

**United Technologies Corporation 2006 Corporate Responsibility Report**

## At the Intersection

### **How to Use This Report**

This printed report complements the United Technologies Corporation 2006 Annual Report and UTC's Corporate Responsibility Web site. The Annual Report describes our business and financial performance in detail; it can be viewed at [www.utc.com/investors](http://www.utc.com/investors). The electronic version of this report includes additional data, documents and case studies. To access this material, go to [www.utc.com/responsibility](http://www.utc.com/responsibility) and click on the links within the text. For reference, those links are represented here by words and phrases printed in **bold**.

Reporting on corporate responsibility performance is voluntary and relatively new. The Global Reporting Initiative (GRI), a non-governmental organization, is leading international development of consensus-based reporting standards ([www.globalreporting.org](http://www.globalreporting.org)). We have taken GRI's proposed guidelines into account in preparing this report, particularly in covering the same categories and performance measures over time. The structure of this report is outlined in the Table of Contents below.

### **Table of Contents**

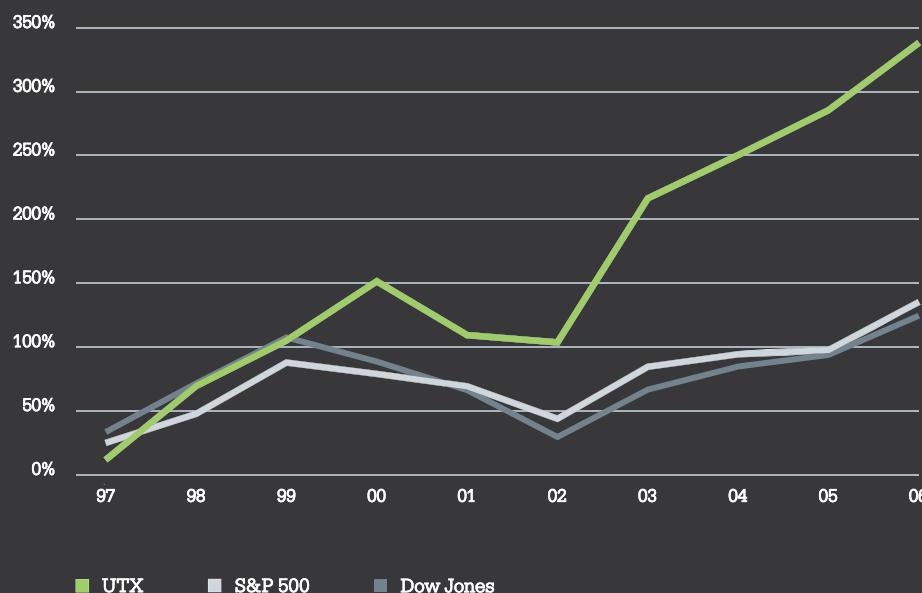
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## COMPANY OVERVIEW

United Technologies Corporation (UTC) is a diversified company whose products include Carrier heating, air conditioning and refrigeration; Hamilton Sundstrand aerospace systems and industrial products; Otis elevators and escalators; Pratt & Whitney aircraft engines; Sikorsky helicopters; UTC Fire & Security systems; and UTC Power fuel cells. UTC is a member of the Fortune 50 and the Dow Jones Industrial Average index, employs nearly 215,000 people worldwide, and had 2006 revenues of \$47.8 billion.

Carrier	Hamilton Sundstrand	Otis	Pratt & Whitney
<b>Employees</b> <b>41,257</b>	<b>Employees</b> <b>17,252</b>	<b>Employees</b> <b>61,103</b>	<b>Employees</b> <b>38,442</b>
<b>Revenues</b> <b>\$13.5 billion</b>	<b>Revenues</b> <b>\$5.0 billion</b>	<b>Revenues</b> <b>\$10.3 billion</b>	<b>Revenues</b> <b>\$11.1 billion</b>
<b>Operating Profit</b> <b>\$1.2 billion</b>	<b>Operating Profit</b> <b>\$832 million</b>	<b>Operating Profit</b> <b>\$1.9 billion</b>	<b>Operating Profit</b> <b>\$1.8 billion</b>
Heating, ventilation, air conditioning and refrigeration (HVACR) systems, components, controls and services for residential, commercial, industrial and transportation applications; food service equipment.	Electrical power generation and distribution systems; engine and flight controls; propulsion systems; environmental control systems; auxiliary power units; fire protection systems and LED lighting for aircraft, space vehicles and military ground vehicles; industrial products, including compressors, pumps and metering devices.	Design, manufacture, installation, service and upgrade of elevators, escalators and moving walkways for all buildings, including commercial, residential, multipurpose malls, educational institutions and urban transportation systems.	Turbofan engines for large commercial and military aircraft; turbofan and turboprop engines for regional, light jet, business, utility and military aircraft; turboshaft engines for military and commercial helicopters; gas turbine engines for industrial applications and auxiliary power units; maintenance, repair and overhaul services, including the sale of spare parts, as well as fleet management services; liquid space propulsion systems for military and commercial applications, including NASA's space shuttle and Vision for Space Exploration.

## TOTAL SHAREHOLDER RETURN 1997-2006



### Sikorsky

**Employees**  
**11,417**

**Revenues**  
**\$3.2 billion**

**Operating Profit**  
**\$173 million**

Military and commercial helicopters; fixed-wing reconnaissance aircraft; spare parts and maintenance, repair and overhaul services for helicopters and fixed-wing aircraft; civil helicopter operations.

### UTC Fire & Security

**Employees**  
**43,239**

**Revenues**  
**\$4.7 billion**

**Operating Profit**  
**\$301 million**

Electronic security and fire safety systems, software and services; design, integration, installation and servicing of access control, intruder alarm, video surveillance, and fire detection and suppression systems; monitoring, response and security personnel services.

### UTC Power

**Employees**  
**487**

UTC Power does not report financial information as a separate segment.

Fuel cell systems for on-site, transportation, space and defense applications, including the U.S. space shuttle program; combined cooling, heating and power systems for commercial and industrial applications.

UTC grows at the intersection of human progress and human concern.

How does one company travel both paths?  
With passion and precision.



Corporate responsibility means operational excellence at UTC, carried out by nearly 215,000 employees doing their jobs safely, ethically and profitably. We believe globalization, urbanization and climate change provide challenges to our world and opportunities to invest profitably and responsibly for our shareowners, employees and communities.

UTC's performance for shareholders has been exceptional. Total shareholder return was 14 percent in 2006, and cumulatively 338 percent over the last decade. We have achieved these results while conforming to high ethical and environmental standards and working to meet our obligations to employees for a safe and productive workplace and opportunities to improve themselves.

UTC closed out successfully in 2006 prior goals to improve Environment, Health & Safety performance and set new goals for 2007 through 2010. Over the prior decade, lost workday incidence and U.S. recordable incidence are down 80 and 78 percent, respectively. Over the same period, worldwide energy use measured in Btu's is down 19 percent on a company twice the size. Water use is down comparably 49 percent. Longer term, we have reduced hazardous waste and air emissions as reported to the U.S. Environmental Protection Agency by 89 and 98 percent since 1990, respectively.

Tragically, five employees lost their lives in 2006, and 41 were seriously injured. There is no higher priority than eliminating workplace fatalities and serious injuries, and we have fallen short of this standard. Our businesses by their nature have large and dispersed field workforces operating with exposures to hazards. We have made great progress in minimizing these exposures with equipment redesigns to fail-safe standards, protective clothing and methods and relentless employee training. We will not cease our efforts until workplaces free from hazards are truly achieved.

UTC's environmental goals through 2010 are aggressive and include for the first time a greenhouse gas metric. The latter (sometimes called carbon dioxide equivalents) arises from implementation of the new accounting standards and methodologies set jointly by the World Business Council for Sustainable Development and the World Resources Institute. Our goal is 3 percent annual reductions in carbon dioxide equivalents independent of organic growth, which compares favorably to our already significant reductions in energy use averaging 2 percent annually over the last decade.

We relaunched UTC's ethics and compliance program in 2006. Our Code of Ethics, first published in 1990, was reissued and re-emphasized. New and important program elements include ethics training and an ethics component in performance appraisals, both mandatory each year for all salaried employees worldwide, and significantly increased Business Practices staffing.

2006 marked the first decade of UTC's widely recognized Employee Scholar Program, with employees having earned more than 20,800 degrees. Current employee participation exceeds 8,500 domestically and 4,500 internationally. The program's success is due to its scope and benefits, which include not only UTC paid tuition and fees but also paid time away from work, freedom to choose courses and concentrations without limitation, and UTC common stock awards on degree attainment. These awards have totaled more than four million shares since program inception, currently valued at more than \$250 million.

This printed report is shorter than prior reports, with enhanced information appearing on our Web site, [www.utc.com/responsibility](http://www.utc.com/responsibility). Please visit this site to learn more and provide feedback on our performance.

**George David** Chairman and Chief Executive Officer

**Louis Chênevert** President and Chief Operating Officer

## OUR COMMITMENTS

Our Commitments define who we are and how we work. They focus our businesses and move us forward.

### PERFORMANCE

Our customers have a choice, and how we perform determines whether they choose us. We aim high, set ambitious goals and deliver results, and we use customer feedback to recalibrate when necessary. We move quickly and make timely, well-reasoned decisions because our future depends on them. We invest authority where it needs to be, in the hands of the people closest to the customer and the work.

### INNOVATION

We are a company of ideas that are nurtured by a commitment to research and development. The achievements of our founders inspire us to reach always for the next innovative and powerful and marketable idea. We seek and share ideas openly and encourage diversity of experience and opinion.

### OPPORTUNITY

Our employees' ideas and inspiration create opportunities constantly, and without limits. We improve continuously everything we do, as a company and as individuals. We support and pursue lifelong learning to expand our knowledge and capabilities and to engage with the world outside UTC. Confidence spurs us to take risks, to experiment, to cooperate with each other and, always, to learn from the consequences of our actions.

### RESPONSIBILITY

Successful businesses improve the human condition. We maintain the highest ethical, environmental and safety standards everywhere, and we encourage and celebrate our employees' active roles in their communities.

### RESULTS

We are a preferred investment because we meet aggressive targets whatever the economic environment. We communicate honestly and forthrightly to investors, and deliver consistently what we promise. We are a company of realists and optimists, and we project these values in everything we do.

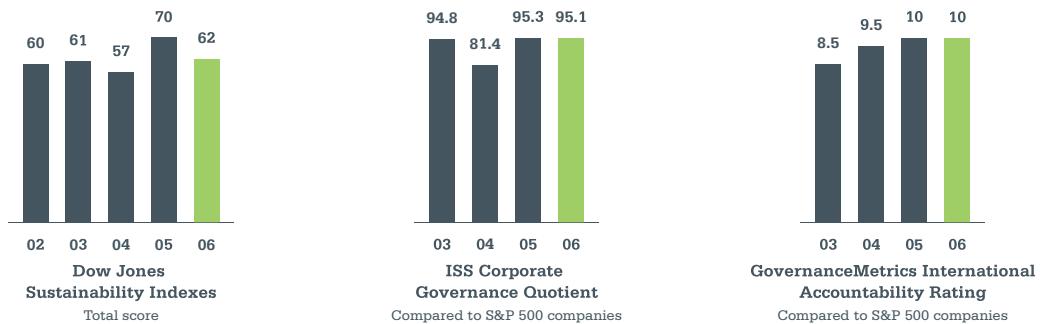
## KEY PERFORMANCE INDICATORS

From energy use to employee education, we measure performance in corporate responsibility using key performance indicators (KPIs). These help stakeholders understand our progress and compare UTC with other companies and industry benchmarks. More information on the topics and metrics presented here is provided later in this report and in its online companion [www.utc.com/responsibility](http://www.utc.com/responsibility).

### GOVERNANCE

In 2006, UTC maintained its ranking on the Dow Jones Sustainability Indexes and was named one of the "100 Most Sustainable Corporations in the World" at the World Economic Forum in Davos, Switzerland. We also received positive assessment from Institutional Shareholder

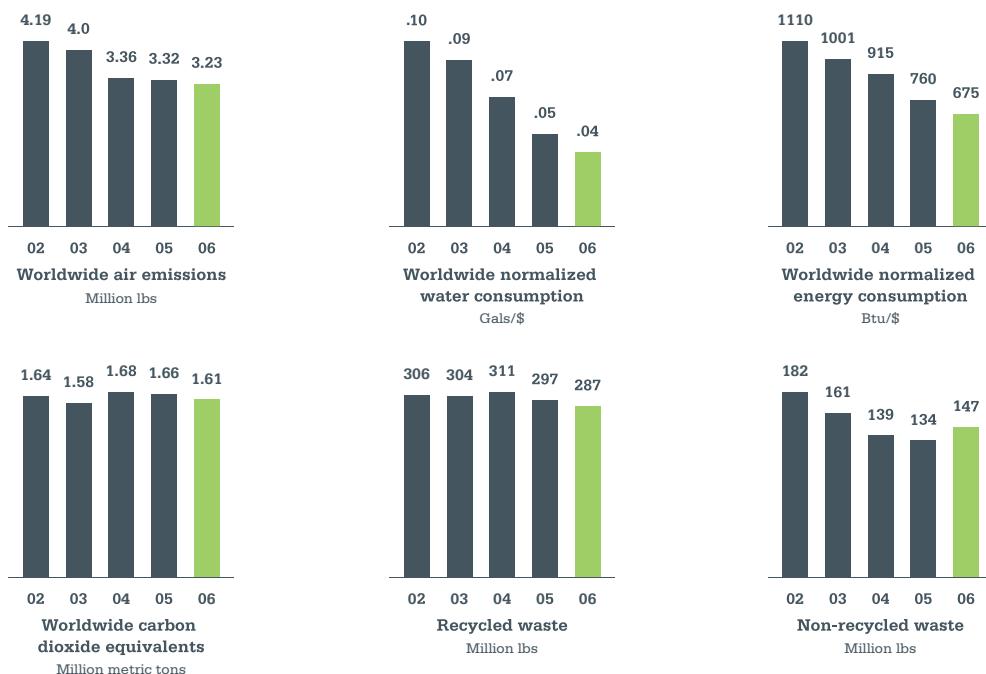
Services ranking of the S&P 500, AAA status from Innovest Strategic Value Advisors and were rated 10 out of 10 by GovernanceMetrics International. The company was named "Most Admired" aerospace and defense company in the U.S. by *Fortune* magazine for the sixth consecutive year.



### THE ENVIRONMENT

UTC set its first Environment, Health & Safety (EH&S) goals in 1991, and has publicly reported EH&S performance since 1992. Starting in 1997, we committed to aggressive 10-year goals to reduce impacts in water, energy, air emissions and waste. We have made substantial progress on all of these indicators, and have set new goals for

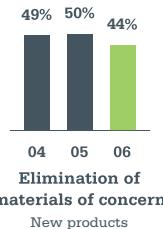
improved performance yet again by 2010. For the first time we will target greenhouse gas emissions, as measured in carbon dioxide equivalents (CO<sub>2</sub>e). For ease of reference, we have restated our energy use for the last five years in CO<sub>2</sub>e, and will be reporting against this metric in the future.



## OUR PRODUCTS

In 2001, we started to eliminate **materials of concern** (toxic and hazardous materials) in all new product designs. We targeted 100 percent reduction, and have achieved 44 percent elimination in new designs to date.

For the first time, we have targeted all new products for improved environmental performance. Our goal is for all new products to increase energy efficiency and reduce packaging by 2.5 percent annually. We will report our progress in future reports.



## OUR CUSTOMERS AND SUPPLIERS

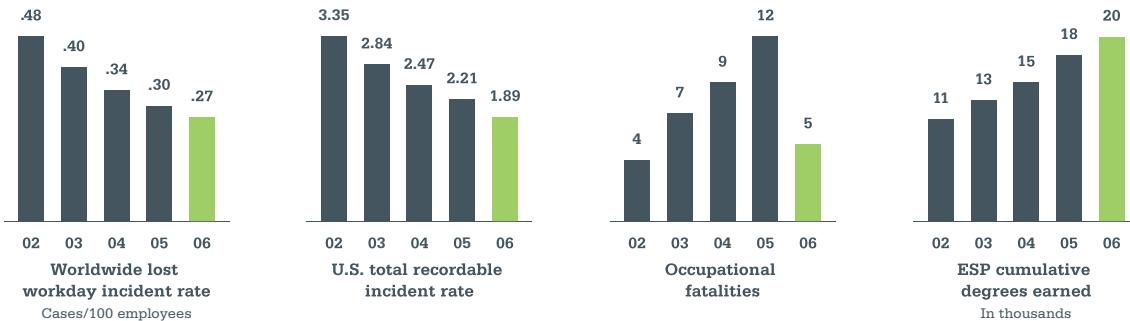
We will work with our key suppliers to meet a set of baseline EH&S expectations. We began supplier self-assessments with a pilot group in 2006 and expect

500 larger global suppliers to certify they have met our baseline EH&S standards by 2010. We will track suppliers participating and report this information in the future.

## OUR PEOPLE

UTC continued to work on its overall health and safety record. Our worldwide lost workday incident rate fell to 0.27 and the U.S. recordable incident rate fell to 1.89. While work-related fatalities declined to 5 compared to 12 in 2005, serious injuries increased from 30 to 41.

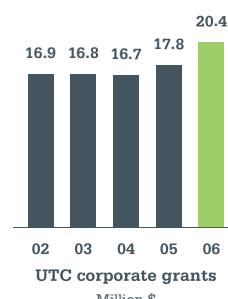
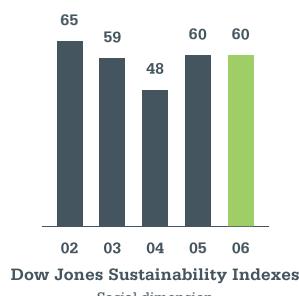
Open and free access to education is an important benefit for all UTC employees. In 2006, 13,282 UTC employees in 47 countries furthered their education with support from our unique Employee Scholar Program (ESP), which covers the costs of accredited degree programs and provides paid time off for study. We invested \$72 million in ESP in 2006 and more than \$600 million since the program's inception in 1996.



## OUR COMMUNITIES

We maintained our above average rating in the social dimension of the Dow Jones Sustainability Indexes, our independent measure of social responsibility. Charitable donations were more than \$20 million in 2006, an increase

of 14.6 percent over the prior year. UTC employees in the United States volunteered more than 47,000 hours in their communities during the year.



## PROGRESS ON 2006 OBJECTIVES

Our progress in achieving the four corporate responsibility objectives we set in 2005.

## 2006 CHALLENGES

Challenging issues and events that we addressed during the year.

### GOVERNANCE

#### **Objective 1: Reinvigorate compliance and ethics programs worldwide.**

During 2006, we updated our Code of Ethics, originally published in 1990. More than 160,000 copies of the updated Code were distributed; more than 4,000 employee meetings were held to discuss the Code; online training doubled; compliance risk assessments were conducted at 74 entities; ethics was embedded in performance appraisals for salaried employees and executives; and the staff of business practices officers was increased from 39 full-time-equivalent positions to 60 full-time-equivalent positions. The roll-out of the Code will be finished, worldwide, in early 2007.

### THE ENVIRONMENT

#### **Objective 2: Develop and test next-generation environment, health and safety goals.**

In 2006, we successfully completed our decade-long effort to significantly reduce energy, water, air emissions and waste from our internal processes. The year was spent preparing for the implementation of ambitious new goals for absolute reductions, which we begin in 2007 and plan to achieve by the end of 2010 (see page 14). In addition to these challenging new targets for our internal operations, we are introducing goals for our products and suppliers as well.

### OUR PEOPLE

#### **Objective 3: Launch integrated diversity and inclusion intranet site.**

We created a diversity and inclusion intranet site that highlights stories of innovation achieved by multicultural teams spanning different disciplines, levels, geographies, ages and genders. The site will be widely promoted within UTC in 2007.

### OUR COMMUNITIES

#### **Objective 4: Create unified corporate-wide community affairs program and develop metrics to assess.**

Community Affairs will now focus on three strategic areas for UTC: math and science education, the environment and the arts. Each UTC business will focus 50 percent of its philanthropic contributions on these strategic areas, with the balance supporting employee engagement and customer requests for donations. We created an internal Community Affairs survey to measure our effectiveness, and will implement this corporate-wide in 2007.

### GOVERNANCE

In 2006, we dismissed 289 employees and disciplined 234 others for compliance and ethics lapses. These totals are higher than in prior years due to increased employee awareness, accountability and the impact of bringing newly acquired companies into UTC. We also encouraged UTC employees to use our Ombudsman and DIALOG programs to communicate their concerns outside of traditional management channels.

We anticipate resolution in 2007 to a European Union investigation of the elevator industry in several EU countries. This investigation, which began in 2004 and focused on antitrust issues, was the principle catalyst for the renewed and broadened compliance and ethics program as described on page 14.

### THE ENVIRONMENT

In 2001, UTC targeted 100 percent elimination of materials of concern (toxic and hazardous materials) from new product designs. Although we have achieved a 44 percent reduction, we have been challenged to make further reductions, particularly in aerospace applications, because of either the lack of alternatives for high temperature applications or customer requirements.

### OUR PEOPLE

Increasing workplace safety continues to be a focus for the company. We set an aggressive goal in 1996 of 90 percent reduction in lost workday and U.S. recordable incident rates. While we fell short of this goal, we made significant progress at 80 and 78 percent, respectively.

We deeply regret the deaths of five UTC employees while at work in 2006. We also recorded 41 serious injuries in 2006, an increase over the prior year. These injuries and deaths occurred despite extensive training and physical safeguards, which we continually examine and strengthen. These incidents reflect the hazardous nature of some of our business activities, our dispersed field workforces and the challenge of permanently eliminating serious injuries from all our workplaces worldwide.

## 2007 OBJECTIVES

More information on UTC's Corporate Responsibility Objectives is available in the online version of this report.

### Objective 1

Reduce greenhouse gas emissions 3 percent annually and water consumption 2.5 percent annually through 2010.

### Objective 2

Increase overall favorable responses to the biennial employee survey by 3 percentage points.

### Objective 3

Invest \$100 million over the next four years in energy conservation projects, including co-generation systems.

### Objective 4

Work toward elimination of work-related fatalities and serious injuries.

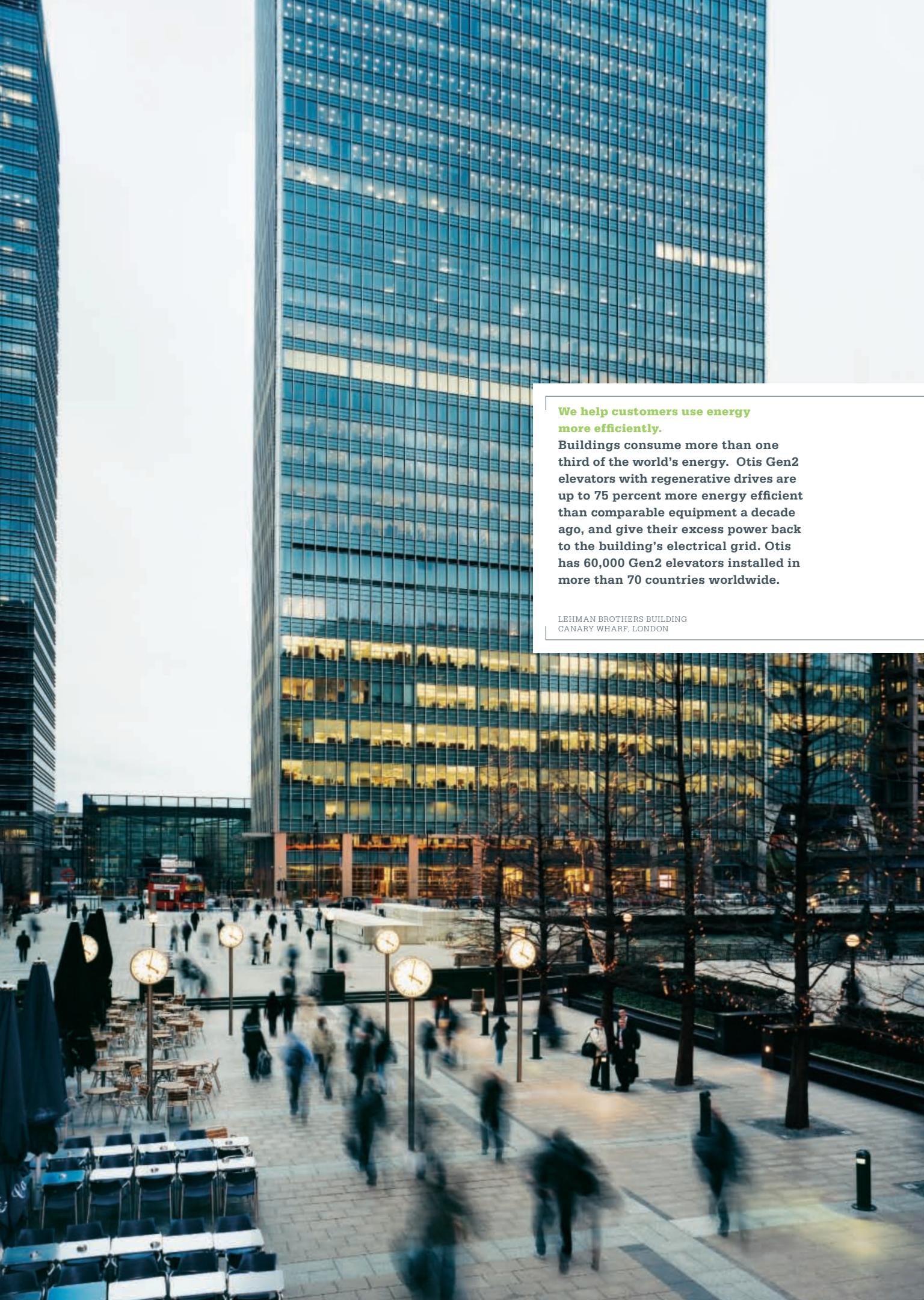
### Objective 5

Achieve 100 percent awareness of UTC Code of Ethics at executive, managerial and professional levels.

### Objective 6

Reduce lost workday incidents rate from .49 to .17, and recordable incidents rate from 1.42 to .64, both globally and by 2010.\*

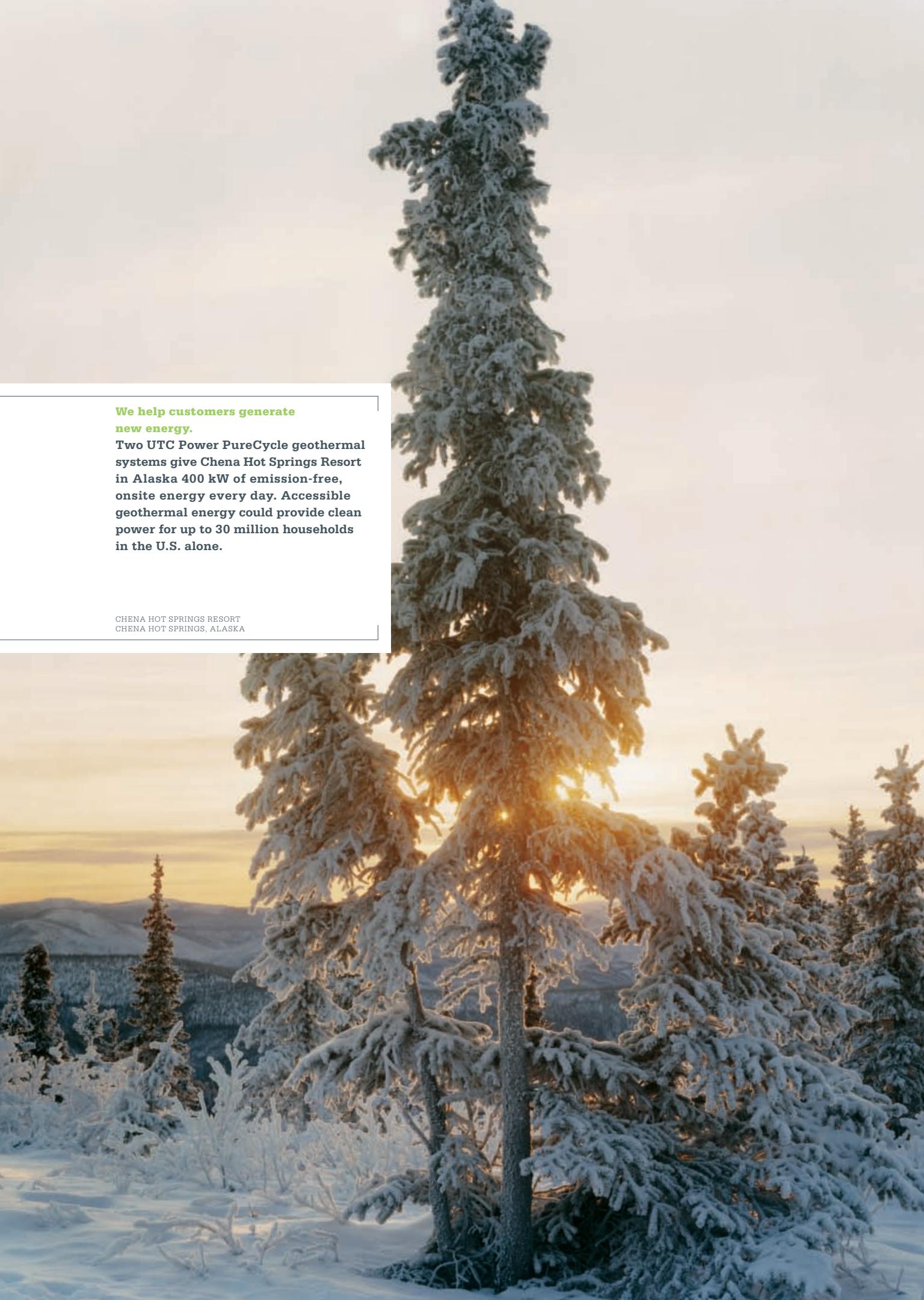
\*Note: This metric was re-baselined in 2006 to include the Chubb, Kidde and Rocketdyne acquisitions and to convert recordable incidents from U.S. to global.



**We help customers use energy  
more efficiently.**

Buildings consume more than one third of the world's energy. Otis Gen2 elevators with regenerative drives are up to 75 percent more energy efficient than comparable equipment a decade ago, and give their excess power back to the building's electrical grid. Otis has 60,000 Gen2 elevators installed in more than 70 countries worldwide.

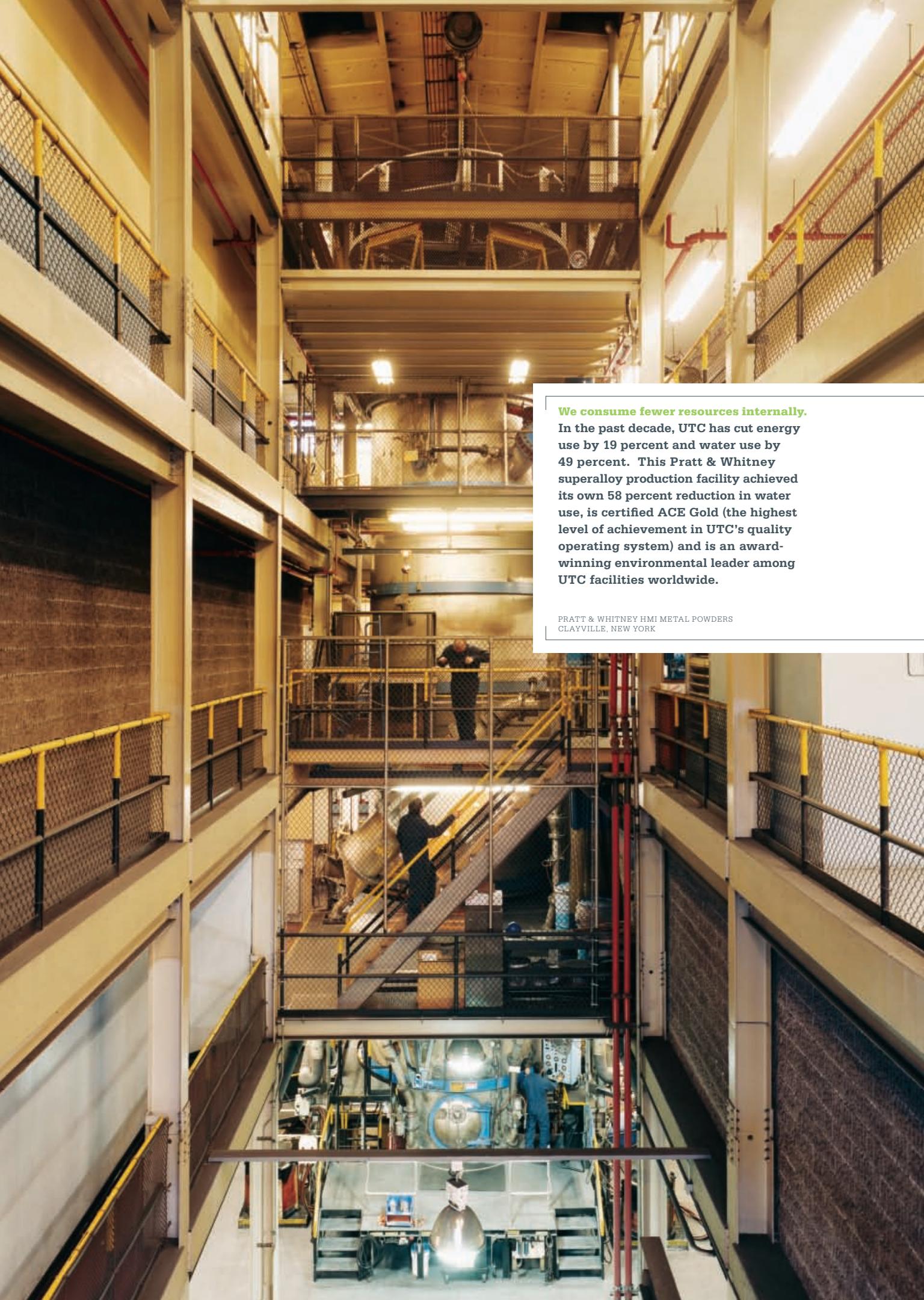
LEHMAN BROTHERS BUILDING  
CANARY WHARF, LONDON



We help customers generate  
new energy.

Two UTC Power PureCycle geothermal systems give Chena Hot Springs Resort in Alaska 400 kW of emission-free, onsite energy every day. Accessible geothermal energy could provide clean power for up to 30 million households in the U.S. alone.

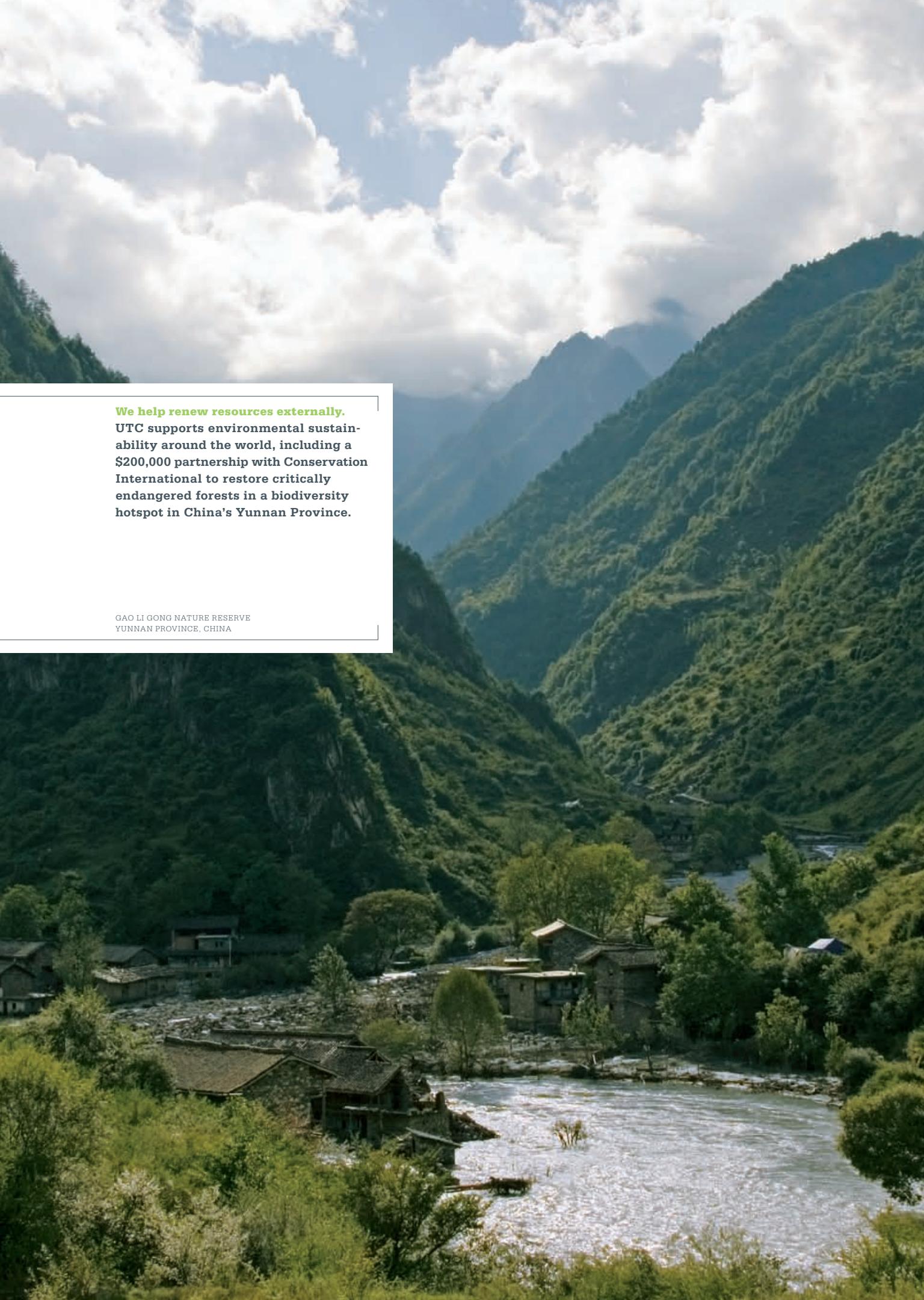
CHENA HOT SPRINGS RESORT  
CHENA HOT SPRINGS, ALASKA



**We consume fewer resources internally.**

In the past decade, UTC has cut energy use by 19 percent and water use by 49 percent. This Pratt & Whitney superalloy production facility achieved its own 58 percent reduction in water use, is certified ACE Gold (the highest level of achievement in UTC's quality operating system) and is an award-winning environmental leader among UTC facilities worldwide.

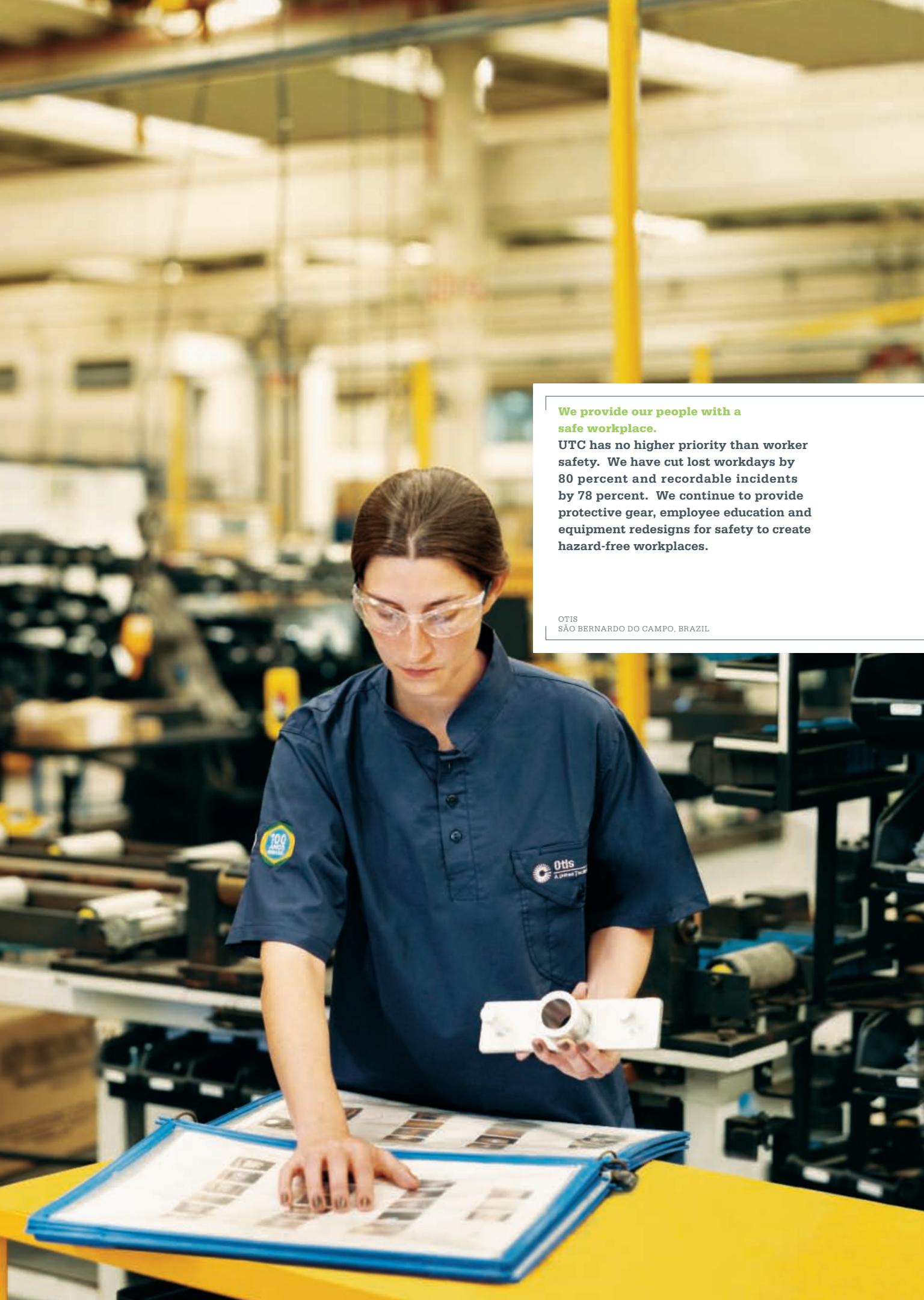
PRATT & WHITNEY HMI METAL POWDERS  
CLAYVILLE, NEW YORK



**We help renew resources externally.**

UTC supports environmental sustainability around the world, including a \$200,000 partnership with Conservation International to restore critically endangered forests in a biodiversity hotspot in China's Yunnan Province.

GAO LI GONG NATURE RESERVE  
YUNNAN PROVINCE, CHINA



**We provide our people with a safe workplace.**

UTC has no higher priority than worker safety. We have cut lost workdays by 80 percent and recordable incidents by 78 percent. We continue to provide protective gear, employee education and equipment redesigns for safety to create hazard-free workplaces.

OTIS  
SÃO BERNARDO DO CAMPO, BRAZIL

**We provide our people with free access to education.**

Claudia Lunkes, a process engineer in Brazil, was one of more than 13,000 employees enrolled in undergraduate and graduate degree programs paid for by UTC in 2006. She and other graduates will receive graduation awards when they finish their degrees. Our total investment in the program since its inception in 1996 is more than \$600 million.

PONTIFICIA UNIVERSIDADE CATOLICA  
SÃO PAULO, BRAZIL



## GOVERNANCE

### Fostering Ethical Decision Making

The aim of corporate governance at UTC is an **ethical culture** in which 100 percent compliance with laws and regulations is the standard. Our **Board of Directors** includes 12 independent directors out of 14; the Nominations and Governance, Audit, Compensation and Executive Development, and Public Issues Review committees are all composed of independent directors.

The Public Issues Review Committee reviews UTC's charitable contributions and community programs, political action committees, and responses to public issues such as equal employment opportunity, the environment, and safety in the workplace. The Committee also reviews UTC's annual Corporate Responsibility Report. A copy of the Committee's charter and list of members are available on UTC's Web site at <http://investors.utc.com/charters.cfm>.

We implemented explicit new **ethics leadership objectives** for the presidents of our business units, and linked them to the president's performance-based bonuses. These objectives call for increased awareness by employees, improvements in ethics scores in UTC's employee survey and systematic efforts to reduce compliance lapses. We also introduced an ethics competency for performance reviews of salaried employees worldwide, and updated our **Code of Ethics**.

Our governance activities are not just internal. Among the ways UTC contributes to public policy is through congressional testimony and **participation in industry organizations**. We also have a political action committee, funded entirely by voluntary employee donations, which contributes to political candidates aligned with UTC interests. For elections held during the 2005 through 2006 election cycle, UTC PAC contributed \$562,000 to candidates running for the U.S. House of Representatives and the U.S. Senate.

## THE ENVIRONMENT

### Further Reducing Our Impact on the Earth

The focus of UTC's programs is to reduce the negative environmental impacts of operations, particularly those that may affect **global climate change** and the ozone layer. UTC was a founding member of the Pew Center on Global Climate Change **Business Environmental Leadership Council (BELC)** and has been an **EPA Climate Leader** since 2003. In 2006, we joined the **Chicago Climate Exchange** as a Phase 1 and Phase 2 member.

In 2007, we embark on a new four-year program to reduce greenhouse gas emissions by 12 percent, **water consumption** by 10 percent and non-recyclable waste by 30 percent, all on an absolute basis as compared to 2006. A significant change is that the energy and water metrics will no longer be normalized for volume and instead will be tracked in absolute terms. Our new greenhouse gas reduction target, equivalent to taking more than 50,000 cars off the road, is aggressive, as our performance to date has averaged 2 percent reduction annually.

At UTC, we pursue environmental goals the same way we pursue financial and business goals: by continuously improving our processes at every level of the company. To achieve our aggressive greenhouse gas reduction goal, our businesses will undertake significant conservation projects and equipment upgrades based on **audits of energy use** and greenhouse gas emissions.

One of the most significant opportunities is to use co-generation technology, which uses waste heat to create power. We are adopting this technology to increase energy efficiency and eliminate waste at several large installations in the United States, and will report on our progress in the years ahead.

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The electronic version of this report includes additional data, documents and case studies. To access this material, go to the online report at [www.utc.com/responsibility](http://www.utc.com/responsibility) and click on the links within the text. For reference, those links are represented here by words and phrases printed in **bold**.

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## OUR PRODUCTS

### Designing for Quality, Reliability and the Environment

UTC products turn energy into useful work. Because of their reliability and longevity, the energy efficiency of our products becomes part of our customers' environmental footprint. This motivates us to design for the environment, creating products that consume fewer resources and produce fewer emissions during manufacture and in operation. We take this approach with everything from **fire extinguishers** to **air conditioners** to **jet engines**. We also offer a growing portfolio of products for clean power generation, including **hydrogen fuel cells** and low-temperature **geothermal plants**.

The United Technologies Research Center (UTRC), our stand-alone research facility, develops technology that helps UTC deliver high performance products that are also clean, green, quiet and safe. In 2006, 40 percent of UTRC's research and development funding went into projects that benefit the environment directly, via clean energy generation, or indirectly, by reducing energy consumption of UTC products in service.

UTC helps building owners and managers increase energy efficiency with solutions such as Otis' power-regenerating **elevator drives** and UTC Power PureComfort co-generation systems for cooling, heating and electricity.

In 2006, UTC and Lafarge, the world leader in building materials, co-founded the **Energy Efficiency in Buildings (EEB)** project, in partnership with the World Business Council for Sustainable Development, to create a roadmap to a world in which buildings consume zero net energy. We have also agreed to help China's Ministry of Construction support green building by collaborating in the areas of energy conservation and sustainable development. To lead the way, we broke ground on our own **green building**, an Otis facility in Tianjin, designed to meet the U.S. Green Building Council's LEED Gold rating.

## OUR CUSTOMERS AND SUPPLIERS

### Making a Difference in Our Business Relationships

UTC serves customers primarily in two global industries: aerospace and building systems. Our aerospace customers include governments, aircraft manufacturers and airlines. Government aerospace customers include both **military** and civil departments in dozens of countries; in the United States we provide products and services to all five branches of the military, NASA and the Department of Homeland Security. Our building systems customers include building owners and managers, building contractors, and property developers worldwide. In addition, we provide clean energy solutions to customers in the transportation industries, and armed response and protection services to customers whose business requires a high level of security.

UTC's supply chain includes more than 50,000 companies, with which we spent more than \$20 billion in 2006. Our sourcing decisions to date have been based on a supplier's ability to provide high-quality, best-value products. We are incorporating further expectations in the areas of environment, health and safety (EH&S)

and supplier diversity. During the year we set five minimum EH&S expectations for the commodities and suppliers that have the greatest EH&S risk. We developed an assessment tool for suppliers that was piloted in 2006 and will be introduced in 2007.

We expect our suppliers to continually improve their performance. UTC uses an operating system called Achieving Competitive Excellence (ACE). We offer formal and hands-on ACE training to key suppliers. We also sponsor **networking events for minority suppliers**, and help select suppliers **plan and design their production processes** to ensure environmentally sound operation along with high-quality output and competitive cost structures.

## OUR PEOPLE

### Offering Opportunities for Advancement to All Employees

Safeguarding our workers on the job is the top priority at UTC. We have reduced the global incident of lost workdays by 80 percent since 1990, and we continue to **redesign work processes** to increase safety. An engaged workforce has helped us win "Star" status for 15 U.S. facilities under **OSHA's Voluntary Protection Program (VPP)**. Nevertheless, our operations often place people in hazardous circumstances. While serious injuries rose in 2006 to 41 from 30 in 2005, on-job fatalities declined to five, including two at Otis, two at UTC Fire & Security and one at Carrier. We reviewed all these incidents to identify causes and prevent their reoccurrence.

Access to education is an important benefit offered to all UTC employees. UTC's Employee Scholar Program funds tuition, fees and the cost of books for any accredited degree program in which an employee chooses to enroll. Rewards for completing a degree include grants of UTC stock or comparable compensation.

In 2006, 13,282 employees were enrolled, including 4,000 hourly employees; more than 2,300 employees worldwide completed their degrees. Since 1996, our ESP investment including stock awards totals more than \$600 million.

We have conducted biennial, global **employee surveys** since 1999 to measure employees' opinions on management communication, job satisfaction and understanding of UTC priorities and to assess levels of employee engagement. In 2007, we will focus in particular on improving UTC scores in management communication.

In hiring, we seek a **diverse workforce** across race, gender, age and experience. We actively recruit to develop our pipeline of **next-generation managers** and support our workers through networking groups, mentoring and career counseling.

## OUR COMMUNITIES

### Focusing our Philanthropy on Global Priorities

We believe that successful businesses improve the human condition. We pursue this goal through our business processes and products and also in how we interact with local communities around the world. In 2006, we mapped our stakeholders, defined their priorities and consolidated our community outreach efforts. We will now focus our efforts on developing the next generation of engineers, researchers and finance professionals; keeping our environment clean and safe; and promoting excellence through the arts.

Our business units will pursue these goals in local communities around the world where they have employees, facilities and customers, while corporate headquarters takes responsibility for cross-business, national and international community relationships. This structure, combined with our focus on the priorities listed above, will generate better results for the company and the community.

To encourage appreciation of math, science and engineering, we invest our resources and employees volunteer their time in programs such as **FIRST Robotics**, a U.S. contest for high school students. Grants made by our **Sustainable Cities** program support Habitat for Humanity and Global Green USA in bringing green building practices to affordable housing. Through our relationship with the Habitat for Humanity and Operation Save-a-Life programs, we also provide heating and cooling equipment, smoke detectors and carbon monoxide alarms to low-income families. In 2006, we sponsored "Cities in Transition," a multicity photographic exploration of changing urban environments. Americans for the Arts recognized our long-term support of the arts by giving UTC its 2006 **Corporate Citizen for the Arts** award.

To support employee priorities, we run workplace campaigns for United Way and match charitable gifts made by U.S.-based employees.

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The electronic version of this report includes additional data, documents and case studies. To access this material, go to the online report at [www.utc.com/responsibility](http://www.utc.com/responsibility) and click on the links within the text. For reference, those links are represented here by words and phrases printed in **bold**.

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