current assets held for sale	(1,595)	(1,552)	
Add: Current liabilities held for sale	1,431	1,375	
Working capital (as defined)	<u>\$ (57)</u>	<u>\$ (346)</u>	*
Accounts receivable - net	\$ 6,051	\$ 5,494	10 %
Inventories	1,774	1,872	(5)%
Accounts payable	3,389	3,498	(3)%

* Measure not meaningful

- The Company defines working capital as current assets less current liabilities, excluding cash and cash equivalents, short-term debt, the current portion of long-term debt, and current assets and liabilities held for sale (when applicable). Management believes that this measure of working capital, which excludes financing-related items and businesses to be divested, provides a more useful measurement of the Company's operating performance.
- The increase in working capital (as defined) at September 30, 2024 as compared to September 30, 2023 was primarily due to an increase in accounts receivable primarily due to discontinuing the receivable factoring program during the current year, partially offset by an increase in deferred revenue and accrued compensation and benefits.

Cash Flows From Continuing Operations

(in millions)	Year Ended September 30,	
	2024	2023
Cash provided by operating activities	\$ 1,568	\$ 1,856
Cash used by investing activities	(184)	(1,093)
Cash used by financing activities	(1,948)	(2,059)

- The decrease in cash provided by operating activities reflects lower net income and the impact of higher accounts receivable and other asset balances, which was partially offset by the timing of accounts payable and accrued liabilities payments.
- The decrease in cash used by investing activities was primarily due to the net impact of proceeds from the ADTi divestiture in fiscal 2024 and cash paid for the FM:Systems acquisition in fiscal 2023. Refer to Note 2, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for further disclosure related to acquisitions and divestitures.
- The decrease in cash used by financing activities was primarily due to changes in short- and long-term borrowing activity and stock repurchase activity. The net impact of debt proceeds and repayments generated cash of \$405 million in fiscal 2024 and used cash of \$457 million in fiscal 2023. This increase in cash used was substantially offset by higher stock repurchases.

Capitalization

(in millions)	September 30,	
	2024	2023
Short-term debt	\$ 953	\$ 361
Current portion of long-term debt	536	645
Long-term debt	8,004	7,818
Total debt	9,493	8,824
Less: Cash and cash equivalents	606	828
Net debt	<u>\$ 8,887</u>	<u>\$ 7,996</u>
Shareholders' equity attributable to Johnson Controls ("Equity")	\$ 16,098	\$ 16,545
Total capitalization (Total debt plus Equity)	25,591	25,369
Net capitalization (Net debt plus Equity)	24,985	24,541
Total net debt as a % of Total capitalization	34.7%	31.5%
Total net debt as a % of Net capitalization	35.6%	32.6%

- Net debt and net debt as a percentage of total capitalization are non-GAAP financial measures. The Company believes the percentage of total net debt to total capitalization is useful to understanding the Company's financial condition as it provides a view of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders.
- The Company's material cash requirements primarily consist of working capital requirements, repayments of long-term debt and related interest, operating leases, dividends, capital expenditures, potential acquisitions and share repurchases.
- Refer to Note 10, "Debt and Financing Arrangements," of the notes to consolidated financial statements for additional information on debt obligations and maturities. Interest payable on long-term debt outstanding as of September 30, 2024 is \$299 million in the twelve months following September 30, 2024 and \$3.4 billion thereafter.
- Refer to Note 9, "Leases," of the notes to consolidated financial statements for additional information on lease obligations and maturities.
- As of September 30, 2024, the Company had purchase obligations which were payable in the next twelve months of approximately \$2 billion and payable thereafter of approximately \$120 million, substantially all of which relate to continuing operations. These purchase obligations represent commitments under enforceable and legally binding agreements, and do not represent all future expected purchases.
- As of September 30, 2024, the Company expects to contribute \$25 million and \$204 million, of which \$22 million and \$179 million relates to continuing operations, to the global pension and postretirement plans in the next twelve months and thereafter, respectively.

- As of September 30, 2024, approximately \$1.7 billion remains available under the Company's share repurchase authorization, which does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. The Company expects to repurchase outstanding shares from time to time depending on market conditions, alternate uses of capital, liquidity and economic environment.
- The Company declared dividends of \$1.48 per share in fiscal 2024 and intends to continue paying quarterly dividends in fiscal 2025.
- The Company believes its capital resources and liquidity position, including cash and cash equivalents of \$606 million at September 30, 2024, are adequate to fund operations and meet its obligations for the foreseeable future. The Company expects requirements for working capital, capital expenditures, dividends, minimum pension contributions, debt maturities and any potential acquisitions or stock repurchases in fiscal 2025 will be funded from operations, supplemented by short- and long-term borrowings, if required.
 - The Company manages its short-term debt position in the U.S. and euro commercial paper markets and bank loan markets. Commercial paper outstanding was \$350 million as of September 30, 2024 and \$200 million as of September 30, 2023.
 - The Company maintains a shelf registration statement with the SEC under which it may issue additional debt securities, ordinary shares, preferred shares, depository shares, warrants, purchase contracts and units that may be offered in one or more offerings on terms to be determined at the time of the offering. The Company anticipates that the proceeds of any offering would be used for general corporate purposes, including repayment of indebtedness, acquisitions, additions to working capital, repurchases of ordinary shares, dividends, capital expenditures and investments in the Company's subsidiaries.
 - The Company has the ability to draw on its syndicated \$2.5 billion committed revolving credit facility, which is scheduled to expire in December 2028, and a syndicated \$500 million committed revolving credit facility, which is scheduled to expire in December 2025. There were no draws on the facilities as of September 30, 2024.
- The Company's ability to access the global capital markets and the related cost of financing is dependent upon, among other factors, the Company's credit ratings. As of September 30, 2024, the Company's credit ratings and outlook were as follows:

Rating Agency	Short-Term Rating	Long-Term Rating	Outlook
S&P	A-2	BBB+	Stable
Moody's	P-2	Baa2	Positive

The security ratings set forth above are issued by unaffiliated third-party rating agencies and are not a recommendation to buy, sell or hold securities. The ratings may be subject to revision or withdrawal by the assigning rating organization at any time.

- The Company entered into the following debt transactions in fiscal 2024:
 - Repaid \$924 million of debt including the following:
 - \$484 million Senior Notes due 2024 with interest rates of 3.625%
 - €300 million term loans with interest rates of Euro Interbank Offered Rate ("EURIBOR") plus 0.4% to 0.7%
 - Tendered \$119 million of its Notes due 2045 with an interest rate of 5.125%
 - Issued \$1.3 billion of debt including the following:
 - Together with its wholly owned subsidiary, Tyco Fire & Security Finance S.C.A., co-issued \$700 million in 5.50% Senior Notes due in April 2029
 - €450 million short-term term loans with interest rates of EURIBOR plus 0.65% to 0.78% due in the first quarter of fiscal 2025
 - \$100 million short-term term loan with an interest rate of 5.9% which is due in December 2024
- The Company expects to receive net cash proceeds related to the sale of its R&LC HVAC business of approximately \$5.0 billion after tax and transaction-related expenses when the transaction closes, likely in the fourth quarter of fiscal 2025. Consistent with its capital allocation policy, the Company expects to use a portion of the proceeds to pay down

debt to the extent required to retain its investment grade rating, with the remaining proceeds expected to be returned to shareholders through share repurchases.

- On April 12, 2024, Tyco Fire Products agreed to a settlement with a nationwide class of public water systems that detected PFAS in their drinking water systems that they allege to be associated with the use of AFFF. Under the terms of the agreement, Tyco Fire Products agreed to contribute \$750 million to resolve these PFAS claims. Tyco Fire Products contributed an initial payment of \$250 million in June 2024, with the remaining \$500 million due by the first quarter of fiscal 2025. Prior to the date of the final contribution, Tyco Fire Products has agreed to contribute any applicable insurance recoveries in excess of the initial \$250 million payment, up to the remaining \$500 million due, within a specified period following the receipt of such recovery. During fiscal 2024, the Company recorded expected insurance recoveries of \$371 million in selling, general and administrative expenses in the consolidated statement of income and collected insurance recoveries of \$349 million. In accordance with its agreement and recent insurance recovery, Tyco Fire Products made an additional payment during the fourth quarter of fiscal 2024 of approximately \$85 million, reducing its final payment to approximately \$415 million. The amounts and timing of any additional insurance recoveries are uncertain. Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for additional discussion of the water systems settlement.
- Financial covenants in the Company's revolving credit facilities require a minimum consolidated shareholders' equity attributable to Johnson Controls of at least \$3.5 billion at all times. The revolving credit facility also limits the amount of debt secured by liens that may be incurred to a maximum aggregated amount of 10% of consolidated shareholders' equity attributable to Johnson Controls for liens and pledges. For purposes of calculating these covenants, consolidated shareholders' equity attributable to Johnson Controls is calculated without giving effect to (i) the application of ASC 715-60, "Defined Benefit Plans - Other Postretirement," or (ii) the cumulative foreign currency translation adjustment. As of September 30, 2024, the Company was in compliance with all financial covenants set forth in its credit agreements and the indentures governing its outstanding notes, and expects to remain in compliance for the foreseeable future. None of the Company's debt agreements limit access to stated borrowing levels or require accelerated repayment in the event of a decrease in the Company's credit rating.
- The Company earns a significant amount of its income outside of the parent company. Outside basis differences in these subsidiaries are deemed to be indefinitely reinvested except in limited circumstances. However, in fiscal 2024, the Company recorded income tax expense related to a change in the Company's assertion over the outside basis differences of the Company's investment in certain subsidiaries as a result of the planned divestiture of its R&LC HVAC business. The Company currently does not intend nor foresee a need to repatriate undistributed earnings included in the outside basis differences other than in tax efficient manners. The Company's intent is to reduce basis differences only when it would be tax efficient. The Company expects existing U.S. cash and liquidity to continue to be sufficient to fund the Company's U.S. operating activities and cash commitments for investing and financing activities for at least the next twelve months and thereafter for the foreseeable future. In the U.S., should the Company require more capital than is generated by its operations, the Company could elect to raise capital in the U.S. through debt or equity issuances. The Company has borrowed funds in the U.S. and continues to have the ability to borrow funds in the U.S. at reasonable interest rates. In addition, the Company expects existing non-U.S. cash, cash equivalents, short-term investments and cash flows from operations to continue to be sufficient to fund the Company's non-U.S. operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next twelve months and thereafter for the foreseeable future. Should the Company require more capital at the Luxembourg and Ireland holding and financing entities, other than amounts that can be provided in tax efficient methods, the Company could also elect to raise capital through debt or equity issuances. These alternatives could result in increased interest expense or other dilution of the Company's earnings.
- The Company may from time to time purchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Purchases or retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

FINANCIAL RISK MANAGEMENT

The Company selectively uses derivative instruments to reduce market risk associated with changes in foreign currency, commodities, and interest rates. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for speculative purposes. At the inception of the hedge, the Company assesses the effectiveness of the hedge instrument and designates the hedge instrument as a hedge of either a forecasted transaction or of the variability of cash flows to be received or paid related to an unrecognized asset or liability (a cash flow hedge) or a net investment in a non-U.S. operation (a net investment hedge).

The Company performs hedge effectiveness testing on an ongoing basis depending on the type of hedging instrument used. All derivatives not designated as hedging instruments under ASC 815, "Derivatives and Hedging," are revalued in the consolidated statement of income.

For all foreign currency derivative instruments designated as cash flow hedges, retrospective effectiveness is tested on a monthly basis using a cumulative dollar offset test. The fair value of the hedged exposures and the fair value of the hedge instruments are revalued, and the ratio of the cumulative sum of the periodic changes in the value of the hedge instruments to the cumulative sum of the periodic changes in the value of the hedge is calculated. The hedge is deemed as highly effective if the ratio is between 80% and 125%. For commodity derivative contracts designated as cash flow hedges, effectiveness is tested using a qualitative assessment of the critical terms of the hedging instrument and the hedged item. Ineffectiveness is minimal as the Company aligns most of the critical terms of its derivatives with the supply contracts.

For net investment hedges, the Company assesses its net investment positions in the non-U.S. operations and compares it with the outstanding net investment hedges on a quarterly basis. The hedge is deemed effective if the aggregate outstanding principal of the hedge instruments designated as the net investment hedge in a non-U.S. operation does not exceed the Company's net investment positions in the respective non-U.S. operation.

Derivative instruments not designated as hedging instruments under ASC 815 require no assessment of effectiveness.

A discussion of the Company's accounting policies for derivative financial instruments is included in Note 1, "Summary of Significant Accounting Policies," of the notes to consolidated financial statements, and further disclosure relating to derivatives and hedging activities is included in Note 11, "Derivative Instruments and Hedging Activities," and Note 12, "Fair Value Measurements," of the notes to consolidated financial statements.

Foreign Exchange

The Company has manufacturing, sales and distribution facilities around the world and thus makes investments and enters into transactions denominated in various foreign currencies. In order to maintain strict control and achieve the benefits of the Company's global diversification, foreign exchange exposures for each currency are netted internally so that only its net foreign exchange exposures are, as appropriate, hedged with financial instruments.

The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. The Company primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. The Company also selectively hedges anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with ASC 815.

The Company has entered into foreign currency denominated debt obligations to selectively hedge portions of its net investment in non-U.S. subsidiaries. The currency effects of debt obligations are reflected in the accumulated other comprehensive income ("AOCI") account within shareholders' equity attributable to Johnson Controls ordinary shareholders where they offset gains and losses recorded on the Company's net investments globally.

At September 30, 2024 and 2023, the Company estimates that an unfavorable 10% change in the exchange rates would have decreased net unrealized gains by approximately \$144 million and \$63 million, respectively.

Interest Rates

Substantially all of the Company's outstanding debt has fixed interest rates, and, therefore, any fluctuation in market interest rates is not expected to have a material effect on the Company's results of operations. A 100 basis point increase/decrease in the average interest rate on the Company's variable rate debt would have an immaterial impact on interest expense.

Commodities

The Company uses commodity hedge contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant

to policy guidelines. As a cash flow hedge, gains and losses resulting from the hedging instruments offset the gains or losses on purchases of the underlying commodities that will be used in the business. The maturities of the commodity hedge contracts coincide with the expected purchase of the commodities.

ACQUISITION AND CANCELLATION OF OWN SHARES

Ordinary shares held in treasury were 30.1 million and 29.6 million shares as of September 30, 2024 and 2023, respectively, which amounted to 4.3% and 4.2% of total shares issued as of September 30, 2024 and 2023, respectively. Treasury shares are acquired based on capital allocation strategies. The par value of each ordinary share is \$0.01.

The Company's own shares activity for the fiscal years ended September 30, 2024 and September 30, 2023 was as follows (in millions):

	Year Ended September 30,			
	2024		2023	
	Shares	Amount	Shares	Amount
Balance at beginning of period	29.6	\$ 1,240	29.0	\$ 1,203
Payments to acquire own shares	19.4	1,246	10.5	625
Cancellation of own shares	(19.4)	(1,246)	(10.5)	(625)
Other	0.5	28	0.6	37
Balance at end of period	30.1	\$ 1,268	29.6	\$ 1,240

DIVIDENDS

The authority to declare and pay dividends is vested in the Parent Company's Board of Directors. The timing, declaration and payment of future dividends to holders of the Parent Company's ordinary shares will be determined by the Board of Directors and will depend upon many factors, including the Parent Company's financial condition, results of operations and capital requirements, industry practice and any other relevant factors.

Under Irish Company Law, dividends may only be paid (and share repurchases and redemptions must generally be funded) out of "distributable reserves." As of September 30, 2024, the Parent Company's profit and loss account balance was approximately \$15.2 billion.

During fiscal 2024 and 2023, the Parent Company declared four quarterly dividends totaling \$1.48 and \$1.45 per ordinary share, respectively. Dividends of \$1,000 million and \$980 million were paid to shareholders during fiscal 2024 and 2023, respectively. As of September 30, 2024, there were \$245 million of outstanding dividends declared. As of September 30, 2023, there were \$252 million of outstanding dividends declared.

FUTURE DEVELOPMENTS

The directors do not anticipate any significant changes in the Company's activities following the date of this report, except for the completion of the sale of the R&LC HVAC business, which is expected to occur in fiscal 2025 and is further discussed in Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations."

SIGNIFICANT EVENTS SINCE YEAR END

Subsequent events have been evaluated through January 17, 2025, the date this report was approved by the Audit Committee of the Board of Directors and the Board of Directors. Refer to Note 29, "Subsequent Events" for details of subsequent events.

DIRECTORS

For the year ended September 30, 2024, the directors of the Parent Company were George R. Oliver, Timothy M. Archer, Jean Blackwell, Pierre Cohade, Patrick K. Decker, W. Roy Dunbar, Gretchen R. Haggerty, Ayesha Khanna, Seetarama Kotagiri, Simone Menne, Jürgen Tinggren, Mark P. Vergnano, and John D. Young.

On December 6, 2024, Simone Menne notified the Board of Directors that she will not seek re-election at the end of her term and will retire at the 2025 Annual General Meeting scheduled to be held on March 12, 2025.

DIRECTORS' AND CORPORATE SECRETARIES' INTERESTS IN SHARES

The interests in ordinary shares of the Parent Company held by directors and corporate secretaries holding office at the end of the fiscal 2024 and at either the beginning of the fiscal year or date of appointment if later, were as follows:

	September 30,			
	2024		2023	
	Ordinary Shares	Share Units/ Options (1)	Ordinary Shares	Share Units/ Options (1)
Directors				
George R. Oliver (2)	1,295,991	3,144,784	1,285,900	3,254,512
Timothy M. Archer	425	2,935	—	—
Jean Blackwell	11,007	2,935	9,491	2,876
Pierre Cohade	9,853	2,935	8,337	2,876
Michael E. Daniels	—	—	73,815	2,876
Patrick K. Decker	—	1,564	—	—
W. Roy Dunbar	13,313	2,935	11,751	2,876
Gretchen R. Haggerty	18,620	2,935	16,757	2,876
Ayesha Khanna	1,534	2,935	—	2,876
Seetarama Kotagiri	—	2,935	—	—
Simone Menne	12,004	2,935	10,236	2,876
Jürgen Tinggren	27,215	2,935	29,659	2,876
Mark P. Vergnano	25,832	2,935	24,316	2,876
John D. Young	12,964	2,935	11,153	2,876
Corporate Secretaries				
John Donofrio (3)	20,360	466,398	19,852	428,947
Richard Dancy	3,830	9,166	1,623	8,307

(1) Share units/options include unvested restricted stock share units, unvested performance-based share units, and vested and unvested stock options.

(2) Number of share units/options held includes 2,787,145 and 2,904,279 options as of September 30, 2024 and 2023, respectively.

(3) Number of share units/options held includes 394,871 and 354,842 options as of September 30, 2024 and 2023, respectively.

No director, corporate secretary or any of their immediate families had any interest in any shares or debentures of any subsidiary.

POLITICAL DONATIONS

No political donations that require disclosure under Irish Company Law were made during fiscal 2024.

SUBSIDIARY COMPANIES AND UNDERTAKINGS

Refer to Note 28, "Subsidiary Undertakings," of the notes to consolidated financial statements for information regarding subsidiary undertakings, unconsolidated subsidiaries and branches.

GOING CONCERN

The Board has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Parent Company have adequate resources to continue in operational existence for at least the next twelve month period extending from the time of approving the financial statements. The Board considered both current and anticipated uncertainties in its going concern assessment.

The Company has experienced, and could continue to experience, increased material cost inflation and component shortages, as well as disruptions and delays in its supply chain, as a result of global macroeconomic trends, including increased global demand, geopolitical and economic tensions, including the imposition of tariffs and other restrictive trade measures, conflict between Russia and Ukraine and Israel and Hamas, and labor shortages. Actions taken by the Company to mitigate supply chain disruptions and inflation, including expanding and redistributing its supplier network, supplier financing, price increases and productivity improvements, have historically been successful in offsetting some, but not all, of the impact of these trends. The collective impact of these trends has been favorable to revenue due to increased demand and price increases to offset inflation, while negatively impacting margins primarily due to ongoing cost pressures. Although the Company has experienced recent stabilization, it could experience further disruptions, and shortages and cost increases could occur in the future, the effect of which will depend on the Company's ability to successfully mitigate and offset the impact of these events.

In assessing the potential impact of these macroeconomic trends on its liquidity, the Company prepared cash flow forecasts covering a period of at least twelve months from the date of approval of these financial statements. This assessment included consideration of the forecasted business performance and the cash and financial facilities available to the Company. The Company continues to expect that existing cash and cash equivalents of \$606 million as of September 30, 2024, cash generated by its operations, amounts available on its \$3.0 billion revolving credit facilities and its ability to access the capital and debt markets will be sufficient to fund the Company's operating and capital needs for at least the next twelve months from the date of approval of the financial statements. To its knowledge, the Board reasonably believes these uncertainties would not have a material impact on the Company's ability to continue as a going concern for at least the next twelve months from the date of approval of the financial statements.

Given the Company's assessment of its ability to fund its expected operating and capital needs, the directors have a reasonable expectation that the Company and Parent Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

AUDIT COMMITTEE

An Audit Committee as required by the Companies Act 2014, Section 167, has been in place for the fiscal years ended September 30, 2024 and 2023.

STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

STATEMENT ON RELEVANT AUDIT INFORMATION

The directors in office at the date of this report have each confirmed that:

- As far as he/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

On behalf of the directors

/s/ George R. Oliver
George R. Oliver
Chairman and Chief Executive Officer

/s/ Gretchen R. Haggerty
Gretchen R. Haggerty
Director

January 17, 2025



Independent auditors' report to the members of Johnson Controls International plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Johnson Controls International plc's consolidated financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position as at 30 September 2024 and of the Group's net income and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of Group financial statements does not contravene any provision of Part 6 of the Companies Act 2014;
- the Parent Company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated Statement of Financial Position as at 30 September 2024;
- the Parent Company Balance Sheet as at 30 September 2024;
- the Consolidated Statement of Income for the year then ended ;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Shareholders' Equity for the year then ended;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Overall materiality

- \$139 million (2023: \$131 million) - Consolidated financial statements based on circa 5% of income from continuing operations before income taxes and income from discontinued operations before income taxes, adjusted for net insurance settlement costs of \$383m, net market to market adjustments gains of \$100 million, and impairment costs of \$373m.
- \$304 million (2023: \$300 million) - Parent Company financial statements based on circa 1% of Total Assets.

Performance materiality

- \$104 million (2023: \$98 million) - Consolidated financial statements.
- \$228 million (2023: \$225 million) - Parent Company financial statements.

Audit scope

- We conducted work on fourteen reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. A full scope audit was performed on one component. Audit procedures were performed on specific account balances or classes of transactions on a further thirteen components.
- Overall, the components at which audit work was performed accounted for circa 64% of Group net sales and circa 82% of Group total assets.

Key audit matters

- Revenue recognition - over time.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Revenue recognition - over time</i> Refer to note 1 (“Basis of Presentation and Summary of Significant Accounting Policies” - “Revenue Recognition”), note 3 (“Assets and Liabilities Held for Sale and Discontinued Operations”) and note 4 (“Revenue Recognition”). The Group has recognised net sales of \$22,952 million from continuing operations and \$4,466 million from discontinued operations for the year ended 30 September 2024, which relates to over time and point in time contracts with customers. Revenue from certain long-term contracts to design, manufacture and install building products and systems is recognised on an over time basis as well as unscheduled repair or replacement services is recognized on an over time basis, with progress towards completion measured using a cost-to-cost input method based on the relationship between actual costs incurred and total estimated costs at completion. Total estimated costs at completion are based primarily on estimated purchase contract terms and historical performance trends. Changes to the original estimates may be required during the life of the contract. Estimated losses are recorded when identified. The cost-to-cost method is used by management as it best depicts the transfer of control to the customer that occurs as the Group incurs costs. We determined that revenue recognition over time was a key audit matter due to management judgements and estimates involved in the timing of recognition of revenue on certain of the Group’s over time contracts with customers.	We evaluated the design and tested the effectiveness of controls relating to the revenue recognition process for over time contracts with customers. We evaluated the appropriateness of the timing and amount of revenue recognised for a sample of over time contracts with customers by: (i) obtaining and inspecting source documents, such as contracts or service tickets, change orders, and evidence of progress towards completion or services delivered; (ii) evaluating the appropriateness of the over time revenue recognition methods; (iii) testing, on a sample basis, the costs incurred to date; and (iv) assessment on a sample basis, open costs to complete on contracts and evaluating responses to our inquiries of the Group’s project managers regarding the estimated costs to complete, for certain contracts. We also performed a comparison of gross margin in the prior year to gross margin at completion of the arrangement in the current year for certain over time contracts with customers to assess the accuracy of historic estimates to complete. We evaluated the appropriateness of the related disclosures in the notes to the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Consolidated financial statements are a consolidation of four reportable segments and approximately 595 legal entities. Reporting components are structured by individual plants, grouping of plants or on a country basis depending on their management team and structure. The majority of the Group’s components are supported by shared service centres across two different territories, China and India.

In determining our audit scope, we first focused on individual reporting components and determined the type of work that needed to be performed at the reporting components by us, as the Irish Group engagement team, PwC US as the global engagement team, or other component auditors within other PwC network firms. Further work was performed on a centralised basis at the shared service centres by other PwC network firms. Where the work was performed by PwC US and other component auditors, we determined the level of involvement we needed to have in the audit work of those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.



Overall, through the use of full scope audits and performance of audit procedures on specific account balances or classes of transactions we obtained coverage of circa 64% of Group net sales and circa 82% of Group total assets. We allocated materiality levels and issued instructions to each component auditor. In addition to the audit report from each of the component auditors, we received detailed memoranda of examinations on work performed and relevant findings which supplemented our understanding of the component, its results and the audit findings, and we participated in a number of audit clearance meetings with the component teams. The above coverage includes other reporting components where audit procedures on specific account balances or classes of transactions were performed.

This, together with additional procedures performed at Group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Consolidated financial statements</i>	<i>Parent company financial statements</i>
<i>Overall materiality</i>	\$139 million (2023: \$131 million).	\$304 million (2023: \$300 million).
<i>How we determined it</i>	Based on circa 5% of income from continuing operations before income taxes and income from discontinued operations before income taxes, adjusted for net insurance settlement costs of \$383m, net market to market adjustments gains of \$100 million, and impairment costs of \$373m.	Based on circa 1% of Total Assets.
<i>Rationale for benchmark applied</i>	We have applied this benchmark because in our view this is a metric against which performance of the Group is commonly measured by its stakeholders.	As the Parent Company is a holding company, whose main activity is the management of investments in subsidiaries, it is deemed that total assets is the most appropriate benchmark to calculate materiality. Financial statement line items that do not eliminate on consolidation, have been audited based on the consolidated materiality levels.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to \$104 million (Group audit) and \$228 million (Parent Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$13 million (Group audit) (2023: \$13 million) and \$13 million (Parent Company audit) (2023: \$13 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for a period of twelve months from the date on which the financial statements are authorised for issue;
- agreeing that the cash flow projections underlying management's going concern assessment are materially consistent with the board approved forecasts, assessing how these forecasts are compiled, and evaluating the key assumptions;
- evaluation of management's assessment of the impact of macroeconomic events, including input material cost inflation may continue to have through the going concern assessment period;
- considering available facilities and the maturity profile of the Group's debt to assess liquidity and considering expected compliance with debt covenants for the going concern assessment period; and
- assessing the going concern disclosures within note 1 of the consolidated and Parent Company financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 30 September 2024 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the US Foreign Corrupt Practices Act, the UK Bribery Act and breaches of environmental and health & safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to (1) posting inappropriate journal entries to manipulate financial results and (2) management bias in accounting estimates. . Audit procedures performed by the engagement team included:

- Discussions throughout the year with management, internal audit, the Group's internal and external legal counsel, and the head of ethics and compliance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, matters reported on the Group's whistleblowing helpline and findings from internal audit reports;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Challenging assumptions and judgements made by management in its significant accounting estimates (because of the risk of management bias);
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations and all material consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.



A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Parent Company were sufficient to permit the Parent Company financial statements to be readily and properly audited.
- The Parent Company Balance Sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Parent Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Gareth Hynes'.

Gareth Hynes
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
17 January 2025

Johnson Controls International plc
Consolidated Statement of Income

(in millions, except per share data)	Note	Year Ended September 30,	
		2024	2023
Net sales			
Products and systems	4	\$ 15,967	\$ 15,789
Services	4	6,985	6,542
	4	<u>22,952</u>	<u>22,331</u>
Cost of sales			
Products and systems		10,677	10,736
Services		4,198	3,791
		<u>14,875</u>	<u>14,527</u>
Gross profit		8,077	7,804
Selling, general and administrative expenses		5,661	5,387
Restructuring and impairment costs	17	510	1,049
Net financing charges		342	258
Equity income (loss)		<u>(42)</u>	<u>3</u>
Income from continuing operations before income taxes		1,522	1,113
Income tax provision (benefit)	18	<u>111</u>	<u>(468)</u>
Income from continuing operations		1,411	1,581
Income from discontinued operations, net of tax	3	<u>489</u>	<u>452</u>
Net income		1,900	2,033
Income attributable to noncontrolling interests			
Continuing operations		4	19
Discontinued operations	3	<u>191</u>	<u>165</u>
Net income attributable to Johnson Controls		<u>\$ 1,705</u>	<u>\$ 1,849</u>
Amounts attributable to Johnson Controls			
Income from continuing operations		\$ 1,407	\$ 1,562
Income from discontinued operations	3	<u>298</u>	<u>287</u>
Net income		<u>\$ 1,705</u>	<u>\$ 1,849</u>
Basic earnings per share attributable to Johnson Controls			
Continuing operations		\$ 2.09	\$ 2.28
Discontinued operations		0.44	0.42
Total		<u>\$ 2.53</u>	<u>\$ 2.70</u>
Diluted earnings per share attributable to Johnson Controls			
Continuing operations		\$ 2.08	\$ 2.27
Discontinued operations		<u>0.44</u>	<u>\$ 0.42</u>
Total		<u>\$ 2.52</u>	<u>\$ 2.69</u>

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statement of Comprehensive Income

(in millions)	Year Ended September 30,	
	2024	2023
Net income	1,900	2,033
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	39	(84)
Realized and unrealized gains (losses) on derivatives	(19)	25
Pension and postretirement plans	(4)	(1)
Other comprehensive income (loss)	16	(60)
Total comprehensive income	1,916	1,973
Comprehensive income attributable to noncontrolling interests:		
Net income	195	184
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	25	(15)
Realized and unrealized gains on derivatives	—	(1)
Other comprehensive income (loss)	25	(16)
Comprehensive income attributable to noncontrolling interests	220	168
Comprehensive income attributable to Johnson Controls	\$ 1,696	\$ 1,805

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statement of Financial Position

(in millions, except par value and share data)	Note	September 30,	
		2024	2023
Assets			
Cash and cash equivalents		\$ 606	\$ 828
Accounts receivable - net		6,051	5,494
Inventories	6	1,774	1,872
Current assets held for sale	3	1,595	1,552
Other current assets	22	1,153	991
Current assets		11,179	10,737
Property, plant and equipment - net	7	2,403	2,374
Goodwill	8	16,725	16,772
Other intangible assets - net	8	4,130	4,772
Noncurrent assets held for sale	3	3,210	3,105
Other noncurrent assets	22	5,048	4,482
Total assets		\$ 42,695	\$ 42,242
Liabilities and Equity			
Short-term debt	10	\$ 953	\$ 361
Current portion of long-term debt	10	536	645
Accounts payable		3,389	3,498
Accrued compensation and benefits		1,028	826
Deferred revenue	4	2,160	1,923
Current liabilities held for sale	3	1,431	1,375
Current provisions	24	452	487
Other current liabilities	22	2,006	1,969
Current liabilities		11,955	11,084
Long-term debt	10	8,004	7,818
Noncurrent provisions	24	3,641	3,827
Noncurrent liabilities held for sale	3	405	407
Other noncurrent liabilities	22	1,329	1,412
Noncurrent liabilities		13,379	13,464
Ordinary shares (par value \$0.01; 2.0 billion shares authorized; shares issued: 2024 - 692,964,542; 2023 - 709,968,796)	15	7	7
Ordinary A shares (par value €1.00; 40,000 shares authorized, none outstanding as of September 30, 2024 and 2023)	15	—	—
Preferred shares (par value \$0.01; 200,000,000 shares authorized, none outstanding as of September 30, 2024 and 2023)	15	—	—
Ordinary shares held in treasury, at cost (shares held: 2024 - 30,086,539; 2023 - 29,596,724)	15	(1,268)	(1,240)
Capital in excess of par value	15	17,475	17,349
Retained earnings	15	848	1,384
Accumulated other comprehensive loss	15	(964)	(955)
Shareholders' equity attributable to Johnson Controls		16,098	16,545
Noncontrolling interests		1,263	1,149
Total equity		17,361	17,694
Total liabilities and equity		\$ 42,695	\$ 42,242

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors on January 17, 2025 and signed on its behalf by:

/s/ George R. Oliver
George R. Oliver
Chairman and Chief Executive Officer

/s/ Gretchen R. Haggerty
Gretchen R. Haggerty
Director

Johnson Controls International plc
Consolidated Statement of Cash Flows

(in millions)	Year Ended September 30,	
	2024	2023
Operating Activities of Continuing Operations		
Income from continuing operations attributable to Johnson Controls	\$ 1,407	\$ 1,562
Income from continuing operations attributable to noncontrolling interests	4	19
Income from continuing operations	1,411	1,581
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	816	745
Pension and postretirement benefit expense (income)	(43)	58
Pension and postretirement contributions	(6)	(48)
Equity in earnings of partially-owned affiliates, net of dividends received	44	(3)
Deferred income taxes	(403)	(602)
Non-cash restructuring and impairment charges	411	827
Equity-based compensation expense	107	107
Other - net	(112)	(117)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	(537)	(259)
Inventories	(17)	(58)
Other assets	(482)	(187)
Restructuring reserves	(76)	57
Accounts payable and accrued liabilities	645	(85)
Accrued income taxes	(190)	(160)
Cash provided by operating activities from continuing operations	1,568	1,856
Investing Activities of Continuing Operations		
Capital expenditures	(494)	(446)
Sale of property, plant and equipment	1	30
Acquisition of businesses, net of cash acquired	(3)	(726)
Business divestitures, net of cash divested	345	28
Other - net	(33)	21
Cash used by investing activities from continuing operations	(184)	(1,093)
Financing Activities of Continuing Operations		
Net proceeds (payments) from borrowings with maturities less than three months	48	(75)
Proceeds from debt	1,281	1,173
Repayments of debt	(924)	(1,555)
Stock repurchases and retirements	(1,246)	(625)
Payment of cash dividends	(1,000)	(980)
Other - net	(107)	3
Cash used by financing activities from continuing operations	(1,948)	(2,059)
Discontinued Operations		
Cash provided by operating activities	530	365
Cash used by investing activities	(37)	(91)
Cash used by financing activities	(132)	(115)
Cash provided by discontinued operations	361	159
Effect of exchange rate changes on cash, cash equivalents and restricted cash	59	(5)
Change in cash, cash equivalents and restricted cash held for sale	(6)	(5)
Increase (decrease) in cash, cash equivalents and restricted cash	(150)	(1,147)
Cash, cash equivalents and restricted cash at beginning of period	917	2,064
Cash, cash equivalents and restricted cash at end of period	767	917
Less: Restricted cash	161	89
Cash and cash equivalents at end of period	<u>\$ 606</u>	<u>\$ 828</u>

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statement of Shareholders' Equity

(in millions)		Year Ended September 30,	
	Note	2024	2023
Shareholders' Equity Attributable to Johnson Controls			
Beginning Balance		\$ 16,545	\$ 16,268
Ordinary Shares - Beginning and ending balance	15	7	7
Ordinary Shares Held in Treasury, at Cost			
Beginning balance		(1,240)	(1,203)
Employee equity-based compensation withholding taxes		(28)	(37)
Ending balance		(1,268)	(1,240)
Capital in excess of par value			
Beginning balance		17,349	17,224
Share-based compensation expense		85	85
Other, including options exercised		41	40
Ending balance		17,475	17,349
Retained Earnings			
Beginning balance		1,384	1,151
Net income attributable to Johnson Controls		1,705	1,849
Cash dividends declared		(995)	(991)
Repurchases and retirements of ordinary shares	15	(1,246)	(625)
Ending balance		848	1,384
Accumulated Other Comprehensive Loss			
Beginning balance	15	(955)	(911)
Other comprehensive loss	15	(9)	(44)
Ending balance	15	(964)	(955)
Ending Balance		16,098	16,545
Shareholders' Equity Attributable to Noncontrolling Interests			
Beginning Balance		1,149	1,134
Comprehensive income attributable to noncontrolling interests		220	168
Dividends attributable to noncontrolling interests		(108)	(152)
Other		2	(1)
Ending Balance		1,263	1,149
Total Shareholders' Equity		\$ 17,361	\$ 17,694
Cash Dividends Declared per Ordinary Share		\$ 1.48	\$ 1.45

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the consolidated accounts of Johnson Controls International plc, a public limited company registered at One Albert Quay, Cork, Ireland, under registered number 543654 and organized under the laws of Ireland and its subsidiaries (Johnson Controls International plc and all its subsidiaries, hereinafter collectively referred to as the "Company," "Johnson Controls" or "JCI plc").

The Company's fiscal year ends on September 30. Unless otherwise stated, references to years in this report relate to fiscal years rather than calendar years.

The Directors have elected to prepare the consolidated financial statements in accordance with Section 279 (1) of the Companies Act 2014, which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the consolidated financial statements does not contravene any provision of the Companies Act 2014 or of any regulations made thereunder.

Consolidated financial statements and notes prepared in accordance with U.S. GAAP were included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024, filed with the U.S. Securities and Exchange Commission ("SEC"). These consolidated financial statements were prepared in accordance with Irish Company Law, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these consolidated financial statements include presentation and disclosures required by Ireland's Companies Act 2014 in addition to those disclosures required under U.S. GAAP.

Nature of Operations

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers in more than 150 countries. The Company's products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial HVAC equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, security and fire-protection space), and energy-management consulting. The Company's OpenBlue digital software platform enables enterprises to better manage their physical spaces by combining the Company's building products and services with cutting-edge technology and digital capabilities to enable data-driven "smart building" services and solutions. The Company partners with customers by leveraging its broad product portfolio and digital capabilities powered by OpenBlue, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers' needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

As discussed in more detail in Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations", the Company has entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business, including the North America Ducted business and the global Residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which Johnson Controls owns 60% and Hitachi owns 40%. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as a discontinued operation and, as a result, its historical financial results are reflected in the consolidated financial statements as a discontinued operation, and assets and liabilities were reclassified as held for sale for all periods presented. Unless otherwise noted, all activities and amounts reported in the following footnotes relate to the continuing operations of the Company and exclude activities and amounts related to the R&LC HVAC business.

Principles of Consolidation

The consolidated financial statements include the accounts of Johnson Controls International plc, a corporation organized under the laws of Ireland, and its subsidiaries. The financial statements have been prepared in United States dollars ("USD") and in accordance with U.S. GAAP as defined in Section 279 (1) of the Companies Act 2014. All significant intercompany transactions have been eliminated. The results of companies acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. Investments in partially-owned affiliates are accounted for by the equity method when the Company exercises significant influence, which typically occurs when its ownership interest exceeds 20%, and the Company does not have a controlling interest.

The Company consolidates variable interest entities ("VIE") when it has the power to direct the significant activities of the entity and the obligation to absorb losses or receive benefits from the entity that may be significant. The Company did not have any material consolidated or nonconsolidated VIEs in its continuing operations for the presented reporting periods.

Going Concern

The Board has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Parent Company have adequate resources to continue in operational existence for at least the next twelve month period extending from the time of approving the financial statements. The Board considered both current and anticipated uncertainties in its going concern assessment.

The Company has experienced, and could continue to experience, increased material cost inflation and component shortages, as well as disruptions and delays in its supply chain, as a result of global macroeconomic trends, including increased global demand, geopolitical and economic tensions, including the imposition of tariffs and other restrictive trade measures, conflict between Russia and Ukraine and Israel and Hamas, and labor shortages. Actions taken by the Company to mitigate supply chain disruptions and inflation, including expanding and redistributing its supplier network, supplier financing, price increases and productivity improvements, have historically been successful in offsetting some, but not all, of the impact of these trends. The collective impact of these trends has been favorable to revenue due to increased demand and price increases to offset inflation, while negatively impacting margins primarily due to ongoing cost pressures. Although the Company has experienced recent stabilization, it could experience further disruptions, and shortages and cost increases could occur in the future, the effect of which will depend on the Company's ability to successfully mitigate and offset the impact of these events.

In assessing the potential impact of these macroeconomic trends on its liquidity, the Company prepared cash flow forecasts covering a period of at least twelve months from the date of approval of these financial statements. This assessment included consideration of the forecasted business performance and the cash and financial facilities available to the Company. The Company continues to expect that existing cash and cash equivalents of \$606 million as of September 30, 2024, cash generated by its operations, amounts available on its \$3.0 billion revolving credit facilities and its ability to access the capital and debt markets will be sufficient to fund the Company's operating and capital needs for at least the next twelve months from the date of approval of the financial statements. To its knowledge, the Board reasonably believes these uncertainties would not have a material impact on the Company's ability to continue as a going concern for at least the next twelve months from the date of approval of the financial statements.

Given the Company's assessment of its ability to fund its expected operating and capital needs, the directors have a reasonable expectation that the Company and Parent Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

Fair Value of Financial Instruments

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Acquisitions

The purchase price of acquired businesses is allocated to the related identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. In addition, any contingent consideration is recorded at the estimated fair value as of the date of the acquisition and is recorded as part of the purchase price. This estimate is updated in future periods and any changes in the estimate, which are not considered an adjustment to the purchase price, are recorded in the consolidated statement of operations. Payments for contingent earn-out liabilities that are less than or equal to estimates on the acquisition date are reflected as financing cash outflows. Amounts paid in excess of the estimated contingent earn-out liabilities on the acquisition date are reflected as operating cash outflows.

All available information is used to estimate fair values. External valuation specialists are typically engaged to assist in the fair value determination of identifiable intangible assets and any other significant assets or liabilities. The preliminary purchase price allocation is adjusted, as necessary, up to one year after the acquisition closing date as more information is obtained regarding assets acquired and liabilities assumed based on facts and circumstances that existed as of the acquisition date.

The purchase price allocation methodology contains uncertainties because it requires the Company to make assumptions and to apply judgment to estimate the fair value of acquired assets and assumed liabilities. The fair value of assets and liabilities is estimated based upon the carrying value of the acquired assets and assumed liabilities and widely accepted valuation techniques, including discounted cash flows. Unanticipated events or circumstances may occur which could affect the accuracy of fair value estimates, including assumptions regarding industry economic factors and business strategies.

Other estimates used in determining fair value include, but are not limited to, future cash flows or income related to intangibles, market rate assumptions and discount rates. Fair value estimates are based upon assumptions believed to be reasonable, but that are inherently uncertain, and therefore, may not be realized. Accordingly, there can be no assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could differ materially.

Assets and Liabilities Held for Sale

Assets and liabilities (disposal groups) to be sold are classified as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the disposal group;
- The disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups;
- An active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated;
- Sale of the disposal group is probable and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year;
- The disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and

- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." The carrying amount of any assets, including goodwill, that are part of the disposal group, but not in the scope of ASC 360-10, are tested for impairment under the relevant guidance prior to measuring the disposal group at fair value, less cost to sell.

Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Gains on the sale of a disposal group are not recognized until the date of sale. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the consolidated statement of financial position.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased.

Restricted Cash

Restricted cash relates to amounts restricted for payment of asbestos liabilities and certain litigation and environmental matters and is recorded within other current assets in the consolidated statement of financial position.

Receivables

Receivables consist of billed receivables which are currently due from customers and unbilled receivables where the Company has satisfied its performance obligations, but has not yet issued the invoice to the customer. Incentives are periodically offered to customers, including early payment discounts and extended payment terms of certain receivables. The Company extends credit to customers in the normal course of business and maintains an allowance for expected credit losses resulting from the inability or unwillingness of customers to make required payments. The allowance for expected credit losses is based on historical experience, existing economic conditions, reasonable and supportable forecasts, and any specific customer collection issues the Company has identified. The Company evaluates the reasonableness of the allowance for expected credit losses on a quarterly basis. The allowance for expected credit losses was \$210 million as of September 30, 2024 and \$88 million as of September 30, 2023.

The Company has previously entered into various factoring agreements to sell certain accounts receivable to third-party financial institutions. The Company collected the majority of the factored receivables on behalf of the financial institutions, but maintained no other continuing involvement with the factored receivables. Sales of accounts receivable were reflected as a reduction of accounts receivable in the consolidated statement of financial position and the proceeds were included in cash flows from operating activities in the consolidated statement of cash flows. The Company discontinued its receivables factoring program in March 2024.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out ("FIFO") method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Estimated useful lives generally range from 3 to 40 years for buildings and improvements, up to 15 years for subscriber systems, and from 3 to 15 years for machinery and equipment. Interest on borrowings is capitalized during the active construction period of major capital projects, added to the cost of the underlying assets and amortized over the useful lives of the assets.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Goodwill is reviewed for impairment during the fourth fiscal quarter (as of July 31) or more frequently if events or changes in circumstances indicate the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company's operating segments or one level below the operating segments, using a qualitative assessment or a quantitative test. A qualitative assessment is performed when prior quantitative assessments have resulted in significant excess of fair value over the carrying value of a reporting unit, and consideration of qualitative factors allow the Company to conclude it is more likely than not that the fair value of the reporting unit remains greater than its carrying value. When performing a quantitative goodwill impairment test, the fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. To estimate the fair value, the Company uses a discounted cash flow model or estimated sales price for reporting units held for sale. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The estimated fair value is then compared to the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value.

Indefinite-lived intangible assets are also subject to at least annual impairment testing in the fourth fiscal quarter or as events occur or circumstances change that indicate the assets may be impaired. Indefinite-lived intangible assets primarily consist of trademarks and trade names and are tested for impairment using a relief-from-royalty method. The Company considers the implications of both external (e.g., market growth, competition and local economic conditions) and internal (e.g., product sales and expected product growth) factors and their potential impact on cash flows related to the intangible asset in both the near- and long-term. The Company considers the profitability of the business, among other factors, to determine the royalty rate for use in the impairment assessment.

While the Company believes that the estimates and assumptions underlying the valuation methodologies are reasonable, different estimates and assumptions could result in different outcomes.

Leases

Lessee arrangements

The Company leases certain administrative, production and other facilities, fleet vehicles, information technology equipment and other equipment under arrangements that are accounted for as operating leases. The Company determines whether an arrangement contains a lease at contract inception based on whether the arrangement involves the use of a physically distinct identified asset and whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period as well as the right to direct the use of the asset.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Right-of-use assets and the corresponding lease liabilities are recognized at commencement date based on the present value of lease payments for all leases with terms longer than twelve months. The majority of the Company's leases do not provide an implicit interest rate. To determine the present value of lease payments, the Company uses its incremental borrowing rate based on information available on the lease commencement date or the implicit rate if it is readily determinable. The Company determines its incremental borrowing rate based on a comparable market yield curve consistent with its credit rating, term of the lease and relative economic environment. The Company has elected to combine lease and nonlease components for its leases.

Most leases contain options to renew or terminate the lease. Right-of-use assets and lease liabilities reflect only the options which the Company is reasonably certain to exercise.

The Company has certain real estate leases that contain variable lease payments which are based on changes in the Consumer Price Index ("CPI"). Additionally, the Company's leases generally require it to pay for fuel, maintenance, repair, insurance and taxes. These payments are not included in the right-of-use asset or lease liability and are expensed as incurred.

Lease expense is recognized on a straight-line basis over the lease term.

Lessor arrangements

The Company has monitoring services and maintenance agreements within its security business that include subscriber system assets for which the Company retains ownership. These agreements contain both lease and nonlease components. The Company has elected to combine lease and nonlease components for these arrangements where the timing and pattern of transfer of the lease and nonlease components are the same and the lease component would be classified as an operating lease if accounted for separately. The Company has concluded that in these arrangements the nonlease components are the predominant characteristic, and as a result, the combined component is accounted for under the revenue guidance.

Impairment of Long-Lived Assets

Long-lived assets, including right-of-use assets under operating leases, other tangible assets and intangible assets with definite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets," ASC 350-30, "General Intangibles Other than Goodwill" and ASC 985-20, "Costs of Software to be Sold, Leased, or Marketed."

Assets and liabilities are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluates the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset group is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

Intangible assets acquired in a business combination that are used in research and development activities are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period that those assets are considered indefinite lived, they are not amortized but are tested for impairment annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. If the carrying amount of an intangible asset exceeds its fair value, the Company recognizes an impairment loss in an amount equal to that excess.

Unamortized capitalized costs of a computer software product are compared to the net realizable value of the product. The amount by which the unamortized capitalized costs of a computer software product exceed the net realizable value of that asset is written off.

Revenue Recognition

Revenue from certain long-term contracts to design, manufacture and install building products and systems as well as unscheduled repair or replacement services is recognized on an over time basis, with progress towards completion measured using a cost-to-cost input method based on the relationship between actual costs incurred and total estimated costs at completion. The cost-to-cost input method is used as it best depicts the transfer of control to the customer that occurs as the Company incurs costs. Changes to the original estimates may be required during the life of the contract and such estimates are reviewed monthly. If contract modifications result in additional goods or services that are distinct from those transferred before the modification, they are accounted for prospectively as if the Company entered into a new contract. If the goods or services in the modification are not distinct from those in the original contract, sales and gross profit are adjusted using the cumulative catch-up method for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified. The Company does not adjust the promised amount of consideration for the effects of a significant financing component because at contract inception it expects to receive the payment within twelve months of transfer of goods or services.

The Company enters into extended warranties and long-term service and maintenance agreements with certain customers. For these arrangements, revenue is recognized over time on a straight-line basis over the respective contract term.

The Company also sells certain HVAC and refrigeration products and services in bundled arrangements with multiple performance obligations, such as equipment, commissioning, service labor and extended warranties. Approximately four to twenty-four months separate the timing of the first deliverable until the last piece of equipment is delivered. There may also be extended warranty arrangements with durations of one to five years commencing upon the end of the standard warranty period. In addition, the Company sells security monitoring systems that may have multiple performance obligations, including equipment, installation, monitoring services and maintenance agreements. Revenue associated with the sale of equipment and related installations are generally recognized over time on a cost-to-cost input method, while the revenue for monitoring and maintenance services are recognized over time as services are rendered. The transaction price is allocated to each performance

obligation based on the relative standalone selling price method. In order to estimate relative standalone selling price, market data and transfer price studies are utilized. If the standalone selling price is not directly observable, the Company estimates the standalone selling price using an adjusted market assessment approach or expected cost plus margin approach. If the Company retains ownership of the subscriber system asset, fees for monitoring and maintenance services are recognized over the contract term on a straight-line basis. Non-refundable fees received in connection with the initiation of a monitoring contract, along with associated direct and incremental selling costs, are deferred and amortized over the estimated life of the contract.

In all other cases, the Company recognizes revenue at the point in time when control over the goods or services transfers to the customer.

The Company assesses variable consideration that may affect the total transaction price, including discounts, rebates, refunds, credits or other similar sources of variable consideration, when determining the transaction price of each contract. The Company includes variable consideration in the estimated transaction price when it is probable that significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. These estimates are based on the amount of consideration that the Company expects to be entitled to.

Shipping and handling costs billed to customers are included in sales and the related costs are included in cost of sales when control transfers to the customer. The Company presents amounts collected from customers for sales and other taxes net of the related amounts remitted.

Subscriber System Assets, Dealer Intangibles and Related Deferred Revenue Accounts

The Company considers assets related to the acquisition of new customers in its electronic security business in three asset categories:

- Internally generated residential subscriber systems outside of North America;
- Internally generated commercial subscriber systems; and
- Customer accounts acquired through the ADT dealer program, primarily outside of North America (referred to as dealer intangibles).

Subscriber system assets include installed property, plant and equipment for which the Company retains ownership and deferred costs directly related to the customer acquisition and system installation. Subscriber system assets represent capitalized equipment (e.g., security control panels, touch pad, motion detectors, window sensors, and other equipment) and installation costs associated with electronic security monitoring arrangements under which the Company retains ownership of the security system assets in a customer's place of business or residence. Installation costs represent costs incurred to prepare the asset for its intended use. The Company pays property taxes on the subscriber system assets and may retrieve such assets when the agreement is terminated. These assets embody a probable future economic benefit as they generate future monitoring revenue for the Company.

Costs related to the subscriber system equipment and installation are categorized as property, plant and equipment rather than deferred costs. Deferred costs associated with subscriber system assets represent direct and incremental selling expenses (such as commissions) related to acquiring the customer. Commissions related to up-front consideration paid by customers in connection with the establishment of the monitoring arrangement are determined based on a percentage of the up-front fees and do not exceed deferred revenue. Such deferred costs are recorded as other current and noncurrent assets within the consolidated statement of financial position.

Subscriber system assets and any deferred revenue resulting from the customer acquisition are accounted for over the expected life of the subscriber. In certain geographical areas which have a large number of customers that behave in a similar manner over time, the Company accounts for subscriber system assets and related deferred revenue using pools, with separate pools for the components of subscriber system assets and any related deferred revenue based on the same month and year of acquisition. Pooled subscriber system assets and related deferred revenue are depreciated using a straight-line method with lives up to 12 years and considering customer attrition. Non-pooled subscriber systems (primarily in Europe, Latin America and Asia) and related deferred revenue are depreciated using a straight-line method with a 15-year life, with remaining balances written off upon customer termination.

Certain contracts and related customer relationships result from purchasing residential security monitoring contracts from an external network of independent dealers who operate under the ADT dealer program, primarily outside of North America.

Acquired contracts and related customer relationships are recorded at their contractually determined purchase price. During the first 6 months (12 months in certain circumstances) after the purchase of the customer contract, any cancellation of monitoring service, including those that result from customer payment delinquencies, results in a chargeback by the Company to the dealer for the full amount of the contract purchase price. The Company records the amount charged back to the dealer as a reduction of the previously recorded intangible asset. Intangible assets arising from the ADT dealer program are amortized in pools determined by the same month and year of contract acquisition on a straight-line basis over the period of the customer relationship. The estimated useful life of dealer intangibles ranges from 12 to 15 years.

Research and Development Costs

Expenditures for research activities relating to product development and improvement are charged against income as incurred and primarily included within selling, general and administrative expenses in the consolidated statement of income. Such expenditures for the years ended September 30, 2024 and 2023 were \$267 million and \$251 million, respectively.

Stock-Based Compensation

Restricted (Non-vested) Stock /Units

Restricted stock and restricted stock units are typically settled in shares for employees in the U.S. and in cash for employees not in the U.S. Restricted awards typically vest over a period of three years from the grant date. The Company's Compensation and Talent Development Committee may approve different vesting terms on specific grants. The fair value of each share-settled restricted award is based on the closing market value of the Company's ordinary shares on the date of grant. The fair value of each cash-settled restricted award is recalculated at the end of each reporting period based on the closing market value of the Company's ordinary shares at the end of the reporting period, and the liability and expense are adjusted based on the new fair value.

Performance Share Awards

Performance-based share unit ("PSU") awards are generally contingent on the achievement of predetermined performance goals over a performance period of one to three years and on the award holder's continuous employment until the vesting date. The majority of PSUs are also indexed to the achievement of specified levels of total shareholder return versus a peer group over the performance period.

Upon completion of the performance period, earned PSUs are typically settled with shares of the Company's ordinary shares for employees in the U.S. and in cash for employees not in the U.S.

The fair value of the portion of the PSU which is linked to the achievement of performance goals is based on the closing market value of the Company's ordinary shares on the date of grant. Share-based compensation expense for these PSUs is recognized over the performance period based on the probability of achieving the performance targets.

The fair value of the portion of the PSU that is indexed to total shareholder return is estimated on the date of grant using a Monte Carlo simulation that uses the following assumptions:

- The risk-free interest rate for periods during the contractual life of the PSU is based on the U.S. Treasury yield curve in effect at the time of grant.
- The expected volatility is based on the historical volatility of the Company's stock over the most recent three-year period as of the grant date.

Share-based compensation expense for PSUs which are indexed to total shareholder return is not adjusted for changes in performance subsequent to the grant date because the likelihood of achieving the market condition is incorporated in the grant date fair value of the award.

Stock Options

Stock options are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Stock option awards typically vest between two and three years after the grant date and expire ten years from the grant date.

The fair value of each option is estimated on the date of grant using a Black-Scholes option valuation model that uses the following assumptions:

- The expected life of options represents the period of time that options granted are expected to be outstanding.
- The risk-free interest rate for periods during the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.
- Expected volatility is based on the historical volatility of the Company's stock corresponding to the expected life as of the grant date.
- The expected dividend yield is based on the expected annual dividend as a percentage of the market value of the Company's ordinary shares as of the grant date.

The Company uses historical data to estimate option exercises and employee terminations within the valuation model.

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS") amounts. Basic EPS is calculated by dividing net income attributable to Johnson Controls by the weighted average number of ordinary shares outstanding during the reporting period. Diluted EPS is calculated by dividing net income attributable to Johnson Controls by the weighted average number of ordinary shares and ordinary equivalent shares outstanding during the reporting period that are calculated using the treasury stock method for stock options, unvested restricted stock and unvested performance share awards. The treasury stock method assumes that the Company uses the proceeds from the exercise of stock option awards to repurchase ordinary shares at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future and compensation cost for future service that the Company has not yet recognized. For unvested restricted stock and unvested performance share awards, assumed proceeds under the treasury stock method include unamortized compensation cost.

Foreign Currency Translation

Substantially all of the Company's international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. Aggregate transaction gains (losses), net of the impact of foreign currency hedges, included in income from continuing operations for the years ended September 30, 2024 and 2023 were \$(10) million and \$22 million, respectively.

Derivative Financial Instruments

The Company has written policies and procedures that place all derivative financial instruments under the direction of Corporate treasury and restrict all derivative transactions to those intended for hedging purposes. The use of derivatives for speculative purposes is strictly prohibited. The Company selectively uses derivatives to manage the market risk from changes in foreign exchange rates, commodity prices, and interest rates.

The fair values of all derivatives are recorded in the consolidated statement of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income ("AOCI"), depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction.

Investments

Investments in debt and equity securities and deferred compensation plan assets are marked to market at the end of each accounting period. Unrealized gains and losses are recognized in the consolidated statement of income.

Pension and Postretirement Benefits

The Company utilizes a mark-to-market approach for recognizing pension and postretirement benefit expenses, including measuring plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event.

Guarantees

The Company records an estimate for future warranty-related costs based on actual historical claims and other known factors. Based on analysis of return rates and other factors, the Company's warranty provisions are adjusted as necessary. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different from those estimates.

The Company's product warranty liability is recorded in the consolidated statement of financial position in current provisions if the warranty is less than one year and in noncurrent provisions if the warranty extends longer than one year.

Loss Contingencies

Accruals are recorded for various contingencies including legal proceedings, environmental matters, self-insurance and other claims that arise in the normal course of business when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated. The accruals are based on judgment, the probability of losses and, where applicable, the consideration of opinions of internal and/or external legal counsel and actuarial determined estimates. Additionally, the Company records receivables from third party insurers when recovery has been determined to be probable.

The Company is subject to laws and regulations relating to protecting the environment. Expenses associated with environmental remediation obligations are recognized when such amounts are probable and can be reasonably estimated.

Liabilities and expenses for workers' compensation, product, general and auto liabilities are dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience. Receivables from third party insurers are recorded when recovery has been determined to be probable. The Company maintains captive insurance companies to manage its insurable liabilities.

Asbestos-Related Contingencies and Insurance Receivables

The Company and certain of its subsidiaries, along with numerous other companies, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos-containing materials. The estimated liability and corresponding insurance recovery for pending and future claims and defense costs are based on the Company's historical claim experience, and estimates of the number and resolution cost of potential future claims that may be filed and is discounted to present values from the time that the costs are expected to be incurred which in some cases is not until 2068 (which is the Company's reasonable best estimate of the actuarial determined time period through which asbestos-related claims will be filed against its affiliates). Estimated asbestos-related defense costs are included in the asbestos liability. The Company's legal strategy for resolving claims also impacts these estimates. The Company considers various trends and developments in evaluating the period of time (the look-back period) over which historical claim and settlement experience is used to estimate and value claims reasonably projected to be made through 2068. At least annually, the Company assesses the sufficiency of its estimated liability for pending and future claims and defense costs by evaluating actual experience regarding claims filed, settled and dismissed, and amounts paid in settlements. In addition to claims and settlement experience, the Company considers additional quantitative and qualitative factors such as changes in legislation, the legal environment, and its defense strategy. The Company also evaluates the recoverability of its insurance receivable on an annual basis. The Company evaluates all of these factors and determines whether a change in the estimate of its liability for pending and future claims and defense costs or insurance receivable is warranted.

The Company records asbestos-related insurance recoveries that are probable. Estimated asbestos-related insurance recoveries represent estimated amounts due to the Company for previously paid and settled claims and the probable reimbursements relating to its estimated liability for pending and future claims discounted to present value. In determining the amount of insurance recoverable, the Company considers available insurance, allocation methodologies, solvency and creditworthiness of the insurers.

Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax asset and liabilities are determined based on the differences between the book and tax basis of particular assets and liabilities and operating loss carryforwards, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to reduce the carrying or book value of

deferred tax assets if, based upon the available evidence, including consideration of tax planning strategies, it is more-likely-than-not that some or all of the deferred tax assets will not be realized.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations," which is intended to enhance the transparency surrounding the use of supplier finance programs. Supplier finance programs may also be referred to as reverse factoring, payables finance, or structured payables arrangements. The amendments require a buyer that uses supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period, and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The Company adopted the new disclosures, other than the rollforward disclosure, as required at the beginning of fiscal 2024. The rollforward disclosure will be adopted as required at the beginning of fiscal 2025.

The Company maintains agreements with third-party financial institutions who offer voluntary supply chain financing ("SCF") programs to its suppliers. The SCF programs enable suppliers to sell their receivables to third-party financial institutions and receive payments earlier than the negotiated commercial terms between the suppliers and the Company, which generally range from 90 to 120 days. Suppliers sell receivables to third-party financial institutions on terms negotiated between the supplier and the respective third-party financial institution. The Company remains obligated to make payments under the terms of the original commercial arrangement regardless of whether the supplier receivable is sold, and does not pledge any assets as security or provide other forms of guarantees for the committed payment to the third-party financial institutions.

Amounts outstanding related to SCF programs are included in accounts payable in the consolidated statement of financial position. Accounts payable included in the SCF programs were approximately \$703 million and \$520 million as of September 30, 2024, and September 30, 2023, respectively.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses," which is intended to enhance transparency into the nature and function of expenses. The amendments require that on an annual and interim basis, entities disclose disaggregated operating expense information about specific categories, including purchases of inventory, employee compensation, depreciation, amortization and depletion. The Company expects to adopt the new annual disclosures as required for fiscal 2028 and the interim disclosures as required beginning with the first quarter of fiscal 2029.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which is intended to enhance the transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments require that on an annual basis, entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments require that entities disclose additional information about income taxes paid as well as additional disclosures of pretax income and income tax expense, and remove the requirement to disclose certain items that are no longer considered cost beneficial or relevant. The Company expects to adopt the new annual disclosures as required for fiscal 2026.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements. The Company expects to adopt the new annual disclosures as required for fiscal 2025 and the interim disclosures as required beginning with the first quarter of fiscal 2026.

Other recently issued accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

2. ACQUISITIONS AND DIVESTITURES

Fiscal 2024

During fiscal 2024, the Company completed three divestitures, including the divestiture of its Air Distribution Technologies ("ADTi") business which was included within the Global Products segment. The combined selling price, net of cash divested, was \$347 million, of which \$332 million was received as of September 30, 2024. In connection with the closing of the ADTi transaction, the Company recorded a pre-tax loss of \$42 million within selling, general and administrative expenses in the consolidated statement of income. An impairment of \$56 million was recorded within restructuring and impairment costs in the consolidated statement of income while the business was classified as held for sale. Net cash proceeds from the divestitures were used for general corporate purposes. The businesses did not meet the criteria to be classified as discontinued operations as the divestitures did not represent a strategic shift that will have a major effect on the Company's operations and financial results.

Fiscal 2023

In July 2023, the Company completed its acquisition of FM:Systems, a leading digital workplace management and Internet of Things ("IoT") solutions provider for facilities and real estate professionals, for \$540 million, net of cash acquired, which was comprised of an upfront cash payment of \$465 million, and the estimated fair value at the acquisition date of contingent earn-out liabilities which are primarily based upon the achievement of certain defined operating results in the two years following the acquisition. In connection with the acquisition and subsequent measurement period adjustments, the Company recorded goodwill of \$407 million in the Building Solutions North America segment. Goodwill is attributable primarily to expected synergies, expanded market opportunities and other benefits that the Company believes will result from integrating the products and capabilities of FM:Systems into its operations. The goodwill created in the acquisition is not deductible for tax purposes.

During fiscal 2023, the Company acquired several other businesses for a combined purchase price, net of cash acquired, of \$306 million, of which \$260 million was paid as of September 30, 2023. Intangible assets associated with these acquisitions totaled \$116 million and primarily relate to customer relationships and technology. The Company recorded goodwill associated with these acquisitions of \$119 million in the Global Products segment, \$55 million in the Building Solutions Asia Pacific segment and \$13 million in the Building Solutions EMEA/LA segment.

3. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

In July 2024, the Company entered into a definitive agreement to sell its R&LC HVAC business, which includes the North America Ducted businesses and the global Residential joint venture with Hitachi, of which Johnson Controls owns 60% and Hitachi owns 40%, to Bosch Group for approximately \$8.1 billion in cash with the Company's portion of the aggregate consideration being approximately \$6.7 billion, inclusive of an upfront royalty payment for the licensing of the York tradename. The transaction is expected to close in the fourth quarter of fiscal 2025, subject to required regulatory approvals and other customary closing conditions. The R&LC HVAC business, which was previously reported in the Global Products segment, meets the criteria to be classified as discontinued operations as it represents a strategic shift in the Company's operations and results in the exit of substantially all of its residential and light commercial HVAC businesses. As a result, results of the business are presented in discontinued operations for all periods presented.

The Company determined that the assets and liabilities for the R&LC HVAC business met the held for sale criteria during the fourth quarter of 2024. Accordingly, the businesses' assets and liabilities were reclassified in the consolidated balance sheets at September 30, 2024 and 2023 to held for sale, and the Company ceased recording depreciation and amortization for the held for sale assets.

The following tables present consolidated statement of income information on continuing and discontinued operations bases (in millions):

Year Ended September 30, 2024			
	Continuing Operations	Discontinued Operations	Total
Net sales			
Products and systems	\$ 15,967	\$ 4,466	\$ 20,433
Services	6,985	—	6,985
	<u>22,952</u>	<u>4,466</u>	<u>27,418</u>
Cost of goods sold			
Products and systems	10,677	3,300	13,977
Services	4,198	—	4,198
	<u>14,875</u>	<u>3,300</u>	<u>18,175</u>
Gross profit	8,077	1,166	9,243
Selling, general and administrative expenses	5,661	761	6,422
Restructuring and impairment costs	510	34	544
Net financing charges	342	17	359
Equity income (loss)	(42)	276	234
Income from continuing operations before income taxes	1,522	630	2,152
Income tax provision	111	141	252
Income from continuing operations	1,411	—	1,411
Income from discontinued operations, net of tax	—	489	489
Net income	1,411	489	1,900
Income attributable to noncontrolling interests, net of tax	4	191	195
Net income attributable to Johnson Controls	<u>\$ 1,407</u>	<u>\$ 298</u>	<u>\$ 1,705</u>
Basic earnings per share attributable to Johnson Controls	<u>\$ 2.09</u>	<u>\$ 0.44</u>	<u>\$ 2.53</u>
Diluted earnings per share attributable to Johnson Controls	<u>\$ 2.08</u>	<u>\$ 0.44</u>	<u>\$ 2.52</u>

Year Ended September 30, 2023			
	Continuing Operations	Discontinued Operations	Total
Net sales			
Products and systems	\$ 15,789	\$ 4,462	\$ 20,251
Services	6,542	—	6,542
	<u>22,331</u>	<u>4,462</u>	<u>26,793</u>
Cost of goods sold			
Products and systems	10,736	3,295	14,031
Services	3,791	—	3,791
	<u>14,527</u>	<u>3,295</u>	<u>17,822</u>
Gross profit	7,804	1,167	8,971
Selling, general and administrative expenses	5,387	794	6,181
Restructuring and impairment costs	1,049	15	1,064
Net financing charges	258	23	281
Equity income	3	262	265
Income from continuing operations before income taxes	1,113	597	1,710
Income tax (benefit) provision	(468)	145	(323)
Income from continuing operations	1,581	—	1,581
Income from discontinued operations, net of tax	—	452	452
Net income	1,581	452	2,033
Income attributable to noncontrolling interests, net of tax	19	165	184
Net income attributable to Johnson Controls	<u>\$ 1,562</u>	<u>\$ 287</u>	<u>\$ 1,849</u>
Basic earnings per share attributable to Johnson Controls	<u>\$ 2.28</u>	<u>\$ 0.42</u>	<u>\$ 2.70</u>
Diluted earnings per share attributable to Johnson Controls	<u>\$ 2.27</u>	<u>\$ 0.42</u>	<u>\$ 2.69</u>

The following table presents consolidated statement of financial position information on continuing and discontinued operations bases (in millions):

	September 30, 2024		
	Continuing Operations	Discontinued Operations	Total
Cash and cash equivalents	\$ 606	\$ 5	\$ 611
Accounts receivable - net	6,051	592	6,643
Inventories	1,774	876	2,650
Current assets held for sale	1,595	(1,595)	—
Other current assets	1,153	122	1,275
Current assets	11,179	—	11,179
Property, plant and equipment - net	2,403	793	3,196
Goodwill	16,725	1,182	17,907
Other intangible assets - net	4,130	96	4,226
Noncurrent assets held for sale	3,210	(3,210)	—
Other noncurrent assets	5,048	1,139	6,187
Total assets	\$ 42,695	\$ —	\$ 42,695
Short-term debt	\$ 953	\$ —	\$ 953
Current portion of long-term debt	536	—	536
Accounts payable	3,389	917	4,306
Accrued compensation and benefits	1,028	113	1,141
Deferred revenue	2,160	84	2,244
Current liabilities held for sale	1,431	(1,431)	—
Other current provisions and liabilities	2,458	317	2,775
Current liabilities	11,955	—	11,955
Long-term debt	8,004	—	8,004
Pension and postretirement benefit obligations	217	28	245
Noncurrent liabilities held for sale	405	(405)	—
Other noncurrent provisions and liabilities	4,753	377	5,130
Noncurrent liabilities	13,379	—	13,379
Shareholders' equity attributable to Johnson Controls	16,098	—	16,098
Noncontrolling interests	1,263	—	1,263
Total equity	17,361	—	17,361
Total liabilities and equity	\$ 42,695	\$ —	\$ 42,695

Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less costs to sell. As of September 30, 2024, the estimated fair value less costs to sell of the held for sale businesses exceeded their carrying value, and therefore, no adjustment was necessary.

During the year ended September 30, 2023, the Company recorded impairment charges for the Global Retail business of \$438 million and the Building Solutions Asia Pacific segment of \$60 million. The impairment charges were primarily due to reductions in the estimated fair values of the businesses to be disposed as a result of negotiations with potential buyers and were recorded within restructuring and impairment costs in the consolidated statement of income. During the third quarter of fiscal 2023, the Company concluded that its Global Retail business no longer met the criteria to be classified as held for sale, as it was no longer probable that it would be sold in the next 12 months. The net assets were reclassified to held and used at the lower of fair value or adjusted carrying value, and due to prior period impairment charges recorded, there was no impact to the consolidated statement of income as a result of this reclassification.

4. REVENUE RECOGNITION

Disaggregated Revenue

The following table presents the Company's revenues disaggregated by segment and by products and systems versus services revenue (in millions):

	Year Ended September 30,					
	2024			2023		
	Products & Systems	Services	Total	Products & Systems	Services	Total
Building Solutions North America	\$ 7,099	\$ 4,249	\$ 11,348	\$ 6,368	\$ 3,962	\$ 10,330
Building Solutions EMEA/LA	2,314	1,982	4,296	2,275	1,821	4,096
Building Solutions Asia Pacific	1,483	754	2,237	1,987	759	2,746
Global Products	5,071	—	5,071	5,159	—	5,159
Total	<u>\$ 15,967</u>	<u>\$ 6,985</u>	<u>\$ 22,952</u>	<u>\$ 15,789</u>	<u>\$ 6,542</u>	<u>\$ 22,331</u>

The following table presents further disaggregation of Global Products revenues by product type (in millions):

	Year Ended September 30,	
	2024	2023
HVAC	\$ 2,280	\$ 2,358
Fire & Security	2,370	2,446
Industrial Refrigeration	421	355
Total	<u>\$ 5,071</u>	<u>\$ 5,159</u>

Contract Balances

Contract assets represent the Company's right to consideration for performance obligations that have been satisfied but not billed and consist of unbilled receivables and costs in excess of billings. Contract liabilities are customer payments received before performance obligations are satisfied. Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period.

The following table presents the location and amount of contract balances in the Company's consolidated statement of financial position (in millions):

	Location of contract balances	September 30,	
		2024	2023
Contract assets - current	Accounts receivable - net	\$ 1,931	\$ 2,339
Contract assets - noncurrent	Other noncurrent assets	11	12
Contract liabilities - current	Deferred revenue	2,160	1,923
Contract liabilities - noncurrent	Other noncurrent liabilities	252	225

The Company recognized revenue that was included in the beginning of period contract liability balance of approximately \$1.7 billion and \$1.5 billion for the years ended September 30, 2024 and 2023, respectively.

Performance Obligations

A performance obligation is a distinct good, service, or bundle of goods and services promised in a contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. When contracts with customers require significant and complex integration, contain goods or services which are highly interdependent or interrelated, or are goods or services which significantly modify or customize other promises in the contracts and, therefore, are not distinct, then the entire contract is accounted for as a single performance obligation. For any contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation based on the estimated relative standalone selling price of each distinct good or service in the contract. For product sales, each product sold to a customer typically represents a distinct performance obligation.

Performance obligations are satisfied as of a point in time or over time. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. As of September 30, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$21.1 billion, of which approximately 64% is expected to be recognized as revenue over the next two years. The remaining performance obligations expected to be recognized in revenue beyond two years primarily relate to large, multi-purpose contracts to construct hospitals, schools and other governmental buildings, which include services to be performed over the building's lifetime, with average initial contract terms of 25 to 35 years. Future contract modifications could affect both the timing and the amount of the remaining performance obligations. The Company excludes the value of remaining performance obligations for service contracts with an original expected duration of one year or less and contracts that are cancellable without substantial penalty.

Costs to Obtain or Fulfill a Contract

The Company recognizes the incremental costs incurred to obtain or fulfill a contract with a customer as an asset when the costs are recoverable. These costs consist primarily of sales commissions and bid/proposal costs. Costs to obtain or fulfill a contract are capitalized when incurred and amortized to expense over the period of contract performance.

The following table presents the location and amount of costs to obtain or fulfill a contract recorded in the Company's consolidated statement of financial position (in millions):

	September 30,	
	2024	2023
Other current assets	\$ 265	\$ 156
Other noncurrent assets	291	224
Total	<u>\$ 556</u>	<u>\$ 380</u>

Amortization of costs to obtain or fulfill a contract was \$312 million and \$251 million during the years ended September 30, 2024 and 2023, respectively. There were no impairment losses recognized in the year ended September 30, 2024 or 2023.

5. ACCOUNTS RECEIVABLE

The Company discontinued its receivable factoring program in March 2024. The Company sold \$641 million and \$1,717 million of accounts receivable under factoring agreements during the years ended September 30, 2024, and 2023, respectively. The cost of factoring such receivables was not material. Previously sold receivables still outstanding were \$16 million and \$615 million as of September 30, 2024 and 2023, respectively.

6. INVENTORIES

Inventories consisted of the following (in millions):

	September 30,	
	2024	2023
Raw materials and supplies	\$ 765	\$ 859
Work-in-process	130	180
Finished goods	879	833
Inventories	<u>\$ 1,774</u>	<u>\$ 1,872</u>

7. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment by type are as follows (in millions):

	Land	Buildings and Improvements	Subscriber Systems	Machinery and Equipment	Construction in Progress	Total
Cost:						
At September 30, 2023	\$ 50	\$ 1,042	\$ 823	\$ 3,309	\$ 442	\$ 5,666
Capital expenditures and acquisitions	—	28	144	309	30	511
Disposals and divestitures	(1)	(17)	(1)	(346)	—	(365)
Currency translation and other	(1)	(20)	7	102	(54)	34
At September 30, 2024	<u>\$ 48</u>	<u>\$ 1,033</u>	<u>\$ 973</u>	<u>\$ 3,374</u>	<u>\$ 418</u>	<u>\$ 5,846</u>
Accumulated depreciation:						
At September 30, 2023	\$ —	\$ 470	\$ 334	\$ 2,488	\$ —	\$ 3,292
Depreciation expense	—	49	76	215	—	340
Disposals and divestitures	—	(12)	12	(218)	—	(218)
Currency translation and other	—	(8)	15	22	—	29
At September 30, 2024	<u>\$ —</u>	<u>\$ 499</u>	<u>\$ 437</u>	<u>\$ 2,507</u>	<u>\$ —</u>	<u>\$ 3,443</u>
Net book value:						
At September 30, 2023	\$ 50	\$ 572	\$ 489	\$ 821	\$ 442	\$ 2,374
At September 30, 2024	\$ 48	\$ 534	\$ 536	\$ 867	\$ 418	\$ 2,403

During the fourth quarter of fiscal 2023, the Company determined that a triggering event had occurred in the asset group comprising the security subscriber business of Argentina, primarily as a result of the significant devaluation of the Argentine peso that occurred during the quarter and the resulting impact on operating results and cash flows. The Company conducted the two-step impairment test required in accordance with ASC 360, "Property, Plant & Equipment" and determined that the carrying amount of the asset group exceeded its fair value. A non-cash impairment charge to the subscriber system assets of \$78 million was recorded and is included in restructuring and impairment costs in the consolidated statement of income. The Company used a discounted cash flow model to estimate the fair value of the asset group. The primary assumptions and inputs used in the model included management's internal projections of future cash flows, the weighted-average cost of capital and the long-term growth rate. The fair value measurement is classified as Level 3 within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" due to the unobservable inputs used.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill in each of the Company's reportable segments were as follows (in millions):

	Year Ended September 30, 2024				
	Building Solutions North America	Building Solutions EMEA/LA	Building Solutions Asia Pacific	Global Products	Total
Goodwill	\$ 10,040	\$ 1,932	\$ 1,179	\$ 4,586	17,737
Accumulated impairment loss	(659)	(47)	—	(259)	(965)
Balance at beginning of period	9,381	1,885	1,179	4,327	16,772
Impairments	—	(230)	—	—	(230)
Foreign currency translation and other ⁽¹⁾	10	107	48	18	183
Balance at end of period	\$ 9,391	\$ 1,762	\$ 1,227	\$ 4,345	\$ 16,725

⁽¹⁾ Includes measurement period adjustments and the allocation of \$21 million of goodwill from Global Products to the ADTi disposal group classified as held for sale in June 2024 and subsequently divested in July 2024. Refer to Note 2, "Acquisitions and Divestitures" of the notes to the consolidated financial statements for further information.

Management completed its fiscal 2024 annual impairment test as of July 31, which included a qualitative assessment of all but one of its reporting units. The Company did not identify any qualitative factors that suggest that it is more likely than not that the fair value of its reporting units is less than their carrying amount, including goodwill, and as such, a quantitative impairment test was not necessary. The Company performed a quantitative goodwill impairment test of one reporting unit with \$214 million of goodwill, and its fair value was in excess of its carrying value. However, for this reporting unit, a 200 basis point increase in the discount rate, or a 200 basis point decrease in the revenue growth rates, would cause the fair value to be less than the carrying value. While no impairment was recorded, it is possible that future changes in circumstances could result in a non-cash impairment charge.

In the second quarter of fiscal 2024, the Company determined a triggering event had occurred for one of its reporting units in the Business Solutions EMEA/LA segment due to year-to-date results and projections for the remainder of fiscal 2024 being lower than the forecast used in the previous annual goodwill impairment test, and a quantitative test of goodwill for possible impairment was necessary. As a result of the goodwill impairment test, the Company recorded a non-cash impairment charge of \$230 million within restructuring and impairment costs in the consolidated statement of income, which was determined by comparing the carrying amount of the reporting unit to its fair value. The Company used a discounted cash flow model to estimate the fair value of the reporting unit. The primary assumptions used in the model were management's internal projections of future cash flows, the weighted-average cost of capital and the long-term growth rate, which are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement."

In the second quarter of fiscal 2023, management completed an updated comprehensive review of the Silent-Aire reporting unit, which is included in the Global Products segment. Because actual results were lower than planned and the nearer term forecast was revised to reflect lower margins and earnings, the Company determined a triggering event had occurred and a quantitative test of goodwill for possible impairment was necessary. As a result of the goodwill impairment test, the Company recorded a non-cash impairment charge of \$184 million within restructuring and impairment costs in the consolidated statement of income in fiscal 2023, which was determined by comparing the carrying amount of the reporting unit to its fair value. During its fiscal 2022 annual impairment test, the Company recorded a non-cash impairment charge of \$75 million of Silent Aire goodwill within restructuring and impairment costs in the consolidated statement of income. The Company used a discounted cash flow model to estimate the fair value of the Silent-Aire reporting unit in both fiscal 2023 and 2022. The primary assumptions and inputs used in the model included management's internal projections of future cash flows, the weighted-average cost of capital and the long-term growth rate. The fair value measurement is classified as Level 3 within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" due to the unobservable inputs used. The Silent-Aire reporting unit had no remaining goodwill balance as of September 30, 2024 and 2023.

There were no other triggering events requiring that an impairment assessment be conducted in fiscal 2024 or 2023. However, it is possible that future changes in circumstances would require the Company to record additional non-cash impairment charges.

Other Intangible Assets

The Company's other intangible assets, primarily from business acquisitions, consisted of (in millions):

	Definite-Lived			Indefinite-Lived	
	Technology	Customer relationships	Miscellaneous	Trademarks and tradenames	Total
Cost:					
At September 30, 2023	\$ 1,562	\$ 2,854	\$ 831	\$ 2,109	\$ 7,356
Acquisitions and additions	18	4	127	—	149
Divestitures and disposals	—	(258)	(34)	(154)	(446)
Impairments	—	—	(40)	—	(40)
Currency translation and other	12	32	2	17	63
At September 30, 2024	<u>\$ 1,592</u>	<u>\$ 2,632</u>	<u>\$ 886</u>	<u>\$ 1,972</u>	<u>\$ 7,082</u>
Accumulated amortization:					
At September 30, 2023	\$ (795)	\$ (1,380)	\$ (409)	\$ —	\$ (2,584)
Amortization expense	(153)	(222)	(101)	—	(476)
Divestitures and disposals	—	104	34	—	138
Impairments	—	—	(5)	—	(5)
Currency translation and other	(7)	(19)	1	—	(25)
At September 30, 2024	<u>\$ (955)</u>	<u>\$ (1,517)</u>	<u>\$ (480)</u>	<u>\$ —</u>	<u>\$ (2,952)</u>
Net book value:					
At September 30, 2023	\$ 767	\$ 1,474	\$ 422	\$ 2,109	\$ 4,772
At September 30, 2024	\$ 637	\$ 1,115	\$ 406	\$ 1,972	\$ 4,130

During the fourth quarter of fiscal 2024, the Company impaired \$32 million and \$13 million of miscellaneous intangible assets in the Global Products segment and Building Solutions North America segment, respectively. These non-cash charges were recorded within restructuring and impairment costs in the consolidated statement of income.

There were no impairments of other indefinite-lived intangible assets in any of these years, other than as disclosed above. For all other remaining indefinite-lived intangible assets, the Company estimated fair values were greater than the carrying values, with the exception of two other registered trademarks in which the estimated fair values were consistent with their carrying values which totaled \$335 million as of July 31, 2024.

Amortization of other intangible assets included within continuing operations for the years ended September 30, 2024 and 2023 was \$476 million and \$426 million, respectively.

The following table summarizes estimated amortization of existing definite-lived intangible assets as of September 30, 2024 for each of the next five fiscal years (in millions):

2025	\$ 453
2026	400
2027	365
2028	276
2029	183

9. LEASES

The following table presents the Company's lease costs (in millions):

	Year Ended September 30,	
	2024	2023
Operating lease cost	\$ 374	\$ 365
Variable lease cost	170	154
Total lease costs	<u>\$ 544</u>	<u>\$ 519</u>

The following table presents supplemental consolidated statement of financial position information (in millions):

	Location of lease balances	September 30,	
		2024	2023
Operating lease right-of-use assets	Other noncurrent assets	\$ 1,170	\$ 1,301
Operating lease liabilities - current	Other current liabilities	289	298
Operating lease liabilities - noncurrent	Other noncurrent liabilities	921	1,016
Weighted-average remaining lease term		7 years	7 years
Weighted-average discount rate		3.8 %	3.5 %

The following table presents supplemental cash flow information related to operating leases (in millions):

	Year Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liability:		
Operating cash outflows from operating leases	\$ 377	\$ 355
Noncash operating lease activity:		
Right-of-use assets obtained in exchange for operating lease liabilities	354	389

The following table presents future minimum rental payments for operating lease liabilities as of September 30, 2024 (in millions):

2025	\$ 326
2026	265
2027	207
2028	155
2029	106
After 2029	<u>314</u>
Total operating lease payments	1,373
Less: Interest	<u>(163)</u>
Present value of lease payments	<u>\$ 1,210</u>

10. DEBT AND FINANCING ARRANGEMENTS

Short-Term Debt

Short-term debt consisted of the following (in millions):

	September 30,	
	2024	2023
Term loans	\$ 603	\$ 159
Commercial paper	350	200
Bank borrowings	—	2
	<u>\$ 953</u>	<u>\$ 361</u>
Weighted average interest rate on short-term debt outstanding	4.8 %	4.9 %

Long-Term Debt

Long-term debt consisted of the following (in millions; due dates by fiscal year):

Issuer	Interest Rate	Due Date	September 30,	
			2024	2023
US dollar debt				
JCI plc	3.625%	2024	\$ —	\$ 453
JCI Inc.	3.625%	2024	—	31
JCI plc	3.90%	2026	487	487
TIFSA ¹	3.90%	2026	51	51
JCI plc and TFSCA ²	5.50%	2029	700	—
JCI plc and TFSCA ²	1.75%	2030	625	625
JCI plc and TFSCA ²	2.00%	2031	500	500
JCI plc and TFSCA ²	4.90%	2033	400	400
JCI plc	6.00%	2036	342	342
JCI Inc.	6.00%	2036	8	8
JCI plc	5.70%	2041	190	190
JCI Inc.	5.70%	2041	30	30
JCI plc	5.25%	2042	155	155
JCI Inc.	5.25%	2042	6	6
JCI plc	4.625%	2044	444	444
JCI Inc.	4.625%	2044	6	6
JCI plc	5.125%	2045	253	372
TIFSA ¹	5.125%	2045	23	23
JCI plc	6.95%	2046	32	32
JCI Inc.	6.95%	2046	4	4
JCI plc	4.50%	2047	500	500
JCI plc	4.95%	2064	341	341
JCI Inc.	4.95%	2064	15	15
Euro debt				
JCI plc	EURIBOR plus 0.70%	2024	—	159
JCI plc	1.375%	2025	472	448
TIFSA ¹	1.375%	2025	60	57
JCI plc and TFSCA ²	0.375%	2027	559	530
JCI plc and TFSCA ²	3.00%	2028	670	636
JCI plc and TFSCA ²	1.00%	2032	559	530
JCI plc and TFSCA ²	4.25%	2035	894	849
Japanese yen debt				
JCI plc	TORF plus 0.40%	2027	211	202
Other			31	36
Gross long-term debt			8,568	8,462
Less:				
Debt issuance costs			38	35
Net unamortized discount			38	41
Net purchase accounting adjustments			(48)	(77)
			8,540	8,463
Less: Current portion			536	645
Long-term debt			\$ 8,004	\$ 7,818

¹ TIFSA = Tyco International Finance S.A.

² TFSCA = Tyco Fire & Security Finance S.C.A.

The following table presents maturities of long-term debt as of September 30, 2024 (in millions):

2025	\$	536
2026		544
2027		776
2028		676
2029		707
After 2029		5,329
Total	\$	<u>8,568</u>

Other

As of September 30, 2024, the Company had syndicated committed revolving credit facilities of \$2.5 billion which is scheduled to expire in December 2028 and \$500 million which was scheduled to expire in December 2024. In December 2024, the \$500 million revolving credit facility was extended to December 2025. There were no draws on the facilities as of September 30, 2024.

As of September 30, 2024, the Company was in compliance with all financial covenants set forth in its credit agreements and the indentures governing its outstanding notes, and expects to remain in compliance for the foreseeable future.

Total interest paid on both short and long-term debt for the years ended September 30, 2024 and 2023 was \$361 million and \$288 million, respectively.

Interest expense is comprised of (in millions);

	Year Ended September 30,	
	2024	2023
Interest on debt payable within five years	\$ 177	\$ 89
Interest on debt payable beyond five years	204	208
	<u>\$ 381</u>	<u>\$ 297</u>

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Unless otherwise noted, all activities and amounts reported in this footnote include both continuing operations of the Company and activities and amounts related to the R&LC HVAC business. See Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations" for additional details regarding divestiture of the R&LC HVAC business.

Cash Flow Hedges

The Company has global operations and participates in foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Company selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange forward contracts. The Company hedges 70% to 90% of the notional amount of each of its known foreign exchange transactional exposures.

The Company selectively hedges anticipated transactions that are subject to commodity price risk, primarily using commodity hedge contracts, to minimize overall price risk associated with its purchases of copper and aluminum in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. The maturities of the commodity hedge contracts coincide with the expected purchase of the commodities.

As cash flow hedges under ASC 815, "Derivatives and Hedging," the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates during the years ended September 30, 2024 and 2023.

The Company had the following outstanding contracts to hedge forecasted commodity purchases (in metric tons):

Commodity	Volume Outstanding as of September 30,	
	2024	2023
Copper	2,676	2,812
Aluminum	2,450	5,976

The Company may enter into forward-starting interest rate swaps in conjunction with anticipated note issuances. The forward-starting interest swaps are terminated when the anticipated notes are issued.

During fiscal 2024, the Company terminated \$600 million of forward-starting interest rate swaps related to an anticipated note issuance that was no longer highly likely to occur. Accumulated amounts previously recorded in AOCI were not material and were recognized as net financing charges in the consolidated statement of income when the swaps were terminated.

During fiscal 2023, the Company terminated forward-starting interest rate swaps with a combined notional amount of €400 million when the related anticipated debt was issued. Accumulated amounts recorded in AOCI as of the date of the debt issuance are amortized to interest expense over the life of the respective debt to reflect the difference between the swap's reference rate and the fixed rate of the note.

Net Investment Hedges

The Company may enter into cross-currency interest rate swaps and foreign currency denominated debt obligations to selectively hedge portions of its net investment in non-U.S. subsidiaries. The currency effects of the cross-currency interest rate swaps and debt obligations are reflected in the AOCI account within shareholders' equity attributable to Johnson Controls ordinary shareholders where they offset gains and losses recorded on the Company's net investments globally.

The following table summarizes net investment hedges (in billions):

	September 30,	
	2024	2023
Euro-denominated bonds designated as net investment hedges in Europe	€ 2.9	€ 2.9
Yen-denominated debt designated as a net investment hedge in Japan	¥ 30	¥ 30
US dollar vs. Yen cross-currency interest rate swap designated as a net investment hedge in Japan	—	¥ 14

Derivatives Not Designated as Hedging Instruments

The Company holds certain foreign currency forward contracts not designated as hedging instruments under ASC 815 to hedge foreign currency exposure resulting from monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair value of these foreign currency exchange derivatives are recorded in the consolidated statement of income where they offset foreign currency transactional gains and losses on the nonfunctional currency denominated assets and liabilities being hedged.

Fair Value of Derivative Instruments

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's consolidated statement of financial position (in millions):

	Designated as Hedging Instruments		Not Designated as Hedging Instruments	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Other current assets				
Foreign currency exchange derivatives	\$ 19	\$ 16	\$ 1	\$ 13
Commodity derivatives	2	—	—	—
Interest rate swaps	—	22	—	—
Other noncurrent assets				
Cross-currency interest rate swap	—	5	—	—
Total assets	<u>\$ 21</u>	<u>\$ 43</u>	<u>\$ 1</u>	<u>\$ 13</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 24	\$ 20	\$ 1	\$ 5
Commodity derivatives	1	2	—	—
Long-term debt				
Foreign currency denominated debt	3,424	3,253	—	—
Total liabilities	<u>\$ 3,449</u>	<u>\$ 3,275</u>	<u>\$ 1</u>	<u>\$ 5</u>

Counterparty Credit Risk

The use of derivative financial instruments exposes the Company to counterparty credit risk. The Company has established policies and procedures to limit the potential for counterparty credit risk, including establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. As a matter of practice, the Company deals with major banks worldwide having strong investment grade long-term credit ratings. To further reduce the risk of loss, the Company generally enters into International Swaps and Derivatives Association ("ISDA") master netting agreements with substantially all of its counterparties. The Company enters into ISDA master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statement of financial position.

The Company's derivative contracts do not contain any credit risk related contingent features and do not require collateral or other security to be furnished by the Company or the counterparties. The Company's exposure to credit risk associated with its derivative instruments is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. The Company does not anticipate any non-performance by any of its counterparties, and the concentration of risk with financial institutions does not present significant credit risk to the Company.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	Fair Value of Assets		Fair Value of Liabilities	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Gross amount recognized	\$ 22	\$ 56	\$ 3,450	\$ 3,280
Gross amount eligible for offsetting	(12)	(19)	(12)	(19)
Net amount	<u>\$ 10</u>	<u>\$ 37</u>	<u>\$ 3,438</u>	<u>\$ 3,261</u>

Derivatives Impact on the Statements of Income and Statements of Comprehensive Income

The following table presents the pre-tax gains (losses) recorded in other comprehensive income (loss) related to cash flow hedges (in millions):

Derivatives in Cash Flow Hedging Relationships	Year Ended September 30,	
	2024	2023
Foreign currency exchange derivatives	\$ (1)	\$ (13)
Commodity derivatives	5	1
Interest rate swaps	(21)	27
Total	<u>\$ (17)</u>	<u>\$ 15</u>

The following table presents the location and amount of the pre-tax gains (losses) on cash flow hedges reclassified from AOCI into the Company's consolidated statement of income (in millions):

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from AOCI into Income	Year Ended September 30,	
		2024	2023
Foreign currency exchange derivatives	Cost of sales	\$ 1	\$ (4)
Commodity derivatives	Cost of sales	—	(8)
Interest rate swaps	Net financing charges	—	—
Total		<u>\$ 1</u>	<u>\$ (12)</u>

The following table presents the location and amount of pre-tax gains (losses) on derivatives not designated as hedging instruments recognized in the Company's consolidated statement of income (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Year Ended September 30,	
		2024	2023
Foreign currency exchange derivatives	Cost of sales	\$ (5)	\$ (16)
Foreign currency exchange derivatives	Net financing charges	43	(103)
Foreign currency exchange derivatives	Selling, general and administrative	(1)	—
Interest rate swaps	Net financing charges	—	1
Equity swap	Selling, general and administrative	—	—
Total		<u>\$ 37</u>	<u>\$ (118)</u>

The following table presents pre-tax gains (losses) on net investment hedges recorded as foreign currency translation adjustments ("CTA") within other comprehensive income (loss) (in millions):

	Year Ended September 30,	
	2024	2023
Net investment hedges	\$ (173)	\$ (223)

No gains or losses were reclassified from CTA into income for the years ended September 30, 2024 and 2023.

12. FAIR VALUE MEASUREMENTS

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value (in millions):

	Fair Value Measurements Using:			
	Total as of September 30, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 20	\$ —	\$ 20	\$ —
Commodity derivatives	2	—	2	—
Other noncurrent assets				
Deferred compensation plan assets	56	56	—	—
Exchange traded funds (fixed income) ¹	81	81	—	—
Exchange traded funds (equity) ¹	200	200	—	—
Total assets	<u>\$ 359</u>	<u>\$ 337</u>	<u>\$ 22</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 25	\$ —	\$ 25	\$ —
Commodity derivatives	1	—	1	—
Contingent earn-out liabilities	14	—	—	14
Other noncurrent liabilities				
Contingent earn-out liabilities	14	—	—	14
Total liabilities	<u>\$ 54</u>	<u>\$ —</u>	<u>\$ 26</u>	<u>\$ 28</u>

¹Classified as restricted investments for payment of asbestos liabilities. Refer to Note 21, "Commitments and Contingencies" of the notes to consolidated financial statements for further details.

	Fair Value Measurements Using:			
	Total as of September 30, 2023	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	\$ 29	\$ —	\$ 29	\$ —
Interest rate swaps	22	—	22	—
Other noncurrent assets				
Cross-currency interest rate swaps	5	—	5	—
Deferred compensation plan assets	45	45	—	—
Exchange traded funds (fixed income) ¹	76	76	—	—
Exchange traded funds (equity) ¹	155	155	—	—
Total assets	<u>\$ 332</u>	<u>\$ 276</u>	<u>\$ 56</u>	<u>\$ —</u>
Other current liabilities				
Foreign currency exchange derivatives	\$ 25	\$ —	\$ 25	\$ —
Commodity derivatives	2	—	2	—
Contingent earn-out liabilities	48	—	—	48
Other noncurrent liabilities				
Contingent earn-out liabilities	76	—	—	76
Total liabilities	<u>\$ 151</u>	<u>\$ —</u>	<u>\$ 27</u>	<u>\$ 124</u>

¹Classified as restricted investments for payment of asbestos liabilities. Refer to Note 21, "Commitments and Contingencies" of the notes to consolidated financial statements for further details.

The following table summarizes the changes in contingent earn-out liabilities, which are valued using significant unobservable inputs (Level 3) (in millions):

Balance at September 30, 2023	\$	124
Payments		(26)
Reduction for change in estimates		(71)
Currency translation		1
Balance at September 30, 2024	<u>\$</u>	<u>28</u>

Valuation Methods

Commodity derivatives: The commodity derivatives are valued under a market approach using publicized prices, where available, or dealer quotes.

Contingent earn-out liabilities: The contingent earn-out liabilities are generally established using a Monte Carlo simulation based on the forecasted operating results and the earn-out formulas specified in the purchase agreements.

Cross-currency interest rate swaps: The fair value of cross-currency interest rate swaps represents the difference between the swap's reference rate and exchange rate and the interest and exchange rates for a similar instrument as of the reporting period. Cross-currency interest rate swaps are valued under a market approach using publicized prices.

Deferred compensation plan assets: Assets held in the deferred compensation plans will be used to pay benefits under certain of the Company's non-qualified deferred compensation plans. The investments primarily consist of mutual funds which are publicly traded on stock exchanges and are valued using a market approach based on the quoted market prices. Unrealized gains (losses) on the deferred compensation plan assets are recognized in the consolidated statement of income where they offset unrealized gains and losses on the related deferred compensation plan liability.

Exchange traded funds: Investments in exchange traded funds are valued using a market approach based on quoted market prices, where available, or broker/dealer quotes of identical or comparable instruments. Refer to Note 21, "Commitments and Contingencies," of the notes to consolidated financial statements for further information.

Foreign currency exchange derivatives: The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices.

Interest rate swaps: The fair value of interest rate swaps represents the difference between the swap's reference rate and the interest rate for a similar instrument as of the reporting period. Interest rate swaps are valued under a market approach using publicized prices.

The following table presents the portion of unrealized gains recognized in the consolidated statement of income that relate to equity securities still held at September 30, 2024 and 2023 (in millions):

	Year Ended September 30,	
	2024	2023
Deferred compensation plan assets	\$ 10	\$ 5
Investments in exchange traded funds	58	24

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values.

The fair value of long-term debt was as follows (in billions):

	September 30,	
	2024	2023
Public debt	\$ 8.1	\$ 7.1
Other long-term debt	0.2	0.4
Total fair value of long-term debt	<u>\$ 8.3</u>	<u>\$ 7.5</u>

The fair value of public debt was determined primarily using market quotes which are classified as Level 1 inputs within the ASC 820 fair value hierarchy. The fair value of other long-term debt was determined using quoted market prices for similar instruments and are classified as Level 2 inputs within the ASC 820 fair value hierarchy.

13. STOCK-BASED COMPENSATION

Unless otherwise noted, all activities and amounts reported in this footnote include both continuing operations of the Company and activities and amounts related to the R&LC HVAC business. See Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations" for additional details regarding divestiture of the R&LC HVAC business.

The Johnson Controls International plc 2021 Equity and Incentive Plan authorizes stock options, stock appreciation rights, restricted (non-vested) stock/units, performance shares, performance units and other stock-based awards. The Compensation and Talent Development Committee of the Company's Board of Directors determines the types of awards to be granted to individual participants and the terms and conditions of the awards. Annual awards are typically granted in the first quarter of the fiscal year. As of September 30, 2024, there were 55 million shares of the Company's common stock reserved and 36 million shares available for issuance under the 2021 Equity and Incentive Plan.

The following table summarizes stock-based compensation related charges and benefits (in millions):

	Year Ended September 30,	
	2024	2023
Compensation expense	\$ 100	\$ 101
Income tax benefit resulting from share-based compensation arrangements	25	25
Tax impact from exercise and vesting of equity settled awards	1	7

Compensation expense is recorded in selling, general and administrative expenses. The Company does not settle stock options granted under share-based payment arrangements in cash.

Restricted (Non-vested) Stock / Units

A summary of non-vested restricted stock awards at September 30, 2024, and changes for the year then ended, is presented below:

	Weighted Average Price	Shares/Units Subject to Restriction
Non-vested, September 30, 2023	\$ 64.90	2,807,113
Granted	55.05	2,090,092
Vested	63.75	(1,315,306)
Forfeited	61.42	(677,796)
Non-vested, September 30, 2024	<u>\$ 59.29</u>	<u>2,904,103</u>

At September 30, 2024, the Company had approximately \$120 million of total unrecognized compensation cost related to non-vested restricted stock arrangements granted which is expected to be recognized over a weighted-average period of 1.8 years.

Performance Share Awards (PSU's)

The following table summarizes the assumptions used in determining the fair value of performance share awards granted:

	Year Ended September 30,	
	2024	2023
Risk-free interest rate	4.21%	4.04%
Expected volatility of the Company's stock	27.20%	33.50%

A summary of the status of the Company's non-vested PSU's at September 30, 2024, and changes for the year then ended, is presented below:

	Weighted Average Price	Shares/Units Subject to PSU
Non-vested, September 30, 2023	\$ 71.77	867,524
Granted	54.13	370,307
Vested	50.53	(299,746)
Forfeited	73.83	(142,452)
Non-vested, September 30, 2024	<u>\$ 71.20</u>	<u>795,633</u>

At September 30, 2024, the Company had approximately \$27 million of total unrecognized compensation cost related to non-vested performance-based share unit awards which is expected to be recognized over a weighted-average period of 1.8 years.

Stock Options

The following table summarizes the assumptions used in determining the fair value of stock options granted:

	Year Ended September 30,	
	2024	2023
Expected life of option (years)	5.7	5.8
Risk-free interest rate	3.86%	3.59%
Expected volatility of the Company's stock	29.80%	29.40%
Expected dividend yield on the Company's stock	2.77%	2.10%

A summary of stock option activity at September 30, 2024, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2023	\$ 45.44	4,919,916		
Granted	53.52	652,702		
Exercised	40.39	(1,004,234)		
Forfeited or expired	63.47	(323,602)		
Outstanding, September 30, 2024	<u>\$ 46.51</u>	<u>4,244,782</u>	<u>5.72</u>	<u>\$ 133</u>
Exercisable, September 30, 2024	<u>\$ 41.21</u>	<u>3,141,132</u>	<u>4.16</u>	<u>\$ 115</u>

The following table summarizes additional stock option information:

	Year Ended September 30,	
	2024	2023
Weighted-average grant-date fair value of options granted	\$ 13.74	\$ 18.21
Intrinsic value of options exercised (in millions)	22	27

At September 30, 2024, the Company had approximately \$9 million of total unrecognized compensation cost related to non-vested stock options which is expected to be recognized over a weighted-average period of 1.6 years.

14. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share (in millions):

	Year Ended September 30,	
	2024	2023
Income Available to Ordinary Shareholders		
Income from continuing operations	\$ 1,407	\$ 1,562
Income from discontinued operations	298	287
Basic and diluted income available to shareholders	<u>\$ 1,705</u>	<u>\$ 1,849</u>
Weighted Average Shares Outstanding		
Basic weighted average shares outstanding	673.8	684.3
Effect of dilutive securities:		
Stock options, unvested restricted stock and unvested performance share awards	<u>2.2</u>	<u>3.1</u>
Diluted weighted average shares outstanding	<u>676.0</u>	<u>687.4</u>
Antidilutive Securities		
Stock options and unvested restricted stock	0.3	0.2

15. EQUITY

Authorized Share Capital

As of September 30, 2024, the Company's authorized share capital amounted to \$22 million and 40,000 euro, divided into 2 billion ordinary shares with a par value of \$0.01 per share, 200 million preferred shares with a par value of \$0.01 per share and 40,000 ordinary A shares with a par value of 1.00 euro per share. The authorized share capital includes 40,000 ordinary A shares with a par value of 1.00 euro per share in order to satisfy statutory requirements for the incorporation of all Irish public limited companies. The Parent Company may issue shares subject to the maximum prescribed by its authorized share capital contained in its memorandum of association. In connection with the re-domicile, the Company canceled all the outstanding treasury shares of JCI Inc., including shares held by subsidiaries, with an offsetting reduction in the Capital in excess of par value account.

Called-Up Share Capital

All ordinary shares issued at the effective time of the re-domicile were issued as fully paid-up and non-assessable. As of September 30, 2024, the Company's called-up share capital amounted to \$7 million, which is recorded in ordinary shares within the consolidated statement of financial position, comprised of 692,964,542 ordinary shares with a par value of \$0.01 per share. As of September 30, 2023, the Company's called-up share capital amounted to \$7 million, comprised of 709,968,796 ordinary shares with a par value of \$0.01 per share. There were no preferred shares or ordinary A shares issued as of September 30, 2024 and 2023.

Capital in excess of par value

Capital in excess of par value reflects the fair value of consideration received in excess of the par value of shares issued for stock option exercises, vesting of restricted stock units and other issuances of shares and is recorded in Capital in excess of par value within the consolidated statement of financial position. It also includes Parent Company share premium as defined by Irish law of \$768 million and \$738 million as of September 30, 2024 and 2023, respectively.

Dividends

The authority to declare and pay dividends is vested in the Board of Directors. The timing, declaration and payment of future dividends to holders of the Company's ordinary shares is determined by the Company's Board of Directors and depends upon many factors, including the Company's financial condition and results of operations, the capital requirements of the Company's businesses, industry practice and any other relevant factors.

Under Irish law, dividends may only be paid (and share repurchases and redemptions must generally be funded) out of "distributable reserves." The creation of distributable reserves was accomplished by way of a capital reduction, which the Irish High Court approved on December 18, 2014 and as acquired in conjunction with the Merger.

Share Repurchase Program

As of September 30, 2024, approximately \$1.7 billion remained available under the share repurchase program which was approved by the Company's Board of Directors in March 2021. The share repurchase program does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice.

Accumulated Other Comprehensive Income

The following table includes changes attributable to both continuing and discontinued operations in AOCI attributable to Johnson Controls (in millions, net of tax):

	Year Ended September 30,	
	2024	2023
Foreign currency translation adjustments		
Balance at beginning of period	\$ (970)	\$ (901)
Aggregate adjustment for the period	14	(69)
Balance at end of period	(956)	(970)
Realized and unrealized gains (losses) on derivatives		
Balance at beginning of period	15	(11)
Current period changes in fair value	(17)	19
Reclassification to income ⁽¹⁾	(1)	11
Net tax impact	(1)	(4)
Balance at end of period	(4)	15
Pension and postretirement plans		
Balance at beginning of period	—	1
Reclassification to income	(5)	(1)
Net tax impact	1	—
Balance at end of period	(4)	—
Accumulated other comprehensive loss, end of period	<u>\$ (964)</u>	<u>\$ (955)</u>

⁽¹⁾ Refer to Note 11, "Derivative Instruments and Hedging Activities," of the notes to consolidated financial statements for disclosure of the line items in the consolidated statement of income affected by reclassifications from AOCI into income related to derivatives.

16. RETIREMENT PLANS

Unless otherwise noted, all activities and amounts reported in this footnote include both continuing operations of the Company and activities and amounts related to the R&LC HVAC business. See Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations" for additional details regarding divestiture of the R&LC HVAC business.

Pension Benefits

The Company has non-contributory defined benefit pension plans covering certain U.S. and non-U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. The Company's U.S. pension plans no longer allow new participants to enter the plans and no longer accrue benefits. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974.

Funding for non-U.S. plans observes the local legal and regulatory limits. Also, the Company makes contributions to union-trusted pension funds for construction and service personnel.

The following table includes information for pension plans with accumulated benefit obligations ("ABO") in excess of plan assets (in millions):

	September 30,	
	2024	2023
Accumulated benefit obligation	\$ 331	\$ 1,834
Fair value of plan assets	149	1,618

The following table includes information for pension plans with projected benefit obligations ("PBO") in excess of plan assets (in millions):

	September 30,	
	2024	2023
Projected benefit obligation	\$ 344	\$ 1,846
Fair value of plan assets	163	1,633

The Company contributed \$25 million to the defined benefit plans in fiscal 2024 and expects to contribute approximately \$23 million in cash in fiscal 2025. None of contributions made by the Company were voluntary.

Projected benefit payments from the plans as of September 30, 2024 are estimated as follows (in millions):

2025	\$ 269
2026	240
2027	238
2028	231
2029	233
2030 - 2034	1,154

Postretirement Benefits

The Company provides certain health care and life insurance benefits for eligible retirees and their dependents primarily in the U.S. and Canada. Most non-U.S. employees are covered by government sponsored programs. The cost to the Company is not significant.

Eligibility for coverage is based on meeting certain years of service and retirement age qualifications. These benefits may be subject to deductibles, co-payment provisions and other limitations. The Company has reserved the right to modify these benefits.

The health care cost trend assumption does not have a significant effect on the amounts reported.

The following table includes information for postretirement plans with accumulated postretirement benefit obligations ("APBO") in excess of plan assets (in millions):

	September 30,	
	2024	2023
Accumulated postretirement benefit obligation	\$ 56	\$ 58
Fair value of plan assets	26	24

The Company contributed \$2 million to the postretirement benefit plans in fiscal 2024 and expects to contribute approximately \$2 million in cash in fiscal 2025.

Projected benefit payments from the plans as of September 30, 2024 are estimated as follows (in millions):

2025	\$ 9
2026	9
2027	9
2028	7
2029	6
2030 - 2034	25

Defined Contribution Plans

The Company sponsors various defined contribution savings plans that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, the Company will contribute to certain savings plans based on predetermined percentages of compensation earned by the employee and/or will match a percentage of the employee contributions up to certain limits. Defined contribution plan contributions charged to expense amounted to \$208 million, \$209 million and \$196 million during the years ended September 30, 2024, 2023 and 2022, respectively.

Multiemployer Benefit Plans

The Company contributes to multiemployer benefit plans based on obligations arising from collective bargaining agreements related to certain of its hourly employees in the U.S. These plans provide retirement benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. The trustees typically are responsible for determining the level of benefits to be provided to participants as well as for such matters as the investment of the assets and the administration of the plans.

The risks of participating in these multiemployer benefit plans are different from single-employer benefit plans in the following aspects:

- Assets contributed to the multiemployer benefit plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the multiemployer benefit plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company stops participating in some of its multiemployer benefit plans, it may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan, referred to as a withdrawal liability.

The Company participates in approximately 240 multiemployer benefit plans, none of which are individually significant to the Company. The number of employees covered by the Company's multiemployer benefit plans has remained consistent over the past three years, and there have been no significant changes that affect the comparability of fiscal 2024, 2023 and 2022 contributions. The Company recognizes expense for the contractually-required contribution for each period. The Company contributed \$80 million, \$67 million and \$71 million to multiemployer benefit plans during the years ended September 30, 2024, 2023 and 2022, respectively.

Based on the most recent information available, the Company believes that the present value of actuarial accrued liabilities in certain of these multiemployer benefit plans may exceed the value of the assets held in trust to pay benefits. Currently, the Company is not aware of any significant multiemployer benefit plans for which it is probable or reasonably possible that the Company will be obligated to make up any shortfall in funds. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a withdrawal liability. Currently, the Company is not aware of any multiemployer benefit plans for which it is probable or reasonably possible that the Company will have a significant withdrawal liability. Any accrual for a shortfall or withdrawal liability will be recorded when it is probable that a liability exists and it can be reasonably estimated.

Plan Assets

The Company's investment policies employ an approach whereby a mix of equities, fixed income and alternative investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed income investments. Equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small to large capitalization. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased and a target duration close to that of the plan liability. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements and periodic asset/liability studies. The majority of the real estate component of the portfolio is invested in a diversified portfolio of high-quality, operating properties with cash yields greater than the targeted appreciation. Investments in other alternative asset classes, including hedge funds, diversify the expected investment returns relative to the equity and fixed income investments. As a result of the Company's diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

The Company's actual asset allocations are in line with target allocations. The Company rebalances asset allocations as appropriate, in order to stay within a range of allocation for each asset category.

The expected return on plan assets is based on the Company's expectation of the long-term average rate of return of the capital markets in which the plans invest. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category.

The Company's plan assets at September 30, 2024 and 2023, by asset category, are as follows (in millions):

Asset Category	Fair Value Measurements Using:			
	Total as of September 30, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Pension				
Cash and Cash Equivalents	\$ 23	\$ —	\$ 23	\$ —
Equity Securities				
Large-Cap	19	19	—	—
Small-Cap	23	23	—	—
International - Developed	45	45	—	—
International - Emerging	8	8	—	—
Fixed Income Securities				
Government	265	265	—	—
Corporate/Other	786	784	2	—
Total Investments in the Fair Value Hierarchy	1,169	\$ 1,144	\$ 25	\$ —
Investments Measured at Net Asset Value⁽¹⁾				
Alternative	235			
Real Estate	266			
Due to Broker	(79)			
Total Plan Assets	\$ 1,591			
Non-U.S. Pension				
Cash and Cash Equivalents	\$ 42	\$ 42	\$ —	\$ —
Equity Securities				
Large-Cap	88	9	79	—
International - Developed	64	10	54	—
International - Emerging	3	—	3	—
Fixed Income Securities				
Government	789	26	763	—
Corporate/Other	417	282	135	—
Hedge Fund	22	—	22	—
Real Estate	11	11	—	—
Total Investments in the Fair Value Hierarchy	1,436	\$ 380	\$ 1,056	\$ —
Real Estate Investments Measured at Net Asset Value⁽¹⁾	89			
Total Plan Assets	\$ 1,525			
Postretirement				
Cash and Cash Equivalents	\$ 3	\$ 3	\$ —	\$ —
Equity Securities - Global	89	—	89	—
Total Investments in the Fair Value Hierarchy	92	\$ 3	\$ 89	\$ —
Multi-Credit Strategy Investments Measured at Net Asset Value⁽¹⁾	69			
Total Plan Assets	\$ 161			

Asset Category	Fair Value Measurements Using:			
	Total as of September 30, 2023	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>U.S. Pension</u>				
Cash and Cash Equivalents	\$ 61	\$ —	\$ 61	\$ —
Equity Securities				
Large-Cap	60	60	—	—
Small-Cap	65	65	—	—
International - Developed	108	108	—	—
International - Emerging	20	20	—	—
Fixed Income Securities				
Government	225	225	—	—
Corporate/Other	583	583	—	—
Total Investments in the Fair Value Hierarchy	1,122	\$ 1,061	\$ 61	\$ —
Investments Measured at Net Asset Value⁽¹⁾				
Alternative	211			
Real Estate	295			
Due to Broker	(129)			
Total Plan Assets	\$ 1,499			
<u>Non-U.S. Pension</u>				
Cash and Cash Equivalents	\$ 52	\$ 52	\$ —	\$ —
Equity Securities				
Large-Cap	52	9	43	—
International - Developed	52	12	40	—
International - Emerging	2	—	2	—
Fixed Income Securities				
Government	701	40	661	—
Corporate/Other	415	271	144	—
Hedge Fund	15	—	15	—
Real Estate	9	9	—	—
Total Investments in the Fair Value Hierarchy	1,298	\$ 393	\$ 905	\$ —
Real Estate Investments Measured at Net Asset Value⁽¹⁾	90			
Total Plan Assets	\$ 1,388			
<u>Postretirement</u>				
Cash and Cash Equivalents	\$ 8	\$ 8	\$ —	\$ —
Equity Securities - Global	71	—	71	—
Total Investments in the Fair Value Hierarchy	79	8	71	—
Multi-Credit Strategy Investments Measured at Net Asset Value⁽¹⁾	65			
Total Plan Assets	\$ 144			

⁽¹⁾The fair value of certain real estate, multi-credit strategy, and alternative investments do not have a readily determinable fair value and require the fund managers to independently arrive at fair value by calculating net asset value ("NAV") per share. In order to calculate NAV per share, the fund managers value the investments using any one, or a combination of, the following methods: independent third party appraisals, discounted cash flow analysis of net cash flows projected to be generated by the investment and recent sales of comparable investments. Assumptions used to revalue the investments are updated every quarter.

Due to the fact that the fund managers calculate NAV per share, the Company utilizes a practical expedient for measuring the fair value of its real estate, multi-credit strategy, and alternative investments, as provided for under ASC 820, "Fair Value Measurement." In applying the practical expedient, the Company is not required to further adjust the NAV provided by the fund manager in order to determine the fair value of its investments as the NAV per share is calculated in a manner consistent with the measurement principles of ASC 946, "Financial Services - Investment Companies," and as of the Company's measurement date. The Company believes this is an appropriate methodology to obtain the fair value of these assets. The fair value amounts presented in these tables are intended to permit reconciliation of total plan assets to the amounts presented in the notes to consolidated financial statements.

The following is a description of the valuation methodologies used for assets measured at fair value. Certain assets are held within commingled funds which are valued at the unitized NAV or percentage of the net asset value as determined by the manager of the fund. These values are based on the fair value of the underlying net assets owned by the fund.

Cash and Cash Equivalents: The fair value of cash and cash equivalents is valued at cost.

Equity Securities: The fair value of equity securities is determined by direct quoted market prices. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Fixed Income Securities: The fair value of fixed income securities is determined by direct or indirect quoted market prices. If indirect quoted market prices are utilized, the value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Hedge Funds: The fair value of hedge funds is accounted for by the custodian. The custodian obtains valuations from underlying managers based on market quotes for the most liquid assets and alternative methods for assets that do not have sufficient trading activity to derive prices. The Company and custodian review the methods used by the underlying managers to value the assets. The Company believes this is an appropriate methodology to obtain the fair value of these assets.

Real Estate: The fair value of real estate is determined by quoted market prices of the underlying Real Estate Investment Trusts ("REITs"), which are securities traded on an open exchange.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Funded Status

The following table contains the ABO and reconciliations of the changes in the PBO, the changes in plan assets and the funded status (in millions):

September 30,	Pension Benefits				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2024	2023	2024	2023	2024	2023
Accumulated Benefit Obligation	\$ 1,603	\$ 1,564	\$ 1,563	\$ 1,424	\$ 73	\$ 76
Change in Projected Benefit Obligation						
Projected benefit obligation at beginning of year	\$ 1,564	\$ 1,822	\$ 1,473	\$ 1,471	\$ 77	\$ 89
Service cost	—	—	17	16	—	—
Interest cost	79	78	69	68	4	4
Plan participant contributions	—	—	3	3	2	3
Actuarial loss (gain)	104	(37)	84	(62)	4	(7)
Benefits and settlements paid	(144)	(299)	(132)	(126)	(13)	(12)
Other	—	—	(3)	(3)	(1)	—
Currency translation adjustment	—	—	106	106	—	—
Projected benefit obligation at end of year	<u>\$ 1,603</u>	<u>\$ 1,564</u>	<u>\$ 1,617</u>	<u>\$ 1,473</u>	<u>\$ 73</u>	<u>\$ 77</u>
Change in Plan Assets						
Fair value of plan assets at beginning of year	\$ 1,499	\$ 1,730	\$ 1,388	\$ 1,433	\$ 144	\$ 144
Actual return on plan assets	234	66	137	(77)	26	7
Employer and employee contributions	2	3	26	55	4	5
Benefits paid	(144)	(85)	(67)	(61)	(13)	(12)
Settlement payments	—	(215)	(65)	(65)	—	—
Other	—	—	1	(2)	—	—
Currency translation adjustment	—	—	105	105	—	—
Fair value of plan assets at end of year	<u>\$ 1,591</u>	<u>\$ 1,499</u>	<u>\$ 1,525</u>	<u>\$ 1,388</u>	<u>\$ 161</u>	<u>\$ 144</u>
Funded status	<u>\$ (12)</u>	<u>\$ (65)</u>	<u>\$ (92)</u>	<u>\$ (85)</u>	<u>\$ 88</u>	<u>\$ 67</u>
Amounts recognized in the consolidated statement of financial position consist of:						
Other noncurrent assets	\$ 2	\$ 1	\$ 62	\$ 62	\$ 118	\$ 101
Noncurrent assets held for sale	—	—	52	35	—	—
Accrued compensation and benefits	(2)	(3)	(12)	(12)	(2)	(2)
Pension and postretirement benefit obligations	(12)	(63)	(166)	(143)	(28)	(32)
Noncurrent liabilities held for sale	—	—	(28)	(27)	—	—
Net amount recognized	<u>\$ (12)</u>	<u>\$ (65)</u>	<u>\$ (92)</u>	<u>\$ (85)</u>	<u>\$ 88</u>	<u>\$ 67</u>
Weighted Average Assumptions⁽¹⁾						
Discount rate ⁽²⁾	4.60 %	5.48 %	4.35 %	4.72 %	4.50 %	5.42 %
Rate of compensation increase	N/A	N/A	3.01 %	2.90 %	N/A	N/A
Interest crediting rate	N/A	N/A	1.58 %	1.63 %	N/A	N/A

⁽¹⁾ Plan assets and obligations are determined based on a September 30 measurement date at September 30, 2024 and 2023.

⁽²⁾ The Company considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, the Company uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension and postretirement plans, the Company uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension and postretirement plans, the Company consistently uses the relevant country specific benchmark indices for

determining the various discount rates. The Company has elected to utilize a full yield curve approach in the estimation of service and interest components of net periodic benefit cost (credit) for pension and other postretirement for plans that utilize a yield curve approach. The full yield curve approach applies the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

The fiscal 2024 net actuarial losses related to changes in the projected benefit obligation were primarily the result of the decrease in discount rates globally. The fiscal 2023 net actuarial gains related to changes in the projected benefit obligation were primarily the result of the increase in discount rates globally.

Net Periodic Benefit Cost

The following table contains the components of net periodic benefit costs, which are recorded in selling, general and administrative expenses or cost of sales consistent with the related employees' salaries in the consolidated statement of income (in millions):

Year ended September 30,	Pension Benefits				Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2024	2023	2024	2023	2024	2023
Components of Net Periodic Benefit Cost (Credit):						
Service cost	\$ —	\$ —	\$ 17	\$ 16	\$ —	\$ —
Interest cost	79	78	69	68	4	4
Expected return on plan assets	(120)	(131)	(72)	(77)	(9)	(9)
Net actuarial (gain) loss	(9)	28	22	86	(14)	(5)
Settlement loss	—	1	—	6	—	—
Amortization of prior service credit	—	—	—	—	(5)	(4)
Other	—	—	1	—	—	—
Net periodic benefit cost (credit)	<u>\$ (50)</u>	<u>\$ (24)</u>	<u>\$ 37</u>	<u>\$ 99</u>	<u>\$ (24)</u>	<u>\$ (14)</u>
Expense Assumptions:						
Discount rate	5.48 %	5.08 %	4.72 %	4.36 %	5.42 %	4.92 %
Expected return on plan assets	8.50 %	8.25 %	5.26 %	5.02 %	6.62 %	6.64 %
Rate of compensation increase	N/A	N/A	2.90 %	3.00 %	N/A	N/A
Interest crediting rate	6.00 %	N/A	1.63 %	1.69 %	N/A	N/A

17. RESTRUCTURING AND RELATED COSTS

To better align its resources with its growth strategies and reduce the cost structure of its global operations in certain underlying markets, the Company commits to restructuring plans as necessary. Restructuring activities generally result in charges for workforce reductions, plant closures, asset impairments and other related costs which are reported as restructuring and impairment costs in the Company's consolidated statement of income. The Company expects the restructuring actions to reduce cost of sales and SG&A due to reduced employee-related costs, depreciation and amortization expense.

During the fourth quarter of fiscal 2024, the Company completed its previous restructuring plan and committed to a new multi-year restructuring plan to address stranded costs and further right-size its global operations as a result of previously announced portfolio simplification actions. It is expected that one-time restructuring costs, including severance and other employee termination benefits, contract termination costs, and certain other related cash and non-cash charges, of approximately \$400 million will be incurred over the course of fiscal 2025, 2026 and 2027. Restructuring costs will be incurred across all segments and Corporate functions.

The following table summarizes restructuring and related costs (in millions):

	Year Ended September 30, 2024
Building Solutions North America	\$ 12
Building Solutions EMEA/LA	45
Building Solutions Asia Pacific	11
Global Products	38
Corporate	37
Total	<u>\$ 143</u>

The following table summarizes changes in the restructuring reserve, which is included within current provisions in the consolidated statement of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Other	Total
Restructuring and related costs	\$ 191	\$ 37	\$ 33	\$ 261
Utilized—cash	(98)	—	(18)	(116)
Utilized—noncash	—	(37)	(3)	(40)
Balance at September 30, 2023	93	—	12	105
Additional restructuring and related costs	71	41	31	143
Utilized—cash	(138)	—	(25)	(163)
Utilized—noncash	—	(41)	(1)	(42)
Other	32	—	—	32
Balance at September 30, 2024	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 75</u>

18. INCOME TAXES

The components of the Company's income tax provision from continuing operations are as follows (in millions):

	2024	2023
Tax expense at Ireland statutory rate of 12.5%	\$ 190	\$ 139
U.S. state income tax, net of federal benefit	42	30
Income subject to the U.S. federal tax rate	63	42
Income subject to rates different than the statutory rate	(204)	44
Reserve and valuation allowance adjustments	(139)	(559)
Intellectual property transactions and adjustments	—	(176)
Impact of acquisitions and divestitures	121	—
Restructuring and impairment costs	38	12
Income tax provision (benefit)	<u>\$ 111</u>	<u>\$ (468)</u>
Effective tax rate	7 %	(42)%

For fiscal 2024, the effective tax rate for continuing operations was 7% and was lower than the statutory tax rate primarily due to tax reserve adjustments as the result of tax audit resolutions and expired statute of limitations for certain tax years, valuation allowance adjustments and the benefits of continuing global tax planning initiatives, partially offset by the establishment of a deferred tax liability on the outside basis difference of the Company's investment in certain subsidiaries as a result of the planned divestiture of its R&LC HVAC business and the unfavorable impact of impairment and restructuring charges.

For fiscal 2023, the effective tax rate for continuing operations was (42)% and was lower than the statutory tax rate primarily due to the favorable tax impacts of intellectual property tax adjustments, tax reserve adjustments as the result of tax audit

resolutions and remeasurements, valuation allowance adjustments and the benefits of continuing global tax planning initiatives, partially offset by the unfavorable impact of impairment and restructuring charges.

Valuation Allowances

The Company reviews the realizability of its deferred tax assets and related valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

In fiscal 2024, due to changes in forecasted taxable income, the Company determined that it was more likely than not that certain deferred tax assets of Mexico and Germany would be realized. The valuation allowance adjustment resulted in a tax benefit of \$48 million.

In fiscal 2023, due to changes in forecasted taxable income, the Company determined that it was more likely than not that certain deferred tax assets of Canada, Mexico, and Spain would be realized. The valuation allowance adjustment resulted in a tax benefit of \$121 million.

The following table summarizes changes in the valuation allowance (in millions):

	2024	2023
Balance at beginning of period	\$ 6,279	\$ 5,906
Allowance provision for new operating and other loss carryforwards	215	544
Allowance reductions	(236)	(171)
Balance at end of period	<u>\$ 6,258</u>	<u>\$ 6,279</u>

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Judgment is required in determining the worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2024	2023
Beginning balance, October 1	\$ 2,158	\$ 2,485
Additions for tax positions related to the current year	39	59
Additions for tax positions of prior years	53	89
Reductions for tax positions of prior years	(35)	(23)
Settlements with taxing authorities	(35)	(6)
Statute closings and audit resolutions	(127)	(446)
Ending balance, September 30	<u>\$ 2,053</u>	<u>\$ 2,158</u>

The following table summarizes tax effected unrecognized tax benefits that, if recognized, would impact the effective tax rate and the related accrued interest, net of tax benefit (in millions):

	September 30,	
	2024	2023
Tax effected unrecognized tax benefits that, if recognized, would affect the effective tax rate	\$ 1,466	\$ 1,533
Net accrued interest	398	329

In fiscal 2024, as the result of tax audit resolutions and statute expirations in various jurisdictions, the Company adjusted its reserve for uncertain tax positions which resulted in a \$91 million net benefit to income tax expense.

In fiscal 2023, as the result of tax audit resolutions, statute expirations, and remeasurements of ongoing controversy matters in various jurisdictions, the Company adjusted its reserve for uncertain tax positions which resulted in a \$438 million net benefit to income tax expense.

In the U.S., fiscal years 2019 through 2020 are currently under audit and fiscal years 2017 through 2018 are currently under appeal with the Internal Revenue Service (“IRS”) for certain legal entities. In addition, fiscal years 2016 through 2019 are also under exam by the IRS in relation to a separate consolidated filing group. Additionally, the Company is currently under exam in the following major non-U.S. jurisdictions for continuing operations:

Tax Jurisdiction	Tax Years Covered
Belgium	2016 - 2017; 2019-2020
Germany	2007 - 2021
Mexico	2016 - 2019
United Kingdom	2014 - 2015; 2018; 2020 - 2021

It is reasonably possible that certain tax examinations and/or tax litigation will conclude within the next twelve months, which could have a material impact on tax expense. Based upon the circumstances surrounding these examinations, the impact is not currently quantifiable.

Other Tax Matters

During fiscal 2024 and 2023, the Company incurred charges for restructuring and impairment costs of \$510 million and \$1,049 million, which generated tax benefits of \$26 million and \$120 million, respectively.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On December 18, 2023, the president of Ireland signed into law the Finance (No. 2) Bill 2023, which included legislation regarding the implementation of the Pillar Two global minimum tax. The Pillar Two legislation is effective for the Company’s fiscal year beginning October 1, 2024.

On September 11, 2023, the Schaffhausen parliament approved a partial revision of the cantonal act on direct taxation: Immediate Minimum Taxation Measure (“IMTM”). On November 19, 2023, IMTM was approved in a public referendum in the canton of Schaffhausen, was published in the cantonal official gazette on December 8, 2023, and was effective starting January 1, 2024. The IMTM increased Switzerland’s combined statutory income tax rate to approximately 15%. As a result, in fiscal 2024, the Company recorded a noncash discrete net tax benefit of \$80 million due to the remeasurement of deferred tax assets and liabilities related to Switzerland and the canton of Schaffhausen.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act (“IRA”) which, among other things, created a new book minimum tax of at least 15% of consolidated GAAP pre-tax income for corporations with average book income in excess of \$1 billion. The book minimum tax was first applicable in fiscal 2024 and did not have a material impact on the Company’s effective tax rate.

During fiscal 2024 and 2023, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the Company’s consolidated financial statements.

Selected Income Tax Data

Selected income tax data related to continuing operations were as follows (in millions):

	2024	2023
Components of income (loss) from continuing operations before income taxes:		
U.S.	\$ (406)	\$ (325)
Non-U.S.	1,928	1,438
Income from continuing operations before income taxes	<u>\$ 1,522</u>	<u>\$ 1,113</u>
Components of the provision (benefit) for income taxes:		
Current		
U.S. federal	\$ 330	\$ (201)
U.S. state	86	94
Non-U.S.	102	289
	<u>518</u>	<u>182</u>
Deferred		
U.S. federal	(299)	(267)
U.S. state	(26)	(25)
Non-U.S.	(82)	(358)
	<u>(407)</u>	<u>(650)</u>
Income tax provision (benefit)	<u>\$ 111</u>	<u>\$ (468)</u>
Income taxes paid	<u>\$ 704</u>	<u>\$ 294</u>

At September 30, 2024 and 2023, the Company recorded within the consolidated statement of financial position in other current assets approximately \$100 million and \$65 million, respectively, of income tax assets. At September 30, 2024 and 2023, the Company recorded within the consolidated statement of financial position in other current liabilities approximately \$211 million and \$249 million, respectively, of accrued income tax liabilities.

At September 30, 2024, the Company has not provided U.S. or non-U.S. income taxes on approximately \$24.5 billion of outside basis differences of consolidated subsidiaries of Johnson Controls International plc. The Company is indefinitely reinvested in these basis differences. The reduction of the outside basis differences via the sale or liquidation of these subsidiaries and/or distributions could create taxable income. The Company's intent is to reduce the outside basis differences only when it would be tax efficient. Given the numerous ways in which the basis differences may be reduced, it is not practicable to estimate the amount of unrecognized withholding taxes and deferred tax liability on the outside basis differences.

Deferred taxes were classified in the consolidated statement of financial position as follows (in millions):

	September 30,	
	2024	2023
Other noncurrent assets	\$ 1,969	\$ 1,480
Noncurrent provisions	(301)	(316)
Net deferred tax asset	<u>\$ 1,668</u>	<u>\$ 1,164</u>

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities included (in millions):

	September 30,	
	2024	2023
Deferred tax assets		
Accrued expenses and reserves	\$ 661	\$ 469
Employee and retiree benefits	43	88
Property, plant and equipment	729	638
Net operating loss and other credit carryforwards	6,628	6,667
Research and development	219	171
Intangible assets	306	—
Operating lease liabilities	294	341
Other, net	455	269
	<u>9,335</u>	<u>8,643</u>
Valuation allowances	<u>(6,258)</u>	<u>(6,279)</u>
	<u>3,077</u>	<u>2,364</u>
Deferred tax liabilities		
Subsidiaries, joint ventures and partnerships	440	359
Intangible assets	—	248
Operating lease right-of-use assets	294	341
Other liabilities	675	252
	<u>1,409</u>	<u>1,200</u>
Net deferred tax asset	<u>\$ 1,668</u>	<u>\$ 1,164</u>

At September 30, 2024, the Company had available net operating loss carryforwards of approximately \$22.1 billion, of which \$11.8 billion will expire at various dates between 2025 and 2044, and the remainder has an indefinite carryforward period. The Company had available U.S. foreign tax credit carryforwards at September 30, 2024 of \$35 million which will expire in 2029. The valuation allowance, generally, is for loss and credit carryforwards for which realization is uncertain because it is unlikely that the losses and/or credits will be realized given the lack of sustained profitability and/or limited carryforward periods in certain countries.

Deferred taxation activity for fiscal 2024 is as follows:

At September 30, 2023	\$ 1,164
Benefit, net	410
Acquisitions and divestitures	100
Currency translation and other	(6)
At September 30, 2024	<u>\$ 1,668</u>

19. SEGMENT INFORMATION

ASC 280, "Segment Reporting," establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has four reportable segments for financial reporting purposes.

The Company conducts its business through four business segments:

- *Building Solutions North America* which operates in the United States and Canada;
- *Building Solutions EMEA/LA* which operates in Europe, the Middle East, Africa and Latin America;
- *Building Solutions Asia Pacific* which operates in Asia Pacific; and
- *Global Products* which operates worldwide.

The Building Solutions segments:

- Design, sell, install and service HVAC, controls, building management, refrigeration, integrated electronic security and integrated fire-detection and suppression systems; and
- Provide energy-efficiency solutions and technical services, including data-driven "smart building" solutions as well as inspection, scheduled maintenance, and repair and replacement of mechanical and controls systems.

The Global Products segment designs, manufactures and sells:

- HVAC equipment, controls software and software services;
- Refrigeration equipment and controls;
- Fire protection and suppression; and
- Security products, including intrusion security, anti-theft devices, access control, and video surveillance and management systems.

The Company's segments provide products and services primarily to commercial, institutional, industrial, data center, and governmental customers.

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income from continuing operations before income taxes and noncontrolling interests, excluding amortization of intangible assets, corporate expenses, restructuring and impairment costs, the water systems AFFF settlement costs and AFFF insurance recoveries, net financing charges, loss on divestiture and net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments.

Financial information relating to the Company's reportable segments is as follows (in millions):

	Year Ended September 30,	
	2024	2023
Net Sales		
Building Solutions North America	\$ 11,348	\$ 10,330
Building Solutions EMEA/LA	4,296	4,096
Building Solutions Asia Pacific	2,237	2,746
Global Products	5,071	5,159
Total net sales	<u>\$ 22,952</u>	<u>\$ 22,331</u>
	Year Ended September 30,	
	2024	2023
Segment EBITA		
Building Solutions North America	\$ 1,663	\$ 1,394
Building Solutions EMEA/LA ⁽¹⁾	391	316
Building Solutions Asia Pacific	261	343
Global Products	1,403	1,317
Total segment EBITA	<u>3,718</u>	<u>3,370</u>
Amortization of intangible assets	476	426
Corporate expenses	490	429
Restructuring and impairment costs	510	1,049
Water systems AFFF settlement ⁽²⁾	750	—
AFFF insurance recoveries ⁽²⁾	(367)	—
Net financing charges	342	258
Loss on divestiture	42	—
Net mark-to-market (gain) loss	(47)	95
Income from continuing operations before income taxes	<u>\$ 1,522</u>	<u>\$ 1,113</u>

- (1) EBITA for the Building Solutions EMEA/LA segment includes equity income (loss) of \$(39) million and \$1 million for the years ended September 30, 2024 and 2023, respectively.
- (2) Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further disclosure related to the water systems AFFF settlement and insurance recoveries.

	September 30,		
	2024	2023	2022
Assets			
Building Solutions North America	\$ 16,159	\$ 15,603	\$ 15,226
Building Solutions EMEA/LA ⁽¹⁾	5,072	5,202	4,991
Building Solutions Asia Pacific	2,571	2,645	2,474
Global Products	10,011	10,844	10,620
	33,813	34,294	33,311
Assets held for sale	4,805	4,657	4,700
Unallocated	4,077	3,291	4,147
Total	<u>\$ 42,695</u>	<u>\$ 42,242</u>	<u>\$ 42,158</u>

- (1) Assets for the Building Solutions EMEA/LA segment includes investments in partially-owned affiliates of \$57 million and \$130 million as of September 30, 2024 and 2023, respectively.

	Year Ended September 30,	
	2024	2023
Depreciation/Amortization		
Building Solutions North America	\$ 248	\$ 225
Building Solutions EMEA/LA	105	101
Building Solutions Asia Pacific	19	23
Global Products	325	351
	697	700
Corporate	119	45
Total	<u>\$ 816</u>	<u>\$ 745</u>

	Year Ended September 30,	
	2024	2023
Capital Expenditures		
Building Solutions North America	\$ 53	\$ 104
Building Solutions EMEA/LA	105	119
Building Solutions Asia Pacific	15	33
Global Products	153	140
	326	396
Corporate	168	50
Total	<u>\$ 494</u>	<u>\$ 446</u>

In fiscal 2024 and 2023, no customer exceeded 10% of consolidated net sales.

Geographic Segments

Financial information relating to the Company's operations by geographic area is as follows (in millions):

	Year Ended September 30,	
	2024	2023
Net Sales		
United States	\$ 13,171	\$ 12,408
Europe	4,486	4,366
Asia Pacific	2,856	3,427
Other Non-U.S.	2,439	2,130
Total	<u>\$ 22,952</u>	<u>\$ 22,331</u>
Long-Lived Assets (Year-end)		
United States	\$ 1,137	\$ 1,277
Europe	613	479
Asia Pacific	252	233
Other Non-U.S.	401	385
Total	<u>\$ 2,403</u>	<u>\$ 2,374</u>

Net sales attributed to geographic locations are based on the location of where the sale originated. Long-lived assets by geographic location consist of net property, plant and equipment.

20. GUARANTEES

Certain of the Company's subsidiaries at the business segment level have guaranteed the performance of third-parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from the current fiscal year through the completion of such transactions and would typically be triggered in the event of nonperformance. Performance under the guarantees, if required, would not have a material effect on the Company's financial position, results of operations or cash flows.

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale.

The changes in the carrying amount of the Company's total product warranty liability were as follows (in millions).

	Year Ended September 30,	
	2024	2023
Balance at beginning of period	\$ 91	\$ 66
Accruals for warranties issued during the period	85	72
Settlements made (in cash or in kind) during the period	(87)	(46)
Changes in estimates to pre-existing warranties	31	(2)
Accruals from acquisitions and divestitures	—	1
Currency translation	2	—
Balance at end of period	<u>\$ 122</u>	<u>\$ 91</u>

21. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. The following table presents the location and amount of reserves for environmental liabilities in the Company's consolidated statement of financial position (in millions):

	September 30,	
	2024	2023
Current provisions	\$ 32	\$ 28
Noncurrent provisions	179	211
Total reserves for environmental liabilities	<u>\$ 211</u>	<u>\$ 239</u>

The Company periodically examines whether the contingent liabilities related to the environmental matters described below are probable and reasonably estimable based on experience and ongoing developments in those matters, including continued study and analysis of ongoing remediation obligations. The Company expects that it will pay the amounts recorded over an estimated period of up to 20 years. The Company is not able to estimate a possible loss or range of loss, if any, in excess of the established accruals for environmental liabilities at this time.

A substantial portion of the Company's environmental reserves relates to ongoing long-term remediation efforts to address contamination relating to Aqueous Film Forming Foam ("AFFF") containing perfluorooctane sulfonate ("PFOS"), perfluorooctanoic acid ("PFOA"), and/or other per- and poly-fluoroalkyl substances ("PFAS") at or near the Tyco Fire Products L.P. ("Tyco Fire Products") Fire Technology Center ("FTC") located in Marinette, Wisconsin and surrounding areas in the City of Marinette and Town of Peshtigo, Wisconsin, as well as the continued remediation of PFAS, arsenic and other contaminants at the Tyco Fire Products Stanton Street manufacturing facility also located in Marinette, Wisconsin (the "Stanton Street Facility").

PFOA, PFOS, and other PFAS compounds are being studied by the U.S. Environmental Protection Agency ("EPA") and other environmental and health agencies and researchers. In March 2021, EPA published its final determination to regulate PFOS and PFOA in drinking water. On April 10, 2024, EPA announced the final National Primary Drinking Water Regulation ("NPDWR") for six PFAS compounds including PFOA and PFOS. The NPDWR established legally enforceable levels, called Maximum Contaminant Levels, of 4.0 parts per trillion ("ppt") for each of PFOA and PFOS, 10 ppt for each of PFHxS, PFNA, and HFPO-DA (commonly known as GenX Chemicals), and a Hazard Index of one for mixtures containing two or more of PFHxS, PFNA, HFPO-DA, and PFBA. In February 2024, EPA released two proposed rules relating to PFAS under the Resource Conservation and Recovery Act ("RCRA"): one rule proposes to list nine PFAS (including PFOA and PFOS) as "hazardous constituents," and a second rule proposes to clarify that hazardous waste regulated under the rule includes not only substances listed or identified as hazardous waste in the regulations, but also any substances that meet the statutory definition of hazardous waste.

In August 2022, EPA published a proposed rule that would designate PFOA and PFOS as "hazardous substances" under Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). In April 2023, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") seeking input on whether it should expand the proposed rule to designate as "hazardous substances" under CERCLA: (1) seven additional PFAS; (2) the precursors to PFOA, PFOS, and the seven additional PFAS; or (3) entire categories of PFAS. On April 17, 2024, the EPA Administrator signed the final rule designating PFOA and PFOS, along with their salts and structural isomers, as "hazardous substances."

It is not possible to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the financial viability of other potentially responsible parties and third-party indemnitors, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, changes in environmental regulations, changes in permissible levels of specific compounds in soil, groundwater and drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. It is possible that technological, regulatory or enforcement developments, the results of additional environmental studies or other factors could change the Company's expectations with respect to future charges and cash outlays, and such changes could be material to the Company's future results of operations, financial condition or cash

flows. Nevertheless, the Company does not currently believe that any claims, penalties or costs in addition to the amounts accrued will have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities. Conditional asset retirement obligations were \$7 million and \$8 million at September 30, 2024 and 2023, respectively.

FTC-Related Matters

FTC Remediation

The use of fire-fighting foams at the FTC was primarily for training and testing purposes to ensure that such products sold by the Company's affiliates, Chemguard, Inc. ("Chemguard") and Tyco Fire Products, were effective at suppressing high intensity fires that may occur at military installations, airports or elsewhere. During the three months ended June 30, 2024, Tyco Fire Products completed its previously announced plan to discontinue the production and sale of fluorinated firefighting foams, including AFFF products, and has transitioned to non-fluorinated foam alternatives.

Tyco Fire Products has been engaged in remediation activities at the Stanton Street Facility since 1990. Its corporate predecessor, Ansul Incorporated ("Ansul"), manufactured arsenic-based agricultural herbicides at the Stanton Street Facility, which resulted in significant arsenic contamination of soil and groundwater on the site and in parts of the adjoining Menominee River. In 2009, Ansul entered into an Administrative Consent Order (the "Consent Order") with the EPA to address the presence of arsenic at the site. Under this agreement, Tyco Fire Products' principal obligations are to contain the arsenic contamination on the site, pump and treat on-site groundwater, dredge, treat and properly dispose of contaminated sediments in the adjoining river areas, and monitor contamination levels on an ongoing basis. Activities completed under the Consent Order since 2009 include the installation of a subsurface barrier wall around the facility to contain contaminated groundwater, the installation and ongoing operation and monitoring of a groundwater extraction and treatment system and the dredging and offsite disposal of treated river sediment. In addition to ongoing remediation activities, the Company is also working with the Wisconsin Department of Natural Resources ("WDNR") to investigate and remediate the presence of PFAS at or near the Stanton Street Facility as part of the evaluation and remediation of PFAS in the Marinette region.

Tyco Fire Products is operating and monitoring at the FTC a Groundwater Extraction and Treatment System ("GETS"), a permanent groundwater remediation system that extracts groundwater containing PFAS, treats it using advanced filtration systems, and returns the treated water to the environment. Tyco Fire Products has also completed the removal and disposal of PFAS-affected soil from the FTC. The Company's reserves for continued remediation of the FTC, the Stanton Street Facility and surrounding areas in Marinette and Peshtigo are based on estimates of costs associated with the long-term remediation actions, including the continued operation of the GETS, the implementation of long-term drinking water solutions for the area impacted by groundwater migrating from the FTC, continued monitoring and testing of groundwater monitoring wells, the operation and wind-down of other legacy remediation and treatment systems and the completion of ongoing investigation obligations.

FTC-Related Litigation

On June 21, 2019, the WDNR announced that it had received from the Wisconsin Department of Health Services ("WDHS") a recommendation for groundwater quality standards as to, among other compounds, PFOA and PFOS. The WDHS recommended a groundwater enforcement standard for PFOA and PFOS of 20 parts per trillion. Although Wisconsin approved final regulatory standards for PFOA and PFOS in drinking water and surface water in February 2022, the Wisconsin Natural Resources Board did not approve WDNR's proposed standards for PFOA and PFOS in groundwater. In August 2024, WDNR issued a new proposed rule to adopt the EPA Maximum Contaminant Levels for PFAS in drinking water. The WDNR initiated a rulemaking proceeding that would establish groundwater quality standards for PFOA, PFOS, perfluorobutane sulfonic acid and its potassium salt ("PFBS") and hexafluoropropylene oxide dimer acid and its ammonium salt ("HFPO-DA"). Pursuant to state law, the WDNR has stopped work on the proposed rule and notified the state legislature that, following economic analysis, the proposed costs would exceed statutory thresholds. As a result, the state legislature is required to authorize the WDNR to allow the rulemaking to continue.

In July 2019, the Company received a letter from the WDNR directing the expansion of the evaluation of PFAS in the Marinette region to include (1) biosolids sludge produced by the City of Marinette Waste Water Treatment Plant and spread on certain fields in the area and (2) the Menominee and Peshtigo Rivers. On October 16, 2019, the WDNR issued a "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. regarding the WDNR's July 2019 letter. The WDNR issued a further letter regarding the issue on November 4, 2019. In February 2020, the WDNR sent a letter to Tyco Fire Products and

Johnson Controls, Inc. further directing the expansion of the evaluation of PFAS in the Marinette region to include investigation activities south and west of the previously defined FTC study area. In September 2021, the WDNR sent an additional “Notice of Noncompliance” to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids, which reviewed and responded to the Company’s biosolids investigation conducted to that date. On April 10, 2023, the WDNR issued a third “Notice of Noncompliance” to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids in the Marinette region. Tyco Fire Products and Johnson Controls, Inc. believe that they have complied with all applicable environmental laws and regulations. The Company cannot predict what regulatory or enforcement actions, if any, might result from the WDNR’s actions, or the consequences of any such actions, including the potential assessment of penalties.

In March 2022, the Wisconsin Department of Justice (“WDOJ”) filed a civil enforcement action against Johnson Controls Inc. and Tyco Fire Products in Wisconsin state court relating to environmental matters at the FTC (*State of Wisconsin v. Tyco Fire Products, LP and Johnson Controls, Inc.*, Case No. 22-CX-1 (filed March 14, 2022 in Circuit Court in Marinette County, Wisconsin)). The WDOJ alleges that the Company failed to timely report the presence of PFAS chemicals at the FTC, and that the Company has not sufficiently investigated or remediated PFAS at or near the FTC. The WDOJ seeks monetary penalties and an injunction ordering these two subsidiaries to complete a site investigation and cleanup of PFAS contamination in accordance with the WDNR’s requests. The parties are engaged in summary judgment and pretrial motions. The Court has continued the trial previously scheduled for March 3, 2025 and has not yet set a new trial date.

In October 2022, the Town of Peshtigo filed a tort action in Wisconsin state court against Tyco Fire Products, Johnson Controls Inc., Chemguard, Inc., and ChemDesign, Inc. relating to environmental matters at the FTC (*Town of Peshtigo v. Tyco Fire Products L.P. et al.*, Case No. 2022CV000234 (filed October 18, 2022 in Circuit Court in Marinette County, Wisconsin)). The Town alleges that use of AFFF products at the FTC caused contamination of water supplies in Peshtigo. The Town seeks monetary penalties and an injunction ordering abatement of PFAS contamination in Peshtigo. The case has been removed to federal court and transferred to a multi-district litigation (“MDL”) before the United States District Court for the District of South Carolina.

In November 2022, individuals filed six actions in Dane County, Wisconsin alleging personal injury and/or property damage against Tyco Fire Products, Johnson Controls Inc., Chemguard, and other unaffiliated defendants related to environmental matters at the FTC. Plaintiffs allege that use of AFFF products at the FTC and activities by third parties unrelated to the Company contaminated nearby drinking water sources, surface waters, and other natural resources and properties, including their personal properties. The individuals seek monetary damages for their personal injury and/or property damage. These lawsuits have been transferred to the MDL. Subsequently, several additional plaintiffs have direct-filed in the MDL complaints with similar allegations.

The Company is vigorously defending each of these cases and believes that it has meritorious defenses, but it is presently unable to predict the duration, scope, or outcome of these actions.

Aqueous Film-Forming Foam (“AFFF”) Matters

AFFF Litigation

Two of the Company’s subsidiaries, Chemguard and Tyco Fire Products, have been named, along with other defendant manufacturers, suppliers and distributors, and, in some cases, certain subsidiaries of the Company affiliated with Chemguard and Tyco Fire Products, in a number of class action and other lawsuits relating to the use of fire-fighting foam products by the U.S. Department of Defense (the “DOD”) and others for fire suppression purposes and related training exercises. Plaintiffs generally allege that the firefighting foam products contain or break down into the chemicals PFOS and PFOA and/or other PFAS compounds and that the use of these products by others at various airbases, airports and other sites resulted in the release of these chemicals into the environment and ultimately into communities’ drinking water supplies neighboring those airports, airbases and other sites. Plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, diminution in property values, investigation and remediation costs, and natural resources damages, and also seek punitive damages and injunctive relief to address remediation of the alleged contamination.

In September 2018, Tyco Fire Products and Chemguard filed a Petition for Multidistrict Litigation with the United States Judicial Panel on Multidistrict Litigation (“JPML”) seeking to consolidate all existing and future federal cases into one jurisdiction. On December 7, 2018, the JPML issued an order transferring various AFFF cases to the MDL. Additional cases have been identified for transfer to or are being directly filed in the MDL.

AFFF Municipal and Water Provider Cases

Chemguard and Tyco Fire Products have been named as defendants in more than 970 cases in federal and state courts involving municipal or water provider plaintiffs that were filed in state or federal courts originating from 35 states and territories. The vast majority of these cases have been transferred to or were directly filed in the MDL, and it is anticipated that the remaining cases will be transferred to the MDL. These municipal and water provider plaintiffs generally allege that the use of the defendants' fire-fighting foam products at fire training academies, municipal airports, Air National Guard bases, or Navy or Air Force bases released PFOS and PFOA into public water supply wells and/or other public property, allegedly requiring remediation.

Tyco Fire Products and Chemguard are also periodically notified by other municipal entities that those entities may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

Water Systems AFFF Settlement Agreement

On April 12, 2024, Tyco Fire Products agreed to a settlement with a nationwide class of public water systems that detected PFAS in their drinking water systems that they allege to be associated with the use of AFFF. Under the terms of the agreement, Tyco Fire Products agreed to contribute \$750 million to resolve these PFAS claims. The settlement releases these claims against Tyco Fire Products, Chemguard, and other related corporate entities. In connection with the settlement, a charge for \$750 million was recorded in selling, general and administrative expenses in the consolidated statement of income.

On November 22, 2024, the Court entered final approval of the settlement agreement. In accordance with the terms of the settlement agreement, Tyco Fire Products made its final required payment in December 2024 and has paid the full settlement amount of \$750 million. During fiscal 2024, the Company recorded expected insurance recoveries of \$371 million in selling, general and administrative expenses in the consolidated statement of income and collected insurance recoveries of \$349 million. In accordance with its agreement and recent insurance recovery, Tyco Fire Products made an additional payment during the fourth quarter of fiscal 2024 of approximately \$85 million, reducing its final payment to approximately \$415 million. The amounts and timing of any additional insurance recoveries are uncertain.

The class of public water systems included in this settlement broadly includes any public water system (as defined in the settlement agreement) that has detected PFAS in its drinking water sources as of May 15, 2024. The following systems are excluded from the settlement class: water systems owned and operated by a State or the United States government; systems that have not detected the presence of PFAS as of May 15, 2024; small transient water systems; privately-owned drinking water wells; and the water system in the city of Marinette, Wisconsin (which is included only if it so requests). The settlement does not resolve claims of public water systems that request exclusion from the class ("opt out") pursuant to the process to be established by the MDL court. It also does not resolve potential future claims of public water systems that detect PFAS in their water systems for the first time after May 15, 2024, or certain claims not related to drinking water, such as separate alleged claims relating to real property damage or stormwater or wastewater treatment. Finally, this settlement does not affect the other categories of cases that remain at issue in the MDL, such as personal injury cases, property damage cases, other types of class actions, claims brought by state or territory attorneys general, or other types of damages alleged to be related to the historical use of AFFF manufactured and sold by Tyco Fire Products and Chemguard. While it is reasonably possible that the excluded systems or claims could result in additional future lawsuits, claims, assessments or proceedings, it is not possible to predict the outcome of any such matters, and as such, the Company is unable to develop an estimate of a possible loss or range of losses, if any, at this time.

The settlement does not constitute an admission of liability or wrongdoing by Tyco Fire Products or Chemguard. If the MDL court's approval does not become final or certain terms are not fulfilled, Tyco Fire Products and Chemguard will continue to defend themselves in the litigation.

AFFF Putative Class Actions

Chemguard and Tyco Fire Products are named in 45 pending putative class actions in federal courts originating from 18 states and territories. All of these cases have been direct-filed in or transferred to the MDL. In addition, six proposed class actions were filed in Canada (British Columbia, Manitoba, Quebec and Ontario) in the past year, which name Tyco Fire Products and other manufacturers as defendants, on behalf of various classes of members (including individuals and government entities) who seek to recover for remediation (past and future) costs, claim property or other environmental damages, or claim personal injuries or other harms arising from alleged exposure to or contamination with PFAS or PFAS-containing products (including AFFF).

AFFF Individual or Mass Actions

There are more than 8,500 individual or “mass” actions pending that were filed in state or federal courts originating from 52 states and territories against Chemguard and Tyco Fire Products and other defendants in which the plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, and alleged diminution in property values. The cases involve plaintiffs from various states including approximately 7,000 plaintiffs in Colorado and more than 8,500 other plaintiffs. The vast majority of these matters have been tagged for transfer to, transferred to, or directly-filed in the MDL, and it is anticipated that several newly-filed state court actions will be similarly tagged and transferred. There are several matters that are proceeding in state courts, including actions in Arizona, Illinois and Wisconsin.

Tyco and Chemguard are also periodically notified by other individuals that they may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

AFFF State or U.S. Territory Attorneys General Litigation

In June 2018, the State of New York filed a lawsuit in New York state court (*State of New York v. The 3M Company et al* No. 904029-18 (N.Y. Sup. Ct., Albany County)) against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at locations across New York, including Stewart Air National Guard Base in Newburgh and Gabreski Air National Guard Base in Southampton, Plattsburgh Air Force Base in Plattsburgh, Griffiss Air Force Base in Rome, and unspecified “other” sites throughout the State. The lawsuit seeks to recover costs and natural resource damages associated with contamination at these sites. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL.

In February 2019, the State of New York filed a second lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In July 2019, the State of New York filed a third lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In November 2019, the State of New York filed a fourth lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to federal court and transferred to the MDL.

In April 2021, the State of Alaska filed a lawsuit in the superior court of the State of Alaska against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State’s land and natural resources allegedly resulting from the use of firefighting foams at various locations throughout the State. The State’s case has been removed to federal court and transferred to the MDL. The State of Alaska has also named a number of manufacturers and other defendants, including affiliates of the Company, as third-party defendants in two cases brought by individuals against the State. These two cases have also been transferred to the MDL.

In early November 2021, the Attorney General of the State of North Carolina filed four individual lawsuits in the superior courts of the State of North Carolina against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State’s land, natural resources, and property allegedly resulting from the use of firefighting foams at four separate locations throughout the State. These four cases have been removed to federal court and transferred to the MDL. In October 2022, the Attorney General filed two similar lawsuits in the superior courts of the State of North Carolina regarding alleged PFAS damages at two additional locations. These two cases have also been removed to federal court and transferred to the MDL.

In addition, 33 other states and territories have filed 35 lawsuits against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFAS damage of each of those State’s environmental and natural resources allegedly resulting from the manufacture, storage, sale, distribution, marketing, and use of PFAS-containing AFFF within each respective State. The states and territories are: Arkansas, Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Hawaii, Illinois, Indiana, Kentucky, Massachusetts, Maryland, Maine, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Vermont,

Washington, Wisconsin, Guam, the Northern Mariana Islands, and Puerto Rico. All of these complaints, if not filed directly in the MDL, have been removed to federal court and transferred to the MDL.

Other AFFF Related Matters

In March 2020, the Kalispel Tribe of Indians (a federally recognized Tribe) and two tribal corporations filed a lawsuit in the United States District Court for the Eastern District of Washington against a number of manufacturers, including affiliates of the Company, and the United States with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF by the United States Air Force at and around Fairchild Air Force Base in eastern Washington. This case has been transferred to the MDL.

In October 2022, the Red Cliff Band of Lake Superior Chippewa Indians (a federally recognized tribe) filed a lawsuit in the United States District Court for the Western District of Wisconsin against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota. This complaint has been transferred to the MDL.

In July 2023, the Fond du Lac Band of Lake Superior Chippewa (a federally recognized tribe) direct-filed a lawsuit in the MDL against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota.

The Company is vigorously defending all of the above AFFF matters and believes that it has meritorious defenses to class certification and the claims asserted, including statutes of limitations, the government contractor defense, various medical and scientific defenses, and other factual and legal defenses. The Company has a historical general liability insurance program and is pursuing coverage under the program from various insurers through insurance claims discussions and litigation pending in a state court in Wisconsin and a federal district court in South Carolina. The insurance litigation involves numerous factual and legal issues. There are numerous factual and legal issues to be resolved in connection with these claims. The Company is presently unable to predict the outcome or ultimate financial exposure beyond the water systems AFFF settlement discussed above, if any, represented by these matters, and there can be no assurance that any such exposure will not be material.

Asbestos Matters

The Company and certain of its subsidiaries, along with numerous other third parties, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos containing materials. These cases have typically involved product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were used with asbestos containing components.

The following table presents the location and amount of asbestos-related assets and provisions in the Company's consolidated statement of financial position (in millions):

	September 30,	
	2024	2023
Current provisions	\$ 58	\$ 58
Noncurrent provisions	350	364
Total asbestos-related provisions	408	422
Other current assets	14	28
Other noncurrent assets	320	273
Total asbestos-related assets	334	301
Net asbestos-related provisions	\$ 74	\$ 121

The following table presents the components of asbestos-related assets (in millions):

	September 30,	
	2024	2023
Restricted		
Cash	\$ 6	\$ 20
Investments	281	231
Total restricted assets	287	251
Insurance receivables for asbestos-related provisions	47	50
Total asbestos-related assets	<u>\$ 334</u>	<u>\$ 301</u>

The amounts recorded for asbestos-related provisions and insurance-related assets are based on the Company's strategies for resolving its asbestos claims, currently available information, and a number of estimates and assumptions. Key variables and assumptions include the number and type of new claims that are filed each year, the average cost of resolution of claims, the identity of defendants, the resolution of coverage issues with insurance carriers, amount of insurance, and the solvency risk with respect to the Company's insurance carriers. Many of these factors are closely linked, such that a change in one variable or assumption may impact one or more of the others, and no single variable or assumption predominately influences the determination of the Company's asbestos-related liabilities and insurance-related assets. Furthermore, predictions with respect to these variables are subject to greater uncertainty in the later portion of the projection period. Other factors that may affect the Company's liability and cash payments for asbestos-related matters include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms of state or federal tort legislation and the applicability of insurance policies among subsidiaries. As a result, actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Company's calculations vary significantly from actual results.

Self-Insured Provisions

The Company records provisions for its workers' compensation, product, general and auto liabilities. The determination of these provisions and related expenses is dependent on claims experience. For most of these provisions, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience. The Company maintains captive insurance companies to manage a portion of its insurable liabilities.

The following table presents the location and amount of self-insured provisions in the Company's consolidated statement of financial position (in millions):

	September 30,	
	2024	2023
Current provisions	\$ 112	\$ 107
Noncurrent provisions	239	226
Total self-insured liabilities	<u>\$ 351</u>	<u>\$ 333</u>

The following table presents the location and amount of insurance receivables in the Company's consolidated statement of financial position (in millions):

	September 30,	
	2024	2023
Other current assets	\$ 5	\$ 6
Other noncurrent assets	13	14
Total insurance receivables	<u>\$ 18</u>	<u>\$ 20</u>

Other Matters

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, it is management's opinion that

none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

22. SUPPLEMENTAL BALANCE SHEET INFORMATION

Other current assets were comprised of (in millions):

	September 30,	
	2024	2023
Prepayments	\$ 126	\$ 169
Non-trade receivables	349	264
Costs to obtain or fulfill a contract (Note 4)	265	156
Income tax asset (Note 18)	100	65
Other	313	337
Other current assets	<u>\$ 1,153</u>	<u>\$ 991</u>

Other noncurrent assets were comprised of (in millions):

	September 30,	
	2024	2023
Deferred tax assets and uncertain tax positions (Note 18)	\$ 2,459	\$ 1,915
Operating lease right-of-use asset (Note 9)	1,170	1,301
Financial assets (Note 23)	466	483
Costs to obtain or fulfill a contract (Note 4)	291	224
Prepaid retirement benefit (Note 16)	182	164
Other	480	395
Other noncurrent assets	<u>\$ 5,048</u>	<u>\$ 4,482</u>

Other current liabilities were comprised of (in millions):

	September 30,	
	2024	2023
Operating lease liabilities (Note 9)	\$ 289	\$ 298
Income taxes payable (Note 18)	211	249
Dividends payable	245	252
Value-added, sales and use, and other taxes	106	132
Other	1,155	1,038
Other current liabilities	<u>\$ 2,006</u>	<u>\$ 1,969</u>

Payroll taxes are recorded in the accrued compensation and benefits within the consolidated statement of financial position and were approximately \$40 million and \$49 million as of September 30, 2024 and 2023, respectively. Income taxes payable, sales and use taxes, payroll taxes and value added taxes are payable in the timeframe set in the relevant legislation.

Trade and other creditors are payable at various dates within a year after the end of the fiscal year in accordance with the creditors usual and customary credit terms.

Other noncurrent liabilities were comprised of (in millions):

	September 30,	
	2024	2023
Operating lease liabilities (Note 9)	\$ 921	1,016
Deferred compensation	110	113
Other	298	283
Other noncurrent liabilities	<u>\$ 1,329</u>	<u>\$ 1,412</u>

23. FINANCIAL ASSETS

Financial assets are recorded in other noncurrent assets in the consolidated statement of financial position. Activity during fiscal 2024 was as follows (in millions):

	Investments in Partially Owned Affiliates	Investments	Total
At September 30, 2023	\$ 151	\$ 332	\$ 483
Income from equity investments	(42)		(42)
Dividends	(3)		(3)
Additions	12	71	83
Reductions	(33)	(9)	(42)
Currency translation and other	(13)		(13)
At September 30, 2024	<u>\$ 72</u>	<u>\$ 394</u>	<u>\$ 466</u>

24. PROVISIONS FOR LIABILITIES

Material provisions for liabilities were comprised of (in millions):

	September 30,	
	2024	2023
Pension and postretirement obligations (Note 16)	\$ 217	\$ 252
Deferred tax liabilities and uncertain tax positions	2,608	2,651
Warranty reserves (Note 20)	122	91
Restructuring reserves (Note 17)	75	105
Other provisions (included below)	1,071	1,215
	<u>\$ 4,093</u>	<u>\$ 4,314</u>
Current provisions	\$ 452	\$ 487
Noncurrent provisions	3,641	3,827
	<u>\$ 4,093</u>	<u>\$ 4,314</u>

The activity in other provisions accounts for 2024 is as follows (in millions):

	Asbestos- Related and Insurable Liabilities	Environmental Reserves	Other Provisions	Total
At September 30, 2023	\$ 755	\$ 239	221	\$ 1,215
Additions	148	5	4	157
Reductions	(144)	(34)	(125)	(303)
Currency translation and other	—	1	1	2
At September 30, 2024	<u>\$ 759</u>	<u>\$ 211</u>	<u>\$ 101</u>	<u>\$ 1,071</u>

25. DIRECTORS' REMUNERATION

Company's directors' remuneration for fiscal 2024 and 2023 is set forth in the table below.

George Oliver, the Company's Chief Executive Officer and the Chairman of the Board has not been compensated for his service as director. Accordingly, the amounts below include compensation for Mr. Oliver's service as Chairman and Chief Executive Officer as well as compensation for all Company non-employee directors in their capacities as such (\$ in millions):

	Year Ended September 30,	
	2024	2023
Emoluments paid for qualifying services	\$ 5	\$ 5
Benefits under long-term incentive schemes	11	11
Gain on exercise of share options	7	2
Other (1)	1	1
	<u>\$ 24</u>	<u>\$ 19</u>

(1) Amounts include reimbursements with respect to personal use of the Company aircraft, personal use of a vehicle, and retirement plan matching contributions. Retirement plan matching contributions, which are benefiting one director, totaled \$0.3 million for fiscal 2024 and 2023.

26. AUDITORS' REMUNERATION

Auditors' remuneration to PricewaterhouseCoopers Ireland for fiscal 2024 and 2023 included \$2.0 million and \$1.8 million of audit fees, respectively.

Auditors' remuneration to PricewaterhouseCoopers Ireland and its affiliates for fiscal 2024 and 2023 was as follows (\$ in millions):

	Year Ended September 30,	
	2024	2023
Audit fees	\$ 23	\$ 23
Tax fees	3	3
	<u>\$ 26</u>	<u>\$ 26</u>

See Note 5, "Auditors' Remuneration," of the notes to company financial statements for the Company's auditors' remuneration.

27. EMPLOYEES

Unless otherwise noted, all activities and amounts reported in this footnote include both continuing operations of the Company and activities and amounts related to the R&LC HVAC business. See Note 3, "Assets and Liabilities Held for Sale and Discontinued Operations" for additional details regarding divestiture of the R&LC HVAC business.

The average number of persons, including executive directors, employed by the Company during the years ended September 30, 2024 and 2023 was as follows (in thousands):

	Year Ended September 30,	
	2024	2023
North America	28	28
EMEA/LA	18	19
Asia Pacific	8	9
Global Products	33	38
Corporate	7	6
Total employees	94	100

Total employee costs expensed during the period consist of the following (\$ in millions):

	Year Ended September 30,	
	2024	2023
Wages, salaries and fringe benefits	\$ 6,594	\$ 6,601
Social insurance costs	310	349
Stock-based compensation	100	101
Other compensation costs	39	78
	<u>\$ 7,043</u>	<u>\$ 7,129</u>

Other retirement benefit costs included above were \$171 million and \$270 million for the years ended September 30, 2024 and 2023, respectively. Refer to Note 16, "Retirement Plans," of the notes to consolidated financial statements for further information on the retirement plans.

In addition, employee costs of \$1.2 billion were capitalized into inventories, intangible assets and property, plant & equipment - net during both fiscal 2024 and 2023.

28. SUBSIDIARY UNDERTAKINGS

In accordance with section 316 (1) of the Act, the related undertakings that have been included below are restricted to significant subsidiaries as of September 30, 2024. The remaining entities are annexed to the annual return of the Company.

Name	Nature of Business	Company Ordinary Share %	Registered Office and Country of Incorporation
Johnson Controls, Inc.	Corporate	100%	c/o CT Corporation System, 301 S. Bedford Street, Suite 1, Madison, Wisconsin, United States, 53703

29. SUBSEQUENT EVENTS

In December 2024, the Company and its wholly-owned subsidiary, Tyco Fire & Security Finance S.C.A, co-issued the following unsecured, unsubordinated senior notes:

- \$250 million with an interest rate of 4.900% which is due December 2032. These notes are a further issuance of the \$400 million, 4.900% notes due 2032, which were originally issued in September 2022.
- €500 million with an interest rate of 3.125% which is due December 2033.

JOHNSON CONTROLS INTERNATIONAL PLC

Parent Company Financial Statements

For the Year Ended September 30, 2024

JOHNSON CONTROLS INTERNATIONAL PLC
PARENT COMPANY BALANCE SHEET
(in millions)

		September 30,	
	Note	2024	2023
Fixed assets			
Financial assets	2	\$ 30,122	\$ 30,099
Current assets			
Debtors	6	296	486
Creditors (amounts falling due within one year)	7	(7,058)	(4,011)
Net current liabilities		(6,762)	(3,525)
Total assets less current liabilities		23,360	26,574
Creditors (amounts falling due after more than one year)	8	(6,561)	(7,041)
Net assets		<u>\$ 16,799</u>	<u>\$ 19,533</u>
Capital and reserves			
Called-up share capital presented as equity	11	\$ 7	\$ 7
Share premium account	11	768	738
Profit and loss account	11	15,249	18,093
Share-based compensation reserve	11	775	695
Equity shareholders' funds		<u>\$ 16,799</u>	<u>\$ 19,533</u>

The Parent Company's (loss) profit for financial years 2024 and 2023 as determined in accordance with FRS 102 was \$(580) million and \$843 million, respectively.

The accompanying notes are an integral part of the Parent Company financial statements.

Approved by the Board of Directors on January 17, 2025 and signed on its behalf by:

/s/ George R. Oliver
George R. Oliver
Chairman and Chief Executive Officer

/s/ Gretchen R. Haggerty
Gretchen R. Haggerty
Director

JOHNSON CONTROLS INTERNATIONAL PLC
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
(in millions)

	Ordinary Share Number	Called-up Share Capital	Share Premium Account	Profit and Loss Account	Share-based Compensation Reserve	Equity Shareholders' Funds
Balance as of September 30, 2022	718	\$7	\$ 695	\$ 18,902	\$ 610	\$ 20,214
Profit for the year	—	—	—	843	—	843
Dividends declared	—	—	—	(991)	—	(991)
Share vestings and option exercises	3	—	43	—	—	43
Share-based compensation	—	—	—	—	85	85
Repurchase and cancellation of ordinary shares	(11)	—	—	(625)	—	(625)
Other	—	—	—	(36)	—	(36)
Balance as of September 30, 2023	710	7	738	18,093	695	19,533
Loss for the year	—	—	—	(580)	—	(580)
Dividends declared	—	—	—	(995)	—	(995)
Share vestings and option exercises	2	—	30	—	—	30
Share-based compensation	(19)	—	—	—	80	80
Repurchase and cancellation of ordinary shares	—	—	—	(1,246)	—	(1,246)
Other	—	—	—	(23)	—	(23)
Balance as of September 30, 2024	693	\$ 7	\$ 768	\$ 15,249	\$ 775	\$ 16,799

The accompanying notes are an integral part of the Parent Company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Basis of Preparation and Summary of Significant Accounting Policies

On September 2, 2016 (the "Merger date"), Johnson Controls Inc. ("JCI Inc.") which is organized under the laws of the United States of America, reverse merged into Tyco International plc (the "Merger"). The Irish public limited company is now known as Johnson Controls International plc ("JCI plc"), registered at One Albert Quay, Cork, domiciled in Ireland, and incorporated under the laws of Ireland under registered number 543654 as a result of this reverse merger. Johnson Controls International plc and all its subsidiaries are hereinafter collectively referred to as the "Company" or "Johnson Controls."

The accompanying financial statements have been prepared in United States dollars ("USD") and reflect the operations of Johnson Controls International plc ("plc," "JCI plc" or "the Parent Company").

Financial Year - The Parent Company's financial year end is September 30 of each year.

Statement of Compliance - The entity financial statements have been prepared on a going concern basis and in accordance with accounting standards issued by the UK Financial Reporting Council and the Companies Act 2014. The entity financial statements comply with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

Basis of Preparation - The entity financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise judgment in the process of applying the Parent Company's accounting policies. The areas involving a higher degree of judgment or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in the "Critical Accounting Estimates and Judgements" section of this Note.

Foreign currency - Functional and presentation currency - The Parent Company's functional and presentation currency is the U.S. dollar ("USD") which is denominated by the symbol "\$." Unless otherwise stated, the financial statements have been presented in millions.

Foreign currency - Transactions and balances - Foreign currency transactions, including settlements of debtors and creditors, are translated into the functional currency using the prior month-end exchange rates at the dates of the transactions. Foreign currency monetary items are revalued to USD using the month-end exchange rate. Non-monetary items measured at historical cost are revalued using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the revaluation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, including the revaluation of intercompany permanent loans and foreign currency denominated debt.

Cash at Bank and in Hand - All highly liquid investments purchased with maturities of three months or less from the time of purchase are considered cash equivalents. Negative cash balances are reclassified to Creditors (amounts falling due within one year).

Share-Based Payment Accounting - Stock based compensation is accounted for in accordance with FRS 102 Share-Based Payment. Consequently, the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors is based on estimated fair values. Equity-settled share-based payments are issued to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the date of grant and recognized over the vesting period, based on the estimated number of shares that were expected to vest and adjusted for the effect of non-market-based vesting conditions. Since the Parent Company grants its shares directly to employees of its subsidiaries, it accounts for share-based compensation payment as a capital contribution with an increase in the investment in the subsidiaries. The share-based compensation payment is recharged by the Parent Company to certain subsidiaries. The share-based payment recharge to subsidiaries for the awards granted prior to the Tyco merger on September 2, 2016 is recorded to the share premium account on the balance sheet. The share-based payment recharge to subsidiaries for the awards granted after the Tyco merger on September 2, 2016 is recorded to the financial asset account on the balance sheet. Amounts recharged to subsidiaries for JCI plc options in excess of the original capital contribution are recognized in the profit and loss account.

Contingencies - Contingent liabilities, arising as a result of past events, are not recognized as a liability because it is not probable that the Parent Company will be required to transfer economic benefits in settlement of the obligation or the amount

cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognized as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are not recognized. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial Instruments - Financial instruments are accounted for in accordance with Sections 11 and 12 of FRS 102.

Financial Assets - Basic financial assets, including cash and cash equivalents and short-term deposits, are initially recognized at transaction price (including transaction costs).

Cash and cash equivalents and financial assets from arrangements which constitute financing transactions are subsequently measured at amortized cost using the effective interest method.

At the end of each financial year, financial assets measured at amortized cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortized cost is impaired, an impairment loss is recognized in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognized. The impairment reversal is recognized in profit or loss.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all of the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

Certain other financial assets are initially measured at fair value, which is normally the transaction price. Such financial assets are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

Investment in Subsidiary Undertakings - Investment in subsidiary undertakings is recorded at the Parent Company's cost.

Impairment of Financial Assets - The Parent Company monitors the carrying value of financial assets, using judgment on the future cash flows to be generated from each acquisition, synergy benefits arising and the interest rate to be used to discount future cash flows. The carrying value of financial assets is assessed for impairment based on the presence of impairment indicators - where events or changes in circumstances indicate that the carrying amount may not be recoverable. Any shortfall in the carrying value (as compared to the lower of value in use and net realizable value) is recorded as an impairment charge.

Financial Liabilities - Basic financial liabilities, including bank loans and amounts due to subsidiary undertakings, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction, the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Bank loans, amounts due to subsidiary undertakings, and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortized cost, using the effective interest method. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, canceled or expired.

Taxation - Current Tax - Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured as the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

Taxation - Deferred Tax - Deferred tax is recognized in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognized in financial statements. Deferred tax is recognized on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognized only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year and that are expected to apply to the reversal of the timing difference.

Share Capital Presented as Equity - Equity shares issued are recognized at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends - The authority to declare and pay dividends is vested in the Parent Company's Board of Directors. The timing, declaration and payment of future dividends to holders of the Parent Company's ordinary shares is determined by the Board of Directors and depends upon many factors, including the Parent Company's financial condition, results of operations, and capital requirements, industry practice and any other relevant factors. Dividends may only be declared and paid out of the profits available for distribution ("distributable reserves") in accordance with accounting practice generally accepted in Ireland and applicable Irish Company Law. See the Parent Company Statement of Changes in Equity. Any dividends, if and when declared, are expected to be declared and paid in USD.

Treasury Shares - Treasury shares are Parent Company owned shares following the share repurchase program approved by the Board of Directors and the repurchase from employees who have sold a portion of their vested restricted units to cover withheld taxes.

Going Concern - As the Parent Company's operational existence relies on the activities of the Company, a going concern assessment performed at the Company level was deemed relevant to support the Company's ability to continue as a going concern. The Parent Company's Board of Directors formed a judgment at the time of approving these financial statements that there was a reasonable expectation that the Parent Company has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of the financial statements. In arriving at this conclusion, the Parent Company's Board of Directors took account of current and anticipated uncertainties (as described in greater detail under the heading "Going Concern" on page 43 of the Directors' Report and in the accounting policies in Note 1, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to the consolidated financial statements) in its going concern assessment and believed that these uncertainties would not have a material impact on the Parent Company's ability to continue as a going concern. For this reason, the going concern basis continues to be adopted in the preparation of the Parent Company's financial statements.

Disclosure Exemptions for Qualifying Entities under FRS 102 - FRS 102 allows a qualifying entity to avail of certain disclosure exemptions. The Parent Company has taken advantage of the following exemptions for qualifying entities:

- The requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and paragraph 3 17(d)]
- Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statement of the Company in which the entity is consolidated. [FRS 102 paragraph 11.39-11 48A, 12.26 - 12.29]
- Certain disclosure requirements of Section 26 in respect of share-based payments provided that (a) for a subsidiary, the share-based payment concerns equity instruments of another group entity; or (b) for an ultimate parent, the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases, the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [FRS 102 paragraph 26.18(b), 26.19 - 26.21, 26.23]
- Related party disclosures related to key management services provided by a separate management entity. [paragraph 18A of ISA24]

Critical Accounting Estimates and Judgments

Use of Estimates - Estimates and judgments are required when applying accounting policies. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Parent Company makes estimates and assumptions concerning the future, which can involve a high degree of judgment or complexity. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Investment in Subsidiary Undertakings - The Parent Company periodically evaluates whether current facts or circumstances indicate that the carrying values of its investment in subsidiary undertakings may not be recoverable. If such circumstances are determined to exist, an estimate of the recoverable amount is compared to the carrying value to determine whether an impairment exists. If the asset is determined to be impaired, the loss is measured based on the difference between the asset's recoverable amount and its carrying value. There were no circumstances or indicators suggesting impairment of the Parent Company's investment in subsidiary undertakings in either the current or prior financial years.

2. Financial Assets

Financial assets included on the Parent Company balance sheet were as follows (\$ in millions):

	Investments in Subsidiaries
As of October 1, 2023	\$ 30,099
Share-based compensation, net	29
Disposals	(6)
As of September 30, 2024	<u>\$ 30,122</u>

The following schedule summarizes the Parent Company's significant directly owned investments as of September 30, 2024:

Company	Registered Office Address	Country	Type	Ordinary Share Ownership %	Date of Acquisition
Tyco Fire & Security Finance SCA ("TFSCA")	29 avenue de la Porte Neuve, Luxembourg, Luxembourg (fr), Luxembourg, 2227	Luxembourg	Holding co.	99.924 (1)	August 2014
Tyco Fire & Security S.a.r.l	29 avenue de la Porte Neuve, Luxembourg, Luxembourg (fr), Luxembourg, 2227	Luxembourg	Holding co.	100	August 2014
Global Risk Underwriters (Bermuda) Ltd.	Clarendon House, 2 Church Street, Hamilton, Bermuda	Bermuda	Holding co.	100	September 2017
Johnson Controls Asia Investment Unlimited Company	One Albert Quay, Cork, Cork, Ireland	Ireland	Holding co.	100	September 2018
World Services Inc.	Ocean Centre, Montagu Foreshore East Bay Street, PO Box SS-19084, New Providence, Nassau, Bahamas	Bahamas	Holding co.	100	September 2019
Tyco Finance Corp	1209 Orange Street, Wilmington, Delaware 19801	United States	Holding co.	100	September 2020

⁽¹⁾ The Parent Company holds common shares in TFSCA, registered at 29 Av Porte Neuve, L-2227 Luxembourg. It holds 49,999 shares directly and 2 common share indirectly through Tyco Fire & Security S.a.r.l ("TFSSarl") registered at the same address.

See the Exhibit for a complete listing of the Parent Company's subsidiary undertakings and unconsolidated subsidiaries.

3. Guarantees and Contingencies

The Parent Company guaranteed subsidiaries' debt, credit facilities and lease and other obligations of approximately \$8 billion as of September 30, 2024 and \$9 billion as of September 30, 2023.

In financial 2024, the Parent Company and TFSCA, a corporate partnership limited by shares (*société en commandite par actions*) incorporated and organized under the laws of the Grand Duchy of Luxembourg ("Luxembourg") jointly issued \$700 million of bonds with an interest rate of 5.5%, which are due in April 2029.

TFSCA is a wholly-owned consolidated subsidiary of the entity that is 99.924% owned directly by the Parent Company and 0.076% owned by TFSCA's sole general partner and manager, Tyco Fire & Security S.à r.l.. The bonds and senior notes are unsecured, unsubordinated obligations of the Parent Company and TFSCA. As TFSCA recognized the proceeds of the debt issuances, it is considered the primary obligor for the related liabilities which are recognized in TFSCA's financial statements with the Parent Company acting in substance as a guarantor.

4. Directors' Remuneration

Refer to Note 25, "Directors' Remuneration," of the notes to consolidated financial statements for details of directors' remuneration paid by the Parent Company and Company.

5. Auditors' Remuneration

Auditors' remuneration for audits of individual accounts were \$0.1 million for both financial years 2024 and 2023. Amounts for financial year 2024 represent estimated fees and expenses. See Note 26 "Auditors' Remuneration," of the consolidated financial statements for details of fees for the Company.

6. Debtors

Debtors included on the Parent Company Balance Sheet were as follows (\$ in millions):

	September 30,	
	2024	2023
Amounts falling due within one year:		
Amounts due from subsidiary undertakings, interest free, due on demand	\$ 274	\$ 462
Other debtors and prepayments	22	19
	<u>296</u>	<u>481</u>
Amounts falling due after one year:		
Cross-currency interest rate swap	—	5
	<u>\$ 296</u>	<u>\$ 486</u>

7. Creditors (amounts falling due within one year)

Creditors (amounts falling due within one year) included on the Parent Company Balance Sheet were as follows (\$ in millions):

	September 30,	
	2024	2023
Amounts due to subsidiary undertakings		
World Services Inc. loan, interest free, payable on demand	\$ 752	\$ 752
Other	225	303
	<u>977</u>	<u>1,055</u>
Amounts owed to credit institutions		
Bank overdraft	4,690	1,829
Term loans	279	184
Commercial paper	350	200
	<u>5,319</u>	<u>2,213</u>
Current portion of long-term debt	473	453
Accrued dividends	245	252
Other accruals	44	38
	<u>\$ 7,058</u>	<u>\$ 4,011</u>

Other amounts due to subsidiary undertakings are payable at various dates after the financial year end in accordance with the Company's usual intercompany payment terms.

The weighted-average interest rate for amounts owed to credit institutions was 5.0% as of September 30, 2024 and 6.5% as of September 30, 2023.

8. Creditors (amounts falling due after more than one year)

Creditors (amounts falling due after more than one year) were comprised of (\$ in millions):

Issuer	Interest Rate	Due Date	September 30,	
			2024	2023
Unsecured, interest-bearing amounts due to subsidiary undertakings				
Obsidian Luxembourg Holding S.a.r.l.	1.05%	2025	\$ 1,450	\$ 1,362
Tyco Technology GmbH	1.52%	2026	2,100	2,100
Unsecured long-term debt				
US dollar debt	3.625%	2024	—	453
US dollar debt	3.90%	2026	487	487
US dollar debt	6.00%	2036	342	342
US dollar debt	5.70%	2041	190	190
US dollar debt	5.25%	2042	155	155
US dollar debt	4.625%	2044	444	444
US dollar debt	5.125%	2045	253	372
US dollar debt	6.95%	2046	32	32
US dollar debt	4.50%	2047	500	500
US dollar debt	4.95%	2064	341	341
Euro debt	1.375%	2025	472	448
Japanese yen debt	TORF plus 0.40%	2027	211	202
Gross long-term debt			6,977	7,428
Net unamortized premium			56	65
Other			1	1
Total creditors			7,034	7,494
Less current portion			473	453
Total creditors falling due after more than one year			\$ 6,561	\$ 7,041

9. Related Party Transactions

The Parent Company has availed of the exemption provided in FRS 102 Section 33, for disclosure of transactions with subsidiary undertakings, 100% of whose voting rights are controlled within the Company. Consequently, the financial statements do not contain disclosures of transactions with other related entities in the Company. During financial years 2024 and 2023, only transactions with subsidiaries which are fully owned have occurred.

10. Subsidiary Undertakings

Refer to Note 2, "Financial Assets," of the notes to the Parent Company financial statements.

11. Capital and Reserves

Called-up share capital is the number of issued ordinary shares of JCI plc. The par value of each ordinary share is \$0.01.

The share premium account reflects the fair value of consideration received in excess of the par value of shares issued for stock option exercises, vesting of restricted stock units and other issuances of shares, including the consideration received from the subsidiaries for the issuance of stock for stock option exercises and vesting of restricted stock units for awards granted prior to the Merger date. In accordance with the requirements of FRS 102, the share-based payment recharge to subsidiaries for the awards granted post the Tyco Merger on September 2, 2016 is recorded as a reduction to the financial asset account. This treatment could differ from the legal substance of the transaction, which from a legal perspective may represent share premium.

The profit and loss account refers to the portion of net income which is retained by the Parent Company rather than being distributed to shareholders as dividends. Treasury shares are accounted for in this account. The balance of these self-owned shares as of September 30, 2024 and 2023 was \$1,268 million and \$1,240 million, respectively.

The share-based compensation reserve arises upon the granting of shares under the stock based compensation plan. The balance of this reserve as of September 30, 2024 and 2023 was \$775 million and \$695 million, respectively.

12. Dividends

Dividends of \$1,000 million and \$980 million were paid to external shareholders during financial years 2024 and 2023, respectively. Outstanding dividends declared were \$245 million and \$252 million as of September 30, 2024 and 2023, respectively.

13. Profit Attributable to JCI plc

In accordance with Section 304(2) of the Companies Act 2014, the Parent Company is availing of the exemption provided from presenting and filing its individual Profit and Loss Account.

14. Subsequent Events

In December 2024, the Parent Company extended the expiration date of its \$500 million revolving credit facility from December 2024 to December 2025.

In December 2024, the Parent Company and TFSCA, co-issued the following unsecured, unsubordinated senior notes:

- \$250 million with an interest rate of 4.900% which is due December 2032. These notes are a further issuance of the \$400 million, 4.900% notes due 2032, which were originally issued in September 2022.
- €500 million with an interest rate of 3.125% which is due December 2033.

As TFSCA recognized the proceeds of the debt issuances, it is considered the primary obligor for the related liabilities which are recognized in TFSCA's financial statements with the Parent Company acting in substance as a guarantor.

Subsequent events have been evaluated through January 17, 2025, the date this report was approved by the Board of Directors. There were no subsequent events other than those described above that would materially impact the Parent Company's financial statements since the balance sheet date.

15. Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 17, 2025 and were signed on its behalf on that date.