



# **STANDARD WORK 7A:**

## **Conflicts of Interest**

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A. CONFLICTS OF INTEREST

B. SURVEY



**A. Conflicts of Interest**

1. Employees (including Executives, Directors, officers) of **Carrier** must act in the best interests of **Carrier** and must avoid the use of their position or influence within **Carrier** to engage in activities that could either create a perception of conflict of interest or a direct conflict with the interests of **Carrier**, including:

**a) Personal relationships that could inappropriately influence decisions or actions.**

(i) Under this broad Policy employees must avoid situations and conduct that might compromise their independence, impair their judgment, or exploit their position in **Carrier**.

(ii) Specifically, family, and romantic relationships within a supervisory chain (directly or indirectly) are prohibited, except when separated by at least three supervisory levels. Human Resources has authority to define, interpret, and apply this policy. This will include the power to find that a relationship is acceptable to **Carrier**. Exhibit 1 defines which Human Resources person will determine whether a conflict is acceptable to **Carrier**. In the exercise of authority under this subparagraph, Human Resources will consider local laws, community norms, and the needs of the business.

(iii) This Policy is intended to avoid the abuse of authority and position. Nothing in this Policy should be construed to limit or discourage active mentoring and associations that contribute to professional development that serves to benefit **Carrier**.

**b) Financial interests, directly or indirectly (including stock ownership) in any of Carrier's suppliers, customers, or competitors.**

(i) Specifically, employees should not have, either directly or indirectly through relatives or otherwise, a financial or stock ownership interest in **Carrier's** suppliers, customers or competitors of a size which has the potential of being at variance with the best interests of **Carrier**. Such financial interests should not be so large in amount or significance in relationship to total assets or savings of the individual as to influence their judgment or have the appearance of doing so. A conflict of interest usually results when a **Carrier** employee maintains (either directly or indirectly through family members or others) a financial or equity interest in a supplier, customer or competitor that comprises more than 5% of his/her net worth or represents more than 5% of the total amount of the supplier's, customer's, or competitor's equity.



- (ii) The scope of "financial interest" is very broad and can include the employment of relatives or friends by suppliers, customers or competitors of **Carrier**, and outside business arrangements of directors.
- c) **Service to another organization, whether as a director, officer, employee, or consultant, unless disclosed to Carrier and approved by Carrier as not detrimental to Carrier's interests.**
  - (i) No employee shall be employed by or render service to another company or organization as a director, officer, employee or a consultant except with the approval of the chief executive officer of **Carrier** or his/her designee, as set forth on Exhibit 1 hereof who shall be satisfied that (A) such affiliation is not detrimental to the interests of **Carrier**, directly or indirectly, (B) proprietary information of **Carrier** will be safeguarded, (C) undue outside influence will not be brought to bear upon the decisions or actions of the employee in the performance of his/her work for **Carrier** and (D) **Carrier** will not be unduly deprived of the full measure of his/her working time, attention to assigned duties and loyalty. Recognizing each employee's rights of free expression and association, neither notice nor approval is required for participation in a private club or in a recreational, cultural, educational, fraternal, political or religious organization. Although approval is not required for participation in a private club or in a recreational, cultural, educational, fraternal, political or religious organization, employees should remain sensitive to actual or potential conflicts that may arise from such participation and seek advice from their cognizant Ethics & Compliance Officer should potential conflicts arise. Except for efforts directly supporting **Carrier's** contributions program (see Corporate Policy Manual – Section 11 – Charitable and Philanthropic Contributions), efforts in support of such organizations must be accomplished without **Carrier's** resources.
  - (ii) A **Carrier** director's employment by or service to another company or organization as a director, officer, employee, consultant or otherwise must be disclosed to **Carrier's** Corporate Secretary in accordance with Board governance procedures, and otherwise whenever it could impair the director's ability to objectively reach determinations solely in the best interests of **Carrier** and its shareholders. These situations are subject to review and approval by **Carrier** in accordance with **Carrier's** corporate governance rules.
- d) **Acceptance of a gift, directly or indirectly, from those doing business with or seeking to do business with Carrier.**
  - (i) As a general rule, no employee shall seek or accept, directly or indirectly, any payments, entertainment, gifts, gratuities, thing of value or any other form of



compensation, benefit, or persuasion from suppliers, customers or others doing business with or seeking to do business with **Carrier**. Business gifts that are customary business courtesies and are reasonable in value and frequency may be accepted but should be infrequent and simple tokens of esteem. Stricter limitations apply to employees who have direct purchasing responsibilities, including employees in a purchasing function and others, if designated by the **Reporting Unit** such that the affected employees can be readily identified, including employees who are supplier quality assurance representatives, employees responsible for source selection, or employees authorized to make purchases directly from suppliers. Such employees may only accept (a) beverages, light snacks and business meals served during business meetings held at the facilities of subcontractors, vendors, or suppliers, (b) business meals when in travel status, (c) promotional or advertising items having truly nominal value, such as calendars or pads of paper, and (d) any other gift, entertainment or other gratuity if reported to and approved in writing by the cognizant Ethics & Compliance Officer or the **Carrier** Corporate Vice President, Global Ethics & Compliance.

- (ii) Directors of **Carrier** are subject to these restrictions while representing **Carrier** incident to their service on the Board of Directors.
- e) **Employees who have access to confidential information are not permitted to use or share that information for purposes of trading securities or for any other purpose except the conduct of Carrier business; this prohibition includes trading in Carrier's securities on the basis of "inside" information.**
  - (i) In addition, there may be situations where an employee, or third party providing services to **Carrier**, through his/her work with **Carrier**, receives confidential or inside information concerning **Carrier**, the publication of which would be likely to have a material effect upon the market price of a security of **Carrier**, or of another entity. This information may not be used or transmitted until such information is a matter of general public knowledge. See CPM 13 Investor Relations, Securities Reporting & Trading.
- f) **Receipt of any other improper personal benefits as a result of a position within Carrier.**
  - (i) Under certain circumstances, **Carrier** is required to disclose transactions in which "related parties" have an interest, including directors, executive officers, and their family members. These transactions include any business dealings or employment relationships -- other than providing normal employee benefits -- that could create potential conflicts of interest that directly or indirectly benefit the related party involved, as opposed to **Carrier** shareholders. **Carrier** shall



not enter into a transaction, arrangement, or relationship if they could create a perception of a conflict of interest unless approved in advance as described in Exhibit 1 and in **Carrier's** Corporate Governance Guidelines.

**g) Pledging, Hedging and Short Sales of Carrier Stock.**

- (i) Directors and executive officers of **Carrier** as defined by Section 16 of the Securities Exchange Act are prohibited from pledging or assigning an interest in **Carrier** stock, stock options or other equity interests as collateral for a loan. Such transactions are contrary to **Carrier's** expectation that directors and executive officers maintain sufficient unencumbered personal economic interests in **Carrier's** stock to ensure alignment with shareowner interests. Pledging of stock or of the rights to acquire stock undermines this objective.
- (ii) Note that a broader prohibition on hedging and short sales is contained in CPM 13. This applies more broadly to all **Carrier** employees.

**B. Survey**

1. **Carrier** periodically will survey its employees for actual or potential conflicts of interest.
2. The **Carrier** Corporate Secretary will survey members of the Board of Directors, as described in the Board's governance guidelines.
3. The following employees shall be surveyed by the **Carrier** Corporate Vice President, Global Ethics & Compliance:
  - a) All elected or appointed directors and officers of **Carrier** and its **Reporting Units**;
  - b) Each employee in M5/P5 or above, or equivalent salary grades/levels in **Reporting Units** not using this grade system;
  - c) Each employee below M5/P5 who, by reason of his or her duties or position, may negotiate, approve, recommend or influence the award of contracts, subcontracts, purchase orders, blanket purchase orders or individual orders under any of the above, for the purchase or sale of products or services; and
  - d) Each employee below M5/P5 who, by reason of his or her duties or position, directly supports a purchasing function, such as vendor quality control, establishment of requirements or specifications for purchase or source evaluation, approval or selection.
  - e) Included among the employees covered under (c) or (d) above are marketing personnel, transportation managers, quality assurance representatives



resident at a vendor facility, employees responsible for procurement of supplies or services under blanket purchase orders, employees responsible for engagement of consultants or other professionals, employees authorized to make credit card purchases, and employees having significant duties and responsibilities for construction projects, scrap disposal, advertising, public relations, and information technology.

- f) These criteria are not intended to be exhaustive. It is left to the discretion of the **Reporting Unit's** Human Resources Department, with assistance from the Ethics & Compliance Officer, to identify employees whose duties and responsibilities could give rise to conflicts of interest.
  - g) Although the survey is intended to reach as many employees as possible, employees who may not be covered during the survey may become subject to these requirements during the year. Human Resources departments are responsible for assuring that new or updated statements, e.g., those necessitated by new hires and/or transfers, promotions, changes in responsibilities and the like, are obtained and reviewed as soon as practicable after the employee becomes subject to these requirements.
  - h) Executing the survey is a requirement of employment and continued employment.
4. The **Carrier** Corporate Secretary's Office will retain surveys completed by directors; actual or potential conflicts will be resolved in accordance with **Carrier's** governance standards and pertinent laws, regulations and stock exchange rules. All other surveys must be retained in accordance with pertinent **Carrier** record retention policies.
5. When a survey discloses any matter or raises a question, the facts and a recommended resolution will be reviewed and approved or disapproved in accordance with Exhibit 1, or, if applicable, according to the Board of Director's governance guidelines. The **Reporting Unit's** chief executive shall be consulted on matters involving senior management of the unit or other significant matters. A written response from the Ethics & Compliance Officer shall be addressed to the employee, indicating the disposition or resolution of any conflict situation that was disclosed. This determination may require the employee to divest, dissolve, or otherwise mitigate the actual or potential conflict, and can include job reassignment or termination of employment by **Carrier** if, in the company's reasonable determination, this will provide the most effective resolution of the conflict or apparent conflict.