Risk Factors Comparison 2023-12-14 to 2022-11-15 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Provided below is a cautionary discussion of what we believe to be the most important risk factors applicable to the Company. Discussion of these factors is incorporated by reference into and considered an integral part of Part II, Item 7, " Management' s Discussion and Analysis of Financial Conditions and Results of Operations. " The disclosure of a risk should not be interpreted to imply that such risk has not already materialized. Additional risks not currently known to the Company or that the Company currently believes are immaterial may also impair the Company' s business, financial condition, results of operations and cash flows. Risks Related to ~~Macroeconomic and Political Conditions Economic, political, credit and capital market conditions could adversely affect our financial performance, our ability to grow or sustain our business and our ability to access the capital markets. We compete around the world in various geographic regions and product markets. Global economic and political conditions affect each of our primary businesses and the businesses of our customers and suppliers. Recessions, economic downturns, price instability, inflation, slowing economic growth and social and political instability in the industries and / or markets where we compete could negatively affect our revenues and financial performance in future periods, result in future restructuring charges, and adversely impact our ability to grow or sustain our business. For example, current macroeconomic and political instability caused by the conflict between Russia and Ukraine, global supply chain disruptions, inflation and the strengthening of the U. S. dollar, have and could continue to adversely impact our results of operations. Other potential consequences arising from the Russia / Ukraine conflict and its effect on our business and results of operations as well as the global economy, cannot be predicted. This may include further sanctions, embargoes, regional instability, geopolitical shifts, energy instability, potential retaliatory action by the Russian government, increased cybersecurity attacks, increased tensions among countries in which we operate. The capital and credit markets provide us with liquidity to operate and grow our business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and / or disruption of the credit markets could reduce our access to capital necessary for our operations and executing our strategic plan. If our access to capital were to become significantly constrained, or if costs of capital increased significantly due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors; then our financial condition, results of operations and cash flows could be adversely affected. If we are unable to adequately react to negative economic impacts that decrease demand for our products and services and / or negative movements in capital markets our results of operations, financial condition or liquidity could be adversely affected. Some of the industries in which we operate are cyclical and, accordingly, demand for our products and services could be adversely affected by downturns in these industries. Much of the demand for installation of HVAC, security products, and fire detection and suppression solutions is driven by commercial and residential construction and industrial facility expansion and maintenance projects. Commercial and residential construction projects are heavily dependent on general economic conditions, localized demand for commercial and residential real estate and availability of credit. Commercial and residential real estate markets are prone to significant fluctuations in supply and demand. In addition, most commercial and residential real estate developers rely heavily on project financing in order to initiate and complete projects. Declines in real estate values and increases in prevailing interest rates could lead to significant reductions in the demand for and availability of project financing, even in markets where demand may otherwise be sufficient to support new construction. These factors could in turn temper demand for new HVAC, fire detection and suppression and security installations. Levels of industrial capital expenditures for facility expansions and maintenance are dependent on general economic conditions, economic conditions within specific industries we serve, expectations of future market behavior and available financing. The businesses of many of our industrial customers are to varying degrees cyclical and have experienced periodic downturns. During such economic downturns, customers in these industries tend to delay major capital projects, including greenfield construction, maintenance projects and upgrades. Additionally, demand for our products and services may be affected by volatility in energy, component and commodity prices, commodity and component availability and fluctuating demand forecasts, as our customers may be more conservative in their capital planning, which may reduce demand for our products and services as projects are postponed or cancelled. Although our industrial customers tend to be less dependent on project financing than real estate developers, increases in prevailing interest rates or disruptions in financial markets and banking systems could make credit and capital markets difficult for our customers to access and could significantly raise the cost of new debt for our customers. Any difficulty in accessing these markets and the increased associated costs can have a negative effect on investment in large capital projects, including necessary maintenance and upgrades, even during periods of favorable end- market conditions. Many of our customers inside and outside of the industrial and commercial sectors, including governmental and institutional customers, have experienced budgetary constraints as sources of revenue have been negatively impacted by adverse or stagnant economic conditions. These budgetary constraints have in the past, and may in the future, reduce demand for our products and services among governmental and institutional customers. Reduced demand for our products and services could result in the delay or cancellation of existing orders or lead to excess capacity, which unfavorably impacts our absorption of fixed costs. This reduced demand may also erode average selling prices in the industries we serve. Any of these results could materially and adversely affect our business, financial condition, results of operations and cash flows. Volatility in commodity prices may adversely affect our results of operations. Increases in commodity costs can negatively impact the profitability of orders in backlog as prices on such orders are typically fixed; therefore, in the short- term, our ability to adjust for changes in certain commodity prices is limited. In these cases, if we are not able to recover commodity cost increases through price increases to our customers on new orders, then such increases will have an adverse effect on our results of operations. In cases where commodity price risk~~

~~cannot be naturally offset or hedged through supply- based fixed- price contracts, we use commodity hedge contracts to minimize overall price risk associated with our anticipated commodity purchases. Unfavorability in our hedging programs during a period of declining commodity prices could result in lower margins as we reduce prices to match the market on a fixed commodity cost level. Additionally, to the extent we do not or are unable to hedge certain commodities and the commodity prices substantially increase, such increases will have an adverse effect on our results of operations. We have experienced, and expect to continue to experience, increased commodity costs as a result of global macroeconomic trends, including global price inflation, supply chain disruption and the Russia / Ukraine conflict. While we have taken action to offset increasing commodity costs as described above, we have nonetheless experienced negative impacts on profitability as a result of such increased costs. Continued increases in commodity costs could negatively impact our results of operations to the extent we are unable to successfully mitigate and offset the impact of increased costs. Risks associated with our non- U. S. operations could adversely affect our business, financial condition and results of operations. We have significant operations in a number of countries outside the U. S., some of which are located in emerging markets. Long- term economic and geopolitical uncertainty in any of the regions of the world in which we operate, such as Asia, South America, the Middle East, Europe and emerging markets, could result in the disruption of markets and negatively affect cash flows from our operations to cover our capital needs and debt service requirements. In addition, as a result of our global presence, a significant portion of our revenues and expenses is denominated in currencies other than the U. S. dollar. We are therefore subject to non- U. S. currency risks and non- U. S. exchange exposure. While we employ financial instruments to hedge some of our transactional foreign exchange exposure, these activities do not insulate us completely from those exposures. Exchange rates can be volatile and a substantial weakening of foreign currencies against the U. S. dollar could reduce our profit margin in various locations outside of the U. S. and adversely impact the comparability of results from period to period. During 2022, we experienced a reduction in revenue and profits as a result of the significant strengthening of the U. S. dollar against foreign currencies. The continued strength of the U. S. dollar could continue to adversely impact our revenue and profit in non- U. S. jurisdictions. There are other risks that are inherent in our non- U. S. operations, including the potential for changes in socio- economic conditions, laws and regulations, including anti- trust, import, export, labor and environmental laws, and monetary and fiscal policies; the ability to enforce rights, collect revenues and protect assets in foreign jurisdictions; protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes; unsettled or unstable political conditions; international conflict; government- imposed plant or other operational shutdowns; backlash from foreign labor organizations related to our restructuring actions; corruption; natural and man- made disasters, hazards and losses; violence, civil and labor unrest, and possible terrorist attacks. These and other factors may have a material adverse effect on our business and results of operations. Impacts related to the COVID- 19 pandemic could have an adverse effect on our business, financial condition, results of operations and cash flows. The COVID- 19 global pandemic created significant volatility, uncertainty and economic disruption. In response to the challenges presented by COVID- 19, we modified our business practices and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners and suppliers. These actions, may cause us to experience increases in costs, reductions in productivity and disruptions to our business routines. Vaccine mandates and testing requirements have been implemented in some jurisdictions where we operate. In addition, a number of our customers have issued vaccine requirements with respect to our employees who provide on- site service at customer facilities. Our efforts to comply with these or other mandates could result in increased labor attrition and disruption, as well as difficulty securing future labor needs, and could materially impact our ability to deliver services to our customers, which could in turn adversely impact our results of operations. We may also experience impacts from market forces and changes in consumer behavior related to pandemic fears as a result of COVID- 19. Challenges in achieving sufficient vaccination levels and the introduction of new variants of COVID- 19 have and could continue to negatively impact our results of operations due to the extension or reinstitution of lockdowns and similar restrictive measures, limited access to customer sites to perform installation and service work, the delay or abandonment of projects on which we provide products and / or services, and the general adverse impacts on demand and sales volumes from industries that are sensitive to economic downturns and volatility in commodity prices. For example, the Company has experienced, and could continue to experience, disruptions to its business in China due to the application of lockdowns and other restrictive measures under China' s" zero- COVID" policy. Further, the COVID- 19 pandemic could result in permanent changes in the behaviors of our customers, including the increased prevalence of remote work and a corresponding decline in demand for the construction and maintenance of commercial buildings. Any of these impacts could adversely affect our results of operations. The extent to which the COVID- 19 pandemic continues to impact our results of operations and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including the resurgence of COVID- 19 and its variants, the effectiveness of COVID- 19 vaccines and the speed at which populations are vaccinated, impacts on economic activity and regulatory actions taken to mitigate the impacts of COVID- 19. The impact of COVID- 19 may also exacerbate other risks discussed in Item 1A of this Annual Report on Form 10- K. Risks Related to~~ Our Business Operations The ability of suppliers to deliver raw...... could materially and adversely be affected. Our future growth is dependent upon our ability to develop or acquire new products and technologies that achieve market acceptance with acceptable margins. Our future success depends on our ability to develop or acquire, manufacture and bring competitive, and increasingly complex, products and services to market quickly and cost- effectively. Our ability to develop or acquire new products, services and technologies requires the investment of significant resources. These acquisitions and development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies, products or services on a timely basis. **Further, we must continue to effectively adapt our products and services to a changing technological and regulatory environment to drive growth and defend against disruption caused by competitors, regulators or other external forces impacting our business and operations. If we are unable to be agile and responsive to disruption in the development of new products, services and technologies, including technologies such**

as artificial intelligence and machine learning, our business, financial condition, results of operations and cash flows could be adversely affected. Moreover, as we introduce new products, we may be unable to detect and correct defects in the design of a product or in its application to a specified use, which could result in loss of sales or delays in market acceptance. Even after introduction, new or enhanced products may not satisfy customer preferences and product failures may cause customers to reject our products. **Further, as we integrate emerging and rapidly evolving technologies such as artificial intelligence and machine learning into our products and services, we may not be able to anticipate or identify vulnerabilities, design flaws or security threats resulting from the use of such technology and develop adequate protection measures.** As a result, these products may not achieve market acceptance and our brand image could suffer. We must also attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop new technologies and introduce new products, particularly as we increase investment in our digital services and solutions business and our OpenBlue software platform. The laws and regulations applicable to our products, and our customers' product and service needs, change from time to time, and regulatory changes may render our products and technologies noncompliant **or result in new or enhanced regulatory scrutiny** ~~. We must also monitor disruptive technologies and business models~~ . In addition, the markets for our products, services and technologies may not develop or grow as we anticipate. The failure of our technology, products or services to gain market acceptance due to more attractive offerings by our competitors, the introduction of new competitors to the market with new or innovative product offerings or the failure to address any of the above factors could significantly reduce our revenues, increase our operating costs or otherwise materially and adversely affect our business, financial condition, results of operations and cash flows. **.Our** results of operations,financial condition and cash flows are dependent upon our ability to drive organizational improvement.We seek to drive improvements through a variety of actions,including ~~restructuring and~~ integration activities,digital transformation,business portfolio reviews,productivity initiatives,functionalization,executive management changes,and business and operating model assessments.Risks associated with these actions include delays in execution,additional unexpected costs,realization of fewer than estimated productivity improvements, ~~increased change fatigue,organizational strain~~ and adverse effects on employee morale.We may not realize the full operational or financial benefits we expect,the recognition of these benefits may be delayed,and these actions may potentially disrupt our operations.In addition,our failure to effectively manage organizational changes may lead to increased attrition and harm our ability **to attract and retain key talent** Cybersecurity incidents impacting our IT systems and digital products could disrupt business operations, result in the loss of critical and confidential information, and **materially and** adversely ~~impact~~ **affect** our reputation and results of operations. We rely upon the capacity, reliability and security of our IT and data security infrastructure and our ability to expand and continually update this infrastructure in response to the changing needs of our business. As we implement new systems or integrate existing systems, they may not perform as expected. We also face the challenge of supporting our older systems **, which are vulnerable to increased risks, including the risk of further security breaches, system failures and disruptions,** and implementing necessary upgrades. In addition, **certain of** ~~we are relying on our IT infrastructure to support~~ our employees ~~' ability to~~ work remotely **at times, which increases our vulnerability to cybersecurity and other IT risks** . If we experience a problem with the functioning of an important IT system as a result of increased burdens placed on our IT infrastructure or a security breach of our IT systems, the resulting disruptions could have ~~an~~ **a material** adverse effect on our business. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to IT systems to sophisticated and targeted measures known as advanced persistent threats directed at the Company, its products, its customers and / or its third- party service providers, including cloud providers. These threats and incidents originate from many sources globally and include ~~malwares~~ **malware** that ~~take~~ **takes** the form of computer viruses, ransomware, worms, Trojan horses, spyware, adware, scareware, rogue software, and programs that act against the computer user. ~~While~~ **Techniques used to obtain unauthorized access to, or to sabotage, IT systems or networks are constantly evolving and may not be recognized until launched against a target. We and third parties** we **utilize as vendors to support our business and operations** have experienced, and expect to continue to experience, these types of threats and incidents ~~, none of~~ **. We and our third- party service providers have experienced and expect to continue to experience threats from sophisticated nation- state actors and organized criminal groups who engage in attacks (including advanced persistent threat intrusions) that add to** ~~them~~ **the risks** to ~~date has been material to~~ **our IT systems (including our cloud services providers' systems), internal networks, our customers' systems and the information that** ~~the~~ **they** ~~Company~~ **store and process** . Our customers, including the U. S. government, are increasingly requiring cybersecurity protections and mandating cybersecurity standards in our products, and we may incur additional costs to comply with such demands. We ~~seek to~~ deploy **countermeasures** ~~comprehensive measures~~ to deter, prevent, detect, respond to and mitigate these threats, including identity and access controls, data protection, vulnerability assessments, product software designs which we believe are less susceptible to cyber- attacks, ~~continuous~~ monitoring of our IT networks and systems, maintenance of backup and protective systems and the incorporation of cybersecurity design throughout the lifecycle of our products. Despite these efforts, **the Company has experienced, and will likely continue to experience, attacks and resulting breaches or breakdowns of the Company' s, or its third- party service providers', databases or systems.** ~~cybersecurity~~ **Cybersecurity** incidents, depending on their nature and scope, ~~could potentially~~ **have resulted, and may in the future** result **,** in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. Such incidents **have remained, and** could **in the future** remain **,** undetected for an extended period of time, and the losses arising from such incidents could exceed our available insurance coverage for such matters. **In addition, security breaches impacting our IT systems have in certain cases resulted in, and in the future could result in, a risk of loss or unauthorized disclosure or theft of information, which could lead to enforcement actions, litigation, regulatory or governmental audits, investigations and possible liability.** An increasing number of our products, services and technologies, including our OpenBlue software platform, are delivered with digital capabilities and accompanying interconnected device networks, which include sensors, data, building management systems and advanced computing and analytics capabilities. If we are unable to manage the lifecycle cybersecurity risk in development, deployment and operation of our digital platforms and services, they could become susceptible to cybersecurity incidents and lead to third- party claims that our product failures have caused damages to our customers. This risk is enhanced by the increasingly connected nature of our products and the role they play in managing building systems. ~~The potential consequences~~ **During the fourth quarter** of **fiscal 2023, we experienced** a ~~material~~ cybersecurity incident ~~include~~ **that disrupted portions of our internal information technology infrastructure and applications consisting of unauthorized access by a third party, exfiltration of data and the deployment of ransomware, which in turn caused disruptions and limitation of access to portions of our business applications that support aspects of our operations and corporate functions. As a result of this incident, we experienced disruptions to our normal operations which had an adverse impact on our** financial ~~loss~~ **performance, as discussed in Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations. We have and may continue to incur significant costs in connection with the cybersecurity incident and any future cybersecurity incidents, including infrastructure investments or remediation efforts. Further, we could experience other additional consequences in the future as a result of the incident, including** , reputational damage, ~~adverse health, safety, and environmental consequences,~~ exposure to legal claims or enforcement actions **and** ~~, theft of intellectual property,~~ fines levied by ~~the Federal Trade Commission or other~~ governmental organizations, ~~diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs,~~ which in turn could materially and adversely affect our **results of operations. In addition, limitations on our ability to analyze and investigate the incident due to limitations on the availability of historical logs and other forensic data may impact our ability to identify all of the impacts and root causes of the cybersecurity incident. There can be no assurance that additional unauthorized access or cyber incidents will not occur or that we will not suffer material losses in the future. Unauthorized access or cyber incidents could occur more frequently and on a more significant scale to those we have suffered to date. We could also experience similar consequences as a result of future cybersecurity incidents. Other potential consequences of future cybersecurity incidents could include the theft of intellectual property and the diminution in the value of our investment in research, development and engineering, which in turn could materially and adversely affect our** competitiveness and results of operations **. We identified a material weakness in our internal control over financial reporting which, if not remediated appropriately or timely, could result in the loss of investor confidence and adversely impact our business operations and our stock price. As a result of the cybersecurity incident experienced beginning in September 2023, and as disclosed in Part II, Item 9A of this report, we have identified a material weakness in our internal control over financial reporting related to not maintaining sufficient information technology (" IT ") controls to prevent or detect, on a timely basis, unauthorized access to certain of the Company' s financial reporting systems. Accordingly, management concluded that our internal control over financial reporting was not effective as of September 30, 2023. If we are unable to remediate the material weakness, or if we are otherwise unable to maintain effective internal control over financial reporting, then our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be in violation of covenants contained in the agreements governing our debt and other borrowings. We could also be subject to sanctions or investigations by the stock exchange on which our shares are listed, the SEC or other regulatory authorities, which could result in a material adverse effect on our business. These outcomes could subject us to litigation, civil or criminal investigations or enforcement actions requiring the expenditure of financial resources and diversion of management time, could negatively affect investor confidence in the accuracy and completeness of our financial statements and could also adversely impact our stock price and our access to the capital markets. Moreover, while we are implementing measures designed to help ensure that control deficiencies contributing to the material weakness are remediated as soon as possible, these measures will result in additional costs, including third- party expenditures engaging security specialists and implementing certain new IT access, security and recovery measures, and such costs could adversely affect our results of operations, financial condition and cash flows** . Data privacy, identity protection and information security compliance may require significant resources and presents certain risks. We collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, **customer data,** personal data or other information that is subject to privacy and security laws, regulations and / or customer- imposed controls. Despite our efforts to protect such data, our business and our products may be vulnerable to ~~material~~ security ~~breaches~~ **incidents** , theft, misplaced or lost data, programming errors, or errors that could potentially lead to compromising such data, improper use of our products, systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. ~~A significant~~ **During the fourth quarter of fiscal 2023, we experienced a cybersecurity event consisting of unauthorized access, data exfiltration and deployment of ransomware by a third party to a portion of our internal IT infrastructure. We are currently in the process of analyzing the data accessed, exfiltrated or otherwise impacted during the cybersecurity incident. The** actual or perceived risk of theft, loss, fraudulent use or misuse of customer, employee or other data ~~, whether by us, our suppliers, channel partners, customers or other third parties,~~ as a result of ~~employee error or malfeasance, or as a result of~~ the ~~imaging, software, security~~ **cybersecurity incident** ~~and other products we incorporate into our products~~ , as well as non- compliance with applicable industry standards or our contractual or other legal obligations or privacy and information security policies regarding such data, could result in costs, fines, litigation or regulatory actions **. We could face similar consequences in the future if we** , ~~or~~ **our suppliers, channel partners, customers or other third parties experience the actual or perceived risk of theft, loss, fraudulent use or misuse of data, including as a result of employee error or malfeasance, or as a result of the imaging, software, security and other**

products we incorporate into our products. Such an event could lead customers to select the products and services of our competitors. ~~Any such event~~ **Both the cybersecurity incident and similar future incidents** could harm our reputation, cause unfavorable publicity or otherwise adversely affect certain potential customers' perception of the security and reliability of our services as well as our credibility and reputation, which could result in lost sales. In addition, we operate in an environment in which there are different and potentially conflicting data privacy laws in effect in the various U. S. states and foreign jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secure. For example, proposed regulations restricting the use of biometric security technology could impact the products and solutions offered by our security business. Government enforcement actions can be costly and interrupt the regular operation of our business, and violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements. ~~Failure~~ **Some of our contracts do not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient** to **protect us from liabilities, damages, or claims related to our data privacy and security obligations. While we maintain general liability insurance coverage and coverage for errors or omissions, such coverage might not be adequate or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, that such coverage will continue to be available to us on acceptable terms or at all, or that such coverage will pay future claims. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium** ~~increase~~ **increases** ~~organizational effectiveness through organizational improvements may reduce our~~ - **or** ~~profitability~~ **the imposition of large deductible** or **co-insurance requirements), could have an** ~~adversely~~ -- **adverse** ~~impact~~ **effect on** our business . Our results of operations, financial...... ability to attract and retain key talent . Infringement or expiration of our intellectual property rights, or allegations that we have infringed upon the intellectual property rights of third parties, could negatively affect us. We rely on a combination of trademarks, trade secrets, patents, copyrights, know- how, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. We cannot guarantee, however, that the steps we have taken to protect our intellectual property will be adequate to prevent infringement of our rights or misappropriation or theft of our technology, trade secrets or know- how. For example, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in some of the countries in which we operate. In addition, while we generally enter into confidentiality agreements with our employees and third parties to protect our trade secrets, know- how, business strategy and other proprietary information, such confidentiality agreements could be breached or otherwise may not provide meaningful protection for our trade secrets and know- how related to the design, manufacture or operation of our products. From time to time we resort to litigation to protect our intellectual property rights. Such proceedings can be burdensome and costly, and we may not prevail. Further, adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and manufacturing expertise. Finally, for those products in our portfolio that rely on patent protection, once a patent has expired, the product is generally open to competition. Products under patent protection usually generate significantly higher revenues than those not protected by patents. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could harm our business, financial condition, results of operations and cash flows. In addition, we are, from time to time, subject to claims of intellectual property infringement by third parties, including practicing entities and non- practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time- consuming. The litigation process is subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Intellectual property lawsuits or claims may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and they may have a material adverse effect on our business, financial condition, results of operations and cash flows. We rely on our global direct installation channel for a significant portion of our revenue. Failure to maintain and grow the installed base resulting from direct channel sales could adversely affect our business. Unlike many of our competitors, we rely on a direct sales channel for a substantial portion of our revenue. The direct channel provides for the installation of fire and security solutions, and HVAC equipment manufactured by us. This represents a significant distribution channel for our products, creates a large installed base of our fire and security solutions and HVAC equipment, and creates opportunities for longer term service and monitoring revenue. If we are unable to maintain or grow this installation business, whether due to changes in economic conditions, a failure to anticipate changing customer needs, a failure to introduce innovative or technologically advanced solutions, or for any other reason, our installation revenue could decline, which could in turn adversely impact our product pull- through and our ability to grow service and monitoring revenue. **.** Global climate change and related regulations could negatively affect our business.The effects of climate change create financial risks to our business.For example,the effects of climate change could disrupt our operations by impacting the availability and cost of materials needed for manufacturing,exacerbate existing risks to our supply chain and increase insurance and other operating costs.These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks.We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them.Increased public awareness and concern regarding global climate change has resulted in more regulations designed to reduce greenhouse gas emissions.These regulations tend to be implemented under global,national and sub- national climate objectives or policies,and target the global warming potential (" GWP ") of refrigerants,equipment energy efficiency,and the combustion of fossil fuels as a heating source.Many of our products consume energy and use refrigerants.Regulations which seek to reduce greenhouse gas emissions present a risk to our global products business,predominantly our HVAC business,if we do not adequately prepare our product portfolio.As a result,we ~~have and~~ may be ~~in the future~~ required to make increased research and development and other capital expenditures to improve our product portfolio in order to meet new regulations and standards.Further,our customers and the markets we serve may impose emissions or other environmental standards through regulation,market- based emissions policies or consumer preference that we may not be able to timely meet due to the required level of capital investment or technological advancement.While we have been committed to continuous improvements to our product portfolio to meet and exceed anticipated regulations and preferences,there can be no assurance that our commitments will be successful,that our products will be accepted by the market,that proposed regulation or deregulation will not have a negative competitive impact or that economic returns will reflect our investments in new product development.We are subject to emerging and competing climate regulations.There continues to be a lack of consistent climate legislation,which creates economic and regulatory uncertainty.Such regulatory uncertainty extends to incentives,which if discontinued,could adversely impact the demand for energy efficient buildings,and could increase costs of compliance.These factors may impact the demand for our products,obsolescence of our products and our results of operations. ~~Failure to achieve our public sustainability commitments could negatively affect our reputation and business.~~ As of the date of this filing,we have made several public commitments regarding our intended reduction of carbon emissions,including commitments to achieve net zero carbon emissions by 2040 and the establishment of science- based targets to reduce carbon emissions from our operations and the operations of our customers.Although we intend to meet these commitments,we may be required to expend significant resources to do so,which could increase our operational costs.Further,there can be no assurance of the extent to which any of our commitments will be achieved,or that any future investments we make in furtherance of achieving such targets and goals will meet investor expectations or any binding or non- binding legal standards regarding sustainability performance.Moreover,we may determine that it is in the best interest of our company and our shareholders to prioritize other business,social,governance or sustainable investments over the achievement of our current commitments based on economic,regulatory and social factors,business strategy or pressure from investors,activist groups or other stakeholders.If we are unable to meet these commitments,then we could incur adverse publicity and reaction from investors,activist groups and other stakeholders,which could adversely impact the perception of our brand and our products and services by current **and potential customers,as well as investors,which could in turn adversely impact our results of operations** Our business success depends on attracting and retaining qualified personnel. Our ability to sustain and grow our business requires us to hire, retain and develop a high- performance, customer- centric and diverse management team and workforce. Continuous efficient and timely customer service, customer support and customer intimacy are essential to enabling customer loyalty and driving our financial results. Our growth strategies require that we pivot to new talent capability investments and build the workforce of the future, with an emphasis on developing skills in digital and consultative, outcome- based selling. Failure to ensure that we have the leadership and talent capacity with the necessary skillset and experience could impede our ability to deliver our growth objectives, execute our strategic plan and effectively transition our leadership. Any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations. Our ability to convert backlog into revenue requires us to maintain a labor force that is sufficiently large enough to support our manufacturing operations to meet customer demand, as well as provide on- site services and project support for our customers. This includes recruiting, hiring and retaining skilled trade workers to support our direct channel field businesses. **We** ~~Recently, we~~ have **in the past, and could in the future,** ~~experienced~~ - **experience** ~~the impacts of~~ shortages for ~~both~~ skilled ~~and~~ **or** unskilled labor. ~~While we have taken measures to mitigate the impact of these shortages, we can provide no assurance that such efforts will be successful.~~ The impacts of **such** labor shortages could limit our ability to convert backlog into revenue and negatively impact our results of operations. A material disruption of our operations **due to catastrophic or geopolitical events** , particularly at our monitoring and / or manufacturing facilities, could **materially and** adversely affect our business. If our operations, particularly at our monitoring facilities and / or manufacturing facilities, were to be disrupted as a result of significant equipment failures, natural disasters, **pandemics,** climate change, cybersecurity ~~breaches~~ **incidents** , power outages, fires, explosions **, abrupt political change, armed conflict** , terrorism, sabotage, adverse weather conditions, public health crises ~~(including~~ **, labor disputes, labor shortages or other reasons, we may be unable to effectively respond to alarm signals, fill customer orders, convert our backlog, collect revenue and otherwise meet obligations to or demand from our customers, which could adversely affect our financial performance. These events may also cause us to experience increased costs and reduced productivity. For example, our recent cybersecurity incident caused disruptions to our operations, adversely affecting our financial performance. For more information on the impact of the cybersecurity incident, see Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations. The occurrence or reoccurrence of regional epidemics or a global pandemic, such as** COVID- 19 ~~related shutdowns)~~ , ~~labor disputes, labor shortages or other reasons, we~~ may ~~be unable to effectively respond to alarm signals, fill customer orders, convert our backlog and otherwise meet obligations to or demand from our customers, which could~~ adversely affect our **operations,** financial **condition** ~~performance. For example~~ , ~~during~~ **and results of operations. The extent to which global pandemics impact our business going forward will depend on factors such as** the ~~COVID- 19~~ **duration and scope of the** pandemic **;** ~~, we experienced disruptions in certain of our manufacturing facilities resulting from government~~ **governmental** ~~- mandated shutdowns~~ **, business,** and ~~labor shortages. The continuation or recurrence~~ **individuals' actions in response to the pandemic; and the impact on economic activity, including the possibility** of ~~either of~~ **recession or financial market instability. Measures to contain a global pandemic may intensify other risks described in** these **Risk Factors** ~~trends could adversely affect our financial performance~~ . Interruptions to production could increase our costs and reduce our sales. Any interruption in production capability could require us to make substantial capital expenditures or purchase alternative material at higher costs to fill customer orders, which could negatively affect our profitability and financial condition. We maintain property damage insurance that we believe to be adequate to provide for reconstruction of facilities and equipment **, cybersecurity insurance to mitigate losses resulting from cybersecurity incidents** , as well as business interruption insurance to mitigate losses resulting from significant production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our business, financial condition, results of operations and cash flows. Our business may be adversely affected by work stoppages, union negotiations, labor disputes and other matters associated with our labor force. We employ approximately ~~102~~ **100** , 000 people worldwide. Approximately 22 % of these employees are covered by collective bargaining agreements or works councils. Although we believe that our relations with the labor unions and works councils that represent our employees are generally good and we have experienced no material strikes or work stoppages recently, no assurances can be made that we will not experience in the future these and other types of conflicts with labor unions, works councils, other groups representing employees or our employees generally, or that any future negotiations with our labor unions will not result in significant increases in our cost of labor. Additionally, a work stoppage at one of our suppliers could materially and adversely affect our operations if an alternative source of supply were not readily available. Work stoppages by employees of our customers could also result in reduced demand for our products. Risks Related to **Existing free trade laws and regulations,provide certain beneficial duties and tariffs for qualifying imports and exports,subject to compliance with the applicable classification and other requirements** .Changes in laws or policies governing the terms of foreign trade,and in particular increased trade restrictions,tariffs or taxes on imports from countries where we manufacture products or from where we import products or raw materials (either directly or through our suppliers) could have an impact on our competitive position,business ~~operations~~ and financial results.For example,the U.S.,China and other countries continue to implement restrictive trade actions,including tariffs,export controls,sanctions,legislation favoring domestic investment and other actions impacting the import and export of goods,foreign investment and foreign operations in jurisdictions in which we operate. **Additional measures imposed by** ~~These kinds of restrictions could be adopted with little to no advanced notice,and we may not be able to effectively mitigate the adverse impacts from~~ such **countries on a broader range of imports or economic activity,or retaliatory trade** measures **taken by** ~~.Political uncertainty surrounding trade or~~ other **countries in response** ~~international disputes also could have a negative impact on customer confidence and willingness to spend money~~ , ~~which could impair our future growth.Any of these events~~ could increase the cost of our products,create disruptions to our supply chain and impair our ability **to effectively operate and compete in such countries.** Government Regulations Our businesses operate in regulated industries and are subject to a variety of complex and continually changing laws and regulations. Our operations and employees are subject to various U. S. federal, state and local licensing laws, codes and standards and similar foreign laws, codes, standards and regulations. Changes in laws or regulations could require us to change the way we operate or to utilize resources to maintain compliance, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses. Competition or other regulatory investigations can continue for several years, be costly to defend and can result in substantial fines. If laws and regulations were to change or if we or our products failed to comply, our business, financial condition and results of operations could be adversely affected. Due to the international scope of our operations, the system of laws and regulations to which we are subject is complex and includes regulations issued by the U. S. Customs and Border Protection, the U. S. Department of Commerce' s Bureau of Industry and Security, the U. S. Treasury Department' s Office of Foreign Assets Control and various non U. S. governmental agencies, including applicable export controls, anti- trust, customs, currency exchange control and transfer pricing regulations, laws regulating the foreign ownership of assets, and laws governing certain materials that may be in our products. No assurances can be made that we will continue to be found to be operating in compliance with, or be able to detect violations of, any such laws or regulations. Existing free trade laws and regulations,...... operate and compete in such countries. We are also subject to a complex network of tax laws and tax treaties that impact our effective tax rate. For more information on risks related to tax regulation, see " Risks Related to Tax Matters " below. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted . Global climate change and related regulations...... turn adversely impact our results of operations . We are subject to requirements relating to environmental and safety regulations and environmental remediation matters which could adversely affect our business, results of operation and reputation. We are subject to numerous federal, state and local environmental laws and regulations governing, among other things, solid and hazardous waste storage, treatment and disposal, and remediation of releases of hazardous materials. There are significant capital, operating and other costs associated with compliance with these environmental laws and regulations. Environmental laws and regulations may become more stringent in the future, which could increase costs of compliance **, decrease demand for our products, create reputational harm** or require us to manufacture with alternative technologies and materials. For example, ~~proposed federal, state and European Union legislative action concerning~~ **our subsidiary Tyco Fire Protection Products announced it will discontinue** the ~~use~~ **production** and ~~clean~~ **sale of fluorinated firefighting foams by June 2024, including Aqueous Film** - **Forming** ~~up of fire- fighting foam~~ **Foam** ~~products, including the United States Environmental Protection Agency' s proposal to designate perfluorooctane sulfonate~~ (" ~~PFOS~~ **AFFF** ") and **related products** ~~perfluorooctanoic acid (" PFOA") as hazardous substances under the Comprehensive Environmental Response~~ , ~~Compensation,~~ and **will transition to non** ~~Liability Act, could negatively impact our fire~~ - **fluorinated foam alternatives** ~~fighting business and our results of operations, thereby enhancing the risks to our business described under " Potential liability for environmental contamination could result in substantial costs " below~~ . Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety laws governing employee injuries, and permitting requirements in addition to the environmental matters discussed above. If we are unable to adequately comply with applicable health and safety regulations and provide our employees with a safe working environment, we may be subject to litigation and regulatory action, in addition to negatively impacting our ability to attract and retain talented employees. New legislation and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of production. Additionally, violations of environmental, health and safety laws are subject to civil, and, in some cases, criminal sanctions. As a result of these various uncertainties, we may incur unexpected interruptions to operations, fines, penalties or other reductions in income which could adversely impact our business, financial condition and results of operations. We could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act and similar anti- bribery laws around the world. The U. S. Foreign

Corrupt Practices Act (the" FCPA"), the U. K. Bribery Act and similar anti- bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business **, and require that companies maintain accurate books and records** . Our policies mandate compliance with these ~~anti- bribery~~ laws. We operate in many parts of the world that are recognized as having governmental and commercial corruption and local customs and practices that can be inconsistent with anti- bribery laws. We cannot **provide** ~~assure~~ **assurance** ~~you~~ that our internal control policies and procedures will preclude reckless or criminal acts committed by our employees or third- party intermediaries. **Where** ~~In the event that~~ we believe or have reason to believe that our employees or agents have or may have violated applicable anti- corruption laws, or if we are subject to allegations of any such violations, we **have and** will investigate the allegations and **from time to time as necessary** may engage outside counsel to investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. In addition, we could be subject to commercial impacts such as lost revenue from customers who decline to do business with us as a result of such compliance matters, which also could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. We are subject to risks arising from regulations applicable to companies doing business with the U. S. government. Our customers include many U. S. federal, state and local government authorities. Doing business with the U. S. federal, state and local governments subjects us to certain particular risks, including dependence on the level of government spending and compliance with and changes in governmental procurement and security regulations. Agreements relating to the sale of products to government entities may be subject to termination, reduction or modification, either at the convenience of the government or for failure to perform under the applicable contract. We are subject to potential government investigations of business practices and compliance with government procurement and security regulations, which can be expensive and burdensome. If we were charged with wrongdoing as a result of an investigation, we could be suspended from bidding on or receiving awards of new government contracts, which could have a material adverse effect on our results of operations. In addition, various U. S. federal and state legislative proposals have been made in the past that would deny governmental contracts to U. S. companies that have moved their corporate location abroad. We are unable to predict the likelihood that, or final form in which, any such proposed legislation might become law, the nature of regulations that may be promulgated under any future legislative enactments, or the effect such enactments and increased regulatory scrutiny may have on our business. Risks Related to Litigation Potential liability for environmental contamination could result in substantial costs. We have projects underway at multiple current and former manufacturing and testing facilities to investigate and remediate environmental contamination resulting from past operations by us or by other businesses that previously owned or used the properties, including our Fire Technology Center and Stanton Street manufacturing facility located in Marinette, Wisconsin. These projects relate to a variety of activities, including arsenic, solvent, oil, metal, lead, PFOS, PFOA and / or other per- and polyfluorinated substances (" PFAS") and other hazardous substance contamination cleanup; and structure decontamination and demolition, including asbestos abatement **. Governments in the United States and internationally have increasingly been regulating PFAS, which is contained in certain of the Company' s firefighting foam products. These regulations include declining emission standards and limits set as to the presence of certain compounds** . Because of uncertainties associated with environmental regulation and environmental remediation activities at sites where we may be liable, future expenses that we may incur to remediate identified sites and resolve outstanding litigation could be considerably higher than the current accrued liability on our consolidated statements of financial position, which could have a material adverse effect on our business, results of operations and cash flows. In addition, we have been named, along with others, in a number of class action and other lawsuits relating to the use of fire- fighting foam products by the U. S. Department of Defense, the U. S. military and others for fire suppression purposes and related training exercises. It is difficult to predict the outcome or ultimate financial exposure, if any, represented by these matters, and there can be no assurance that any such exposure will not be material. Such claims may also negatively affect our reputation. See Note 21, " Commitments and Contingencies, " of the notes to consolidated financial statements for additional information on these matters. We are party to asbestos- related product litigation that could adversely affect our financial condition, results of operations and cash flows. We and certain of our subsidiaries, along with numerous other third parties, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos containing materials. These cases typically involve product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were used with asbestos containing components. We cannot predict with certainty the extent to which we will be successful in litigating or otherwise resolving lawsuits on satisfactory terms in the future and we continue to evaluate different strategies related to asbestos claims filed against us including entity restructuring and judicial relief. Unfavorable rulings, judgments or settlement terms could have a material adverse impact on our business and financial condition, results of operations and cash flows. See ~~Note 21, " Commitments and Contingencies, " of the notes to consolidated financial statements for additional information on these matters.~~ Legal proceedings in which we are, or may be, a party may adversely affect us. We are currently, and may in the future, become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes with our suppliers or customers, intellectual property matters, third party liability, including product liability claims, and employment claims. In addition, we may be exposed to greater risks of liability for employee acts or omissions, or system failure, in our fire and security businesses than may not be inherent in other businesses. In particular, because many of our fire and security products and services are intended to protect lives and real and personal property, we may have greater exposure to litigation risks than other businesses. The nature of the services we provide exposes us to the risks that we may be held liable for employee acts or omissions or system failures. As a result, such employee acts or omissions or system failures could have a material adverse effect on our business, financial condition, results of operations and cash flows. Risks Relating to Strategic Transactions We may be unable to successfully execute or effectively integrate acquisitions or joint ventures. We expect acquisitions of businesses and assets, as well as joint ventures (or other strategic arrangements), to play a role in our future growth and our ability to build capabilities in our products and services. We cannot be certain that we will be able to identify attractive acquisition or joint venture targets, obtain financing for acquisitions on satisfactory terms, successfully acquire identified targets or form joint ventures, or manage the timing of acquisitions with capital obligations across our businesses. **Competition for acquisition opportunities may rise, thereby increasing our costs of making acquisitions or causing us to refrain from making further acquisitions.** Acquisitions and investments may involve significant cash expenditures, debt incurrences, equity issuances, operating losses and expenses ~~. Acquisitions~~ and ~~investments~~ may be dilutive to earnings. Acquisitions involve numerous other risks, including: the diversion of management attention to integration matters; difficulties in integrating operations and systems; challenges in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures; difficulties in assimilating employees and in attracting and retaining key personnel; challenges in successfully integrating and operating businesses with different characteristics than our current core businesses; challenges in keeping existing customers and obtaining new customers; difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects; contingent liabilities (including contingent tax liabilities and earn- out obligations) that are larger than expected; and potential unknown liabilities, adverse consequences and unforeseen increased expenses associated with acquired companies. The goodwill and intangible assets recorded with past acquisitions were significant and impairment of such assets could result in a material adverse impact on our financial condition and results of operations. ~~Competition for acquisition opportunities may rise, thereby increasing our costs of making acquisitions or causing us to refrain from making further acquisitions.~~ Many of these factors are outside of our control, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, which could materially and adversely impact our business, financial condition and results of operations. Risks associated with joint venture investments may adversely affect our business and financial results. We have entered into several joint ventures and we may enter into additional joint ventures in the future. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or with the goals of the joint venture. In addition, we may compete against our joint venture partners in certain of our ~~other~~ markets. Disagreements with our business partners may impede our ability to maximize the benefits of our partnerships. Our joint venture arrangements may require us, among other matters, to pay certain costs or to make certain capital investments or to seek our joint venture partner’ s consent to take certain actions. In addition, our joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and we may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. These risks could result in a material adverse effect on our business and financial results. Divestitures of some of our businesses or product lines may materially adversely affect our financial condition, results of operations or cash flows. We continually evaluate the performance and strategic fit of all of our businesses and may sell businesses or product lines. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management' s attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain environmental or other contingent liabilities related to the divested business. Some divestitures may be dilutive to earnings. In addition, divestitures may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. In the event we are unable to successfully divest a business or product line, we may be forced to wind down such business or product line, which could materially and adversely affect our results of operations and financial condition. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows, and may also result in a diversion of management attention, operational difficulties and losses. Future potential changes to the tax laws could adversely affect us and our affiliates. Legislative and regulatory action may be taken in the U. S. and other jurisdictions in which we operate, which, if ultimately enacted, could override tax treaties upon which we rely, or broaden the circumstances under which we would be considered a U. S. resident, each of which could materially and adversely affect our effective tax rate. We cannot predict the outcome of any specific legislative or regulatory proposals and such changes could have a prospective or retroactive application. However, if proposals were enacted that had the effect of disregarding our incorporation in Ireland or limiting Johnson Controls International plc’ s ability, as an Irish company, to take advantage of tax treaties with the U. S., we could be subject to increased taxation, potentially significant expense, and / or other adverse tax consequences. The U. S. enacted the Inflation Reduction Act of 2022 (“ IRA ”) in August 2022, which, among other sections, creates a new book minimum tax of at least 15 % of consolidated GAAP pre- tax income for corporations with average book income in excess of $ 1 billion. The book minimum tax will first apply to us in fiscal 2024. We do not expect the IRA to have a material impact on our effective tax rate, however, it is possible that the U. S. Congress could advance other tax legislation proposals in the future that could have a material impact on our tax rate. In addition, in October 2021, ~~136 out of 140 countries in~~ the Organization for Economic Co- operation and Development (" OECD") **/ G20** ~~Inclusive~~ **inclusive** ~~Framework~~ **framework** on Base Erosion and Profit Shifting (**the Inclusive Framework) published a statement updating and finalizing the key components of a two- pillar plan on global tax reform which has now been agreed upon by the majority of OECD members. Pillar One allows countries to reallocate a portion of residual profits earned by multinational enterprises (** " ~~IF~~ **MNE** "), ~~including Ireland~~ **with an annual global revenue exceeding € 20 billion and a profit margin over 10 %** , ~~politically committed~~ to ~~potentially fundamental changes to the~~ **other** ~~international corporate tax system, including the~~ **market jurisdictions. The adoption of Pillar One and its** potential ~~implementation of~~ **effective date remain uncertain. Pillar Two requires MNEs with an annual global revenue exceeding € 750 million to pay** a global minimum ~~corporate~~ tax ~~rate. While the details~~ of **15 %. On December 15, 2022,** ~~these~~ -- **the**

Council ~~pronouncements remain unclear and timing~~ of **the EU formally adopted Directive (EU) 2022 / 2523 (the " Pillar Two Directive ") to achieve a coordinated** implementation ~~uncertain, the impact~~ of ~~local country IF adoption could have a material~~ **Pillar Two in EU Member States consistent with EU law. On October 19, 2023, the Irish Minster of Finance published Irish Finance (No. 2) Bill 2023, which includes implementation of the 15 % Pillar Two global minimum tax. The bill, subject to amendment during the legislative process, is expected to be signed into law by late December. The Pillar Two legislation is anticipated to be effective for our fiscal year beginning October 1, 2024. We are continuing to evaluate the potential** impact on **future periods of the Pillar Two Framework, pending legislative adoption by individual countries, as such changes could result in an increase in** our effective tax rate. **Future potential changes** ~~It is also possible that jurisdictions in which we do business could react~~ to **the U. S.** ~~such IF developments unilaterally by enacting~~ tax **laws** ~~legislation that~~ could ~~adversely affect~~ **result in** us **being treated as a U. S. corporation** ~~or~~ **for U** ~~our affiliates~~ . **S. federal** ~~There is also general uncertainty regarding the~~ tax **purposes** ~~policies of the jurisdictions where we operate~~ , and ~~if changes are enacted, there~~ -- **the** ~~could be a resulting increase in our effective tax rate. The~~ Internal Revenue Service (" IRS") may not agree that we should be treated as a non- U. S. corporation for U. S. federal tax purposes. ~~Under current U. S. federal tax law, a corporation is generally considered to be a tax resident in the jurisdiction of its organization or incorporation.~~ Because Johnson Controls International plc is ~~an Irish incorporated entity~~ **organized under the laws of Ireland** , it would generally be classified as a **foreign** ~~non- U. S.~~ corporation ~~(and, therefore,~~ **under the general rule that** a **corporation is considered** ~~non- U. S.~~ tax resident **in** ~~) under these~~ -- **the** ~~rules~~ **jurisdiction of its organization or incorporation for U. S. federal income tax purposes** . However, Section 7874 of the Code (" Section 7874") provides an exception to this general rule under which a non- U. S. incorporated entity may, in certain circumstances, be treated as a U. S. corporation for U. S. federal tax purposes. ~~Under Section 7874~~ **The IRS may assert that** , ~~if (1) former~~ **as a result of the Merger,** Johnson Controls **International plc should** ~~, Inc. shareholders owned (within the meaning of Section 7874) 80 % or more (by vote or value) of our ordinary shares after the Merger by reason of holding Johnson Controls, Inc. common stock (such ownership percentage the" Section 7874 ownership percentage"), and (2) our" expanded affiliated group" did not have" substantial business activities" in Ireland (" the substantial business activities test"), we will~~ be treated as a U. S. corporation **(and, therefore, a U. S. tax resident)** for ~~U. S. federal tax purposes. If the Section 7874 ownership percentage of the former Johnson Controls, Inc. shareholders after the Merger was less than 80 % but at least 60 %, and the substantial business activities test was not met, we and our U. S. affiliates (including the U. S. affiliates historically owned by Tyco) may, in some circumstances, be subject to certain adverse~~ U. S. federal income tax ~~rules (which, among~~ **purposes pursuant to Section 7874 of** ~~other~~ -- **the** ~~things, could limit~~ **Internal Revenue Code. The IRS may also assert that** ~~their~~ -- **the** ability **of our U. S. affiliates** to utilize ~~certain~~ U. S. tax attributes **, such as net operating losses and certain tax credits,** to offset U. S. taxable income ~~or gain~~ resulting from certain transactions ~~)~~ **may be limited under Section 7874** . The application of these rules could result in significant additional U. S. tax liability ~~and limit our~~ **. In addition, a retroactive change to U. S. tax laws in this area could change the tax classification of Johnson Controls International plc. If it were to be treated as a U. S. corporation for federal tax purposes, we could be subject to substantially greater U. S. tax** ~~ability~~ **liability than currently contemplated as a** ~~to restructure or access cash earned by certain of our~~ non- U. S. **corporation** ~~subsidiaries, in each case, without incurring substantial U. S. tax liabilities~~ . Based on the terms of the Merger, ~~the rules for determining share ownership under Section 7874 and certain factual assumptions,~~ we ~~believe that former Johnson Controls, Inc. shareholders owned (within the meaning of Section 7874) less than 60 % (by both vote and value) of our ordinary shares after the Merger by reason of holding shares of Johnson Controls, Inc. common stock. Therefore, under current~~ **currently expect** ~~law, we believe that we should not be treated as a U. S. corporation for U. S. federal tax purposes and~~ that Section 7874 **does** ~~should otherwise~~ not apply to us or our affiliates as a result of the Merger. However, ~~the determination~~ --- **determining** ~~of~~ the **applicability of** Section 7874 ~~ownership percentage~~ is complex and is subject to factual and legal uncertainties. Thus, there can be no assurance that the IRS will agree with the position that ~~we~~ **Johnson Controls International plc** should not be treated as a U. S. corporation for U. S. federal tax purposes or that Section 7874 does not otherwise apply ~~as a result of the Merger. Regardless of any application of Section 7874, we are treated as an Irish tax resident for Irish tax purposes. Consequently, if we were to be treated as a U. S. corporation for U. S. federal tax purposes under Section 7874, we could be liable for both U. S. and Irish taxes, which could have a material adverse effect on our financial condition and results of operations~~ . Changes to the U. S. model income tax treaty could adversely affect us. On February 17, 2016, the U. S. Treasury released a revised U. S. model income tax convention (the" new model"), which is the baseline text used by the U. S. Treasury to negotiate tax treaties. If any or all of the modifications to the model treaty are adopted in the main jurisdictions in which we do business, they could, among other things, cause double taxation, increase audit risk and substantially increase our worldwide tax liability. We cannot predict the outcome of any specific modifications to the model treaty, and we cannot provide assurance that any such modifications will not apply to us. Negative or unexpected tax consequences could adversely affect our results of operations. Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to additional changes in our valuation allowances against deferred tax assets and other tax reserves on our statement of financial position, and the future sale of certain businesses could potentially result in the reversal of outside basis differences that could adversely affect our results of operations and cash flows. Additionally, changes in tax laws in the U. S., Ireland or in other countries where we have significant operations could materially affect deferred tax assets and liabilities on our consolidated statements of financial position and our income tax provision in our consolidated statements of income. We are also subject to tax audits by governmental authorities. Negative unexpected results from one or more such tax audits could adversely affect our results of operations. Risks Relating to Our Jurisdiction of Incorporation Irish law differs from the laws in effect in the U. S. and may afford less protection to holders of our securities. It may not be possible to enforce court judgments obtained in the U. S. against us in Ireland based on the civil liability provisions of the U. S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U. S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U. S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U. S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U. S. federal or state court based on civil liability, whether or not based solely on U. S. federal or state securities laws, would not automatically be enforceable in Ireland. As an Irish company, Johnson Controls is governed by the Irish Companies Acts, which differ in some material respects from laws generally applicable to U. S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of Johnson Controls International plc securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U. S. Transfers of Johnson Controls ordinary shares may be subject to Irish stamp duty. For the majority of transfers of Johnson Controls ordinary shares, there is no Irish stamp duty. However, Irish stamp duty is payable for certain share transfers. A transfer of Johnson Controls ordinary shares from a seller who holds shares beneficially (i. e., through the Depository Trust Company (" DTC")) to a buyer who holds the acquired shares beneficially is not subject to Irish stamp duty (unless the transfer involves a change in the nominee that is the record holder of the transferred shares). A transfer of Johnson Controls ordinary shares by a seller who holds shares directly (i. e., not through DTC) to any buyer, or by a seller who holds the shares beneficially to a buyer who holds the acquired shares directly, may be subject to Irish stamp duty (currently at the rate of 1 % of the price paid or the market value of the shares acquired, if higher) payable by the buyer. A shareholder who directly holds shares may transfer those shares into his or her own broker account to be held through DTC without giving rise to Irish stamp duty provided that the shareholder has confirmed to Johnson Controls transfer agent that there is no change in the ultimate beneficial ownership of the shares as a result of the transfer and, at the time of the transfer, there is no agreement in place for a sale of the shares. We currently intend to pay, or cause one of our affiliates to pay, stamp duty in connection with share transfers made in the ordinary course of trading by a seller who holds shares directly to a buyer who holds the acquired shares beneficially. In other cases, Johnson Controls may, in its absolute discretion, pay or cause one of its affiliates to pay any stamp duty. Johnson Controls Memorandum and Articles of Association provide that, in the event of any such payment, Johnson Controls (i) may seek reimbursement from the buyer, (ii) may have a lien against the Johnson Controls ordinary shares acquired by such buyer and any dividends paid on such shares and (iii) may set- off the amount of the stamp duty against future dividends on such shares. Parties to a share transfer may assume that any stamp duty arising in respect of a transaction in Johnson Controls ordinary shares has been paid unless one or both of such parties is otherwise notified by Johnson Controls. Dividends paid by us may be subject to Irish dividend withholding tax. In certain circumstances, as an Irish tax resident company, we will be required to deduct Irish dividend withholding tax (currently at the rate of 25 %) from dividends paid to our shareholders. Shareholders that are residents in the U. S., European Union countries (other than Ireland) or other countries with which Ireland has signed a tax treaty (whether the treaty has been ratified or not) generally should not be subject to Irish withholding tax so long as the shareholder has provided certain Irish dividend withholding tax forms. However, some shareholders may be subject to withholding tax, which could adversely affect the price of our ordinary shares. Dividends received by ~~you~~ **investors** could be subject to Irish income tax. Dividends paid in respect of Johnson Controls ordinary shares generally are not subject to Irish income tax where the beneficial owner of these dividends is exempt from dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Johnson Controls. Johnson Controls shareholders who receive their dividends subject to Irish dividend withholding tax generally will have no further liability to Irish income tax on the dividend unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Johnson Controls. General Risk Factors The potential insolvency or financial distress of third parties could adversely impact our business and results of operations. We are exposed to the risk that third parties to various arrangements who owe us money or goods and services, or who purchase goods and services from us, will not be able to perform their obligations or continue to place orders due to insolvency or financial distress. If third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us. In such events, we may incur losses, or our results of operations, financial condition or liquidity could otherwise be adversely affected. Risks related to our defined benefit retirement plans may adversely impact our results of operations and cash flow. Significant changes in actual investment return on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect our results of operations and the amounts of contributions we must make to our defined benefit plans in future periods. Because we mark- to- market our defined benefit plan assets and liabilities on an annual basis, large non- cash gains or losses could be recorded in the fourth quarter of each fiscal year or when a remeasurement event occurs. Generally accepted accounting principles in the U. S. require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for our defined benefit plans are dependent upon, among other factors, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations. A ~~downgrade in the ratings of our debt could restrict our ability to access the debt capital markets and increase our interest costs. Unfavorable changes in the ratings that rating agencies assign to our debt may ultimately negatively impact our access to the debt capital markets and increase the costs we incur to borrow funds in the market or under our existing credit agreements. If ratings for our debt fall below investment grade, our access to the debt capital markets would become restricted and the price we pay to issue debt could increase. Historically, we have relied on our ability to issue commercial paper rather than to draw on our credit facility to support our daily operations, which means that a downgrade in our ratings or volatility in the financial markets causing limitations to the debt capital markets~~

~~could have an adverse effect on our business or our ability to meet our liquidity needs. Further, an increase in the level of our indebtedness may increase our vulnerability to adverse general economic and industry conditions and may affect our ability to obtain additional financing. A~~ variety of other factors could adversely affect the results of operations of our business. Any of the following could materially and adversely impact the results of operations of our business: loss of, changes in, or failure to perform under guaranteed performance contracts with our major customers; cancellation of, or significant delays in, projects in our backlog; delays or difficulties in new product development; our ability to recognize the expected benefits of our restructuring actions, **downgrades in the ratings of our debt, material increases to our level of indebtedness,** products and services that we are unable to pass on to the market; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their building control systems; and natural or man- made disasters or losses that impact our ability to deliver products and services to our customers.