



Restoring Credibility at Tyco

20 May 2013

tyco

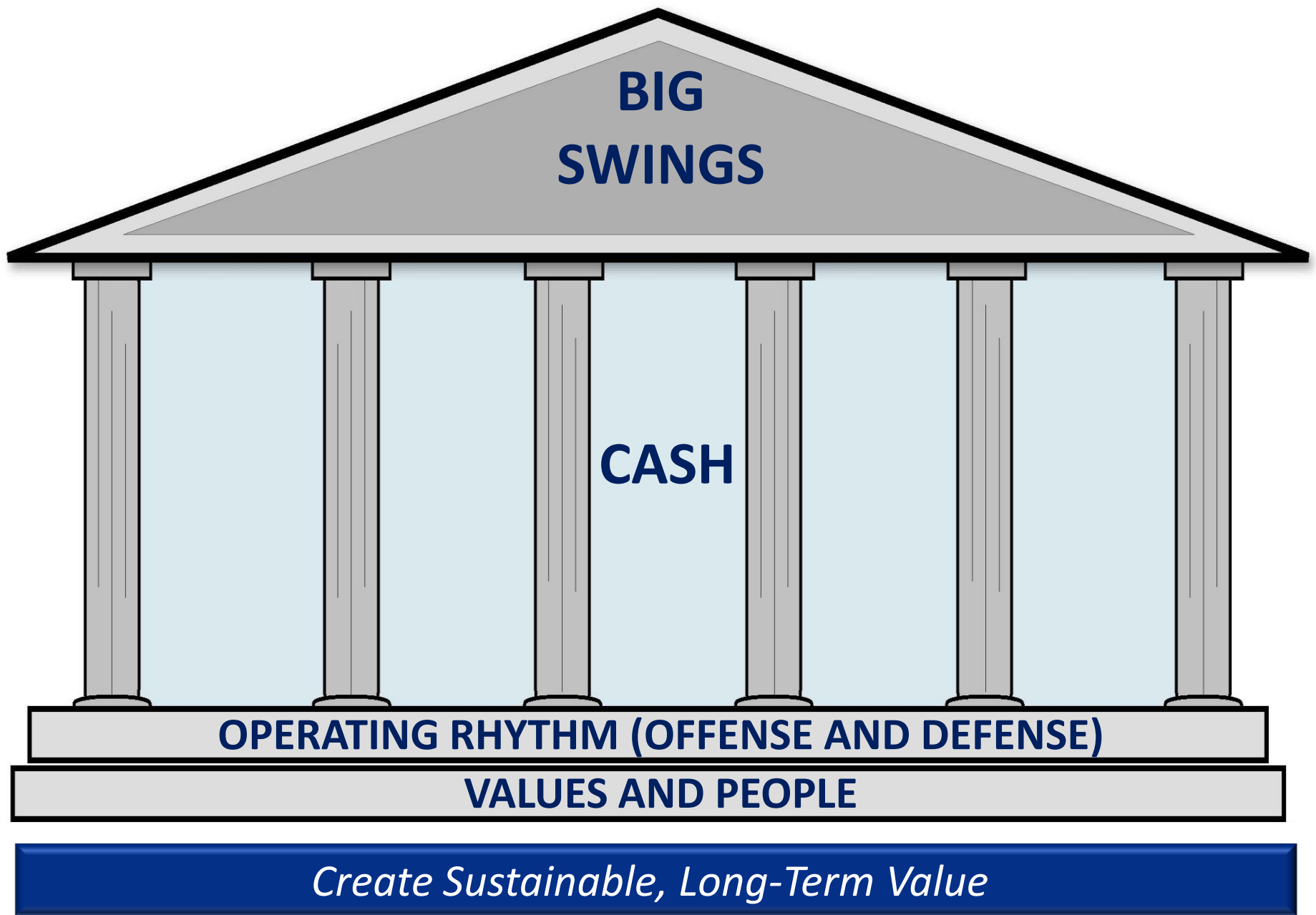
Ed Breen
Chairman and Former CEO

// Why I Joined Tyco International in 2002

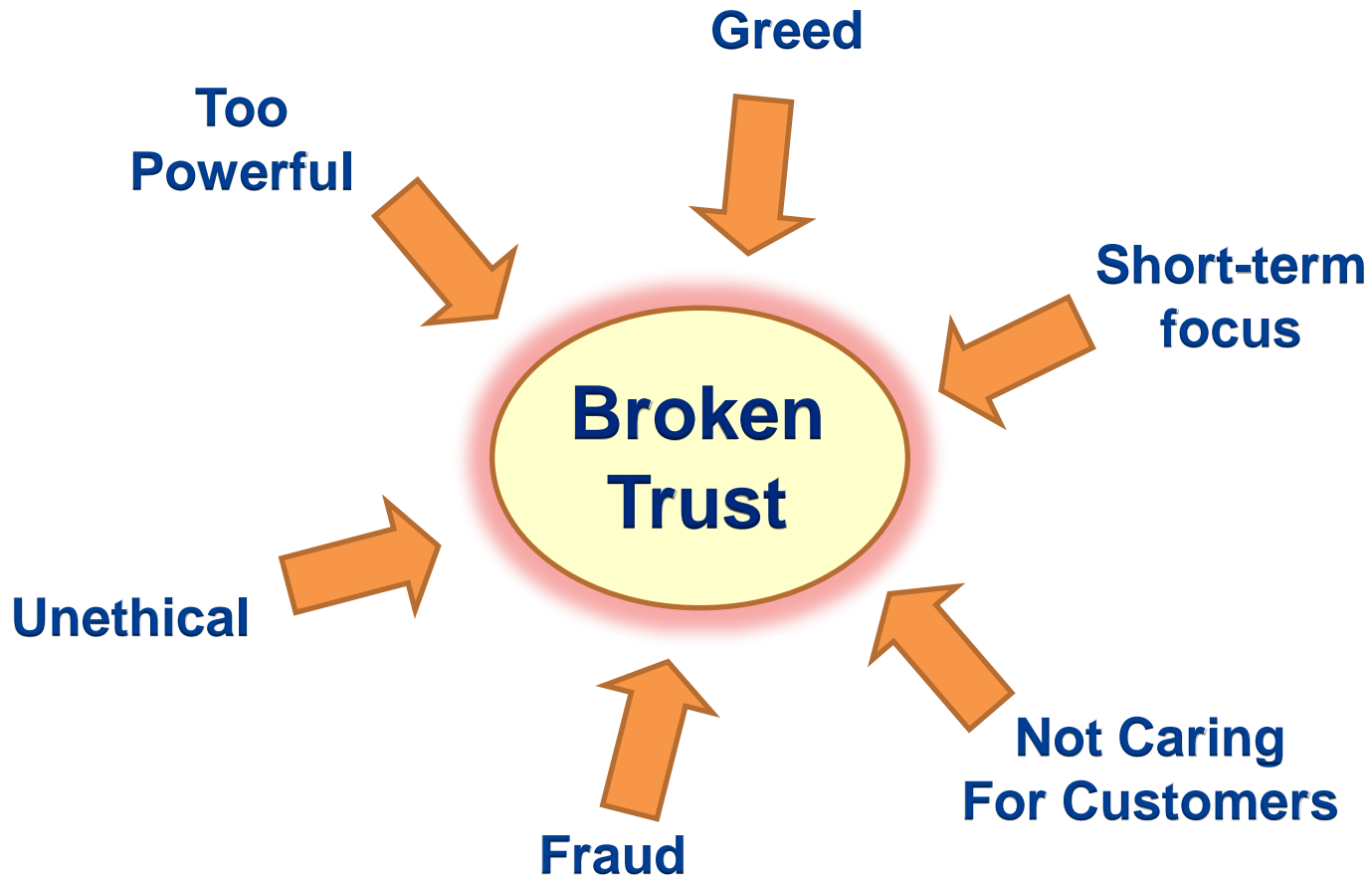
- **\$35 billion in annual revenue**
- **Strong operating fundamentals**
- **240,000 employees worldwide**
- **Market-leading businesses**
- **Powerful, industry-leading brands**
- **Acquisition appetite: +900 companies for \$62 billion**
- **Should be good cash flow businesses**
- **I like turnarounds**



Global, Diverse Multi-Industry Company



// Crisis of Credibility



Kathy Bloomgarden, "Trust: The Secret Weapon of Effective Business Leaders"

// This Led to Many Issues

- **Severe liquidity crisis – \$30 billion in debt; \$11 billion due in 2003**
- **Investigations by DOJ, Manhattan DA , SEC, IRS**
- **Weak corporate structure with poor controls**
- **Concerned customers and suppliers**
- **Embarrassed employees**
- **Outraged investors – stock plunges to \$7.00**
- **Board under siege – New issues everyday**



A Threat to Tyco's Existence

// A Company In Crisis and In the Headlines

- **“Three Tyco Execs Indicted For Fraud” - CNN**
- **“Tyco Chief Out As Tax Inquiry Picks Up Speed” – NY Times**
- **“Ex-Tyco Chief Is Indicted In Tax Case” – NY Times**
- **“Tyco Appoints Chief In Effort To Calm Wall Street” - NY Times**
- **“Tyco Report Paints Picture Of Greed” – Washington Post**
- **“Tyco Faces \$3.6 Billion Funding Shortfall” - Financial Times**

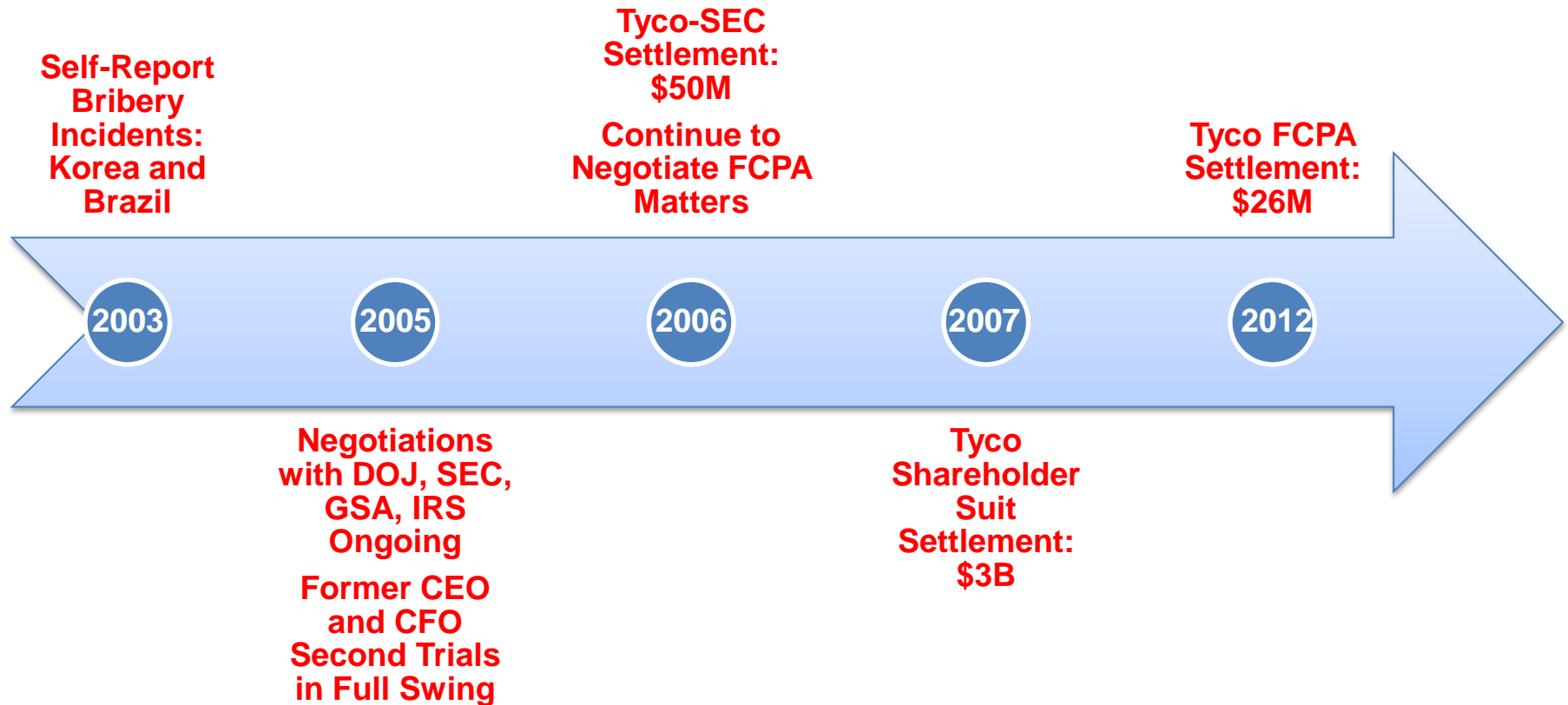
Examples:

Aggressive Accounting

32 Free Homes

9 Condos – Trump Towers

// Timeline of Major Compliance Challenges



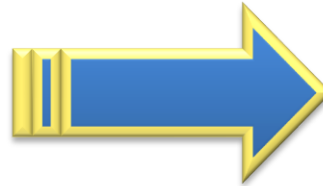
// Creating and Sustaining Turnaround Team – The Road Back at Tyco



Save it



Fix it



Grow it

Create Significant Shareholder Value

// Creating and Sustaining the Turnaround Team

1. Save It → 2. Fix It → 3. Grow It



- Recruit, recruit, recruit!
- Fix pay governance
- Define expectations for leadership behaviors
- Build talent management fundamentals
- Redesign compensation programs to reflect new management philosophy



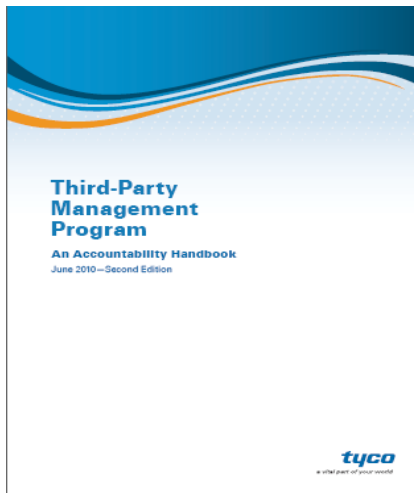
- Evolve talent management processes
- Upgrade business leadership
- Help shape overall business strategy
- Drive employee engagement
- Build global capability
- Build succession planning disciplines



- Develop a transformative HR strategy
- Support collaboration across verticals
- Emphasize innovation and global leadership
- Develop Presidents to be CEO's

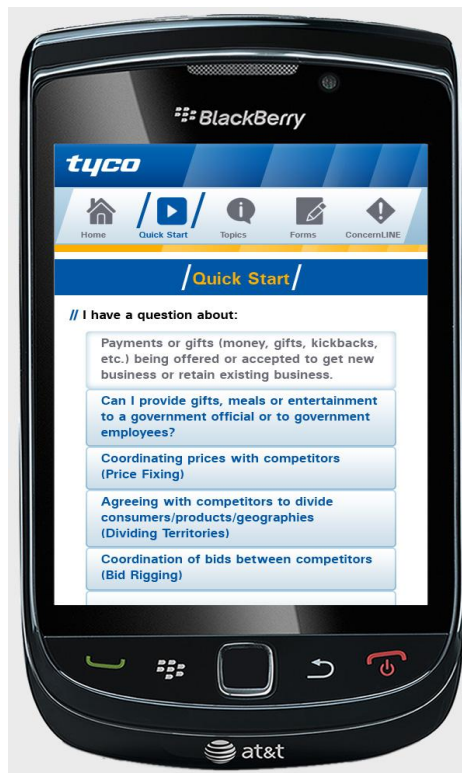
// New Compliance Initiatives

Third-Party Management Program

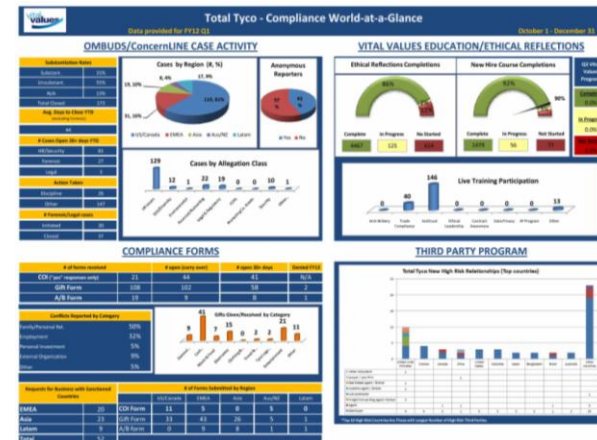


Online Reporting Forms

New Compliance App



Compliance Dashboards



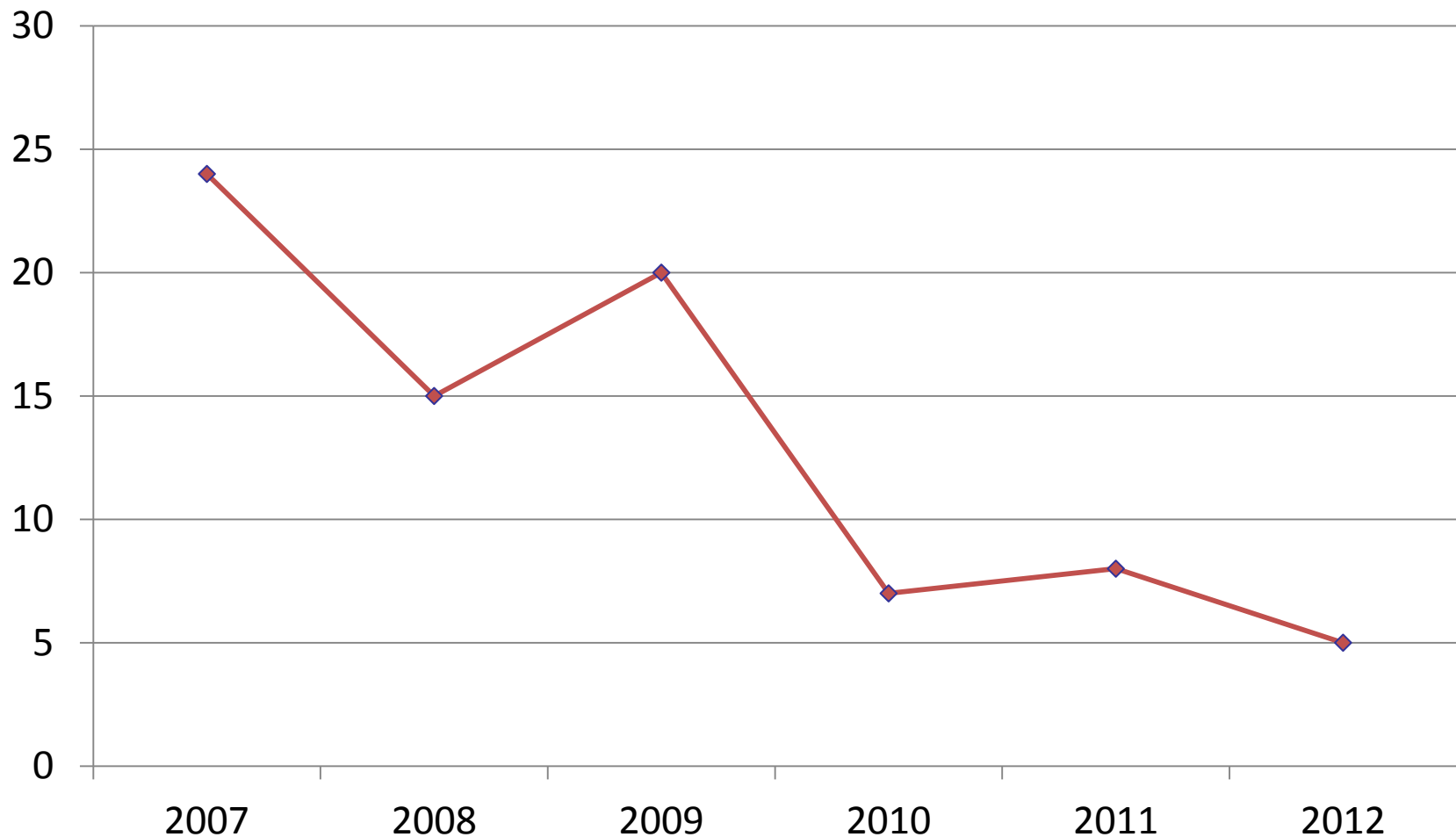
Ethical Reflections Program



Conflicts of Interest - Side Jobs
Training Presentation Materials
<ul style="list-style-type: none"> Downloadable Scenario - handout Facilitator Guide - talking points
FAQs/Additional Resources
Training Validation
Expense Report Fraud
Anti-bribery - Use of Third Parties
Vital Values Ethical Reflections Frequently Asked Questions (FAQs)

// Compliance Focus Pays Dividends

Significant Compliance Cases





// Leaders Assessed on Results and Behaviors

- **“Results”** are relatively straight forward
 - Did you make the numbers?
 - Did you outperform your industry peers?
 - Did you deal effectively with unforeseen challenges?
- **“Behaviors”** correspond to our values
 - **Integrity**: Champions Integrity and Trust ♦ Managerial Courage
 - **Excellence**: Customer Focus ♦ Learning / Change Agility
 - **Teamwork**: Builds Effective Teams ♦ Manages Vision and Purpose ♦ Manages Diversity
 - **Accountability**: Drive for Results ♦ Business Acumen

PASSION FOR THE JOB

// We Made Results and Behaviors Part of Performance Review for all Employees

SELF ASSESSMENT		
 		Name: Sample Form Date:
PERFORMANCE AND BEHAVIOR ASSESSMENT		
PERFORMANCE SUMMARY (past 12 months)	TYCO KEY BEHAVIORS	Comments
	INTEGRITY	
	Champions Integrity and Trust	
	Managerial Courage	
	EXCELLENCE	
	Customer Focus	
	Learning/Change Agility	
	TEAMWORK	
	Builds Effective Teams	
	Manages Vision and Purpose	
Manages Diversity		
ACCOUNTABILITY		
Drive for Results		
Business Acumen		
RESULTS SUMMARY:	BEHAVIORS SUMMARY:	
STRENGTHS	DEVELOPMENT NEEDS	
KEY QUESTIONS:		
DEVELOPMENT PLAN		
TITLE	FUNCTION	
BEST NEXT MOVES		
In-100 assignments		
Coaching/Mentoring		
Additional training required		
EMPLOYEE SIGNATURE (does not imply agreement, only awareness)	MANAGER SIGNATURE	
Date of Electronic Signature:	Date of Electronic Signature:	
<small>The information on this form is being collected for the purposes of individual and organizational development. The information may be transferred internationally within Tyco. Tyco's policy is to maintain this information in a secure manner. Please contact your local Human Resource representative.</small>		
<small>Behaviors and competencies are copyright © 1992, 1995, 2001-2003 by Robert W. Eichinger and Michael M. Lombardo. ALL RIGHTS RESERVED. This work is derived from the LEADERSHIP ARCHITECT © Copyright Lombardo Limited, Inc. Without the prior written permission of Lombardo Limited, Inc., no part of this work may be used, reproduced or transmitted in any form or by any means, by or to any party outside of Tyco International.</small>		

TYCO KEY BEHAVIORS

INTEGRITY

- Champions Integrity and Trust
- Managerial Courage

EXCELLENCE

- Customer Focus
- Learning Agility

TEAMWORK

- Builds Effective Teams
- Manages Vision and Purpose
- Manages Diversity

ACCOUNTABILITY

- Drive for Results
- Business Acumen
- Develops Direct Reports and Others

// The Leadership Behaviors at Tyco

- **Integrity**
- **Demonstrates candor – I don't have to read between the lines to identify problems**
- **Is a collaborator – picks up the phone to seek input, share information, develop partnerships**
- **Takes ownership for fixing problems – never points fingers at others to explain shortfalls**
- **Takes sincere interest in the successes of their subordinates**
- **Is not afraid to hire great people, and not afraid to lead others differing from themselves**

It really adds up to Integrity, Excellence, Teamwork and Accountability

// Non-Traditional Role of the Leader Skill Set Needed

- **Visionary**
- **Psychologist**
- **Communicator**
- **Cheerleader**
- **Enforcer**
- **Value Creator**

// How We Created Path To Long-Term Sustainable Shareholder Value

- **Save\Fix\Grow**
- **Sold 200 companies**
- **Split Tyco into 6 separate companies**
 - **5 public**
 - **1 private**

// Market Value

▪ Tyco Int'l	\$15.9
▪ Covidien	\$30.9
▪ T.E. Connectivity	\$19.1
▪ ADT	\$ 9.5
▪ Pentair	\$11.8
▪ Atkore	-----
	\$87.2 Billion

// Market Value

July 2002

\$16B

Today

\$87B

We Took the Big Swing; Not the Status Quo

tyco