2008 BUSINESS AND SUSTAINABILITY REPORT

# A World of Ingenuity





At Johnson Controls, our ingenuity is an effective mix of creativity, expertise, resourcefulness and the ability to solve problems. These capabilities – reflected in the skills and dedication of our 140,000 employees worldwide – are crucial. They enable us to support the success of our customers, and ensure the growth of our business. Ingenuity helps us improve the quality of people's lives through the products, services and innovations we deliver. And it's what sets us apart in our quest to create a more comfortable, safe and sustainable world – brought to life every day in more than 200 million vehicles, 12 million homes, and 1 million commercial buildings around the globe.



99. Qatar

82. Montserrat

83. Morocco

115. Taiwan

116. Tajikistan

16. Belgium

17. Belize

33. Cyprus

49. Grenada

50. Guadeloupe

66. Jordan



# **Business Profile**

At Johnson Controls, our global growth and competitive advantages result from our ability to integrate products, services and technologies in ingenious ways. We develop practical solutions to improve the relationships between people and the places where they live, work and travel. Our three businesses, all leaders in their global marketplaces, focus on helping our customers meet their diverse needs.

### Financial Highlights

In millions, except per share data. Year ended September 30,

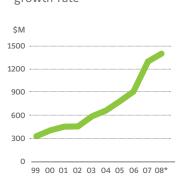
	2008	2007	% Change
Net sales	\$38,062	\$34,624	10%
Income from continuing operations	\$ 1,402*	\$ 1,295	8%
Diluted earnings per share from continuing operations	\$ 2.33*	\$ 2.16	8%
Cash dividend per common share	\$ 0.52*	\$ 0.44	



### Sales 12% compounded annual growth rate

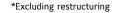


# Earnings 15% compounded annual growth rate



2008 was a record year for Johnson Controls with increases in both sales and earnings\*.

- The 62nd consecutive year of increased sales.
- The 18th consecutive year of higher earnings.
- The 33rd year of higher dividends.





### **Building Efficiency**

Creating quality indoor environments that are energy-efficient, comfortable, safe and sustainable.



\$14.1 billion

### Offerings:

Integrated heating, ventilating and air conditioning (HVAC) systems, including building management systems, controls and mechanical equipment. Technical services, energy management consulting and operation of real estate portfolios. Residential heating and air conditioning products and systems.

#### Market position:

Leading supplier of systems (47% of sales) and services (53% of sales), for healthcare, education, government, office, industrial and retail buildings worldwide. Customers in more than 120 countries.

### Strategic advantages:

Diverse customers with large, global, installed base; highly competitive product and service capabilities. Energy efficiency expertise; ability to integrate renewable energy solutions.



### Automotive Experience

Bringing comfort, safety and sustainability to vehicle interiors, delivering a broad array of technologies and expertise to the global automotive industry.

#### Sales:

\$18.1 billion

### Offerings:

Systems that extend into every area of the interior, including seating and overhead systems, door panels, floor consoles, instrument panels, cockpits, and integrated electronics, including systems that link cars to homes.

### Market position:

World's largest supplier of seating (80% of sales). Major global supplier of interior systems, including electronics (20% of sales). Customers include virtually every automaker worldwide.

### Strategic advantages:

Deep, long-term customer relationships; market and innovation leadership; expertise in components, modules, electronics and systems integration; global capability with strong presence in emerging markets including Asia and Eastern Europe; diversified customer base; cost leadership, quality and operational excellence.



### **Power Solutions**

Providing advanced energy storage solutions for transportation applications, including dependable starting power for today's cars and operating power for energy efficiency and hybrid electric vehicles.

### Sales:

\$5.9 billion

### Offerings:

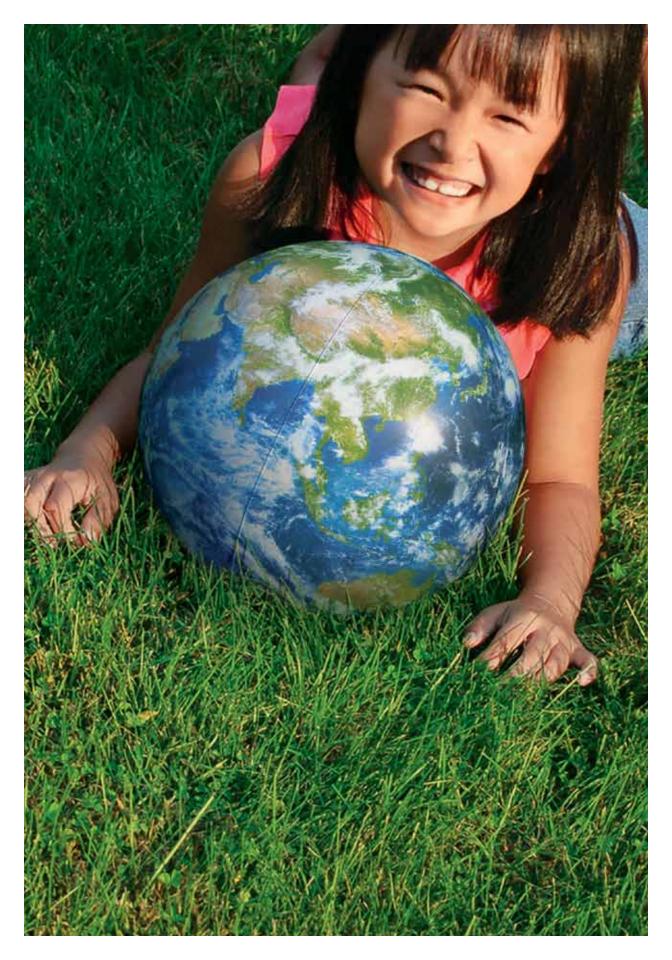
Wide range of automotive battery technologies including standard lead acid batteries, flat plate and spiral wound AGM batteries as well as nickel-metal-hydride and lithium-ion batteries for hybrid vehicles.

### Market position:

World's largest supplier of starter batteries for both aftermarket and original equipment applications. Batteries sold under customer brands as well as our own Varta®, Heliar®, LTH® and Optima® brand names.

### Strategic advantages:

Market leadership globally; highly recognized and valued brands; strong customer base; cost and quality leadership; leading product and process technology.



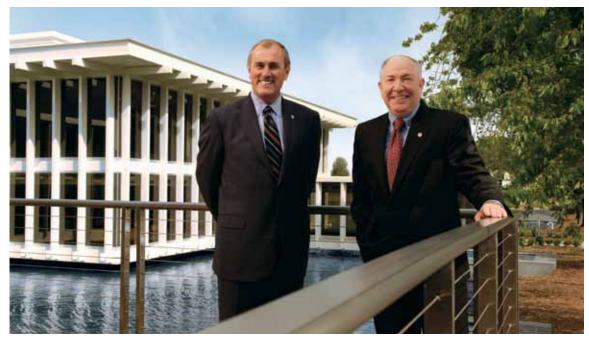
At Johnson Controls, sustainability is the efficient use of resources to benefit all people and the world. We drive sustainability through our products, services, operations and community involvement. We measure our performance via the "triple bottom line" indicators – economic prosperity, social responsibility, and environmental stewardship – advanced by leading non-governmental organizations and sustainability indices.

The 2008 Business and Sustainability Report highlights our performance and achievements in these three strategic areas. We also produce a 10-K annual report and a detailed Global Reporting Initiative (GRI) report. These reports reflect our commitment to openly communicate the performance of Johnson Controls to our stakeholders.

You can find more detailed information regarding our financial performance in our 10-K annual report, posted on our website at www.johnsoncontrols.com/investors. More information on our sustainability performance is in our GRI matrix, posted on our website at www.johnsoncontrols.com/sustainability.



# Letter to Shareholders



From left to right:

Keith E. Wandell President and Chief Operating Officer

Stephen A. Roell Chairman and Chief Executive Officer

We are pleased to report that Johnson Controls posted record results for 2008. Sales increased for the 62nd year, reaching \$38.1 billion. We also achieved our 18th straight year of record earnings, \$1.4 billion\*, and our 33rd consecutive year of increasing dividends. This record year for Johnson Controls underscored our favorable global position and profitability, despite the unprecedented market challenges and economic volatility.

Each of our three businesses, Building Efficiency, Power Solutions and Automotive Experience, continued their global industry leading market positions and recorded increased revenues.

In Building Efficiency, we achieved double-digit growth in revenues, as we expanded our energy efficiency capabilities and focused on more renewable energy projects while adding to our offerings in advisory services. Our backlog of business at the end of fiscal 2008 is \$4.7 billion, up 12% from what it was a year ago. We successfully launched a number of new products in both our commercial and residential sector. With over 1 million customers in 120 countries, Building Efficiency gives our company important business diversification. Its focus on customer service is unparalleled, with over 13,000 service technicians, twice that of any competitor. We continue to enjoy a leading position in China and are well-positioned in the Middle East and South America for continued growth.

"Our vision of creating a more comfortable, safe and sustainable world defines our businesses, our people and the way in which we work with our customers and in our communities."

Power Solutions is the largest provider of automotive batteries in the world, and in 2008, we continued to increase our market share. This included several important customer wins, and we continue to aggressively seek out opportunities in the emerging markets of Eastern Europe and Asia. We are gaining momentum in lithiumion hybrid battery development through the joint venture that we formed in 2006 with Saft. In 2008, through this joint venture, we opened the first production facility in the world for lithiumion batteries for hybrid electric vehicles in Nersac, France. In 2009 we will be delivering products from this facility and believe that we will build on our leadership position in this important and growing market sector.

In Automotive Experience, we launched nearly \$750 million in new business in 2008 and achieved a record three-year backlog of business of \$4.5 billion, a 14% increase. We continued to gain share in both the mature markets of Europe and the emerging markets of Asia. In North America we doubled our margins in a declining market. In China we now have 26 manufacturing plants related to the automotive business and have in excess of a 50% share in the seating business. We have accomplished this through our disciplined commitment to our customers, delivering value in our product offerings and focus on cost.

#### Focus on continuous improvement around the globe

Continuous process improvement is a way of life at Johnson Controls. We reaped more than \$500 million in savings in this area while making strides in both quality and efficiency. Through identifying best business practices across our global organization, we have reduced our transportation and logistics costs while making advances in safety. We continue to leverage our overall spend through vigilant monitoring of our supply chain and global sourcing arrangements. Going forward we will continue to be focused on continuous process improvements globally, as we seek out new and better ways to do business.

#### Creating a more comfortable, safe and sustainable world

Our Vision of creating a more comfortable, safe and sustainable world defines our businesses, our people and the way in which we work with our customers and in our communities. During 2008 we were successful in delivering new energy-saving solutions and products that also reduce greenhouse gases (GHG). We are also working with the Clinton Climate Initiative's Energy Efficiency Building Retrofit Program which is dedicated to reducing energy consumption and GHG emissions in existing public and private buildings worldwide. Through this Program, Johnson Controls was selected by a number of building owners as one of the energy service companies to proceed to a detailed study or contract phase on projects around the world. In Automotive Experience we introduced lighter weight, recyclable interior

"These accomplishments and the financial results that we achieved in 2008 would not be possible without the commitment and dedication of our 140,000 employees around the world."

components and focused on developing products using renewable materials. In Power Solutions we expanded the use of a proprietary lead acid battery manufacturing process that reduces our air emissions by 30%, and we continue to make important strides toward a market leadership position in battery systems for hybrid vehicles.

In 2008 we conducted a global audit of our own facilities to define our GHG footprint. As a result, we are now focusing on our own sustainability profile with the same discipline we apply to quality, safety and cost. Numerous energy-efficient and wastereduction practices were implemented within our own facilities globally, and we continue to partner with our suppliers to ensure that they are adopting sustainable practices. We joined Climate Leaders, the U.S. Environmental Protection Agency (EPA) industry government partnership that works with companies to develop comprehensive climate change strategies. As a result of this important partnership, we have committed to reduce our greenhouse gas intensity by 30% by 2012.

### History of social responsibility

Johnson Controls has a proud history of social responsibility. During the past year we achieved some important milestones and were recognized for those efforts. In 2008 we set a new record of \$1.6 billion of purchases from minority- and women- owned businesses. The National Minority Supplier Development Council, for the second time, named Johnson Controls its "2008 Corporation of the Year." In all regions of the world, we foster community involvement by our employees through our Blue Sky Involve program, demonstrating our social conscience to improve the communities in which we live, work and operate. In 2008, 530 of our locations around the world participated in initiatives aimed to improve the environment and develop the leadership capabilities of our employees. We are proud that Fortune magazine recognized us for the third consecutive year as one of "America's Most Admired Companies," and the leader in our industry category.

These accomplishments and the financial results that we achieved in 2008 would not be possible without the commitment and dedication of our 140,000 employees around the world. These people are focused on bringing the best experience to our customers and delivering value in all that they do. We would like to extend our sincere thanks to the employees of Johnson Controls around the world for all of their contributions throughout the year, each and every day.

#### Leadership changes

We would like to thank John M. Barth, former Johnson Controls chairman and chief executive officer, and Richard F. Teerlink, retired chairman, president and chief executive officer, Harley-Davidson, who are both retiring from our Board in 2008 for their outstanding service and valued counsel. We are delighted to welcome Richard Goodman, chief financial officer, PepsiCo, who was elected to our Board of Directors in 2008.

Denise M. Zutz, vice president, strategy, investor relations and communication, is retiring after 35 years of service to Johnson Controls and Subhash "Sam" Valanju, vice president and chief information officer, is retiring after 12 years of service to Johnson Controls. We thank them for their many contributions to our company. This year we welcomed two new corporate officers, Jacqueline F. Strayer, vice president, corporate communication, and Colin M. Boyd, vice president and chief information officer, and wish them much success.

### Investing for the future

The world we live in today is markedly different than it was a year ago. As we go to press, we continue to see unprecedented volatility in the financial markets, with steep declines in consumer confidence globally. There is more uncertainty and risk in the broad economic landscape than has been seen in decades. Accordingly, in September we announced restructuring activities as we responded to the challenges.

Our primary focus is to ensure that we not only perform well in a protracted economic slowdown, but that we emerge even stronger. We are in an advantageous position of having great access to capital due to our favorable credit rating. Having good liquidity is a major differentiator for us. It allows us to do things differently. It gives us a broad spectrum of opportunities. It allows us to invest for our future growth. We will continue to invest in our sales professionals, technology and innovation that are vital to our market position and future. We believe these investments that we are making in our people and technology will improve our productivity and competitive position.

#### Outlook

We appreciate the trust that you place in us as our valued shareholders and we are focused on delivering on our commitments to you. We will continue to drive down our cost structure while balancing investments for long term growth. The global market mega-trends in energy efficiency, sustainability and greenhouse gas reduction favorably position us for future growth.

In this economic climate we are facing new terrain as a leadership team. Despite these uncertainties, we believe that we will be able to capitalize on our market leadership position. Our financial strength, record backlogs, business diversification, geographic reach and customer base allow us to face the uncertainties of today with confidence for tomorrow, and we will emerge even stronger and more competitive.

Sincerely,

Stephen A. Roell

Chairman and Chief Executive Officer

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# **Economic Prosperity**

By bringing ingenuity to millions of cars, homes and workplaces around the world, we drive our global growth. Using our knowledge and technology, we deliver innovative products and services that improve people's lives. Adding value and creating exceptional consumer experiences enhances our customers' success. In turn, that success fosters repeat business for Johnson Controls, customer loyalty and continued improvement in our financial performance.

# **Building Efficiency**

Johnson Controls' solutions enable our customers to operate their buildings effectively and efficiently. We support both new facility construction and retrofits of existing buildings. Our expertise spans the entire building lifecycle, including planning, operation and ongoing maintenance, for buildings of every size, shape and variety.

Opportunities for our building efficiency business are expanding, as volatile fuel costs and concerns about climate change drive a growing need for energy-efficient and eco-friendly approaches to facility operation. We will take advantage of this trend by increasing our capabilities to deliver comprehensive solutions; expanding our product portfolio and services for the mid-market; and growing our service capabilities. And, as homeowners focus

on reducing their heating and cooling bills, we are offering energy-efficient air conditioning systems and furnaces.

We are integrating renewable energy sources and providing advisory services to help our non-residential customers optimize energy use. For example, the Erie Community Unit School District in Illinois, U.S., will cut its energy consumption for local schools by almost 87% with a wind-powered system we helped to design and install. And we were instrumental in developing the Integrated Design Associates building in California, the first "net-zero energy" commercial building in the country.

# Energy Lesson for Schools

Thanks to a Johnson Controls wind-energy solution, the Erie Community school district in Illinois, U.S., will save \$5.5 million in energy costs during the next 30 years. Helped by a \$720,000 foundation grant, we installed a 1.2-megawatt wind turbine, tubular wind tower and electrical distribution system.



Increasingly, customers such as the Oak Ridge National Laboratory, Tennessee, U.S., are embracing performance contracting, which funds facility improvements out of guaranteed energy savings. Johnson Controls will supply advanced energy solutions designed to reduce the lab's fossil fuel use by 80%. Combining alternative energy solutions – and their associated incentives – with performance contracts enables customers to simultaneously meet their sustainability goals and cost targets.

We are also expanding our business in emerging markets which offer excellent growth opportunities for new construction projects. Johnson Controls played a major role in making the 2008 Olympics in Beijing, China, the most "green" Olympics in history. We are also working with the Clinton Climate Initiative's Energy Efficiency Building Retrofit Program, which is dedicated to greatly reducing carbon emissions in existing public and private buildings worldwide. Through this Program we were selected by a number of building owners as one of the energy service companies to proceed with project opportunities in India, Thailand, Austrailia and the U.S.

### Automotive Experience

Innovative automotive interiors help make driving more enjoyable. We apply our ingenuity in helping drivers connect with their surroundings – both inside and outside the vehicle – to attain the

highest levels of comfort, safety and sustainability.

Our customers benefit from our expertise in high-volume, high-quality manufacturing, across a worldwide footprint. Our heritage of strong, committed relationships with the global automotive community gives us the expertise our partners seek when looking for the best in engineering, in design, and in value.

We continue to take prudent action to offset the challenges confronting the global automotive industry, aligning our resources with our opportunities and focusing on our key growth strategies:

- strengthening our outstanding relationships with automakers worldwide;
- building on our global capabilities and executing programs within and across regions;

- making product and process improvements to systems that are already world-class;
- taking advantage of our procurementsourcing expertise; and
- extending our leadership in both mature and emerging markets.

#### Innovation

Automakers continue to look for new areas of differentiation in their vehicles, especially in an increasingly challenging market environment. To anticipate our customers' needs and help ensure we are their supplier of choice, we are aligning our innovation strategies with theirs, increasing the opportunities to "co-innovate."



### Promoting Energy Efficiency

With strong links to policymakers and key people in business and academia, Johnson Controls is a leader in promoting energy efficiency. During 2008 we co-sponsored the inaugural China Energy Efficiency and Sustainability Forum in Beijing to foster dialog among businesses and government leaders on emerging energy efficiency priorities. We also hosted our 19th United States Forum in Washington, D.C.



### **Future Workplace Solutions**

What kind of workplace environment will be required to attract, retain and motivate "Generation Y," the next generation of workers? Seeking answers to this question, Johnson Controls partnered with leading academic institutions and key customers in the Oxygenz global research project. Results from the study will help us develop future innovative workplace solutions.

### Contract for Energy Performance

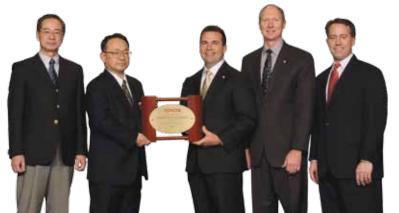
Johnson Controls will supply advanced energy solutions to the Oak Ridge National Laboratory (ORNL) in Tennessee, U.S. An \$89 million energy-saving performance contract was signed in August 2008. By replacing a natural gas steam plant and steam distribution system with a wood gasification biomass system, ORNL will reduce its use of fossil fuel by 80%.



# Toyota Recognition

In 2008 Toyota Motor Engineering and Manufacturing North America, Inc. (TEMA) recognized Johnson Controls for outstanding support in helping the automaker meet minority supplier procurement targets. We have received this award for four straight years. Pictured at the awards ceremony, are: (left to right): Seiichi Sudo, president and chief operating officer – TEMA; Atsushi Kume, senior vice president, purchasing – TEMA; Jeff Edwards, group vice president and general manager – Japan and Korea, Johnson Controls; Jeff Smith, vice president and general manager, Toyota Business Unit, Johnson Controls; and Chris Nelson, vice president, vehicle parts and material – TEMA.

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More than 90 new Johnson Controls automotive products were introduced in 2008, including innovations in front and rear seating, interior finishes and electronics. We launched additional collaborative projects with suppliers, partners, institutes and universities focused primarily on high-performance materials, sustainability, and electronics.

### **Power Solutions**

No matter what the weather brings, drivers worldwide want their automobiles to start reliably. As consumer demands increase, people want more features and better value in batteries for conventional cars, and leading-edge power systems for micro-hybrid and hybrid vehicles. These demands are causing a shift in the marketplace, and Johnson Controls is responding by evolving beyond traditional batteries and investing in the development of advanced energy storage solutions.

Our operational and technological excellence in this arena is well-known and valued by the marketplace. We are continuing to enhance our capabilities serving our customers and channel partners, while we work to extend the

positions of our leading brands around the world: Varta® in Europe and Asia, LTH® in Mexico, Heliar® in South America, and Optima® globally. Our expansion into emerging markets, including China, is providing additional growth with both automakers and the aftermarket. And our ongoing commercialization of hybrid vehicle battery technology is opening up global new business opportunities as environmental concerns, rising fuel costs and new emission standards for vehicles drive significant changes in the automotive industry.

### Hybrid vehicle technology

The Johnson Controls-Saft joint venture, launched in 2006, continues to pioneer the development of lithium-ion battery technology. As the world's leading supplier of automotive batteries, we have partnered with Saft, a provider of advanced energy storage products with extensive lithium-ion expertise.

Current hybrid vehicles feature nickelmetal-hydride batteries. Next generation hybrids will rely on lithium-ion battery systems. These batteries deliver advantages in both weight and powergenerating capability, factors that will improve hybrid-electric vehicle (HEV) fuel efficiency.

# Greening the Interior

Johnson Controls champions environmentally conscious practices that reduce carbon emissions and use recycled or recyclable materials. We are focusing on reducing the weight of car seats, which will deliver the greatest sustainability benefits by improving fuel economy, and on using natural materials and designs that are eco-friendly. For example:

FaserTec<sup>™</sup> seat pads, made out of renewable, recyclable coconut fibers and latex, create an ideal seating climate through their highly permeable and moisture absorbing properties. Furthermore, the slim, yet highly stable material, enables thin seat design for lower weight.



Ecobond<sup>™</sup> headliner is made up of 50% biomaterials by mass but still provides the strength and performance of traditional materials. The headliner is built with natural fibers, such as hemp, flax and knaf, instead of fiberglass, making for a lightweight, durable product that's also made from sustainable and recyclable materials.

Soy seat pads are a combination of soy-based foam and conventional polyurethane. We've replaced 5% of the material in some car seats with this soy product to reduce petroleum-based content.

Fibrit™ door panels make use of wood fibers and wood chips. These components feature substrates made from Fibrit, which is a mixture of wood-fiber pulp, thermoplastic fiber and binding agents.

APSLC seat frames are lightweight and inexpensive, making them a good technology for global small-car programs. Component weight reductions enable improvements in vehicle fuel efficiency.



### Kia cee'd

Kia's vision for its cee'd model was to launch a car designed, produced and sold exclusively in Europe. Of particular importance for Kia was the safety of the driver and passengers. Kia collaborated with Johnson Controls to create an integrated interior that fulfilled European requirements in terms of safety, design, craftsmanship and engineering. Innovations include:

- riACT™ head restraints, which reduce the risk of whiplash injuries.
- Natural fibers to keep door panels light-weight and improve safety performance in a side impact crash.
- A headliner constructed from a multi-layered substrate material that absorbs a range of frequencies and noises within the interior without the need for any further insulation.

"Automakers continue to look for new areas of differentiation, especially in an increasingly challenging market environment."

With more and more companies seeking to enter the HEV battery market, what sets us apart? Compared to other suppliers, Johnson Controls has significantly broader and deeper experience in developing and producing complete power storage and power distribution systems for vehicles. Our history and understanding of the automotive environment are unmatched. These capabilities differentiate us in the marketplace, and give us competitive advantages, whether the focus is on conventional or hybrid vehicles.

In January 2008, Johnson Controls-Saft opened the world's first production facility for lithium-ion hybrid batteries in

Nersac, France. The facility is producing lithium-ion batteries for the 2009 Mercedes Benz S-class hybrid and the BMW 7 Series ActiveHybrid car. The company is also producing the battery system for the new A5 mild hybrid from Chinabased Chery Automobile, and for a test fleet of Ford Escape plug-in HEVs.

In August 2008, the United States Advanced Battery Consortium (USABC), with funding from the U.S. Department of Energy, awarded Johnson Controls-Saft a contract valued at \$8.2 million. The two-year contract supports development of lithium-ion battery systems for plug-in hybrid-electric vehicles (PHEVs).

### **Batteries for micro-hybrids**

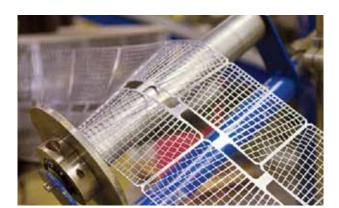
Carmakers are accelerating their creation of micro-hybrid vehicles. Micro-hybrid development is expanding globally, driven initially by European demand. The start-stop technology, which turns the engine off at vehicle idle, requires minimal system changes and therefore can be commercialized quickly.

Our Absorptive Glass Mat (AGM) battery technology positions Johnson Controls as the leading supplier of batteries for micro-hybrids. Compared to conventional starter batteries, AGM-based batteries have three times the charge/recharge cycling capability and lower failure rates. In 2008, we doubled our

production volume of AGM batteries – to 800,000 units annually – for use in European micro-hybrids.

### Optimal popularity for Optima®

The popularity of our spiral-wound, premium Optima batteries has continued to increase. More than 90% of consumers who purchased an Optima battery say they intend to buy one again in the future. This spiral AGM technology is specially designed for cars with high electrical loads and off-road vehicles, as well as marine and other heavy duty applications. In recent years, we have significantly expanded Optima battery production and distribution globally.



# PowerFrame® Rolls Out Globally

Our PowerFrame grid technology significantly improves the quality and performance of the lead plates that are a key component of automotive batteries. The PowerFrame process also decreases the use of lead, reduces manufacturing emissions, uses less energy and enhances plant safety. All of our U.S. and Mexicobased battery plants have converted to PowerFrame technology. We are in the process of completing the roll-out in all European plants, Brazil, and new sites in China.



# Industry Innovation at Nersac

The Johnson Controls–Saft facility in Nersac, France, is the world's first manufacturing site for lithium–ion vehicle batteries. The facility is producing lithium–ion hybrid batteries for the 2009 Mercedes Benz S–class hybrid and the BMW 7 Series ActiveHybrid car. The company is also producing the battery system for the new A5 mild hybrid from China–based Chery Automobile, and for a test fleet of Ford Escape plug–in HEVs.

"As consumer demands increase, people want more features and better value in batteries for conventional cars, and leading-edge power systems for hybrid-electric vehicles."



# Social Responsibility

Johnson Controls fosters excellent performance, teamwork, inclusion, leadership and growth. Corporate social responsibility initiatives are advanced and supported, creating invaluable goodwill in the communities where we do business.

On the following pages, we cover just a few efforts that are representative of our work in employee engagement and development, volunteerism and community outreach, and workforce and supplier diversity.

# Employee Engagement and Development

We know our employees and potential employees have choices of where to work. To attract, recruit and retain world-class talent, we're working to build a culture of employee and leader development that emphasizes leadership effectiveness and the need for a highly engaged, diverse, global workforce. Our people have access to outstanding development programs and other initiatives that support their engagement in our vision, values and objectives.

### **Leader Expectations Model**

Throughout our business, we have deployed a Leader Expectations Model (LEM) – behavioral standards for employees that support the vision and values of Johnson Controls. The LEM includes dimensions such as strategic and analytical thinking, customer focus, driving for results and accountability, and enabling teamwork. The foundation for selecting, evaluating, rewarding and promoting employees, the LEM enables us to consistently commu-

nicate what's important to us, internally as well as to customers, shareholders and the community. This year, we strengthened and expanded the model, and it will be applied more broadly company-wide in 2009.

### **eXtreme Learning Program**

Each year, a group of 40 senior high-potential employees from around the world participates in an eight-month development initiative called the eXtreme Learning Program (XLP). The group solves real-world problems, builds new, professional relationships, and confronts global business challenges. Since the launch of XLP in 2004, more than 200 leaders have participated, and many have assumed broader leadership roles at Johnson Controls.

### **Leadership Edge Program**

Launched in 2007, the Leadership Edge program is designed as action learning for mid-career managers. In 2007/2008 we included leaders from China, Europe and Mexico. Since its inception 279 employees have participated.

# A Vision of Sustainability

Every year, our employees celebrate Vision Week, a time dedicated to increasing their awareness and understanding of how the company will realize its Vision. In our 2008 Vision Week, employees learned more about how Johnson Controls is working to sustain our world. During the week we launched the Personal Sustainability Navigator to help employees discover how they can be more sustainable at home, in their travels, and at work.



### Global engagement

In 2008 Johnson Controls conducted its second annual employee survey. Implemented globally, the poll is designed to measure, manage and improve employee engagement and leader effectiveness. Key performance measures, including customer satisfaction, quality and safety, are tracked. Some 8,000 supervisors work with their employees to undertake action plans to improve their results.

### Chairman's Award for Customer Satisfaction and Employee Ingenuity

The Chairman's Award is the company's highest honor. It is designed to recognize the best examples in which employees or teams have had a major impact in

creating a comfortable, safe and sustainable environment for customers. Nine teams won Chairman's Awards in 2008. Chairman's Awards for Leadership Excellence are also given annually to employees who excel in leadership, employee development and community involvement.

# Giving Back to our Communities

Johnson Controls continues to support a wide range of community programs dedicated to improving education, leadership, the environment and social services. While our funding is beneficial, we also take pride in the generosity, goodwill and wide-scale community involvement of our employees.

### **Blue Sky Involve**

In Blue Sky Involve, our global volunteer initiative, we align employee volunteerism with two of our corporate priorities – protecting the environment and developing people. Employees worldwide share their time, talents and expertise to benefit the communities where we operate. They volunteer at select charities or schools, supporting environmental or leadership-development activities.

In 2008 the number of Johnson Controls locations participating in Blue Sky Involve increased by more than 75% to 530 sites, meaning \$530,000 was distributed in grants of \$1,000 throughout the world. More than 13,000 employees are involved, collectively donating more than 110,000 volunteer hours.

### **Conservation Leadership Corps**

In 2008 we expanded our successful U.S. Conservation Leadership Corps (CLC) initiative beyond Milwaukee and Baltimore to include Detroit. CLC is operated in partnership with the Student Conservation Association. It offers summer conservation jobs for a diverse group of nearly 200 high school students. CLC participants restore and maintain natural areas and parklands,

# Chairman's Award for Customer Satisfaction and Employee Ingenuity, and Leadership Excellence

The company's highest honor, the Chairman's Award recognizes employees for excellence in customer focus, ingenious thinking and leadership. The awards are given personally by the company Chairman at special events held around the world.

# 2008 Chairman's Award for Customer Satisfaction and Employee Ingenuity

Automotive Materials Best Business Practices Team China, United States

Battery Recycling Solutions Team Austria, Germany, Spain, United States

Chinese Complete Interiors Development Team China, Germany, Mexico, Netherlands, United States

Clinton Climate Initiative Global Project Team France, Singapore, United States

# **Global Engagement Survey – Project Leaders**Belgium, Brazil, China,

Belgium, Brazil, China, Czech Republic, France, Germany, Hong Kong, Italy, Mexico, Netherlands, Slovakia, South Africa, Spain, United Arab Emirates, United Kingdom, United States

Indica Vista X1 Hatchback Team India, South Korea

Middle East
District Cooling
Development Team
China, Hong Kong,
Philippines, Singapore,
United Arab Emirates

#### Plastics Integration Team United States

X12 Global Seating Contract Team Germany, Japan, United Kingdom, United States

# 2008 Chairman's Award for Leadership Excellence

Vincent Ciccolini Vice President-Internal Audit Milwaukee, U.S.

Mauro Noe Fimbres Plant Manager Cienega de Flores, Mexico



#### Soren Bjerg Vice President & Managing Director, Systems & Service -Southeast Asia & India

Singapore

Gilles Guerot

Branch Installation Manager

Ismael Velazquez Controller, Shared Service Center Juarez, Mexico

Montreal, Canada

**Sidnei Manzano** Plant Manager Pouso Alegre, Brazil

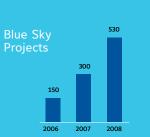
# Blue Sky Involve

### Volunteering to help children

During the summer of 2008, 25 Johnson Controls employees from Selangor, Malaysia, helped to improve a local orphanage. The employees, along with their family members and friends, spent a day at the Institut Taufiq Islami orphanage. They installed fire-evacuation signs, delivered safety training, cleaned and repaired the building, and donated clothes, toys and books.

### Many hands make light work

Employees in Juarez, Chihuahua, Mexico brought together their family and friends to clean and refurbish a local park, making it a more inviting area for children. The group of 94 volunteers refurbished basketball courts, painted external areas of the park and removed overgrown shrubbery from the garden areas.



# Employee 13,000 Participation 7,300 5,000 7,300 2006 2007 2008





Volunteer Hours 75,000 45,000 45,000 2007 2008

and engage in an environmental education curriculum, as well as valuable job readiness training to prepare them for their futures. In 2009, the program will expand outside of the U.S.

# Global philanthropy and foundation giving

In 2008 Johnson Controls donated more than \$12 million to nonprofit and community organizations focused on the performing arts, the environment and social services in addition to scholarships. In the United States, Johnson Controls provides a "dollar-for-dollar" match for employee contributions to the arts, educational institutions and the United Way, a community involvement nonprofit organization.

In our home town of Milwaukee, U.S. we also supported events for Hunger Task Force, the Leukemia/Lymphoma Society and the United Negro College Fund.

### China earthquake recovery

In the aftermath of the devastating 2008 earthquake in China, Johnson Controls, its employees, and joint-venture partners in China donated more than \$1.4 million toward relief efforts there.

### **Scholarships**

Johnson Controls awards scholarships worldwide. In 2008, 45 students in the United States and Canada – selected children of our employees – received scholarships ranging from \$2,000 to \$8,000. In Macedonia, the company is providing financial support valued at \$325,000 to 70 students attending a Skopje University engineering program. And 15 young adults from China are studying automotive interior design at the University of Turin in Italy thanks to \$550,000 in scholarship support from Johnson Controls.

### **Igniting Creative Energy**

In collaboration with the National Energy Foundation, Johnson Controls has developed Igniting Creative Energy (ICE) – a program that supports student creativity across the United States. Since its launch in 2003, the program has served more than 10,000 participants. They are encouraged to submit creative ideas to reduce energy use in homes, schools and their communities.

### **Health support programs**

Johnson Controls offers medical services to employees at facilities in countries including Mexico and South Africa, where access to health care may be limited. Often, services are also delivered to immediate family members, and include medical care for various indigenous diseases.

In South Africa, jointly with the Automotive Industry Development Centre, we operate a workplace program to help fight the HIV/AIDS pandemic. Goals include reducing infection rates through employee education, and creating an environment of openness, disclosure and acceptance.

In Mexico, our medical department provides employees and their families with services not provided by local clinics. We sponsor educational programs about prevention and treatment of both common and serious diseases. As needed, plant doctors make "house calls" to employee family residences.

# Workforce and Supplier Diversity

Johnson Controls is a global leader in diversity. Formal processes enable us to achieve our diversity goals around

### **Active Volunteers**

Sandipani Gurukul is a residential school in a rural area 180 miles from Mumbai, India. During 2008, Johnson Controls' employees volunteered for more than 600 hours at the school. They participated in the children's daily activities, and shared their professional knowledge, such as record-keeping and basic computer skills.



# **Executive Recognition**

Peter Bäckström, customer business director, Johnson Controls Global WorkPlace Solutions, received the prestigious "European Facility Manager of the Year" award at the European Facilities Management awards ceremony in June 2008. He was recognized for innovation and ingenuity in delivering effective facilities management services across Europe.



# Conservation Leadership

During 2008, the Detroit Conservation Leadership Corps (CLC), supported by Johnson Controls, completed nearly 20,000 hours of community service in local parks. The 88 CLC members built trails, repaired bridges, and maintained trees and plantings at more than 100 urban sites.



# Rebuilding Hope

In September 2006, Johnson Controls pledged its support to rebuild the Hope School in Taiying, Hebei Province, China. Located in a poverty-stricken area, the existing school was clean but structurally unsafe. With support from Johnson Controls, the school was rebuilt for improved safety and comfort. The work was completed in late 2007 and the school now serves 212 students.

the world, and to build a culture that is receptive to diverse ideas, experiences and perspectives.

### **Workforce diversity**

Our workforce is growing and changing dramatically. Currently, 68% of our employees live and work outside of the United States and Canada. We serve customers in 130 countries, collectively; we speak more than 45 languages; 50% of our employees have been hired within the last five years; and 80% of our workforce is under 45 years old.

We have increased leadership accountability for global diversity through reporting and monitoring processes. Eight affinity networks are in place around the world, supporting an inclusive work environment.

In 2008, we continued our partnership with INROADS, an internship program for minority youth. In addition, the

company continues to have relationships with the National Black MBA Association; the National Society of Hispanic MBAs; the Society of Hispanic Professional Engineers; the Society of Women Engineers; and the National Society of Black Engineers.

### **Supplier diversity**

A strong commitment to supplier diversity enables Johnson Controls to expand our business and strengthen our vendor base.

Annual spending with diverse suppliers exceeded \$1.6 billion in 2008, up from \$1.5 billion in 2007. Much of the increase for 2008 is attributable to expanding relationships with new, diverse suppliers in areas such as law, facilities construction and installation services. In total, Johnson Controls does business with more than 300 diverse suppliers, representing more than 50 product and service categories.

Johnson Controls continues to be one of only 15 U.S. firms in the Billion Dollar Roundtable, a group of companies that spend \$1 billion or more each year with certified women- and minority- owned suppliers.

In March 2008, we met with members of the London 2012 Olympic Games Committee, along with key customers, and people representing the National Minority Supplier Development Council and the Billion Dollar Roundtable. We sought to promote the use of underutilized suppliers – and firms owned by ethnic minorities – to construct the Olympic facilities. We also used the occasion to launch our supplier diversity initiative in the United Kingdom. And in August 2008, we hosted a Supplier Diversity & Business Development Showcase in Milwaukee, U.S. Presentations included supplier diversity best

practices, and discussions among top corporate executives about minority business development.

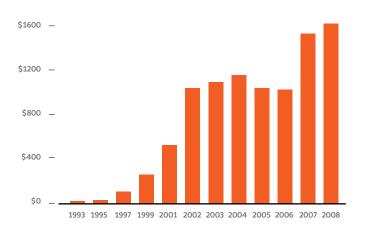
# UN Global Compact and Human Rights

Johnson Controls is a member of the United Nations Global Compact. Through this strategic policy initiative, we are committed to aligning our operations and strategies with ten universally accepted principles in human rights, labor, the environment, and anti-corruption.

The Johnson Controls ethics policy addresses child labor, and is consistent with international human rights standards. Prospective employees are required to show valid identification and proof of age before they are hired. Forced or compulsory labor practices are forbidden.

# Supplier Diversity Spending

Millions of Dollars



### 'Green-collar' Jobs

'Green-collar' jobs are those which have a direct impact on enhancing the environment. Johnson Controls' work in enabling energy savings; delivering clean, energy-efficient products and services; and using environmentally friendly processes gives us a large and expanding green-collar workforce.





# **Environmental Leadership**

Our commitment to sustainability goes well beyond providing green products and services to our customers and consumers. During 2008, we stepped up our focus on our own global operations – looking to make more products in earth-friendly ways and to make our factories and offices environmentally benign. Our goals? To reduce our global environmental footprint and to find ingenious ways to work with our suppliers to improve the eco-efficiency of our supply chain.

### Industry Leadership

Johnson Controls recognizes that we have a tremendous responsibility to protect the environment, limit the amount of natural resources that we use, and use those resources more efficiently. This focus is key to the future success and ongoing sustainability of our business.

Throughout 2008 at our offices and manufacturing facilities across the globe, employees and suppliers have achieved significant progress in making our operations more eco-friendly and in measuring and reporting on our environmental impact.

Johnson Controls participates in the Global Reporting Initiative (GRI), the most widely-accepted global standard for reporting corporate responsibility.

Our sustainability performance has been recognized by inclusion in several of the most respected corporate social responsibility and sustainability investment indices, including:

DJSI World DJSI North America FTSE4Good Index Series Carbon Disclosure Leadership Index Domini 400 Social Index KLD Catholic Values 400 Index KLD Dividend Achievers Social Index

KLD Global Climate 100 Index

KLD Broad Market Social Index

KLD Large Cap Social Index

KLD Select Social Index

KLD Large-Mid Cap Social Index

KLD Global Sustainability Index

KLD North America Sustainability Index

In addition, this year we were recognized as one of the world's leading companies for sustainability by Sustainable Asset Management (SAM) and PriceWaterhouseCoopers.

During 2008 we benchmarked our environmental and governance performance against 13 competitors, peers and customers, in two key areas:

Environmental performance -

ensuring we apply our environmental policy consistently around the world and to supplier programs.

### Calculating Carbon Travel Costs

A "carbon calculator" has been integrated into our U.S. travel booking system to help employees understand the carbon impact of a potential business trip.



Governance practices and conduct relevant to sustainability – ensuring we execute, track, measure and document our commitments to environmental stewardship.

Of the 13 companies, Johnson Controls was benchmarked second in the Environment category, and third in the Governance & Conduct category.

The research found that we have attained this comparatively high rating by having environmental practices and publicly reporting policies, programs and targets in the following areas:

- Procurement
- Climate Change
- · Emissions to Air (non-greenhouse gas)

- Hazardous Waste Management
- Materials Use

The company was also commended for having a comprehensive ethics policy that articulates expected behavior of all employees, including whistle blowing procedures, programs to address violations, and training and communication for staff. Additionally, credit was given for our efforts to ensure we remain fully informed about the impact of our products, services, and activities on our stakeholders.

# Making our Operations Sustainable

For Johnson Controls, demonstrating environmental sustainability is a vital

element of "walking the talk" we deliver in the marketplace. As a long-recognized leader in developing environmentally friendly "green" buildings, it's imperative that our own facilities are energy-efficient, use less water and minimize waste. During 2008 we continued to focus on our own operations to identify continuous improvement activities and better our performance.

We're currently expanding and renovating our headquarters in Glendale, Wisconsin, U.S., with the aim of making it the world's first multi-building LEED platinum-certified campus. Leadership in Energy and Environmental Design (LEED) is the U.S. Green Building Council rating system – with Platinum being the highest certification. The buildings will be a

showcase for energy-efficiency and renewable energy sources, including solar power, geothermal energy, and gray water capture and use.

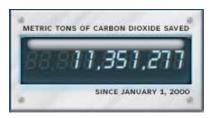
# Ensuring accountability and greening the supply chain

Reducing the greenhouse gas footprint of our global operations. Each of our businesses is taking steps to quantify and cut its greenhouse gas emissions. We are adding hybrids to our service fleet, installing fluorescent lighting and power conditioning equipment in our plants, and implementing manufacturing processes to reduce emissions and scrap.

Greening the supply chain. We're quickly working to adjust the company's supply chain management policies and

### Emissions Scoreboard on Web

In North America, our guaranteed performance contracts for energy savings are helping to reduce carbon emissions. The Johnson Controls web site displays a running total of the cumulative metric tons of carbon dioxide equivalent reduced through these projects. As of November 2008, the reduction totaled 11,351,277.



### 'Green' Investment

Our Holme factory in Denmark has reduced its energy costs and environmental impact with the addition of a new biomass boiler. In 42 months, the boiler will pay for itself, thanks to a 60% cut in energy expenditures. The boiler also reduces greenhouse gas emissions by 66%.



# Changing the Lights

Throughout our facilities, we are replacing metal-halide bulbs with newer fluorescent bulbs, an effort that saves both energy and money. The new bulbs deliver a better light spectrum, and last longer. The retrofit program saved 33 gigawatt hours of electricity in 2008 – enough energy to power 30,000 homes for one year.

# Hybrid Service Fleet

Building Efficiency has replaced 15 service vehicles with Ford Escape hybrids in its North American fleet. A 42% reduction in carbon dioxide emissions is expected. More hybrids will be added to our fleets in 2009.



processes to support our sustainability goals. Our sourcing functions will incorporate sustainability into their supplier requirements, scorecards and evaluations.

We are a member of Climate Leaders, a U.S. voluntary industry-government partnership that encourages companies to develop long-term, comprehensive climate change strategies. We also committed – first to the U.S. Environmental Protection Agency (EPA) and later to other global agencies – that Johnson Controls would reduce its GHG intensity by 30% by 2012.

Finally, we joined the Carbon Disclosure Project's Supply Chain Leadership Collaboration, which is creating standards for supply chain reporting of emissions, risks, opportunities and strategies. This organization will provide a unified methodology to measure supply chain emissions using data collected directly from suppliers.

### Health and Safety

During 2008 we continued to improve our workplace safety record. Our recordable case rate declined 18.4% and our lost-time case rate declined 13.8% in fiscal 2008 over the prior year.

In 2008 we changed our safety recognition program to emphasize that anything

other than the highest level of safety performance is unacceptable. Previously, locations were eligible for gold, silver or bronze awards; now we recognize only gold performance based on year over year improvement.

During 2009 we will continue to emphasize a zero-accident safety expectation, providing tools and promoting world-class best practices. In 2008 we launched a new safety awareness training program, which will be further implemented across the company in 2009. The program focuses on situational awareness of the key states of mind (rushing, frustration, fatigue and complacency) which are most highly correlated with injuries.

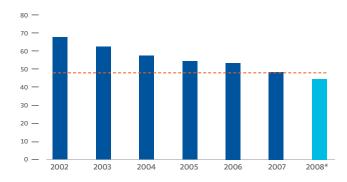
#### ead

Earlier this year, the U.S. Environmental Protection Agency substantially strengthened the national ambient air quality standards for lead to provide increased protection for children and other at-risk populations. As a leader in the industry, Johnson Controls has already implemented the best available air pollution control technologies. As we work to understand these recent changes, we are confident we will meet the new standards and help our suppliers be in compliance in a timely fashion.

### Global Greenhouse Gas Emissions

### Intensity Based Reductions

Metric tons of CO<sub>2</sub>e / million dollar in revenue
---- GHG intensity reduction target of 30% by 2012



\*Estimated for 2008 based on available data at time of report. Final estimates will be reported in our 2008 GRI Matrix that will be available on our public website on April 1, 2009.

# Health and Safety Performance

	2008	2007	2006	2005	2004
Recordable incident rate	1.09	1.36	1.46	1.64	1.98
U.S. Occupational Safety and Health Administration (OSHA) (incidents x 200,000) hours worked					
Lost time incident rate	0.42	0.49	0.56	0.67	0.78
U.S. Occupational Safety and Health Administration (OSHA) (incidents x 200,000) hours worked					



# **Recycling Batteries**

Automotive batteries are one of the most highly recycled products used by consumers. In the U.S. market, 99% of lead acid batteries are recycled, and 95% of the material in the batteries is reused. Johnson Controls was instrumental in setting up the industry's closed-loop battery recycling program. Johnson Controls has been an industry leader in using recycled lead, with a focus on safety and sustainability. In 2008, we launched our EcostepS battery recycling program in Europe.

### Directors



Dennis W. Archer, 66 Chairman Dickinson Wright PLLC Director since 2002. [3,4]



Robert L. Barnett, 68 Retired Executive Vice President of Motorola, Inc. Director since 1986. [1,2,3]



John M. Barth, 62 Retired Chairman and Chief Executive Officer Johnson Controls, Inc. Director since 1997. [1]



Natalie A. Black, 58 Senior Vice President, General Counsel and Corporate Secretary Kohler Co. Director since 1998. [3,5]



Robert A. Cornog, 68 Retired Chairman and Chief Executive Officer Snap-on, Inc. Director since 1992. [1,2,3]



Richard Goodman, 60 Chief Financial Officer, PepsiCo, Inc. Director since 2008. [2,5]



Jeffrey A. Joerres, 49 Chairman, Chief Executive Officer and President Manpower, Inc. Director since 2001. [4,5]



William H. Lacy, 63 Retired Chairman and Chief Executive Officer MGIC Investment Corp. Director since 1997. [1,4,5]



Southwood J. Morcott, 70 Retired Chairman, President, and Chief Executive Officer Dana Corp. Director since 1993. [1,3,4]



Eugenio Clariond Reyes-Retana, 65 Retired Chairman and Chief Executive Officer, Grupo IMSA S.A. Director since 2005. [4,5]



Stephen A. Roell, 58 Chairman and Chief Executive Officer Johnson Controls, Inc. Director since 2004. [1]



Richard F. Teerlink, 72 Retired Chairman, President and Chief Executive Officer, Harley-Davidson, Inc. Director since 1994. [2,5]

#### Committees

1] Executive 2] Audit 3] Corporate Governance 4] Compensation 5] Finance

### **Executive Offices**

Johnson Controls, Inc. 5757 N. Green Bay Avenue P.O. Box 591 Milwaukee, WI 53201, U.S. (414) 524-1200

### **Detailed Reports**

Further details on the company's 2008 performance, as well as historical information, can be downloaded from www.johnsoncontrols.com

- · Financial (Annual Report on Form 10-K)
- Global Reporting Initiative Matrix

### Officers

Stephen A. Roell

Chairman and
Chief Executive Officer

Keith E. Wandell

Chief Operating Officer

Jeffrey G. Augustin

Vice President and Vice President, Finance Building Efficiency

Colin Boyd

Vice President, Information Technology and Chief Information Officer

Beda Bolzenius

Vice President and President, Automotive Experience

Susan F. Davis
Executive Vice President,

Human Resources

Jeffrey S. Edwards

Vice President, and Group President and General Manager, Japan and Asia Pacific Automotive Experience

Charles A. Harvey
Vice President, Diversity
and Public Affairs

Susan M. Kreh

Vice President and Corporate Controller

R. Bruce McDonald

Executive Vice President and Chief Financial Officer

Alex A. Molinaroli

Vice President and President, Power Solutions

C. David Myers

Vice President and President, Building Efficiency

Jerome D. Okarma

Vice President, Secretary and General Counsel

Jacqueline F. Strayer
Vice President,

Corporate Communication

Subhash "Sam" Valanju (retiring) Vice President and Chief Information Officer

Frank A. Voltolina
Vice President and
Corporate Treasurer

Denise M. Zutz

(retiring)
Vice President, Strategy,
Investor Relations and
Communication

### **Ethics**

Johnson Controls' ethics policy provides guidance as to what practices are appropriate for Johnson Controls' employees. It is a zerotolerance policy. We annually review the ethics policy to ensure it remains relevant as the company grows and confronts new business issues in the various geographies where we operate.

An anonymous ethics hotline is available to anyone who suspects unethical behavior. The hotline is available 24 hours a day in all major languages and is operated by an independent third-party vendor. Through the ethics hotline monitoring system, we capture all information, investigate, audit and implement improvement actions accordingly.

In the past year more than 30,000 employees participated in our on-line certification and ethics training program. In addition, we conducted numerous ethics training workshops around the world.



INGENUITY WELCOME

Johnson Controls, Inc. P.O. Box 591 Milwaukee, WI 53201, U.S. www.johnsoncontrols.com

