

## DISTRIBUTORS AND NON-EMPLOYEE SALES REPRESENTATIVES

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## A. SUMMARY

United Technologies Corporation shall carefully select and screen, closely monitor, and effectively manage all distributors and non-employee sales representatives to ensure reputable representation and strict compliance with company policies and applicable laws, including those prohibiting anti-competitive and corrupt practices.

## B. APPLICABILITY

This Policy applies to United Technologies Corporation, its **Business Units**, subsidiaries, divisions, and other controlled business entities and operations ("**Operating Units**"), and all directors, officers, and employees thereof, worldwide (collectively, "**UTC**"). The selection, screening, retention, and monitoring of **Lobbyists** is governed by [CPM 48D: Lobbyists](#).

## C. DEFINITIONS

"**Corporate**" means the **UTC** corporate office and "**Business Unit**" or "**BU**" means Otis Elevator Company, Pratt & Whitney, UTC Aerospace Systems (collectively, with Pratt & Whitney, "**Aero BUs**"), UTC Climate, Controls & Security, and United Technologies Research Center. "**CPM**" means Corporate Policy Manual. Other terms in **Bold** have the meaning set forth in [Exhibit 1](#).

## D. POLICY

All **Distributors** and **Non-Employee Sales Representatives** (collectively, "**Sales Intermediaries**") shall be required to categorically refrain from authorizing, offering, promising, making, or otherwise facilitating in any manner, any **Corrupt Payment** by or on behalf of **UTC**. **UTC** shall not retain prospective and terminate existing **Sales Intermediaries** that are unable or unwilling to comply. **Sales Intermediaries** shall be selected, screened, retained, monitored, and managed in accordance with [Exhibit 2](#).<sup>1</sup>

## E. RESPONSIBILITIES

1. **BU Chief Executives**. The **BU** chief executive is responsible for **BU** implementation of and compliance with this Policy (including [Exhibit 2](#)).
2. **BU Representatives**. The **BU** chief executive shall appoint, with advice and consent of **CVP GEC**, an executive employee to represent him/her in implementing this Policy ("**BU Representative**"). The **BU Representative** shall be independent of the sales and marketing organization and have unfettered access to the chief executive on all matters relating to this Policy. The **BU Representative** may appoint or designate such additional employees as are required to effectively implement this Policy at the **Operating Unit** level. When required by this Policy, such employees shall be independent of the sales and marketing organization and have unfettered access to the **BU Representative** and chief executive officer of the **Operating Unit** on all matters related to this Policy.
3. **Sponsors**. The **Operating Unit**-level chief executive officer shall appoint for each **Sales Intermediary** an employee ("**Sponsor**") primarily responsible and accountable for sponsoring its candidacy (whether new or renewal) and monitoring its performance, in each case to ensure strict compliance with the letter and spirit of this Policy. **Sponsors** shall be manager-level employees of the **Operating Unit** most closely associated with the activities of the **Sales Intermediary** who shall certify on the basis of first-hand knowledge to its reputable representation and strict compliance this Policy.

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<sup>1</sup> The Corporate Vice President, Global Ethics and Compliance ("**CVP GEC**") is authorized to prescribe and amend [Exhibits 1-6](#) as deemed necessary to ensure compliance with this Policy and [CPM 48: Anti-Corruption](#).

**EXHIBIT 1: DEFINITIONS**

**Affiliate** means an **Entity**:

- that exercises **Control** over the referenced **Entity**; or
- over which the referenced **Entity** exercises **Control**; or
- that, together with the referenced **Entity**, is under common **Control** of another **Entity**.

**Books and Records** is defined in [CPM 48: Anti-Corruption](#).

**Contingent Compensation** (also known as commission) means compensation to a **Sales Intermediary** in a **Direct Sales Transaction** in the form of either a fixed percentage of the net sales price of the products/services sold or a fixed/flat monetary amount, that is conditional in obligation and payment upon consummation by **UTC** of the **Direct Sales Transaction** and receipt by **UTC** of all or part of the net sales price, respectively.

**Control** means the power, directly or indirectly, to:

- vote more than 50% of an **Entity's** securities having voting power to appoint members of the **Entity's** governance body; or
- direct or cause the direction of an **Entity's** day-to-day business decisions and policies, whether through the ownership of voting securities, by contract, or otherwise.

**Corrupt Payment** is defined in [CPM 48: Anti-Corruption](#).

**Customer** means any **Third Party** that purchases and uses or consumes **UTC** products or services.

**Direct Sale Transaction(s)** means a contract for sale of **UTC** products or services between **UTC** and a **Customer**.

**Distributor** means any existing or prospective **Vendor** that has not been granted a block exemption from this Policy and is selected or retained to undertake an **Indirect Sale Transaction** regardless of whether or not such **Entity**:

- holds themselves or itself out as being in the business of **Indirect Sales Transactions** or the like on behalf of **UTC** or others; or
- has acted or is acting in a different capacity (e.g., **NSR**, other **Vendor**) on behalf of **UTC** or others.

For clarity, this Policy is intended to govern **Vendors** engaging in **Indirect Sale Transactions** that have a primary duty of care and loyalty (arising by contract or otherwise) to **UTC**. Accordingly, **Distributor** excludes, in addition to any **Vendors** granted a block exemption from this policy, **Third Party** commercial retailers (e.g., "big-box" or department stores, retail outlets) that re-sell to the general public at-large, as well as general contractors that purchase products (**UTC** and non-**UTC**) for the purpose of resale to **Customers** on the basis of competitive bid or selection; provided that, such **Third Party** commercial retailers and general contractors shall be treated as **Customers** for the purposes of this Policy and [CPM 48: Anti-Corruption](#).

**Entity** means any corporation, limited liability company, partnership, sole proprietorship, trust, or similar business entity, whether or not for-profit.

**Government Aviation Authority (GAA)** is defined in [CPM 48B: Sponsoring Third Party Travel](#).

**Government** means any:

- government, foreign or domestic, whether at the national, regional, local, or municipal level;
- **Government Aviation Authority (GAA)**;
- airline owned or operated by a government;
- **Entity** acting in an official capacity on behalf of a government;
- **Entity**, company, or business in which the government exerts **Control**;
- political party;

- public international organization (e.g., United Nations, World Bank, World Trade Organization, International Civil Aviation Organization, etc.); or
- department, agency, subdivision, or instrumentality of any of the foregoing.

**Government Official** means any employee, officer, or director (whether elected or appointed) of a **Government** or any candidate for any position therein.

**Indirect Sale Transaction(s)** means a contract for sale of **UTC** products between **UTC** and a **Sales Intermediary** with the intent or result that such **Sales Intermediary** takes title to such products for the purpose of resale (whether or not on its own account) to a **Customer**.

**Lobbyist(s)** is defined in [CPM 48D: Lobbyists and U.S. Government Marketing and Sales Consultants](#).

**Material Change** means, with respect to a **Sales Intermediary**, any change in:

- **Control**;
- ownership in excess of 10% that, in the opinion of **BU Representative** or **BU** legal counsel, increases compliance risk and warrants additional due diligence;
- other fact or circumstance that, in the opinion of the **BU Representative** or legal counsel, materially increases the compliance risk; or
- for the purposes of required **Corporate** approvals, any amendment to a **Sales Intermediary Agreement** previously approved by **Corporate** that increases either the compliance risk or compensation from that previously approved.

**Non-Employees Sales Representative (NSR)** means any existing or prospective **Vendor** that has not been granted a block exemption from this Policy and is selected or retained to assist **UTC** in identifying and securing a **Direct Sale Transaction**, **Offset Agreement**, or **Offset Transaction**, or to provide **U.S. Government Marketing** or **U.S. Government Sales**, in each case in exchange for compensation (in any amount, form, or manner), regardless of whether or not such **Entity**:

- holds themselves or itself out as being a **NSR**, or as being in the business of identifying and securing **Direct Sale Transactions** or **Offset Transactions** or providing **U.S. Government Marketing** or **U.S. Government Sales** or the like, on behalf of **UTC** or others; or
- has acted, or is acting, in a different capacity (e.g., **Distributor**, **Vendor**) on behalf of **UTC** or others.

**Offset Transaction** is defined in [CPM 44: Industrial Cooperation and Economic Offset](#).

**Rejected Vendor File** means a file maintained by the **Operating Unit** of all **Vendors** rejected or terminated for cause by the **Operating Unit** containing, unless prohibited by applicable law, the following information for each such **Vendor**: **Vendor** number, full legal name, full legal name and registration number of each of its corporate shareholders, full name and identification number of each of its individual shareholders, full name and identification number of the chief executive officer, and full name and identification number of its legal representative or agent for service of process.

**Related Party** means, with regard to:

- an individual, an immediate or extended family member of such individual including, without limitation, parents, siblings, spouses, uncles, aunts, nephews, and nieces;
- an **Entity**, an **Affiliate** of such **Entity**.

**Sponsored Travel** is defined in [CPM 48B: Sponsoring Third Party Travel](#).

**Territory Fee(s)** means the amount payable to a **Sales Intermediary** in the event that **UTC** undertakes a **Direct Sale Transaction** or **Indirect Sale Transaction** in a specified territory in violation of an exclusivity provision in a **Sales Intermediary Agreement** or applicable law.

**Third Party** means, with regard to:

- an individual, any individual that is not an employee of **UTC** or any **Affiliate** of **UTC**;
- an **Entity**, any **Entity** that is not **UTC** or an **Affiliate** of **UTC** (for clarity, for the purposes of this Policy, joint venture partners and **Vendors**, and their respective **Affiliates**, are **Third Parties**).

**Unfair Competitive Advantage** means that a contractor competing for award of any U.S. federal or U.S. state/local **Government** contract possesses either:

- proprietary information obtained without proper authorization from an officer or representative of such **Government**; or
- source selection information relevant to the contract but not available to all competitors, and such information would assist the contractor in obtaining the contract.

**U.S. Government Marketing** means assistance furnished by a **Vendor** to **UTC** related to the preparation of an offer by **UTC** for a U.S. federal or U.S. state/local **Government** contract or subcontract that is predominantly in the form of advice and information, and **Vendor** contacts with **Customers** and **Government Officials** are limited and in the presence of **UTC** employees, such as:

- development or identification of business opportunities;
- development or review of **UTC's** marketing plans or strategies;
- identification of procurement requirements; or
- preparation of bids or proposals, including participation in a "red-team" review.

**U.S. Government Marketing** excludes **U.S. Government Sales**.

**U.S. Government Sales** means assistance furnished by a **Vendor** to **UTC** related to the preparation, submission, and negotiation of an offer by **UTC** for a U.S. federal or U.S. state/local **Government** contract or subcontract as well as the execution and performance thereof that may also include **U.S. Government Marketing** but is predominantly in the form of sales activity, and **Vendor** contacts with **Customers** and **Government Officials** are regular and outside of the presence of **UTC** employees, such as:

- promotion, marketing, or selling **UTC's** products or services;
- contacting on behalf of **UTC**, any **Customer** or **Government Official**; or
- contacting or appearing before on behalf of **UTC** an officer or employee of any:
  - U.S. federal agency, a member of U.S. Congress, an officer or employee of U.S. Congress, or an employee of a member of U.S. Congress in connection with the award, extension, continuation, renewal, amendment, or modification of a federal contract, grant, loan, or cooperative agreement (this type of activity is regulated under the Lobbying Disclosure Act, 2 U.S.C. §1601 et seq. and the "Byrd Amendment", 31 U.S.C. §1352, and FAR Subpart 3.8);
  - agency, legislature, or governing body of a U.S. state, local/municipal Government for similar purposes.

**Vendor** means any existing or prospective **Third Party** contractor or supplier of materials or services to **UTC**.

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**EXHIBIT 2: PROCEDURES AND REQUIREMENTS****A. SELECTION**

1. **Operating Unit** chief executives, in consultation with **BU** senior management, are responsible for determining when and why it is necessary or advantageous to utilize a **Sales Intermediary** rather than or in addition to **UTC** employees. When making this determination, the **Operating Unit** chief executive is expected to conduct a cost-benefit analysis (which includes an assessment of required internal resources to effectively implement this Policy at the **Operating Unit** level), and to apply a healthy skepticism in market segments with significant risk of anti-competitive or corrupt practices or obstacles to effective implementation of this Policy (e.g., inability to conduct effective due diligence, monitoring, etc.). Affirmative determinations should specify objective criteria (e.g. credentials, qualifications, performance standards, statement of work, etc.) for the prospective **Sales Intermediary** (“**Candidate**”). When a **Candidate** has been identified,<sup>2</sup> the **Sponsor** shall prepare for incorporation in the **Application Package** a detailed business justification statement explaining how and why the **Candidate** will satisfy these criteria.
2. Before undertaking preliminary discussions with any **Candidate** who is an **Individual Service Vendor** and a current **Government Official** or a **Related Party** to any current **Government Official**, the requesting **Operating Unit** shall comply with the requirements of [CPM 48C: Hiring and Retaining Current and Former Government Officials and their Relatives](#).<sup>3</sup>

**B. RISK RANKING AND SCREENING (DUE DILIGENCE)**

1. Each **BU** shall conduct a ranking (“**Risk Ranking**”) of the relative compliance risk presented by each **Candidate/Sales Intermediary**,<sup>4</sup> with groups of similarly-situated **Sales Intermediaries** classified in declining order of risk as belonging to either “Category 1”, “2”, “3” “4” or “5” (see [Exhibit 3](#)).
2. The **BU Representative** or **Operating Unit** legal counsel (or their designee(s) independent from the sales and marketing organization) shall screen all **Candidates** to verify their credentials, qualifications, and integrity, and findings shall be compiled in a due diligence file (“**Due Diligence File**”) comprising items 1-16 of [Exhibit 3](#) (as required/applicable). The nature and scope of the due diligence shall reflect the **BU’s Risk Ranking** for similarly-situated **Sales Intermediaries**, as well as the inherent risk of anti-competitive or corrupt practices and ease of access to relevant due diligence information in the particular market segment. [Exhibit 3](#) sets forth the minimum due diligence requirements for all **Candidates**.
3. **Operating Unit** legal counsel shall also ensure that proposed engagements for **U.S. Government Marketing** or **U.S. Government Sales** involving the U.S. federal **Government** will: (a) satisfy the requirements of the “procurement integrity” provisions of the Office of Federal Procurement Policy (“OFPP”) Act as implemented by [Federal Acquisition Regulation](#) (“FAR”) 3.104, the “Byrd Amendment”

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<sup>2</sup> **Operating Units** should consider existing **Sales Intermediaries** in good standing approved pursuant to this Policy (or **BU** implementing policies) that are currently promoting other **UTC** products or services. Where multiple individuals or firms are being considered for an exclusive mandate, **Operating Units** should select the **Candidate** on the basis of competitive submissions addressing the specified objective criteria.

<sup>3</sup> In lieu of revolving door clearance pursuant to [CPM 48C](#), **Operating Units** shall obtain representations and warranties from **Candidates** who are not **Individual Service Vendors** regarding their compliance with applicable revolving door laws and regulations. (see [Exhibit 6](#))

<sup>4</sup> Factors (among others) to consider in conducting the **Risk Ranking** are: (1) relevant market - general risk of anti-competitive or corrupt practices and degree of state intervention; (2) **Customers** - commercial or **Government**; (3) other constituents - e.g., degree of intervention of consultants, architects, designers, other **Government Officials**/influencers; (4) **Sales Intermediary** - level of experience, tenure with **UTC**, non-exclusive representation (e.g., representation of competitors), retained in multiple capacities (e.g., **Distributor**, **NSR**, **Field Contractor**, other **Vendor**); (5) nature and level of compensation (**Direct Sale Transactions**) or volume of sales (**Indirect Sale Transactions**); (6) transaction/products and services - bulk sales of lower value commoditized products or transaction-by-transaction sale of higher value differentiated/contract-engineered products; (7) **UTC** employee intervention - degree of interaction between **UTC** employees and **Sales Intermediary/Customers**/other constituents; and (8) **Operating Unit** – operating (e.g., legacy/core business or newly acquired/integration status) and compliance history.

(implemented by FAR 3.8); (b) meet pertinent registration and reporting requirements under the [Lobbying Disclosure Act](#); and (c) not confer upon **UTC** any **Unfair Competitive Advantage**<sup>5</sup> ([FAR 9.5](#)). For **U.S. Government Marketing** or **U.S. Government Sales** involving U.S. state/local **Governments**, **Operating Unit** legal counsel shall determine whether similar restrictions or requirements apply.

### C. APPROVAL

1. All approval requests shall be supported by an application package (“**Application Package**”) comprising the **Due Diligence File**, prior required approvals, and a fully-executed memorandum (“**Application Memorandum**”) as set forth in [Exhibit 4](#) (modified accordingly for requests requiring only **BU**-level approval). The **BU** chief executive shall implement procedures consistent with the requirements of this Policy for **BU** approvals. The nature and level of such approvals shall reflect the **BU’s Risk Ranking** for similarly-situated **Sales Intermediaries**, the inherent risk of anti-competitive or corrupt practices in the relevant market segment, and level of proposed compensation to, or volume of business to be transacted with, the **Candidate**. [Exhibit 5](#) sets forth minimum required approvals and notifications.
2. Notwithstanding approval level required, all **Application Packages** and approvals must present sufficient foundation to support a reasonable judgment that: (a) business justification exists for use of a **Sales Intermediary** in general and **Candidate** in particular; (b) **Candidate** possesses the requisite credentials, qualifications, and integrity, and has met or will likely meet stated performance requirements; (c) provision of **U.S. Government Marketing** or **U.S. Government Sales** (if applicable) will not confer upon **UTC** an **Unfair Competitive Advantage**; and (d) **Candidate** is willing and able to strictly comply with the **Sales Intermediary Agreement**, **UTC** policies, and applicable laws, including those prohibiting anti-competitive and corrupt practices.

### D. RETENTION

1. For each **Candidate** submitted for approval, the **BU Representative** or **Operating Unit** legal counsel (or their designee(s)) shall: (a) provide the **Candidate** with a written agreement conforming with or substantially similar to [Exhibit 6](#) (“**Sales Intermediary Agreement**”) incorporating the scope of work, performance standards, compensation, and payment terms consistent with the **Sponsor’s** business justification statement and **Application Package**; and (b) notify the **Candidate** in writing that: (i) representation of **UTC** is contingent upon receipt of all required **UTC** internal approvals and a fully executed **Sales Intermediary Agreement**; (ii) no payments will accrue or be paid in advance thereof; (iii) no payments or obligations will be made except as expressly provided by the executed **Sales Intermediary Agreement**; and (iv) **Candidate** must strictly adhere to the executed **Sales Intermediary Agreement** and this Policy and that **UTC** will take all appropriate legal action if it should be violated, including termination of the **Agreement**.
2. No **Sales Intermediary** shall commence representation of **UTC** or receive compensation unless and until: (a) all required due diligence and approvals required by this Policy have been completed and obtained; and (b) the **Operating Unit** and **Sales Intermediary** have fully executed a duly authorized **Sales Intermediary Agreement**.
3. **Sales Intermediaries** approved for renewal (see Section H) with **Sales Intermediary Agreements** that are due to expire shall be retained in accordance with this Section D.

### E. COMPENSATION

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<sup>5</sup> The risk of **Unfair Competitive Advantage** typically arises with the retention of current or former **U.S. Federal Government Employees** or U.S. state or local/municipal **Government Officials** whose work for others (including U.S. federal or state/local **Governments**) may provide access to proprietary or source selection information.

1. Compensation and Pricing Policy. The BU chief executive shall implement policies and/or procedures (“**Compensation and Pricing Policy**”) consistent with the requirements of this Policy governing all forms of compensation (**Direct Sale Transactions**, **U.S. Government Marketing**, and **U.S. Government Sales**) and product pricing (**Indirect Sale Transactions**) for **Sales Intermediaries**. The **Compensation and Pricing Policy** shall establish objective binding criteria that, when applied to a particular **Sales Intermediary** or transaction, or group of similarly-situated **Sales Intermediaries** or transactions, generate a predictable, empirical outcome. The **Compensation and Pricing Policy** shall not confer upon management (and management shall not exercise) discretion to deviate from the established criteria or outcome except insofar as the discretion exercised is to reduce applicable compensation or product pricing discounts. When implementing the **Compensation and Pricing Policy** and applying it to particular circumstances, the controlling factor should be the nature of the transaction (i.e., **Direct Sale Transaction**, **U.S. Government Marketing**, **U.S. Government Sales**, or **Indirect Sale Transaction**) to be undertaken, not the classification of the **Sales Intermediary** (i.e., **Distributor** or **NSR**), and the **Compensation and Pricing Policy** should provide detailed guidance for **Operating Units** that use **Sales Intermediaries** in multiple capacities (i.e., for **Direct Sale Transactions**, **U.S. Government Marketing**, **U.S. Government Sales**, and/or **Indirect Sale Transactions**).
2. General Guidance. Compensation and product pricing discounts should be structured so as to provide a reasonable, market-based return for value provided and business risk assumed, while substantially mitigating the risk of corruption. If a BU chooses to provide a retainer, or to reimburse expenses (“**Expenses**”) incurred by a **Sales Intermediary** in representing UTC, **Contingent Compensation** should be eliminated, or substantially reduced to reflect that the **Sales Intermediary** has not assumed the full risk of recovering its costs. Reimbursement of **Expenses** should be strictly limited to legitimate normal-course business outlays (and extraordinary-course outlays when a retainer is provided) actually incurred by the **Sales Intermediary** that are directly related to its representation of UTC and commensurate in nature and amount with expenses reimbursed to similar-situated UTC employees. Excepting promotional and training materials, product samples, warranty claims and the like, **Operating Units** should refrain from reimbursing **Expenses** for **Sales Intermediaries** that in large part engage in **Indirect Sale Transactions**. Any incentive compensation based on a **Sales Intermediary’s** performance over an extended time period or a series of transactions (e.g., aggregate unit or sales volume) should be based on established objective binding criteria and be strictly controlled and limited to avoid de-facto advances and co-employment liability. For **Indirect Sale Transactions**, incentive compensation in the form of a cash rebate (in lieu of volume pricing discounts for future product purchases) is strongly discouraged.
3. Direct Sale Transactions. For **Direct Sale Transactions**, the exclusive form of transaction-based compensation shall be **Contingent Compensation**, and the **Compensation and Pricing Policy** should establish objective binding criteria governing such **Contingent Compensation** that, when applied to a particular **Sales Intermediary** or **Direct Sale Transaction**, or group of similarly-situated **Sales Intermediaries** or **Direct Sale Transactions**, generate a predictable empirical outcome (expressed in a fixed/flat monetary amount or percentage rate). **Contingent Compensation** should be based on market commissions or the like for similarly-situated **Direct Sale Transactions** (not the **Indirect Sale Transaction Differential** for similarly-situated **Indirect Sale Transactions**), eliminated or substantially reduced if the **Sales Intermediary** receives a retainer or reimbursement of **Expenses**.
4. U.S. Government Marketing and Sales. Compensation for **U.S. Government Marketing** and **U.S. Government Sales** shall be exclusively in the form of a fixed price or a fixed daily or hourly billing rate for services performed or, when this method is impracticable or inappropriate, a reasonable monthly retainer. Advances, **Contingent Compensation**, incentive and success-based fee structures, and the like are prohibited.
5. Indirect Sale Transactions. For **Indirect Sale Transactions**, the exclusive form of transaction-based benefit conferred shall be the differential (“**Indirect Sale Transaction Differential**”) (if any) between the **Sales Intermediary’s** product acquisition price from UTC and its product re-sale price to the **Customer**, and the **Compensation and Pricing Policy** should establish objective binding criteria governing the price (including discounts) of products sold by UTC to the **Sales Intermediary** that, when applied to a particular **Sales Intermediary** or **Indirect Sale Transaction** or group of similarly-situated **Sales Intermediaries** or **Indirect Sale Transactions**, generate a predictable empirical outcome (expressed both in discount



percentage rate and price). BUs shall not pay **Contingent Compensation** or other monetary compensation in connection with an **Indirect Sale Transaction**.

## F. PAYMENT

1. **Sales Intermediaries** shall provide an itemized invoice that accurately describes in reasonable detail: (a) the actual services performed (even where the **Sales Intermediary** is provided a retainer or **Contingent Compensation**); (b) the **Direct Sales Transaction** or **Direct Sale Transactions** supported; (c) the individuals or **Entities** performing the services; (d) the period of performance; and (e) any **Expenses** incurred that are payable under the **Sales Intermediary Agreement**, supported by authentic receipts.
2. Payments shall be authorized only if the invoice meets the foregoing requirements and the invoiced activities and payments are: (a) expressly authorized by the **Compensation and Pricing Policy** and **Sales Intermediary Agreement** (and any duly authorized and fully executed transaction or project-specific agreements, purchase orders, or addendums); and (b) for **Contingent Compensation**, supported by sufficient documentation demonstrating that the **Operating Unit** has consummated the referenced **Direct Sale Transaction** or **Direct Sale Transactions** and collected all or part of the net sales price due for such **Transaction** or **Transactions**. Absent block exemption granted by **CVP GEC**, the amount of **Contingent Compensation** paid shall be strictly proportionate to the net sales price actually collected.<sup>6</sup>
3. Under no circumstance shall any payment be made that: (a) is not expressly authorized by a **Sales Intermediary Agreement**; (b) would constitute an advance on **Contingent Compensation** (e.g., in advance of actual receipt of the net sales price or in an amount greater than pro rata thereof); or (c) constitute or create the appearance of a **Corrupt Payment**.
4. All payments shall be: (a) approved and/or made by the **Corporate** Controller's Office/designee (for **Sales Intermediary Agreements** executed by **Corporate/UTIO**) or by the **Operating Unit** headquarters finance department (without power of delegation) (for **Sales Intermediary Agreements** executed by **BUs**); (b) made (absent exception approved by **CVP GEC**) exclusively by wire to a bank account registered in the name of the approved **Sales Intermediary** in the jurisdiction of **Sales Intermediary's** formation; and (c) promptly and accurately recorded in the **Operating Unit's Books and Records**.
5. For **U.S. Government Marketing** and **U.S. Government Sales**, the procuring **Operating Unit** shall review invoices and **Expenses** submitted for payment to determine the allowability and allocability of such costs under U.S. federal **Government** cost allowability rules. Fees and **Expenses** paid for **U.S. Government Marketing** and **U.S. Government Sales** shall not be charged, directly or indirectly, to the U.S. federal **Government** without the prior approval of the **Operating Unit's** government accounting staff or **UTC** Assistant Controller-Government Accounting

## G. MONITORING AND TRAINING

1. General. **Operating Units** shall conduct monitoring and training of all **Sales Intermediaries** sufficient to ensure strict compliance with the letter and spirit of this Policy. The nature and extent of monitoring and training shall reflect the **Sales Intermediary's Risk Ranking**, and the **Sponsor** shall be primarily responsible and accountable for ensuring that required monitoring and training is completed. As part of monitoring responsibilities, the **Sponsor** shall personally engage in one or more of the following (to the extent applicable) on a regular basis such that the **Sponsor's** certifications are made on the basis of first-hand knowledge: visits to the **Sales Intermediary's** place of business, inspection of its code of conduct

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<sup>6</sup> For example, if the **Compensation and Pricing Policy** authorizes a fixed/flat monetary amount of 2 per **Direct Sale Transaction** consummated, a **Direct Sale Transaction** is in fact consummated with a total net sales price of 100, and the **Operating Unit** has to date collected 50 thereof, the **Contingent Compensation** due and owing and payable is 1 (.5 \* 2). If, in applying the foregoing example, the **Compensation and Pricing Policy** instead authorizes a fixed percentage of the net sales price of 2% per **Direct Sale Transaction** consummated, the **Contingent Compensation** then payable is 1 (.02 \* 50).

and/or related policies, communications with and interviews of its management and staff, accompanying its staff on calls to **Third Parties** (for **NSRs**), visiting prospective and existing project or transaction sites, or speaking with **Third Parties** having interactions with the **Sales Intermediary**. [Exhibit 3](#) sets forth the minimum monitoring and training requirements for **Sales Intermediaries** and **Sponsors**.

2. **Project/Transaction Monitoring.** **Operating Units** shall implement policies and/or procedures consistent with the requirements of this Policy governing the use of **Sales Intermediaries** on individual projects or transactions to ensure appropriate utilization/transparent channel management and that such projects or transactions are accurately and completely reflected in the **Operating Unit's Books and Records**. Requests to introduce a **Sales Intermediary** after the initial stages of a project or transaction, to switch from one **Sales Intermediary** to another, or to change the project or transaction structure from a **Direct Sale Transaction** to an **Indirect Sale Transaction** (or vice versa) shall require compelling legitimate business need and elevated approvals (including, without limitation, **Operating Unit** legal counsel). In the event that compelling/legitimate business need is demonstrated and a change in transaction structure is approved (e.g., change from an **Indirect Sale Transaction** to a **Direct Sale Transaction** due to a bona fide **Customer-OEM** contractual privity requirement) the compensation or pricing for the new transaction structure shall strictly conform to the *existing* criteria set forth in the **Compensation and Pricing Policy** and shall not be subject to negotiation with the **Sales Intermediary**. Circumstances supporting the payment of a **Territory Fee** provision shall be fully documented in the **Operating Unit's Books and Records**, and **Territory Fee** provisions and the like shall not be used to provide de facto **Contingent Compensation**: in the event that an **Operating Unit** requests to use for a **Direct Sale Transaction** a **Sales Intermediary** authorized only for **Indirect Sale Transactions**, the **Operating Unit** shall first obtain all necessary **NSR** approvals pursuant to the requirements of this Policy and compensation for such projects or transactions shall strictly conform to the *existing* **Compensation and Pricing Policy**.

#### H. RENEWAL APPROVAL

Approvals for **Sales Intermediaries** shall be renewed at a maximum of 4-year intervals (2-years for **Sales Intermediaries** designated as Category 1 (see [Exhibit 3](#)) or furnishing **U.S. Government Marketing** or **U.S. Government Sales**). **Operating Unit** legal counsel may grant a one-time three month extension provided that the **Operating Unit** has documented its determination that business justification and performance warrants renewal, renewal approval is in process, and due diligence has not revealed any material adverse findings. Before initiating the renewal process for any existing **Sales Intermediary**, the requesting **Operating Unit** shall conduct a business justification and performance assessment and terminate pursuant to Section I the engagements of those **Sales Intermediaries** that are deemed no longer justified (e.g., market segment or **Customer** effectively covered by **UTC** employees; consistently dormant or underperforming). The nature and level of required due diligence and approvals for renewal for which the requesting **Operating Unit** determines business justification remains shall reflect the **Sales Intermediary's Risk Ranking** and the materiality of changes (if any) to the **Sales Intermediary**, proposed scope of work, or **Sales Intermediary Agreement**. [Exhibits 3](#) and [5](#) set forth minimum due diligence requirements and required approvals for renewal of existing **Sales Intermediaries**, respectively.

#### I. TERMINATION

If, at any time during the application process or the term of representation, the **BU Representative**/designee reasonably believes that a **Candidate** or **Sales Intermediary** has not fully cooperated or will not fully cooperate in due diligence or monitoring, or has not fully complied or will not fully comply with the **Sales Intermediary Agreement**, **UTC** policy, or applicable law, he or she shall notify in writing the **BU** general counsel/designee or **CVP GEC**/designee (for **Sales Intermediaries** approved or requiring approval by **Corporate**) who shall ensure that appropriate corrective actions are taken.<sup>7</sup> If any **Sales Intermediary** is terminated or not renewed for reasons related to compliance, the **BU** shall provide prompt notice to **CVP GEC**.

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<sup>7</sup> Although matters of non-cooperation and non-compliance must be assessed on a case-by-case basis, reasons warranting termination of a candidacy or **Sales Intermediary** include, without limitation, the **Candidate's** or **Sales Intermediary's**: (a) failure or refusal to complete or furnish documents or certifications required by this Policy, **BU** implementing policies, or the **Sales Intermediary Agreement**; (b) providing false or inaccurate information; (c) failure or refusal to

## J. BLOCK EXEMPTION

**CVP GEC** may grant block exemptions from the requirements of this Policy for groups of similarly-situated **Vendors** upon application by a **BU** demonstrating that such **Vendors** present negligible compliance risk and are otherwise subject to adequate controls. **CVP GEC** and **BU Representatives** shall maintain a list of approved block exemptions.

## K. ACQUISITION INTEGRATION

Upon acquisition of any company that has relationships or agreements with one or more **Third Parties** that in practice or in name meet the definition of **Sales Intermediary**, the acquiring **BU** shall obtain the names of and agreements with such **Third Parties**. As soon as reasonably practicable and, absent an extension from **CVP GEC**/designee or grant of a block exemption, the acquiring **BU** shall ensure that all such **Third Parties** receive ethics and compliance training no later than 6 months following the closing of the acquisition and are selected, screened, approved, retained, monitored, trained, compensated, and paid in accordance with the terms of this Policy no later than 12 months following the closing, or that such non-conforming agreements are terminated.

## L. REPORTING

**BUs** will report on an annual basis to the **UTC Risk and Compliance Council** (see [CPM 34: Global Ethics and Compliance Program](#)) the following: (a) basic **Sales Intermediary** data (e.g., number, type, location, **Operating Unit** affiliation, compensation, and overview of **Risk Ranking**); (b) overview of existing policies governing **Sales Intermediaries** (including **Compensation and Pricing Policy**) and any material amendments proposed; (c) monitoring and training program and plans (both on-line and in person); (d) utilization strategy for **Sales Intermediaries** (including plans to replace with internal sales employees); (e) material issues in management and administration of this Policy; (f) an overview of prospective **Sales Intermediaries** rejected as **Candidates** during the on-boarding phase and existing **Sales Intermediaries** terminated or not renewed for cause unrelated to performance; and (g) such other matters as the **Council** may request.

## M. TRANSITION REVIEW

Within six months of the date of any substantive revision to this Policy (or such other period approved by **CVP GEC**), each **BU** shall present to **CVP GEC** for approval a comprehensive plan to bring into full compliance with this Policy any existing **Vendors** that in practice or in name meet the definition of **Sales Intermediary** (and are not otherwise granted a block exemption) and any existing **Sales Intermediaries** that may not be fully compliant as of the date of the revision. The presentation shall include the **Risk Ranking** for such **Sales Intermediaries** and an expedited plan for Category 1, 2, and 3 **Sales Intermediaries**. In all other cases involving pre-existing **Sales Intermediaries**, **BUs** are responsible to assure compliance with all requirements of this Policy, including **Corporate** approval in cases where it was not required under previous revisions.

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cooperate with due diligence activities, including participating in required interviews or cooperating with an independent investigation company; (d) being a denied or restricted party on any **Government**-issued watch list; (e) irreconcilable conflict of interests with a **UTC** employee or any inappropriate, prohibited, or un-explained relationship with a competitor, **Customer**, **Government**, **Government Official**, or other decision-maker or influencer in any transaction in which the **Candidate** or **Sales Intermediary** will represent **UTC**; (f) being requested by a **Customer**, **Government**, or **Government Official** for a particular transaction or series of transaction; (g) objection to **UTC** disclosing **Sales Intermediary's** status as **UTC's** authorized representative to any **Customer**, **Government**, or **Government Official**; (h) allegations (including investigations) or record of corrupt or anti-competitive practices; (i) individual or corporate criminal conviction, bankruptcy, or insolvency; (j) reputation for dishonesty or unfair or unethical dealings; (k) becoming persona non-grata in any jurisdiction; (l) failure or refusal to execute a **Sales Intermediary Agreement**; (m) refusal to allow reasonable monitoring and audit activities, repeated failure to furnish required reports or attend required training or failure to fully cooperate with any internal or external investigation arising from allegations of potential wrongdoing involving the **Sales Intermediary**; or (n) breach of the **Sales Intermediary Agreement**.

**EXHIBIT 3: DUE DILIGENCE, MONITORING, AND TRAINING**

The following table sets forth the required due diligence, monitoring, and training requirements during the on-boarding, in-term, and renewal phases. Where an **Operating Unit** desires to engage the services of **Sales Intermediary** already retained by another **Operating Unit** of that **BU** or by another **BU**, on-boarding due diligence requirements 2, 6-9, and 16 (if required/applicable) will suffice in lieu of full on-boarding due diligence provided that: (1) the risk-ranking for the **Sales Intermediary's** new role is the same as that for its existing role; and (2) the reports on file pertaining to due diligence requirements 4, 13-15 (as required/applicable) are less than 2 years old. If the **Sales Intermediary** was previously approved by **Corporate**, the **BU Representative** shall notify **CVP GEC** of any proposed modification(s) before amending an existing or entering into a new **Sales Intermediary Agreement**, so as to allow additional review and approval if deemed necessary by the **CVP GEC**.

		RISK RANKING CATEGORY						
		1 <sup>8</sup>	2	3 <sup>9</sup>	4	5 <sup>10</sup>		
PHASE	RENEWAL	31	On-boarding Due Diligence 1-16	X				
		30	On-boarding Due Diligence 1-14 if <b>Material Change</b>	N/A	X			
		29	On-boarding Due Diligence 1-13	N/A	X			
		28	On-boarding Due Diligence 1-13 if <b>Material Change</b>	N/A	N/A	X		
		27	On-boarding Due Diligence 1-12	N/A	N/A	X		
		26	On-boarding Due Diligence 1-10	N/A	N/A	N/A	X	
		25	On-boarding Due Diligence 1-7	N/A	N/A	N/A	N/A	X
	IN-TERM	24	Annual on-site assurance review & in-person training	X				
		23	Monthly <b>Sales Intermediary</b> activity report	X				
		22	Plan on-site assurance review & in-person training	N/A	X			
		21	Annual watch-list / database / media screening	X	X			
		20	Annual internet search	[X]	[X]	X		
		19	Annual <b>Sales Intermediary</b> on-line training	X	X	X		
		18	Annual <b>Sales Intermediary</b> certification	X	X	X		
	ON-BOARDING	17	Annual <b>Sponsor</b> certification	X	X	X	X	X
		16	Disclosure Statement Brokering Defense Articles	X				
		15	ICP/Embassy Reference	X				
		14	Enhanced independent investigation company report	X	X			
		13	Standard independent investigation company report	[X]	X	X		
		12	<b>Candidate</b> interview	X	X	X		
		11	<b>Operating Unit</b> conflict of interest check	X	X	X		
		10	Internet search	X	X	X	X	
		9	<b>Operating Unit Rejected Vendor File</b> check	X	X	X	X	
		8	<b>Sponsor</b> business justification statement	X	X	X	X	
		7	<b>BU Representative</b> certification	X	X	X	X	X
6	<b>Sponsor</b> certification	X	X	X	X	X		
5	Former <b>UTC</b> employee check	X	X	X	X	X		
4	Business reference report	[X]	[X]	[X]	X	X		
3	MK denial search	X	X	X	X	X		
2	<b>Candidate</b> certification	X	X	X	X	X		
1	<b>Candidate</b> Questionnaire	X	X	X	X	X		

**Notes:**

- Candidate** completed/executed questionnaire detailing **Candidate's**: (a) basic corporate/personal information; (b) ownership; (c) **Affiliates**; (d) key personnel; (e) principals or key personnel formerly employed by **UTC**; (f) authorizations/good standing/solvency; (g) relationship with **UTC/Government/Government Officials/Customers**; (h) other relationships/affiliations (e.g., **UTC** competitors, trade associations); (i) ethics/compliance program and behavior; and (j) references;

<sup>8</sup> Category 1 is reserved for: (a) *new* Aero BU NSRs; and (b) *existing* Aero BU NSRs authorized to receive **Contingent Compensation** on sales of aircraft or aircraft engines, systems, or sub-systems (but excluding **Contingent Compensation** solely on sales of aircraft spare parts).

<sup>9</sup> Minimum due diligence, monitoring, training, and renewal requirement for **Sales Intermediaries** furnishing **U.S. Government Marketing** or **U.S. Government Sales**.

<sup>10</sup> Category 5 should generally be reserved for **Sales Intermediaries** that operate in countries with a CPI > 65, present negligible corruption risk and, when applying the factors set forth in Footnote 4, present the lowest relative compliance risk when compared with their **BU** peers.

2. **Candidate** completed/executed certification to accuracy of **Candidate** Questionnaire and formation/operating documents, understanding of [UTC Supplier Code of Conduct](#), applicable **UTC** policies and laws, ability/willingness to comply therewith, etc. *May be incorporated as part of **Candidate** Questionnaire;*
3. Search by **BU Representative**/designee(s) of MK Denial. *Confirm **Candidate**, known **Affiliates**, and its principals/key personnel are not denied or restricted parties on **Government-issued watch lists**;*
4. Dun Bradstreet, TRAC, or TRACE-check-equivalent report procured by **BU Representative**/designee(s). *Cross check for accuracy against **Candidate** Questionnaire and **Candidate** certification;*
5. Check by **BU Representative**/designee(s) on candidate principals or key personnel identified in **Candidate** Questionnaire or otherwise as former **UTC** employees. *Confirm no history in case management system or employment file of misconduct and/or violation of company policies during tenure with **UTC**;*
6. **Sponsor** completed/executed certification to review of [UTC Supplier Code of Conduct](#) and applicable **UTC** policies with **Candidate** (and for Category 4 and 5, delivery of **BU**-required ethics and compliance training), review of **Due Diligence File**, and not aware of facts or circumstances suggesting **Candidate** unable/unwilling to comply with [UTC Supplier Code of Conduct](#), **UTC** policies/applicable law;
7. **BU Representative**/designee(s) completed/executed certification to review of **Due Diligence File**, not aware of facts of circumstances suggesting **Candidate** unable/unwilling to comply with [UTC Supplier Code of Conduct](#), **UTC** policies/applicable law;
8. Justification written/executed by **Sponsor** for use of **Sales Intermediary/Candidate** and proposed compensation, including description of **Operating Unit**, internal sales resources, relevant market, selection process/criteria, scope of work/performance criteria, reasons supporting **Candidate**, applicable **Compensation and Pricing Policy**, structure of compensation (including estimated aggregate and per-transaction/lifetime caps, whether included in price of **UTC** product and how (e.g., for FMS/FMF programs funded by the U.S. **Government**, whether compensation is direct or indirect cost that are allowable under pertinent U.S. **Government** laws and regulations);
9. Check by **BU Representative**/designee(s) of **Operating Unit Rejected Vendor File**; *Confirm no prior rejection/termination of **Candidate**/its principals/key personnel/**Affiliates**;*
10. Google or equivalent search by **BU Representative**/designee(s) of **Candidate**, known **Affiliates**, and its principals/key personnel. *Confirm no materially adverse information about **Candidate**/principals;*
11. Check by **BU Representative**/designee(s) of **Operating Unit** payroll list and employee emergency contact list against **Candidate's** principals/key personnel; *Confirm that no **UTC** employee at retaining **Operating Unit** has ownership or financial interest (direct or indirect) in **Candidate**;*
12. Interview (either telephonically, in-person, or on-site) of **Candidate's** principals by **BU Representative**/designee(s) (by legal counsel (either in-person or on-site) for all Category 1, and legal counsel (either telephonically, in-person, or on-site) for all Category 2). *Confirm **Candidate's** credentials and qualifications and assess accuracy of **Candidate** Questionnaire, **Candidate** authorizations/operating documents, and **Candidate** certification;*
13. Investigation and report ("**Standard Independent Investigation Company Report**") by reputable independent investigation company (approved by **CVP GEC**/designee(s)) covering the following: (a) verification of credentials (basic corporate/personal information, ownership; **Affiliates**; key personnel, authorizations/good standing/solvency); (b) database/media searches (including **Government** issued watch-lists); and (c) assessment of qualifications/reputation through inquiries of **Customers**, industry peers, regulatory officials, other independent sources, and **Candidate's** staff. The **BU Representative**/designee(s) may rely on the evidence presented in a **Standard Independent Investigation Company Report** in lieu of items 3, 4, and 10;
14. Investigation and report ("**Enhanced Independent Investigation Company Report**") by reputable independent investigation company (approved by **CVP GEC**/designee(s)) covering the following: (a) verification of credentials (basic corporate/personal information, ownership; **Affiliates**; key personnel, authorizations/good standing/solvency); (b) database/media searches (including **Government** issued watch-lists); (c) assessment of qualifications/reputation through inquiries of **Customers**, industry peers, regulatory officials, other independent sources, and **Candidate's** staff; and (d) on-site inspection (and photographs) of **Candidate's** registered and operating addresses and on-site inquiries of **Candidate's** staff. The **BU Representative**/designee(s) may rely on the evidence presented in an **Enhanced Independent Investigation Company Report** in lieu of items 3, 4, and 10. The **BU Representative**/designee(s) may also rely on a **Standard Independent Investigation Company Report** in lieu of an **Enhanced Independent Investigation Company Report** provided that, **UTC** legal counsel conducts the on-site inspection and inquiries (in conjunction with item 12) described in (d);
15. International Company Profile and, unless included in the ICP report, a reference from the Commercial Counselor of the nearest U.S. Embassy. An **Enhanced Independent Investigation Company Report** including an ICP report or Embassy reference will suffice in lieu of this requirement;
16. If **Candidate's** proposed scope of work involves defense articles or services, an ITAR Brokering Questionnaire completed in accordance with **UTC** International Trade Compliance Requirements Manual. If ITAR Part 129 requirements apply to **Candidate**, evidence of **Candidate's** compliance with ITAR Part 129 as identified in **UTC** International Trade Compliance Requirements Manual;
17. **Sponsor** completed/executed certification to continued accuracy of **Candidate** Questionnaire and **Sales Intermediary Agreement** representations and warranties (i.e., no **Material Changes**) and **Sales Intermediary's** compliance with [UTC Supplier Code of Conduct](#), **UTC** policies, applicable law, and **Sales Intermediary Agreement**;
18. **Sales Intermediary's** completed/executed certification to continued accuracy of **Candidate** Questionnaire and **Sales Intermediary Agreement** representations and warranties (i.e., no **Material Change**) and compliance with [UTC Supplier Code of Conduct](#), **UTC** policies, applicable law, and **Sales Intermediary Agreement**;
19. **Sales Intermediary's** completion of required annual on-line training curriculum specified by **BU** based on **Risk-Ranking**;
20. Same as item 10, on annual basis;
21. Search of **Government-issued watch lists**, compliance databases, and media by approved independent investigation company of **Sales Intermediary**, known **Affiliates**, and its principals/key personnel. *Confirm no materially adverse information about **Sales Intermediary**/principals.* **BU Representative** may rely on 21 in lieu of annual Google or equivalent searches (Item 20) if media searches undertaken by investigation firm include general internet searches;
22. On-site assurance review (per **BU** plan) by **BU** compliance personnel of **Sales Intermediary**;
23. Written activity reports completed/executed by **Sales Intermediary** describing in detail the activities conducted by **Sales Intermediary** during the reporting period. The **Sales Intermediary** will certify in each activity report to the accuracy thereof and to continued accuracy of **Candidate** Questionnaire and **Sales Intermediary Agreement** representations and warranties (i.e., no **Material Changes**) and **Sales Intermediary's** compliance with [UTC Supplier Code of Conduct](#), **UTC** policies, applicable law, and **Sales Intermediary Agreement**. The **Sponsor** will certify that he/she has reviewed the written activity report, supports continued use of the **Sales Intermediary**, to the continued accuracy of **Candidate** Questionnaire and **Sales Intermediary Agreement** representations and warranties (i.e., no **Material Changes**) and **Sales Intermediary's** compliance with [UTC Supplier Code of Conduct](#), **UTC** policies, applicable law, and **Sales Intermediary Agreement** covenants, and is aware of no information to suggest that the activity report is inaccurate or that the **Sales Intermediary** has engaged in any conduct contrary to law, the [UTC Supplier Code of Conduct](#), or policy, including Section 48. The **Sponsor** shall retain for the term of representation and 3 years thereafter, copies of all reports received, and shall provide a copy of each such report and certification to the **BU Representative**, who will maintain a central **BU** file of such reports. The **Sales Intermediary** and **Sponsor** certifications furnished in connection with the **Sales Intermediary** monthly activity report are in lieu of requirements 17 and 18;
24. Annual on-site assurance review by **BU** legal counsel of **Sales Intermediary**.

**EXHIBIT 4: APPLICATION MEMORANDUM**

**DATE:** [ ]

**TO:** UTC Corporate Vice President, Controller  
UTC Corporate Vice President, Global Ethics and Compliance

**FROM:** [Sponsor]  
[Operating Unit Chief Executive]  
[BU Representative]

**RE:** ACTION — Proposed **Sales Intermediary Agreement** with [Candidate]

**Approval Requested**

- Summary  
[BU] requests your approval for [Candidate] to represent [BU] as a [Distributor/NSR] [describe nature of representation]. Approval is required pursuant to CPM 48E because [describe reason for required approval (e.g., new **Aero BU NSR**, **Aero BU NSR** authorized to receive **Contingent Compensation**, **Qualifying Contingent Compensation**, **Qualifying Retainer**, **Non-Standard Terms**, **Material Change**). If **Qualifying Contingent Compensation**, provide brief description of **Direct Sale Transaction(s)**, including gross and net contract price, and proposed compensation in USD and %].
- Proposed Agreement  
[BU] requests approval for [UTC contracting entity] to enter into a **Sales Intermediary Agreement** with [Candidate], having the following principal business terms and conditions:

Key Provisions	
Products/Services	[Identify products and services]
Sales Territory/TI Index and Customers	[Identify each country in the sales territory with its current TI corruption perception index, and any relevant description or limitation on <b>Customers</b> covered in the Agreement]
Compensation	[Summarize structure and amounts, to include per transaction and over the life of contract caps. If <b>Contingent Compensation</b> , indicate % of sale price and typical sales price or range. This description should indicate whether or not the <b>Contingent Compensation</b> is included in the price of the products and, if so, how (e.g., for FMS/FMF programs funded by the U.S. <b>Government</b> , whether the <b>Contingent Compensation</b> is direct or indirect costs that are allowable under pertinent U.S. <b>Government laws and regulations</b> )]
Maximum Compensation	[Reasonably estimate the maximum compensation that the <b>Candidate</b> may earn from a single transaction or set of related transactions during the term]
Term	[e.g. "x years from the date of execution of an approved <b>Sales Intermediary Agreement</b> "]
Non-Standard Terms	[Describe all <b>Non-Standard Terms</b> ]

- Approvals  
[Describe all **BU** approvals required/obtained]

**Business Justification**

- Requirement for Sales Intermediary  
[Explain in detail why it is necessary or advantageous to utilize a **Sales Intermediary** rather than or in addition to **UTC** employees in the sales territory, and how this relates to the specific qualifications required of any **Candidate**, as well as the statement of work, performance standards and reporting provisions in the proposed **Sales Intermediary Agreement**.]
- Identification and Selection of Candidate  
[Describe the degree of market research conducted to identify potential candidates. Identify all candidates considered, and indicate whether each was considered qualified to meet **UTC's** needs, and if not, why not.]

Provide detailed description of **Candidate**, including principals, ownership structure, full range of activities, employees, physical locations, revenues and similar business information, and how **Candidate** will provide the proposed services, including identification on key employees. Explain why the **Candidate** was selected on the basis of objective criteria including best ability to fulfill the identified performance requirements and cost. If basis for approval requirement is **Qualifying Contingent Compensation**, describe why and how **Candidate** can assist **UTC** in securing the relevant **Direct Sale Transaction** or series of related **Direct Sale Transactions**.]

**Reasonableness of Proposed Compensation**

[Provide overview of **BU Compensation and Pricing Policy**, proposed compensation (include all elements including **Contingent Compensation**, retainer, **Expenses**, any incentive compensation, and how proposed compensation is authorized by **Compensation and Pricing Policy**. Explain in detail why the proposed structure and level of compensation is reasonable in relation to specific value to be provided and business risk assumed by the **Candidate**, and minimizes the risk of corruption insofar as is possible.]

**Due Diligence**

[Describe all due diligence conducted]

**Sales Intermediary Agreement**

Except as disclosed above, Candidate has accepted a Sales Intermediary Agreement (“Agreement”) suitably tailored to the nature of the market and the products and services concerned, including all provisions prescribed in Exhibit 6 (as applicable) of the Corporate Policy Manual Section 48E: Sales Intermediaries. The BU Representative (or designee) has clearly informed the Candidate of UTC’s determination to have its Sales Intermediaries adhere to the requirements of Corporate Policy Manual Section 48: Anti-Corruption and Section 48E, the Sales Intermediary Agreement, and applicable law, and that UTC will take all appropriate legal action if any of them should be violated, including termination of the Sales Intermediary Agreement. The BU Representative (or designee) has also indicated that any agreement is contingent upon receipt of all required approvals and signature by all parties of the final Agreement; no payments will accrue to the Sales Intermediary or be paid under the Sales Intermediary Agreement in advance of all approvals and final signatures; and no payments will be made except as provided by the written Agreement. [Explain and justify in detail any **Non-Standard Terms** or other deviations from the foregoing]

**Monitoring and Training**

[Describe all monitoring to be undertaken by **BU** responsible parties (including the **Sponsor**) and required training to be provided to the **Candidate**.]

**CERTIFICATION**

By submitting this Application Memorandum, the Sponsor, Operating Unit chief executive, and BU Representative each hereby certify that he/she knows of no fact or circumstance suggesting that the proposed appointment would violate or contravene Sections 48 or 48E, or applicable law, and Sponsor acknowledges his/her primary responsibility and accountability for monitoring and training Candidate to ensure that Candidate strictly complies with the letter and spirit of UTC Policy Sections 48 and 48E.

**EXHIBIT 5: APPROVALS AND NOTIFICATIONS**

*BU*s shall comply with the more stringent of the following approval requirements for **Sales Intermediaries** satisfying more than one of the criteria in Tables 1 and/or 2

**Table 1: Sales Intermediaries Furnishing U.S. Government Marketing or U.S. Government Sales**

PHASE		CRITERIA AND APPROVAL			
		U.S. Government Marketing		U.S. Government Sales	
		U.S. State/Local Gov't	U.S. Federal Gov't	U.S. State/Local Gov't	U.S. Federal Gov't
On-Boarding	No Qualifying Fixed Compensation or Deemed Lobbyist	Operating unit legal counsel	BU general counsel designee	BU general counsel designee	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC</li> </ul>
	Qualifying Fixed Compensation	BU general counsel designee	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel designee</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC</li> </ul>
	Deemed Lobbyist	Approvals required by <a href="#">CPM 48D: Lobbyists</a>			
In-Term	Material Change	BU general counsel designee	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC</li> </ul>
Renewal	No Material Change	Operating unit legal counsel	Operating unit legal counsel	BU general counsel designee	<ul style="list-style-type: none"> <li>▪ BU general counsel designee</li> <li>▪ CVP GEC designee</li> </ul>
	Material Change	BU general counsel designee	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC designee</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ CVP GEC</li> </ul>

**Table 2: Other Criteria**

PHASE	CRITERIA	APPROVAL
On-Boarding	<ul style="list-style-type: none"> <li>▪ BU Qualifying Contingent Compensation</li> </ul>	<ul style="list-style-type: none"> <li>▪ BU general counsel</li> <li>▪ BU chief financial officer</li> <li>▪ BU chief executive</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Category 1; or</li> <li>▪ Non-Standard Terms; or</li> <li>▪ Corporate Qualifying Contingent Compensation; or</li> <li>▪ Qualifying Fixed Compensation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Above BU On-Boarding approvers</li> <li>▪ UTC Corporate Vice President, Controller</li> <li>▪ CVP GEC</li> </ul>
In-Term	<ul style="list-style-type: none"> <li>▪ Material Change; or</li> <li>▪ Corporate Qualifying Contingent Compensation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Above BU On-Boarding approvers</li> <li>▪ UTC Corporate Vice President, Controller</li> <li>▪ CVP GEC</li> </ul>
	Dual Use	CVP GEC designee (notification)
Renewal	No Material Change	<ul style="list-style-type: none"> <li>▪ BU general counsel designee</li> <li>▪ CVP GEC designee</li> </ul>
	Material Change	<ul style="list-style-type: none"> <li>▪ Above BU On-Boarding approvers</li> <li>▪ CVP GEC</li> </ul>

For the purposes of [Tables 1 & 2](#):

**BU Qualifying Contingent Compensation** means any proposed **Contingent Compensation** for a **Direct Sale Transaction**, or set of related **Direct Sale Transactions**, in excess of USD 500K.



**Deemed Lobbyist** means a **Sales Intermediary** that is deemed a **Lobbyist** under U.S. federal or U.S. state/local law by virtue of furnishing **U.S. Government Marketing** or **U.S. Government Sales**.

**Dual Use** means use of an existing **Sales Intermediary** previously approved by **Corporate** in a capacity other than that approved or previously disclosed to **Corporate**.

**Corporate Qualifying Contingent Compensation** means any proposed **Contingent Compensation** for a **Direct Sale Transaction**, or set of related **Direct Sale Transactions**, as follows:

**Table 3: Corporate Qualifying Contingent Compensation**

Sales Intermediary Status	CPI ≤ 50	CPI > 50
New Sales Intermediary	> USD500K	> USD 1.5M
Existing Sales Intermediary	> USD 1.5M	> USD 3M

For the purposes of Table 3:

- “**Existing Sales Intermediary**” means a **Sales Intermediary**: (1) with equal to or greater than two consecutive and continuous years-experience representing the **BU** requesting **Corporate** approval; or (2) previously approved by **Corporate** within the past two years to represent the **BU** requesting **Corporate** approval on an individual transaction that is related or substantially similar (e.g., common decision-makers, equipment or services, configuration or use, etc.) to the transaction for which approval is currently sought.
- “**New Sales Intermediary**” means a **Sales Intermediary** with less than two consecutive years’ experience representing the **BU** requesting **Corporate** approval and who has not been previously approved by **Corporate** within the past two years.
- “**CPI**” is the most recent corruption perception index published by **Transparency International** for the country where the transaction or set of related transactions will take place.

**Non-Standard Terms** means: (1) obligation to pay compensation for **Sales Intermediary**’s representation of **UTC** that occurs after the expiration of the **Sales Intermediary Agreement**; (2) compensation not authorized by or in excess of the existing **BU Compensation and Pricing Policy**; (3) payment of any compensation on any basis other than to bank account in sales territory registered in name of **Sales Intermediary**; (4) payment of **Contingent Compensation** on any basis other than pro-rata upon actual collection by **Operating Unit** of net sales price of product or service for which the **Contingent Compensation** is due; (5) proposed **Sales Intermediary Agreement** for **NSRs** with a term in excess of 4 years (or 2 years for **Category 1** (see [Exhibit 3](#)) or **Sales Intermediaries** furnishing **U.S. Government Marketing** or **U.S. Government Sales**); and (6) proposed **Sales Intermediary Agreement** with material discrepancy from required terms and conditions as set forth in [Exhibit 6](#).

**Qualifying Fixed Compensation** means fixed price or retainer in excess of USD15K/month or USD180K/year.

**EXHIBIT 6: SALES INTERMEDIARY AGREEMENT (“SIA”)**

Items 2-4 and 10-14 required for **Category 5**, items 2-5, 10-14 required for **Category 4**, and items 1-15 required for **Category 1-3 Sales Intermediaries** (see [Exhibit 3](#)). Item 15 required if applicable (e.g., **U.S. Government Marketing** or **U.S. Government Sales**).

	SECTION	GENERAL TOPIC	DETAIL
1	General Commercial	Statement of Work / Sales Territory	Statement of work and sales territory sufficiently detailed to provide measurable/auditable framework for effective monitoring and performance assessment
2		Compensation	<ul style="list-style-type: none"> <li>• <b>All:</b> aggregate maximums and by compensation type (monthly/annual/agreement maximums, as applicable)</li> <li>• <b>Contingent Compensation (NSRs):</b> applicable % rate(s) and per-transaction maximum(s)</li> <li>• <b>Expenses:</b> detailed description reimbursable/non-reimbursable</li> <li>• <b>Retainer:</b> monthly amount</li> <li>• <b>Incentive compensation:</b> detailed description targets/conditions and applicable rate/amount</li> </ul>
3		Payment	<ul style="list-style-type: none"> <li>• <b>All:</b> solely by wire (unless exception granted) to bank account in sales territory registered in <b>Sales Intermediary's</b> name</li> <li>• <b>Contingent Compensation (NSRs):</b> No obligation unless <b>UTC</b> consummates <b>Direct Sale Transaction</b> and payment limited to pro-rata upon actual collection by <b>Operating Unit</b> of net sales price of product or service for which the <b>Contingent Compensation</b> is due</li> <li>• <b>Expenses:</b> Arrears, upon presentation detailed itemized invoice</li> <li>• <b>Incentive compensation:</b> Arrears, upon satisfaction of express targets/conditions</li> </ul>
4	Covenants	Business Ethics / Compliance	<p><b>Sales Intermediary</b> unconditionally agrees to:</p> <ul style="list-style-type: none"> <li>• Comply at all times with: (a) applicable law, including laws prohibiting collusion, conflicts of interests, corruption, and unfair competition; and (b) the <b>UTC Supplier Code of Conduct</b>;</li> <li>• Refrain (directly or indirectly) at all times from offering, promising, attempting to provide, or providing:             <ul style="list-style-type: none"> <li>○ any <b>Corrupt Payment</b>; or</li> <li>○ any <b>UTC</b> employee, <b>Customer</b>, or <b>Government Official</b>, any ownership, financial, or other interest (e.g., governance position, employment, consulting, contracting) in <b>Sales Intermediary</b>;</li> </ul> </li> <li>• Refrain from becoming during the term of <b>SIA</b> a <b>Government Official</b> or an agent of any <b>Government Official</b>;</li> <li>• Promptly and accurately record in its <b>Books and Records</b> all transactions and <b>Expenses</b> related to its representation of <b>UTC</b>; and</li> <li>• Comply with all applicable registration and reporting requirements relating to its work for <b>UTC</b>.</li> </ul>
5		Training	<b>Sales Intermediary</b> agrees to complete all mandatory on-line training and attend all in-person training upon reasonable request of <b>UTC</b> .
6		Audit	<p><b>Sales Intermediary</b> agrees to provide upon reasonable notice <b>UTC</b> or an authorized representative of <b>UTC</b> with sufficient access to its operating sites, personnel, and <b>Books and Records</b> (inspection and reproduction) for <b>UTC</b> to assess and verify <b>Sales Intermediary's</b>:</p> <ul style="list-style-type: none"> <li>• accounting and business practices relating to <b>UTC</b> business and <b>UTC</b>-related transactions;</li> <li>• compliance with <b>SIA</b>, Section 48, and applicable laws</li> </ul>
7		Document Retention	<b>Sales Intermediary</b> shall retain and preserve all <b>Books and Records</b> within the scope of <b>UTC's</b> audit rights for the later of 3 years after final payment [or transaction in the case of <b>Distributors</b> ] under the <b>SIA</b> or a longer period required by law. In addition, if the <b>SIA</b> is completely or partially terminated for any reason, <b>Sales Intermediary</b> shall retain and preserve all <b>Books and Records</b> relating to the work terminated for 3 years after any resulting final termination settlement, and records relating to claims, disputes, or litigation or the settlement of claims arising under or relating to the <b>SIA</b> shall be made available until such appeals, litigation, or claims are finally resolved.
8		General Cooperation	<b>Sales Intermediary</b> agrees to provide and execute: [(a) monthly activity reports; - mandatory for <b>Aero BU NSRs</b> ] (b) annual certifications of compliance with <b>Sales Intermediary</b> Agreement; and (c) such other documents and instruments as required by law or for performance of <b>Sales Intermediary</b> Agreement.
9		Exclusivity	<b>Sales Intermediary</b> shall refrain from (directly or indirectly) promoting or selling in the sales territory any products or services which compete with the products or services offered by <b>UTC</b> [incorporate as applicable for <b>Distributors</b> and <b>NSRs</b> ]
10	Reps & Warranties		<p><b>Sales Intermediary</b> expressly acknowledges, represents, and warrants as of date of <b>SIA</b> and on continuing basis that, except as set forth in the <b>Disclosure Schedule</b> or as promptly notified to <b>UTC</b> in writing:</p> <ul style="list-style-type: none"> <li>• Questionnaire and certifications are incorporated as part of <b>SIA</b> and accurate in all respects;</li> <li>• Owners of record do not hold their interests in <b>Sales Intermediary</b> in trust or for the benefit of others;</li> <li>• Neither <b>Sales Intermediary</b> nor any of its officers or employees is a <b>Government Official</b> or agent of any <b>Government Official</b>;</li> <li>• No <b>UTC</b> employee, <b>Customer</b>, <b>Government</b>, or <b>Government Official</b> holds an ownership, financial, or other interest in <b>Sales Intermediary</b> or otherwise stands to personally benefit from <b>Sales Intermediary's</b> representation of <b>UTC</b>;</li> <li>• <b>SIA</b> and work performed does not and will not violate or contravene applicable law, including any restrictions (e.g., “revolving door”) on <b>Sales Intermediary's</b> employees arising from their former employment with any <b>Government</b>;</li> <li>• <b>Sales Intermediary</b> holds all permits, licenses, and authorizations and has made all registrations and reports</li> </ul>

			<p>necessary to conduct business and represent UTC;</p> <ul style="list-style-type: none"> <li>• Has read and understands <a href="#">UTC Supplier Code of Conduct</a>;</li> <li>• Compensation payable under SIA is solely for services rendered by Sales Intermediary to UTC and shall be used by Sales Intermediary solely for legitimate and lawful business purposes;</li> <li>• Sales Intermediary has not offered, promised, made or provided, or attempted to make or provide any <b>Corrupt Payment</b> or any UTC employee, <b>Customer</b>, or <b>Government Official</b> with any ownership, financial, or other interest (e.g., governance position, employment, consulting, contracting) in Sales Intermediary ;</li> <li>• UTC will rely upon the foregoing representations and warranties in filing reports and tax returns in the United States and other countries;</li> <li>• Sales Intermediary agrees to promptly notify UTC in writing if the Questionnaire, any certifications furnished to UTC, or any of the foregoing representations and warranties are no longer valid or accurate in any manner.</li> </ul>
11	Term		For NSRs, express finite term [maximum of 4 years; 2 years for NSRs in <b>Category 1</b> (see <a href="#">Exhibit 3</a> ) or furnishing <b>U.S. Government Marketing</b> or <b>U.S. Government Sales</b> ] with automatic expiration unless mutual written extension
12	Termination / Suspension		<ul style="list-style-type: none"> <li>• Termination for convenience upon reasonable advance notice not exceeding 90 days (or other minimum notice period required by applicable law);</li> <li>• Unilateral termination by UTC if: <ul style="list-style-type: none"> <li>○ Sales Intermediary or any of its directors, officers, or employees becomes for any reason persona non-grata in sales territory or to any <b>Government</b>, <b>Government Official</b>, or <b>Customer</b> or is accused of wrong-doing or is debarred or suspending by a <b>Government</b> or <b>Government Official</b>;</li> <li>○ Sales Intermediary has breached the SIA including, without limitation, Sales Intermediary's failure or refusal to cooperate with any UTC audit or investigation;</li> <li>○ UTC has reason to believe that Sales Intermediary's representations or warranties, the Questionnaire, or any certificate are no longer valid, or inaccurate without prompt written notice and correction by Sales Intermediary;</li> <li>○ UTC in its sole discretion determines that Sales Intermediary's conduct or SIA violates or contravenes US law or applicable law in the sale territory;</li> <li>○ Sales Intermediary becomes insolvent, bankrupt, or enters receivership;</li> <li>○ Ownership of Sales Intermediary changes in manner which UTC reasonably determines has either (a) material adverse effect on SIA; or (b) creates a conflict of interest for the Sales Intermediary or any UTC employee;</li> </ul> </li> <li>• UTC may suspend and terminate payment of compensation due and owing in event of termination due to Sales Intermediary's breach of covenants, representations, or warranties and right to recover compensation already paid if covenants, representations, or warranties breached related to such compensation;</li> <li>• UTC may offset against any compensation due and owing under SIA any costs and damages incurred by UTC related to any investigation of Sales Intermediary's alleged violation of SIA or applicable law.</li> </ul>
13	Miscellaneous	Status / No Agency	Sales Intermediary is independent contractor. SIA does not create agent-principal relationship.
14		Assignment/ Sub-contracting	Sales Intermediary shall not assign SIA, or use any non-employee or other Entity to represent UTC, without prior written consent of UTC legal counsel, which consent UTC may withhold in its sole discretion.
15	Ancillary Agreements		All ancillary agreements incorporate terms of SIA, including individual project/transaction <b>Contingent Compensation</b> agreements and product purchase and sale agreements ( <b>Distributors</b> )

*Item 16 mandatory for Sales Intermediaries representing UTC in connection with U.S. federal Government contract or subcontract*

16	U.S. Federal Government Contracts		Compliance with laws and regulations applicable to U.S. federal <b>Government</b> contracts and <a href="#">CPM 4: Business Ethics and Conduct in Contracting with the United States Government</a> (including <a href="#">UTC Compliance Plan for Combating Trafficking in Persons</a> – see <a href="#">Exhibit 3</a> of <a href="#">CPM 4</a> ). UTC right of unilateral termination for cause for Vendor's failure to comply.
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