



**September 11, 2013**

**Board Governance Principles  
Amended September 11, 2013**  
Tyco International Ltd.



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## TYCO VISION AND VALUES

Tyco International's Board of Directors is responsible for directing, and providing oversight of, the management of Tyco's business in the best interests of the shareholders and consistent with good corporate citizenship. In carrying out its responsibilities, the board selects and monitors top management, provides oversight for financial reporting and legal compliance, determines Tyco's governance principles and implements its governance policies. The board, together with management, is responsible for establishing the firm's operating values and code of conduct and for setting strategic direction and priorities.

While Tyco's strategy and leadership evolve in response to changing market conditions, the company's vision and values are enduring. So too are five governance principles, and along with the company's vision and values, they constitute the foundation upon which the company's governance policies are built.

Tyco believes that good governance requires not only an effective set of specific practices but also a culture of responsibility throughout the firm, and governance at Tyco is intended to optimize both. Tyco also believes that good governance ultimately depends on the quality of its leadership, and it is committed to recruiting and retaining directors and officers of proven leadership and personal integrity.

### **Tyco Vision: Why We Exist and the Essence of Our Business**

To be our customers' first choice in every market we serve by exceeding commitments, providing new technology solutions, leveraging our diverse brands, driving operational excellence, and committing to the highest standards of business practices – all of which will lead to Tyco's long-term growth, value, and success.

### **Tyco Values: How We Conduct Ourselves**

***Integrity:*** We demand of each other and ourselves the highest standards of individual and corporate integrity with our customers, suppliers, vendors, agents and stakeholders. We vigorously protect company assets and comply with all company policies and laws.

***Excellence:*** We continually challenge each other to improve our products, our processes and ourselves. We strive always to understand our customers' and suppliers' businesses and help them achieve their goals. We are dedicated to diversity, fair treatment, mutual respect and trust of our employees and customers.

***Teamwork:*** We foster an environment that encourages innovation, creativity and results through teamwork and mutual respect. We practice leadership that teaches, inspires and promotes full participation and career development. We encourage open and effective communication and interaction.

***Accountability:*** We will meet the commitments we make and take personal responsibility for all actions and results. We will create an operating discipline of continuous improvement that will be integrated into our culture.



## **Tyco Goals: What We Seek to Achieve**

**Governance:** Adhere to the highest standards of corporate governance by establishing processes and practices that promote and ensure integrity, compliance, and accountability.

**Customers:** Fully understand and exceed our customers' needs, wants and preferences and provide greater value to our customers than our competition.

**Growth:** Focus on strategies to achieve organic growth targets and deploy cash for growth and value creation.

**Teamwork and Culture:** Build on the company's reputation and image internally and externally while driving initiatives to ensure Tyco remains an employer of choice.

**Operational Excellence:** Implement best-in-class operating practices and leverage company-wide opportunities.

**Financial Strength & Flexibility:** Ensure that revenue, earnings per share (EPS), cash, and return on invested capital objectives are met.

## **TYCO CULTURE OF RESPONSIBILITY AND GUIDE TO ETHICAL CONDUCT**

Tyco's culture is built on the premises that the company seeks to draw the best from its employees, and that every employee, without exception, is responsible for the conduct and success of the firm. This includes full, accurate, candid, and timely disclosure of information, and compliance with all laws and regulatory standards. Employee responsibilities are elaborated in our Guide to Ethical Conduct. The board of directors is responsible for setting the ethical tenor for management and the company. That ethical tenor works on the expectation that employees understand where the lines are that they should not cross and stay widely clear of those lines. The Guide to Ethical Conduct is reviewed biennially by all directors, managers and employees, and they affirm in writing that they understand it and are fully compliant with it. All senior executives, including the chief executive, are evaluated and compensated in part on proactively promoting integrity and compliance.

## **THE TYCO BOARD OF DIRECTORS**

### **Mission of the Board of Directors: What the Board Intends to Accomplish**

The mission of Tyco's Board of Directors is to promote the long-term value and health of the company in the interests of the shareholders and set an ethical "tone at the top." To this end, the Board provides management with strategic guidance, and also ensures that management adopts and implements procedures designed to promote both legal compliance and the highest standards of honesty, integrity and ethics throughout the organization.



## **Governance Principles: How the Board Oversees the Company**

1. **Active Board:** The directors are well informed about the company and vigorous in their oversight of management.
2. **Company Leadership:** The directors, together with management, set Tyco's strategic direction, review financial objectives, and establish a high ethical tone for the management and leadership of the company.
3. **Compliance with Laws and Ethics:** The directors ensure that procedures and practices are in place designed to prevent and identify illegal or unethical conduct and to permit appropriate and timely redress should such conduct occur.
4. **Inform and Listen to Investors and Regulators:** The directors take steps to see that management discloses appropriate information fairly, fully, timely, and accurately to investors and regulators, and that the company maintains a two-way communication channel with its investors and regulators.
5. **Continuous Improvement:** The directors remain abreast of new developments in corporate governance, and they implement new procedures and practices as they deem appropriate.

## **Board Responsibilities**

The Board of Directors is responsible for:

- Reviewing and approving management's strategic and business plans.
- Reviewing and approving financial plans, objectives, and actions including significant capital allocations and expenditures.
- Monitoring management execution of corporate plans and objectives.
- Advising management on significant decisions and reviewing and approving major transactions.
- Recommending director candidates for election by shareholders.
- Appraising the company's major risks and overseeing that appropriate risk management and control procedures are in place.
- Selecting, monitoring, evaluating, compensating, and if necessary replacing the CEO and other senior executives, and seeing that management development and succession plans are maintained for these executive positions.
- Determining the CEO's compensation, and approving senior executives' compensation, based on performance in meeting pre-determined standards and objectives.
- Determining that procedures are in place designed to promote compliance with laws and regulations and setting an ethical "tone at the top".
- Determining that procedures are in place designed to promote integrity and candor in the audit of the company's financial statements and operations, and in all financial reporting and disclosure.
- Designing and assessing the effectiveness of its own governance practices and procedures.
- Periodically monitoring and reviewing shareholder communications sent to the Company.



## **Board Risk Management**

The board is responsible for appraising the company's major risks and for determining that appropriate risk management and control procedures are in place and that senior executives take the appropriate steps to manage all major risks.

## **Board Capacities**

The Tyco board as a whole is strong in its diversity, vision, strategy and business judgment. It possesses a robust collective knowledge of management and leadership, business operations, crisis management, risk assessment, industry knowledge, accounting and finance, corporate governance and global markets.

The culture of the board is such that the board can operate swiftly and effectively in making key decisions and facing major challenges. Board meetings are conducted in an environment of trust, open dialogue, mutual respect, and constructive commentary that are akin to those of a high-performance team.

The board is informed, proactive, and vigilant in its oversight of the company and protection of shareholder assets.

## **Board Composition**

- The business of the company is managed under the direction of the company's board, in the interest of the shareholders.
- The board delegates its authority to management for managing the everyday affairs of the company. The board requires that senior management review major actions and initiatives with the board prior to implementation.
- The board reserves the right to determine, from time to time, how to configure the leadership of the board and the company in the way that best serves the company. This includes the right, from time to time, to vest the responsibilities of chairman of the board and chief executive officer in the same individual or in more than one individual, as the board determines to be appropriate. If the board determines that the responsibilities of the chairman of the board and chief executive officer should be vested in more than one individual, the board shall clearly prescribe the duties and roles of each individual.
- The board's governance structure includes:
  - A Chairman of the Board
  - A substantial majority of independent directors;
  - All directors annually elected by a majority of votes cast at the annual general meeting
  - Committees entirely composed of independent directors;
  - Established governance guidelines; and
  - In the event that the that the chairman is not an independent director, the board shall appoint an independent lead director whose responsibilities shall include;



- participating with the chairman of the board in establishing the agenda for board meetings;
- presiding at executive sessions, respectively, of the non-management and the independent members of the board;
- acting as chairperson of the Nominating and Governance Committee of the board.
- working with the Nominating & Governance Committee in the board's performance evaluation process;
- participating with the chairman in the evaluation of the risks to the company and the oversight of the company's risk management monitoring and mitigation processes;
- facilitating communication between board members and the chairman of the board without in any way becoming the exclusive means of such communication;
- helping to assure that all board members receive on a timely basis the reports, background materials and resources necessary or desirable to assist them in carrying out their responsibilities;
- monitoring the company's mechanism for receiving and responding to communications to the board from shareholders;
- responding to shareholder inquiries regarding matters other than audit-related matters; and
- monitoring board activities to ensure sound corporate governance.

### **Board Committees**

- To conduct its business the board maintains three standing committees: Audit, Compensation and Human Resources, and Nominating and Governance, and they are entirely composed of independent directors. Assignments to, and chairs of, the Audit and Compensation Committees are recommended by the Nominating and Governance Committee and selected by the board. The independent directors as a group elect the members and the chair of the Nominating and Governance Committee. All committees report on their activities to the board.
- The chairman and/or independent lead director may convene a "special committee" to review certain material matters being considered by the board. The special committee will report their activities to the board.
- To ensure effective discussion and decision making while at the same time having a sufficient number of independent directors for its three committees, the board is normally constituted of between ten and thirteen directors. Shareholders have the authority to set the number of directors at the annual general meeting, and to elect any new member to fill a vacancy.
- The Nominating and Governance Committee reviews the board's organization annually and recommends appropriate changes to the board.

### **Director Independence**

- To maintain its objective oversight of management, the board consists of a substantial majority of independent directors. Directors meet a stringent definition of independence and for those directors that meet this definition; the board will make an affirmative determination that a director is independent. Independent directors:



- are not former officer or employee of the company or its subsidiaries or affiliates, nor have they served in that capacity within the last five years;
- Have no current or prior material relationships with Tyco aside from their directorship that could affect their judgment;
- Have not worked for, nor have any immediate family members that have worked for, been retained by, or received anything of substantial value from the company aside from his or her compensation as a director;
- Have no immediate family member who is an officer of the company or its subsidiaries or has any current or past material relationship with the company;
- Do not work for, nor does any immediate family member work for, consult with, or otherwise provide services to, another publicly traded company on whose board of directors the Tyco CEO or other senior management serves;
- Do not serve as, nor does any immediate family member serve as, an executive officer of any entity with respect to which the company's annual sales to, or purchases from, exceed one percent of either entity's annual revenues for the prior fiscal year.
  - Do not serve, nor does any immediate family member serve, on either the board of directors or the compensation committee of any corporation that employs either a nominee for director or a member of the immediate family of any nominee for director; and
  - Do not serve, nor does any immediate family member serve, as a director, trustee, executive officer or similar position of a charitable or non-profit organization with respect to which the company or its subsidiaries made charitable contributions or payments in excess of one percent of such organization's charitable receipts in the last fiscal year. In addition, a director is not independent if he or she serves as a director, executive officer or similar position of a charitable organization if Tyco made payments to such charitable organization in an amount that exceeds one percent of the company's total charitable donations made during the last fiscal year.

### **Charitable Contributions**

The board understands that its members, or their immediate family members, serve as directors, trustees, executives, advisors, and in other capacities with a host of other organizations. If Tyco directs a charitable donation to an organization in which a Tyco director, or their immediate family member, serves as a director, trustee, executive, advisor, or in other capacities with the organization, the board must approve the donation. Any such donation approved by the board will be limited to an amount that is less than one percent of that organization's annual charitable receipts, and less than one percent of Tyco's total annual charitable contributions.

### **Board Meetings**

- The board meets at least five times annually, and additional meetings may be called in accordance with the company's articles of association and organizational regulations. Frequent board meetings are critical not only for timely decisions but also for directors to be well informed about company operations and issues. One of these meetings will be scheduled in conjunction with the company's annual general meeting and board members are required to be in attendance at the annual general meeting in person or via exception, by telephone



- The lead director and chairman of the board, in consultation with the CEO, are responsible for setting meeting agendas with input from the other directors. Committee meetings are normally held in conjunction with board meetings. Major committee decisions are reviewed and approved by the board in accordance with committee charters.
- The board chair and committee chairs are responsible for conducting meetings and informal consultations in a fashion that encourages informed, meaningful, and probing deliberations. Presentations at board meetings are concise and focused, and they include adequate time for discussion and decision-making.
- Directors receive the agenda and materials for regularly scheduled meetings in advance. Best efforts will be made to make materials available as soon as one week in advance, but no later than three days in advance. When practical, the same applies to special meetings of the board. Directors may ask for additional information from, or meet with, senior managers at any time.
- An executive session of independent non-executive directors, chaired by the chairman (or independent lead director if the chairman is not independent), is held at least once per year. An executive session of non-executive directors is held at each formal meeting of the board.
- Strategic planning and succession planning sessions are held annually at a regular board meeting. The succession-planning meeting focuses on the development and succession of not only the chief executive but also the other senior executives.
- The board's intent is for directors to attend all regularly scheduled board meetings. Regularly scheduled board meetings are to be attended in person. Telephonic participation is the exception. The decisions by the board and its committees are recorded in the minutes of their meetings, and copies of the minutes are forwarded promptly to all directors after each board and committee meeting.
- All board members are welcome to attend any committee meeting.

### **Board and Committee Calendars**

A calendar of regular agenda items for the five regularly scheduled board meetings and all regularly scheduled committee meetings is prepared annually, by the chairman of the board in consultation with the independent lead director, as applicable, committee chairs, and all interested directors. Furthermore, charitable donations by the company to organizations associated with a director are limited to matching donations in an amount no greater than the amount contributed by the director, and consistent with Tyco's employee matching gift program. Any commercial and charitable relations of Tyco with the directors' outside organizations are publicly reported, consistent with the regulatory requirements.

### **Board Communication**

Management speaks on behalf of the company, and the board normally communicates through management with outside parties, including Tyco shareholders, business journalists, equity analysts, rating agencies, and government regulators. Shareholders can directly raise issues with the board via email at [directors@tyco.com](mailto:directors@tyco.com). The Board will periodically review all pertinent shareholder communications.



### **Board Contact with Operations and Management**

- Visits to company operations are made at least annually in conjunction with the board's review of enterprise risks and mitigation plans. Directors are encouraged to visit company operations at any time, noting that coordination through the Corporate Secretary's office is desirable.
- The CEO arranges for senior managers to attend board meetings and meet informally with directors before and after the meetings.
- Directors may contact members of senior management from time to time, as they deem necessary.

### **Board Advisors**

The board and its committees (consistent with the provisions of their respective charters) may retain their own advisors, at the expense of the company, as they determine necessary to carry out their responsibilities.

### **Board Self-Evaluation**

The Nominating and Governance committee coordinates an annual evaluation process by the directors of the board's performance and procedures, including evaluation of individual directors. This self-evaluation leads to a full board discussion of the results.

- The chairman of the board, in consultation with the independent lead director, informally consults with each of the directors as part of the evaluation.
- The qualifications and performance of all board members are reviewed in connection with their re-nomination to the board.
- The Nominating and Governance committee, the Audit committee, and the Compensation and Human Resources committee each conduct an annual self-evaluation of their performance and procedures, including the adequacy of their charters.

### **Board Compensation and Stock Ownership**

- The Compensation and Human Resources Committee, in collaboration with the Nominating and Governance Committee, periodically reviews the directors' compensation and recommends changes in the level and mix of compensation to the full board.
- To help align board and shareholder interests, directors are encouraged to own, at a minimum, Tyco stock or stock units equal to five times their annual retainer within five years of joining the board. Once a director satisfies the minimum stock ownership recommendation, the director will remain qualified, regardless of market fluctuations, under the guidelines as long as the director does not sell any stock. A majority of the directors' annual compensation is provided as equity.
- Directors who are current company officers receive no additional compensation for service as directors.



## **Director Candidates**

General criteria for the nomination of director candidates include:

- The highest ethical standards and integrity.
- A willingness to act on and be accountable for board decisions.
- An ability to provide wise, informed, and thoughtful counsel to top management on a range of issues.
- A history of achievement that reflects superior standards for themselves and others.
- Loyalty and commitment to driving the success of the company.
- An ability to take tough positions while at the same time working as a team player.
- Individual backgrounds that provide a portfolio of experience and knowledge commensurate with the company's needs.

Invitations to director nominees for a position on the board will be extended by the Chair of the Nominating & Governance Committee after discussion with the chairman and CEO and agreement by the board, and subject to shareholder approval once nominated. The Board will consider nominations submitted by shareholders.

## **Director Service**

- Directors are elected by an affirmative vote of an absolute majority of the votes cast by shareholders at the annual meeting and they serve for one-year terms. Any nominee for Director who does not receive an absolute majority of votes cast from the shareholders is not elected to the board.
- Directors shall tender their resignation from the board at the annual meeting following their 72nd birthday. The Board may, in its discretion, waive this limit in special circumstances.
- The Nominating and Governance Committee is responsible for the review of all directors, and where necessary will take action to recommend to shareholders the removal of a director for performance, which requires the affirmative vote of a majority of the votes at a duly called shareholder meeting. Any such recommendation requires the unanimous approval of the board. This unanimous approval does not include the approval of the director whose removal is sought.
- Directors inform the Nominating and Governance Committee of any significant change in their employment or professional responsibilities and will offer their resignation to the Board of Directors. This allows for discussion with the Nominating and Governance Committee to determine if it is in the mutual interest of both parties for the director to continue on the board.
- The guideline will be for committee chairs and the independent lead director to: (1) serve in their respective roles five years, and (2) to rotate at the time of the annual meeting following the completion of their fifth year of service.

## **Director Orientation and Education**

- A formal orientation program is provided new directors by the Corporate Secretary on Tyco's mission, values, governance, compliance, and business operations.



- A program of continuing education is annually provided to incumbent directors, and it includes review of the company's Guide to Ethical Conduct.
- Directors are encouraged to take advantage of outside continuing education relating to their duties as a Director and to subscribe to appropriate publications at the company's expense.

### **Other Directorships and Conflicts**

- In order to provide sufficient time for informed participation in their board responsibilities:
  - non-executive directors who are employed as CEO of a publicly traded company are required to limit their external directorships of other public companies to two;
  - non-executive directors who are otherwise fully employed are required to limit their external directorships of other public companies to three; and
  - non-executive directors who are not fully employed are required to limit their external directorships of other public companies to five.
- Current positions in excess of these limits may be maintained unless the board determines that doing so would impair the director's service on the Company's Board.
- The chief executive serves on no more than two other public company boards.
- The Nominating and Governance Committee is notified of the intention of directors and the chief executive and other senior managers to serve on another board, and the committee reviews the possibility for conflicts of interest or time constraints.
- Each director is required to notify the chair of the Nominating and Governance Committee of any conflicts.