



SECTION 18:

Finance

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A. SUMMARY

The purpose of this policy is to ensure compliance with all applicable laws related to financial reporting, disclosure and controls and maintenance of the Carrier Finance Manual ("Finance Manual" or "FM") which documents Carrier's accounting and financial policies.

B. DEFINITIONS

All capitalized terms not defined in this policy are defined in [CPM 1: Governance & Definitions](#) including [Exhibit 1: Compliance Glossary](#)

Accounting Policy Committee (APC): Committee that is responsible for establishing and maintaining the accounting and financial policies of Carrier and communicating them through the Finance Manual.

C. POLICY

Accounting and financial policies are documented in the Finance Manual to ensure proper understanding by all Carrier employees of the accounting rules and to aid in the consistent application of those rules. Given its significance, the Finance Manual is updated periodically to ensure it reflects the latest accounting literature, legal and treasury guidance, and to ensure its relevance to the organization.

The purpose, governance, membership, and communication requirements of the APC is detailed in the APC Charter (FM Section 31), and briefly highlighted below:

A. Structure and Responsibilities of the APC

Coordinating with Financial Reporting to monitor accounting requirements or other guidance issued by applicable governing bodies (e.g., the Financial Accounting Standards Boards or FASB)

Establishing new, or modifying existing, accounting policies to address new requirements or guidance

Periodically reviewing and reaffirming all accounting policies

Coordinating with various Carrier functional departments or groups affected by accounting policies, such as: Financial Reporting & Consolidations (FinRpt), Internal Controls, Finance Transformation, FP&A, Treasury, Tax, Legal, Internal Audit, Regional or Reporting Unit Controllers.

B. Finance Manual Revision Process



Triggers for a policy's revision include: newly released standards by the FASB or other regulatory board; repeated questions for policy clarification raised by Reporting Units or other Carrier finance personnel; repeated requests to deviate from aspects of the Finance Manual; and significant organizational structure changes or operational changes driving different economic models.

In the absence of these triggers, any accounting policy unchanged for three years is required to be reviewed for possible updates. In order to properly facilitate this process, a complete log of all policies with their last review date is maintained and published.

Once a policy is identified for revision, either as a result of a trigger or to conform to the three-year rule, or if it is determined that a new policy is needed, the respective Section Owner is responsible for drafting the proposed edits.

The APC and the Carrier Vice President and Controller ("VP Controller") approve new policies and significant revisions to existing policies prior to issuance. Policy Owners should also consult with Legal, Internal Audit, and Regional/Reporting Units Controllers.

C. Communication Guidelines

Once a policy revision has been approved by both the APC and the VP Controller, the new Finance Manual policy is uploaded to the policy repository tool and the below are performed:

- a. The site is flagged to notify all end users of the new policy with a brief description of the change indicated, accordingly. Controllers are responsible for ensuring accounting policy changes are distributed throughout their respective organizations.
- b. The internal and external auditors are informed of significant policy changes on a quarterly basis.

Carrier guidelines require compliance begins within 30 days of policy publication, unless a deviation has been approved.



D. OWNERSHIP AND APPROVAL

<u>Financial Manual Section</u>	<u>Section Owner</u>
Section 1: Financial Statements	Sr. Dir. SEC Reporting
Section 2: Financial Closing Process	Sr. Dir. SEC Reporting
Section 3: Consolidations	Sr. Dir. SEC Reporting
Section 4: Cash	Sr. Dir. SEC Reporting
Section 5: Receivables	Sr. Dir. SEC Reporting
Section 6: Inventory	Exec. Dir. Corp Accounting
Section 8: Investments	Exec. Dir. Corp Accounting
Section 9: Fixed Assets	Exec. Dir. Corp Accounting
Section 10: Intangible Assets	Exec. Dir. Corp Accounting
Section 11: Liabilities	
11.01 - Accounts Payable and Accrued-Contingent Liabilities	Sr. Dir. SEC Reporting
11.02 - Unclaimed or Abandoned Property	Sr. Dir. SEC Reporting
11.04 - Accounting for Asset Retirement Obligations	Sr. Dir. SEC Reporting
11.07 - Long-term Incentive Plan Accruals	Sr. Dir. SEC Reporting
11.08 - Liability for Product Warranty - Service Replacement and Other Related Costs	Sr. Dir. SEC Reporting
11.09 - Deferred Income Tax Assets and Liabilities	Sr. Dir. SEC Reporting & Exec. Dir. Tax
11.10 - Income Taxes - Allocation of Accruals and Payments	Sr. Dir. SEC Reporting & Exec. Dir. Tax
11.11 - Pension - Postretirement and Post Employment Accruals - Including Severance Plans	Exec. Dir. Corp Accounting
11.12 - Liability for Guaranteeing the Indebtedness of Others - Including Indirect Guarantees -FIN45	Sr. Dir. SEC Reporting
11.13 - Government Grants	Sr. Dir. SEC Reporting
11.14 - Environmental Remediation Liabilities	Sr. Dir. SEC Reporting
11.15 Accounting for Offset Obligations	Sr. Dir. SEC Reporting
Section 12: Capital Accounts	Sr. Dir. SEC Reporting
Section 13: Revenue Accounting	Sr. Dir. SEC Reporting
Section 14: Operating Costs and Expenses	Exec. Dir. Corp Accounting
Section 15: Tax Provision	Exec. Dir. Corp Accounting & Exec. Dir. Tax
Section 16: Internal Controls	
16.00 - Internal Controls Manual	Dir. Controls and Compliance
16.01 - Internal Accounting Control Objectives	Dir. Controls and Compliance
16.02 - Information Systems Control Objectives	VP & CISO, DT
16.03 - Cash Disbursement Controls	Exec. Dir. Corp Accounting



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16.04 - Account Reconciliation and Analysis Standards	Sr. Dir. SEC Reporting
16.05 - Finance Working Group	Exec. Dir. Corp Accounting
Section 19: Other Accounting Matters	Exec. Dir. Corp Accounting
Section 22: Treasury	VP, Treasury
Section 23: Audit Matters	
23.02 - Administration of Work by Independent Public Accountants	Exec. Dir. Corp Accounting
23.03 - The Role of Internal Audit	VP, Internal Audit
23.04 - Embezzlement - Defalcation - Fraud - and Other Illegal Activities	VP, Internal Audit
23.06 - Audits of Vendors and Licensees	Exec. Dir. Corp Accounting
Section 24: Transactions with Employees	
24.01 - Payroll-related Human Resources Matters	Sr. Dir. Payroll
24.04 - Employees Membership Fees and Other Related Charges	Exec. Dir. Corp Accounting
Section 25: Tax Matters	Exec. Dir. Tax Rpt & Compl
Section 26: Risk Management	VP, Treasury
Section 28: Planning Processes	Dir. FP&A
Section 30: Financial Reports	Sr. Dir. SEC Reporting
Section 31: Accounting Policies Committee	Dir. Controls and Compliance

E. REFERENCES

The Carrier Financial Manual and its policies (including those listed above) can be accessed via [ePolicy](#).