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OYEES IMPROVEMENT AND INNOVATION SAFE WORKPLACES ENVIRONMENTAL
SHIP WORKFORCE DIVERSITY SUPPLIER DIVERSITY CONTINUOUS IMPROVEMENT
OGY EMPLOYEE DEVELOPMENT COMMUNITY INVOLVEMENT INTEGRITY

LIVING

our values



2003 sustainability report

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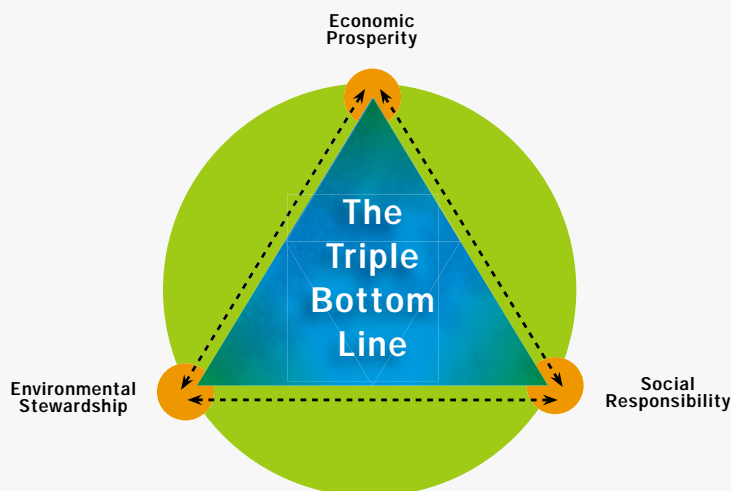
Johnson Controls prepared this report using the Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines. The Index on page 61 shows the GRI elements included here. Some GRI-listed information is not included because it is not currently available. Every attempt was made to provide historical data to help readers observe and understand trends. We expect future sustainability reports to include more data on environmental, social and economic performance as we continue to develop the systems to collect, process and present information in the public interest.

We have not included in-depth financial data in this report. That information is publicly available in our Annual Report to Shareholders and in filings we provide to the United States Securities and Exchange Commission. These documents are available at www.johnsoncontrols.com.



About the cover Our corporate Values guide our conduct — they define the way we do business. Our Values are at the core of our sustainability efforts as well. By Living Our Values, we believe our sustainability performance will continuously improve in every part of our business and in every one of our communities.

sustainability





John M. Barth
Chairman and
Chief Executive Officer

A Message

from John M. Barth, Chairman and Chief Executive Officer

Today's stakeholders set high expectations for corporate citizens. They expect businesses to earn a profit and provide high-quality jobs as well as perform in accordance with a high standard of environmental and social responsibility. They also expect companies to document that they have done so. In that spirit, Johnson Controls presents its first sustainability report, prepared in alignment with sustainability reporting guidelines set by the Global Reporting Initiative (www.globalreporting.org).

We welcome the opportunity to measure ourselves against rising global expectations because we continue to increase the high expectations we set for ourselves. Johnson Controls has long measured itself against what today is often called the "triple bottom line" of financial, environmental and social performance. In fact, the corporate Vision that we formalized for our 100th anniversary in 1985—and that guides our company today—embodies the spirit of sustainability and transparency. Accordingly, we have chosen to organize this report around the creed and five core values articulated in our Corporate Vision.

We define sustainability through our values which give rise to our policies, our ethics and our corporate culture. Our values also constitute a formal commitment to conscientious citizenship. They commit our company and every employee to environmental stewardship, safe work environments, and socially responsible behavior in our workplaces and our communities, as well as in the products and services we provide to customers.

Our sustainability efforts are being recognized. Johnson Controls has been awarded the 2004 World Environment Center Gold Medal for International Corporate Achievement in Sustainable Development. This award is presented annually to a single company following a review by an independent jury of global sustainability experts. It recognizes corporations that best demonstrate preeminent leadership in sustainability and contributions to worldwide environmental quality.

We welcome the opportunity to measure ourselves against rising global expectations because we continue to increase the high expectations we set for ourselves.



How strong is our “triple bottom line? Let’s take a look at a few examples.

Social. We are a major global employer, providing more than 118,000 good jobs at more than 500 locations worldwide. We know that to continue to grow and succeed we must draw employees from a rich and diverse talent pool. We rely on the unique contributions of all types of people from all over the world. People who join our team find an organization that values them, treats them with respect, and constantly invests to help them learn and take on new challenges.

We provide employees with safe, healthful places to work. Lost-time injuries at our U.S. facilities have decreased by more than one-half since 1995 and are far below national averages for our industries. We set the same high standards for safety and for our environmental performance at all our locations around the world.

Outside the plant or office, we encourage and support our people to give their time, skills and energy to improve and strengthen the hundreds of communities we call home. We provide millions of dollars a year in contributions, as well as match employee donations, in support of our communities as well. Never satisfied with our performance, we remain open to exploring other social standards—such as labor relations and human rights—by which to measure ourselves in the future.

Our belief in diversity extends to our business partners: In the U.S. alone, we purchase more than \$1 billion in goods and services annually from diverse suppliers, including companies owned by minorities and women. In 2003, we were one of only two companies invited to join the Billion Dollar Roundtable, comprised of the 12 U.S. companies that spend more than \$1 billion annually with diverse suppliers. Our supplier diversity performance was recognized in 2003 by the National Minority Supplier Development Council, which named Johnson Controls its “Corporation of the Year.” This was the first time a non-consumer-products company was selected for this significant honor.

Environmental. Our businesses, by their very nature, contribute to environmental quality. The products we make and the services we deliver help customers save energy, reduce pollution and waste and increase recycling. In offices, schools, hospitals, factories and stores, our control systems and

We define sustainability through our values. Our policies flow from our values, which define our corporate culture.

services improve energy efficiency. We also help building owners keep indoor air healthy, use environmentally safe supplies, recycle materials and equipment, and handle wastes safely and responsibly. Most notable is our High-Performance Green Buildings initiative, a broad-based and collaborative effort to encourage buildings that embody sustainable practices such as energy conservation, the use of recycled building materials, and earth-friendly landscaping practices. In our automotive businesses, our customers look to us for help in their efforts to deliver more environmentally friendly vehicles. For example, we work with carmakers to reduce the weight of seats and other interior systems, helping to reduce fuel consumption without compromising safety. The lead-acid automotive batteries we make are the most recycled consumer product in the world. In our own operations, we strive to make our products earth-friendly; our factories and offices environmentally benign. In 2003, the Alliance to Save Energy, a Washington, D.C.-based coalition of business, environmental and consumer leaders, presented its “Star of Energy Efficiency” award to Johnson Controls.

Economic. Our commitment to exceeding customer expectations has led us to many years of consistent growth and financial success. Fiscal 2003 was our 57th consecutive year of increased sales, our 13th consecutive year of increased earnings, and our 28th consecutive year of higher dividends paid to shareholders. We have paid consecutive dividends since 1887. Our annual report to shareholders provides much greater detail about our financial performance.

We demand continuous improvement in all facets of our organization, including those that affect sustainability.

We demand continuous improvement in all facets of our organization, including those that affect sustainability. We’re working to find new ways to encourage and help more women and minorities take advantage of careers with us. While we outperform our industries in terms of workplace safety, we raise the bar on our expectations every year.

On the environmental front, we challenge ourselves to reduce waste in our production processes. Initiatives already in place are helping us achieve our goals. One example is our Six Sigma quality improvement process, which we embrace company wide. By its very nature, Six Sigma reduces scrap and increases production efficiency. We also have formal processes in place to translate process improvement from one facility to other similar facilities across the company. In addition, several manufacturing initiatives aim specifically at waste reduction. These include an initiative in which a single supplier oversees all waste disposal for our automotive interiors business in North America. This single-source responsibility will help us track waste accurately and find opportunities for reduction.



Our corporate Vision places integrity as the first value of Johnson Controls. In July and October 2003, Johnson Controls took additional steps to strengthen its performance when its Board of Directors approved expansions to the employee Ethics Policy, which appears in this report.

We also are increasing our involvement with non-government organizations in order to better understand and respond to global environmental and societal issues. This past year we joined the United Nations Global Compact so that we may establish more global contacts and share best practices, both of which will help us continue to improve sustainability performance. We also recently joined Climate RESOLVE, a subcommittee of the Business Roundtable, in alignment with our appreciation of global warming issues and our leadership role in energy efficiency. We increased our understanding of sustainability reporting through membership in the Global Environmental Management Initiative (GEMI) and through direct dialogue with the Interfaith Center for Corporate Responsibility. These interactions provide us with a deeper appreciation of the expectations of today's corporations and how we can best respond.

The Global Reporting
Initiative process is healthy
in that it encourages us
to look at our business
holistically.

Using the GRI guidelines, we offer our customers, shareholders, employees and citizens at large a more detailed look at our overall performance across a wide range of issues. The GRI process is healthy in that it encourages us to look at our business holistically. The process is also demanding, especially for a company like ours, operating at hundreds of locations in more than 30 countries, all of which have different expectations for reporting on social, environmental and economic performance.

In this report, we present our 2003 results as completely and accurately as we can with the data available. In the process of preparing the report, we identified opportunities to provide more comprehensive data in future sustainability reports. We appreciate your support of Johnson Controls and are confident that we have the people, the processes and the commitment to continue to improve our "triple bottom line."

Sincerely,

A handwritten signature in black ink, reading "John M. Barth".

John M. Barth
Chairman and Chief Executive Officer

Who We Are

Johnson Controls, Inc., is a global market leader in automotive systems and facility management and control. In the automotive market, we are a major supplier of integrated seating and interior systems, and batteries. For non-residential facilities, Johnson Controls provides control systems and services including comfort, energy and security management. Founded in 1885, the company has headquarters in Milwaukee, Wisconsin, USA. Sales for 2003 totaled \$22.6 billion. Additional background on the company's business can be found at www.johnsoncontrols.com.



Automotive Group

The Automotive Group produces interior systems for passenger cars and light trucks for all of the world's major automakers at approximately 250 manufacturing and assembly plants worldwide. The company is the largest supplier of automotive batteries in the world for both the replacement and original equipment markets, with 26 manufacturing sites in North America, South America and Europe.

Major customers for interior systems include DaimlerChrysler, Fiat, Ford, General Motors, Honda, Mazda, Mitsubishi, Nissan, PSA/Peugeot Citroen, Renault, Toyota and Volkswagen.

Our automotive interior products include:

- Complete seating systems and components
- Cockpit systems, including instrument clusters, information displays and body controllers
- Overhead systems, including headliners and electronic convenience features
- Floor consoles
- Door systems
- Engine electronics

The interiors business operates 80 assembly plants that supply complete seats and other components on a "just-in-time" basis. We assemble components to specific order and deliver them on a precise schedule directly to the customers' vehicle assembly lines.

Johnson Controls is the largest automobile battery supplier in North America, South America and Europe, selling primarily under private label to replacement battery retailers and distributors and to automobile manufacturers as original equipment. Our replacement batteries are marketed by customers including Advance Auto, Auto-Teile-Unger, AutoZone, Carrefour, Costco, Interstate, Leclerc, Pep Boys, Sears and Wal-Mart under a variety of private label brands as well as the Johnson Controls brands Optima and Varta. Original equipment batteries are manufactured for DaimlerChrysler, Ford, Honda, Nissan, PSA/Peugeot, Toyota and Volkswagen.



Controls Group

Controls Group offerings help create comfortable and safe building environments that maximize productivity and equipment reliability while reducing costs. Customers include thousands of schools and colleges, health care facilities, commercial office buildings, pharmaceutical labs, manufacturing plants, government buildings, airports, and other non-residential buildings around the world.

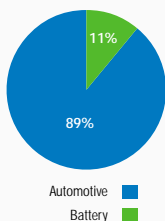
The business provides services from branch offices located in approximately 300 principal cities throughout the world. Controls Group employees also work full-time at more than 200 customer sites. It manufactures products at nine locations in the United States and other countries.

Johnson Controls engineers, manufactures, installs and services control systems that regulate heating, cooling, ventilation, refrigeration, lighting, security, fire protection, and other functions. Our Metasys® facility management system automates mechanical systems to keep people comfortable while also keeping energy usage to a minimum. The system helps facility managers monitor and control multiple building functions from a single workstation. It also collects and reports information that helps building managers make better decisions about the operations of their facilities.

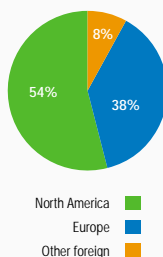
The Controls Group provides a wide range of services that reduce costs and improve building performance, including energy management, performance contracting, and remote monitoring of customer sites. The energy efficiency measures shared with customers result in significant costs savings and reductions in greenhouse gas emissions. Through facility management offerings, Johnson Controls employees repair, maintain and operate mechanical and electrical systems and manage providers of custodial, foodservice, landscaping and other services on behalf of customers—typically multi-national corporations, large institutions and government agencies. The company manages more than one billion square feet at some 550 worldwide locations under commercial facility management contracts.

The Controls Group also makes electric and electronic products for sale to manufacturers, wholesalers and distributors of air-conditioning, refrigeration and commercial and residential heating equipment.

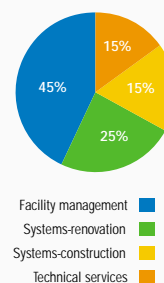
2003 Automotive Sales



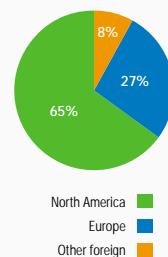
2003 Automotive Sales by Region

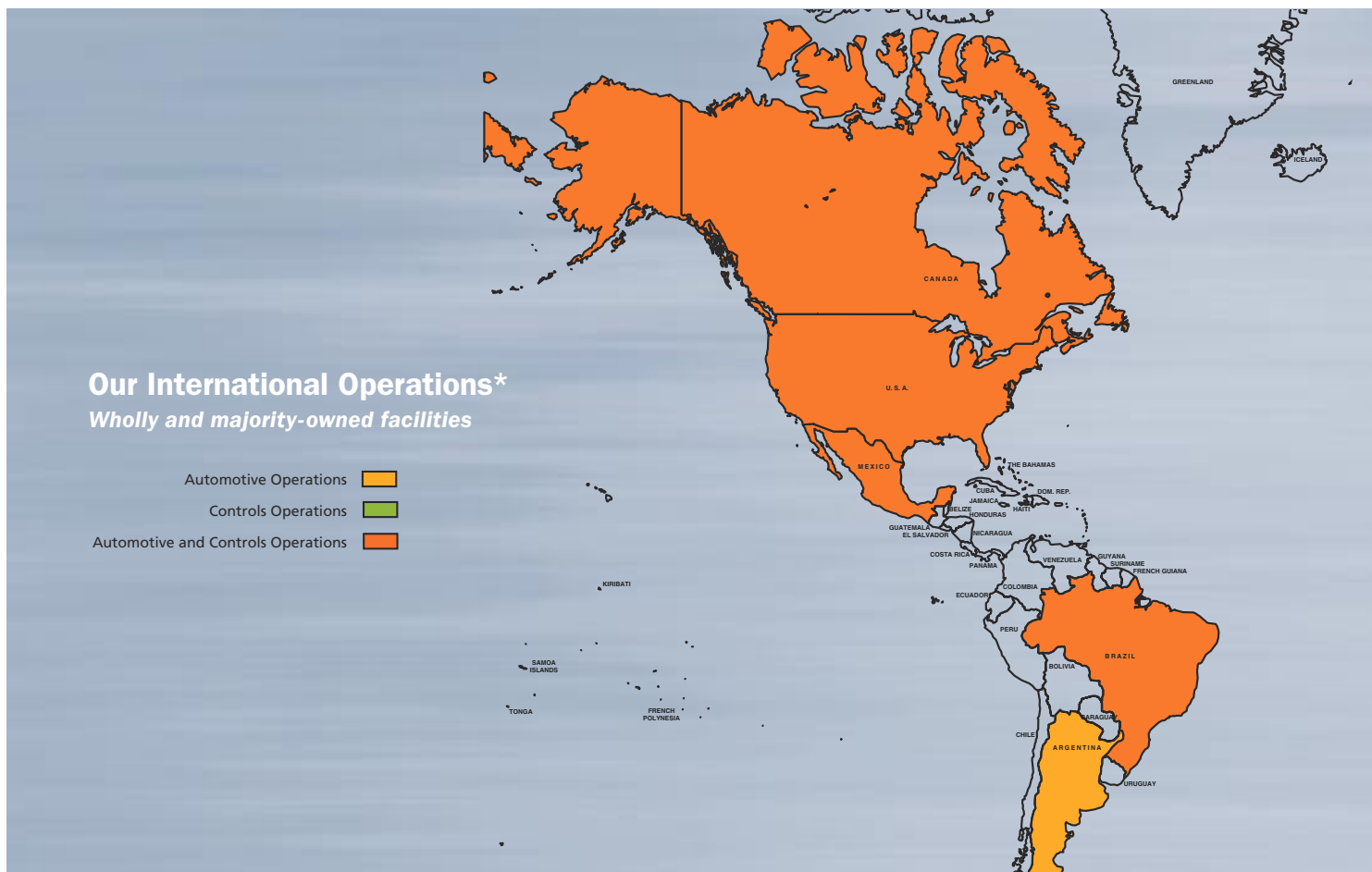


2003 Controls Sales



2003 Controls Sales by Region





**The Automotive Group also has partially owned affiliates in Asia, Europe and South America. Licensing and joint venture arrangements are also in place with certain manufacturers of automotive parts and batteries outside the United States. The Controls Group has joint ventures in Asia, Europe, Africa and South America. It markets products through distributors represented in about 40 countries.*

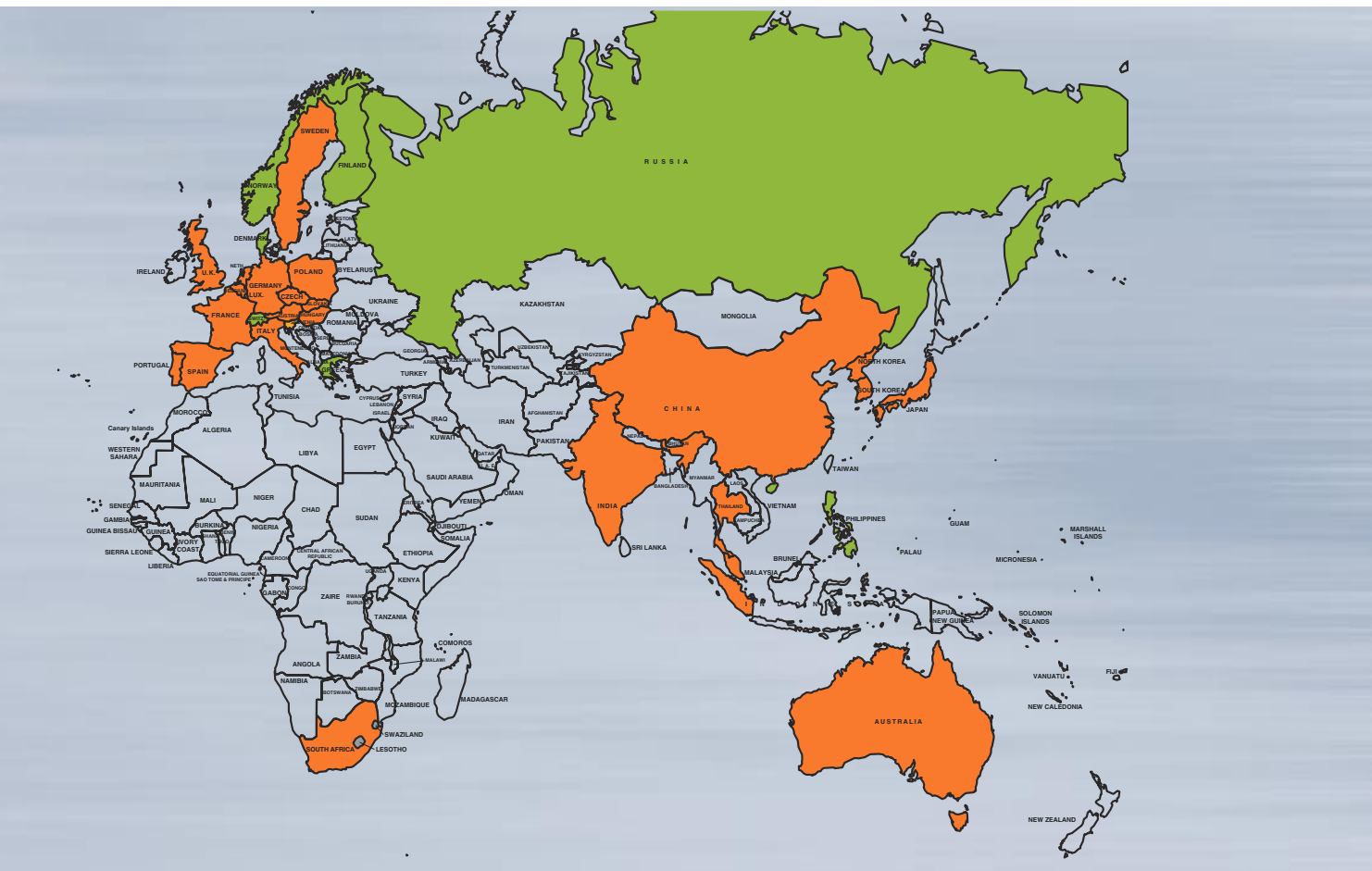
A Look at Johnson Controls Operations

Johnson Controls is a global company with administrative, manufacturing and assembly plants, service offices and facility management sites in more than 30 countries.

Our operations are diverse, but in general they fall into four categories:

Headquarters and engineering offices. These include our corporate and automotive battery headquarters offices in Glendale, Wisconsin; our Controls Group headquarters in Milwaukee, Wisconsin, and Brussels, Belgium; and our Automotive Group headquarters in Plymouth, Michigan and Burscheid, Germany. Key issues for these facilities include responsible use of energy, workforce diversity, recycling of office materials and equipment, and provision of comfortable, healthful working conditions.

Manufacturing plants. These plants produce metal parts, foam seat cushions and electronic components for automotive interiors, controls components (such as water and gas valves and electronics) and automotive batteries. Key issues in manufacturing plants include waste



reduction, employee safety and responsible use of energy. Additional issues at battery locations include the responsible and efficient handling and recycling of lead, and the protection of employees from exposure to lead on the job.

Assembly plants. These plants receive components made by our own plants and outside suppliers and assemble them into finished systems for automotive interiors and control systems. Key issues at these plants include the minimization of waste and the prevention of workplace injuries.

Service offices and facility management sites. Our controls sales and service personnel work from hundreds of offices around the world, delivering solutions that help building owners improve operating efficiency and provide safe, comfortable and productive work environments. Key issues in these operations include efficient use of supplies and materials, reuse or resale of equipment, recycling of wastes, earth-friendly landscaping practices, and maintenance of pleasant, safe and healthful working conditions.

Governance Structure and Management Systems

Johnson Controls is a publicly owned company governed by a board of directors. The Corporate Governance Committee of the Board of Directors is empowered by its charter to continuously review the company's corporate governance practices against those of other public companies and those recommended by the investment community, and to make recommendations to the board to assure the company's leadership in this area. The committee regularly:

- Reviews guidelines or practices adopted by other leading public companies
- Reviews surveys and trend information published by academia and the investment community
- Reports on investor forums dealing with governance and on the written policies of institutional investors
- Annually reviews the company's proxy results and any voting trends apparent during the proxy season of other public companies

The Governance Committee reports its findings and recommendations for action by the Board. Specific guidelines on how the Board operates are available on the Johnson Controls Web site or by request.

Shareholder Resolutions

Historically, Johnson Controls has had shareholder resolutions regarding global standards and, more recently, on issuing a sustainability report. No shareholder resolution was voted on at the January 2004 annual meeting of shareholders.

Board of Directors

The Johnson Controls Board of Directors represents the diverse range of viewpoints and expertise needed to manage strategic direction and environmental and social risks and opportunities. The Board and management believe the company must assume a leadership position in corporate governance to fulfill its mission to exceed the increasing expectations of customers and shareholders. To that end, the company maintains an independent Board of Directors, using standards that include New York Stock Exchange definition for "independence." A director is not generally considered independent if he or she is, or in the past five years has been:

- Employed by Johnson Controls or an affiliate
- An employee or owner of a firm that is one of the company's or an affiliate's paid advisors or consultants
- Employed by or a partner or owner of a significant customer or supplier
- Covered by a personal services contract with the company or with any executive officer or affiliate of the company
- An employee, officer or director of a foundation, university or other non-profit organization that receives significant grants or endorsements from the company or its affiliates
- A relative of an executive of the company or an affiliate



On an ongoing basis, the Board determines whether each director is independent, and reports its determinations in the proxy statements. The Board's audit, compensation, pension and benefits and corporate governance committees consist entirely of independent directors. The executive committee consists of five directors, three of them independent.

Board Diversity. The 12-member Board includes one female, two African-American males and one Hispanic male.

Board Selection and Succession. The Corporate Governance Committee sets qualifications and a selection procedure for directors. Selection criteria include skills, professional experience, independence, diversity, technical capabilities, and international and industry experience. The Board is composed of qualified individuals who reflect a diversity of experience, gender, race and age. Each committee has written procedures and a written charter that specifies its responsibilities and scope. The Board selects its own new members. The Corporate Governance Committee screens candidates with direct input from the chairman and CEO. The Board has established a retirement age of 70 for directors.

Board Operation. Directors receive written agendas and supporting materials in advance of meetings and receive interim financial and operational reports. The Board has full authority to retain financial, legal or other consultants. The Board has complete access to company management and seeks their input in regular presentations. Management presents strategic plans to the Board at an annual two-day meeting. The Board discusses the strategic plans in executive session (without management present) and approves or rejects them by formal resolution.

Board Compensation. Management annually reports to the corporate governance committee on the Board's compensation in relation to other public companies, using published studies. The committee recommends changes for action by the full Board. The Board believes that the compensation system should align the directors' interests with those of shareholders. To this end, half of the Board's annual retainer is paid in company stock.

Management Compensation. The Compensation Committee meets annually in executive session to set goals for the CEO and to evaluate his or her performance. The Board also acts on the committee's recommendations in setting compensation for management. The committee retains an independent outside expert to compare the company's executive compensation with that of similar public companies. The committee also reviews annually whether such compensation programs are effectively structured to be performance-based and to align executives' interests with those of shareholders. The committee also annually considers the company's succession plans for key positions and its management development programs.

Board Stock Ownership. The Corporate Governance Committee sets guidelines for ownership of stock by directors and periodically compares these with the guidelines of comparable public companies.

Board Ethics. The directors must annually certify their compliance with the company's ethics policy. Any officer's or director's request for a waiver or exception to the ethics policy is submitted in writing to the Corporate Governance Committee, which considers the request and makes a recommendation to the full Board. The director requesting the waiver is excluded from all meetings and votes on the matter. No waiver has ever been requested. In addition, procedures are in place for employees to report questionable accounting policies or practices directly and anonymously to the audit committee.

Complete information about Board structure, policies and procedures is available on the Johnson Controls Web site.

Certifications and Recognition

Governance Metrics International (GMI) ranked Johnson Controls among the five companies with the best corporate governance practices. GMI gave Johnson Controls an overall rating of 10.0 out of a possible 10.0 points, and indicated particularly noteworthy performance in Board accountability, financial disclosure and internal controls, and corporate behavior. GMI reported that Johnson Controls takes corporate governance seriously and takes extensive measures to ensure that its Board and senior management operate in concert with the interests of investors. Among factors contributing to the high rating was that 10 of our 12 directors are independent. GMI also noted that Johnson Controls had an Audit Committee charter before the Sarbanes-Oxley corporate reform act required it, has no unusual voting requirements, has a totally independent compensation committee, and has no takeover defenses that go beyond the norm.

Another rating company, Institutional Shareholder Services (ISS), stated that Johnson Controls governance practices were better than those of 80 percent of all S&P 500 companies and 96 percent of automobile and components companies.

Socially Responsible Investment

Johnson Controls is listed on several social responsibility stock indexes, which select companies based on environmental and social performance criteria. Indexes include:

- FTSE 4Good Index, a stock index joint venture of the *Financial Times* newspaper and the London Stock Exchange.
- Domini 400 Social Index, a listing maintained by the U.S.-based social responsibility consultant KLD Research and Analytics, Inc.
- Innovest Strategic Value Advisors, Inc., an international investment advisory firm. This organization ranked Johnson Controls as the top company in its report on relative corporate environmental performance among companies in the United States, Europe, and Japan.
- Storebrand Investments, a leading Scandinavian financial services company with more than 20 billion euros under management. Storebrand reported that Johnson Controls "scored well above average" in its social responsibility assessment.

Governance Metrics International (GMI) ranked Johnson Controls among the five companies with the best corporate governance practices.



Financial Reporting: Structure and Responsibilities

Johnson Controls expects the highest in ethical standards from all employees, but especially from senior officers, as they set the tone for the entire company. Therefore, we explicitly require that our principal executive officer, principal financial officer, principal accounting officer or controller, and any person performing similar functions must engage in honest and ethical conduct. This includes the ethical handling of apparent conflicts of interest between their own personal and professional relationships.

Johnson Controls requires full, fair, accurate, timely, and understandable disclosure in reports, documents and any other public communications. In addition, all Johnson Controls employees must comply with applicable laws, rules and regulations. Any person may anonymously report violations of the company's Ethics Policy to a hotline maintained by an independent third-party vendor. Adherence to these standards is a condition of employment; violations are taken seriously and result in disciplinary action.

Johnson Controls management has primary responsibility for the consolidated financial statements and other information included in its annual report and for making sure the data fairly reflect the company's financial performance. The company's system of internal control is designed to provide reasonable assurance that company assets are safe from loss or unauthorized use or disposition. This system is augmented by careful selection and training of qualified personnel, a proper division of responsibilities, and use of written policies and procedures.

An internal audit program monitors the effectiveness of this control system. The Audit Committee of the Board of Directors reviews audit plans, internal controls, financial reports and related matters and meets regularly with internal and independent auditors. The Audit Committee operates as specified in its charter and has appropriate funding to exercise its authority. This includes the ability to retain independent legal, accounting or other advisors as necessary.

The Audit Committee meets with management and internal and independent auditors in separate executive sessions at least quarterly and makes regular reports to the Board. The committee encourages management to communicate the importance of internal control and to ensure that all employees are aware of the company's internal control policies and procedures. The committee also reviews and discusses with management the implementation of internal control recommendations made by the auditors.

An independent review by Governance Metrics International (GMI) reported that the Johnson Controls Audit Committee has far greater latitude to investigate company operations than those of many other companies.

Johnson Controls expects the highest in ethical standards from all employees, but especially from senior officers, as they set the tone for the entire corporation.

Disclosure Policy

Johnson Controls is committed to providing timely, consistent and accurate information to the public consistent with legal and regulatory requirements, including Regulation FD. The company's disclosure policy, updated in October 2003, is designed to provide investors material information when required or voluntarily released in a broad, non-exclusionary fashion. It covers disclosures in SEC-filed documents and written statements made in the company's annual and quarterly reports, news and earnings releases, letters to shareholders, speeches by senior management, and information provided by the company on its Web site. In addition, it covers oral statements made in group and individual meetings, phone calls and webcasts with analysts and investors, interviews with the media, as well as press conferences and all other communication of material information reasonably likely to be transmitted directly or indirectly to the public. The policy is available on the company Web site.



Our Creed

WE BELIEVE IN THE FREE ENTERPRISE SYSTEM. WE SHALL CONSISTENTLY
TREAT OUR CUSTOMERS, EMPLOYEES, SHAREHOLDERS, SUPPLIERS AND
THE COMMUNITY WITH HONESTY, DIGNITY, FAIRNESS AND RESPECT.

Sustainability Performance

The following sections describe our economic, social and environmental performance. We have aligned information about our performance with our corporate creed and values, which in turn reflect the spirit of the Global Reporting Initiative.

The Johnson Controls Creed is the basis for managing our relationships with all our stakeholders.

Stakeholder Engagement

Defining Major Stakeholders

Our stakeholders are similar to those of other major corporations. They encompass interested parties internal and external to the company and include:

- Customers and consumers
- Employees and their families
- Retirees
- Shareholders and investor groups
- Suppliers and contractors
- Neighbors and community groups
- Regulators, legislators, and political leaders
- Non-governmental organizations (NGOs)

Approaches to Consultation

Johnson Controls has established programs to foster open communication and cooperation with our stakeholders on environmental, social, and economic issues. We also pursue opportunities to partner with stakeholders when doing so adds value to our business. We have an open-door policy, and we encourage interaction between our company and a range of stakeholder groups. Besides inviting questions and comments, we pursue opportunities to partner with stakeholders. Incorporating the wisdom, concerns, and lessons of our stakeholders helps us manage our businesses more effectively.

Johnson Controls has established programs to foster open communication and cooperation with our stakeholders on environmental, social, and economic issues.

We foster communications and dialogue with employees through a variety of initiatives, including teams and committees, state-of-the-business presentations, video and Web-based communications, and publications.

Externally, we actively seek dialogue with stakeholders. We regularly meet with investors and provide access to financial conference calls and presentations via the Internet. Calls and presentations are archived on www.johnsoncontrols.com for one year.

In addition, in fiscal 2003, we received more than 400 messages on www.johnsoncontrols.com. The messages included requests for information on financial performance; environmental, health and safety programs; and local involvement. These messages are in addition to hundreds of messages requesting product information.

Johnson Controls is also taking affirmative steps to engage in dialogue with NGOs. For this report, we consulted with the Interfaith Center for Corporate Responsibility and received many worthwhile comments and suggestions. We incorporated a number of them into this report; others not incorporated this year will help guide future Sustainability Reports and help drive continuous improvement in our relationships with key stakeholders. Further, we actively participated in dialogue sessions with a wide array of NGOs through the Global Environmental Management Initiative (GEMI), a non-profit organization comprised of about 40 corporations that meet to find ways to foster environmental excellence globally.

Use of Information

We use information from stakeholder contacts to help establish the company's goals, determine the scope and content of information we share with the public, and shape the company's programs and actions. For example, in developing this report, we shared draft material with key stakeholders, including NGOs and employees.

Suppliers

Johnson Controls is committed to supplier diversity because it helps us expand our business and strengthens our vendor base. We have continually increased the amount we spend with diverse vendors. In fiscal 2002, we reached our goal to purchase at least \$1 billion in goods and services from minority- and women-owned businesses. This represents more than 15 percent of our overall purchases of goods and services and is nearly double the amount we purchased from diverse suppliers in 2000. We reached the \$1 billion goal in only 10 years — one year ahead of our own expectations. This achievement resulted in our 2003 induction into the Billion-Dollar Roundtable, an organization comprised of U.S. corporations that spend more than \$1 billion annually with minority- and women-owned businesses. We are one of only 12 companies in the Roundtable. Today, Johnson Controls enlists more than 1,110 diverse suppliers who provide more than 50 products and services for our customers.

Johnson Controls is committed to supplier diversity because it helps us expand our business and strengthens our vendor base.



Johnson Controls was named Corporation of the Year for 2003 by the National Minority Supplier Development Council (NMSDC).

For this and other accomplishments, Johnson Controls was named Corporation of the Year for 2003 by the National Minority Supplier Development Council (NMSDC). The award is regarded as the most prestigious recognition a corporation can receive for conducting business with minority- and women-owned firms. In addition, our director of supplier diversity business development received the MBE Coordinator of the Year award in recognition of innovative supplier development and leadership across industry groups and across the country.

Purchases from Diversity Suppliers *(in millions)*

1999	2000	2001	2002	2003
\$235	\$465	\$505	\$1,020	\$1,070

Our supplier diversity initiative is directed by senior management and is integrated with the corporate strategy. We accept certified minority- and women-owned companies and those designated by government agencies as small or disadvantaged businesses.

As we make more purchases from diverse vendors, we expect and encourage our suppliers to do the same. We provide systems and support to enable our suppliers to buy at least five percent of their Johnson Controls sales volume from diverse firms. Participation in this program, called the Key Supplier Initiative, can affect a vendor's future business with us. Diversity purchases by each vendor are reported to Johnson Controls via the Internet.

Johnson Controls takes numerous steps to encourage diverse suppliers to do business with us and with our suppliers. For example, we:

- Arrange joint ventures and business alliances between prime suppliers and minority vendors
- Offer management fellowships for minority business executives at Dartmouth College, the University of New Hampshire, and the University of Wisconsin-Madison
- Organize trade shows and other events to share best practices for rapid minority business development
- Develop joint ventures with diverse firms. Three of these joint ventures alone generate more than \$500 million in annual revenue
- Host a web site that quickly introduces vendors to our plants, internal departments, and key suppliers
- Provide executive-level training for diverse firms
- Help vendors develop business plans that enable them to raise investment money, form strategic alliances with other suppliers, showcase new capabilities to our purchasing staff, and pursue market opportunities with our customers
- Mentor suppliers by forming business modules of 16 corporations and 20 diverse vendors, providing focused procurement opportunities

As we make more purchases from diversity vendors, we expect and encourage our suppliers to do the same.

We also hold monthly “Straight Talk” orientation sessions in major U.S. cities for diverse suppliers interested in participating in our program. The sessions explain the pre-qualification process and review our purchasing plans.

In 2003, to celebrate achieving the billion-dollar purchasing goal and the tenth anniversary of our supplier diversity program, Johnson Controls hosted a Supplier Diversity Showcase. The educational event, attended by more than 200 customers, suppliers, and national diversity business development and public officials, highlighted examples of the company’s best business practices. It covered topics such as increasing diversity of domestic consumer markets, commercialization of minority business development, joint venture development, and financial assistance programs. The event featured a trade show where diverse firms with national capabilities met with Johnson Controls purchasing teams and supplier diversity process owners.

Community

Our people give freely of their time, skills and energy to improve and strengthen the hundreds of communities we call home. Our community involvement programs provide structure and resources for volunteer efforts and recognition.

We encourage our employees to be involved in our communities. This involvement takes many forms. Thousands of Johnson Controls employees around the world volunteer time for activities such as tutoring children, preparing and serving meals to the homeless, and helping the elderly.

In the United States, the Johnson Controls Foundation supports charitable causes by contributing to nonprofit organizations mainly in communities where our company has a presence. Extra consideration goes to organizations in which our employees are involved and contribute their time or money. The Foundation’s advisory board evaluates requests according to established policies and guidelines, which are available on the company’s Web site. Recipients include health and human services organizations, educational institutions and programs, culture and arts groups, and civic organizations and initiatives. The Foundation supports the company’s commitment to valuing diversity by contributing to culturally and ethnically diverse organizations.

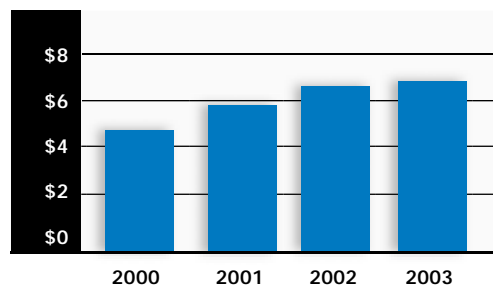
The Foundation also matches dollar for dollar the personal gifts of employees, retirees and members of the Board of Directors to culture and arts organizations, education organizations, and the United Way.



The Foundation also matches dollar-for-dollar the personal gifts of employees, retirees and members of the Board of Directors to culture and arts organizations, education organizations, and the United Way.

The Johnson Controls Foundation awards college scholarships to the children of employees to prepare the students for meaningful and productive professional careers. Scholarship recipients are selected by a panel of experienced university educators who look for a balance of academics, leadership and civic involvement. The scholarships must be used for tuition at a two- or four-year accredited college. The program is designed to provide annual support of \$240,000. In 2003, the Foundation selected 25 students for four-year scholarship grants of \$2,000 per year, with an additional 20 students selected for one-year grants of \$2,000.

Johnson Controls Foundation Support to Charitable 501c(3) Organizations* *(in millions)*



*Does not include direct company funding of charitable organizations.

In addition to the contributions made by the Johnson Controls Foundation, Johnson Controls, Inc. helps sponsor dozens of diverse associations by way of memberships, partnerships, conferences, scholarships, banquets, advisory services, program fees, job fairs, fund raisers, ad placements, and loaned executives. The company also contributes directly to charitable organizations.

Our community activities extend well beyond the United States. For example, the South Africa BookSmart Foundation recognized Johnson Controls with its Chairman's Award for supporting the collection and distribution of books to schools and communities in South Africa.

Our Values

- INTEGRITY
- CUSTOMER SATISFACTION
- OUR EMPLOYEES
- IMPROVEMENT AND INNOVATION
- SAFETY AND THE ENVIRONMENT

LIVING OUR VALUES

Integrity

Honesty and fairness are essential to the way we do business and how we interact with people. We are a company that keeps its promises. We do what we say we will do, and will conduct ourselves in accordance with our code of ethics.

Policies

Johnson Controls has a long, proud history of being a company that does its best to exceed the expectations of its customers, its employees, its suppliers and its communities. We are known as a company with integrity — a company that always tries to do the right thing. Since 1885, the products and services we deliver have changed, but the kind of company we are and the way we do business have not. Throughout the decades, our people have stood firm when our beliefs and values have been tested. We continue to uphold and extend our standards of ethical behavior.

Ethics Policy

Behaving ethically underlies the relationships we have with our customers, our shareholders, our communities, and each other. Our corporate creed and our statement of values, set forth our beliefs. Our Ethics Policy serves as the foundation for providing specific guidance to Johnson Controls employees on expected behavior that allows us to implement our beliefs globally. Every year, we require a commitment to our Ethics Policy by employees worldwide. Employees use a Web-based educational program — translated into seven languages — with training modules and tests tailored to their specific responsibilities.

The most recent update of our Ethics Policy, approved by the Board of Directors in July 2003, reaffirms and expressly states our belief in eliminating “discrimination and harassment in all of its forms, including that related to color, race, gender, sexual preference, age, pregnancy, caste, disability, union membership, ethnicity or religious beliefs.” Our complete Ethics Policy appears at the end of this section.

Behaving ethically underlies the relationships we have with our customers, our shareholders, our communities, and each other.



Employee Grievance Procedures

Johnson Controls employees represented by labor unions have specific grievance procedures included in their contracts.

For both union and non-represented employees, the company's Ethics Hotline is a resource for anyone inside or outside the company wishing to report suspected improper conduct. Callers may contact the hotline anonymously or identify themselves with the assurance that their identity will be kept confidential to the extent possible. The hotline is operated by an independent third-party vendor. The hotline received 34 calls during fiscal year 2003.

Political Contributions

Johnson Controls maintains a U.S. political action committee funded entirely by key employees. In 2003, the JCPAC distributed approximately \$4,000 to candidates at the state and local levels. In addition, the company made contributions to political parties in support of their conventions and other activities.

Legal Record

Johnson Controls Legal Record	2000	2001	2002	2003
Court decisions regarding cases pertaining to anti-trust and monopoly regulations	0	0	0	0
Number and types of breaches of advertising and marketing regulations	0	0	0	0

We have received no substantiated complaints regarding breaches of consumer privacy.

Johnson Controls Ethics Policy

1. Reporting of Risks

Johnson Controls is committed to providing quality products and services that meet or exceed the expectations of our customers. Deficiencies that threaten the physical well-being of any person or put the financial security of our company at risk should be reported immediately to management. Deficiencies may involve product quality, safety, design, installation, or maintenance.

2. Promoting Health and Safety

The health and safety of Johnson Controls employees throughout the world is of utmost importance. Our work processes and policies are designed to minimize risk. We all must routinely review and improve workplace conditions to ensure a safe and healthful workplace and report unsafe working conditions to supervisors and management.

3. Equal Opportunity, Diversity, and Maternity Discrimination

We value and respect the diversity of our employees, officers, directors, suppliers, customers, and communities. We work to eliminate discrimination and harassment in all of its forms, including that related to color, race, gender, sexual preference, age, pregnancy, caste, disability, union membership, ethnicity or religious beliefs. Our company is committed to providing equal opportunity in all of our employment and purchasing practices. This applies to hiring, salary, benefits, advancement, discipline, termination, and retirement. Only in valuing diversity and committing to equal opportunity practices will we be able to fully

utilize the human and business resources available to us in our pursuit of customer satisfaction. At the same time, we believe that by valuing diversity we enable all to fully realize their potential.

For Johnson Controls to succeed as a company, our employees must also succeed, as contributors to our company's mission and objectives, and as individuals and citizens. Therefore, in addition to protecting their health and safety, we are committed to the development of their unique skills and capabilities and the establishment of supportive communities.

We believe that new experiences on the job and involvement in work teams or special projects are valuable development opportunities. As part of our commitment to employee development, we offer training in technical and interpersonal skills and educational programs and work with government and community organizations on programs for workers from disadvantaged backgrounds. The tools, training and support, together with the compensation and benefits provided by Johnson Controls, raise the social and economic opportunities for many employees.

We are committed to providing a workplace that is free of harassment or any other behavior that diminishes a person's integrity and self esteem. Neither physical nor mental harassment or abuse will be tolerated.



Employing children less than the age of completion of compulsory schooling and in any case not less than 16 years, or using forced labor, is strictly prohibited. Youth (between 16 to 18 years) enjoy all of the benefits of our nurturing workplaces such as training and development programs.

Workers' representatives are not subject to discrimination and have access to workplaces necessary to carry out their respective functions.

Johnson Controls respects the special needs of individual employees, including those who are pregnant or are returning to work after childbirth. Paid breaks are provided for nursing mothers.

4. Freedom of Association, Work Hours, and Fair Compensation

We respect voluntary freedom of association, including the right to organize and bargain collectively in a manner that is legally compliant. Workers' representatives are not subject to discrimination and have access to workplaces necessary to carry out their respective functions. Except in extraordinary circumstances, our employees work no more than the limits established by law. Employees receive at least the minimum wage required by law or the prevailing industry wage, whichever is higher. Employees are provided benefits and overtime compensation compliant with applicable laws. When no such laws exist, then our employees are paid at a rate at least equal to their regular hourly compensation rate. Employees receive full details regarding deductions for taxes, benefits, etc. Wages

are not deducted for disciplinary purposes and are paid in cash, check form or by direct deposit. Overall, the compensation and benefits provided by Johnson Controls is designed to enable our employees to meet their basic needs, and provide the opportunity to improve their skills and capabilities for raising their social and economic opportunities.

5. Protecting the Environment

We respect the needs and concerns of the communities in which we live and work. This is exemplified in the company's long tradition of caring about the quality of the environment. Our products, services, and manufacturing methods reflect this concern and our belief that what is good for the environment is good for Johnson Controls. Sound waste management and source reduction practices, recycling and energy conservation are legal, ethical, and business requirements. In meeting that commitment, we implement environmental management systems to ensure continuous improvement and specific measures to prevent pollution, minimize toxic and greenhouse gas emissions, seek ways to use and produce products that are environmentally friendly, and ensure land development and operations address community concerns and biodiversity preservation.

6. Protecting Employee Privacy

Johnson Controls is committed to providing privacy protection of employee data maintained by the company. Employee data will be used for the sole purpose of supporting company operations and providing employee benefits. The company has put safeguards in place to ensure that personal data is protected

from unauthorized access and disclosure, including limiting access to such data only to those employees with a legitimate business purpose. All employees are responsible for ensuring compliance with this employee privacy policy.

7. Protecting the Company's Information

Protecting information about Johnson Controls' products, activities, performance, or plans is critical to our company's competitive position and reputation. Good judgment is needed to determine what information can or cannot be disclosed to others. Should there be any question as to whether certain information is confidential, employees should consult their supervisor. To limit the potential for important information being used improperly, employees should use "need to know" guidelines even with other Johnson Controls employees.

The use of confidential company information for the personal gain of an employee, officer, director, or anyone else is contrary to Johnson Controls policies and, in many cases unlawful. Confidential information includes all nonpublic information that might be of use to competitors, or harmful to the company or its customers, if disclosed.

Buying or selling Johnson Controls stock on the basis of material nonpublic information is also prohibited. It is unlawful to communicate this information to other persons who may trade in our stock. Material information is defined as anything a prudent investor should know before investing in a company. This type of information includes, but is not

limited to, financial results, new products, and acquisition plans that have not already been disclosed to the public.

8. Avoiding Conflicts of Interest

The best interests of Johnson Controls are expected to be foremost in the minds of our employees, officers, and directors as they perform their duties. When we become employees of the company, and receive pay and benefits, we make this commitment.

It is wrong to seek any other economic gain by virtue of being a Johnson Controls employee, officer, or director. Giving or receiving anything of enough value to influence sound business judgment is prohibited. This also applies to family, friends and business associates. In addition, discussions of future employment with government officials with whom Johnson Controls seeks to do business must be approved in advance.

Johnson Controls trusts its employees, officers, and directors with information about company activities and with company funds and property. Use of any of these in a way that conflicts with company interests is strictly prohibited. Situations or arrangements, which may conflict with company interests, must be approved in advance by the employee's respective business group general manager.

We must also take care that our actions cannot be perceived as serving other interests. While mutually beneficial relationships with customers and suppliers are encouraged, we should avoid situations that offer the potential for problems. Examples include



having a significant stake in, or serving as a director of, a firm that sells to or purchases from Johnson Controls. Employees should also not work for a customer or a supplier. All these examples apply to involvement with our competitors as well.

9. Proper Use of Company Funds

Employees are personally accountable for any form of company funds such as credit cards, tickets, cash, and checks. Those who authorize the use of funds must ensure that the company has received proper value in return. Johnson Controls may be obligated to notify appropriate civil authorities should funds be used for any improper or illegal purpose and will take appropriate disciplinary action in any event.

10. Proper Use of Company Information and Company Property

Johnson Controls trusts its employees with information about company activities and with company property. Use of these in a way that conflicts with company interests, or in any manner that may reasonably be considered offensive or disruptive to another employee, is strictly prohibited.

11. Appropriate Use of Email, Internet, and Other Computing Resources

Electronic commerce, electronic mail, and other Internet-related systems are intended to be used for company business. Additionally, all information on company computer systems, including electronic mail, is the property of Johnson Controls. Therefore, to ensure that computing resources are used in accordance with expectations, management may inspect

and disclose the contents of electronic messages if such inspection and disclosure is made for legitimate business purposes or as necessary to protect the rights and property of Johnson Controls.

Use of computing resources to offend or harass others is prohibited. Employees who use the Internet to access sites that contain offensive materials related to sex, race, or other protected categories, or who otherwise violate these prohibitions, will be subject to discharge.

12. Integrity of Recordkeeping/Accounting

Johnson Controls documents a wide range of its activities. The integrity of these records is relied upon to make important business decisions and take actions. Therefore, it is essential that all records are accurate and complete. This responsibility prohibits false or misleading entries regarding both the amount or purpose of transactions. Some examples include vouchers, bills, financial data, expense reports, and performance records.

Employees, officers, and directors should report any concerns regarding questionable accounting or auditing matters to the Audit Committee anonymously by calling 1-866-444-1313. Outside the U.S. and Canada call 1-704-759-1206.

13. Political/Governmental and Non-Governmental Contributions

Within the U.S., no contribution of funds or services are to be made to, or on behalf of, any political organization or candidate by Johnson Controls or any of our subsidiary

companies without advance approval by the Law Department. Within the U.S., offering any favor, service, entertainment, meal, gift, or other thing of value, directly or indirectly, to government officials or employees in connection with their government duties is prohibited and includes things of value offered to their family members. Throughout the world, direct or indirect contributions to any government officials (including their representatives or family members) that are intended to gain preferential treatment for our company are always prohibited.

Johnson Controls recognizes that in some countries outside the U.S. it is legal and customary for companies to make certain contributions to political parties and government officials. Nevertheless, no such contributions or payments can be made by Johnson Controls or its subsidiaries, employees, officers, directors or agents with the intent to obtain or retain business. In addition, contributions or payments must be approved by the Law Department and must be completely and accurately documented in our company's books and records.

14. Rule of Law

Any employee, officer or director involved in court or other similar proceedings arising out of his or her employment with, or service to, Johnson Controls shall abide by the rules of that forum, cooperate with the orders of that forum, and not in any way commit perjury or obstruction of justice. All Johnson Controls employees must, at a minimum, comply with all applicable laws that relate to the conduct of our business in the relevant jurisdiction.

15. Defense Security

Johnson Controls and some of its businesses have top secret security clearances. Strict care must be taken to comply with the laws on the protection and disclosure of classified information relating to such businesses. All visits to certain hostile countries, or meetings with their officials anywhere, must be formally reported to the Law Department and appropriate government agency.

16. Antitrust

Planning or acting together with any competitor to fix prices or to agree about the nature, extent or means of competition in any market is against company policy and in violation of antitrust laws. Antitrust laws may also in some circumstances prohibit agreements to boycott, to allocate products, territories, or markets, and to limit the production or sale of products. Using illegal or unethical means to obtain competitive information or gain a competitive advantage over a competitor is prohibited.

17. International Business

There are several laws which restrict where we can do business, what information or products we can supply to certain countries and what information we can provide to a foreign government (e.g., boycott-related requests or U.S. national security concerns). For these reasons, business entry into any new foreign country must be in compliance with these restrictions. Questions or information concerning possible violations of the Ethics Policy can be provided anonymously by calling 1-866-444-1313. Outside the U.S. and Canada call 1-704-759-1206.



18. Senior Financial Officers

Johnson Controls principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions must engage in honest and ethical conduct, including the ethical handling of apparent conflicts of interest between personal and professional relationships. These officers must avoid conflicts of interest. In addition, these officers must make immediate disclosure to the Audit Committee of any material transaction or relationship that reasonably could be expected to give rise to such a conflict.

Johnson Controls requires full, fair, accurate, timely, and understandable disclosure in reports, documents, and any other public communications made by the company. In addition, all Johnson Controls employees must maintain compliance with applicable governmental laws, rules, and regulations. All violations of the Ethics Policy by a principal executive officer, principal financial officer, principal accounting officer, or controller, or any person performing similar functions should be reported to the Audit Committee anonymously by calling 1-866-444-1313. Outside the U.S. and Canada call 1-704-759-1206. Adherence to these standards is a condition of employment with Johnson Controls. Violations are serious matters and will result in disciplinary action.

19. Responsibilities

Each employee, officer, and director of Johnson Controls is expected to carry out his or her work in accordance with the business standards of conduct of Johnson Controls.

Managers are expected to implement policies, programs, and procedures and ensure adequate communications as well as ensure internal controls are in place for their business unit to ensure compliance with the spirit and intent of applicable laws and policies. The next high level of management must be notified of any inconsistencies as well as establishing goals, targets and plans against which progress can be measured. Further, all employees are urged to direct any questions or concerns about the company's activities or these standards to their supervisors or the divisional or corporate human resources departments without delay. This includes customer and supplier activities that may directly affect our operations or employees. Any employee who suspects that a violation of the Ethics Policy has occurred is obligated to report it, and such employees shall be protected from retaliation.

This Ethics Policy supersedes all previous ethics policies. Employees should also be aware that the standards imposed by this Ethics Policy are greater than those that may be required by local law. Adherence to these standards is a condition of employment with Johnson Controls. Violations are serious matters and will result in disciplinary action. Managers and supervisors are responsible for distributing copies of the Ethics Policy to employees, officers and directors, as well as making them aware of the importance and specific requirements of the policy.

The Ethics Policy is not all encompassing, and questions about situations not discussed in the Ethics Policy should be addressed to the Law Department, the Internal Audit Department,

Ethics Policy *continued*

the Human Resources Department, or your supervisor. Questions or information concerning possible violations of the Ethics Policy can be provided anonymously by calling 1-866-444-1313. Outside the U.S. and Canada call 1-704-759-1206.

Employees may anonymously report a violation of Johnson Controls policies by calling 1-866-444-1313 in the United States and Canada, or 1-704-759-1206 if located elsewhere. Reports of possible violations of the Ethics Policy may also be made to John P. Kennedy, senior vice president, secretary and general counsel, at John.Kennedy@jci.com or to the attention of Mr. Kennedy at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of financial or accounting policies may be made to the chairman of the Audit Committee of the board, Paul A. Brunner, at Paul.Brunner@jci.com or to the attention of Mr. Brunner at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations

of the Ethics Policy that the complainant wishes to go directly to the Board may be addressed to the chairman of the Corporate Governance Committee, Robert L. Barnett, at Robert.L.Barnett@jci.com or to the attention of Mr. Barnett at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591.

The company's Ethics Policy is applicable to the members of the Board of directors and to all company employees, including, but not limited to, the principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions.

Revised and Adopted by the Johnson Controls
Board of Directors
October 2003



LIVING OUR VALUES

Customer Satisfaction

Customer satisfaction is the source of employee, shareholder, supplier and community benefits. We will exceed customer expectations through continuous improvement in quality, service, productivity and time compression.

Policies

Our mission is to “continually exceed our customers’ increasing expectations.” This commitment is founded on our belief that customer satisfaction is the source of employee, shareholder, supplier and community benefits. Satisfied customers enable us to employ people, provide a competitive return to shareholders, offer business to suppliers, and enhance our communities’ standards of living. Striving to exceed the expectations of customers, rather than just meeting their requirements, is consistent with our corporate objective to be a market leader. We also recognize that customer expectations are always increasing; continuous improvement, therefore, is essential.

Every employee has internal customers (co-workers) and external customers (those who buy our products and services). While each customer has specific expectations, all expect quality, value and timeliness. Therefore, we strive for continuous improvement in quality, service, productivity and time compression. Only our employees can ensure that we exceed customer expectations. Management must involve all of them in the continuous improvement process and provide the education, training, time and resources they need to fulfill our mission.

Structure and Responsibilities

The responsibility for monitoring customer satisfaction resides within the Board of Directors and within business unit management.

Programs and Procedures

Continuous improvement is integrated into virtually every aspect of being a Johnson Controls employee. We expect employees to identify opportunities to improve quality, service, productivity and time compression. Our focus on customer satisfaction is reflected in a wide variety of activities, including:

- New-employee orientation
- Employee training and development
- Goal setting and performance measurement
- Employee recognition, especially through the Chairman’s Award for Exceeding Customer Expectations
- Employee compensation
- Customer feedback solicitation
- Strategic planning

Continuous improvement is integrated into virtually every aspect of being a Johnson Controls employee.

We continue to incorporate new and better practices into our work culture.

The company continues to build a global database of best practices, designed to improve consistency and efficiency. The Business Operating System (BOS) currently contains more than 2,000 standardized procedures throughout Johnson Controls. Johnson Controls maintains a number of programs designed to improve quality and customer satisfaction. Our Six Sigma program improves quality and reduces costs, key factors in satisfying customers. Details on BOS and Six Sigma are provided in the “Improvement and Innovation” section of this report.

Our customer satisfaction practices are based on a simple, four-step Continuous Improvement Process:

Phase 1: Understand customer expectations. We must know who our customers are and what they expect from us. We work with our customers to define their expectations precisely. Close and constant communication is vital.

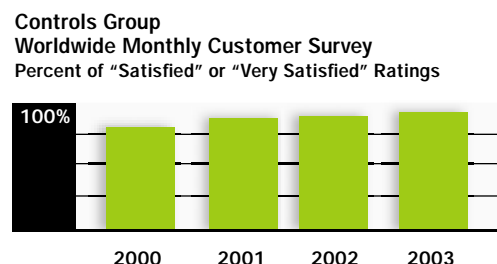
Phase 2: Set goals. Exceeding expectations means delivering more than what the customer specified. Our product or service must also be better than the competitor’s. Seeking out best practices from our own or other industries also helps us set improvement goals. Our goals establish the direction, level and speed of the desired improvement, as well as the resources required.

Phase 3: Execute. Once we set improvement goals, we act on them, measuring progress regularly.

Phase 4: Audit customer satisfaction. After we deliver a product or service, we ask customers to evaluate it, then use the feedback to decide how we can improve and to set new goals. We treat all customer comments as valid and handle them courteously and completely. We investigate all complaints and resolve them as expeditiously as possible.

Performance Metrics Example

Johnson Controls conducts regular surveys to measure customer satisfaction with our products and services. The Controls Group, for example, surveys its worldwide customer base monthly. These surveys show that 80 percent of Controls system sales are to repeat customers, and that 94 percent of customers on service contracts renew those contracts when they expire. The table below illustrates a steady increase in Controls customer satisfaction.





LIVING OUR VALUES

Our Employees

The diversity and involvement of our people is the foundation of our strength. We are committed to their fair and effective selection, development, motivation and recognition. We will provide employees with the tools, training and support to achieve excellence in customer satisfaction.

Johnson Controls employs 118,000 people worldwide. Regardless of the business or part of the world, we strive to create pleasant, safe, healthful work conditions and a work climate that enables and encourages employees to reach their full potential. We value all of our people and recognize that each individual makes a unique contribution. It is our employees who make it possible for Johnson Controls to succeed.

Policies

Johnson Controls provides equal opportunities regardless of gender, race, age, or ethnicity, sexual orientation, disability or religion. We believe respect for the dignity, rights and ambitions of all people is a cornerstone of business excellence. We treat all employees equitably regardless of local economic conditions, traditions and cultures. This applies to hiring, salary, benefits, advancement, discipline, termination, and retirement. In line with this, we follow these policies and practices:

- **Commitment to non-discrimination and diversity.** We recognize, value, and leverage differences in our people for competitive advantage. We foster a culture in which everyone understands and values the similarities and differences among our employees, customers, and communities.

We believe respect for the dignity, rights and ambitions of all people is a cornerstone of business excellence.

- **Commitment to employee opportunities and development.**

Business success requires having the right person, in the right job, at the right time, with the right skills, and with a clear understanding of how he or she contributes. We give our people the opportunities and resources they need to enhance their competencies, support our mission, and achieve personal success. We recruit talented and motivated people who wish to excel and are willing to compete, then give them clear, challenging and realistic performance expectations. Johnson Controls operates full-time educational institutes where thousands of employees each year enhance job skills and grow personally. These institutes focus mainly on enhancing job skills, but often provide employees with skills that benefit them outside the work environment. In many of our facilities in Mexico, for example, our employees receive instruction in mathematics and English.

- **Commitment to human rights.** We support universal human rights for our employees in accordance with applicable laws. We provide a work environment built on mutual respect. We do not tolerate harassment, discrimination, threats or acts of violence, intimidation or coercion. We permit no exploitation of children, physical punishment, abuse, or involuntary servitude. We do not use forced labor, including bonded, indentured or prison labor. The minimum work age of our employees is 16 or the age for completing compulsory education where that age is greater than 16.

- **Commitment to local customs and diversity.** Johnson Controls respects local customs, laws and practices affecting work schedules and places of work. We support programs to enhance employees' understanding of cultural differences. Our business success as we have expanded around the world is a testament to our success in embracing diversity. Employees from diverse cultures and dozens of countries find success at Johnson Controls. This global diversity provides us with a greater range and variety of experiences and ideas, enabling us to deliver more value and innovation to customers. Diversity gives us the broad insight, flexibility and understanding to successfully serve customers across traditional national and cultural borders. We believe that we can deliver greater value to our customers if our employees and our supply chain reflect the diversity of our markets. The company takes account of local culture in its decision-making processes while not condoning cultural patterns that denigrate human beings on the basis of gender, class, racial/ethnic origin, culture, ethnicity, religion, sexual orientation, caste, tribe or disability.
- **Commitment to fair compensation and benefits.** Our compensation and benefit plans are competitive with the markets we serve and reflect the performance of our business and the employee. Employees receive at least the statutory minimum wage or the local prevailing industry wage, whichever is higher. They receive, at a minimum, the legally mandated benefits. Except in extraordinary business circumstances, employees work no more than 48 hours per week and 12 hours overtime or hours established by local law, whichever is less. Overtime compensation complies with applicable laws and, where no laws exist, employees are paid at least their regular hourly compensation. Employees receive full details on payroll deductions for taxes, benefits, and other items. Wages are not deducted for disciplinary purposes.
- **Commitment to labor and management relations.** We respect employees' freedom of association, including the right to organize and bargain collectively under lawful procedures.
- **Commitment to the protection of personal employee data.** Johnson Controls is committed to providing privacy protection of employee data maintained by the company. We protect and keep personal employee data confidential, disclosing it only where allowed or required by law or by consent of the person. Employee data is used for the sole purpose of supporting company operations and providing employee benefits. Johnson Controls complies with all local data protection regulations worldwide including the European Commission's Directive on Data Privacy. The company has put safeguards in place to ensure that personal data is protected from unauthorized access and disclosure, including limiting access to such data only to those employees of Johnson Controls or its suppliers with a legitimate business purpose. All employees are responsible for ensuring compliance with this employee privacy policy.
- **Commitment to substance-free workplaces.** We strive to assure alcohol- and drug-free work environments to safeguard the health, safety and security of our employees, our operations, and all people who come into contact with our workplaces and property. Our procedures in the United States comply with the Federal Drug-Free Workplace Act, Department of Transportation regulations, and other applicable statutes. They provide clear guidelines for handling incidents in which employees may use alcohol, drugs, or controlled substances that



affect job performance. Affected employees are referred to assistance programs and may be disciplined or terminated.

- **Commitment to regulatory compliance and continuous improvement.** We demand compliance with the letter and spirit of laws and regulations. This includes establishing compliance goals and targets and measuring progress. We take steps to correct deficiencies and identify areas for improvement. We also inform and train employees on our commitments and encourage their suggestions for improving the way we work.

Programs

Johnson Controls sponsors a variety of formal programs to recognize, reward, energize and motivate employees and to foster diversity in the workplace.

Vision Week. Each spring, our employees around the world celebrate Vision Week to create greater awareness and understanding of our shared values. In addition to company-wide educational activities, employees develop their own events according to local customs.

Johnson Controls sponsors a variety of formal programs to recognize, reward, energize and motivate employees and to foster diversity in the workplace.

Awards. The company's highest award — the Chairman's Award for Exceeding Customer Expectations — recognizes employees who help the company achieve its mission. The award was established in 1985 to recognize employees who exceed customer expectations through quality, service, productivity and time compression. Chairman's Awards are given personally by the company's chairman at special ceremonies throughout the world.

Service recognition. In the United States, Johnson Controls recognizes employees with continuous service beginning at 10 years and every fifth year thereafter. Employees receive Service Recognition Certificates signed personally by the CEO. Outside the United States, service milestones are recognized according to local customs.

Health and wellness. Johnson Controls locations sponsor a variety of programs that encourage employees to maintain healthy lifestyles. To cite just a few examples:

- Our Controls Group facility in Milwaukee, Wisconsin offers a fitness center, lunchtime and after-work fitness classes, and wellness incentives in which employees who take part in fitness activities earn points redeemable for prizes.
- Our corporate and battery facility in Glendale, Wisconsin also offers a fitness center with lunchtime and after-work fitness classes (some have class fee rebates to encourage participation). Wellness incentives include free lunch for monthly lunchtime walk participants, and rebates to employees who take part in on-site weight-control sessions.

- The Automotive Group campus in Holland, Michigan, offers a fitness center and swimming pool, a wellness university consisting of day and evening fitness and disease management sessions, and wellness incentives. The campus in Plymouth, Michigan provides employees with financial incentives for completing wellness courses.

Our automotive operations in Mexico also are active in improving employees' health. The company helps employees with in-plant health education programs and provides medical assistance to employees and their families. In the Saltia-Ramos plants, we contributed to the building of a child-care center for employees' children. We also contributed cash and helped raise funds from other companies toward development of a Young Women's Center.

Diversity Programs. We follow formal processes to achieve diversity goals around the world and to build a culture receptive to diverse ideas, experiences, perspectives and practices. Business unit presidents, for example, address workplace diversity in their strategic plans. We offer ongoing workshops to help employees embrace and realize the benefits of a diverse workforce. The workshops include group activities and discussions designed to heighten awareness and understanding of individual differences among co-workers. Employees learn strategies to build constructive working relationships with others. Our people also benefit from opportunities to work in other countries.

Stewardship Initiatives

Johnson Controls offers a variety of programs that help young people prepare for rewarding careers. Some help develop participants for specific positions within our company.

Association Internationale des Etudiants en Sciences Economiques et Commerciales (AIESEC).

Johnson Controls supports the strong language and cultural skills AIESEC trainees bring to our company. AIESEC is the largest non-profit, student-run international exchange program in the world. Founded by European universities at the end of World War II, it enables young people to gain global perspectives and understanding through management training experience in other countries.

Johnson Controls offers a variety of programs that help young people prepare for rewarding careers.

INROADS. As a participant in this U.S.-based career development organization, Johnson Controls helps develop and place talented African-American, Hispanic, Asian and Native-American students.

Engineering Co-Op Program. This program gives participants hands-on experience in preparation for careers with the company. Over two to five years, mechanical and design engineering students from colleges and universities alternate terms at school with work terms at Johnson Controls until graduation. During work terms, co-ops rotate among different areas. After completing the program, participants usually are promoted to full engineer status.



Law Clerk Program. Student clerk positions are integral to our Corporate Law Department. Clerks work part-time during the school year and full-time during the summer, performing tasks such as legal research; preparing memoranda, opinions, or briefs; drafting contracts and other documents; and helping with litigation. The program gives students highly marketable skills and experience and a foundation for securing rewarding careers upon graduation. Our former clerks work for major law firms, corporate law departments, public-sector legal services and, of course, with Johnson Controls.

Branch Cooperative Education Program. This program applies to U.S.-based Controls Group branch locations. It is a formal arrangement in which Johnson Controls and a qualified post-secondary institution agree to supplement a student's academic preparation with practical work experience. Students alternate quarters or semesters between working and attending school and receive credits for work experience.

Summer Internships. Johnson Controls offers summer internships for college students at certain facilities. Interns generally work on projects related to their areas of study.

Academy of Energy Education. This educational effort reaches school students from kindergarten through university. It is a joint effort between Johnson Controls and the National Energy Foundation, a non-profit organization devoted to the development of instructional materials, innovative teacher training, and student programs that combine the study of science, energy, and math with real-world, hands-on experiences. The Academy offers teachers one or two semester hours of graduate credit that count toward an advanced degree, recertification, continuation of licensing, and salary increases. A Career Exploration program allows high school seniors to spend 40 hours at a Johnson Controls branch office to learn about energy-related careers. We also offer college undergraduates the opportunity for 100 hours of career-related work experience at a Johnson Controls office for college academic credit.

Certifications and Recognition

Our social responsibility initiatives at the corporate level and within business units have been widely recognized. In 2003, for example, The Compassionate Friends, an international support organization, recognized Johnson Controls for sensitivity to workers who have suffered the death of a child, sibling or grandchild. It cited the company for "going above and beyond the normal policies of most companies in helping their employees" during difficult personal times.

Our social responsibility initiatives at the corporate level and within business units have been widely recognized.

Other recent recognition includes:

- "Gold Medal for International Corporate Achievement in Sustainable Development" from the World Environment Center (2004)
- "Corporation of the Year" Award from the National Minority Supplier Development Council (2003)

- Ford “World Excellence” Award (2003, 1999)
- “Corporation of the Year” Award from the Michigan Minority Business Development Council (2003, 2001, 2000, 1999, 1997, 1996)
- “Corporation of the Year” Award from the Tennessee Minority Supplier Development Council (2003)
- “Star of Energy Efficiency” Award from the Alliance to Save Energy (2003)

Performance Metrics

Non-discrimination and diversity. The Johnson Controls Board of Directors includes one woman and three minorities among its 12 members. At our Corporate headquarters in Glendale, Wisconsin, 40 percent of our managers and professionals are women. The following table shows the diversity composition of our U.S. workforce.

Women and Minorities (percentage of workforce, US only)

Women	2003
Board of Directors	8
Officials and managers	16
Professionals	21
Office and clerical	75
Other*	28
Minorities	
Board of Directors	25
Officials and managers	12
Professionals	15
Office and clerical	40
Other*	30

*Includes technicians, craft workers, skilled workers, service workers, laborers and all other EEO1 job categories.

Employee opportunities and development. Training is handled at the business unit level and geographic locations. New initiatives are focused on making training a more centralized function. These efforts include development of a Web-based tool to track individual employee development experiences.

Human rights. More than 17,000 managers and key employees around the world are trained annually on the company’s Ethics Policy, which outlines human rights standards. The company is unaware of any human rights policy violations in 2003.

Local customs. Headquarters locations in the United States, as well as many other company locations, have employee-directed teams that create local activities celebrating cultural and diversity issues.



Fair compensation and benefits. In 2003, Johnson Controls paid more than \$4 billion in compensation and benefits. The company is committed to paying a prevailing wage to employees. In many parts of the world, employee turnover rates are reduced by paying more than what is paid to employees at other local companies.

Labor and management relations. In 2003, Norway-based KLP insurance blacklisted Johnson Controls as an investment based on false allegations that the company requires pregnancy tests for women employees in its operations along the Mexican border and that it fires or reprimands women who become pregnant. The KLP Web site lists the companies blacklisted and the reasons. The Johnson Controls case appears related to an isolated incident that occurred more than five years ago in which one plant screened women for pregnancy before employment. This discriminatory practice is contrary to company policies and was eliminated immediately once senior management learned of it. Follow-up investigations indicated that the incident was unique to one plant. We are working with KLP and other agencies to correct the record.

Improvement and Innovation

We seek improvement and innovation in every element of our business.

Policies

Technology, quality, delivery and cost leadership remain the keys to continued growth. Our ability to continuously improve quality and reduce costs is critical to success. Employees throughout the world at every level of the organization are expected to find opportunities for continuous improvement.

Employees throughout the world at every level of the organization are expected to find opportunities for continuous improvement.

Program and Procedures

Johnson Controls maintains an interconnected array of improvement programs, all aimed at developing products and services that meet customers' rising expectations and processes that improve productivity and reduce cost. These programs include:

- **Six Sigma.** Six Sigma is a set of scientific, data-driven methods for improving quality by finding and eliminating root causes of variations in processes. It is proven to be an effective process for achieving gains in quality, productivity, safety, customer satisfaction, and profitability. Johnson Controls launched its Six Sigma initiative companywide in 1999.
- **Lean Manufacturing.** The Automotive Group applies lean manufacturing thinking from incoming parts to final products assembled into customers' vehicles. The entire operations team is responsible for taking waste out of the system and streamlining production.
- **Juran Quality Improvement.** Under this program, instituted in the automotive battery business, facilitators trained at the Juran Institute lead teams of production and management employees, who attack specific quality issues at all production plants.
- **Business Operating System (BOS).** This initiative defines and standardizes best practices in product development, manufacturing, purchasing, and administrative functions such as finance and human resources. The initiative ensures uniformity in dealing with customers and brings prompt, measurable quality improvements. For example, some segments of our automotive interiors business saw a tripling of scores for performance on new-product launches, as measured by safety, product quality, production efficiency, and timeliness.
- **Best Business Practices.** Started in 1991, this battery business program challenges each battery plant to compare itself with the best (benchmark) plant in seven categories: health and safety, environment, quality, preventive maintenance, financial management and transportation. The plants apply lessons learned to bring their own performance up to the benchmarks.



- **Business Process Initiative.** This initiative codifies internal and customer service processes across operations in 23 countries at facility management sites. The codification makes it easier for employees to share information and implement best practices at any customer location.
- **Teamwork in Action.** The Automotive Group throughout Europe and Africa has conducted Teamwork in Action since 1998. In this program, employee teams representing Johnson Controls facilities document and share continuous improvement methods in creative presentations. The program is designed to promote sharing of best practices in a wide range of areas including cost control, quality, timing, delivery, customer satisfaction, and productivity. The program recognizes and rewards employees involved in these efforts.

Certifications and Recognition

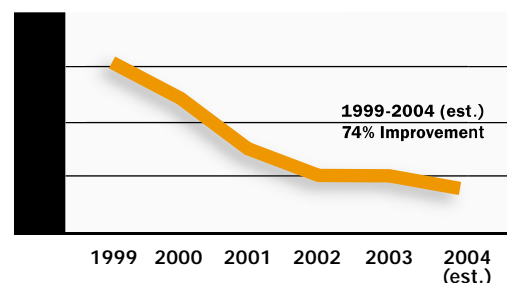
Johnson Controls quality initiatives mesh with industry certifications such as ISO 9000, the international quality standard, and ISO 14001, a series of international standards for establishing an environmental policy and objectives, and for determining the environmental impacts of activities, products and services.

The company is a member of virtually every major trade and business organization within its industries. These memberships increase knowledge-sharing and opportunities for innovation and improvement. In the United States, memberships include the American Society for Heating, Refrigeration and Air Conditioning Engineers (ASHRAE), the Association for Quality Control (AQC), the Battery Council International (BCI), the Building Owners and Managers Association (BOMA), the International Facility Management Association (IFMA), the Six Sigma Institute, the Society of Automotive Engineers (SAE), the United States Energy Association (USEA), and the U.S. Advanced Battery Consortium.

Performance Metrics

Johnson Controls tracks hundreds of metrics in order to assess and manage its quality improvement initiatives. The chart below shows just one example from our automotive battery business, showing how our warranty costs as a percentage of sales continues to decrease as a result of quality improvement initiatives, including Six Sigma.

Automotive Batteries
Warranty Costs as a Percentage of Sales



Safety and The Environment

Our products, services and workplaces reflect our belief that what is good for the environment and the safety and health of all people is good for Johnson Controls.

Johnson Controls conducts its business in ways that respect the environment and our communities and ensure safe, healthy workplaces for our people. This approach is rooted in our company values and explicitly stated in our policies.

Our Safety Policy: Johnson Controls will provide a safe and healthy workplace for its employees. We are committed to continual improvement through safety program excellence and exceeding compliance requirements.

Our Environmental Policy: Johnson Controls will demonstrate world-class leadership in environmental management. We will exceed applicable requirements as well as promote pollution prevention and continual improvement through our global environmental management systems.

Under our corporate policies, we expect each business and location to develop, implement, monitor, and continuously improve its safety and environmental performance.

Our products and services are subject to life-cycle assessments, which help us to better understand their environmental impact. We share policies, practices, and knowledge by partnering with industry-specific, international and national organizations that deal with environment and safety. We involve our suppliers in these efforts through our Greening the Supply Chain initiative.

Our products and services are subject to life-cycle assessments, which help us to better understand their environmental impact.

Structure and Responsibilities

Management Systems

Every Johnson Controls facility and operating unit in the world is required to develop and implement a management system designed to continually improve environmental, safety and health performance. The system is based on a rigorous process consistent with ISO 14001 and OHSAS 18001 and specifically addresses:

- Roles and responsibilities
- Objectives and targets (goals)
- Risk assessment and risk reduction plan, both internal and with suppliers and customers where appropriate
- Regulatory compliance
- Emergency planning



- Incident investigation and corrective actions
- Documentation and reporting
- Performance monitoring
- Management review

Worldwide Performance Monitoring

Johnson Controls uses standard measurements at its locations worldwide to track and assess environmental, health and safety performance. Using our Web-based Corporate Health, Environmental and Safety System (CHESS), our employees report on regulatory compliance, waste disposal, energy consumption, and work-related injuries and illnesses. CHESS allows management to monitor performance and compare business groups and facilities using standardized measures. Business group competition encourages constant improvement in environment, health and safety performance.

Most of our manufacturing locations globally have implemented environmental management systems that are ISO 14001 certified or compliant.

CHESS also tracks our facilities' progress toward certification under ISO 14001, the international standard for environmental management. To become certified, a facility must identify its environmental impacts, establish environmental performance goals, and set up management programs to meet those goals. Additional formal programs significantly contribute toward cleaner operations and safer workplaces around the world. Most of our manufacturing locations globally have implemented environmental management systems that are ISO 14001 certified or compliant. Our goal is 100 percent compliance.

Programs and Procedures

Johnson Controls provides safe and healthy workplaces to employees and operates in a manner to protect human health and environmental quality. We follow environmentally sound policies and procedures designed to prevent, mitigate, and, where appropriate, remediate significant impacts on the health, safety, and environment of the community. We respond to community concerns about business decisions such as land development, manufacturing operations, and the storage, release or disposal of hazardous materials. To protect our communities and the environment, we set the same high standards for our environmental performance at all our locations around the world. Our environment, health and safety programs and procedures include:

Health and Safety. Comprehensive programs are in place to protect employees against work-related hazards. We emphasize a compliant and a global culture that strives to maintain the highest safety and health standards—often going well beyond what local laws and regulations require.

We maintain a global safety award program that recognizes the best-performing locations in terms of lost-time and/or recordable incidents, and identifies opportunities for improvement.

Our programs include regular health and safety self-audits, and third-party audits at our worldwide facilities. More than 93 percent of the 6,200 self-audits conducted in 2002 showed 100 percent compliance with safety requirements. Audits that revealed less than 100 percent compliance were used to create safety improvement action plans.

Johnson Controls management is concerned with preventing injuries caused by repetitive or unnecessary physical stress. While many countries, including the United States, do not have ergonomics standards or enforceable guidelines on ergonomics programs, Johnson Controls as a routine practice takes the initiative to implement processes that make work easier and more comfortable for our employees. This has the dual benefit of safeguarding our people and increasing our production efficiency.

Life-Cycle Assessments. Johnson Controls has conducted risk analyses of its products, services and activities for decades. More recently, we have begun a formal life-cycle assessment program to address specific systems, functions, products, and services. Life-cycle assessment involves a comprehensive examination of a product's environmental and economic effects throughout its lifetime, including new material extraction, transportation, manufacturing, use, recycling and disposal. Our commitment to total life-cycle management of our products includes:

- Setting a goal of zero waste disposal in landfills
- Using environmental management systems (such as ISO 14001)
- Developing recyclable post-industrial and post-consumer materials through relationships with manufacturers and material converters
- Integrating renewable, natural-based materials into our product lines
- Helping our customers and suppliers recycle, reclaim and integrate materials
- Increasing the application performance indexes for finished products

Product Analysis. Our Automotive Group's product development process includes performing an extensive analysis of the materials used to ensure that our products use the minimum of hazardous chemical substances. We use a sophisticated software database known as Compliance X-Sight™ to collect and analyze data from hundreds of suppliers who provide thousands of parts. These analyses help ensure that we comply with our customers' specifications and with government initiatives, such as the End-of-Life Vehicle Directive in Europe.

Training. We recognize that employees must be adequately trained if environment, safety and health programs are to be effective. The Automotive Group, for example, provides environmental training at all levels based on each employee's responsibilities. Senior managers are trained in general environmental requirements and regulatory matters; product, process and environmental engineers attend internal and external environmental conferences and seminars on environmental management. Manufacturing personnel receive training that addresses specific environmental concerns under their control.

We are now creating a new global training tool that describes current principles and policies on environment, health and safety management. The goal is to ensure that employees understand



our policies and their role in compliance. Also, we are investigating development of a global tool to track all employee training in a centralized manner. Such a tool could be a cost-effective substitute for systems managed exclusively by individual business units and plants. The outgrowth of this effort may streamline overall employee training processes.

Environment, Safety and Health. Our Environmental Roundtable and Safety Summit committees consist of key global managers who seek ways to make Johnson Controls a recognized, world-class leader in environmental, safety and health. The committees have been instrumental in adding value to the business by sharing best practices, establishing long-term strategic plans, and promoting consistent business processes. A recent initiative is the development of a global standard that mandates implementation of management systems that address environmental, safety and health.

Initiatives

Employee Safety. Many of our international operations have safety management systems aligned with internationally recognized guidelines and certified by accredited external certification bodies. For example, the Dutch and Belgian divisions of the Controls Group obtained Safety Checklist for Contractors/Veiligheids Checklist Aannemers (SSC/VCA) certification. The SCC program is a widely known voluntary certification scheme for safety management systems in Western Europe. The Belgian operation also issued Safety Passports to the field engineers. These passports are used to register exactly which safety training was provided to an individual employee, and are increasingly asked for by customers as documentation that must be submitted at the start of new projects. The Controls Group plant in Leeuwarden, The Netherlands, recently became one of the first in our industry to qualify for Occupational Health and Safety Assessment Series (OHSAS) 18001 certification. The Controls Group Service division in the United Kingdom was among the first in our industry to issue SkillCards to field engineers. The SkillCard, issued to more than 350 Johnson Controls people, is comparable to the Safety Passport and will be compulsory for work on construction sites in the UK.

Product Safety. Our Automotive Group uses a Safety Sign-off process in product development to review progress in meeting regulatory, customer and due care requirements through the start of production. After launch of a new product, we use a systematic review process to contain and resolve quality issues that have potential safety implications. Both processes are part of the Automotive Group's Business Operating Systems process and are subject to regular internal and external third-party audits.

Our Environmental

Roundtable and Safety

Summit committees consist of key global managers within the company who seek ways to make Johnson Controls a recognized, world-class leader in environmental, safety and health.

Product Life Cycle. As of April 2002, new Johnson Controls product lines are subjected to Life Cycle Analysis and Design for the Environment. Our product life cycle (PLC) product reviews continue to produce environmental, health, safety and economic benefits. Because each business manufactures and markets different product lines, each has developed its own approach to PLC.

Design for Environmental (DfE). Johnson Controls is a leader in the design of automotive interiors and batteries that create safer, more comfortable, and more reliable transportation. We continue to develop components that make cars more fuel efficient and easier to recycle at the end of their useful lives. These include lightweight seats and components that help reduce fuel consumption while meeting the requirements of the U.S. National Highway Transportation Safety Act.

We are active in the Partnership for a New Generation of Vehicles, an industry/U.S. government effort to create more earth-friendly cars and trucks. We developed the lightweight interior for the Dodge ESX3, a fuel-efficient concept car with hybrid diesel-electric power. For our work, we earned the prestigious National Energy Resources Organization (NERO) Research and "Development Excellence Award." In partnership with Ford Motor Company, we developed a seat cooling system that reduces fuel consumption by lowering overall vehicle air conditioner usage.

We developed ECO-COR™, an advanced material made from recycled materials that can be used in automotive interior components, such as door panels. In addition to its waste reduction benefits, ECO-COR has the advantage of reduced weight, which contributes to improved vehicle fuel efficiency.

Eco-efficiency. Various initiatives seek to improve productivity while reducing negative environmental impacts. We continually find innovations in all areas of our business. The "Back to Basics" (B2B) Customer Information Management Portal, launched in January 2001, provides around-the-clock access to data for collaborative decision-making between Johnson Controls and customers, while reducing paper waste and the environmental impact of travel.

Waste Minimization. Johnson Controls is committed to reducing waste, conserving energy, and limiting emissions of all kinds, including releases of greenhouse gases. For example, as a major manufacturer of building control systems, we recognized years ago that producing mercury-free thermostats gives us a competitive advantage in many applications, such as hospitals and schools.

Johnson Controls is committed to reducing waste, conserving energy, and limiting emissions of all kinds, including releases of greenhouse gases.

Our Automotive Group in North America has undertaken a major initiative to track and reduce waste materials. The business has given sole-source responsibility to an expert supplier for overseeing the disposal of waste in the United States, Canada and Mexico. Having a single party track waste allows us to better measure waste



volumes and find opportunities to reduce waste and its attendant disposal costs. The initiative, which covers toxic wastes, industrial wastes, trash and refuse, and scrap materials, began in 2002. By July 2003, it included nearly all of the group's North American facilities. While the initiative is too new to provide meaningful data on waste disposal and reduction trends, we expect such data to be available for future Sustainability Reports.

As part of our waste reduction efforts, we analyze by-products for possible recycling or for sale as raw materials. We sell scrap tinted plastic to manufacturers for recycling into building products, sell fabrics and thermoplastics back to manufacturers for reblending and recovery, sell plastic regrind on the open market or donate it to local universities for plastics engineering programs, and recover used oils for recycling.

Product Recycling. Johnson Controls recognized decades ago the environmental and business benefits of automotive battery recycling. Johnson Controls developed a reverse distribution collection infrastructure and worked with other industries, retailers and consumers to promote battery recycling. Today, the recycling rate of battery lead exceeds 93 percent, far higher than for any other recyclable commodity including newspapers, aluminum cans, and plastic and glass bottles. Recognizing the benefits, 48 states require lead-acid batteries to be recycled through a take-back program. Refinements in the process allow for plastic battery cases to be recycled, along with any scrap lead from the production floors and lead particles captured in environmental control equipment. The materials are returned to manufacturers who use them in new batteries and other products such as X-ray shielding. Innovations in battery design to facilitate disassembly continue, along with development of higher-voltage batteries to accommodate the higher power demands of future vehicles and allow for new electronic steering, braking and engine functions to improve fuel efficiency and reduce emissions.

Our automotive interiors business uses large amounts of recycled material in many applications within vehicle interiors. Areas that use recycled material include:

- Acoustical applications (absorbers, headliners, dampers, barriers)
- Structural applications (door panels, package trays, seats, trim, air ducts, door bolsters)
- Safety applications (energy absorption countermeasures, pillar trim, door panels)
- Comfort applications (seating pads, trim covers, heating/ventilating/air conditioning)

At all of our just-in-time manufacturing sites worldwide, we reuse shipping containers wherever possible. This reduces waste, cost, and landfill space requirements.

In our own buildings, as well as at hundreds of customer sites, we collect old fluorescent light bulbs and send them to certified processors to recover and recycle the mercury they contain. We also use low-mercury bulbs and use electronic solid-state switches instead of mercury relays.

Energy and Emission Reductions. As much as 40 percent of all the energy used in the world is expended in buildings. Our Controls business helps customers identify and address areas for energy conservation. The Leonardo Academy estimates that by the year 2010, our efforts with customers will save \$18 billion in utility costs and reduce power plant emissions by

352 million tons. This emissions reduction is the environmental equivalent of eliminating nine new 400-megawatt power plants, or planting 29 million acres of trees. We apply energy-saving initiatives in our own facilities, reducing energy consumption by 30 percent from 1997 levels. That prevented the release of more than 20 million pounds of greenhouse gases and hundreds of thousands of pounds of other air pollutants.

We apply energy-saving initiatives in our own facilities, reducing energy consumption by 30 percent from 1997 levels.

Our energy conservation measures are varied and far-ranging. Examples include installing building automation systems to optimize energy use, conducting studies to help conserve electricity, installing power management systems, retrofitting electronic lighting ballasts and lamps, and using computerized equipment maintenance programs to help maintain optimal mechanical equipment function and efficiency. In one representative project, we worked with the Roanoke, Virginia, County School District, also an Energy Star Partner, to achieve Energy Star designation for Oak Grove Elementary School and the district administration building. Both buildings were the first of their kind in the state to earn the Energy Star label. The district realized \$2.7 million in savings.

Our emission reduction initiatives include substituting water-based materials for solvent-based materials where possible, using aqueous parts washes instead of solvent-based washes; and using earth-friendly landscaping practices, such as reducing mowing, limiting lawn irrigation, and limiting use of pesticides and herbicides. Our plants have eliminated ozone-damaging chlorofluorocarbon (CFC) and hydrochlorofluorocarbon (HCFC) cleaning and degreasing agents.

Sustainable Buildings. Among our signature efforts is the High-Performance Green Buildings Initiative, a collaborative effort designed to make full use of energy management technologies with a focus on sustainable development. It involves the philosophy that using simple materials, technologies, design and construction methods that are already well known and widely used for creating sustainable “green” buildings is far better than using new, unproven and high-capital-cost technologies. Such green buildings cost no more to construct than do traditional buildings—yet in the long run usually cost substantially less to operate and maintain. Studies show that energy costs in non-residential buildings could be reduced by 50 percent if owners made full use of energy management technologies that are already commercially available.

Among our signature efforts is the High-Performance Green Buildings Initiative, a collaborative effort designed to make full use of energy management technologies with a focus on sustainable development.



Our Brengel Technology Center, in Milwaukee, Wisconsin, was recognized as one of the nation's first Green Buildings under the LEED® rating system.

Our collaboration with the nonprofit U.S. Green Building Council has brought the building industry together to further the sustainable building concept by enhancing building performance through design, product and material standards, technology integration, environmental efficiency and energy conservation. We helped develop the council's Leadership in Energy and Environmental Design (LEED™) rating system for designing and constructing green buildings. We have also helped other businesses, government entities and organizations develop LEED-rated projects.

The Brengel Technology Center is an example of a High-Performance Green Building. The Center, world headquarters for the Controls Group of Johnson Controls, was recognized as one of the nation's first Green Buildings under the LEED™ rating system.

The 130,000-square-foot Center, completed in 2000, earned LEED certification by using innovative, cost-effective environmental design and construction techniques in site selection, and for energy efficiency, water conservation, occupant comfort and health, materials usage, and indoor environmental quality. Johnson Controls was recognized for:

- Light-colored concrete, roofing materials and landscaped surfaces to decrease heat islands
- Open courtyard to provide green space for employees in the middle of a downtown area
- Metasys Building Automation System to optimize efficiency and performance of the building's mechanical and electrical systems
- Location near bus lines and provision of showers for bicyclists to reduce reliance on automobiles
- More than half of building materials containing greater than 20 percent recycled content
- Indoor air quality monitoring system
- Design allowing 10 percent of the building's potential energy use to come from daylight
- Building energy system that forecasts load with a rooftop-mounted weather station
- Water-efficient landscaping that requires no irrigation system

We also are active in the sustainable building movement outside the United States. In Europe, Johnson Controls is involved in a series of government-sponsored projects to develop tools and methods to integrate sustainable criteria within the building management chain.

In addition, since 1992, Johnson Controls has annually convened an Energy Efficiency Forum of participants from the public and private sectors. The United States Energy Association (USEA), an association of nearly 150 public and private energy-related organizations, is a co-sponsor. The forum has become a platform for high-level discussions of energy and the role of sustainable development in providing solutions for industry, education, health care, government, and society. Speakers represent a wide range of political and policy viewpoints and have included U.S. Vice President Richard Cheney, five U.S. secretaries of energy, four U.S. senators, four governors and 15 U.S. representatives. Energy leadership awards are presented in several categories to recognize local, national and international public service in energy efficiency.

In November 2003, Johnson Controls was honored by the Alliance to Save Energy with the organization's Star of Energy Efficiency award. The Alliance cited the company for providing worldwide leadership in energy-efficient automotive systems and building controls since 1985.

Sharing Practices. This helps our facilities share successes—an improvement at one location becomes the standard throughout the company. In our production facilities, we apply principles including Design for Recycling, Design for Environment, and Environmentally Benign Manufacturing to make our processes and products more earth-friendly.

Supply Chain Management. We expect our suppliers to comply with environmental, social, and economic regulations as well as to operate with standards of behavior that mirror our own. We periodically monitor key suppliers' performance using surveys, reference checks, publicly available information, and site visits. In addition, management works with our major suppliers to encourage alignment of their environmental management systems with ISO 14001. The Automotive Group has instituted a five-point strategy for "Greening the Supply Chain" that asks suppliers for their plans and timetables to achieve ISO 14001 compliance. The program also includes a Green Supplier Award Program.

We expect our suppliers not just to comply with environmental, social, and economic regulations but to operate with standards of behavior that mirror our own.

Purchasing Guidelines. Our purchasing guidelines require our procurement professionals to minimize the adverse environmental effects of goods and services we use. Purchasing decisions consider factors such as source reduction, availability of recycled materials, recyclability, reusability, hazard reduction, process waste reduction, energy efficiency, and vendors' environmental commitment. Purchasing personnel keep suppliers updated on our environment, health and safety commitment and our objectives.

Biodiversity. Johnson Controls is committed to responsible land use that promotes biodiversity and nature conservation. We comply with regulatory siting requirements before building new plants. Our preference is to locate facilities in established industrial corridors and on brownfield sites where possible. One joint venture facility in Detroit, Michigan, was constructed on environmentally distressed property that we remediated before construction. Our Oklahoma City, Oklahoma, facility was built on similar property.

Our investigations of building sites include reviews of potential effects on indigenous flora and fauna. Our business plans include acquisitions of businesses, some of which come with existing environmental issues. Johnson Controls is aggressive in providing the funding and expertise to restore these properties to productive uses. Our efforts often far exceed regulatory requirements and have a positive impact on communities and the environment.

Our Controls Group's Government Systems and Services division is performing cutting-edge research to promote conservation and biodiversity. For example, we provide marine



biologists to the National Oceanographic and Atmospheric Administration (NOAA) to study the environmental effects on a wide range of fish and marine mammals, many of which are threatened and endangered. The results of these studies are used to modify fishing and other practices to preserve species and protect diversity.

We also provide professionals such as wetlands ecologists, biologists, botanists, hydrologists, chemists, geologists and geographic information systems specialists to the U.S. Geological Service. They conduct research throughout the United States and in Latin American countries where human encroachment on native ecosystems is a growing problem. Their work includes studying coastal erosion and the preservation of wetlands and natural ecosystems to understand the mechanisms that affect biodiversity. We also provide technical staff to the U.S. Department of Interior for monitoring the effects of various air pollutants on vegetation and stream quality. We develop and maintain vegetation databases within U.S. National Parks and threatened and endangered species databases for the U.S. Department of Interior.

In Sydney, Australia, Johnson Controls provides facility maintenance services, including landscaping, at IBM's West Pennant Hills property in a program to protect and enhance native bushland. The work includes restoring the native Blue Gum High Forest, classified an "endangered ecological community" and containing many rare animals. The Johnson Controls and IBM partnership was recognized throughout the state of New South Wales for its success in preserving Australia's rare species.

Memberships and Partnerships

Johnson Controls maintains memberships in key environmental organizations related to its businesses. We also partner with industry and government entities that promote environmentally responsible business. These affiliations include:

ENERGY STAR®. We belong to the U.S. Department of Energy/Environmental Protection Agency's ENERGY STAR program, which helps businesses and consumers save money and protect the environment through energy efficiency. Johnson Controls received the 2001 ENERGY STAR Award for Service Providers for its outstanding commitment to preventing pollution through the integration of energy efficient systems in its facilities. We also were named the 1999 ENERGY STAR Ally of the Year for work in our customers' facilities. Johnson Controls benchmarked more than 200 customer buildings in 2002 alone using ENERGY STAR standards.

Through our early commitment as a charter member of ENERGY STAR, we benchmarked our facilities against other similar structures using the ENERGY STAR standards and continue to measure their progress. Previous upgrades of 46 of our own facilities have reduced energy costs by more than \$820,000, or 25 percent, and decreased energy by more than 30 percent from the 1997 baseline. Three Johnson Controls offices — Tampa, San Francisco and Phoenix — also became eligible for the prestigious ENERGY STAR label. Additionally, through the use of our Metasys® building automation system in many of our facilities, we accurately monitor and measure energy use and develop comprehensive plans for ongoing savings.

United States Energy Association (USEA). This U.S. member committee of the World Energy Council consists of about 150 public and private energy-related organizations, corporations and government agencies. In partnership with USEA, we sponsor the annual Energy Efficiency Forum (see above).

Global Environmental Management Initiative (GEMI). This non-profit organization of approximately 40 mostly transnational corporations is dedicated to fostering environmental, health and safety excellence through best-practice sharing among members and the public.

Corporate Environmental Enforcement Council (CEEC). The CEEC is the only cross-industry coalition where company legal, environmental and government affairs professionals can interact and benchmark environmental enforcement issues and policies. CEEC exchanges information regularly with U.S. Federal and state regulatory agencies so that companies understand enforcement issues and trends and regulators understand businesses' concerns.

Suppliers Partnership for the Environment. Johnson Controls is a founding member of this organization of automotive and vehicle suppliers that works with the U.S. EPA to develop a business-centered approach to environmental protection.

Rebuild America. As a business partner in this U.S. Department of Energy program that promotes energy solutions in communities, Johnson Controls provides technical information and helps coordinate energy efficiency projects in state and local governments.

Business Roundtable. Climate RESOLVE Program. Members are committed to support President Bush's Climate Vision of reducing greenhouse gas emissions by 18 percent nationally by 2012. Membership involves a commitment to measure, then reduce, internal greenhouse gases.

National Electrical Manufacturers Association (NEMA). NEMA companies have been leaders in environmentally conscious design of electrical and electronic products and have taken the initiative to reduce the use of hazardous materials. Among its initiatives, NEMA is addressing the growing problem of electronic waste.

Council of Great Lakes Industries (CGLI). This group provides guidance to government regulators in the United States and Canada on watershed pollution control and regulation. Johnson Controls took part in the Bi-National Toxics Strategy Commitment Program, recognized by the American Petroleum Institute.

Federal Research Agencies. Johnson Controls has engaged federal research agencies, such as the National Science Foundation (NSF), on environmental issues. For example, Johnson Controls actively participated in an NSF-funded study that focused on environmentally benign manufacturing and resulted in recommendations on how the U.S. government could provide more training for smaller industries in basic, cost-effective environmental management system development.



Automotive Manufacturers. We took part in the review and development of Ford Motor Company's Online ISO 14001 (world-class environmental certification) Training Program for supplier development. We also took part in Toyota's ISO 14001 conference for suppliers, and remain a partner with them in such efforts. As a member of Saturn's Supplier Partner Council, we worked on the Supply Chain Pilot Project to share ways of improving supply chain environmental performance. We also participated in General Motors' Supplier Environmental Advisory Team. We have worked with Daimler-Chrysler on numerous programs, such as the effort to develop the "green car" ESX concept.

Performance Metrics

Investments - Johnson Controls invests significant financial and human resources to:

- Train our employees in environment, safety and health practices
- Communicate with stakeholders, including members of the community, academia, and government officials
- Comply with laws and regulations
- Implement management systems and initiatives that support health and safety, environmental protection, and sustainable development
- Manage environmental clean-ups

We invest substantially each year in environmental, safety and health programs. Those investments include capital expenditures for future compliance assurance and innovative technologies that support our environment, safety and health leadership strategies. The most significant benefits from these expenditures include reductions in employee accidents; savings from reducing, reusing, and recycling materials; and reductions in energy and water usage.

The business case for environment, safety and health investments is more complex than simply analyzing dollars saved versus dollars spent. Many of the benefits—such as preserving biodiversity, conserving natural resources, and protecting people's health and safety—are priceless.

Worldwide Regulatory Compliance and Performance

As our business grows globally, we diligently work to imbue it with values that will have a similar global reach. The environment and worker safety are core company values, and we have built a global reporting and recognition system intended to assure that our environmental and safety goals are achieved everywhere. We continue to strive to integrate environmental and safety awareness into our culture so that every facility we operate complies with applicable legal requirements and protects the environment, our workers, and those who live around us.

The environment and worker safety are core company values, and we have built a global reporting and recognition system intended to assure that our environmental and safety goals are achieved everywhere.

Safety and Health

U.S. and Canada, Including Joint Ventures

ESH Metric	2000	2001	2002	2003
Recordable case rate, per 100 employees ⁽¹⁾	8.13	5.30	3.31	3.55
Fatalities ⁽²⁾	1	0	0	2
Lost workday case rate, per 100 employees ⁽¹⁾	0.69	0.71	0.50	0.61
Safety Citations	52	59	10	28

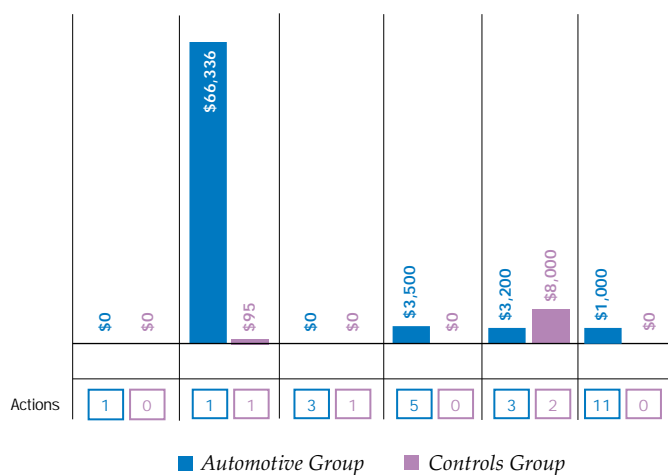
(1) Based on U.S. Occupational Safety and Health Administration Standards

(2) 2000: Controls-Union, New Jersey. Heart attack while on business travel (idiopathic).

2003: Controls-SCB Contract, Michigan. Major Interstate multi-vehicle accident. Controls-AK Steel, Middletown, Ohio. Fractured ankle while walking that developed into a pulmonary embolism.

Johnson Controls Environmental Enforcement Actions

United States Operations / Over 600 Sites



Environmental. We track notices of violation (NOVs) and fines from our worldwide locations. In addition, our internal evaluation program includes a review of regulatory compliance at our facilities, including international operations. Whenever a facility violates a regulatory requirement, management determines the cause of the noncompliance and develops an action plan to prevent its recurrence. Our environmental teams work with division management to ensure that the corrective measures have been implemented. For example, Johnson Controls plays a leadership role in the Maquila Association Environmental Group, promoting cooperation among the business sector, academia, and governmental organizations to achieve sustainable development

on the U.S.-Mexico border. Our facilities in Mexico received an excellent compliance rating in audits conducted in 2000 by the Mexican Environmental Protection Agency. The chart on the left shows the number of enforcement actions.

Most fines were administrative related and minor in nature and are listed in the table on the facing page.



Notices of Violation from Environmental and Transportation Agencies During FY 2003.

Date	Facility	Fine	Number	Agency	Description
November 2002	AG-Battery Geneva, IL	\$0	1	City of Geneva	Wastewater - pH exceeded. NOV
January 2003	AG-Greenfield, OH	\$0	1	Ohio Environmental Protection Agency	Air permit. NOV
January 2003	AG-Battery Winston-Salem, NC	\$0	1	City of Winston-Salem	Stormwater discharge. NOV.
February 2003	AG-Battery Tampa, FL	\$0	1	Florida Dept. of Environmental Protection	Hazardous waste management. Warning
February 2003	AG-Battery Florence, KY	\$0	1	Kentucky Environmental Quality Commission	Hazardous waste. NOV
March 2003	AG-Interiors Korea-Dangjin	\$0	1	Korean Environmental	Noise levels. Warning
March 2003	AG-Interior Technology Holland, MI	\$0	3	Michigan Dept. of Environmental Quality	Hazardous waste management. NOV
March 2003	AG-Jefferson City, MO	\$0	3	US Dept. of Transportation	HazMat shipping. NOV
June 2003	AG-Jefferson City, MO	\$1,000	1	US Environmental Protection Agency	Air permit. NOV
Totals		\$1,000	13		

AG=Automotive Group CG=Controls Group NOV=Notice of Violation

Reportable Spills, Releases and Permit Exceedances

Johnson Controls facilities maintain a spill prevention and response plan to minimize and properly manage any spill or unintended release to the environment. Our long-term goal is to prevent all spills. We collect information on reportable spills at our operations worldwide in the CHESS system. Details about 2003 reportable spills and releases from our facilities globally are shown in the table on the following page.

Reportable spills and releases to local, state and federal regulatory agencies during FY 2003:

Date	Facility	Amount and material	Description
October 2002	AG-Holland, MI	10-20 gals. diesel	Truck spill. No citations or fines.
November 2002	AG-Battery-St Joe, MO	<1 lb. lead	Baghouse fire. Smoke. No citations or fines. Below reportable levels, but reported due to visibility.
April 2003	AG-Battery-Geneva, IL	20 lbs lead oxide	During transfer from delivery truck to plant. Below reportable quantities, but still reported to Illinois EPA. No citations or fines.
April 2003	AG-Oppama, Japan	Cooking oil	Discharged from poorly designed kitchen drain into sea. Warning from Yokohama Marine Maintenance Agency. No citations or fines.
January 2003	CG-Baltimore, MD	200 gals. fuel oil	During transfer from delivery truck to customer site.
February 2003	CG-Chicago, IL	1,000 gals. fuel oil	Fuel oil incorrectly delivered into monitoring well next to underground storage tank.

Permit exceedances during FY 2003:

Date	Facility	Fine	Number	Agency	Description
February-August 2003	AG-Battery-Tampa, FL	\$0	10	City of Tampa	Wastewater
October 2003	AG-Battery-Toledo, OH	\$0	1	City of Toledo	Wastewater

AG=Automotive Group CG=Controls Group

Remediation Activities

Like most manufacturing concerns, Johnson Controls sometimes receives notices that historical waste disposal or recycling practices may have resulted in liability pursuant to statutes that create strict liability for such activities. In most instances, those activities were lawful and acceptable when they occurred. As a result of these notices, we sometimes must expend resources to perform environmental remediation or repay costs spent by governmental entities or others performing remediation.



Over the last several years we have been managing approximately 50 such sites in the United States, including landfills once used by the company for the disposal of waste materials and secondary lead smelters and lead recycling sites where the company delivered lead-containing materials for recycling. A few involve the clean-up of company manufacturing facilities, and the remainder fall into miscellaneous categories. We invest resources to clean up the sites in environmentally and financially responsible ways. In each case, we use risk management techniques to determine the most effective cleanup approach. Today, our compliance with regulations and our preventive initiatives greatly reduce the chance that we will have to undertake cleanups on our properties.

The company accrues for potential environmental remediation costs in a manner consistent with generally accepted accounting principles. Our reserves for environmental remediation costs have generally totaled about \$30 million over recent years, but they were increased to about \$60 million in 2003 to account for potential liabilities associated with an acquired company. We typically resolve remediation issues by reaching settlements with government agencies and other parties.

	1998	1999	2000	2001	2002	2003*
Site remediation costs (millions)	\$5.2	\$10.4	\$7.7	\$4.2	\$4.3	\$14.1

**The increase in remediation costs is the result of heightened activity associated with planned clean-ups that are covered by the company's reserves.*

Toxic Releases for Energy Recovery or Disposal

Our goal is to reduce, and where feasible, eliminate environmental releases of substances including those on the Toxic Release Inventory (TRI) and to increase recycling of all materials wherever feasible. The Emergency Planning and Community Right-To-Know Act of 1986 requires businesses to report annually on the amounts of certain substances they release to air, water or land, and on substances recycled. Manufacturers must report on more than 600 substances. The reports are submitted to the U.S. Environmental Protection Agency, which compiles the data on a national, publicly available Toxics Release Inventory (TRI) database (www.epa.gov/tri/). The table on the next page summarizes TRI reports from Johnson Controls facilities in the United States. Many of our facilities have reduced toxic releases over the past five years through solvent recovery and elimination efforts and other waste reduction initiatives.

The largest Johnson Controls TRI component is lead, a major raw material in automotive battery manufacturing. Through our aggressive waste reduction and recycling programs, our battery plants decreased their lead waste and further reclaimed 99.99 percent of lead for reuse through outside recycling vendors. The increase in 2002 over 2001 was due to production increases. Global recycling data is not available, but Johnson Controls facilities worldwide are working diligently to reduce all environmental releases and maximize recycling.

Johnson Controls Summary: Toxic Release Inventory Report for 2002

Substance	Unit	Total Reported (pounds/year)	Recycled or Recovered	Net Amount Released	% Recycled or Recovered
Toluene diisocyanate	AG	20,390	0	1,171	0%
Diisocyanates	AG	22,811	0	11	0%
Diethanolamine	AG	7,040	864	2,200	12.27%
Toluene	AG	16,132	2,745	13,387	17.02%
Phenol	AG	3,550	0	210	0%
Chromium	AG	500	0	500	0%
Manganese	AG	500	0	500	0%
Nickel	AG	500	0	500	0%
Copper	AG	250	0	250	0%
Antimony / antimony compounds*	AG	172,365	171,450	915	99.47%
Arsenic*	AG	1,957	1,957	0	100%
Lead / lead compounds*	AG	45,591,009	45,587,557	3,452	99.99%
Ammonia	CG	500	0	500	0%
Chromium	CG	250	0	250	0%
Copper	CG	250	0	250	0%
Nickel	CG	250	0	250	0%

TRI Trends for Reporting Business Units

Total Release Information	1998	1999	2000	2001	2002
AG-					
Interiors (lbs)	202,727	178,064	159,495	80,619	71,673
AG -	65,432,034	49,307,603	47,199,058	40,125,384	45,765,331
Battery - (lbs)	(96% recycled)	(99% recycled)	(99% recycled)	(99% recycled)	(99% recycled)
CG - Systems					
Products - (lbs)	306,593	323,523	1,250 lbs	1,250 lbs	1,250 lbs

*These items reflect the weight of the raw materials used in automotive battery manufacturing.
Virtually all of this material is recycled.

AG=Automotive Group CG=Controls Group



Water Use and Discharge

Our businesses do not generally use or discharge significant wastewater. Where wastewater may contain hazardous substances, such as at our battery manufacturing plants, the wastewater must meet stringent regulatory requirements before it is discharged. As required, the discharge is monitored to assure that our treatment systems work as designed. We reuse and recycle water wherever possible. For example, at our Cape Canaveral, Florida, facility, we use grey water for landscape irrigation.

Ozone Depleting Substances (ODS)

Our North American manufacturing processes have eliminated ODS, mostly through substitution with environmentally friendly substances. Investigations are underway to confirm that ODS have been eliminated from manufacturing processes outside North America. HVAC service technicians offer preventive maintenance and predictive diagnostics to prevent the release of ODS while working on equipment containing refrigerants at customer facilities.

Greenhouse Gases

Johnson Controls understands the concern about greenhouse gas (GHG) emissions and is committed to doing its part in reducing these emissions. As a leader in facility management, Johnson Controls focuses on making commercial buildings more energy efficient. Reducing energy usage equates to reduced greenhouse gas emissions. In September 2003, Johnson Controls joined Climate RESOLVE, a working committee of the Business Roundtable, and a non-profit organization committed to helping industry inventory and find ways to reduce greenhouse gas emissions. By joining, Johnson Controls will be able to help other industries find solutions for reducing energy consumption and GHG emissions as well as tracking, verifying and reporting these reductions. As an active member, Johnson Controls also pledges to accomplish the tasks outlined on the following page:

Johnson Controls
understands the concern
about greenhouse gas
emissions and is committed
to doing its part in reducing
these emissions.

ACTION	STATUS
Develop written GHG policy	Completed — Commitment to reducing GHGs included in Ethics Policy in August 2003.
Review emissions profile	Completed — Initial profile estimates completed in November 2003 and reported on the next page. Establishment of a “formal emissions baseline” expected to be completed in Fiscal Year 2005.
Evaluate GHG reduction opportunities and implement	Ongoing — Significant efforts underway by Controls Group to find and implement energy efficiency opportunities throughout the company and with many customers.
Participate in government and other programs to reduce GHGs	Ongoing — Johnson Controls is an active member in many government and non-government organizations committed to reducing energy usage and greenhouse gas emissions.
Invest in technologies to reduce GHGs	Ongoing — One of our core businesses is providing solutions for reducing energy usage and involves a significant investment in finding and testing such technologies.
Establish reduction goals	Studies are underway to establish a formal baseline of GHG emissions. Once this is accomplished reduction goals that add value to the company’s shareholders will be established — expected in Fiscal Year 2005.
Develop procedures for tracking progress in meeting goals	Underway.
Report to DOE’s 1605(b)	Expected by fiscal 2006.
Report GHGs management actions to public (Sustainability Report)	Initial estimates provided in this report and updated in future reports.

Estimating Emission Levels. Greenhouse gas emission estimates are based on “The Greenhouse Gas Protocol Initiative” (<http://www.ghgprotocol.org/standard/tools.htm>), involving an international coalition of businesses, non-governmental organizations (NGOs), and government and inter-governmental organizations that operate under the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).



Greenhouse Gas Emissions During Fiscal Year (October 2002 through September) 2003*

SCOPE*	SOURCE		
ONE	DIRECT EMISSIONS ⁽¹⁾		
		TERAJOULES	CARBON DIOXIDE
	Natural Gas		(Metric tons)
	AG - North America	17,259	966,518
	AG - Rest of World	1,069	59,843
	AG - Battery	933	52,252
	CG	149	8,350
	Other (includes fuel oil and coal)		<100
	Manufacturing processes		<500
	Business travel and transport:	MILES	
	Company vehicles ⁽²⁾	22,665,093	4,306
	Company airplanes	834,933	170
	Other, includes fugitive emissions		<100
TWO	INDIRECT EMISSIONS ⁽¹⁾		
	Purchased electricity	kWh	
	AG - North America	435,632,876	345,740
	AG - Rest of World	273,659,479	217,190
	AG - Battery	450,893,483	357,852
	CG - North America	62,391,983	49,517
	CG- Rest of World	476,559	378
THREE	Purchased steam, heat, etc.	705,842	560
	COMMERCIAL AIR TRAVEL	MILES	
	US & Canada ⁽³⁾	90,180,000	18,282
	Europe ⁽⁴⁾	35,880,000	7,273
	Rest of World	23,400,000	4,663
	CAR RENTAL MILEAGE		
	US & Canada employees	16,500,000	3,135
	Europe	12,400,000	2,356
	Rest of World	4,300,000	817
	TOTAL		~2,099,902

AG=Automotive Group CG=Controls Group

(1) Includes Johnson Controls-owned facilities only. Estimates based on average conversion factor of 1.75 lbs. carbon dioxide/Kwh.

(2) Based on 10,307 vehicles traveling 2,199 miles each

(3) Estimated using available July through September 2003 data due to travel agency contract change.

(4) Estimated using available March through September 2003 data due to travel agency contract change.

*See definitions of scope on following page.

Several assumptions were made in determining emissions. For example, protocol factors for commercial air travel vary depending upon flight distances (short, medium and long), since takeoffs and landings create the most emissions. Emission factors for medium flights (0.126 kg of CO₂ per kilometer traveled) were used, since determining flight distances for employee travel is

impractical considering the number of employee travelers and travel destinations. Also, vehicle emissions are based on miles traveled times current fuel efficiency factor, per the protocol.

SCOPE ONE - As shown in the table on the preceding page, overall GHG emissions by our facilities are low due to the nature of our businesses. For decades, Johnson Controls has implemented measures to reduce emissions from its manufacturing processes. These include energy conservation, elimination of ozone-depleting substances, and reductions in the use of volatile organic compounds. These efforts allow us to continuously reduce GHG emissions while making our manufacturing processes more profitable.

Our operations have three primary transportation impacts: receiving materials from suppliers, distributing products and delivering services to customers, and selling product through our sales force. Most materials entering and leaving our facilities are shipped by truck, rail or ship. We operate approximately 10,300 vehicles worldwide, and in 2002 spent approximately \$5.3 million on fuel. We will continue to look for opportunities in this area.

SCOPE TWO - As noted earlier, the company's Controls business involves finding ways to make buildings more sustainable. That includes finding ways to reduce energy use and greenhouse gas emissions. In addition, Johnson Controls provides Energy Saving Performance Contracting to its customers. This involves financing energy efficiency upgrades that are repaid through energy savings. The benefit of this arrangement is that the customer can implement energy upgrades with little or no capital expense. This is a win-win for the customer and Johnson Controls and has the ultimate benefit of reducing GHG emissions. More specifically, an independent report by Leonardo Academy states "energy efficiency projects implemented between 1990 and 2020 by Johnson Controls will add up to \$95 billion in total energy savings and 1.3 billion tons of carbon dioxide emission reductions."

It should be noted that estimates of emissions associated with electrical usage are based on total amounts used and do not exclude electrical generating sources that are "green" or otherwise produce minimal GHG emissions. Thus, actual GHG emissions associated with purchased power are suspected to be measurably lower than reported in the above table. Identification of GHG offsets associated with green power and other non-GHG energy sources is underway and expected to be reported in the future.

SCOPE THREE - Videoconferencing is being used throughout Johnson Controls to save time and reduce costs associated with employee travel. We have videoconferencing facilities throughout the world. We assume that as more efficient aircraft and vehicles are used by commercial airlines and rental companies that travel related emissions will decrease.

Johnson Controls is studying ways to acquire reliable data as well as reduce emissions related to employee commuting, supplier emissions, waste disposal and other services such as shipping, courier services, printing and other outsourced services. At present, acquiring meaningful and accurate data for these emissions is difficult mainly because these sources are outside the company's control.



GRI Matrix

The following table is designed for stakeholders who are familiar with the Global Reporting Initiative (GRI) 2002 *Sustainability Reporting Guidelines*. A reference is provided to assist in determining how each GRI performance indicator is addressed.

NA = Not Applicable NR = Not Reported

GRI Guidelines	Report Page (Paragraph)
VISION and STRATEGY	
1.1 Vision and Strategy Statement	2-5
1.2 CEO Statement	2-5
PROFILE	
2.1 Organization's name	1 (1)
2.2 Major products	6-7
2.3 Operational structure	6-7
2.4 Major divisions	6-7
2.5 Countries of operation	8-9
2.6 Nature of ownership	10 (1)
2.7 Markets served	6-7
2.8 Scale of organization	6-7
2.9 List of stakeholders	15 (3)
2.10 Contact person	64
2.11 Reporting period	1 (1)
2.12 Date of previous report	NA
2.13 Boundaries of report	6-7
2.14 Significant changes since previous report	NA
2.15 Reporting on joint ventures/subsidiaries	8 (map caption)
2.16 Restatements of information	NA
2.17 Decisions not to apply GRI principles	NA
2.18 Reporting criteria/definitions	Annual Report and defined as appropriate
2.19 Changes in measurement methods	NA
2.20 Internal assurance of accuracy	40-42
2.21 Independent verification of information	Economic in Annual Report, p. 40
2.22 Obtaining more information	10 (3), 12 (2), 14 (3), 16 (2), 64
STRUCTURE and GOVERNANCE	
3.1 Governance structure	10
3.2 Board makeup	10-11
3.3 Board selection	11
3.4 Board-level processes	11
3.5 Link to executive compensation	2003 Proxy Statement p. 20
3.6 Organizational structure	10-11
3.7 Mission and value statements	Back cover
3.8 Instructions for shareholder resolutions	10
3.9 Stakeholder identification	15-16
3.10 Stakeholder approaches	15-16
3.11 Stakeholder consultations	15-16
3.12 Use of stakeholder information	16 (5)
3.13 Use of Precautionary Approach	NR
3.14 External initiatives	5 (1), 40 (6), 43 (2), 44 (2-3), 47 (1), 49 (6), 50, 51, 57 (3), 58-60
3.15 Business association memberships	16 (4,6), 39 (4), 50-51
3.16 Upstream and downstream impacts	16-18, 42 (3,4), 44-49
3.17 Reporting indirect impacts	NR
3.18 Major operations decisions	NR
3.19 Performance programs	29-30, 33 (1), 38-39, 40-45, 48 (3-5), 50-51, 56-57
3.20 Management system certification status	39 (3), 40 (6), 43 (2), 46-47,

GRI Guidelines	Report Page (Paragraph)
PERFORMANCE INDICATORS	
Economic	
EC1. Net sales	6 (1), Annual Report p. 14-16
EC2. Geographic breakdown of markets by sales	7
EC3. Cost of goods	NR
EC4. Contract payments	NR
EC5. Total payroll and benefits	37 (2)
EC6. Distributions to providers of capital	Annual Report p. 14-19
EC7. Increase/decrease in retained earnings	Annual Report p. 22-26
EC8. Taxes paid	Annual Report p. 22-26
EC9. Subsidies received	NR
EC10. Donations	18-19
EC11. Supplier Breakdown	NR
EC12. Non-core infrastructure development	NR
EC13. Indirect economic impact	NR
Environmental	
EN1. Total materials used	NR
EN2. Percentage of materials wasted	NR
EN3. Direct energy use	59-60
EN4. Indirect energy use	59-60
EN5. Total water use	NR
EN6. Land owned, leased, or managed	NR
EN7. Major impacts on biodiversity	48-49
EN8. Greenhouse gas emissions	45-46, 57-60
EN9. Ozone depleting substances	57 (2)
EN10. Air emissions	45-46
EN11. Waste generated	42 (5), 44-45
EN12. Water discharges	57 (1)
EN13. Significant spills	54
EN14. Environmental impacts of products	40-60
EN15. Reclaimable products	NR
EN16. Noncompliance penalties	53-54
EN17. Energy efficiency initiatives	45-48, 49 (6),
EN18. Energy consumption footprint of products	NR
EN19. Indirect energy use implications	59
EN20. Water resource impacts	57 (1)
EN21. Annual withdrawals of water	57 (1)
EN22. Water recycling and reuse	NR
EN23. Total land owned	NR
EN24. Land purchases	NR
EN25. Impacts on sensitive areas	48 (6)
EN26. Changes to natural habitats	NR
EN27. Programs for protecting ecosystems	48 (6)
EN28. Number of "red listed" species	NR
EN29. Proposed activities in sensitive areas	NR
EN30. Other GHG emissions	59-60
EN31. Hazardous waste	42 (5), 44-45, 55-56
EN32. Water discharge effects	57 (1)
EN33. Supplier environmental performance	40 (5), 48 (4-5),
EN34. Environmental impacts of transportation	NR
EN35. Environmental expenditures	51



GRI Guidelines	Report Page (Paragraph)
Social	
LA1 Geographic breakdown of workforce	NR
LA2 Turnover by region/country	NR
LA3 Percentage of union employees	32
LA4 Restructuring policies	NR
LA5 Health and safety reporting	22 (2), 40-41, 43 (2), 51-52
LA6 Health and safety committees	41-42
LA7 Standard injury and lost day rates	52
LA8 HIV/AIDS policy	NR
LA9 Training	31 (4), 36 (4), 42-43
LA10 Equal opportunity	22-23, 29 (4), 31, 34 (4), 36 (4)
LA11 Female/male ratio in management	36
LA12 Contributions beyond those legally mandated	32 (2)
LA13 Worker representation in decisions	16 (1), 21 (1-2)
LA14 Occupational health – ILO compliance	NR
LA15 Union health/safety agreements	NR
LA16 Career development programs	31, 33-36
LA17 Skills management policies	31, 33-36
HR1 Human rights policies	22-23, 31-32, 36-37
HR2 Human rights impacts	12-13, 16-18
HR3 Human rights within supply chain	16-18
HR4 Nondiscrimination policies	16 (6), 22 (3), 31 (3), 36 (3)
HR5 Freedom of association	23 (4), 32 (3), 37 (3)
HR6 Policy on child labor	23 (2), 31(5)
HR7 Policy on forced labor	23 (2) 31 (5)
HR8 Employee training on human rights	36 (4)
HR9 Appeal practices	NR
HR10 Grievance system	21 (1)
HR11 Human rights training for security personnel	NR
HR12 Indigenous rights	32 (1), 37 (1)
HR13 Community grievance mechanisms	21, 27-28
HR14 Wealth redistribution	NR
SO1 Impacts on communities	22 (#2), 23 (#5)
SO2 Bribery and corruption	26 (3-4)
SO3 Political lobbying and contributions	26 (3-4)
SO4 Awards	4 (3), 12-13, 16 (6), 17 (1), 35 (6), 36 (1), 44 (3), 47 (3), 48 (2), 49 (6),
SO5 Political contributions	21 (3),
SO6 Court decisions: anti-trust and monopoly	21
SO7 Preventing anti-competitive behavior	27 (2)
PR1 Customer health and safety	43 (3)
PR2 Product labeling	NR
PR3 Product safety procedures/systems	43 (3)
PR4 Customer safety violations	NR
PR5 Number of product complaints	NR
PR6 Voluntary code compliance labels	NR
PR7 Product information violations	21
PR8 Customer satisfaction surveys and procedures	30
PR9 Policies/compliance on advertising standards	NR
PR10 Breaches of advertising/marketing regulations	21
PR11 Complaints regarding consumer privacy	21

Information

Executive Offices

Johnson Controls, Inc.
5757 N. Green Bay Avenue
P.O. Box 591
Milwaukee, WI 53201
(414) 524-1200
webmaster@jci.com

New York Stock Exchange
Symbol: JCI

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www.johnsoncontrols.com

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(866) 444-1313

Outside U.S. & Canada
(704) 556-7046

Audit Committee Chairman
Paul.Brunner@jci.com

Governance Committee Chairman
Robert.L.Barnett@jci.com



Directors

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Chairman
Dickinson Wright PLLC
Director since 2002.
[3]

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Motorola, Inc.
Director since 1986. [1,3,5]

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Chief Financial Officer

Susan F. Davis
Vice President,
Human Resources

R. Bruce McDonald
Vice President and
Corporate Controller

Jerome D. Okarma
Vice President,
Assistant Secretary and
Deputy General Counsel

Darlene Rose
Vice President, Corporate
Development and Strategy

Brian J. Stark
Vice President and
President,
Controls Group

Subhash "Sam" Valanju
Vice President and
Chief Information Officer

Bogoljub "Bob" Velanovich
Vice President,
Automotive Group

Frank A. Voltolina
Vice President and
Corporate Treasurer

Keith E. Wandell
Vice President and
President,
Automotive Group

Denise M. Zutz
Vice President,
Corporate Communication

Our Corporate Vision

What We Value

Integrity Honesty and fairness are essential to the way we do business and how we interact with people. We are a company that keeps its promises. We do what we say we will do, and we will conduct ourselves in accordance with our code of ethics.

Customer Satisfaction Customer satisfaction is the source of employee, shareholder, supplier and community benefits. We will exceed customer expectations through continuous improvement in quality, service, productivity and time compression.

Our Employees The diversity and involvement of our people is the foundation of our strength. We are committed to their fair and effective selection, development, motivation and recognition. We will provide employees with the tools, training and support to achieve excellence in customer satisfaction.

Improvement and Innovation We seek improvement and innovation in every element of our business.

Safety and the Environment Our products, services and workplaces reflect our belief that what is good for the environment and the safety and health of all people is good for Johnson Controls.

Our Creed

We believe in the free enterprise system. We shall consistently treat our customers, employees, shareholders, suppliers and the community with honesty, dignity, fairness and respect. We will conduct our business with the highest ethical standards.

Our Objectives

Customer Satisfaction We will exceed customer expectations through continuous improvement in quality, service, productivity and time compression.

Technology We will apply world-class technology to our products, processes and services.

Growth We will seek growth by building upon our existing businesses.

Market Leadership We will only operate in markets where we are, or have the opportunity to become, the recognized leader.

Shareholder Value We will exceed the after-tax, median return on shareholders' equity of the Standard & Poor's Industrials.

Our Mission

Continually
exceed our
customers'
increasing
expectations.



P.O. Box 591, Milwaukee, WI 53201
www.johnsoncontrols.com



INTEGRITY
FOR EMPLOYEES
STEWARDSHIP
TECHNOLOGY