



UNITED TECHNOLOGIES CORPORATION CORPORATE GOVERNANCE GUIDELINES

A. FUNCTIONING OF THE BOARD

1. Size of the Board

UTC's Bylaws provide for a board of 10 to 19 members. Within this range, the Board will maintain a size which it determines to be appropriate and workable based on existing conditions and circumstances.

2. Responsibilities of the Board of Directors

It is the responsibility of the directors to exercise their business judgment and to act in the best interests of shareowners in overseeing UTC's business and affairs. Board oversight will be provided in a number of areas, including the selection and evaluation of senior executive management, the review of business objectives and major strategies, and the establishment of corporate governance practices. Each director will be available to devote the significant time required to attend Board meetings, review Board materials and carry out his or her responsibilities as a director.

3. Board Composition

It is Board policy that a substantial majority of the directors shall be independent, in accordance with the requirements of applicable law and the listing standards of the New York Stock Exchange. The Board currently includes one inside director. The mix of inside and independent directors may change from time to time, provided that a substantial majority remains independent.

Senior managers are encouraged to attend Board meetings, on the invitation of the Chief Executive Officer, even though they are not members of the Board. Similarly, senior managers are encouraged to bring other managers to Board meetings or other Board functions who either are high potential individuals who should be given exposure to the Board or who are subject area experts who may contribute to the Board's discussions based on their individual backgrounds.

4. Executive Sessions

The non-management directors shall meet in regularly scheduled executive sessions without management and shall select from among themselves a director to serve as Lead Director. The Lead Director shall (i) preside at all meetings of the Board at which the Chairman is not present, including meetings of the Executive Committee and executive sessions of the non-management directors; (ii) serve as liaison between the Chairman and the non-management directors; (iii) have authority to call meetings of the non-management directors; and (iv) perform such other functions as the Board may direct.

At least one of the scheduled executive sessions each year will include only the independent directors. Other executive sessions may be called if deemed necessary.

5. Board Self-Evaluation

The Committee on Nominations and Governance is responsible for an annual evaluation of the Board's performance. The evaluation deals with the Board's effectiveness as a group and identifies areas in which the Board or management finds that improvement may be made. The purpose of this self-evaluation is to increase the effectiveness of the Board as an organization.

Each of the Audit Committee, the Committee on Nominations and Governance, the Committee on Compensation and Executive Development, the Finance Committee and the Public Issues Review Committee will also report to the Board annually its evaluation of its own performance as a group.

6. Board Contacts with Corporate Constituencies

Management speaks for UTC in contacts with institutional investors, shareowners, the press, customers and others. At the request of management or major shareowners, the Lead Director or the Chairman, as appropriate, may on occasion meet with representatives of significant constituencies having an interest in UTC.

B. BOARD MEMBERSHIP

1. Criteria for Board Membership

The Committee on Nominations and Governance periodically reviews and recommends for approval by the Board criteria for membership on the Board and the skills and characteristics required of Board members. The Board's current policy is that candidates for the Board should have objectivity and independence in making informed business decisions; extensive knowledge, experience and judgment; the highest integrity; loyalty to the interests of UTC and its shareowners; a willingness to devote the extensive time necessary to fulfill a director's duties; the ability to contribute to the diversity of perspectives present in board deliberations; and an appreciation of the role of the corporation in society. A substantial majority of the Board should also be independent in accordance with NYSE listing standards.

The Board has delegated the screening and evaluation process for director candidates to the Committee on Nominations and Governance. Director candidates who are nominated by the Committee with the concurrence of the Board receive an invitation to join the Board issued by the Chairman on behalf of the full Board.

In accordance with UTC's Bylaws, the Board may elect new members to fill vacancies and newly created directorships during the period between annual meetings of shareowners. All directors stand for election by the shareowners at each annual meeting.

2. Stock Ownership and Board Compensation

Each member of the Board should be a long-term UTC shareowner or holder of UTC stock units or options. Toward that end, a majority of each non-management director's annual retainer is paid in UTC stock units. Non-management directors also receive a one time grant of restricted stock units on joining the Board.

To further encourage the alignment of management and shareowner interests, the Board has adopted stock ownership guidelines for Directors and for UTC's most senior management group. The CEO is required to own shares of UTC Common Stock, tax deferred stock units or other share equivalents having a value equal to at least six times base salary within five years of attaining that position. Members of the senior management group are required to own shares of UTC Common Stock, tax deferred stock units or other share equivalents having a value equal to at least three times their base salary within five years of joining the senior management group. Non-employee members of the Board are required to own shares of UTC Common Stock, tax deferred stock units or other share equivalents having a value equal to at least five times the applicable base annual retainer amount (i.e. five times \$96,000, or an ownership requirement of \$480,000) within five years of joining the Board.

The Committee on Nominations and Governance is responsible for assessing the appropriateness of Board compensation in relation to comparable U.S. companies. Changes in Board compensation, if any, are made at the suggestion of the Committee on Nominations and Governance, after discussion and concurrence by the full Board.

3. Independence of Directors

No director shall qualify as "independent" unless the Board affirmatively determines on an annual basis that the director has no material relationship with UTC. The Board has adopted the standards set forth in Attachment A to assist it in making determinations of independence.

4. Conflicts of Interest

Directors must be loyal to and act in the best interests of UTC and its shareowners. Directors must avoid conflicts of interest and any appearance thereof, as defined by applicable laws and set forth in the UTC Code of Ethics.

Prior to beginning service as director, each new director will disclose all situations that could reasonably represent a conflict of interest, by providing relevant financial and other information to UTC. UTC will provide a questionnaire intended to facilitate this process. All directors will update this information as changes occur.

Annually, UTC will survey its directors to affirm compliance with this policy and to ensure that matters are reported publicly as required by applicable laws. These disclosures must include any "related person transactions", as defined by regulations of the Securities and Exchange Commission and NYSE listing standards. All disclosures will be made to the Corporate Secretary, who together with the Vice President, Business Practices, will review the circumstances with the Committee on Nominations and Governance or the Board, as appropriate. The Committee or the Board, as applicable,

will determine whether a conflict of interest or “related person transaction” exists and decide the appropriate course of action, consistent with UTC’s best interests. The Board has adopted the policy set forth in Attachment B to assist it in reviewing potential related person transactions.

Executive officers are subject to these same requirements.

Any waiver with respect to a conflict of interest or related person transaction for a director or executive officer must be approved by the Committee on Nominations and Governance or the Board.

5. Director Orientation and Continuing Education

Each new director will receive a detailed orientation arranged by the Chairman to familiarize the director, on an individual basis, with UTC’s operations and management, the industries in which it operates, its strategic plans, significant financial, accounting and risk management issues, its compliance programs, its Code of Ethics and its internal and independent auditors, as well as the functioning of the Board. The orientation will include meetings with key executives, review of facilities and operations, and review of UTC financial statements and performance. Additional presentations and materials will be provided to the directors from time to time on an individual basis or collectively, as appropriate, to familiarize the directors with new developments, as necessary to allow them to carry out their responsibilities. UTC also encourages directors to attend continuing education programs for directors offered by other organizations and will reimburse directors for the cost of such programs and related expenses.

6. Continuation of Service

There are no fixed term limits for members of the Board since such a policy could deprive UTC of the benefit of the experience and insight into UTC’s operations that develops and strengthens over time.

7. Voting for Directors

In an uncontested election of directors, any nominee for director who is an incumbent director and receives a greater number of votes “withheld” or “against” his or her election than votes “for” his or her election (a “majority withhold vote”) will promptly tender his or her resignation to the Chairman of the Committee on Nominations and Governance following certification of the shareholder vote.

The Committee on Nominations and Governance will promptly consider the tendered resignation and will recommend to the Board whether to accept or reject it. In assessing whether to accept or reject the tendered resignation, the Committee will consider all factors it deems relevant including, without limitation, the stated reasons why shareholders “withheld” votes or voted “against” such director, the exercise of cumulative voting, the director’s length of service and qualifications, the director’s contributions to UTC, and UTC’s Corporate Governance Guidelines.

The Board will act on the Committee’s recommendation no later than 90 days after the date of the shareholders’ meeting where the majority withhold vote occurred. The Board will consider the Committee’s recommendation and any additional information the Board

believes to be relevant in deciding whether to accept the tendered resignation. UTC will promptly publicly disclose the Board's decision (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that the Board accepts one or more directors' resignations, the Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Committee recommendation or Board consideration regarding the tendered resignation. If a majority of the members of the Committee receive a majority withhold vote at the same election, then the independent directors who did not receive a majority withhold vote will appoint a Board committee amongst themselves solely to consider the tendered resignations and to recommend to the participating eligible Board members whether to accept or reject each resignation.

This governance guideline will be summarized or included in each of UTC's proxy statements relating to an election of directors.

8. Changed Responsibilities

If a director changes his or her principal employment or principal responsibility outside of UTC, the director will offer to resign from the Board. The Committee on Nominations and Governance will recommend to the Board whether the resignation should be accepted.

Continued Board service should also be reviewed if there is a change in the number of public company boards on which a director serves. For Audit Committee members, continued service on that committee should be reviewed if there is an increase in the number of public company audit committees on which the director serves.

The Board has authorized the Committee on Nominations and Governance to examine the appropriateness of an individual's continuing Board or committee service in each such instance. A director may not serve on the boards of more than four other public companies in addition to the UTC Board.

Members of the Board will also notify the Corporate Secretary prior to joining the board of another company, in order to permit a review of any relationship between UTC and such other entity that may affect the independence of the director, require disclosure or conflict with other legal requirements.

9. Board Membership of a Former Chief Executive Officer

When the Chief Executive Officer resigns that position he or she should offer to resign from the Board at the same time. A decision on whether to accept the resignation would be discussed with the Board and the new Chief Executive Officer. This is a matter to be decided based on the facts in each instance.

10. Retirement

Retirement at age 72 is current Board policy.

C. COMMITTEE ORGANIZATION

1. Committees

The Board has established six committees to assist in the performance of Board duties. They are the Audit Committee, Executive Committee, Finance Committee, Public Issues Review Committee, the Committee on Nominations and Governance and the Committee on Compensation and Executive Development. The Audit Committee, the Committee on Nominations and Governance, the Committee on Compensation and Executive Development and the Public Issues Review Committee are composed solely of independent directors. Subject to applicable legal and stock exchange listing requirements, the Board may form new committees or disband existing committees depending upon its needs and circumstances.

The Committee on Nominations and Governance makes recommendations regarding committee assignments. These recommendations are then submitted for consideration by the Board. Rotation of committee assignments is not mandated as a matter of policy.

D. BOARD AND COMMITTEE MEETINGS

1. Agendas and Schedules for Meetings

The Chairman shall, in conjunction with the CEO and the Lead Director, plan and set the schedule and agenda for meetings of the Board to be held during the year. Agendas shall include key subjects to be presented and discussed during such meetings, as well as periodic reviews of long-term strategic objectives and management development plans.

The chair of each Board committee shall establish the agenda and determine the frequency and length of the respective committee meetings.

Directors are encouraged to suggest at any time agenda items for Board or committee meetings, to request additional meeting materials and to raise at any Board or committee meeting subjects not on the agenda for that meeting.

The Chairman and the Lead Director, or the committee chair as appropriate, shall determine the quantity, quality and timeliness of information to be provided to the directors to allow them to perform their duties.

2. Board Materials and Presentations

Consistent with efficient use of time and resources and to the extent practicable, briefing materials and supporting data related to matters to be reviewed at planned meetings are distributed to directors sufficiently in advance of Board meetings to allow appropriate consideration. Management should exercise judgment as to materials appropriate for advance distribution.

E. BOARD OVERSIGHT OF MANAGEMENT

1. Selection of Chairman of the Board and Chief Executive Officer

There is no fixed policy on whether the roles of Chairman of the Board and Chief Executive Officer should be separate or combined. This decision will be made in the best interests of UTC considering the circumstances at the time.

2. Evaluation of Chief Executive Officer

The performance of the Chief Executive Officer is subject to ongoing evaluation by the Board, which is communicated to him or her annually by the Chairman and the Lead Director, or by the Lead Director, if the Chairman is the Chief Executive Officer. This annual evaluation is based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives, development of management, and other more subjective criteria. The evaluation is used by the Committee on Compensation and Executive Development in the course of its deliberations when considering the compensation of the Chief Executive Officer.

3. Board Access to Management and Advisors

Board members have full access to all management and, as necessary and appropriate, independent advisors.

4. Management Development and Succession Planning

The Committee on Compensation and Executive Development assists the Board in reviewing succession planning and management development, and reports to the Board on the subject. The Board also has available on a continuing basis the Chief Executive Officer's recommendations as to his or her successor should the Chief Executive Officer unexpectedly be unable to serve.

5. Reporting of Concerns to Non-Employee Directors or to the Audit Committee

Shareowners and other interested persons may send communications to the Board, the Chairman, the Lead Director or one or more non-management directors by using the contact information provided on UTC's website under the headings "Governance", "Contact UTC's Board". Shareowners and interested persons also may send communications by letter addressed to the Corporate Secretary at UTC, One Financial Plaza, Hartford, CT 06103 or by contacting the Business Practices Office at 860-728-6485. These communications will be received and reviewed by UTC's Business Practices Office. The receipt of concerns about UTC's accounting, internal controls, auditing matters or business practices will be reported to the Audit Committee. The receipt of other concerns will be reported to the appropriate Committee(s) of the Board. UTC employees also can raise questions or concerns confidentially or anonymously using UTC's Ombuds/Dialog program.

ATTACHMENT A

INDEPENDENCE OF DIRECTORS

The Board has adopted these standards to assist in making determinations of director independence, and may revise them from time to time as it deems appropriate, subject to applicable stock exchange listing requirements. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with UTC. The Board will consider all relevant facts and circumstances in making an independence determination, considering the issue not only from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. In addition, a director is not independent if:

1. The director is, or has been within the last three years, an employee of UTC, or an immediate family member is, or has been within the last three years, an executive officer of UTC.
2. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from UTC, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by an immediate family member for service as an employee of UTC (other than an executive officer) is not considered in determining independence under this test.
3. (A) The director is a current partner or employee of a firm that is UTC's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on UTC's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on UTC's audit within that time.
4. The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of UTC's present executive officers at the same time serves or served on that company's compensation committee.
5. The director is a current employee, or an immediate family member is a current executive officer, of another company that has made payments to, or received payments from UTC for property or services in an amount which in any of the last three fiscal years exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.
6. The director serves as an executive officer of a tax exempt organization that within the preceding three years received contributions from UTC in any single fiscal year in excess of the greater of \$1 million or 2% of such tax exempt organization's consolidated gross revenues.

Director affiliations that do not conflict with these standards or exceed these thresholds will not be considered to impair a director's independence. These standards will be applied in accordance with any transition provisions under the applicable stock exchange listing rules.

For purposes of this determination of director independence, the term "immediate family member" shall include a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. The term "executive officer" has the same meaning as specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934.

As required by the Charter of the Audit Committee, Audit Committee members must also satisfy the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934.

ATTACHMENT B

REVIEW OF RELATED PERSON TRANSACTIONS

1. UTC shall not enter into a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which it (or any of its subsidiaries) is or will be a participant, the amount involved exceeds \$120,000, and in which any Related Person (as defined below) has or will have a material direct or indirect interest ("Related Person Transaction") unless such transaction has been approved or ratified by the Committee on Nominations and Governance ("Committee") of the Board of Directors or has been deemed pre-approved by the Committee as described herein. For purposes of this policy a "Related Person" means:
 - a. any person who is, or at any time since the beginning of UTC's last fiscal year was, a director or executive officer of UTC or a nominee to become a director of UTC;
 - b. any person known to be the beneficial owner of more than 5% of any class of UTC's voting securities; and
 - c. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner.

2. Each director, executive officer and nominee shall promptly notify the Corporate Secretary of any transaction, arrangement or relationship in which the amount involved exceeds \$120,000, UTC or any of its subsidiaries is a participant, and such person or such person's immediate family member had, has or will have an interest, whether or not such interest is material ("Interested Transaction"). Each notice shall state:
 - a. The person's interest in the transaction, including his or her positions with, or ownership in, any entity that has an interest in the transaction;
 - b. Whether UTC or any of its subsidiaries is a party to the transaction, and if not, the nature of UTC's or the subsidiary's participation in the transaction;
 - c. The identities of the other parties to the transaction;
 - d. The purpose and timing of the transaction; and
 - e. The approximate dollar value of the transaction and the approximate dollar value of the Related Person's interest in the transaction.

3. Interested Transactions¹ that are identified in advance shall not be consummated until the following steps are taken:
- a. The director, executive officer or nominee or the business unit department leader responsible for the potential Interested Transaction notifies the Corporate Secretary of the facts and circumstances of the proposed transaction. The Corporate Secretary, in consultation with the Vice President, Business Practices, will assess whether the proposed transaction may be a Related Person Transaction.
 - b. If the reviewing officers conclude that the proposed transaction may be a Related Person Transaction, the proposed transaction shall be submitted to the Committee for consideration at the next Committee meeting or, when it is not practicable to wait until the next Committee meeting, to the Chair of the Committee (who is hereby delegated authority to act between Committee meetings for Related Person Transactions involving less than \$1 million). If the Chair or his or her immediate family member is the subject Related Person, such transaction may be reviewed and approved by the Lead Director.
 - c. The Committee, or as applicable, the Chair or the Lead Director, shall consider all of the relevant facts and circumstances. The Committee (or the Chair or Lead Director) shall determine whether the transaction is a Related Person Transaction and may approve only those Related Person Transactions that are in, or are not inconsistent with, the best interests of UTC and its shareholders, as determined in good faith. The Committee (or the Chair or Lead Director) shall take into account, among other factors it deems appropriate, whether the Related Person Transaction is on terms no less favorable than terms generally available in transactions with unaffiliated third-parties under the same or similar circumstances and the extent of the Related Person's interest in the transaction. No member of the Committee or management shall participate in any review, consideration or approval of any potential Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person.
 - d. The Chair of the Committee or the Lead Director shall report to the Committee at the next Committee meeting any approval under this policy pursuant to delegated authority.
 - e. The Committee on at least an annual basis, shall review and assess Related Person Transactions to determine whether the Related Person Transaction remains appropriate.

¹ The Committee has reviewed the transactions described in Section 9 and determined that such transactions shall be deemed to be pre-approved or ratified (as applicable).

4. In the event it comes to UTC's attention that a Related Person Transaction has not been previously approved or ratified:
 - a. If the transaction is pending or ongoing, it shall promptly be submitted for review. The Committee, Chair or Lead Director shall consider all of the relevant facts and circumstances available, shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction, and shall take such course of action as appropriate under the circumstances; and
 - b. If the transaction has been initiated or completed, the Committee, Chair of the Committee or Lead Director shall evaluate the transaction to determine if rescission of the transaction is appropriate.
 - c. The Committee shall also examine the facts and circumstances pertaining to the failure of such transaction to have been presented to the Committee and shall take such actions deemed appropriate under the circumstances.
5. Any Related Person Transaction shall be disclosed in UTC's filings with the SEC, as required by law.
6. Material amendments and/or modifications to any Related Person Transaction previously approved or ratified by the Committee, Chair of the Committee or Lead Director shall require the approval or ratification of the Committee, Chair of the Committee or Lead Director.
7. UTC or any of its subsidiaries may employ a Related Person who possesses the requisite skills and qualifications consistent with UTC's policies and practices for employment of non-Related Persons in similar positions provided such employment arrangement has been approved by the Senior Vice President, Human Resources and the Vice President, Business Practices.
8. The procedures set forth in this policy are supplemental to, and are not intended to replace or supersede any other policies or procedures of UTC.
9. The Committee has reviewed the transactions described below and determined that such transactions shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy.
 - a. Any employment by UTC of an executive officer of UTC if:
 1. the related compensation is required to be reported in UTC's proxy statement under Item 402 of the Securities and Exchange Commission's ("SEC's") compensation disclosure requirements (generally applicable to "named executive officers"); or

2. the related compensation would be reported in UTC's proxy statement under Item 402 of the SEC's compensation disclosure requirements if the executive officer were a "named executive officer," UTC's Compensation Committee approved (or recommended that the Board approve) such compensation and the executive officer is not an immediate family member of another executive officer or director of UTC.
- b. Any compensation paid to a director if the compensation is required to be reported in UTC's proxy statement under Item 402 of the SEC's compensation disclosure requirements.
- c. Any transaction with another company at which a Related Person's only relationship is as an employee or an immediate family member is an executive officer, if the aggregate amount involved does not exceed the greater of \$1 million, or 2% of such other company's annual consolidated gross revenues.
- d. Any charitable contribution, grant or endowment by UTC to a charitable organization, foundation or university at which a Related Person's only relationship is as an employee or executive officer, if the aggregate amount involved does not exceed the greater of \$1 million, or 2% of the charitable organization's annual consolidated gross revenues.
- e. Any transaction with another firm, corporation or entity at which a Related Person's only relationship is as a director or as the owner together with any other UTC Related Person(s) of less than a ten percent equity or limited partnership interest in the entity (and none of such Related Persons serves as a general partner).
- f. Any transaction where the Related Person's interest arises solely from the ownership of UTC's common stock and all holders of UTC's common stock received the same benefit on a pro rata basis (e.g. dividends).
- g. Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids.

In connection with each regularly scheduled meeting of the Committee, a summary of each new transaction in excess of \$120,000 deemed pre-approved pursuant to paragraphs (c) and (d) above shall be provided to the Committee for its review.