

We are always thinking
responsibly.

United Technologies Corporation
2004 Corporate Responsibility Report



Our Commitments

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.

Pioneering Innovation

We are a company of ideas that are nurtured by a commitment to research and development. The achievements of our founders — Willis Carrier, Charles and Jeremiah Chubb, Tom Hamilton, Elisha Otis, Fred Rentschler (who founded Pratt & Whitney), Igor Sikorsky and David Sundstrand — 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.

Personal Development

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.

Social 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.

Shareowner Value

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.

Factors That May Affect Future Results

This publication includes "forward looking statements" concerning expected revenue, earnings, cash flow and other matters that are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those anticipated or implied in forward looking statements include the health of the global economy; strength of end-market demand in building construction and in both the commercial and defense segments of the aerospace industry; fluctuation in commodity prices, interest rates, foreign currency exchange rates, and the impact of weather conditions; and company-specific items including the availability and impact of acquisitions, the rate and ability to effectively integrate these acquired businesses, the ability to achieve cost reductions at planned levels, and the outcome of legal proceedings. For information identifying other important economic, political, regulatory, legal, technological, competitive and other uncertainties, see United Technologies Corporation's (UTC) SEC filings as submitted from time to time, including but not limited to, the information in the "Business" section of UTC's Annual Report on Form 10-K, the information included in UTC's 10-K and 10-Q Reports under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the information included in Current Reports on Form 8-K.

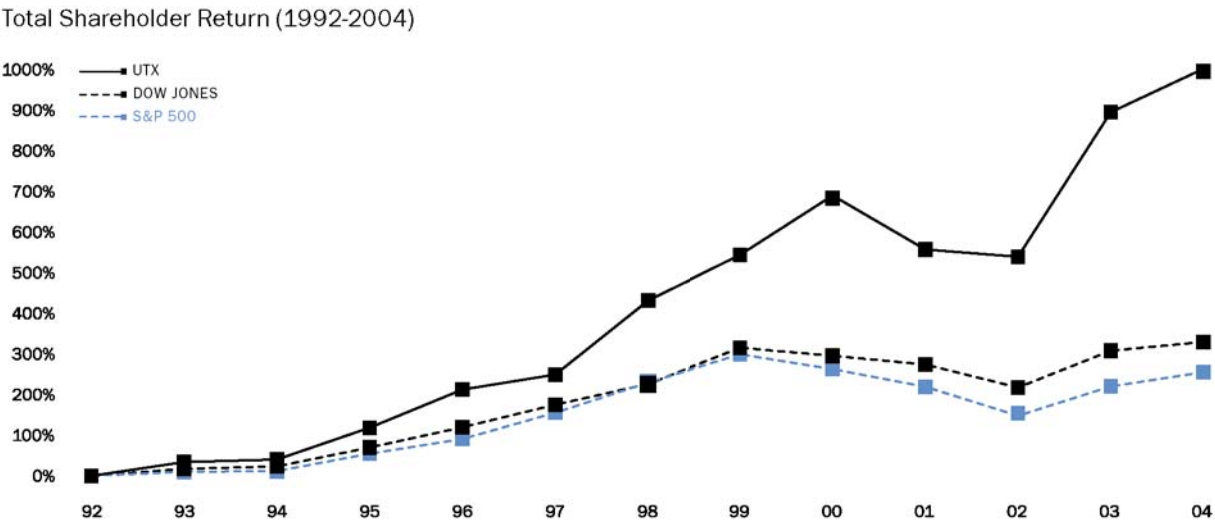
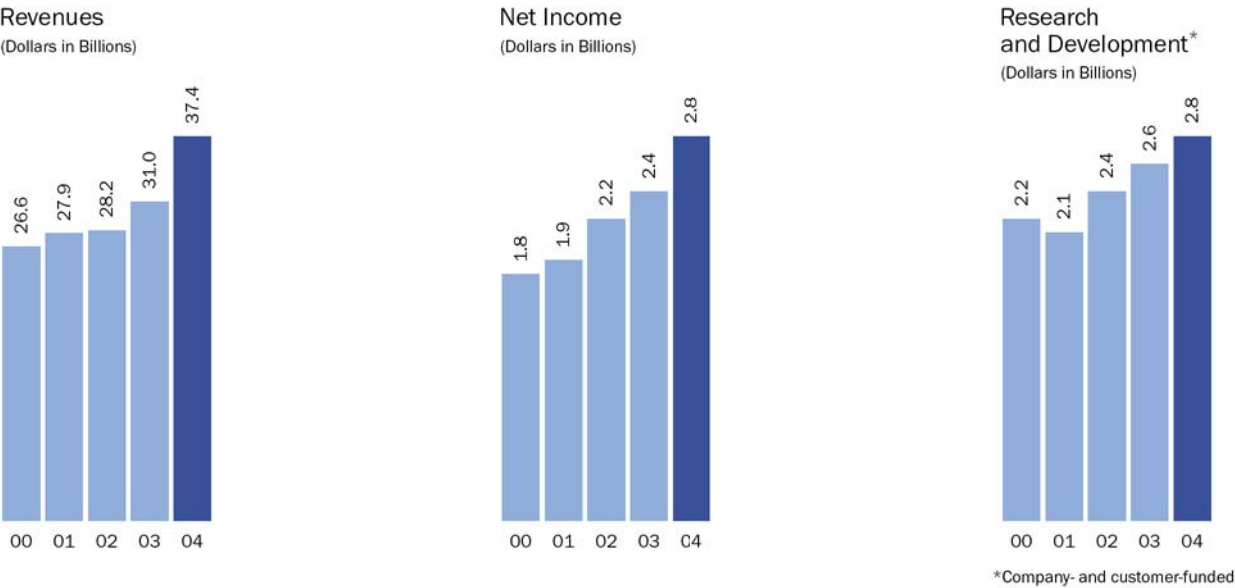
Corporate responsibility is more than a program at United Technologies Corporation (UTC). It is the way we do business.

Our Commitments define corporate responsibility at UTC, outline the areas that are material to our business, and set the standards for our performance. Each commitment is integral to our success, and together they create value for stakeholders.

This, our first unified report, shows how our work embodies these commitments. The report is organized around UTC's environmental, economic and social actions throughout the world. Looking at environmental, economic and social outcomes leads us to set aggressive goals and to measure our progress over time.

Business Overview

United Technologies Corporation (UTC) is a \$37.4 billion company whose products include Carrier heating and cooling (HVAC), Chubb fire safety and security systems, Hamilton Sundstrand aerospace systems and industrial products, Otis elevators and escalators, Pratt & Whitney aircraft engines, Sikorsky helicopters and UTC Power fuel cells. UTC employs over 200,000 people, operates in more than 180 countries and is the 51st largest U.S. corporation.





At UTC, we don't choose between responsibility and profitability. We pursue both with discipline and focus. We do this with great products and product innovations and a relentless focus on productivity and cost reductions while at the same time meeting high standards of corporate citizenship. Good companies can do both, and UTC does.

Corporate responsibility for us means reductions in hazardous waste generation and air emissions, the two important environmental impact categories reported to the EPA, of 89 and 93 percent, respectively, since 1990. It means reductions in energy and water usage normalized for volume of 40 and 53 percent, respectively, since 1997 when we began concentrating on these categories. It means more than 70,000 concerns and comments raised through our *DIALOG* and Ombudsman employee feedback systems since inception, more than \$2.5 billion invested annually in research and development, and \$462 million spent on employee college and university degrees in the last eight years. Corporate responsibility has led us to products like air conditioners with zero ozone impact, hydrogen fuel cells, and energy saving Gen2™ elevators.

Corporate responsibility means embracing the highest standards, implemented by employees everywhere. It demands a relentless focus on lessening negative impacts and increasing positive returns.

We have a strong record but there are challenges. In 2004 these included several ethics violations at Otis in Europe, increased fines for environmental violations, and an increase in fatalities in UTC's established companies after 10 years of steady improvements. We faced each incident directly and moved quickly to adopt preventive measures and change systems. We can and will do better.

Corporate responsibility includes profitability, which both provides the resources for investments and confirms the success of these. Many of the disciplines which enhance our performance apply equally to profitability and responsibility. UTC has solid records on both, with a cumulative total shareholder return of 975 percent over a dozen years in addition to the accomplishments reported here.

This is our first Corporate Responsibility Report. It places environmental and social impacts alongside financial results and is intended to be a transparent and informative look at a great company. We expect to report annually on our progress. Please visit www.utc.com to learn more.

A handwritten signature in dark ink, appearing to read "George David". The signature is fluid and cursive, written over a light background.

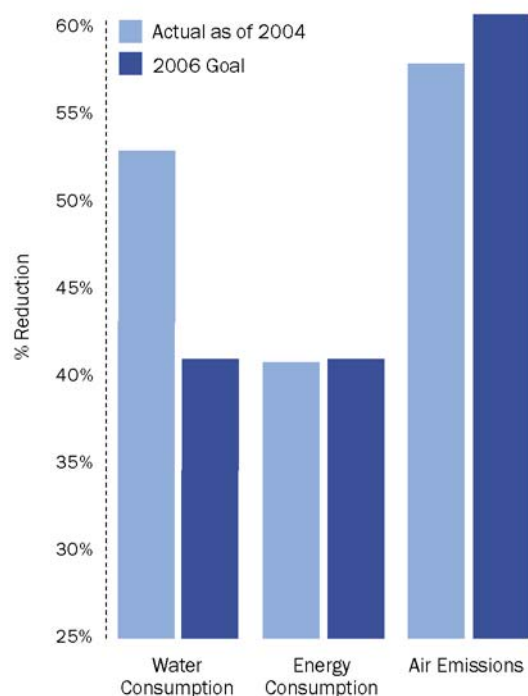
George David
Chairman and Chief Executive Officer

Corporate Responsibility Achievements

Corporate responsibility informs everything we do, from our commitment to the environment to maintaining the highest ethical standards and investing in employee education and development. These are some highlights; more specifics are available starting on page 22.

ENVIRONMENTAL

We are on track to meet — or have already exceeded — our 2006 goals for reducing water and energy consumption and air emissions, all normalized for revenue.



ECONOMIC

UTC has

267

Business Practices Officers who are accountable for implementing our Code of Ethics worldwide.

UTC employees hold

7 percent

of stock outstanding, our largest base of shareowners in 2004.

SOCIAL

\$462 million

has been invested in the Employee Scholar Program since its inception in 1996.

The value of responsibility.

At UTC, the principle of excellence includes the practice of responsibility. Always thinking responsibly means that, as our business thrives, our work also benefits employees, communities, customers and shareowners.

Environmental

At UTC, we work relentlessly to decrease the environmental effects of our business, inventing products that consume less energy, while improving our processes and using materials that minimize the impact we have on our planet.


We are reaching our goals. Our global energy use, normalized for revenue, has decreased 40 percent since 1997, already meeting our 2006 goal.

Over the same period, our normalized water use decreased 53 percent, already surpassing our 40 percent goal. Our normalized air emissions have dropped 58 percent since 1999 and will soon meet our 2006 goal of a 60 percent reduction. In 2006 we will review our progress and set our next series of environmental performance goals.

Our concern for the environment goes beyond our operations and includes public policy and community engagement. UTC is a founding member of both the U.S. Green Building Council (1993) and the Pew Center on Global Climate Change (1998) and continues to work with both groups to seek solutions to environmental problems. In 2003 the U.S. Environmental Protection Agency named UTC a Climate Leader for our commitment to long-term comprehensive strategies for reducing greenhouse gas emissions. We also encourage community engagement through Sustainable Cities, our national environmental grant and volunteer initiative.

The following pages illustrate our focus on the environment. To find detailed information about our policy and practices, see pages 22-25.

From San Diego to Shanghai, UTC applies consistently stringent environmental standards and extends its knowledge to help others. In 1994 Carrier pioneered the worldwide phase-out of CFCs, 16 years ahead of international laws for developing countries. More recently, our commitment to global environmental responsibility led Carrier and the State Environmental Protection Administration of China to establish the China Ozone Protection Awards. This program recognizes individuals and organizations promoting the use of non-ozone-depleting technologies in that country.



Higher environmental standards
aren't just for the developed world.

YANG JUN 19X Workshop Electrical Operator, Carrier
Shanghai, China

At UTC, environmental performance of our products is paramount. Our design for environment, health and safety activities address environmental responsibility in the early stages of the design process, at which point developers have the greatest flexibility to propose effective solutions. In one case, working together on the Joint Strike Fighter program, Hamilton Sundstrand and Pratt & Whitney employees have engineered a fivefold reduction in the use of hazardous materials on that project.

The discipline of blue-sky thinking.


SAMIR PATEL Manager, Green Technologies, Pratt & Whitney

GARY LOMASNEY Supervisor, Process Chemistry, Materials and Processes Engineering, Pratt & Whitney

ANGELINA CHEUNG Senior Engineer, Materials/Structures, Hamilton Sundstrand

BLAIR SMITH Manager, Materials/Structures, Hamilton Sundstrand
Windsor Locks, Connecticut, U.S.



A man with a mustache, wearing a white protective suit and a respirator mask, is working on a blue helicopter in a factory. He is holding a purple sanding disc. The background is a blurred industrial setting.

I make sure the helicopter is the only thing that's airborne.

MARTYN DOGGETT Senior Aircraft Painter, Sikorsky
Stratford, Connecticut, U.S.

In 2000 Sikorsky first applied a topcoat containing zero volatile organic compounds (VOCs) onto a Navy Seahawk helicopter. Without compromising product performance, the zero-VOC finish eliminates the use of traditional paint chemicals that harm air quality. Sikorsky is an industry leader in reducing VOCs in paint and other coatings. Since 1988 Sikorsky has eliminated more than 99 percent of its toxic air emissions.

We put the city bus on a different route.

DAVID BOUDREAU Project Manager for Fleet Vehicles, UTC Power
San Diego, California, U.S.

UTC Power is providing zero-emission hydrogen fuel cells for mass transit projects in California. Instead of diesel exhaust common to many city buses, the fuel cells in these buses combine hydrogen with oxygen from the atmosphere and release just one thing: H_2O . This is just the latest in a series of mass transit projects. We have fuel cell buses in operation in Washington, D.C., and in Turin, Italy. While buses and fleet vehicles are early adopters of fuel cell power, automobiles will be next. That's why UTC Power is partnering with major automobile manufacturers including Nissan, Hyundai and BMW, as well as the U.S. Department of Energy, to develop fuel cell technology for cars.



Economic

Corporations — good ones — make money. It's our work, it's what UTC shareowners expect, and we do it well.

But beyond profits, the economic value we create is multiplied several times in the form of capital investments, taxes, salaries, dividends and payments to suppliers.

Furthermore, dedication to ethical behavior, safe products and workplaces, a diverse work force and a significant investment in the future through research and development all provide economic benefits to society. Each of these has a cost — but also a return. These actions are sound, strategic investments in society that create a better place to live, a productive work environment and wealth to begin the cycle of economic benefit all over again.

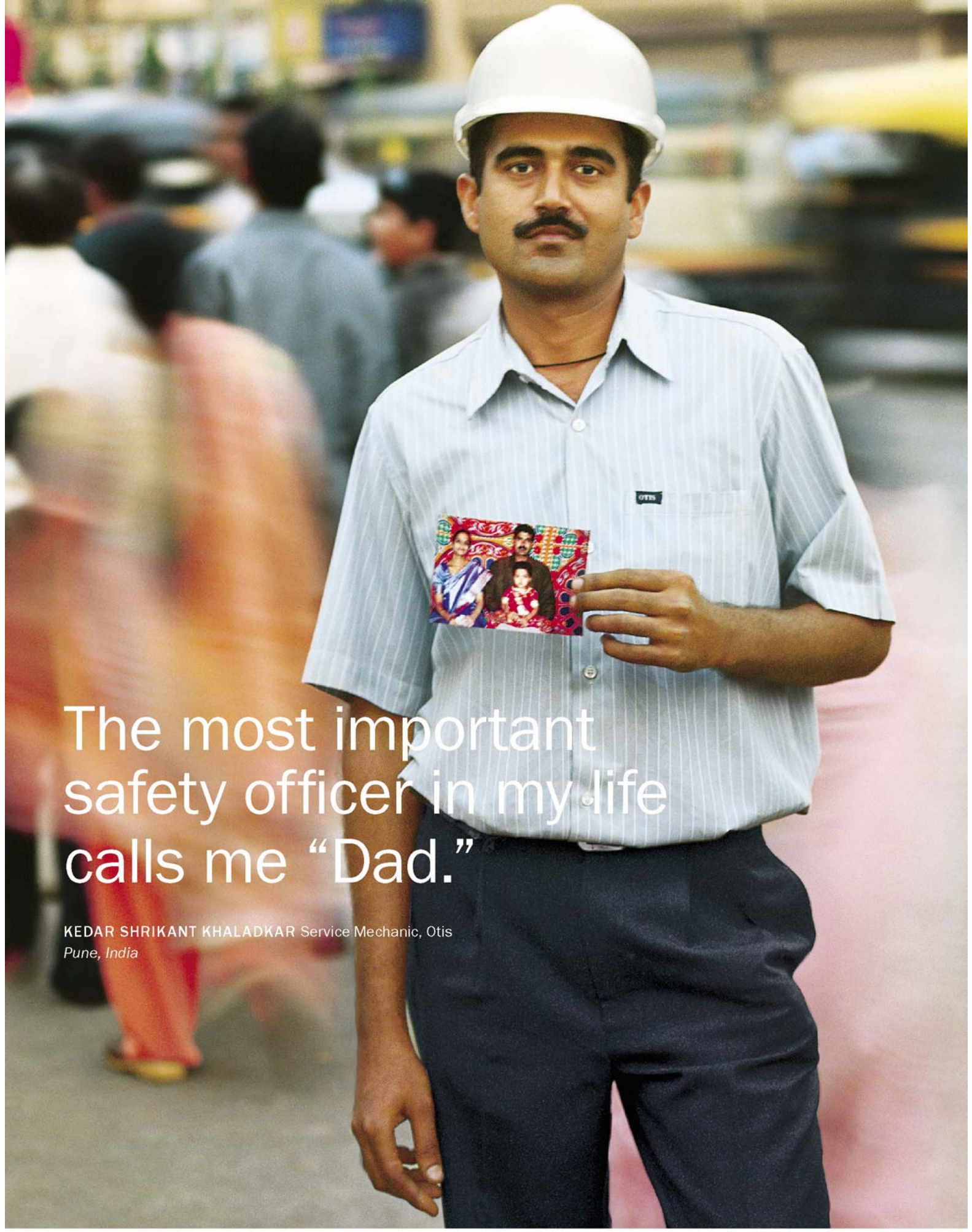
The following pages provide a snapshot of economic value for our stakeholders; more detail can be found on pages 26-30.

A woman with short dark hair, wearing a dark blue pinstriped suit over a white collared shirt, stands in a modern office hallway with her arms crossed. She is smiling slightly and looking towards the camera. The hallway has large windows on the left and glass-walled offices on the right. The floor is a dark blue carpet. The lighting is bright and even.

I make sure we practice
what we preach.

SUZANNE IRVINE Human Resources Director
& Business Practices Officer, Chubb
Atlanta, Georgia, U.S.

UTC's Code of Ethics is a constant reminder of our commitment to the highest standards of business conduct. Published in 28 languages, UTC's code is a public statement of our values and a guide for making responsible business decisions. It is well known by UTC employees. More than 260 Business Practices Officers (BPOs) help implement the code through communications, training programs and the reporting of any ethics- or compliance-related allegations. Chubb, acquired in 2003, is quickly adopting UTC's standard with 29 newly appointed BPOs around the world.

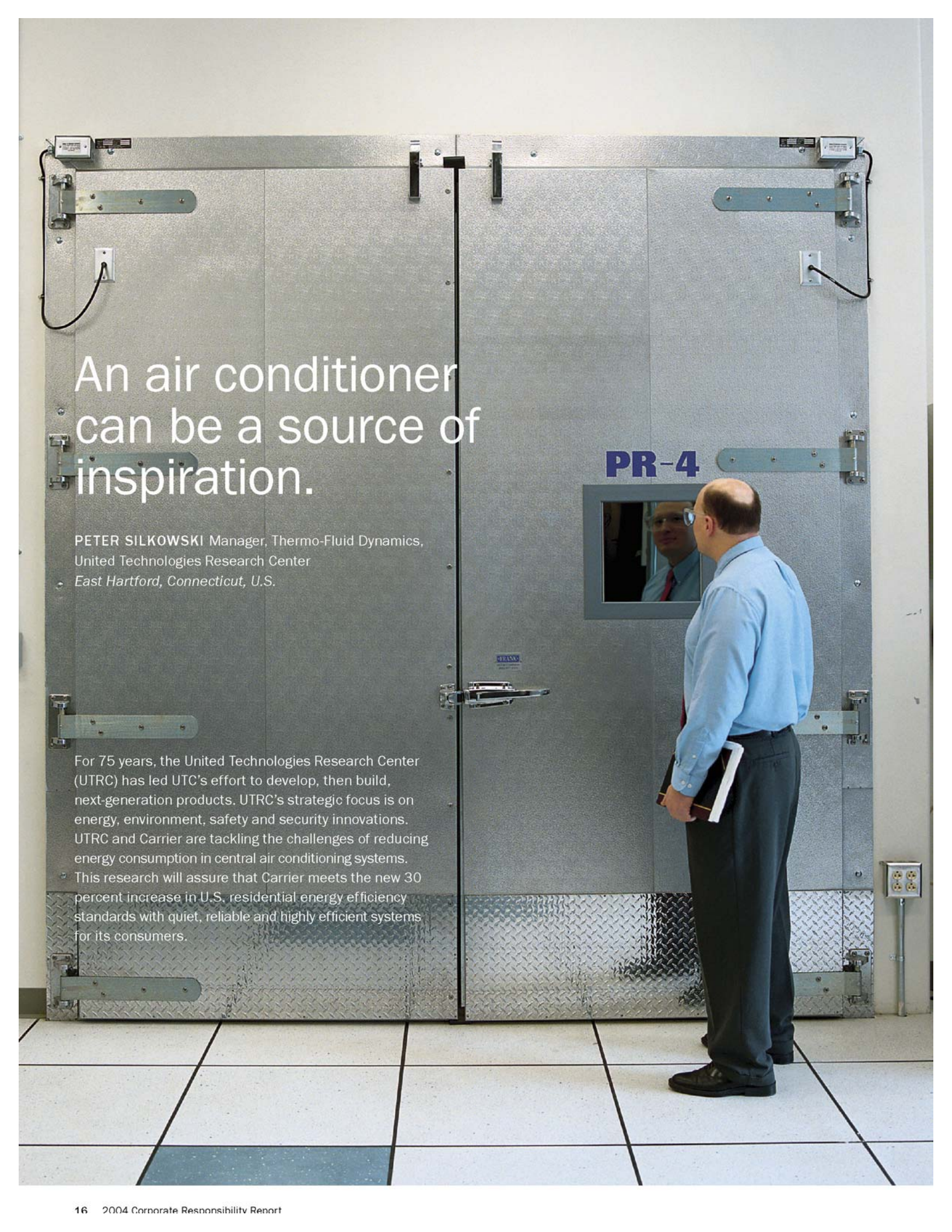


The most important
safety officer in my life
calls me “Dad.”

KEDAR SHRIKANT KHALADKAR Service Mechanic, Otis
Pune, India



We hold our companies, worldwide, to the highest environment, health and safety standards. At Otis India, employees realized that, to improve safety, they needed to change attitudes. So they initiated the "My Safety" program, which personalizes the importance of workplace safety for 2,200 mechanics and factory workers by appealing to their families and loved ones. Through off-site meetings for employees and families, vaccines for all family members and a safety pledge, "My Safety" has helped Otis India achieve a hundredfold improvement in safety performance over 10 years.



An air conditioner can be a source of inspiration.

PETER SILKOWSKI Manager, Thermo-Fluid Dynamics,
United Technologies Research Center
East Hartford, Connecticut, U.S.

For 75 years, the United Technologies Research Center (UTRC) has led UTC's effort to develop, then build, next-generation products. UTRC's strategic focus is on energy, environment, safety and security innovations. UTRC and Carrier are tackling the challenges of reducing energy consumption in central air conditioning systems. This research will assure that Carrier meets the new 30 percent increase in U.S. residential energy efficiency standards with quiet, reliable and highly efficient systems for its consumers.



Whether creating new products, motivating a team or financing an acquisition, a vibrant mix of ideas, cultures and beliefs strengthens our collective potential. For 15 years, we've partnered with INROADS, a nonprofit organization dedicated to placing talented minority college students in business. We hired more than 175 INROADS interns in the summer of 2004 alone, with hopes of offering each a full-time job upon graduation. Nationally, UTC has the best rate among peers of converting INROADS interns into full-time employees; more than half receive job offers.

The greater our diversity,
the greater the sum
of our minds.

KIRAN CHHABLANI Specialist, Financial Planning and Analysis,
Military Financial Control, Sikorsky
Stratford, Connecticut, U.S.

Social

We are committed to the personal development of our work force. We seek to expand our knowledge, encourage new ideas, and actively engage with the world outside our company.

Our success is greatest when we match donations to community organizations with direct involvement by our dedicated, worldwide cadre of employee volunteers. Our support comes to life in the community when UTC employees build houses with Habitat for Humanity, teach children about African-American heritage with the Amistad Foundation, or collect gifts for the U.S. Marine Corps Toys for Tots program.

UTC encourages employees to use their mind power for the greater good of the community. Our accountants serve as treasurers on nonprofit boards, lawyers do pro bono work for legal aid, and environmental professionals work with the Trust for Public Land to share their expertise on natural resource issues.

Our social responsibility to stakeholders is exemplified in the stories that follow; more detail can be found on pages 31-32.



We put our hearts into this machine.

JANINE FOURNIER Student, Windsor Locks High School
ROBERT SCAGNI Marketing Manager, Space, Land & Sea,
Hamilton Sundstrand
Windsor Locks, Connecticut, U.S.

In the future, the frontiers of technology will be determined by the quality of math and science education available today. To engage and inspire the next generation of innovators, we support FIRST (For Inspiration and Recognition of Science and Technology), a competition designed to spark interest in science and engineering. Among the 927 international teams that competed in 2004 were 16 UTC-sponsored teams of high school students who spent several months working with our mentors/engineers to design and build robots in preparation for competition. Since 1994, we have provided \$2 million in grant support to FIRST.



At UTC, thinking powers innovation. So we make it easy for employees to learn as much as they want. Our Employee Scholar Program allows employees to pursue any accredited course of study. We pay all costs up front, including tuition, fees and books, and give employees paid time off to study, equal to more than three weeks a year. Upon graduation, we reward them with UTC stock or its equivalent value. Since 1996, some 15,000 degrees have been awarded through the program — a \$462 million investment, including \$124 million in common stock awards. You'll find our graduates not only in the United States, but also in Argentina, Brazil, China, Hong Kong, Korea, Mexico, Poland, Russia, Singapore, South Africa, Taiwan and more than 30 other countries around the world.

It's an exceptional
company that believes
in my future as much
as I do.

AMANDA KWAN Finance Manager, Pratt & Whitney Services Pte Ltd
Singapore



In 1994 Otis employees launched Special Olympics' first global volunteer effort. Today more than 1,500 employees from all levels and disciplines in 35 countries commit to the Team Otis effort every year. Team members organize fundraising events, participate in corporate competitions and volunteer at the Special Olympics Games. While many take the step of becoming nationally certified as judges for competitions, others find the best role is offering a hug or words of support to the athletes.

We took a global cause
to a higher level.

FLORENCE BOUYER Public Relations Manager, Otis France; Head of Ceremonies for Special Olympics events
BRUNO GROB President, North and East Europe, Otis; President, Special Olympics France
RENÉ LADAME Export Service Sales, Otis France; Head of Special Olympics events Sports Commission
ANAHITA GIGNOUX Director, Spare Parts Europe, Otis France; Team Otis Special Olympics Coordinator for France
Paris, France

Environmental

Our global Environment, Health & Safety (EH&S) goals are simple: the highest environmental standards; safe and healthy workplaces for all employees; and increased efficiency and reduced negative impacts of our products in service. The goals are informed by our work with governments, nonprofits and fellow corporations to tackle worldwide environmental challenges.

Global Environment, Health & Safety Policy

United Technologies Corporation will not be satisfied until its workplace is safe from hazards, its employees are injury-free, its products and services are safe, and its commitment and record in protecting the natural environment are unmatched.

Objectives

- + Eliminate all employee injuries by making the workplace free from hazards and unsafe actions.
- + Drive pollutants in manufacturing processes to the lowest achievable levels.
- + Conserve natural resources in the design, manufacture, use and disposal of products and delivery of services.
- + Establish safety and environmental protection standards that both comply with local laws and go beyond, when necessary, to achieve the goals of this policy.
- + Hold operating managers accountable for safety and environmental performance and for providing leadership and required resources.
- + Require all employees to comply with these standards.

Supporting Steps

- + Quantify safety and environmental goals, measure progress regularly and report progress to the UTC Board of Directors, employees and communities; and respond to suggestions and needs of others.
- + Develop technologies and methods to assure safe workplaces worldwide and to protect the environment and promulgate these outside UTC.
- + Make safety and environmental considerations priorities in new-product development and investment decisions and in our dealings with contractors and suppliers.
- + Work with governments and industry associations to advance laws and regulations supporting these goals.

Environment, Health & Safety Goals

Our EH&S management framework contains a set of explicit goals and metrics that establish our performance targets. UTC has had performance goals since 1992. Our current goals, all normalized for revenue, will expire on Dec. 31, 2006. We are on track to meet—or have already exceeded—our goals.

They are:

- + A 60 percent reduction in air emissions (base year 1999)
- + A 35 percent reduction in recycled waste (base year 1999)
- + A 60 percent reduction in non-recycled waste (base year 1999)
- + A 40 percent reduction in energy and water consumption (base year 1997)
- + A 90 percent reduction in worldwide lost workday incident rate (base year 1996)
- + A 90 percent reduction in U.S. total recordable incident rate (base year 1996)

This disciplined system of unambiguous goals and a high-profile commitment to continual EH&S process improvement is central to our corporate culture and to how we do business. Every UTC business, regardless of industry, must comply with our policy. Every business acquired by UTC must comply with all requirements of its country's safety and environmental laws. The acquired business is then expected to meet UTC safety and environmental standards within two years.



In 2003 the U.S. Environmental Protection Agency (EPA) named UTC a Climate Leader for our commitments to reducing the impact of greenhouse gases on the environment. UTC also participates in the U.S. EPA's Energy Star program.

A requirement of participation in Climate Leaders is that the data we report conform to the adopted global reporting guidelines of The World Resources Institute/World Business Council for Sustainable Development.

Climate Leaders also requires that our data calculations, summations and inventory management plan be reviewed and approved by a designated EPA contractor; in our case, Eenergy International. Eenergy is also responsible for completing an annual site audit of one facility chosen by Climate Leaders. Eenergy reviews our baseline year (2001) for Climate Leaders and all subsequent years.

Environmental Progress

UTC is committed to continual improvement of EH&S performance. In 2004 we again exceeded our annual goals for all of our major environmental metrics, which are all normalized for revenue. Air emissions were down 27 percent compared to 2003, and we have achieved a 58 percent reduction since 1999. Both recycled and non-recycled waste decreased in 2004: 11 percent less recycled waste than in 2003 and 25 percent less non-recycled. Both categories of solid waste are on pace to meet our 2006 reduction goals.

Our energy and water use decreased significantly last year. Our total energy use per dollar of revenue was down 9 percent compared to 2003 and water use per dollar of revenue declined by 19 percent. In both categories we have already exceeded our original goals set in 1997.

Improving Product Performance

The use of many of our products contributes to greenhouse gas emissions, but through UTC's design for environment, health and safety programs we are exploring ways to increase efficiency and reduce emissions. A recent success of these programs is the Hamilton Sundstrand systems in the new Boeing 787, which contribute to this aircraft's 20 percent fuel efficiency gain over current-generation equipment. Carrier is leading the air conditioning industry in meeting the new increase in U.S. residential energy efficiency standards. As a result, Carrier residential air conditioning systems shipped in the United States after January 2006 will be 30 percent more energy efficient than today's federal standard.

Awarding Outstanding Performance

In 1995 UTC established the Robert F. Daniell Award to recognize outstanding environment, health and safety performance within our company. The most recent winner, announced in 2004, is Otis India for a hundredfold EH&S performance improvement over 10 years.

Otis India's achievements included a reduction in accidents from 359 in 1993 to 3 in 2003, no hazardous waste production since 2001, and a significant reduction in waste overall.

Otis India also created "My Safety," an education program for employees and their families. The program has helped teach employees to recognize job safety as fundamental to their well-being and to the welfare of their families.

Achieving Competitive Excellence

The efficiency of our operations and the quality of our products have a direct impact on our environmental performance. Achieving Competitive Excellence (ACE) is UTC's proprietary internal discipline of continuous operational scrutiny, and an important resource for environment, health and safety improvement. It simplifies procedure, magnifies efficiency and replaces the limits of quality control with the discipline of quality creation. ACE ensures world-class quality in products and processes and relentlessly focuses on increasing efficiency and reducing waste, helping to support our environmental commitments as well as sustaining our performance model. ACE implementation across the world involves all employees and touches all of our manufacturing, business and supporting processes that deliver customer value.

Nonprofit Partnerships

UTC is a founding member of the Pew Center on Global Climate Change and the U.S. Green Building Council. We also recently joined the World Business Council for Sustainable Development. In 2004, Global Green USA — an affiliate of the Green Cross environmental organization founded by President Mikhail Gorbachev — awarded us the Corporate Design Award for our Sustainable Cities environmental grant and volunteer effort, which is representative of our commitment to the highest environmental standards.



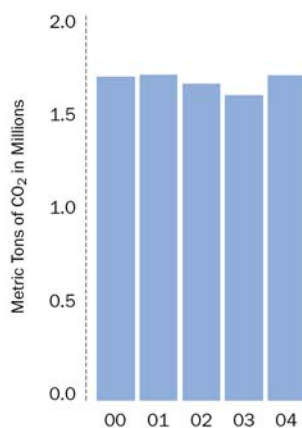
UTC Chairman and CEO George David (left) with President Mikhail Gorbachev at the 2004 Global Green USA Awards Dinner. UTC received the 2004 Corporate Design Award for the Sustainable Cities program.

Environmental

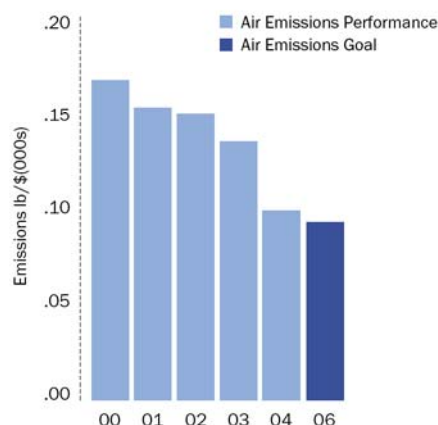
Measuring Environmental Performance

We quantify our environmental performance by tracking the data over time on important benchmarks. Since 1992, we have set specific performance targets and metrics for environmental performance. We are on track to meet — or have already exceeded — our 2006 goals. In 2006 we will review our progress and set our next series of environmental performance goals. The accompanying charts provide a five-year perspective on our historical performance and track our progress. Additionally, we have included UTC's carbon dioxide emissions, derived from worldwide energy consumption.

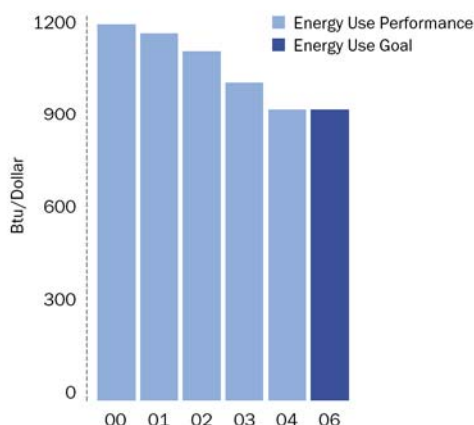
Worldwide Carbon Dioxide Emissions



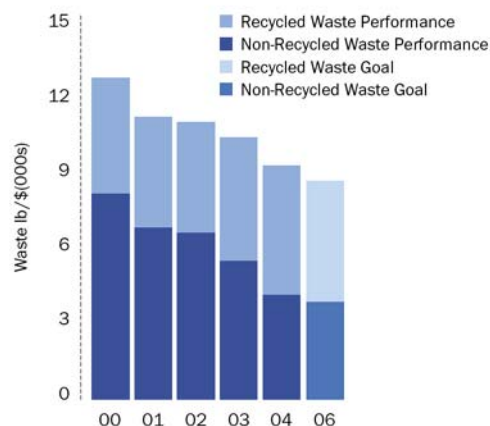
Worldwide Normalized Air Emissions



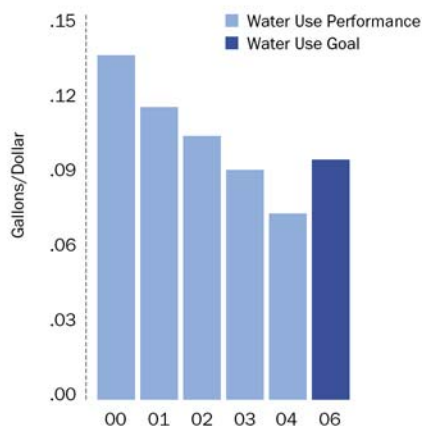
Worldwide Normalized Energy Consumption



Normalized Waste Generated



Worldwide Normalized Water Consumption



Employee Health and Safety

UTC is committed to setting and achieving the highest safety standards at all facilities, both inside and outside the United States, and in providing a safe workplace for every employee.

In terms of workplace injuries, our performance in 2004 improved. In 2004 our worldwide rate of lost workday on-the-job injuries per 100 employees dropped to .34 versus .40 in 2003. Since 1990, our worldwide lost workday rate has decreased by 92 percent and our U.S. total recordable rate by 76 percent.

Despite our efforts, the number of workplace fatalities increased from seven in 2003 to nine in 2004. This is unacceptable. Each fatality is reviewed by the senior management of the company including the chairman and CEO. Once the root cause of the incident is identified, we take the necessary steps to prevent recurrence.

Environmental Compliance Penalties

UTC operates a large number of sites globally, each with numerous and variable regulatory requirements. In 2004 we paid \$101,041 in environmental compliance fines or penalties. Over the past five years, we have paid a total of \$178,490 in fines or penalties and funded \$129,200 in environmentally beneficial projects.

Environmental Remediation

UTC's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As a result, the corporation has established, and continually updates, policies relating to environmental standards of performance for operations worldwide.

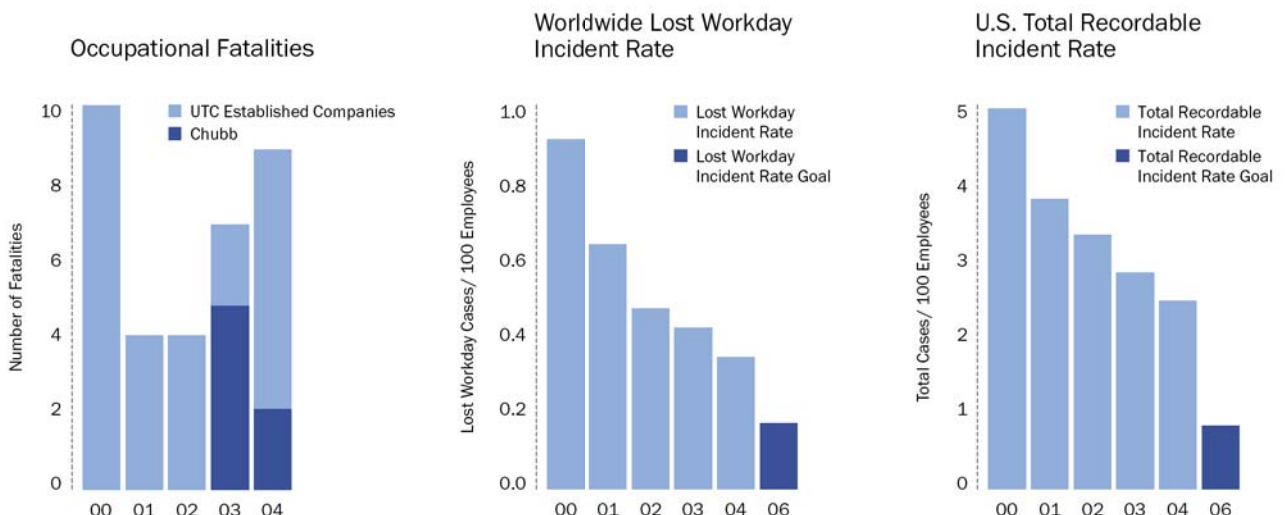
UTC has identified approximately 494 locations, mostly in the United States, where we may have some liability for remediating contamination. As of Dec. 31, 2004, UTC had \$436 million reserved for environmental remediation. Cash outflows for environmental remediation were \$49 million in 2004.

Brain Cancer Investigation

In 2002 the Connecticut Department of Public Health requested an independent epidemiology study in response to an alleged increased incidence of brain cancer cases associated with Pratt & Whitney's North Haven facility. The study is one of the largest of its kind ever conducted and will involve the more than 200,000 current and former employees who worked at seven Pratt & Whitney facilities in Connecticut from 1952 to 2001. The status of the study is regularly reported to Pratt & Whitney, the International Association of Machinists and the Connecticut Department of Public Health. The multimillion-dollar study will take about seven years and is being paid for by Pratt & Whitney.

Hamilton Sundstrand Wastewater Treatment Issue

The Connecticut Department of Environmental Protection, the U.S. Environmental Protection Agency and the U.S. Attorneys' Office for the District of Connecticut are investigating the monitoring, treatment and discharge of wastewaters at Hamilton Sundstrand's Windsor Locks, Connecticut, manufacturing facility, following a September 2003 discharge of copper that exceeded permit limits. With the assistance of independent consultants, Hamilton Sundstrand has reviewed the operations of the wastewater treatment facility, has made modifications to the physical plant and has improved operating procedures. Hamilton Sundstrand continues to cooperate with federal and state officials in the investigation.



Economic

Our actions have far-reaching economic implications, from the global marketplace to the local village. This broad reach means that sound corporate governance, a strong relationship with our diverse work force, and responsible management of our supply chain are crucial to the economic success of all involved.

Board of Directors

Our commitment to the highest standards in ethics and business conduct begins with our board of directors. It is the responsibility of the directors to exercise their business judgment and to act in the best interests of shareowners in overseeing the business and affairs of the corporation. Board oversight is provided in a number of areas, including the selection and evaluation of senior executive management, the review of business objectives and major strategies, and corporate governance practices. A full description of our Corporate Governance Guidelines is available online at: <http://investors.utc.com/governance.cfm>.

UTC Board of Directors

Betsy J. Bernard
Former President
AT&T Corporation
(Telecommunications)

George David
Chairman and
Chief Executive Officer

Jean-Pierre Garnier
Chief Executive Officer
GlaxoSmithKline plc
(Pharmaceuticals)

Jamie S. Gorelick
Partner
Wilmer Cutler Pickering
Hale and Dorr LLP

Charles R. Lee
Retired Chairman
and Co-Chief Executive Officer
Verizon Communications
(Telecommunications)

Richard D. McCormick
Retired Chairman, President
and Chief Executive Officer
US West, Inc.

Harold McGraw III
Chairman, President and
Chief Executive Officer
The McGraw-Hill Companies
(Global Information Services)

Frank P. Popoff
Retired Chairman and
Chief Executive Officer
The Dow Chemical Company
(Chemicals and Chemical
Products)

H. Patrick Swygert
President
Howard University

André Villeneuve
Chairman
Euronext.LIFFE
(London Futures and
Derivatives Exchange)

H. A. Wagner
Retired Chairman
Air Products and Chemicals, Inc.
(Industrial Gases and Chemicals)

Christine Todd Whitman
President
The Whitman Strategy Group

Code of Ethics

We created our fundamental ethics document, the Code of Ethics, in 1990 to govern the business conduct of the corporation and our employees worldwide. We operate under this single code, which we distribute in 28 languages. The Code of Ethics is available online at <http://www.utc.com/social/ethics/index.htm>.

We demand adherence to U.S. and foreign laws, but our Code of Ethics contains broader ethical considerations. Specifically, the code promotes ethical behavior across our organization, addressing such critical areas as conflicts of interest, antitrust compliance, government procurement, product quality and safety, supplier and subcontractor relationships, and many other dimensions of corporate responsibility. For example, we have a long-standing policy that no improper payments will be made by or on behalf of the company.

Our code is directed and supported by senior management as well as UTC's board of directors. The code is the responsibility of management, who answer to shareowners, employees, customers, suppliers, competitors and the community.

Business Practices Officers

In support of our ethical standards, we have a business practice organization consisting of 267 Business Practices Officers (BPOs), who are accountable to management for implementing the code worldwide. Each BPO works within the operating company to provide colleagues with perspectives on regional cultural differences, to reinforce the code through communication and training programs, and to report results of ethics- and compliance-related allegations.

Ombuds/DIALOG program

In 1986 we created the Ombuds/DIALOG program, a worldwide confidential employee communication initiative. Ombuds/DIALOG allows employees alternative means of asking questions, making suggestions, registering complaints and reporting suspected wrongdoing. DIALOG is a confidential written reporting program, which is managed by 225 DIALOG program administrators worldwide to process employee inquiries. Four ombuds within UTC oversee the DIALOG program and also handle employee issues that tend to be more complex in nature. Since inception, the program has fielded more than 60,000 DIALOG employee inquiries and has handled more than 10,000 Ombuds cases. We have recently extended access to the DIALOG system with the launch of an Internet version called "eDIALOG."

Issues Resolution Ombuds/DIALOG Program



17,564 issues closed since Jan. 1, 1998

Each issue received through the Ombuds/DIALOG Program is carefully reviewed and tracked. Often management is able to make changes to policy or procedures as a result of employee input. We value and encourage this feedback. Since 1998, 42 percent of the issues reviewed have resulted in change, 36 percent have been reviewed but no change has been made, and 22 percent requested no change.

Research & Development

For 75 years, the United Technologies Research Center (UTRC) has embodied the spirit of UTC's commitment to pioneering innovation. UTRC employees generate innovative scientific and technical solutions developed and demonstrated by thorough modeling and prototyping. Ninety-three percent of UTRC's core innovation staff holds advanced degrees; 66 percent are PhDs. Working in partnership with the UTC business units, UTRC anticipates and responds quickly to market opportunities, focusing on safe, healthful, green and quiet solutions, to ensure UTC's competitive advantage. In 2004 65 percent of UTRC's budget was dedicated to commercial programs and 35 percent to aerospace programs.

Significant Compliance Issues

At UTC, we take our ethical commitments seriously. Our standards demand exemplary conduct from employees and immediate response from UTC in the event of an alleged violation. The following paragraphs describe the status of two current issues relating to accounting policy, internal management and oversight:

Pratt & Whitney and the U.S. Air Force's Fighter Engine Competition (1983-1990)

The U.S. Department of Justice has alleged in a civil suit that Pratt & Whitney defrauded the Air Force of more than \$600 million by submitting false and incomplete cost and pricing data in support of its offer for a multi-year procurement of fighter aircraft engines in late 1983. We believe the allegations are without merit, and are defending the claim vigorously. Both parties completed the presentation of evidence at trial in December 2004. A decision will follow further briefing and final arguments scheduled to be completed in the first half of 2005.

Otis and the European Commission Collusion Investigation

The European Commission (EC) is investigating possible unlawful collusive arrangements involving the elevator and escalator industry in Europe. Our own investigations lead us to believe that some Otis employees in limited European locations engaged in activities at a local level in violation of Otis and UTC policies, and may have violated applicable competition law. UTC is cooperating fully with the EC in this investigation.

Supply Chain

As part of our supply chain strategy, we require all major suppliers and service providers to comply with a series of performance guidelines and standards. Suppliers must also agree to participate in external audits conducted by our quality group.

In selecting suppliers, we use the 8 Step Strategic Sourcing process. This process is a rigorous evaluation, bidding and implementation tool that factors in environmental issues, labor standards and employment practices, occupational health and safety and human rights, as well as performance requirements for cost, quality, delivery and lead time. Additionally, as part of our master terms agreement, all suppliers must agree to comply with UTC's Code of Ethics.

The performance of 18,000 suppliers and service providers is also stringently monitored using Open Ratings SBManager™. SBManager is an Internet-based software tool that monitors the supply base for performance risk issues, such as financial duress, impending quality and delivery problems, and degradation in performance compared to peer groups.

This tool allows UTC to perform Web-based supplier assessments addressing lean manufacturing capabilities, quality systems, and supply chain management. After each supplier answers a rigorous set of questions, the tool produces a set of detailed reports showing opportunities for the supplier to improve.

Reducing Costs and Environmental Impact Throughout the Supply Chain

A key element of our supply chain strategy is the procurement initiative UT500 Plus, a program designed to achieve \$500 million in global cost savings by the end of 2005, primarily through the application of lean manufacturing principles. UT500 Plus also helps to cut waste and energy use among our suppliers. Extending this concept, Pratt & Whitney is working with the U.S. EPA to run seven different pilot projects with a variety of suppliers to demonstrate how our "Lean and Clean" manufacturing principles can generate cost savings as well as environmental benefits. In one instance, a chrome-plating supplier achieved \$500,000 in cost savings — a substantial amount for a small business.

Spreading good ideas through the supply chain

UTC works with its suppliers to help them reach UTC's standards for responsible business.

For example, Hamilton Sundstrand is providing training for its suppliers that will help them reach UTC environment, health and safety (EH&S) levels. The program has won active involvement from suppliers: 600 U.S. suppliers have been notified of Hamilton Sundstrand's expectations and have received questionnaires, to which 250 have responded so far. Hamilton Sundstrand, in conjunction with EPA Region One, conducted seven training sessions in 2004, and in 2005 the program is being expanded to include international suppliers.

Pratt & Whitney is a corporate sponsor of the U.S. Environmental Protection Agency's Strategic Goals Program, which involves large companies sharing with suppliers their best practices and knowledge in EH&S management systems, pollution prevention and waste minimization. To do that, Pratt & Whitney hosted and facilitated a series of monthly meetings with its suppliers in Connecticut and Maine, in conjunction with EPA Region One.

Encouraging Diversity

Our commitment to diversity extends through our supply chain. In 2004 we purchased more than \$200 million from minority-owned businesses, and more than \$200 million from women-owned businesses. UTC executives support the activities of the national and regional Minority Supplier Development Councils. Chairman and CEO George David served as National Minority Supplier Development Council (NMSDC) board president from 1997 to 2001. In 2003 the Connecticut Minority Supplier Development Council (CMSDC) selected UTC as Corporation of the Year.

We sponsor several development programs designed to enhance the performance of diverse businesses. These include:

- + Quality and lean manufacturing engagements and seminars
- + A Minority Business Exchange conference to promote new business and provide insight into new practices
- + A U.S. Department of Defense Mentor-Protégé Program that provides capability improvement training

Compensation and Benefits

UTC employs over 200,000 people worldwide and provides compensation and benefits programs that are competitive in local markets. UTC provides quality, affordable benefit programs to its employees as part of their total compensation package. The value of these company-sponsored benefit programs can be 25 percent or more of an employee's pay. Benefits, and the value provided, vary country by country due to differences in local customs and laws. The most common types of company-sponsored benefits are health care and retirement programs. The company first introduced a retirement plan in 1941 to help its employees build the financial security required to enjoy retirement. Today, the UTC Employee Retirement Plan is a valuable part of an employee's overall benefits package.

Additionally, UTC provides defined contribution savings plans for retirement benefits. These plans offer a number of investment options. In the United States, a common stock fund is available to all employees and the company contribution for salaried employees is made to the Employee Stock Ownership Program (ESOP). UTC employees participating in the savings plan currently hold 7 percent of stock outstanding and are our largest base of shareowners. These programs mean that when our business performs well, employees benefit.

Work Force Relations

Approximately 75 percent of our domestic production and service work force is represented by a union. UTC and its businesses always negotiate in good faith with various unions over wages, hours, and terms and conditions of employment at locations where employees have chosen to be represented by a union. On an international basis, where labor organizations are present and our employees have chosen representation, we work with those organizations as appropriate under applicable local requirements. In 2004 we successfully negotiated all union contracts up for renewal.

Achieving Work-Life Balance

UTC strives to offer our employees the opportunity to strike the right level of work-life balance. Our Lifechoices program is a comprehensive resource and referral program to help U.S. employees manage their work and personal lives. Lifechoices utilization rates have increased steadily, from 3.2 percent of UTC employees using the service in 1995 to a utilization rate of 15.6 percent of UTC employees in 2004. We believe this program significantly improves productivity, resulting in employees who are more focused and energized. The most-utilized Lifechoices service is child care assistance. Other issues garnering frequent requests include adult services, education issues and elder care.

Professional Development

Our learning and development program offers all U.S. employees both online and classroom learning opportunities through the Web-based UTC Learning Portal. The Learning Portal features an online course catalog, a fully automated registration system and interactive career assessment and development tools. During 2004, 27,500 employees completed 95,000 registrations on the Learning Portal. Since 1999 Web-based training enrollments have increased from 3 percent of total enrollments to nearly 50 percent in 2004.

Executive Development

UTC executives and emerging leaders are nominated to attend one- to two-week programs at the University of Virginia Darden School of Business for customized leadership, strategic thinking and business training. Since their inception, there have been 36 programs, with 1,855 participants. In 2004 there were five programs with 209 participants.

"Productivity and globalization are the engines for better lives. But they must be tempered with responsible practices that reinforce opportunities for all and guarantee basic and essential rights."

George David, Chairman and CEO

Increasing Diversity

As a global organization that relies on teamwork and a multiplicity of viewpoints, we actively seek a diverse work force. For UTC, diversity is a competitive asset that enables us to more closely reflect and respond to the diverse needs of our markets, customers and communities. Our goal is a workplace where all employees are encouraged to reach their fullest potential and where everyone values, accepts and respects the differences in our work force.

Recruiting Practices

Our diversity mission is reflected in our recruiting practices. In the United States, we focus on six national diversity conferences and actively recruit at a number of historically black colleges and universities. We continuously examine our leadership development and human resources policies to ensure they support our diversity strategy.

In 2004 the National Society of Hispanic MBAs (NSHMBA) awarded UTC its highest honor, the Brillante Award, which recognizes individuals and organizations that “have significantly contributed to the mission and goals of NSHMBA and the Hispanic community.”



Also, the National Society of Black Engineers named UTC the winner of its 2005 Golden Torch Award for Corporate Diversity Leadership. This award recognized our outstanding professional achievements in the fields of engineering and science, and our overall commitment to diversity initiatives.

At the undergraduate level, we partner with INROADS, an international career development organization dedicated to developing and placing talented minority students in business and preparing them for corporate and community leadership. We have worked with INROADS for more than 15 years to provide meaningful internship opportunities to talented college students who essentially serve as a pipeline for the company's work force. In 2004 we became INROADS' fourth-largest corporate partner, employing more than

175 INROADS interns in career-focused opportunities, with hopes of offering each a full-time job upon graduation. Nationally, we have achieved the best rate among peers of converting INROADS interns into full-time employees; more than half receive job offers. This rate has exceeded the national INROADS average over the past five years. In 2002 UTC awarded INROADS a \$500,000 grant to support our partnership, and we annually fund college scholarships for outstanding INROADS students.

Diversity Representation

Maintaining a diverse work force is a key component of our ability to meet the demands of a global business. We strive to remove all barriers — cultural or otherwise — so that we hire, develop, promote and retain the very best talent from around the world.

To ensure we stay on track, we measure diversity representation in the United States with the same focus as we do our financial and operating goals. We hold our business units and functions, and their leaders, accountable for meeting their targets. At quarterly operating reviews, each business presents its progress against pre-set goals for representation of women, people of color and black/African-Americans in its executive, managerial and professional ranks. In addition, business and functional leaders are measured against objectives for diversity representation in their annual individual performance plans.

As a result, over the past five years, we've seen double-digit increases in the representation of minorities and women in most areas of our U.S.-based work force. For example, in the executive category, the number of women has increased 47 percent, the number of people of color has increased 23 percent, and the number of black/African-Americans increased 23 percent. In the manager and professional categories, we also have achieved substantial increases among some groups, but not all. We are committed to setting stretch targets for these areas, developing aggressive action plans and monitoring the results.

Social

Social responsibility at UTC begins with a commitment to the personal development of our employees, and extends to improving quality of life in their neighborhoods. Well-educated employees are able to give back to their hometowns, generating returns for society as a whole.

Employee Scholar Program

UTC believes, that while we cannot guarantee a job forever, we can ensure a future for all of our employees. This is why UTC supports lifelong learning for our employees.

Our goal is the best-educated work force on the planet. We invest strongly in our employees' personal and professional development. Since 1996 we have spent \$462 million on the Employee Scholar Program (ESP) to encourage our employees to develop additional skills and engage in lifelong learning. ESP participants receive stock awards after completing degree programs. Since the program's inception, there have been 15,831 ESP graduates. There are currently 13,456 participants. Of current participants, 29 percent come from our hourly work force. More than 40 percent of current participants are seeking advanced degrees.

Grant Making

We support community activities and employee involvement wherever our people work and live. Our contributions of employee talent and financial resources strengthen our communities. Our financial contributions to nonprofit organizations around the world total more than \$16 million annually.

In Greater Hartford, Connecticut, the hometown of our corporate headquarters, our grants support three areas of focus: arts and culture; math and science education; and environmental sustainability. In 2004 our United Way campaign raised \$7.45 million for the United Way of the Capital Area, which represents 28 percent of the Hartford-area total.

Over the last 20 years, UTC and its employees have contributed more than \$1.7 million to the United Arts Campaign to support the arts in Hartford. In 2004 UTC sponsored the New England premiere of the musical *Crowns*, an exuberant celebration of African-American women, at the Hartford Stage and "None of the Above: Contemporary Work by Puerto Rican Artists" at Real Art Ways, a contemporary art space in Hartford. UTC is also a major donor to the Hartford Symphony Orchestra, the Connecticut Opera and the Bushnell Center for the Performing Arts.

Arts and Culture

In 2005 UTC will celebrate a quarter century of arts and culture sponsorship on a national and international level. We have supported organizations ranging from The Metropolitan Museum of Art to the Detroit Symphony and Carnegie Hall.

Some of the highlights include:

- + An unprecedented exhibition of works by the Dutch artist Johannes Vermeer at the National Gallery of Art in Washington, D.C.
- + Sponsorship of "A Spiritual Resonance: The Vernacular Dwellings of China" at the National Museum of Chinese History, a first-of-its-kind exhibit which documented outstanding examples of rapidly disappearing traditional homes.
- + Sponsorship of "Crossing the Channel: French and British Painting in the Age of Romanticism" at The Metropolitan Museum of Art.

Our year of celebration will culminate in October 2005 with UTC's sponsorship of "Vincent van Gogh: The Drawings" at The Metropolitan Museum of Art.

The Business Committee for the Arts recognized our long-term commitment to the arts by presenting UTC with its 2004 Commitment Award. The award recognizes UTC's contributions since 1993 of more than \$15 million to support the arts.



Environmental Sustainability

In 2004 UTC launched Sustainable Cities, an initiative dedicated to promoting the use of green building practices and environmental sustainability in urban centers. We awarded \$350,000 in grants to national and Connecticut programs and plan to increase that to \$500,000 in 2005.

Matching Gift Program

UTC joins employees in supporting their commitment to improving the community through the UTC Matching Gift Program.

The program offers a way for employees to double their contributions to some of their favorite nonprofit educational, cultural and environmental organizations. In 2004 employees contributed more than \$1 million to nonprofit groups through the Matching Gift Program. UTC matched these gifts with another \$1 million.

Employee Volunteerism and Involvement

Consistent with our corporate principles, we encourage all UTC employees to become involved in their local communities. Each year, our Connecticut-based employees alone spend more than 50,000 hours volunteering their time and expertise to their communities and nonprofit organizations.

Hartford-area employees volunteer at five signature events through the year: FIRST Robotics UTC New England Regional Competition, Special Olympics, the United Way Day of Caring, The United Technologies Greater Hartford Marathon, and United Technologies Symphony On Ice™. Our contributions to two of these signature events were especially noteworthy in 2004:

FIRST Robotics

FIRST (For Inspiration and Recognition of Science and Technology) combines UTC's dedication to math and science education, and our engineering expertise. In 2004 UTC sponsored 16 teams of high school students to build robots and celebrated six years of sponsorship of the UTC New England Regional Competition.

Special Olympics

In 2004 UTC celebrated its 27th year of partnership with Special Olympics Connecticut. As a title sponsor of the state Summer Games, UTC supports Special Olympics Connecticut with more than 2,000 volunteers and \$100,000 annually.

In addition to our signature events, UTC uses volunteering in small groups as a team-building and employee fulfillment tool. For example:

Trust for Public Land

UTC employees use their skills and expertise to provide the Trust for Public Land with environmental pro bono services throughout the northeastern United States, contributing to the preservation of parks and green space.

Habitat for Humanity

Nationally, Carrier helps families in need by financially sponsoring new homes, donating heating equipment and providing volunteers to complete projects. To date, Carrier has donated more than \$1.8 million and Carrier employees have contributed more than 15,000 volunteer hours.

Awards and Recognition

We were recognized internationally by numerous organizations in 2004 for our corporate responsibility activities. Some of these include:

- + UTC was named the "Most Admired" U.S. company in the aerospace industry by *Fortune* magazine. It was the fourth consecutive year that we have received the honor.
- + UTC was again named to the prestigious Dow Jones Sustainability World Indexes that recognize the top 10 percent of companies from more than 60 industries and 24 countries that are leaders in the area of corporate sustainability. We have been included every year since the indexes began in 1999.



- + Hamilton Sundstrand and Sikorsky earned GreenCircle awards from the Connecticut Department of Environmental Protection for reduced energy consumption, solvent usage and air emissions.
- + In the U.K., Chubb Security Personnel won the Occupational Health & Safety Award from the Royal Society for the Prevention of Accidents for its work at British Nuclear Fuels in Cambria.
- + In 2004 Carrier LG Korea received one of four Outstanding Performance Awards in Occupational Health and Safety from the Korean Occupational Safety and Health Administration.
- + Pratt & Whitney earned the 2004 Georgia Safety, Health and Environmental Commissioner's Award for its pollution prevention and 2 million hours without a lost-time injury.

Corporate Responsibility Data Index

Our Commitments	Inside front cover
Business Overview	2
Chairman's Message	3
Environmental	6
Profiles	7-11
Awards	23, 32
EH&S goals	22
EH&S performance	24-25
EH&S Policy	22
Nonprofit partnerships	23
Product performance	23
Economic	12
Profiles	13-17
Awards	30
Code of Ethics	26
Compensation & benefits	29
Diversity	28, 30
Learning and development	29
Ombuds/DIALOG	27
Research & development	27
Recruiting	30
Supply chain	28
Work-life balance	29
Social	18
Profiles	19-21
Awards	32
Employee Scholar Program	31
Grant programs	31
Matching Gift Program	31
Volunteerism	32

Please visit our Web site to download additional copies of this report and for more information about corporate responsibility at UTC:
http://www.utc.com/profile/facts/social_responsibility.htm

This report is printed on paper made from 100 percent post-consumer waste and is elemental chlorine-free. This paper meets or exceeds all guidelines for recycled fiber and post-consumer content as set forth by the U.S. Environmental Protection Agency and each of the U.S. states.



**United
Technologies**

UNITED TECHNOLOGIES BUILDING
HARTFORD, CT 06101

CARRIER
CHUBB
HAMILTON SUNDSTRAND
OTIS
PRATT & WHITNEY
SIKORSKY
UTC POWER