



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 880 011 332
Organisasjonsform: Aksjeselskap
Foretaksnavn: KIDDE NORWAY AS
Forretningsadresse: c/o Autronica Fire & Security AS
Bromstadvegen 59
7047 TRONDHEIM

Regnskapsår

Årsregnskapets periode: 01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Enrique Esteva
Dato for fastsettelse av årsregnskapet: 25.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.08.2024



Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Kostnader			
Employee benefits expense	1		
Other operating expenses	1, 2	1 300 250	973 734
Sum kostnader		1 300 250	973 734
Driftsresultat		-1 300 250	-973 734
Finansinntekter og finanskostnader			
Income from group companies		131 760 827	336 112
Renteinntekt fra foretak i samme konsern		2 930 977	647 734
Annen renteinntekt		76 543	
Sum finansinntekter		134 768 347	983 846
Annen rentekostnad		37 583	10 112
Sum finanskostnader		37 583	10 112
Netto finans		134 730 764	973 734
Ordinært resultat før skattekostnad		133 430 514	0
Income tax expense	3	350 492	
Ordinært resultat etter skattekostnad		133 080 022	0
Årsresultat		133 080 022	0
Årsresultat etter minoritetsinteresser		133 080 022	
Totalresultat		133 080 022	
Overføringer og disponeringer			
Transferred from Other equity	4	-249 919 978	
Dividends to shareholders	4	383 000 000	
Sum overføringer og disponeringer		133 080 022	



Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4		
Finansielle anleggsmidler			
Investering i datterselskap	5	688 062 974	688 062 974
Lån til foretak i samme konsern	6		88 221 041
Sum finansielle anleggsmidler		688 062 974	776 284 015
Sum anleggsmidler		688 062 974	776 284 015
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables		162 924	92 470
Konsernfordringer	6	212 203 271	336 112
Sum fordringer		212 366 195	428 582
Bankinnskudd, kontanter og lignende			
Bank deposits, cash & cash equivalents	7	11 570 385	1 662 169
Sum bankinnskudd, kontanter og lignende		11 570 385	1 662 169
Sum omløpsmidler		223 936 580	2 090 751
SUM EIENDELER		911 999 554	778 374 767
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	4, 8	78 210 000	78 210 000
Overkurs	4	2 190 000	2 190 000
Sum innskutt egenkapital		80 400 000	80 400 000



Balanse

Beløp i: NOK	Note	2023	2022
Opptjent egenkapital			
Other equity	4	447 246 572	697 166 550
Result brought forward (aut)			
Sum opptjent egenkapital		447 246 572	697 166 551
Sum egenkapital		527 646 572	777 566 551
Gjeld			
Langsiktig gjeld			
Utsatt skatt	3		
Annen langsiktig gjeld			
Langsiktig konserngjeld	6		
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Tax payable	3	350 492	
Utbytte	6	383 000 000	
Kortsiktig konserngjeld	6	1 002 490	808 215
Sum kortsiktig gjeld		384 352 982	808 215
Sum gjeld		384 352 982	808 215
SUM EGENKAPITAL OG GJELD		911 999 554	778 374 768



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Annual Report 2023

Kidde Norway AS

THE BUSINESS ACTIVITIES

Kidde Norway AS is the parent company in the Kidde Norway AS Group. The Group consists of the following companies:

- Autronica Fire and Security AS and subsidiaries, owned 100%, with headquarter in Trondheim
- Kidde Norway AS, headquarter in Trondheim

Kidde Norway AS is a holding company with no sales revenue or employees. Kidde Norway AS was owned 76% by Carrier Fire & Security Luxembourg S.a.r.l and 24% by Carolin Holdings B.V. by 31.12.2023 both subsidiaris of Carrier Global Corporation in the USA. As of 05.03.2024 Carolin Holdings B.V. is the 100% owner of Kidde Norway.

PROFIT, INVESTMENTS, FINANCING AND LIQUIDITY

In 2023, Kidde Norway had a profit for the year of MNOK 133. The result was driven by dividend received from Autronica Fire & Security As of MNOK 132.

Cash and cash equivalents at 31.12.23 were MNOK 11.6, compared to MNOK 1.7 as of 31.12.22.

Total capital had a closing balance of MNOK 912 in the year, compared to MNOK 778 at the end of 2022. The equity capital share at 31.12.2023 was 58 %, compared to 99 % in 2022.

GOING CONCERN

The year's accounts are prepared under the going concern assumption. The basis of the assumption is the profit prognosis for 2024. The company's economic and financial position is assessed as satisfactory, the assessment is based on the company's purposes.

WORK ENVIRONMENT AND PERSONNEL

The company had no employees and does not conduct business that pollutes the environment.

BOARD INSURANCE

Carrier Corporation has D&O insurance coverage with Chubb Insurance Company that covers the Directors of Kidde Norway As.

PROFIT ALLOCATION

The Board recommends the following allocation the year's profit:

Transferred to other equity :	MNOK -250
Dividends to shareholders:	MNOK 383
Total allocation:	MNOK 133

Trondheim,

DocuSigned by:
Dan Thompson
EABEF2164420421...

Daniel Thompson
Chairman of the Board

DocuSigned by:
Sindre Utne
775F53A89E89415...

Sindre Utne
Managing Director/
Member of the Board

DocuSigned by:
Meghan Toner
7D896ADF60B341A...

Meghan Toner
Member of the Board

DocuSigned by:
Juha Kuivalainen
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Juha Markku Kuivalainen
Member of the Board



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Financial Statements 2023

Kidde Norway AS

Org.no.: 880 011 332



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Annual Report 2023

Kidde Norway AS

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BOARD INSURANCE

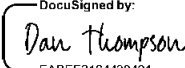
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Trondheim, 25.06.2024

DocuSigned by:

EABEF2184420421...
Daniel Thompson
Chairman of the Board

DocuSigned by:

775F53A89E89415...
Sindre Utne
Managing Director/
Member of the Board

DocuSigned by:

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Meghan Toner
Member of the Board

DocuSigned by:

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Juha Markku Kuivalainen
Member of the Board



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INCOME STATEMENT

Kidde Norway AS

Operating income and operating expenses	Note	2023		2022	
Other operating expenses	1, 2	-1 300	250	-973	734
Total operating expenses		-1 300	250	-973	734
Financial income and expenses					
Income from group companies		131 760	827	336	112
Interest income from group companies		2 930	977	647	734
Other interest income		76	543		0
Other interest expenses		-37	583	-10	112
Total financial records		134 730	764	973	734
Profit before tax		133 430	514		0
Income tax expense	3	-350	492		0
Profit for the year		133 080	022		0
Allocation					
Dividends to shareholders	4	383 000	000		0
Transferred from Other equity	4	-249 919	978		0
Total allocation		133 080	022		0

Kidde Norway AS



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BALANCE SHEET AT 31.12

Kidde Norway AS

Assets	Note	2023		2022	
Fixed assets					
Financial fixed assets					
Investments in subsidiaries	5	688 062	974	688 062	974
Loan to group companies	6		0	88 221	041
Total financial fixed assets		688 062	974	776 284	015
Total fixed assets		688 062	974	776 284	015
Current assets					
Receivables					
Other short-term receivables		162	924	92	470
Other receivables from group companies	6	212 203	271	336	112
Total receivables		212 366	195	428	582
Bank deposits, cash & cash equivalents	7	11 570	385	1 662	169
Total current assets		223 936	580	2 090	751
Total assets		911 999	554	778 374	767

Kidde Norway AS



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BALANCE SHEET AT 31.12
Kidde Norway AS

Equity and liabilities	Note	2023	2022
Equity			
Paid-in equity			
Share capital	4, 8	78 210 000	78 210 000
Share premium reserve	4	2 190 000	2 190 000
Total paid-in equity		80 400 000	80 400 000
Retained earnings			
Other equity	4	447 246 572	697 166 550
Total retained earnings		447 246 572	697 166 551
Total equity		527 646 572	777 566 551
Liabilities			
Short term liabilities			
Tax payable	3	350 492	0
Dividends to shareholders	6	383 000 000	0
Short term liabilities to group companies	6	1 002 490	808 215
Total short term liabilities		384 352 982	808 215
Total liabilities		384 352 982	808 215
Sum gjeld og egenkapital		911 999 554	778 374 768

Trondheim, 25.06.2024
The board of Kidde Norway AS

DocuSigned by:
Dan Thompson
EABEF2164420421...

Daniel Mark Thompson
chairman of the board

DocuSigned by:
Meghan Toner
7DB98ADF60B341A...

Meghan Quigley Toner
member of the board

DocuSigned by:
Juha Kuivalainen
585D424D53E14B4...

Juha Markku Kuivalainen
member of the board

DocuSigned by:
Sindre Utne
775F53A89E89415...

Sindre Utne
member of the board/General Manager

Kidde Norway AS



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Cash flow statement

	2023		2022	
Cash flow from operations				
Profit or loss before income taxes	133 430	514		0
Taxes paid in the period		0	-7100	889
Change in other provisions	-131 495	169	42746	379
Net cash flow from operations	1 935	345	35 645	490
Cash flow from investments				
Payment of intercompany	7 778	597	-35 839	058
Net cash flow from investments	7 778	597	-35 839	058
Cash flow from financing				
Payment to group companies	194	275	808	215
Net cash flow from financing	194	275	808	215
Net change in cash and cash equivalents	9 908	217	614	647
Cash from merger				
Cash and cash equivalents at the beginning of the period	1 662	169	1 047	520
Cash and cash equivalents per 31.12.	11 570	385	1 662	169
Specification of cash and cash equivalents per 31.12.				
Bank deposits, cash etc.	11 570	385	1 662	169



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Notes to the Financial Statements for 2023

Accounting principles

The financial statements have been prepared in compliance with the Norwegian Accounting Act and the generally accepted accounting principles in Norway.

Classification of balance sheet items

Assets intended for long term ownership or use are classified as fixed assets. Assets relating to the trading cycle are classified as current assets. Receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities.

Current assets are recognised at the lowest of purchase cost and fair value. Short term debt is recognised in the balance sheet at nominal value on the date of establishment.

Fixed assets are recognised at purchase cost. Fixed assets that reduce in value are depreciated linearly over the expected useful life of the asset. Fixed assets that experience a decrease in value that is not expected to be temporary are devalued to fair value. Long term debts in Norwegian Kroner, with the exception of other provisions, are recognised in the balance sheet at nominal value on the date of establishment.

Subsidiaries

Subsidiary companies are recognised at cost in the company accounts. The cost price increases when funds are administered by capital increases, or when group contributions are given to subsidiaries.

Dividends / group contributions are recognised as income the same year as the provision is made in the subsidiary / group company. In cases where dividends/group contributions substantially exceed the share of withheld profit following the acquisition, the exceeding amount is considered as repayment of invested capital, and deducted from the recorded value of the investment in the balance sheet.

The investment is recognised at cost price of the shares unless devaluation has been necessary.

Tax

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented as net values.

Tax reduction on group contributions that is booked as an increase in the cost price of shares directly reduces taxes payable in the balance sheet.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts within three months from purchase date.



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Notes to the Financial Statements for 2023

Note 1 Payroll expenses, number of employees, remunerations, loans to employees, etc.

The company has no employees, hence no requirement to have an occupational pension scheme.

The Managing Director, Chairman of the board and board members are employed in Autronica Fire and Security AS and receive their remuneration there.

There are no loans or collateral to the Managing Director, Chairman of the board or other related parties. There are no individual loans or collateral that are more than 5% of the company's equity.

Expensed audit fee (without VAT)	2023	2022
Statutory audit	28 715	30 000
Technical assistance with financial statements	171 000	162 000
Total audit fees	199 715	192 000

Note 2 Related-party transactions

Remuneration to executives is disclosed in note 1, and balance with group companies is disclosed in note 6.

Related-party transactions:	2023
Purchases of services:	
- Parent company (management services)	1 087 858



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Notes to the Financial Statements for 2023

Note 3 Taxes

Calculation of deferred tax benefit	2023	2022	
Temporary differences			
Assets	0	0	
Carried forward interest deduction	0	0	
Net temporary differences	0	0	
Carried forward losses	0	0	
Basis for deferred tax	0	0	
Deferred tax benefit	0	0	
Deferred tax in the balance sheet	0	0	
Basis for income tax expense, changes in deferred tax and tax payable			
Result before taxes	133 430	514	0
Permanent differences	-131 837	370	-336 112
Basis for the tax expense for the year	1 593	144	-336 112
Change in temporary differences		0	0
Basis for payable taxes in the income statement	1 593	144	-336 112
+ Group contributions received		0	336 112
- Benefits carried forward interest deduction		0	0
+ Excess of the maximum interest deduction of group loan		0	0
Taxable income (basis for payable taxes in the balance sheet)	1 593	144	0
Components of the income tax expense			
Payable tax on this year's result	350	492	0
Total payable tax	350	492	0
Change in deferred tax		0	0
Tax expense	350	492	0
Reconciliation of the tax expense			
Result before taxes	133 430	514	0
Calculated tax 22 %	29 354	713	0
Tax expense	350	492	0
Difference	-29 004	221	0
The difference consist of:			
22 % of permanent differences	-29 004	221	-73 945
Tax effect of group contribution booked as income		0	73 945
Sum explained differences	-29 004	221	0
Payable taxes in the balance sheet			
Payable tax in the tax charge	350	492	0
Tax effect of group contribution		0	0
Payable tax in the balance sheet	350	492	0



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Notes to the Financial Statements for 2023

Note 4 Shareholders' equity

Equity changes in the year	Share capital	Share	Other equity	Total
Equity 01.01.	78 210 000	2 190	697 166 550	777 566 550
Profit for the year	0	0 00 0	133 080 022 -	133 080 022
Allocated to dividends	0	0	383 000 000	-383 000 000
Equity per 31.12	78 210 000	2 190 000	447 246 572	527 646 572

Note 5 Long-term investments in subsidiaries

Subsidiary	Business HQ	Share	Cost price	Equity last year (100 %)	Net profit (+) or loss (-) last year
Autronica Fire and Security AS	Trondheim	100 %	688 062 974	355 831 729	131 760 827
Sum of long-term investments in subsidiaries			688 062 974		

Subsidiary companies are recognised at cost in the company accounts. The cost price increases when funds are administered by capital increases, or when group contributions are given to subsidiaries.

Dividends/group contributions are recognised as income the same year as the provision is made in the subsidiary/group company. In cases where dividends/group contributions substantially exceed the share of withheld profit following the acquisition, the exceeding amount is considered as repayment of invested capital, and deducted from the recorded value of the investment in the balance sheet.

The investment is recognised at cost price of the shares unless devaluation has been necessary.

Note 6 Intercompany receivables / Intercompany payables

Intercompany receivables	2023		2022	
Long-term loans to group companies	-		88 221	037
Dividends from Autronica Fire and Security AS	131 760	827		0
Other short-term receivables from group companies	80 442	444		0
Sum of intercompany receivables	212 203	271	88 221	037

Intercompany payables	2023		2022	
Accrued group contribution from Autronica Fire and Security AS included tax	0		336	112
Accrued dividends to shareholders	383 000	000		0
Other short term-liability to group companies	1 002	490	808	215
Sum of intercompany payables	384 002	490	1 144	327



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Notes to the Financial Statements for 2023

Note 7 Bank guarantees and collaterals

The company's has provided a guarantee of NOK 1 185 166 to DNB via its bank per 31.12.2023.
The company's has provided a collateral of NOK 10 200 000 to its bank per 31.12.2023.

Note 8 Share capital and shareholder information

The share capital of NOK 78 210 000 consists of 100 shares at NOK 782 100. All shares have the same rights.

Shareholder structure per 31.12.2023	Number of shares	Ownership
Carrier Fire & Security Luxembourg S.à r.l.	76	76 %
Carolyn Holdings B.V.	24	24 %
Total	100	100 %

Kidde Norway AS was a part of Carrier Global Corporation based in Palm Beach Gardens, Florida, USA per 31.12.2023. There are no statutory consolidated financial statements for Kidde Norway AS as it is consolidated into Carrier Global Corporation's financial statements.

In 2024 100% of shares in Kidde Norway AS have been purchased by Sentinel Capital Partners, L.L.C. Sentinel Capital Partners, L.L.C. is based in New York City, New York, USA.



To the General Meeting of Kidde Norway AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Kidde Norway AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable statutory requirements, and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

PricewaterhouseCoopers AS, Brattørkaia 17B, 7010 Trondheim

T: 02316, org. no.: 987 009 713 MVA, www.pwc.no

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Trondheim, 26 June 2024
PricewaterhouseCoopers AS

Ronny Lysmen
State Authorised Public Accountant
(This document is signed electronically)



 Securely signed with Brevio

Revisjonsberetning

Signers:

Name	Method	Date
Lysmen, Ronny	BANKID	2024-06-26 16:01

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Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Deres dato
08.09.2014

17 SEPT. 2014

Vår dato
16.09.2014

Telefon
22078139

Deres referanse
SBR

Vår referanse
2014/617627

ADVOKATFIRMAET PRICEWATERHOUSECOOPERS AS
Postboks 748 Sentrum
0106 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 26. august 2014 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Kidde Norway AS org. nr. 880 011 332
Autronica Fire and Security AS org. nr. 979 975 503

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Kidde Norway AS og Autronica Fire and Security AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Autronica Fire and Security AS er 100 % eiet av Kidde Norway AS, som igjen er et heleid datterselskap av det amerikanske selskapet United Technologies Corp Inc. Selskapene i konsernet er pålagt av sin ultimate eier å utarbeide årsregnskap og årsberetning på engelsk. Flere av styremedlemmene er ikke norskspråklige. Autronica Fire and Security AS og Kidde Norway AS opererer i en internasjonal bransje. I forbindelse med prosjekter i utlandet foregår all kommunikasjon på engelsk. Virksomheten er internasjonal og alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Arbeidsspråket i konsernet er engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sandepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapene inngår i et internasjonalt konsern. Eierkretsen er begrenset. Flere av styremedlemmene er ikke norskspråklige. Arbeidsspråket er engelsk. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	18.12.2009	05.01.2010
Telefon	Deres referanse	Vår referanse
22078139	Stephen Constant	2009/1005998

PricewaterhouseCoopers
Postboks 748 Sentrum
0106 OSLO

Søknad om fritak for konsernregnskapsplikt for morselskap i underkonsern, Kidde Norway AS, org. nr. 880 011 332

Det vises til Deres brev av 18. desember 2009. De søker på vegne av Kidde Norway AS om fritak fra plikten til å utarbeide konsernregnskap og at dette skal være på norsk.

Kidde Norway AS er eiet av det amerikanske selskapet United Technologies Corporation Inc. som er notert på New York Stock Exchange. Regnskapet til United Technologies Corporation Inc. avlegges i henhold til USGAAP og på engelsk språk. United Technologies Corporation Inc. utarbeider konsernregnskap som omfatter det norske underkonsernet.

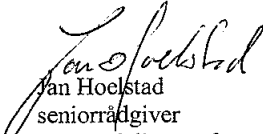
Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juli 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Kidde Norway AS. Det forutsettes at United Technologies Corporation Inc. utarbeider konsernregnskap som omfatter det norske underkonsernet. Det legges til grunn at dette konsernregnskap er utarbeidet i samsvar med USGAAP og at kravene i regnskapsloven § 3-7 forøvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 07.09.2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten å være på norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brevet at tillatelse er gitt.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Torstein Kinden Helleland

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Fredrik Selmers vei 4	800 80 000
0134 Oslo	Org. nr: 974761076	Telefaks
skattedirektoratet@skatteetaten.no		22 17 08 60



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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-39220

CARRIER GLOBAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

83-4051582
(I.R.S. Employer Identification No.)

13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418

(Address of principal executive offices, including zip code)

(561) 365-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$0.01 par value)	CARR	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of June 30, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$41.6 billion, based on the New York Stock Exchange closing price for such shares on that date. Solely for purposes of this disclosure, shares of Common Stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purpose.

As of January 31, 2024, there were 898,364,047 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III hereof incorporates by reference portions of the Registrant's definitive proxy statement related to its 2024 annual meeting of shareowners.



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Carrier Global Corporation and its subsidiaries' names, abbreviations thereof, logos and product and service designators are all either the registered or unregistered trademarks or trade names of Carrier Global Corporation and its subsidiaries. Names, abbreviations of names, logos and products and service designators of other companies are either the registered or unregistered trademarks or trade names of their respective owners. As used herein, the terms "we," "us," "our," "the Company" or "Carrier," unless the context otherwise requires, mean Carrier Global Corporation and its subsidiaries. References to internet websites in this Annual Report on Form 10-K (the "Annual Report") are provided for convenience only. Information available through these websites is not incorporated by reference into this Annual Report.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "outlook," "confident," "scenario" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Carrier, Carrier's plans with respect to our indebtedness and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which Carrier and our businesses operate in the U.S. and globally and any changes therein, including financial market conditions, inflationary cost pressures, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions, pandemic health issues, natural disasters and the financial condition of our customers and suppliers;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- future levels of capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and Carrier's capital structure and credit ratings;
- the timing and scope of future repurchases of Carrier's common stock, including market conditions and the level of other investing activities and uses of cash;
- delays and disruption in the delivery of materials and services from suppliers;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- new business and investment opportunities;
- the outcome of legal proceedings, investigations and other contingencies;
- the impact of pension plan assumptions on future cash contributions and earnings;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which Carrier and our businesses operate, including the effect of changes in U.S. trade policies, on general market conditions, global trade policies and currency exchange rates in the near term and beyond;
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we and our businesses operate;
- the ability of Carrier to retain and hire key personnel;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;
- a determination by the U.S. Internal Revenue Service ("IRS") and other tax authorities that the Distribution or certain related transactions should be treated as taxable transactions; and
- risks associated with current and future indebtedness, as well as our ability to reduce indebtedness and the timing



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thereof.

This Annual Report includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the Notes to the Consolidated Financial Statements in this Annual Report under the heading "Note 23 – Commitments and Contingent Liabilities," the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section entitled "Risk Factors." This Annual Report also includes important information as to these factors in the "Business" section under the headings "General," "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the United States Securities and Exchange Commission ("SEC").

This Annual Report and our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge through the Investors section of our Internet website (<http://www.corporate.carrier.com>) under the heading "SEC Filings" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. In addition, the SEC maintains an Internet website (<http://www.sec.gov>) containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.



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PART I

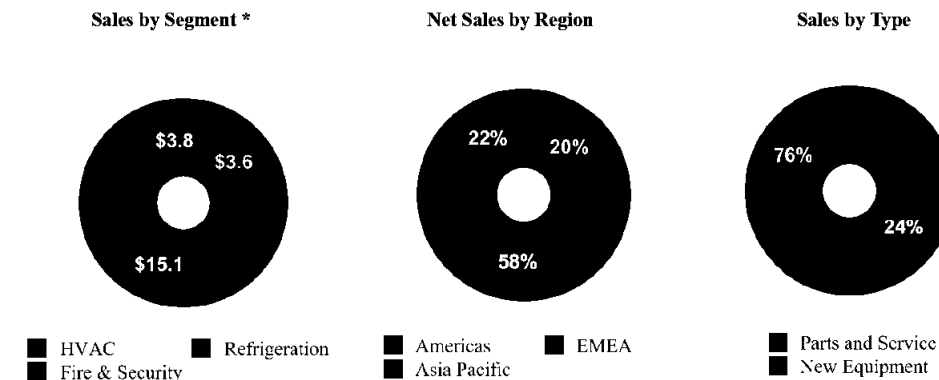
ITEM 1. BUSINESS

General

Carrier Global Corporation ("we" or "our" or the "Company") is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to our customers. Our portfolio includes industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning ("HVAC"), refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. We also provide a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring.

Our worldwide operations are affected by global and regional industrial, economic and political factors and trends. These include the mega-trends of urbanization, climate change and increasing requirements for food safety driven by the food needs of a growing global population and the rising standards of living in emerging markets. We believe that our business segments are well positioned to benefit from favorable secular trends, including these mega-trends and from the strength of our industry-leading brands and track record of innovation. In addition, we regularly review our end markets to proactively identify trends and adapt our strategies accordingly.

For the year ended December 31, 2023, our net sales were \$22.1 billion and our operating profit was \$2.3 billion. Our net sales for 2023 were derived from the Americas (58%), Europe, Middle East and Africa ("EMEA") (22%) and Asia-Pacific (20%). Our international operations, including U.S. export sales, represented approximately 48% of our net sales for 2023. During the same period, new equipment comprised 76% and parts and service comprised 24% of our net sales.



* Segment sales include inter-company sales.

Separation from United Technologies Corporation

On April 3, 2020 (the "Distribution Date"), United Technologies Corporation, ("UTC"), since renamed RTX Corporation ("Raytheon Technologies Corporation" or "RTX") completed the spin-off of Carrier into an independent publicly traded company (the "Separation") through a pro rata distribution (the "Distribution") on a one-for-one basis of all of the outstanding shares of common stock of Carrier to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date of the Distribution. In connection with the Separation, we issued an aggregate principal balance of \$11.0 billion of debt and transferred approximately \$10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. In addition, we entered into several agreements with UTC and Otis Worldwide Corporation ("Otis") that govern various aspects of the relationship among us, UTC and Otis following the Separation and Distribution. As of December 31, 2023, only certain portions of the Tax Matters Agreement ("TMA") remain in effect. On April 1, 2020 and April 2, 2020, we received cash contributions totaling \$590 million from UTC related to the Separation.



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Business Segments

We globally manage our business operations through three segments: HVAC, Refrigeration and Fire & Security. Each respective segment's major products, services and distribution methods are as follows:

The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability. Our established brands include Carrier, Toshiba, Automated Logic, Bryant, CIAT, Day & Night, Heil, NORESKO and Riello which offer an innovative and complete portfolio of products that provide numerous solutions for our customers. Products include air conditioners, heating systems, heat pumps, controls and aftermarket components as well as aftermarket repair and maintenance services and building automation systems. Some of these products are part of our Healthy Buildings Program, which offers a suite of targeted solutions that are focused on improving and optimizing indoor air quality in buildings and homes to enhance human health, safety and productivity. Products and solutions are sold directly to building contractors and owners and indirectly through joint ventures, independent sales representatives, distributors, wholesalers, dealers and retail outlets.

The Refrigeration segment provides a healthier, safer, more sustainable and more intelligent cold chain through the reliable transport and preservation of food, medicine and other perishable cargo. Products and services are sold under established brand names, including Carrier Commercial Refrigeration, Carrier Transicold and Sensitech. Our refrigeration and monitoring products, services and digital solutions, which form our Connected Cold Chain offering, strengthen the connected cold chain and are designed for trucks, trailers, shipping containers, intermodal applications, food retail and warehouse cooling. Commercial refrigeration solutions include refrigerated cabinets, freezers, systems and controls which incorporate next-generation technologies to preserve freshness, ensure safety and enhance the appearance of food and beverages sold by retailers. Products and services are sold directly to transportation companies and retail stores and indirectly through joint ventures, independent sales representatives, distributors, wholesalers and dealers.

The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property. Our established brands include Kidde, Edwards, GST, LenelS2, Marioff, Autronica, Aritech, Det-Tronics, Onity, Supra and Fireye which provide product and technology innovations that are supported by installation, maintenance and monitoring through a network of channel partners and our own field service business, along with web-based and mobile applications and cloud-based services. Products include fire, flame, gas, smoke and carbon monoxide detection, portable fire extinguishers, fire suppression systems, intruder alarms, access control systems and video management systems and electronic controls. Other fire and security service offerings include audit, design, installation and system integration as well as aftermarket maintenance and repair and monitoring services. Our fire and security products and solutions, also part of our Healthy Homes and Healthy Buildings Programs, are sold directly to end customers as well as through manufacturers' representatives, distributors, dealers, value-added resellers and retail distribution.

Planned Portfolio Transformation

On April 25, 2023, we announced that we entered into a Share Purchase Agreement (the "Agreement") to acquire the climate solutions business (the "VCS Business") of Viessmann Group GmbH & Co. KG ("Viessmann"), a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The acquisition was completed on January 2, 2024 for total consideration of \$14.2 billion.

On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, we entered into a stock purchase agreement to sell our Fire & Security Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. On December 12, 2023, we entered into a stock purchase agreement to sell our Commercial Refrigeration business ("CCR") to Haier Group Corporation for an enterprise value of approximately \$775 million. Both transactions are expected to close in 2024 and are subject to customary closing conditions.

Business Strategy

Our business strategy is to be a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to our customers. We believe our strategy is supported by a variety of



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favorable secular trends, including health and wellness, sustainability, digitalization, decarbonization, energy transition and a growing middle class. In order to execute our business strategy, we are focused on three pillars of growth:

Strengthen and Grow our Core

Our strategy involves driving organic growth in part by maintaining our proven track record of innovation, which is focused on designing smarter, more connected and more sustainable systems and solutions. Our strategy also relies on our iconic, industry-leading brands and on strengthening our long-term relationships with channel partners and customers by offering solutions that anticipate customer needs with a focus on technologies related to environmentally-friendly refrigerants, energy efficiency, low emissions, air quality, electrification, noise reduction and safety. In addition, we continue to actively manage and strengthen our business and product portfolio to meet the current and future needs of our customers. This is driven by sustaining activities with a focus on improving existing products and reducing production costs. We also pursue potential acquisitions to complement existing products and services to enhance our product portfolio.

Increase Product Extensions and Geographic Coverage

Our strategy involves leveraging our global operations, the strength of our iconic, industry-leading brands and our success in creating valuable partnerships to focus on targeted expansion into new locations and channels where we believe that we can drive profitable growth. These drivers are supported by research and development activities with a focus on new product development and new technology innovation. We also pursue potential acquisitions to enter new locations and channels as well as expand and enhance our current product portfolio. In addition, Carrier Ventures, our global venture capital wholly-owned subsidiary, focuses on investments to accelerate the development of sustainable innovations and disruptive technologies to transform future building and cold chain management. It engages in strategic partnerships with high growth organizations as they invest in the development of technologies to innovate and commercialize the next generation of integrated renewable offerings.

Grow Aftermarket, Digital and Customer-Back Solutions

Our strategy is focused on offering a comprehensive and differentiated suite of sustainable technologies and services. We expect that these solutions will increase our total available market opportunity, enhance our predictive service and maintenance capabilities, strengthen our customer intimacy and fuel aftermarket growth. For example, Abound is a cloud-based building platform that unlocks and unites building data to create healthy, sustainable and intelligent solutions for indoor spaces. It gathers data from disparate systems, sensors and sources; identifies opportunities to optimize performance; and works with healthy building solutions to improve occupant experiences. Our Lynx digital platform, developed in collaboration with Amazon Web Services ("AWS"), allows customers to leverage data to enhance visibility, resiliency, agility and efficiency in the cold chain to reduce losses and support real-time decisions. In addition, our product teams are deriving insights from data by employing AWS for connectivity, artificial intelligence and machine learning. Most recently, we signed a multi-year, strategic collaboration agreement with AWS to offer additional Software-as-a-Service ("SaaS") solutions in the areas of HVAC performance, sustainability and safety and security. The collaboration is part of our growing investment in digitally-enabled lifecycle solutions designed to inspire confidence in the health and safety of indoor environments.

As power grids and transport infrastructure shift from fossil fuels to renewables, we will continue to position ourselves as a leader in innovative electrified solutions that reduce emissions and energy consumption and promote grid stability. Our solutions range from residential home energy management to sustainable solutions for commercial and industrial buildings to optimized low noise and low greenhouse gas emission transport solutions. With the addition of the VCS Business on January 2, 2024, we are strongly positioned to provide renewable and complete energy solutions globally, with a portfolio that includes low global warming potential high temperature heat pumps for use in industrial and commercial applications, natural refrigerant heat pumps for residential buildings and a connected ecosystem of offerings for an electric home, such as solar PV, batteries, and a differentiated digital platform, all supported by extensive service and aftermarket offerings.

Our industry-leading global brands and track record of innovation form the foundation of our business strategy. This strategy is fueled by our position at the epicenter of important secular trends, including an emphasis on health and wellness, a growing focus on sustainability, increasing digitalization and energy transition. Coupled with our focus on growth, innovation and operational efficiency, we expect to drive long-term growth and increased value.



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Other Matters Relating to Our Business as a Whole

Competitive Conditions

Each of our businesses is subject to significant competition from a number of companies throughout the world. Due to the nature of our products and services and the markets we serve, our competition can vary from regional or specialized companies to larger public or private companies.

The most significant competitive factors we face are technology differentiation, product performance, service, delivery schedule and price. Brand reputation, service to customers and quality are also important competitive factors for our products and services. While our competitive position varies among our products and services, we are a significant competitor with respect to each of our major product and service offerings. We believe that the loss of any individual contract or customer would not have a material adverse effect on our results.

Raw Materials and Supplies

We rely on suppliers and commodity markets to secure components and raw materials such as copper, aluminum and steel. In addition, we also use semi-conductors and other electronic components in the manufacture of our products. To maximize our buying effectiveness and leverage our scale, we have a central strategic sourcing group that consolidates purchases of certain materials and components across our business segments. We work closely with our suppliers to ensure availability of products and implement other cost savings initiatives. In addition, we continue to invest in our supply chain to improve its resilience with a focus on automation, dual sourcing of critical components and localized manufacturing when feasible.

Intellectual Property

We maintain a broad portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to our business to protect our research and development investments and to maintain our competitive advantages. We hold approximately 14,000 active patents and pending patent applications worldwide. From time to time, we take actions to protect our business by asserting our intellectual property rights against third-party infringement. We believe that we have taken reasonable measures to build and protect this portfolio of intellectual property rights, but we cannot be assured that these rights will not be challenged, found invalid or unenforceable.

Operating System

We plan to continue to foster operational, financial and commercial excellence to drive sales and earnings growth. With roots in our legacy manufacturing and business processes, the Carrier operating system — Carrier Excellence — is our continuous improvement framework that is expected to drive operational excellence across our businesses. Our Supplier Excellence program is intended to apply these same operating principles to our supply base and we continue to focus on strategic cost reductions through operational efficiency, digitalization, automation and supply chain productivity.

Joint Ventures and Strategic Relationships

Our joint ventures and strategic relationships are an important part of our business. We hold direct ownership interests in approximately 47 joint ventures, the financial results of which are accounted for by the equity method of accounting or the cost basis of accounting, of which 97% of such investments are in our HVAC segment. These relationships engage in distribution, manufacturing and product development activities and are integral to our business operations and growth strategy.

Seasonality

Demand for certain of our products and services is seasonal and can be impacted by weather conditions. For instance, sales and services of our HVAC products to residential customers have historically been higher in the second and third quarters of the calendar year, which represent the peak seasons for air conditioning-related sales in North America markets. A change in building and remodeling activity also can affect our financial performance. In addition, our financial performance may be influenced by the production and utilization of transport equipment, including truck production cycles in North America and Europe.



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Compliance with the Regulation of our Business and Operations

We operate our businesses and sell our products all over the world. As a result, rapid changes in legislation, regulations and government policies, including with respect to regulations intended to combat climate change, affect our operations and business in the countries, regions and localities in which we operate and sell our products. International accords such as the Paris Agreement and the subsequent U.S. climate policies to meet its nationally determined contributions as well as local regulations in the U.S. reducing the use of fossil fuels in buildings all have the potential to impact our products and service offerings. Such changes, which can render our products and technologies non-compliant, involve refrigerants, noise levels, product and fire safety, hydrofluorocarbon emissions, fluorinated gases, hazardous substances and electric and electronic equipment waste. Increased fragmentation of regulatory requirements changes the manner in which we conduct our business and increases our costs because it necessitates the development of country or regional specific variants, monitoring of and compliance with those regulations and additional testing and certifications. In addition, our operations are subject to and affected by environmental regulations promulgated by federal, state and local authorities in the U.S. and by authorities with jurisdiction over our foreign operations. We have made, and will be required to continue to make, capital expenditures to design and upgrade our products to comply with or exceed environmental and other regulations and energy efficiency standards. However, it is our opinion that the costs related to compliance requirements for environmental or other government regulations will not have a material adverse effect on our capital expenditures, financial results or competitive position.

Environmental Goals

As a global leader in intelligent climate and energy solutions, we are committed to making the world safer, sustainable and more comfortable. We have set ambitious environmental, social and governance goals to be reached by 2030, which include the following:

- Invest over \$2 billion to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts,
- Reduce our customers' carbon footprint by more than 1 gigaton,
- Achieve carbon neutral operations,
- Reduce energy intensity by 10% across our operations,
- Achieve water neutrality in our operations, prioritizing water-scarce locations, and
- Promote sustainability through education, partnerships and climate resiliency programs.

Human Capital Management

As of December 31, 2023, we had approximately 53,000 employees worldwide, of which 39% are located in the Americas, 23% are located in EMEA and 38% are located in Asia. As of December 31, 2023, in the U.S., 75% of our approximately 4,300 production and maintenance employees were covered under six collective bargaining agreements with expiration dates ranging from 2024 to 2027. In Europe, approximately 11,000 employees are represented by two European Works Councils and, at national and local levels, we inform and consult with 46 local works councils and with unions representing employees at approximately 40 sites. We believe that our relations with our labor unions and works councils are generally good.

We believe that our employees are our most important asset and that, in turn, our success and growth depend in large part on our ability to attract, retain and develop a diverse population of talented and high-performing employees at all levels of our organization. We continuously evaluate, modify and enhance our recruitment and retention strategies as part of the overall management of our business. These strategies form the pillars of our human capital management framework and are advanced through the following programs, policies and initiatives.

Health & Safety. Our Environmental, Health and Safety program is focused on eliminating the risk of serious injuries, illness and fatalities to employees, contractors and customers during manufacturing, installation, servicing and other business activities. We apply rigorous standards, controls, inspections and audits to help ensure that our operations and premises comply with national and local regulations and our incident reporting requirements. For 2023, our total recordable incident rate ("TRIR"), based upon the number of employee injuries per 200,000 hours worked, was 0.30 and our lost time incident rate ("LTIR") was 0.10, both of which improved compared with 2022.



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Competitive Pay, Benefits and Total Rewards and Practices. Our total rewards philosophy is designed to align the compensation of our employees with individual and company performance, and to provide the appropriate market-competitive incentives to attract, retain and motivate employees to achieve superior results. In addition, we offer a company-paid employee assistance program to help employees and their families with mental health and other life challenges. In coordination with each country's social welfare system, and in addition to any required local health care participation, we may provide additional health and welfare benefits depending on, among other things, the market competitiveness in that country. We also offer a tuition assistance program, the Employee Scholar Program, that is discussed in more detail below (see Talent Development and Employee Engagement).

Inclusion & Diversity. As of December 31, 2023, approximately 30% of our employees and 32% of our executives globally were women. As of December 31, 2023, people of color represented approximately 33% of our U.S. executive and 27% of our professional employees in the U.S.

Our greatest strength is the global diversity of our people and inclusion is one of our core company values. We believe both are critical to employee engagement and ultimately, an important source of innovation. To this end, we continue to promote *belong* as our inclusion and diversity philosophy which includes a focus on attracting, developing and mentoring the best talent. We also sponsor multiple Employee Resource Groups ("ERGs"), such as Pride, Carrier Black Alliance, WE (Women's Empowerment at Carrier), CHEER (Carrier Hispanic & Latino Employee Engagement Resource group), UCAN (United Carrier Asian Network) and Military and Veterans. These ERGs have an open membership to all employees, operate with a formal leadership structure, a steering committee, senior leadership sponsorship and a defined mission statement that is aligned with supporting our business strategy. We have established relationships with colleges and universities in the United States, including two historically black colleges and universities, to create programs to help students develop skills for the future and provide career and recruitment initiatives.

Our Chairman and Chief Executive Officer ("CEO") signed the CEO Action for Diversity & Inclusion™ pledge joining more than 2,000 CEOs to underscore our commitment to ensure inclusion is core to our business culture. Our senior management has also signed the Hispanic Promise, joining other Fortune 500 companies in the pledge to hire, retain and develop Hispanics in the workplace. Additionally, we offer our global workforce the opportunity to participate in annual inclusion and diversity training.

We are proud of the strides we have made and the recognition we have received in furthering our inclusion and diversity strategy. For example, in 2023, we participated in the Human Rights Campaign Foundation's Corporate Equality Index and achieved a perfect score for the third time, being recognized as a Best Place to Work for LGBTQ Equality. We also participated in the Human Rights Campaign Foundation's Corporate Equality Index in Mexico and achieved a perfect score being recognized as Best Place to Work for LGBTQ Equality in Mexico for the second year in a row.

Talent Development and Employee Engagement. We are committed to the continued development and engagement of our people. We promote continuous learning by offering a company-sponsored Employee Scholar Program, which covers the cost of an employee's tuition, academic fees and books at approved universities. We conduct annual leadership development reviews, a process through which senior leaders identify future leaders and discuss strengths and development opportunities, fostering succession planning for key leadership positions. We also offer various talent development programs including internships, early career rotational programs and a suite of development programs for current and future leaders during the three critical stages of their careers – early career, mid-career and senior leadership.

Three-times per year we conduct a confidential online survey in local languages to solicit feedback from our employees. The results are reviewed by senior leadership and shared with our managers and other employees who collaborate to act on identified areas of improvement.

Corporate Information

Carrier was incorporated in Delaware in connection with the Separation on March 15, 2019. Our principal executive offices are located at 13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418, and our telephone number is (561) 365-2000. We maintain an Internet website at www.corporate.carrier.com.



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ITEM 1A. RISK FACTORS

RISK FACTOR SUMMARY

Risks Related to Our Business

- Risks associated with our international operations could adversely affect our competitive position, results of operations, cash flows or financial condition.
- We are party to joint ventures and other strategic relationships, which may not be successful and may expose us to unique risks and restrictions.
- Risks associated with climate change, government, regulations and incentives associated with climate change and mitigation efforts could adversely affect our business.
- Demand for our HVAC products and services is influenced by weather conditions and seasonality.
- Our business and financial performance depend on continued and substantial investments in our information technology infrastructure, which may not yield anticipated benefits and which may be vulnerable to cyber-attacks.
- Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.
- We engage in acquisitions and divestitures and may encounter difficulties integrating acquired businesses with, or disposing of businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures.
- We have significant indebtedness, as well as unused borrowing capacity, and we may incur additional debt in the future. Servicing our indebtedness requires a significant amount of cash, and the terms of our current indebtedness, and the terms of any future indebtedness may restrict the activities of the company.
- We depend on our intellectual property and have access to certain intellectual property and information of our customers and suppliers. Infringement of or the failure to protect that intellectual property could adversely affect our future growth and success.
- We use a variety of raw materials, supplier-provided parts and third-party service providers in our business. The ability of suppliers to deliver parts, components and manufacturing equipment to our manufacturing facilities, and our ability to manufacture without disruption, could affect our business performance. Significant shortages, supplier capacity constraints or production disruptions, price increases or tariffs could increase our operating costs and adversely impact the competitive positions of our products.
- We design, manufacture and service products that incorporate advanced technologies. The introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated.
- We operate in a competitive environment and our profitability and competitive position depend on our ability to accurately estimate the costs and timing of providing our products and services.
- Customers and others may take disruptive actions.
- Labor matters may impact our business.
- Our defined benefit pension plans are subject to financial market risks that could adversely affect our results.
- We may not realize expected benefits from our cost reduction and restructuring efforts, and our profitability or our business otherwise might be adversely affected.
- Failure to achieve and maintain a high level of product and service quality could damage our reputation with customers and negatively impact our results.
- We are subject to litigation, environmental and other legal and compliance risks.
- We are subject to risks arising from doing business with the U.S. government.
- We may recognize impairment charges for our goodwill and intangible assets.
- Failure to maintain a satisfactory credit rating could adversely affect our liquidity, capital position, borrowing costs and access to the capital markets.

Risks Related to the Separation from UTC

- After the Separation and the Distribution, certain members of management, directors and shareowners own stock in UTC, Carrier and Otis and as a result may face actual or potential conflicts of interest.



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- In connection with the Separation into three independent public companies, each of UTC, Carrier and Otis has agreed to indemnify the other parties for certain liabilities. If we are required to pay UTC and/or Otis under these indemnities, our financial results could be negatively impacted. Also, the UTC or Otis indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which UTC and Otis have been allocated responsibility, and UTC and/or Otis may not be able to satisfy their respective indemnification obligations in the future.
- In certain circumstances, we could be required to indemnify UTC for material taxes and other related amounts pursuant to indemnification obligations under the TMA.
- Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.

Risks Related to Our Common Stock

- The market price and trading volume of our common stock may fluctuate significantly.
- Shareowner's percentage of ownership in our common stock may be diluted in the future.
- Quarterly cash dividends may be discontinued or modified, are subject to a number of uncertainties and may affect the price of our common stock.
- Our amended and restated bylaws designate the courts within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareowners, which could discourage lawsuits against Carrier and our directors and officers.
- Anti-takeover provisions could enable our Board of Directors to resist a takeover attempt by a third party and limit the power of our shareowners.

General Risks

- Natural disasters, epidemics or other unexpected events (including those related to COVID-19) may disrupt our operations, adversely affect our results of operations, cash flows or financial condition, and may not be fully covered by insurance.
- We may be affected by global economic, capital market and political conditions, and conditions in the construction, transportation and infrastructure industries in particular.
- Our business success depends on attracting and retaining qualified personnel.
- Additional tax expense or additional tax exposures could affect our future profitability.
- Failure to maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect us.



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RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by the factors set forth subsequently, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Risks Related to Our Business

Risks associated with our international operations could adversely affect our competitive position, results of operations, cash flows or financial condition.

Approximately 48% of our net sales for the year ended December 31, 2023 are derived from international operations, including U.S. export sales. As a result, changes in local and regional economic conditions, including fluctuating exchange rates, may adversely affect demand for our products and the profits generated by our non-U.S. operations because a significant portion of our sales and expenses are denominated in currencies other than U.S. dollars. While we attempt to manage our exchange rate risks, we are not completely insulated from that exposure. Exchange rates can be volatile and a substantial weakening of foreign currencies against the U.S. dollar could reduce our operating margins in various locations outside of the U.S., which would adversely impact the comparability of our results from period to period.

Our international sales and operations are also subject to the risks associated with changes in local government regulations and policies regarding investments, employment, taxation, incentives, foreign exchange and capital controls and the repatriation of earnings. Moreover, government regulations and policies regarding international trade, such as import quotas, punitive taxes or tariffs or similar trade barriers, whether imposed by individual governments or regional trade blocs, can affect demand for our products and services, impact the competitive position of our products or services or encumber our ability to manufacture or sell or procure products in certain countries. The implementation of more restrictive trade policies by the U.S. or by other countries, such as China and Mexico, where we sell or produce our products and services or procure materials, including as a result of the ongoing trade conflict between the U.S. and China, could negatively impact our business, results of operations and financial condition. Our international sales and operations are also sensitive to political and economic instability, changes in foreign national priorities and government budgets, and the risks associated with differing legal systems and customs in foreign countries.

We expect that sales to emerging markets will continue to account for a significant portion of our sales as developing nations around the world increase their demand for our products. In addition, as part of our globalization strategy, we have invested in certain countries, including Mexico, Brazil, China, India and countries in the Middle East. Emerging markets can present many risks, including cultural differences (such as employment and business practices), compliance risks, economic and government instability, exchange rate fluctuations and the imposition of foreign exchange and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We are party to joint ventures and other strategic relationships, which may not be successful and may expose us to unique risks and restrictions.

Our business operations, particularly in our HVAC segment, depend on various strategic relationships, namely, joint ventures and non-wholly owned subsidiaries. We sell our products and services through certain key distributor, joint venture and similar relationships, including the Carrier Enterprise joint ventures with Watsco, Inc., AHI-Carrier FZC, a United Arab Emirates-based joint venture and various joint ventures with members of the Midea Group.

Some of our strategic relationships engage in manufacturing and/or product development. Loss of a key channel partner, or a significant downturn or deterioration in the business or financial condition of a key channel partner, joint venture or similar relationship, whether related to, among other things, a labor strike, diminished liquidity or credit unavailability, weak demand for products or delays in the launch of new products, could adversely affect our results of operations in a particular period or the value of our equity investment. If we are not successful in maintaining our strategic distribution relationships, our financial condition, results of operations and cash flows may be adversely affected.

In addition, our ability to apply our internal controls and compliance policies to our minority-held joint ventures is limited and can expose us to additional financial and reputational risks. We seek to take proactive steps to mitigate these concerns, including through audits and similar reviews.



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Joint ventures and strategic relationships inherently involve certain other risks. Whether or not we hold a majority interest or maintain operational control in such arrangements, our partners and similar business associates may, for example: (1) have economic or business interests or objectives that are inconsistent with or contrary to our own; (2) exercise veto or other rights, to the extent available, to block actions that we believe are in our or the joint venture's best interests; (3) act contrary to our policies or objectives; or (4) be unable or unwilling to fulfill their obligations.

In addition, there can be no assurance that any particular joint venture or strategic relationship will continue to be beneficial to us in the long term. For example, some of our joint ventures or other strategic agreements prohibit us from competing in certain geographic markets or product and services channels, and these restrictions may apply to other products and services we develop or businesses we acquire in the future.

Risks associated with climate change, government, regulations and incentives associated with climate change and mitigation efforts could adversely affect our business.

The effects of climate change, including increased frequency and intensity of extreme weather conditions and water scarcity, create financial risks to our business. The potential impacts of climate change on our operations are highly uncertain and depend upon the unique geographic and environmental factors present; for example rising sea levels at certain of our facilities, changing storm patterns and intensities and changing temperature levels. The effects of climate change could disrupt our operations by impacting the availability and cost of materials and by increasing insurance and other operating costs. The effects of climate change also may impact our decisions to construct new facilities or maintain existing facilities in the areas most prone to physical risks, which could similarly increase our operating and material costs. We could also face indirect financial risks passed through the supply chain that could result in higher prices for our products and the resources needed to produce them. Potential adverse impacts from climate change may create health and safety issues for employees operating at our facilities and may lead to an inability to maintain standard operating hours.

There is a general consensus that greenhouse gas emissions are linked to climate change, and that these emissions must be reduced dramatically to avert its worst effects. Increased public awareness and concern about climate change will likely continue to: (1) generate more international, regional and/or national requirements to curtail the use of high global warming potential refrigerants (e.g. the Kigali Amendment to the Montreal Protocol and the American Innovation and Manufacturing ("AIM") Act of 2020, which are essential to many of our products); (2) increase building energy and cold chain efficiency; (3) cause a shift away from the use of fossil fuels as an energy source, including natural gas prohibitions; and (4) lead to the adoption of additional rules and regulations surrounding public disclosures relating to greenhouse gas emissions, including those recently adopted in California and the European Union. In some instances, these requirements may render our existing technology, particularly some of our HVAC and refrigeration products, non-compliant or obsolete and we may be required to make increased capital expenditures to meet new regulations and standards, changing interpretations and stricter enforcement of current laws and regulations. Furthermore, our customers and the markets we serve may impose emissions or other environmental standards through regulation, market-based emissions policies or consumer preferences that we may not be able to timely meet due to our required level of capital investment and technology advancement. While we are committed to pursuing sustainable solutions for our products, there can be no assurance that our development efforts will be successful, that our products will be accepted by the market, that proposed regulations or deregulation will not have an adverse effect on our competitive position, or that economic returns will justify our investments in new product development.

The inconsistent international, regional and/or national requirements associated with climate change regulations, such as the U.S. re-entry into the Paris Climate Agreement, also create economic and regulatory uncertainty. There is also regulatory and budgetary uncertainty associated with government incentives, which, if discontinued or materially reduced, could adversely impact the demand for energy-efficient buildings and homes and could increase costs of compliance.

We have set environmental, social and governance goals to be achieved by 2030, which include investing over \$2 billion to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts, reducing our customers' carbon footprint by more than 1 gigaton, achieving carbon neutral operations and reducing energy intensity by 10% across our operations. Although we intend to meet these goals, we may be required to expend significant resources to do so, which could increase our operational costs. Further, there can be no assurance of the extent to which any of our goals will be achieved, or that any future expenditures or investments we make in furtherance of achieving such goals will be available, effective, meet investor expectations or any binding or non-binding legal standards regarding sustainability performance. For example, to make substantial progress toward or to meet some of these goals, we may need to purchase or deploy a combination of renewable energy utility contracts, carbon credits or offsets, energy-efficient or low-emission products or operations, or carbon sequestration technologies, and there can be no assurance of the extent to which such contracts, credits, offsets, products, operations or technologies will be available or effective in reducing emissions or energy intensity. As global regulatory reporting obligations continue to emerge and evolve, we strive to align our



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environmental, social and governance disclosures to global reporting requirements, standards, and best practices. To the extent that reporting gaps exist as reporting standards change over time, this could result in increased compliance costs and risks.

Moreover, we may determine that it is in the best interest of our company and our shareowners to prioritize other business, social, governance or sustainability investments over the achievement of our current goals based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If we are unable to make substantial progress toward or meet these goals, then we could incur adverse publicity and reaction from investors, activist groups or other stakeholders, which could adversely impact the perception of us and our products and services by current and potential customers, as well as investors, which could in turn adversely impact our results of operations.

Demand for our HVAC products and services is influenced by weather conditions and seasonality.

Demand for our HVAC products and services, representing our largest segment by sales, is seasonal and affected by the weather. Cooler than normal summers depress sales of our replacement air conditioning products and services and warmer than normal winters have the same effect on our heating products. Historically, sales to residential HVAC customers tend to be higher in the second and third quarters of the year because, in the U.S. and other northern hemisphere regions, spring and summer are the peak seasons for sales of air conditioning systems and services. In these circumstances, the results of any quarterly period may not be indicative of expected results for a full year, and unusual weather patterns or events could positively or negatively affect our business and impact overall results of operations.

Our business and financial performance depend on continued and substantial investments in our information technology infrastructure, which may not yield anticipated benefits and which may be vulnerable to cyber-attacks.

The efficient operation of our business requires continued and substantial investments in information technology ("IT") infrastructure systems. The failure to design, develop, maintain and implement IT technology infrastructure systems in an effective and timely manner or to maintain these systems could divert management's attention and resources. Our information systems may also become obsolete because of inadequate investments, requiring an unplanned transition to a new platform that could be time consuming, costly, and damaging to our competitive position and could require additional management attention. Repeated or prolonged interruptions of service because of poor execution, inadequate investments or obsolescence could have a significant adverse impact on our reputation and our ability to sell products and services.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

Our business has been and may again in the future be impacted by disruptions to our or third-party providers' IT infrastructure, which have resulted and could in the future result from (among other causes) cyber-attacks, infrastructure failures or compromises to our physical security. Cyber-based risks are evolving and include attacks: (i) on our IT infrastructure; (ii) targeting the security, integrity and/or availability of hardware and software; (iii) exploiting weaknesses or vulnerabilities in our products, or capturing information installed, stored or transmitted in our products (including after the purchase of those products and when they are installed into, or into environments using, third-party products); and (iv) on facilities or similar infrastructure. Such attacks could disrupt our systems (or those of third parties) and business operations, impact the ability of our products to work as intended or result in the unauthorized access, use, disclosure, modification or destruction of information in violation of applicable law and/or contractual obligations. We continue to make investments and adopt measures to enhance our protection, detection, response and recovery capabilities, and to mitigate potential risks to our technology, products, services, operations and confidential data. However, depending on the nature, sophistication and scope of cyber-attacks, it is possible that potential vulnerabilities could go undetected for an extended period. As a result, we could potentially experience: (i) production downtimes; (ii) operational delays or other detrimental impacts on our operations; (iii) destruction or corruption of our data (or data at or third-party providers); (iv) security breaches; (v) manipulation or improper use of our or third-party systems, networks or products; and (vi) financial losses from remedial actions, loss of business, liability, penalties, fines and/or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Due to the evolving nature of such risks, the impact of any potential incident cannot be predicted.

In addition, because of the global nature of our business, our internal systems and products must comply with applicable laws, regulations and standards in a number of jurisdictions, and government enforcement actions and violations of data privacy and cybersecurity laws could be costly or interrupt our business operations. Any disruption to our business arising from such issues,



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or an increase in our costs to cover these issues that is greater than what we have anticipated, could have an adverse effect on our reputation, competitive position, results of operations, cash flows or financial condition.

These risks are heightened by the increasingly connected nature of our products and services as we continue to focus on providing digitally-enabled lifecycle solutions to our customers, including due to the use of third-party products to connect these products and services to the internet, which may be subject to additional vulnerabilities beyond our control.

We engage in acquisitions and divestitures and may encounter difficulties integrating acquired businesses with, or disposing of businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures.

We seek to grow through strategic acquisitions in addition to organic growth. In the past several years, we have acquired consolidated and minority-owned businesses in an effort to complement and expand our business, including the acquisition of the VCS Business, which we completed on January 2, 2024. We expect to continue such pursuits in the future. Our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's historical activities.

In connection with these acquisitions, we have in the past incurred, and expect to incur in the future, significant costs, including in connection with the integration of such businesses. For example, in connection with the integration of the VCS Business, we incurred transaction fees and costs related to formulating integration plans, we expect to incur a number of non-recurring costs associated with achieving cost synergies in connection with the acquisition, and the execution of our integration plans may lead to additional unanticipated costs, including costs related to employee retention, redeployment, relocation or severance fees, as well as costs necessary to maintain employee morale and to attract, motivate or retain management personnel and other key employees. Furthermore, integrating a business, including the VCS Business, may result in material challenges, including the diversion of management's attention from ongoing business concerns; retaining key management and other employees; retaining or attracting business and operational relationships; managing the expenses and operational challenges of the integration process; consolidating corporate and administrative infrastructures; coordinating geographically separate organizations; loss of customers, distributors, suppliers, and other business partners of the acquired business; unanticipated issues in integrating information technology, communications, internal controls and other systems; as well as potential unknown liabilities and unforeseen expenses related to integration. We ultimately may not realize, and have sometimes not realized, the degree or timing of benefits or cost synergies we anticipate when we first enter into a transaction.

We also may incur - and have incurred - unanticipated costs or expenses, including asset impairment and other charges and expenses associated with litigation and other liabilities. In addition, in connection with certain acquisitions including the acquisition of the VCS Business, we have disclosed and may from time to time disclose, unaudited pro forma financial information. This pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial position or results of operations would have been had the acquisition been completed on the dates indicated therein. Further, our actual results and financial position may differ materially and adversely from the unaudited pro forma financial information, including due to certain adjustments made by our management, and due to changes between preliminary estimates of the fair value of assets to be acquired and liabilities to be assumed, and the final acquisition accounting. Additionally, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings subsequent to periods in which we acquire new businesses. Any of the foregoing could adversely affect our business and results of operations.

We also make strategic divestitures from time to time. On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 8, 2023, we announced entry into a definitive agreement to sell our global security business and on December 13, 2023, we announced the entry into a definitive agreement to sell our global commercial refrigeration business. These and other divestitures may result in continued financial exposure to the divested businesses, such as through guarantees, other financial arrangements, continued supply and services arrangements or through the retention of liabilities, such as for environmental and product liability claims. Under these arrangements, nonperformance by those divested businesses or claims against retained liabilities could result in the imposition of obligations that could have a material adverse effect on our results of operations, cash flows or financial condition.

The success of future acquisitions, divestitures and joint ventures will depend on the satisfaction of conditions precedent to such transactions, which will depend in part on the ability of the parties to secure any required regulatory approvals in a timely manner, among other things.



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We have significant indebtedness, as well as unused borrowing capacity, and we may incur additional debt in the future. Servicing our indebtedness requires a significant amount of cash, and the terms of our current indebtedness, and the terms of any future indebtedness may restrict the activities of the company.

As of December 31, 2023, we had approximately \$14.3 billion in aggregate principal amount of outstanding indebtedness, including debt incurred to close the acquisition of the VCS Business on January 2, 2024. See Note 7 – Borrowings and Lines of Credit and Note 25 – Subsequent Events in the accompanying Notes to the Consolidated Financial Statements and the section entitled "Liquidity and Financial Condition" in this Annual Report for additional information. Although not expected, we may also incur additional indebtedness in the future, including via issuance of commercial paper, under either our Revolving Credit Facility or under the Revolver.

Our debt obligations could potentially have important consequences to us and our debt and equity investors, including: (1) requiring a substantial portion of our cash flows from operations to make debt service payments or to refinance our indebtedness as it becomes due, making it more difficult for us to satisfy our other priorities and obligations; (2) resulting in higher interest expenses, (3) increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing; (4) increasing our vulnerability to general adverse economic and industry conditions; (5) reducing the cash flows available to fund capital expenditures and other corporate purposes and to grow our business; (6) limiting our flexibility in pursuing strategic opportunities or planning for, or reacting to, changes in our business and the industry; (7) placing us at a competitive disadvantage relative to our competitors that may not be as highly leveraged; and (8) limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase shares.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive, regulatory factors, and other factors beyond our control. Our cash flow from operations in the future may be insufficient to service our indebtedness because of factors beyond our control, including if our actual cash requirements in the future are greater than expected. If we are unable to generate the necessary cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

As described in Note 7 – Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements and "Liquidity and Financial Condition," the agreements governing our indebtedness contain covenants restricting our financial flexibility in a number of ways, including, among other things, restrictions on our ability and the ability of certain of our subsidiaries to incur liens, to make certain fundamental changes and to enter into sale and leaseback transactions. In addition, some of the agreements governing our indebtedness require that we not exceed a maximum consolidated total leverage ratio and contain certain customary events of default, including related to changes of control. As of the date of this report, we were in compliance with the covenants under the agreements governing our outstanding indebtedness. Our ability to comply with such restrictions and covenants, some of which have already been amended as described above, may be affected by events beyond our control. If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders or holders, as applicable, then, subject to the applicable cure periods and conditions, any outstanding indebtedness could be declared immediately due and payable.

Apart from these covenants, neither we nor any of our subsidiaries are restricted from incurring additional unsecured debt or liabilities, and to the extent that we incur additional indebtedness, the foregoing risks could increase.

We depend on our intellectual property and have access to certain intellectual property and information of our customers and suppliers. Infringement of or the failure to protect that intellectual property could adversely affect our future growth and success.

Our intellectual property rights are important to our business and include numerous patents, trademarks, copyrights, trade secrets, proprietary technology, technical data, business processes and other confidential information. Although we consider our intellectual property rights in the aggregate to be valuable, we do not believe that our business is materially dependent on a single intellectual property right or any group of them. We nonetheless rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, customer and supplier agreements, license agreements, IT security systems, internal controls and compliance systems and other measures to protect our intellectual property. We also rely on nondisclosure



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agreements, IT security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect such intellectual property and proprietary information may not be sufficient, however.

We cannot be sure that our pending patent applications will result in the issuance of patents, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors, or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications.

In addition, we may be the target of competitor or other third-party patent enforcement actions seeking substantial monetary damages or seeking to prevent the sale and marketing of certain of our products. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession, ownership or necessary licenses concerning data important to the development or sale of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. Any of these events or factors could subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services and could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We use a variety of raw materials, supplier-provided parts, and third-party service providers in our business. The ability of suppliers to deliver material parts, components and manufacturing equipment to our manufacturing facilities, and our ability to manufacture without disruption, could affect our business performance. Significant shortages, supplier capacity constraints or production disruptions, price increases, or tariffs could increase our operating costs and adversely impact the competitive positions of our products.

Our reliance on suppliers and commodity markets to secure components and raw materials (such as copper, aluminum and steel), and on service providers to deliver our products, exposes us to volatility in the prices and availability of these materials and services. We use a wide range of materials and components in the global production of our products, which come from numerous suppliers around the world. Because some key parts may be available only from a single supplier or a limited group of suppliers, we are subject to supply and pricing risk. In addition, certain proprietary component parts used in some of our products are provided by single-source unaffiliated third-party suppliers. We would be unable to obtain these proprietary components for an indeterminate period of time if these single-source suppliers were to cease or interrupt production or otherwise fail to supply these components to us, which could adversely affect our product sales and operating results. Our supply chain could be impacted by climate change through extreme weather events, resulting in delivery or production disruptions and increased material costs. In addition, other issues with suppliers (such as capacity constraints, quality issues, consolidations, closings or bankruptcies), price increases, raw material shortages, regulatory limitations, or the decreased availability of trucks and other delivery services could also have a material adverse effect on our ability to meet our commitments to customers or increase our operating costs. Periodic disruptions in our supply chains has resulted, and may continue to result, in sufficient inventory not being available in a timely manner or during the appropriate season as well as higher freight and other logistic costs, including increased carrier rates, which could have a material adverse effect on our business.

We use various tactical and strategic actions to mitigate our raw material and supply chain risks and challenges, including consolidating commodity purchases, locking in prices of expected purchases of certain raw materials, dual sourcing, increasing regionalization, proactive engagement with suppliers and our workforce and dynamic management of freight costs and availability. However, these efforts may be unsuccessful or could cause us to pay higher prices for a commodity when compared with the market price at the time the commodity is actually purchased or delivered. Our suppliers could be subject to tariffs as well as climate change related regulations, compliance with which would increase our costs and the impacts of which are difficult to predict. We believe that our supply management and production practices appropriately balance the foreseeable risks and the costs of alternative practices. Nonetheless, these risks may have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Our operations and those of our suppliers are subject to disruption for a variety of reasons, including COVID-19 or other health-related supplier plant shutdowns or slowdowns, transportation delays, work stoppages, labor relations, changes in laws or regulations, governmental regulatory and enforcement actions, intellectual property claims against suppliers, financial issues such as a supplier bankruptcy, IT failures and hazards such as fire, earthquakes, flooding or other natural disasters. Insurance for certain disruptions may not be available, affordable or adequate. The effects of climate change, including extreme weather events, long-term changes in temperature levels and water availability may exacerbate these risks. Such disruption has in the



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past and could in the future interrupt our ability to manufacture certain products. Any significant disruption could have a material adverse impact on our competitive position.

We design, manufacture and service products that incorporate advanced technologies. The introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated.

Our future success depends on designing, developing, producing, selling and supporting innovative products that incorporate advanced technologies. The regulations applicable to our products, as well as our customers' product and service needs, change from time to time. Moreover, regulatory changes, inclusive of those aimed at addressing climate change and its impacts, may render our products and technologies non-compliant and may subject us to operational, compliance and reputational risks. Our ability to realize the anticipated benefits of our technological advancements or product improvements – including those associated with regulatory changes – depends on a variety of factors, including: meeting development, production and regulatory approval schedules; meeting performance plans and expectations; the availability of raw materials and parts; our suppliers' performance; the hiring, training and deployment of qualified personnel; achieving efficiencies; identifying emerging regulatory and technological trends; validating innovative technologies; the level of customer interest in new technologies and products; and the costs and customer acceptance of our new or improved products.

Our products and services also may incorporate technologies developed or manufactured by third parties, which, when combined with our technology or products, creates additional risks and uncertainties. As a result, the performance and market acceptance of these third-party products and services could affect the level of customer interest and acceptance of our own products in the marketplace.

Our research and development efforts, including those that advance environmental sustainability, may not culminate in new technologies or timely products, or may not meet the needs of our customers as effectively as competitive offerings. Our competitors may develop competing technologies that gain market acceptance before or instead of our products. In addition, we may not be successful in anticipating or reacting to changes in the regulatory environments in which our products are sold, and the markets for our products may not develop or grow as we anticipate.

We operate in a competitive environment and our profitability and competitive position depend on our ability to accurately estimate the costs and timing of providing our products and services.

In certain of our businesses, our contracts are typically awarded on a competitive basis. Our bids are based upon, among other factors, the cost to timely provide the products and services. To generate an acceptable return, we must accurately estimate our costs and schedule. If we fail to do so, the profitability of contracts may be adversely affected – including because some of our contracts provide for liquidated damages if we do not perform on time – which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Customers and others may take disruptive actions.

From time to time customers and others may seek to become suppliers of products and services that compete with our own or pursue other strategies to disrupt our business model. For example, an affiliate of a customer in our transport refrigeration business produces refrigeration units for shipping containers that compete with our products, and another one of our transport refrigeration customers produces refrigeration units for truck trailers that compete with our refrigeration units. In addition, our customers or existing or future competitors may seek to introduce non-traditional business models or disruptive technologies and products in the industries in which we participate, resulting in increased competition and new dynamics in these industries.

Labor matters may impact our business.

A significant portion of our employees are represented by labor unions or works councils in a number of countries under various collective bargaining agreements with varying durations and expiration dates. See the section entitled "Other Matters Relating to Our Business as a Whole - Human Capital Management." We may not be able to satisfactorily renegotiate these agreements before they expire. In addition, existing agreements may not prevent a strike or work stoppage, union and works council campaigns and other labor disputes. We may also be subject to general country strikes or work stoppages unrelated to our specific business or collective bargaining agreements. Additionally, a shortage in certain work forces, such as technicians, manufacturing workers or truck drivers, due to external forces such as geopolitical strife or pandemics, may impact our business by affecting the ability to produce, install, sell and deliver our products. Any such work stoppages (or potential work stoppages)



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or labor shortages could have a material adverse effect on our reputation, productivity, financial condition, cash flows and results of operations.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our results.

The performance of the financial markets and interest rates can impact our defined benefit pension plan expenses and funding obligations. Significant decreases in the discount rate or investment losses on plan assets may increase our funding obligations and adversely impact our financial results. See Note 10 – Employee Benefit Plans to the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional discussion on pension plans and related obligations and contingencies.

We may not realize expected benefits from our cost reduction and restructuring efforts, and our profitability or our business otherwise might be adversely affected.

In order to operate more efficiently and cost effectively, we have, and we may from time to time, adjust employment levels, optimize our footprint and/or implement other restructuring activities. These activities are complex and may involve or require significant changes to our operations. If we do not successfully manage these activities, expected efficiencies and benefits might be delayed or not realized. Risks associated with these actions and other workforce management issues include: unfavorable political responses and reputational harm; unforeseen delays in the implementation of the restructuring activities; additional costs; adverse effects on employee morale; the failure to meet operational targets due to the loss of employees or work stoppages; and difficulty managing our operations during or after facility consolidations, any of which may impair our ability to achieve anticipated cost reductions, harm our business or reputation, or have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

Failure to achieve and maintain a high level of product and service quality could damage our reputation with customers and negatively impact our results.

Product and service quality issues could harm customer confidence in our company and our brands. If certain of our product and service offerings do not meet applicable safety standards – which has been the case – or our customers' expectations regarding safety or quality, we can experience and have experienced previously, lost sales and increased costs and we can be exposed, and have previously been exposed, to legal, financial and reputational risks. Actual, potential or perceived product safety concerns could expose us to litigation as well as government enforcement actions, which has also occurred in certain instances. In addition, when our products fail to perform as expected, we have been, and may in the future be, exposed to warranty, product liability, personal injury and other claims.

We maintain strict quality controls and procedures. However, we cannot be certain that these controls and procedures will reveal defects in our products or their raw materials, which may not become apparent until after the products have been placed in use in the market. Accordingly, there is a risk that products will have defects, which could require a product recall or field corrective action. Product recalls and field corrective actions can be expensive to implement and may damage our reputation, customer relationships and market share. We have conducted product recalls and field corrective actions in the past and may do so again in the future.

In many jurisdictions, product liability claims are not limited to any specified amount of recovery. If any such claims or contribution requests or requirements exceed our available insurance or if there is a product recall, there could be an adverse impact on our results of operations. In addition, a recall or claim could require us to review our entire product portfolio to assess whether similar issues are present in other products, which could result in a significant disruption to our business and which could have a further adverse impact on our business, financial condition, results of operations and cash flows. There can be no assurance that we will not experience any material warranty or product liability claims in the future, that we will not incur significant costs to defend such claims or that we will have adequate reserves to cover any recall, repair and replacement costs.

We are subject to litigation, environmental and other legal and compliance risks.

We are subject to a variety of litigation, legal and compliance risks including, without limitation, claims, lawsuits and/or regulatory enforcement actions relating to breach of contract, cybersecurity and data privacy, employment and labor, environmental and employee health and safety matters, global chemical compliance, intellectual property rights, personal injury, product safety and taxes as well as anti-corruption, competition and securities laws and other laws governing improper



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business practices. If found responsible in connection with such matters, we could be subject to significant fines, penalties, repayments and other damages (in certain cases, treble damages) and experience reputational harm.

As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses. Uncertainty relating to laws or regulations may also affect how we operate, structure our investments and enforce our rights.

Emerging global chemical use restrictions related to protection of human health and the environment as well as climate change directives may require additional investments in product designs, resulting in increased manufacturing and production costs as well as updates to product safety assessments. These restrictions may also increase our legal obligations regarding remediation of its current and legacy operational sites.

At times, we are involved in disputes with private parties over environmental issues, including litigation over the allocation of cleanup costs, alleged personal injuries and property damage. Existing and future asbestos-related claims could adversely affect our financial condition, results of operations and cash flows. Personal injury lawsuits may involve individual and putative class actions alleging that contaminants originating from our current or former products or operating facilities caused or contributed to medical conditions. Property damage lawsuits may involve claims relating to environmental damage or diminution of real estate values. Even in litigation where we believe our liability is remote, there is a risk that a negative finding or decision could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition, in particular with respect to environmental claims in regions where we have, or previously had, significant operations or where certain of our products have been manufactured and used.

The U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Certain of our or our channel partners' customer relationships are with governmental entities and are, therefore, subject to the FCPA and other anti-corruption laws. We are also subject to antitrust, anti-collusion and anti-money laundering laws in various jurisdictions throughout the world. Despite meaningful measures to ensure lawful conduct, which include training, audits and internal control policies and procedures, we may not always be able to prevent our employees, third-party agents or channel partners from violating the FCPA or anti-trust, anti-money laundering or other anti-corruption laws. As a result, we could be subject to criminal and civil penalties, as well as disgorgement. We could be required to make changes or enhancements to our compliance measures that could increase our costs, and we could be subject to other remedial actions.

Violations of the FCPA, antitrust, anti-money laundering or other anti-corruption or anti-collusion laws, or allegations of such violations, could disrupt our operations, cause reputational harm, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

We also must comply with various laws and regulations relating to the import and export of products, services and technology into and from the U.S. and other countries having jurisdiction over our operations. In the U.S., these laws include, amongst others, the Export Administration Regulations administered by the U.S. Department of Commerce and embargoes and sanctions regulations administered by the U.S. Department of the Treasury. Restrictions on the export of our products, services or technologies could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

For a description of material legal proceedings and regulatory matters, see the section entitled "Legal Proceedings" and Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report.

We are subject to risks arising from doing business with the U.S. government.

As a supplier and service provider to the U.S. government, including as a subcontractor under prime contracts with the U.S. government, we are subject to certain heightened risks, such as those associated with the government's rights to audit and conduct investigations and with its rights to terminate contracts for convenience or default. In light of the current U.S. government contracting environment, we are and will continue to be the subject of U.S. government investigations relating to our U.S. government contracts or subcontracts. Such investigations often take years to complete and could result in administrative, civil or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution or



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penalties, or could lead to suspension or debarment of U.S. government contracting or of export privileges. For instance, if a business unit were charged with wrongdoing in connection with a U.S. government investigation (including fraud or violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts or subcontracts. If convicted or found liable, the U.S. government could fine and debar us from receiving new awards for a period generally not to exceed three years and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated.

We may recognize impairment charges for our goodwill and intangible assets.

As of December 31, 2023, the net carrying value of our goodwill and intangible assets totaled \$8.0 billion and \$1.0 billion, respectively. Our intangible assets primarily consist of customer relationships, patents, service portfolios and trademarks. We periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, planned or unexpected significant changes in the use of the assets, and sustained market capitalization declines may result in the impairment of goodwill or intangible assets. Any charges relating to such impairments could have a material adverse impact on our results of operations in the period in which the impairment is recognized.

Failure to maintain a satisfactory credit rating could adversely affect our liquidity, capital position, borrowing costs and access to the capital markets.

We have been issued an investment grade credit rating by each of Moody's Investors Services, Inc. ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings Inc. ("Fitch Ratings"). Nonetheless, any future downgrades could increase our borrowing costs, reduce market capacity for our commercial paper or require the posting of collateral under our derivative contracts. There can be no assurance that we will be able to maintain our credit ratings, and any additional actual or anticipated changes or downgrades, including any announcement that our ratings are under review for a downgrade, may have a negative impact on our liquidity, capital position and access to the capital markets. Additionally, our credit agreements generally provide for an increase in interest rates if the ratings for our debt are downgraded. This risk may be exacerbated by our recent and any future acquisitions, including as a result of additional indebtedness that we incurred in connection with our recent acquisition of the VCS Business.

Risks Related to the Separation from UTC

After the Separation and the Distribution, certain members of management, directors and shareowners own stock in UTC, Carrier and Otis, and as a result may face actual or potential conflicts of interest.

Following the Separation and the Distribution, certain members of management and the Board of Directors of each of UTC, Carrier and Otis own common stock in all three companies. This ownership overlap could create, or appear to create, potential conflicts of interest when the management and directors of one company face decisions that could have different implications for themselves and the other two companies. For example, potential conflicts of interest could arise in connection with the resolution of any dispute regarding the terms of the agreements governing the Separation and our relationship with UTC and Otis thereafter. These agreements include a separation and distribution agreement, the TMA, the employee matters agreement, the intellectual property agreement and any commercial agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that we or UTC may enter into in the future. See Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional information on these agreements.

In connection with the Separation into three independent public companies, each of UTC, Carrier and Otis has agreed to indemnify the other parties for certain liabilities. If we are required to pay UTC and/or Otis under these indemnities, our financial results could be negatively impacted. Also, the UTC or Otis indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which UTC and Otis have been allocated responsibility, and UTC and/or Otis may not be able to satisfy their respective indemnification obligations in the future.

Pursuant to the separation and distribution agreement and certain other agreements among UTC, us and Otis, each party has agreed to indemnify the other parties for certain liabilities as discussed further in Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report. Indemnities that we may be required to provide UTC and/or Otis are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that UTC and/or Otis has agreed to retain. The indemnities from



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UTC and Otis for our benefit may not be sufficient to protect us against the full amount of such liabilities, and UTC and/or Otis may not be able to fully satisfy their respective indemnification obligations. Any amounts we are required to pay pursuant to such indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business.

Moreover, even if we ultimately succeed in recovering from UTC or Otis, as applicable, we may be temporarily required to bear these losses. Each of these risks could negatively affect our business, results of operations, cash flows and financial condition.

In certain circumstances, we could be required to indemnify UTC for material taxes and other related amounts pursuant to indemnification obligations under the TMA.

Under the TMA, we are generally required to indemnify UTC and Otis for any taxes resulting from the Separation (and any related costs and other damages) to the extent such amounts resulted from: (1) an acquisition of all or a portion of the equity securities or assets of Carrier, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (2) other actions or failures to act by Carrier or (3) certain of Carrier's representations, covenants or undertakings contained in any of the Separation-related agreements and documents or in any documents relating to the IRS ruling and/or the opinion of counsel being incorrect or violated. Further, under the TMA, we are generally required to indemnify UTC and Otis for a specified portion of any taxes (and any related costs and other damages) (a) arising as a result of the failure of the Distribution and certain related transactions to qualify as a transaction that is generally tax-free (including if the transactions were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code) or a failure of any internal separation transaction that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts did not result from a disqualifying action by, or acquisition of equity securities of, Carrier, Otis or UTC or (b) arising from an adjustment, pursuant to an audit or other tax proceeding, with respect to any separation transaction that is not intended to qualify as a transaction that is generally tax-free. Any such indemnity obligations could be material. See Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional information.

Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.

In connection with the Separation (including the internal reorganization described previously), UTC completed several corporate reorganization transactions involving its subsidiaries which, along with the Distribution, may be subject to various fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the Separation, any entity involved in these reorganization transactions or the Separation: (1) was insolvent, was rendered insolvent by reason of the Separation, or had remaining assets constituting unreasonably small capital, and (2) received less than fair consideration in exchange for the Distribution; or intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured, then the court could void the Separation and the Distribution, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our shareowners to return to UTC some or all of the shares of Carrier common stock issued in the Distribution, or require UTC or us, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction and the applicable law. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities (including the probable amount of contingent liabilities), or if it incurred debt beyond its ability to repay the debt as it matures. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that we or any of our subsidiaries were solvent at the time of or after giving effect to the Distribution.

Risks Related to Our Common Stock

The market price and trading volume of our common stock may fluctuate significantly.

The trading price of our common stock has been and may continue to be volatile and the trading volume in our common stock may fluctuate.

The factors that could affect our common stock price include among others: (1) industry or general market conditions, including inflation and increasing cost of goods; (2) domestic and international economic factors unrelated to our performance; (3) our ability to execute our planned portfolio transformation transactions; (4) lawsuits, enforcement actions and other claims by third parties or governmental authorities; (5) changes in our customers' preferences; (6) new regulatory pronouncements and changes in regulatory guidelines; (7) actual or anticipated fluctuations in our quarterly operating results; (8) changes in securities



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analysts' estimates of our financial performance or lack of research coverage and reports by industry analysts; (9) action by institutional shareowners or other large shareowners; (10) failure to meet any financial guidance given by us or any change in any financial guidance given by us, or changes by us in our financial guidance practices; (11) announcements by us of significant impairment charges; (12) speculation in the press or investment community; (13) investor perception of us and our industry; (14) changes in market valuations or earnings of similar companies; (15) announcements by us or our competitors of significant contracts, acquisitions, dispositions or strategic partnerships; (16) war or terrorist acts; (17) any future sales of our common stock or other securities; (18) additions or departures of key personnel; (19) failure to achieve any of our environmental, social or governance goals; and (20) other risk factors discussed in this "Risk Factors" section or in our other filings from time to time with the SEC.

The stock markets have experienced volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been instituted against the affected company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management's attention and resources, which could harm our business, operating results and financial condition.

Shareowner's percentage of ownership in our common stock may be diluted in the future.

The percentage ownership of shareowners in our common stock may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including any equity awards that we grant to our directors, officers and employees. Our employees have, and will receive from us, stock-based awards that correspond to shares of our common stock. Such awards have had and will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. Additionally, in connection with our acquisition of the VCS Business, we issued 58,608,959 shares of our common stock to Viessmann, with which we entered into an Investor Rights Agreement that provides for, among other things, customary resale, demand and piggyback registration rights. While the Investor Rights Agreement also provides that, for the time periods specified therein, Viessmann and its affiliates are subject to customary standstill, lockup and transfer restrictions, registration of the shares of common stock held by Viessmann will permit those shares to be sold into the public market, once eligible to be disposed of pursuant to the Investor Rights Agreement. See Note 14 – Stock-Based Compensation and Note 18 – Earnings Per Share in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional information.

Quarterly cash dividends may be discontinued or modified, are subject to a number of uncertainties and may affect the price of our common stock.

Quarterly cash dividends are a component of our capital allocation strategy, which we fund with operating cash flows, borrowings and divestitures. However, we are not required to declare dividends. Dividends may be discontinued, accelerated, suspended or delayed at any time without prior notice. Even if not discontinued, the amount of such dividends may be changed, and the amount, timing and frequency of such dividends may vary from past practice or from our stated expectations. Decisions with respect to dividends are subject to the discretion of our Board of Directors and will be based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase or delay our quarterly cash dividends include market conditions, the price of our common stock, the nature and timing of other investment opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings and the availability of domestic cash. The reduction or elimination of our cash dividend could adversely affect the market price of our common stock.

Our amended and restated bylaws designate the courts within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareowners, which could discourage lawsuits against Carrier and our directors and officers.

Our amended and restated bylaws provide that unless our Board of Directors otherwise determines, the state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Carrier, any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer or other employee of Carrier to Carrier or to Carrier shareowners, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, any action asserting a claim against Carrier or any current or former director or officer or other employee of Carrier arising pursuant to any provision of the Delaware General Corporation Law ("DGCL") or our amended and restated certificate of incorporation or amended and restated bylaws, any action asserting a claim relating to or involving Carrier governed by the internal affairs doctrine, or any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL.



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To the fullest extent permitted by law, this exclusive forum provision applies to state and federal law claims, including claims under the federal securities laws, including the Securities Act of 1933, as amended ("Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), although Carrier shareowners will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that, in connection with claims arising under federal securities laws or otherwise, a court could find the exclusive forum provision contained in the amended and restated bylaws to be inapplicable or unenforceable.

This exclusive forum provision may limit the ability of our shareowners to bring a claim in a judicial forum that such shareowners find favorable for disputes with Carrier or our directors or officers, which may discourage such lawsuits against Carrier and our directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described previously, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our business, results of operations and financial condition.

Anti-takeover provisions could enable our Board of Directors to resist a takeover attempt by a third party and limit the power of our shareowners.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others: (1) the ability of our remaining directors to fill vacancies on our Board of Directors (except in an instance where a director is removed by shareowners and the resulting vacancy is filled by shareowners); (2) limitations on shareowners' ability to call a special shareowner meeting; (3) rules regarding how shareowners may present proposals or nominate directors for election at shareowner meetings; and (4) the right of our Board of Directors to issue preferred stock without shareowner approval.

In addition, we are subject to Section 203 of the DGCL, which could have the effect of delaying or preventing a change of control that shareowners may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with persons that acquire, more than 15% of the outstanding voting stock of a Delaware corporation may not engage in a business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or any of its affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock.

We believe these provisions will protect our shareowners from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers; however, these provisions will apply even if the offer may be considered beneficial by some shareowners and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of Carrier and our shareowners. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

General Risks

Natural disasters, epidemics or other unexpected events (including those related to COVID-19) may disrupt our operations, adversely affect our results of operations, cash flows or financial condition and may not be fully covered by insurance.

The occurrence of one or more natural disasters, power outages or other unexpected events, including hurricanes, fires, earthquakes, volcanic eruptions, tsunamis, floods and other forms of severe weather, health epidemics, pandemics (including COVID-19) or other contagious outbreaks, conflicts, wars or terrorist acts, in the U.S. or in other countries in which we or our suppliers or customers operate could adversely affect our operations and financial performance. Natural disasters, power outages or other unexpected events could damage or close one or more of our facilities or disrupt our operations temporarily or long-term, such as by causing business interruptions or by affecting the availability and/or cost of materials needed for manufacturing. In some cases, we have one factory that can manufacture a specific product or product line. As a result, damage to or the closure of a certain factory or factories may disrupt or prevent us from manufacturing certain products. Existing insurance arrangements may not cover all of the costs or lost cash flows that may arise from such events. The occurrence of any of these events could also increase our insurance and other operating costs or harm our sales.



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We may be affected by global economic, capital market and political conditions, and conditions in the construction, transportation and infrastructure industries in particular.

Our business, operating results, cash flows and financial condition may be adversely affected by changes in global economic conditions and geopolitical risks and conditions, including credit market conditions, levels of consumer and business confidence, fluctuations in residential, commercial and industrial construction activity, pandemic health issues (including COVID-19 and its effects), natural disasters, commodity prices, energy costs, interest rate fluctuations, inflation, recession, foreign exchange rates, levels of government spending and deficits, trade policies (including tariffs, boycotts and sanctions), military conflicts, acts of terrorism, regulatory changes, actual or anticipated defaults on sovereign debt and other challenges that could affect the global economy.

These economic and political conditions affect our business in a number of ways. In March 2022, we suspended business operations in Russia by ceasing to pursue new business opportunities while continuing to fulfill existing contracts for equipment, service and parts, where possible, in a manner that fully complies with applicable sanctions and trade controls. Our sales, operations and supply chain in Russia and Ukraine are not material to Carrier. However, the military conflict between the two countries and attendant geopolitical environment may continue to negatively impact the global economy and major financial markets, and may result in additional increases in commodity prices and supply-chain disruptions, including shortages of materials, higher costs for fuel and freight and increased transportation delays. In addition, the extent to which COVID-19 will continue to impact the global economy remains uncertain. This military conflict, COVID-19, the potential for an increase of their impact on global or regional economies and the perception that such events may occur, could have a material adverse effect on our business, results of operations, cash flows and financial condition. Furthermore, the tightening of credit in the capital markets could adversely affect the ability of our customers, including individual end-customers and businesses, to obtain financing for significant purchases and operations, which could result in a decrease in or cancellation of orders for our products and services. Similarly, tightening credit may adversely affect our supply base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Additionally, because we have a number of factories and suppliers in foreign countries, the imposition of tariffs or additional sanctions or unusually restrictive border crossing rules could adversely affect our supply chain, operations and overall business.

Our business and financial performance is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending and construction (both residential and commercial as well as remodeling). In addition, our financial performance may be influenced by the production and utilization of transport equipment, including truck production cycles in North America and Europe.

Our business success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that we have leadership with the necessary skill sets and experience could impede our ability to deliver our growth objectives, execute our strategic plan and effectively transition our leadership. This risk may be exacerbated as a result of our acquisitions, including our recent acquisition of the VCS Business, which is dependent on the experience and industry knowledge of its management personnel and other key employees to execute our business plans for the acquired business. Our success after completion of such acquisition will depend in part upon our ability to attract, motivate and retain key management personnel and other key employees within the acquired business, and current and prospective employees of the acquired business may experience uncertainty about their roles, which may have an adverse effect on the acquired business's ability to attract, motivate or retain management personnel and other key personnel.

Additional tax expense or additional tax exposures could affect our future profitability.

We are subject to income taxes in the U.S. and various international jurisdictions. Changes to tax laws and regulations as well as changes and conflicts in related interpretations or other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business, we are subject to examinations by various tax authorities. Tax authorities in various jurisdictions could also launch new examinations and expand existing examinations. The global and diverse nature of our operations means that these risks will continue, and additional examinations, proceedings and contingencies will arise from time to time. Our competitive position, results of operations, cash flows or financial condition may be affected by the outcome of examinations, proceedings and contingencies that cannot be predicted with certainty.



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See "Business Overview" and "Results of Operations—Income Taxes" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 – Summary of Significant Accounting Policies and Note 17 – Income Taxes in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for further discussion on income taxes and related contingencies.

Failure to maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect us.

As a public company, we are subject to the reporting requirements of the Exchange Act, Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the Dodd-Frank Wall Street Reform and Consumer Protection Act and are required to prepare our financial statements according to the rules and regulations required by the SEC. In addition, the Exchange Act requires that we file annual, quarterly and current reports. Our failure to prepare and disclose this information in a timely manner or to otherwise comply with applicable law could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. In addition, the Sarbanes-Oxley Act requires that, among other things, we establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Internal control over financial reporting is complex and may change over time due to changes in our business or in applicable accounting rules. We cannot provide assurance that our internal controls over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal controls over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal controls over financial reporting.

Matters affecting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in our company and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal controls over financial reporting. This could have a material and adverse effect on us by, for example, leading to a decline in the share price of our common stock and impairing our ability to raise additional capital.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Impact of cybersecurity risks on business strategy, results of operations or financial condition.

As discussed under the "Risk Factors" heading in this Annual Report, our business has been and may again in the future be impacted by disruptions to our IT infrastructure or our third-party providers' IT infrastructures from (among other causes) cybersecurity-based risks, including attacks (i) on our IT infrastructure (ii) targeting the security, integrity and/or availability of hardware and software; (iii) exploiting weaknesses or vulnerabilities in products, or capturing information installed, stored or transmitted in our products (including after the purchase of those products and when they are installed into third-party products); and (iv) on facilities or similar infrastructure.

Risk Management and strategy.

We mitigate cybersecurity risks (and other material risks) through our enterprise risk management ("ERM") program, which is a company-wide effort, managed by senior executives and overseen by our Audit Committee and Board of Directors to identify, assess, manage, report and monitor material risks that may affect our ability to achieve our business objectives.

In connection with the ERM process, cybersecurity risks, including those relating to risks posed by our use of third-party service providers, are assigned to cross-functional management committees responsible for identifying and classifying the cybersecurity risks in accordance with our ERM risk rating methodology, and developing and administering risk mitigation and incident response plans. These cross-functional management committees regularly meet to review current and emerging cybersecurity risks and maintain policies and procedures governing the evaluation and classification of such risks.



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Cybersecurity risks deemed to be critical are reviewed by a Critical Threat Committee, which is comprised of members of our senior leadership team including our Chief Financial Officer, Chief Legal Officer, Chief Digital Officer, Chief Operating Officer, Chief Technology Officer, and Controller. The Critical Threat Committee reviews the risk and mitigation plan with the applicable cross-functional management team and facilitates notification to the Audit Committee of emerging critical cybersecurity risks. The Audit Committee and the Board of Directors receive regular briefings on cybersecurity risks. See “— Governance” below for further discussion of governance of our cybersecurity program.

In the event of a cybersecurity incident, we maintain incident response plans to investigate, classify, respond to, and manage cybersecurity incidents that may compromise the availability or integrity of our information systems, network resources, or data. In accordance with the incident response plans, cross-functional management teams assess and assign a threat level to each cybersecurity incident. A cybersecurity incident (or incidents, if aggregated together) assigned a critical threat level is escalated to the Critical Threat Committee for review.

To ensure that our employees are equipped to identify and mitigate material cybersecurity incidents and to empower them to help us maintain a secure environment for our operations and data assets, we utilize a multifaceted training approach aimed at fostering a culture of security awareness and responsibility among all employees. These tailored programs are designed and updated to address evolving threats and industry best practices. In addition to annual cybersecurity training for employees and contractors and simulated phishing email campaigns, our cybersecurity teams conduct tabletop exercises with our senior management team. Our cybersecurity teams also oversee a security assessment process that is used to screen our third-party service providers for cybersecurity vulnerabilities based on the level of inherent risk they pose to the company or our customers, based on factors including but not limited to the products or services they provide and their ability to access our information systems, network resources, or data.

We engage and retain outside consultants and legal advisors and we are members of several cybersecurity industry groups to keep us apprised of emerging cybersecurity risks, defense and mitigation strategies and governance best practices. Many of our processes and procedures have been independently audited and assessed against some of the leading international cybersecurity standards and programs.

Cybersecurity threats are constantly evolving, are becoming more frequent and more sophisticated and are made by groups of individuals with a wide range of expertise and motives which increases the difficulty of detecting and successfully defending against them. However, to date, cybersecurity threats have not materially affected us, including our business, strategy, results of operations or financial condition.

Governance

Our cybersecurity programs, including the cross-functional management committees responsible for identifying, assessing, and mitigating cybersecurity risks and incidents, are owned by our Chief Information Officer. Day-to-day administration of the cybersecurity programs are led by our Chief Information Security Officer and Chief Product Security Officer who collectively possess over 30 years of experience related to cybersecurity issues in both the private and government sectors, and possess certifications including but not limited to Certified Information Systems Security Professional (“CISSP”) and Certified Information Security Manager (“CISM”).

Cybersecurity risk oversight continues to remain a top priority for the Board of Directors. Although the Audit Committee maintains primary responsibility for oversight of cybersecurity risks through the ERM program, responsibility related to oversight of cybersecurity risks is also delegated to other committees in alignment with their focus charter responsibilities. For example, the Technology and Innovation and Governance Committees assist with the cybersecurity programs through their oversight of our technology, digital, and innovation strategies and product integrity program, respectively.

The Critical Threat Committee is also responsible for evaluating the materiality of a cybersecurity incident based on criteria that has been reviewed with the Board of Directors, and for determining whether there are disclosure obligations under applicable securities laws. In the event that the Critical Threat Committee determines that a critical cybersecurity incident (or incidents, if aggregated together) is deemed to be material, the Critical Threat Committee will brief the Board of Directors and oversee the disclosure process. For all critical cybersecurity incidents that are not deemed to be material, the Critical Threat Committee will notify the Chairman of the Board to determine whether the Board of Directors will be notified of the critical incident during the next regularly-scheduled cybersecurity update to the Audit Committee, or sooner as circumstances warrant.



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ITEM 2. PROPERTIES

We operate approximately 1,100 sites, which comprise approximately 40 million square feet of productive space. Of these, our facilities and key manufacturing sites greater than 100,000 square feet comprise approximately 31 million square feet of productive space. Approximately 70%, 15% and 13% of these significant properties are associated with our HVAC, Refrigeration and Fire & Security segments, respectively, with approximately 2% not associated with a particular segment. Approximately 31% of these significant properties are leased and the remainder are owned. Approximately 27% of these significant properties are located in the U.S.

Our fixed assets as of December 31, 2023 include manufacturing facilities and non-manufacturing facilities, such as warehouses and machinery and equipment, most of which is general purpose machinery and equipment that use special jigs, tools and fixtures and that, in many instances, have automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2023 are in good operating condition, are well-maintained and substantially all are in regular use.

ITEM 3. LEGAL PROCEEDINGS

Asbestos Matters

The Company has been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos allegedly integrated into certain Carrier products or business premises. While the Company has never manufactured asbestos and no longer incorporates it into any currently-manufactured products, certain products that the Company no longer manufactures contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been dismissed without payment or have been covered in full or in part by insurance or other forms of indemnity. Additional cases were litigated and settled without any insurance reimbursement. The amounts involved in asbestos-related claims were not material individually or in the aggregate in any period. The amounts recorded for asbestos-related liabilities are based on currently available information and assumptions that the Company believes are reasonable and are made with input from outside actuarial experts. These amounts are undiscounted and exclude the Company's legal fees to defend the asbestos claims, which are expensed as incurred. In addition, the Company has recorded insurance recovery receivables for probable asbestos-related recoveries.

UTC Equity Awards Conversion Litigation

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint (the "Complaint") in the United States District Court for the District of Connecticut against RTX, Carrier, Otis, the former members of the UTC Board of Directors and the members of the Carrier and Otis Boards of Directors (Geraud Darnis, et al. v. Raytheon Technologies Corporation, et al.). The Complaint challenged the method by which UTC equity awards were converted to UTC, Carrier and Otis equity awards following the Separation and the Distribution. Defendants moved to dismiss the Complaint. Plaintiffs amended their Complaint on September 13, 2021 (the "Amended Complaint"). The Amended Complaint, with RTX, Carrier and Otis as the only defendants, asserted that the defendants are liable for breach of certain equity compensation plans and for breach of the implied covenant of good faith and fair dealing. The Amended Complaint also sought specific performance. The Company believes all plaintiffs' claims against it are without merit. Defendants moved to dismiss the Amended Complaint. On September 30, 2022, the court dismissed the case against all defendants, with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. On August 3, 2023, the Second Circuit Court of Appeals affirmed the district court's ruling. The Second Circuit's judgment is final and non-appealable.

Aqueous Film Forming Foam Litigation

As of December 31, 2023, the Company, Kidde-Fenwal, Inc. ("KFI") and others have been named as defendants in more than 6,000 lawsuits filed by individuals in or removed to the federal courts of the United States alleging that the historic use of Aqueous Film Forming Foam ("AFFF") caused personal injuries and/or property damage. The Company, KFI and others have also been named as defendants in more than 700 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company, KFI and others to the U.S. District Court for the District of South Carolina (the "MDL Proceedings"). The individual plaintiffs in the MDL Proceedings generally seek damages for alleged personal injuries, medical monitoring, diminution in property value and injunctive relief to remediate alleged contamination of water supplies. The U.S.



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state, municipal and water utility plaintiffs in the MDL Proceedings generally seek damages and costs related to the remediation of public property and water supplies.

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires. The lawsuits identified above relate to Kidde Fire Fighting, Inc., which owned the National Foam business. Kidde Fire Fighting, Inc. was acquired by a UTC subsidiary in 2005 and merged into KFI in 2007. The National Foam business manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania (the "Pennsylvania Site"). In 2013, KFI divested the AFFF businesses to an unrelated third party. The Company acquired KFI as part of the Separation in April 2020.

The key components that contribute to AFFF's fire-extinguishing capabilities are known as fluorosurfactants. Neither the Company, nor KFI, nor any of the Company's subsidiaries involved in the AFFF litigation manufactured fluorosurfactants. Instead, the National Foam business purchased these substances from unrelated third parties for use in manufacturing AFFF. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as per- and polyfluoroalkyl substances (referred to collectively as "PFAS"), including perfluorooctanesulfonic acid ("PFOS") and perfluorooctanoic acid ("PFOA"). Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

Plaintiffs in the MDL Proceedings allege that PFOS and PFOA contamination has resulted from the use of AFFF manufactured using a process known as ECF, and that this process was used exclusively by 3M. They also allege that PFOA contamination has resulted from the use of AFFF manufactured using a different process, known as telomerization, and that this process was used exclusively by the other AFFF manufacturers (including the National Foam business). Compounds containing PFOS and PFOA (as well as many other PFAS) have also been used for decades by many third parties in a number of different industries to manufacture firefighters' protective outerwear, carpets, clothing, fabrics, cookware, food packaging, personal care products, cleaning products, paints, varnishes and other consumer and industrial products.

Plaintiffs in the MDL Proceedings have named multiple defendants, including suppliers of chemicals and raw materials used to manufacture fluorosurfactants, fluorosurfactant manufacturers and AFFF manufacturers. The defendants in the MDL Proceedings moved for summary judgment on the government contractor defense, which potentially applies to AFFF sold to or used by the U.S. government. After full briefing and oral argument, on September 16, 2022, the MDL court declined to enter summary judgment for the defendants. The defense, however, remains available at any trial to which it applies.

On September 23, 2022, after completion of discovery, the MDL court selected one water provider case, the *City of Stuart, FL v. 3M, et al.*, for a bellwether trial. That trial was scheduled to begin in early June 2023 but was postponed indefinitely. The MDL court ordered the bellwether process for personal injury cases to begin in 2023. However, the court has not yet outlined details on that process or its timing.

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply. The Company, KFI and other defendants are also party to one action in Arizona state court brought by a firefighter claiming that occupational exposure to AFFF has caused him certain personal injuries.

The Company and KFI believe that they have meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate a range of possible loss at this time. There can be no assurance that any such future exposure will not be material in any period.

On May 14, 2023, KFI filed a voluntary petition with the United States Bankruptcy Court for the District of Delaware seeking relief under Chapter 11 of the Bankruptcy Code after the Company determined that it would not provide financial support to KFI going forward, other than ensuring KFI has access to services necessary for the effective operation of its business. As a result, all litigation against KFI is automatically stayed. KFI filed an adversary complaint and motion in the Chapter 11 case seeking an order staying or enjoining all AFFF-related litigation against the Company, its other subsidiaries and RTX. That motion was resolved through an agreement that effectively stays the AFFF litigation against these parties. KFI has also



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indicated to the bankruptcy court that it intends to pursue insurance coverage for AFFF-related liabilities and contractual indemnification for AFFF-related liabilities from the third party to which KFI sold National Foam. On November 21, 2023, the bankruptcy court ordered certain parties, including the Company, to participate in a mediation with respect to claims that might be asserted by and against it in the bankruptcy proceedings. The parties have engaged in several mediation sessions and anticipate further sessions in the future.

Deconsolidation Due to Bankruptcy

As of May 14, 2023, the Company no longer controlled KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from the Company's Consolidated Financial Statements. Upon deconsolidation, the Company determined the fair value of its retained interest in KFI to be zero and accounted for it prospectively using the cost method. As a result of these actions, the Company recognized a loss of \$297 million in its Consolidated Statements of Operations within *Other income/(expense), net*. In addition, the deconsolidation resulted in an investing cash outflow of \$134 million in the Company's Consolidated Statements of Cash Flows.

In connection with the bankruptcy filing, KFI entered into several agreements with subsidiaries of the Company to ensure they have access to services necessary for the effective operation of their business. All post-deconsolidation activity between the Company and KFI are reported as third-party transactions recorded within the Company's Consolidated Statements of Operations. Since the petition date, there were no material transactions between the Company and KFI.

Other

We have commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising out of the ordinary course of business. Additionally, we are routinely a defendant in, party to or otherwise subject to many pending and threatened legal actions, claims, disputes and proceedings. These matters are often based on alleged violations of contract, product liability, warranty, regulatory, environmental, health and safety, employment, intellectual property, tax and other laws. In some of these proceedings, claims for substantial monetary damages are asserted against us and could result in fines, penalties, compensatory or treble damages or non-monetary relief. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

A further discussion of our potential regulatory liabilities can be found under the headings "Business" and "Risk Factors" in this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.



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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREOWNER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is listed on the NYSE under the ticker symbol "CARR." As of December 31, 2023, the approximate number of common stock shareowners of record was 21,605.

The declaration and payment of dividends is at the discretion of our Board of Directors, and will depend upon our financial results, cash requirements and other factors deemed relevant by our Board of Directors.

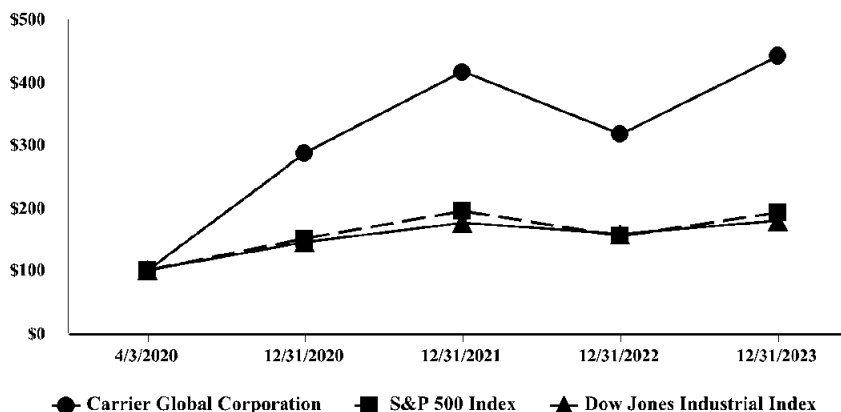
PERFORMANCE GRAPH

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

On April 3, 2020, UTC completed the Separation of Carrier into a stand-alone company. As a result of the Separation and the Distribution, Carrier became an independent public company. The following graph presents the cumulative total shareowner return from the Distribution Date through December 31, 2023 for our common stock, as compared with the S&P 500 Index and the Dow Jones Industrial Index.

Our common stock is a component of the S&P 500 Index. These figures assume that all dividends paid over the period were reinvested and that the starting value of each index and the investment in our common stock was \$100 on April 3, 2020.

Comparison of Cumulative Total Return



The cumulative total returns on our common stock and each index as of each April 3, 2020 through December 31, 2023 plotted in the above graph are as follows:

Company / Index	April 3, 2020	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Carrier Global Corporation	\$ 100.00	\$ 286.66	\$ 416.55	\$ 316.82	\$ 441.24
S&P 500 Index	\$ 100.00	\$ 150.59	\$ 193.82	\$ 154.28	\$ 191.66
Dow Jones Industrial Index	\$ 100.00	\$ 145.31	\$ 175.75	\$ 157.45	\$ 179.03



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Issuer Purchases of Equity Securities

The following table provides information about our purchases during the three months ended December 31, 2023 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

	Total Number of Shares Purchased (in 000's)	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of a Publicly Announced Program (in 000's)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions)
2023				
October 1 - October 31	—	\$—	—	\$ 2,129
November 1 - November 30	—	\$—	—	\$ 2,129
December 1 - December 31	—	\$—	—	\$ 2,129
Total	—	\$—	—	

⁽¹⁾ Excludes broker commissions.

We may purchase our outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Since the initial authorization in February 2021, the Company's Board of Directors authorized the repurchase of up to \$4.1 billion of the Company's outstanding common stock.

Equity Compensation Plan Information

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters, of this Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

Business Summary

Carrier Global Corporation ("we" or "our") is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to our customers. Our portfolio includes industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning ("HVAC"), refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. We also provide a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. Our operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

Our worldwide operations are affected by global and regional industrial, economic and political factors and trends. These include the mega-trends of urbanization, climate change and increasing requirements for food safety driven by the food needs of our growing global population and the rising standards of living in emerging markets. We believe that our business segments are well positioned to benefit from favorable secular trends, including these mega-trends and from the strength of our industry-leading brands and track record of innovation. In addition, we regularly review our end markets to proactively identify trends and adapt our strategies accordingly.

Our business is also affected by changes in the general level of economic activity, such as changes in business and consumer spending, construction and shipping activity as well as short-term economic factors such as currency fluctuations, commodity price volatility and supply disruptions. We continue to invest in our business, take pricing actions to mitigate supply chain and inflationary pressures, develop new products and services in order to remain competitive in our markets and use risk management strategies to mitigate various exposures. We believe that we have industry-leading global brands, which form the foundation of our business strategy. Coupled with our focus on growth, innovation and operational efficiency, we expect to drive long-term future growth and increased value for our shareowners.



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Significant Events

Planned Portfolio Transformation

On April 25, 2023, we announced that we entered into a Share Purchase Agreement (the "Agreement") to acquire the climate solutions business (the "VCS Business") of Viessmann Group GmbH & Co. KG ("Viessmann"), a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The acquisition was completed on January 2, 2024 for total consideration of \$14.2 billion.

On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, we entered into a stock purchase agreement to sell our Fire and Security Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. On December 12, 2023, we entered into a stock purchase agreement to sell our Commercial Refrigeration business ("CCR") to Haier Group Corporation for an enterprise value of approximately \$775 million. Both transactions are expected to close 2024.

Deconsolidation of Kidde-Fenwal, Inc.

On May 14, 2023, Kidde-Fenwal, Inc. ("KFI"), an indirect wholly-owned subsidiary of ours, filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court for the District of Delaware. KFI, an industrial fire detection and suppression business historically reported in our Fire & Security segment, has indicated that it intends to use the bankruptcy process to explore strategic alternatives, including the sale of KFI as a going concern. KFI has further stated that, during the Chapter 11 process, KFI expects that there will be no significant interruptions to its business operations. As of the petition date, KFI was deconsolidated and its respective assets and liabilities were derecognized from our Consolidated Financial Statements.

Acquisition of Toshiba Carrier Corporation

On February 6, 2022, we entered into a binding agreement to acquire a majority ownership interest in Toshiba Carrier Corporation ("TCC"), a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation. TCC designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition included all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The acquisition was completed on August 1, 2022. As a result, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within our HVAC segment. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.

Sale of Chubb Fire & Security Business

On July 26, 2021, we entered into a stock purchase agreement to sell our Chubb Fire & Security business ("Chubb") to APi Group Corporation ("APi"). Chubb, which was reported within our Fire & Security segment, delivered essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. On January 3, 2022, we completed the sale of Chubb (the "Chubb Sale") for net proceeds of \$2.9 billion and recognized a gain on the sale of \$1.1 billion during the year ended December 31, 2022.

RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity for the year ended December 31, 2023 compared with December 31, 2022. This discussion should be read in conjunction with Item 8, the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements in this Annual Report. A detailed discussion of the year ended December 31, 2022 compared with December 31, 2021 is not included herein and can be found in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in the Company's 2022 Annual Report, filed with the SEC on February 7, 2023, under the heading "Results of Operations," which is incorporated herein by reference.



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Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

The results of TCC's operations are included in our consolidated results since the acquisition date of August 1, 2022. Prior to the acquisition, we previously accounted for our minority ownership in TCC under the equity method of accounting and recognized our portion of earnings within *Equity method investment in net earnings* as part of operating expenses. As a result, prior period results may not be comparable to the current period.

The following represents our consolidated net sales and operating results:

<i>(In millions)</i>	2023	2022	Period Change	% Change
Net sales	\$ 22,098	\$ 20,421	\$ 1,677	8 %
Cost of products and services sold	(15,715)	(14,957)	(758)	5 %
Gross margin	6,383	5,464	919	17 %
Operating expenses	(4,087)	(949)	(3,138)	331 %
Operating profit	2,296	4,515	(2,219)	(49) %
Non-operating income (expense), net	(212)	(223)	11	(5) %
Income from operations before income taxes	2,084	4,292	(2,208)	(51) %
Income tax expense	(644)	(708)	64	(9) %
Net income from operations	1,440	3,584	(2,144)	(60) %
Less: Non-controlling interest in subsidiaries' earnings from operations	91	50	41	82 %
Net income attributable to common shareowners	\$ 1,349	\$ 3,534	\$ (2,185)	(62) %

Net Sales

For the year ended December 31, 2023, *Net sales* was \$22.1 billion, an 8% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	2023
Organic / Operational	3 %
Acquisitions and divestitures, net	5 %
Total % change	8 %

Organic sales for the year ended December 31, 2023 increased by 3% compared with the same period of 2022. The organic increase was primarily driven by our HVAC segment due to improved global end-markets in our Commercial HVAC business and pricing improvements in our North America residential and light commercial business. In addition, our Fire & Security segment benefited from price improvements and volume growth in each region. However, results in our Refrigeration segment decreased due to lower volumes in commercial refrigeration and container end-markets. Refer to "Segment Review" below for a discussion of *Net sales* by segment.

On August 1, 2022, we acquired a majority ownership interest in TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The results of TCC have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 6% to *Net sales* during the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.

As of May 14, 2023, we no longer controlled KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from our Consolidated Financial Statements. The deconsolidation had a 1% impact on *Net sales* during the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.



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Gross Margin

For the year ended December 31, 2023, gross margin was \$6.4 billion, a 17% increase compared with the same period of 2022. The components were as follows:

<i>(In millions)</i>	2023	2022
Net sales	\$ 22,098	\$ 20,421
Cost of products and services sold	(15,715)	(14,957)
Gross margin	\$ 6,383	\$ 5,464
Percentage of net sales	28.9 %	26.8 %

Gross margin increased by \$919 million compared with the year ended December 31, 2022. A main driver of the increase related to ongoing customer demand, pricing improvements and our continued focus on productivity initiatives. In addition, operating results associated with TCC further benefited gross margin during the year. These amounts were partially offset by the higher cost of commodities and components used in our products and certain supply chain constraints. Although inflationary cost pressures have begun to moderate, they remain elevated and continue to impact the cost of products and services sold in each of our segments. Gross margin as a percentage of *Net sales* increased by 210 basis points compared with the same period of 2022.

Operating Expenses

For the year ended December 31, 2023, operating expenses, including *Equity method investment net earnings*, was \$4.1 billion, a 331% increase compared with the same period of 2022. The components were as follows:

<i>(In millions)</i>	For the Year Ended December 31,	
	2023	2022
Selling, general and administrative	\$ (3,297)	\$ (2,512)
Research and development	(617)	(539)
Equity method investment net earnings	211	262
Other income (expense), net	(384)	1,840
Operating expenses	\$ (4,087)	\$ (949)
Percentage of net sales	18.5 %	4.6 %

For the year ended December 31, 2023, *Selling, general and administrative* expenses were \$3.3 billion, a 31% increase compared with the same period of 2022. The increase is primarily due to higher compensation, commissions and other employee-related costs during the current period. In addition, incremental selling, general and administrative expenses associated with TCC further contributed to the increase. The current year also included \$220 million of acquisition and divestiture-related costs compared with \$31 million during the year ended December 31, 2022.

Research and development costs relate to new product development and new technology innovation. Due to the variable nature of program development schedules, year-over-year spending levels can fluctuate. In addition, we continue to invest to prepare for future energy efficiency and refrigerant regulation changes and in digital controls technologies.

Investments over which we do not exercise control, but have significant influence, are accounted for using the equity method of accounting. For the year ended December 31, 2023, *Equity method investment net earnings* were \$211 million, a 19% decrease compared with the same period of 2022. The decrease was primarily driven by the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition. The decrease was partially offset by a \$16 million benefit recognized in connection with a favorable tax ruling at a minority owned joint venture. During the year ended December 31, 2022, pre-acquisition equity earnings of TCC totaled \$87 million which included a \$27 million gain on the sale of two minority owned subsidiaries.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of businesses or interests in our equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than an



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entity's functional currency and hedging-related activities. In connection with the proposed acquisition of the VCS Business, we recognized a \$96 million loss during the year ended December 31, 2023 on the mark-to-market valuation of our window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price. In addition, we recognized a loss of \$297 million on the deconsolidation of KFI due to its Chapter 11 filing.

In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest during the year ended December 31, 2022. In addition, we completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion. Prior period results also included a \$22 million charge resulting from a litigation matter and a \$7 million gain on the sale of our interest in a cost method investment reported within our Refrigeration segment.

Non-Operating Income (Expense), net

For the year ended December 31, 2023, Non-operating income (expense), net was \$212 million, a 5% decrease compared with the same period of 2022. The components were as follows:

<i>(In millions)</i>	For the Year Ended December 31,	
	2023	2022
Non-service pension benefit (expense)	\$ (1)	\$ (4)
Interest expense	(362)	(302)
Interest income	151	83
Interest (expense) income, net	(211)	(219)
Non-operating income (expense), net	\$ (212)	\$ (223)

Non-operating income (expense), net includes the results from activities other than normal business operations such as interest expense, interest income and the non-service components of pension and post-retirement obligations. Interest expense is affected by the amount of debt outstanding and the interest rates on that debt. For the year ended December 31, 2023, interest expense was \$362 million, a 20% increase compared with the same period of 2022. In connection with the proposed acquisition of the VCS Business, we entered into several financing arrangements and capitalized \$105 million of deferred financing costs during 2023. As a result, we amortized \$55 million of deferred financing costs in *Interest expense*, of which \$47 million related to our senior unsecured bridge term loan facility (the "Bridge Loan"). During the year ended December 31, 2022, we completed tender offers to repurchase approximately \$1.15 billion aggregate principal of our 2.242% Notes due 2025 and 2.493% Notes due 2027. Upon settlement, we wrote off \$5 million of unamortized deferred financing costs in *Interest expense* and recognized a net gain of \$33 million in *Interest income*.

Income Taxes

	2023	2022
Effective tax rate	30.9 %	16.5 %

The effective tax rate for the year ended December 31, 2023 was higher than our statutory U.S. federal income tax rate. The increase was primarily driven by a net tax charge of \$90 million relating to the re-organization and disentanglement of CCR and certain Fire & Security industrial businesses in advance of the planned divestitures and a deferred tax charge of \$65 million related to basis differences in certain companies presented as held-for-sale. In addition, the effective tax rate was impacted by the recognition of a deferred tax liability for withholding tax of \$33 million on repatriated foreign earnings, non-deductible divestiture-related costs and a non-deductible loss of \$96 million on the mark-to-market valuation of the Company's window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price of the VCS Business. The unfavorable impact of the above items is partially offset by a \$53 million tax benefit recorded from the announced KFI bankruptcy and deconsolidation and \$49 million of foreign tax credit generated and utilized in 2023.

The effective tax rate for the year ended December 31, 2022 was lower than our statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of our



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previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in 2022.

Segment Review

We conduct our operations through three reportable segments:

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability.
- The Refrigeration segment includes transport refrigeration and monitoring products, services and digital solutions for trucks, trailers, shipping containers, intermodal and rail, as well as commercial refrigeration products.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property.

We determine our segments based on how our Chief Executive Officer, who is the Chief Operating Decision Maker (the "CODM"), allocates resources, assesses performance and makes operational decisions. The CODM allocates resources and evaluates the financial performance of each of our segments based on *Net sales* and *Operating profit*. Adjustments to reconcile segment reporting to the consolidated results are included in Note 21 - Segment Financial Data.

Summary performance for each of our segments is as follows:

(In millions)	Net Sales		Operating Profit		Operating Margin	
	2023	2022	2023	2022	2023	2022
HVAC	\$ 15,139	\$ 13,408	\$ 2,275	\$ 2,610	15.0 %	19.5 %
Refrigeration	3,818	3,883	428	483	11.2 %	12.4 %
Fire & Security	3,633	3,570	209	1,630	5.8 %	45.7 %
Total segment	\$ 22,590	\$ 20,861	\$ 2,912	\$ 4,723	12.9 %	22.6 %

HVAC Segment

For the year ended December 31, 2023, *Net sales* in our HVAC segment was \$15.1 billion, a 13% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	5 %
Foreign currency translation	(1) %
Acquisitions and divestitures, net	9 %
Total % change	13 %

The organic increase in *Net sales* of 5% was driven by continued strong results in the segment. Increased sales in our Commercial HVAC business (up 12%) benefited from pricing improvements and ongoing customer demand in our end-markets. The business grew in all regions including Europe and Asia as current economic conditions and inflationary cost pressures improved compared with the prior year. Higher sales in our North America residential and light commercial business (up 1%) were primarily driven by pricing improvements and improved mix associated with regulatory changes effective as of the beginning of 2023. These amounts were partially offset by lower volume in North America residential end-markets. Results in our Global Comfort Solutions business (down 2%) were primarily driven by lower demand in certain European end- markets.

On August 1, 2022, we acquired a majority ownership interest in TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The results of TCC have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 9% to *Net sales* for the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.



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For the year ended December 31, 2023, *Operating profit* in our HVAC segment was \$2.3 billion, a 13% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	12 %
Acquisitions and divestitures, net	6 %
Amortization of acquired intangibles	(4) %
Restructuring	(1) %
Other	(26) %
Total % change	(13) %

The operational profit increase of 12% was primarily attributable to pricing improvements and ongoing customer demand in certain end-markets compared with the prior year. These benefits more than offset the higher cost for commodities and components used in our products. Lower earnings from equity method investments impacted operational profit due to the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition. Inflationary cost pressures have begun to moderate but continue to impact our operating profit.

Acquisitions and divestitures, net primarily related to the results of operations associated with the acquisition of TCC. The transaction added 6% to *Operating profit* during the year ended December 31, 2023. In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest in Other.

Refrigeration Segment

For the year ended December 31, 2023, *Net sales* in our Refrigeration segment was \$3.8 billion, a 2% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	(2) %
Foreign currency translation	1 %
Acquisitions and divestitures, net	(1) %
Total % change	(2) %

Organic *Net sales* decreased 2% compared to the prior year as the segment experienced challenges in certain end-markets during the year. Results for Commercial refrigeration decreased (down 14%) compared with the prior year, primarily driven by lower volumes in Europe as economic conditions and inflationary cost pressures impacted end-market demand. In addition, Asia results were impacted by reduced end-market demand in China. Transport refrigeration results increased (up 3%) compared to the prior year as pricing improvements and strong end-market demand in all regions were partially offset by continued weakness in container end-markets.

For the year ended December 31, 2023, *Operating profit* in our Refrigeration segment was \$428 million, an 11% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	(14) %
Foreign currency translation	1 %
Restructuring	(3) %
Other	5 %
Total % change	(11) %



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The decrease in operational profit of 14% was primarily driven by lower volume in certain end-markets compared with the prior year. In addition, the higher costs of commodities and components used in our products further impacted segment results. These amounts were partially offset by pricing improvements and favorable productivity initiatives. Inflationary cost pressures have begun to moderate but continue to impact our operating profit. Amounts reported in Other represent a \$24 million gain on the sale of a business within Transport refrigeration.

Fire & Security Segment

For the year ended December 31, 2023, *Net sales* in our Fire & Security segment was \$3.6 billion, a 2% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	6 %
Foreign currency translation	(1) %
KFI deconsolidation	(3) %
Total % change	2 %

The organic increase in *Net sales* of 6% was primarily driven by pricing improvements and volume growth compared with the prior year. Sales grew in all three regions including strong commercial results in the Americas. Growth in Europe moderated as economic conditions and inflationary cost pressures impacted end-market demand. Results in Asia normalized after a strong COVID-19 related recovery. Global industrial sales benefited segment results due to pricing improvements and strong demand. The segment was impacted by ongoing supply chain constraints for certain components used in our products.

For the year ended December 31, 2023, *Operating profit* in our Fire & Security segment was \$209 million, an 87% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	2 %
Acquisitions and divestitures, net	(1) %
Restructuring	(1) %
KFI deconsolidation	(18) %
Chubb gain	(68) %
Other	(1) %
Total % change	(87) %

The operational profit increase of 2% was primarily driven by pricing improvements, volume growth and lower freight and logistics costs compared to the prior year. These amounts were partially offset by the higher costs of commodities and components used in our products. In addition, higher inventory-related reserves resulting from supply chain challenges further impacted segment results. Inflationary cost pressures have moderated, but continue to impact our operating profit.

As of May 14, 2023, we no longer control KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from our Consolidated Financial Statements. As a result, we recognized a loss on deconsolidation of \$297 million during the year ended December 31, 2023. In addition, we incurred divestiture-related costs reported within Other. During the twelve months ended December 31, 2022, we completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion

LIQUIDITY AND FINANCIAL CONDITION

We assess liquidity in terms of our ability to generate adequate amounts of cash necessary to fund our current and future cash requirements to support our business and strategic initiatives. In doing so, we review and analyze our cash on hand, working capital, debt service requirements and capital expenditures. We rely on operating cash flows as our primary source of liquidity. In addition, we have access to other sources of capital to finance our strategic initiatives and fund growth.



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As of December 31, 2023, we had *Cash and cash equivalents* of \$10.0 billion, of which approximately 48% was held by our foreign subsidiaries. We manage our worldwide cash requirements by reviewing available funds and the cost effectiveness with which we can access funds held by foreign subsidiaries. On occasion, we are required to maintain cash deposits in connection with contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2023 and 2022, the amount of such restricted cash was \$2 million and \$7 million, respectively.

We continue to actively manage and strengthen our business portfolio to meet the current and future needs of our customers. This is accomplished through research and development activities with a focus on new product development and new technology innovation as well as sustaining activities with a focus on improving existing products and reducing production costs. We also pursue potential acquisitions to complement existing products and services to enhance our product portfolio. In addition, we routinely conduct discussions, evaluate targets and enter into agreements regarding possible acquisitions, divestitures, joint ventures and equity investments to manage our business portfolio.

We believe that our available cash and operating cash flows will be sufficient to meet our future operating cash needs. Our committed credit facilities and access to the debt and equity markets provide additional sources of short-term and long-term capital to fund current operations, debt maturities and future investment opportunities. Although we believe that the arrangements currently in place permit us to finance our operations on acceptable terms and conditions, our access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including: (1) our credit ratings or absence of credit ratings; (2) the liquidity of the overall capital markets; (3) the state of the economy; and (4) the restrictions under our debt agreements. There can be no assurance that we will be able to obtain additional financing on terms favorable to us, if at all.

The following table contains several key measures of our financial condition and liquidity:

<i>(In millions)</i>	As of December 31,	
	2023	2022
Cash and cash equivalents	\$ 10,015	\$ 3,520
Total debt	\$ 14,293	\$ 8,842
Net debt (total debt less cash and cash equivalents)	\$ 4,278	\$ 5,322
Total equity	\$ 9,005	\$ 8,076
Total capitalization (total debt plus total equity)	\$ 23,298	\$ 16,918
Net capitalization (total debt plus total equity less cash and cash equivalents)	\$ 13,283	\$ 13,398
Total debt to total capitalization	61 %	52 %
Net debt to net capitalization	32 %	40 %

Acquisition of Viessmann

On April 25, 2023, we announced that we entered into an Agreement to acquire the VCS Business. Under the terms of the Agreement, 20% of the purchase price was to be paid in Carrier common stock, issued directly to Viessmann and subject to long-term lock-up provisions and 80% was to be paid in cash. Simultaneously, we entered into commitment letters with JPMorgan Chase Bank, N.A., BofA Securities, Inc. and Bank of America, N.A. to provide a €8.2 billion Bridge Loan to fund a portion of the Euro-denominated purchase price.

On May 19, 2023, we entered into a 364-day, \$500 million, senior unsecured revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders (the "Revolver"). In addition, we entered into a senior unsecured delayed draw term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders that permits aggregate borrowings of up to €2.3 billion (the "Delayed Draw Facility"). Upon entering into the Delayed Draw Facility, the aggregate principal amount of the Bridge Loan was reduced by €2.3 billion. In November 30, 2023, we issued \$3.0 billion principal amount of USD-denominated notes ("USD Notes") and €2.35 billion principal amount of Euro-denominated notes ("Euro Notes"). Upon issuance, the aggregate principal amount of the Bridge Loan was reduced by €5.4 billion.

On January 2, 2024, we completed the acquisition of the VCS Business for \$14.2 billion. The cash portion of the purchase price was funded through cash on hand, proceeds from the USD Notes and the Euro Notes and borrowings under the Delayed Draw Facility and a 60-day senior unsecured bridge term loan. In addition, proceeds from the Revolver became available upon closing.



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Borrowings and Lines of Credit

We maintain a \$2.0 billion unsecured, unsubordinated commercial paper program which we can use for general corporate purposes, including the funding of working capital and potential acquisitions. In addition, we maintain a \$2.0 billion revolving credit agreement with various banks (the "Revolving Credit Facility") that matures in May 2028 which supports our commercial paper borrowing program and can be used for general corporate purposes. A ratings-based commitment fee is charged on unused commitments. As of December 31, 2023, we had no borrowings outstanding under our commercial paper program or our Revolving Credit Facility.

Our short-term obligations primarily consist of current maturities of long-term debt. Our long-term obligations primarily consist of long-term notes with maturity dates ranging between 2025 and 2054. Interest payments related to long-term Notes are expected to approximate \$507 million per year, reflecting an approximate weighted-average interest rate of 3.8%. Any borrowings from the Revolving Credit Facility are subject to variable interest rates. See Note 7 - Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements for additional information regarding the terms of our long-term debt obligations.

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

<i>(In millions)</i>	
2024	\$ 51
2025	\$ 3,053
2026	\$ 4
2027	\$ 1,245
2028	\$ 832
Thereafter	\$ 9,191

The following table presents our credit ratings and outlook as of December 31, 2023:

Rating Agency	Long-term Rating ⁽¹⁾	Short-term Rating	Outlook ⁽²⁾
S&P	BBB	A2	Positive
Moody's	Baa3	P3	Positive
Fitch Ratings	BBB	F3	Stable

⁽¹⁾ The long-term rating for S&P was affirmed on May 14, 2021, and for Moody's on March 30, 2022. Fitch's long-term rating was updated in December 2023.

⁽²⁾ S&P revised its outlook to positive from stable in December 2023.

⁽³⁾ Moody's Investors Service revised its outlook to positive from stable on February 28, 2023.

Portfolio Transformation

On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, we entered into a stock purchase agreement to sell our Fire & Security Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. On December 12, 2023, we entered into a stock purchase agreement to sell CCR to Haier Group Corporation for an enterprise value of approximately \$775 million. Both transactions are expected to close 2024.

Share Repurchase Program

We may purchase our outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Since the initial authorization in February 2021, the Company's Board of Directors authorized the repurchase of up to \$4.1 billion of our outstanding common stock. As of December 31, 2023, the Company repurchased 43.5 million shares of common stock for an aggregate purchase price of \$2.0 billion, which includes shares repurchased under an accelerated share repurchase agreement. As a result, the Company has approximately \$2.1 billion remaining under the current authorization at December 31, 2023. Upon announcement of the proposed acquisition of the VCS



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Business, the Company temporarily paused its share repurchase program in order to advance its capital allocation strategy. As a result, there is no share repurchase activity to report for the fourth quarter of 2023.

Dividends

We paid dividends on our common stock of \$0.74 per share during the year ended December 31, 2023, totaling \$620 million. On December 6, 2023, the Board of Directors declared a dividend of \$0.19 per share payable on February 9, 2024 to shareowners of record at the close of business on December 21, 2023.

Discussion of Cash Flows

<i>(In millions)</i>	For the Years Ended December 31,	
	2023	2022
Cash provided by (used in):		
Operating activities	\$ 2,607	\$ 1,743
Investing activities	(660)	1,745
Financing activities	4,612	(2,931)
Effect of foreign exchange rate changes on cash and cash equivalents	88	(56)
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 6,647	\$ 501

Cash flows from operating activities primarily represent inflows and outflows associated with our operations. Primary activities include net income from operations adjusted for non-cash transactions, working capital changes and changes in other assets and liabilities. We define working capital as the assets and liabilities, other than cash, generated through our primary operating activities. The year-over-year increase in net cash provided by operating activities was primarily driven by a reduction in working capital balances. Improved inventory management and higher accounts payable balances more than offset an increase in our accounts receivable balances. In addition, *Accounts payable and accrued liabilities* included a \$96 million mark-to-market valuation adjustment on our window forward contracts associated with the Euro-denominated purchase price of the VCS Business. Prior year working capital balances were higher due to higher safety stock and supply chain constraints.

Cash flows from investing activities primarily represent inflows and outflows associated with long-term assets. Primary activities include capital expenditures, acquisitions, divestitures and proceeds from the sale of fixed assets. During the year ended December 31, 2023, net cash used in investing activities was \$660 million. The primary drivers of the outflow related to \$469 million of capital expenditures and \$134 million related to the deconsolidation of KFI. In addition, we settled working capital and other transaction-related items associated with the acquisition of TCC and invested in several businesses. These amounts totaled \$84 million, net of cash acquired and were partially offset by the proceeds from the sale of a business during the period. During the year ended December 31, 2022, net cash provided by investing activities was \$1.7 billion. The primary driver of the inflow related to the net proceeds from the Chubb Sale. This amount was partially offset by the acquisition of TCC and several other businesses and minority-owned businesses, which totaled \$506 million, net of cash acquired and \$353 million of capital expenditures.

Cash flows from financing activities primarily represent inflows and outflows associated with equity or borrowings. Primary activities include debt transactions, paying dividends to shareowners and the repurchase of our common stock. During the year ended December 31, 2023 net cash provided by financing activities was \$4.6 billion. The primary driver of the inflow related to the issuance of the USD Notes and the Euro Notes. The inflow was partially offset by the payment of \$620 million in dividends to our common shareowners and deferred financing costs. In addition, we paid \$62 million to repurchase shares of our common stock. During the year ended December 31, 2022 net cash used in financing activities was \$2.9 billion. The primary driver of the outflow related to the payment of \$1.4 billion to repurchase shares of our common stock. In addition, we settled our tender offers for \$1.15 billion and paid \$509 million in dividends to our common shareowners.

Summary of Other Sources and Uses of Cash

Rapid changes in legislation, regulations and government policies, including with respect to regulations intended to combat climate change, affect our operations and business in the countries, regions and localities in which we operate and sell our products. We are committed to comply with these regulations and to environmental stewardship. As a result, we have set goals to invest over \$2 billion by 2030 to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts. In addition, to reach our goal to achieve carbon



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neutrality in our operations by 2030, we expect to incur capital expenditures for climate-related projects including upgrading our facilities, equipment and controls to optimize energy efficiency, transition our energy consumption from a dependency on fossil fuels to renewable energy and expanding the electrification of our fleet vehicles. See section entitled Environmental Goals under the headings "Other Matters Relating to Our Business as a Whole" for additional information.

We also have obligations related to environmental and asbestos matters, pension and post-retirement benefits and taxes. See Note 10 - Employee Benefit Plans, Note 17 - Income Taxes, and Note 23 - Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional information.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgement in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets, liabilities, sales and expenses as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results could differ from management's estimates.

Goodwill and Indefinite-Lived Intangible Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other* ("ASC 350"), goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset. We test our reporting units and indefinite-lived intangible assets for impairment annually as of the first day of our third quarter, or more frequently if events or circumstances occur.

ASC 350 provides entities with an option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether a quantitative analysis for impairment is necessary. In performing step zero for our impairment test, we are required to make assumptions and judgments, including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing step zero, we would perform a quantitative impairment analysis to estimate fair value.

For our 2023 goodwill and indefinite-lived intangible assets impairment tests, we elected to perform qualitative step zero assessments to determine if it was more likely than not that the fair values of our reporting units and indefinite-lived intangible assets were below carrying value. We considered macroeconomic factors including global economic growth, general macroeconomic trends for the markets in which our reporting units operate and where the intangible assets are utilized and the forecasted growth of the global industrial products industry. In addition to these macroeconomic factors, among other things, we considered the reporting units' current results and forecasts, changes in the nature of each business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry and competitive environment, changes in the composition or carrying amount of net assets and any intention to sell or dispose of a reporting unit or cease the use of any indefinite-lived intangible assets. Based upon our qualitative analysis, we determined that our goodwill and indefinite-lived intangible assets were not impaired.

Revenue Recognition from Contracts with Customers

Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of our performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of our performance obligations are recognized over time as the customer simultaneously obtains control as we perform work under a contract, or if the product being produced for the customer has no alternative use and we have a contractual right to payment.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of our contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and



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support. We identify performance obligations at the inception of a contract and allocate the transaction price to each distinct performance obligation. Revenue is recognized when or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, we allocate the transaction price to each performance obligation based on its relative stand-alone selling price.

We primarily generate revenue from the sale of products to customers and recognize revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, we recognize revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs include direct costs such as labor, materials and subcontractors' costs and, where applicable, indirect costs.

The transaction price allocated to performance obligations reflects our expectations about the consideration we will be entitled to receive from a customer. We include variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, we customarily offer our customers incentives to purchase products to ensure an adequate supply of our products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. We account for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We recognize future tax benefits to the extent that realizing these benefits is considered in our judgment to be more likely than not. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided. We review the realizability of our deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust our estimate if significant events so dictate. To the extent that the ultimate results differ from our original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements.

Employee Benefit Plans

We provide a range of benefit plans to eligible current and former employees. We account for our benefits plans in accordance with ASC 715, *Compensation – Retirement Benefits* ("ASC 715"), which requires balance sheet recognition of the overfunded or underfunded status of pension plans. The determination of the amounts associated with these benefits is performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally recorded in *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. We review our actuarial assumptions at each measurement date and make modifications to the assumptions based on current rates and trends, if appropriate.

A change in any of these assumptions would have an effect on net periodic pension and post-retirement benefit costs reported in the Consolidated Financial Statements. The following table summarizes the estimated sensitivity of our 2023 projected benefit obligation and net periodic pension (benefit) cost to a 25 basis point change in the discount rate:



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<i>(In millions)</i>	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Projected benefit obligation	\$ (14)	\$ 14
Net periodic pension (benefit) cost	\$ —	\$ —

Net periodic pension (benefit) cost is also sensitive to changes in the expected return on plan assets. An increase or decrease of 25 basis points in the expected return on plan assets would have decreased or increased 2023 pension expense by approximately \$1 million.

Contingent Liabilities

We are involved in various litigation, claims and administrative proceedings, including those related to environmental (including asbestos) and legal matters. In accordance with ASC 450, *Contingencies* ("ASC 450"), we record accruals for loss contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, we accrue the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. We are unable to predict the final outcome of these matters based on the information currently available. However, we do not believe that the resolution of any of these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

As described in Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report, contractual, regulatory and other matters, including asbestos claims, may arise in the ordinary course of business that subject us to claims or litigation. We have recorded reserves in the consolidated financial statements related to these matters, which are developed using input derived from actuarial estimates and historical and anticipated experience depending on the nature of the reserve, and in certain instances in consultation with legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, we believe our estimated reserves are reasonable and do not believe the final determination of the liabilities with respect to these matters would have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. See the "Risk Factors" section in this Annual Report for additional information.

Recent Accounting Pronouncements

See Note 3 – Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for a discussion of recent accounting pronouncements and their effect on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk and Risk Management

We are exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices which could impact our results of operations and financial condition. There has been no significant change in our exposure to market risk for the year ended December 31, 2023.

Foreign Currency Exposures. We have operations throughout the world that manufacture and sell products in various international markets. As a result, we are exposed to exchange rate movements in relation to our reporting currency, the U.S. dollar. Many of our non-U.S. operations have a functional currency other than the U.S. dollar. Therefore, our reported results will be higher or lower depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency. We actively manage material currency exposures that are associated with purchases and sales and other assets and liabilities at the legal entity level; however, we do not hedge currency translation risk.

In connection with the acquisition of the VCS Business, 80% of the Euro-denominated purchase price was paid in cash to Viessmann on January 2, 2024. As a result, the purchase price was exposed to exchange rate movements in relation to our reporting currency, the U.S. dollar. To mitigate the foreign currency risk of the cash outflow, we entered into window forward contracts. Changes in the fair value of the window forward contracts are reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations.



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In connection with the TCC acquisition, we entered into cross currency swaps and the Japanese Term Loan Facility to fund the Yen-denominated purchase price. We designated the cross currency swaps and the Japanese Term Loan Facility as a hedge of our investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the fair value of the cross currency swaps and the carrying value of the Japanese Term Loan Facility associated with foreign exchange rate movements are recorded in *Equity* in the Consolidated Balance Sheet. To the extent that any hedge is not fully effective at offsetting changes in the underlying hedged item, there could be a net earnings impact.

Commodity Price Exposures. We are exposed to volatility in the prices of commodities used in some of our products and when appropriate, we use fixed price contracts to manage this exposure. In addition, we are exposed to fuel costs to ship our products and materials. We do not have commodity hedge contracts in place at December 31, 2023.

Interest Rate Exposures. Substantially all of our long-term debt has fixed interest rates. As a result, any fluctuation in market interest rates is not expected to have a material effect on our results of operations.



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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of Carrier Global Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Carrier Global Corporation and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.



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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition from Contracts with Customers

As described in Note 13 to the consolidated financial statements, the Company recognized \$22,098 million of consolidated revenue for the year ended December 31, 2023. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

The principal considerations for our determination that performing procedures relating to revenue recognition from contracts with customers is a critical audit matter are the high degree of audit effort in performing procedures related to revenue recognized on the Company's point-in-time and over-time contracts with customers.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process on the Company's point-in-time and over-time contracts with customers. These procedures also included, among others, (i) evaluating management's significant accounting policies related to revenue recognition; (ii) testing the appropriateness of the timing and amount of revenue recognized for a sample of point-in-time revenue transactions by obtaining and inspecting source documents, such as contracts with customers, purchase order information, shipping documents, cash receipts, and other documentation; and (iii) evaluating and testing management's process for determining the total estimated costs at completion for a sample of over-time revenue contracts, which included evaluating the total estimated costs at completion used by management by considering factors that can affect the accuracy of those estimates. Evaluating the total estimated costs at completion for revenue recognized on an over-time basis involved comparing the originally estimated costs and actual costs incurred, including identifying circumstances that may warrant a modification to the total estimated costs to complete.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
February 6, 2024

We have served as the Company's auditor since 2019.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS

<i>(In millions, except per share amounts)</i>	For the Year Ended December 31,		
	2023	2022	2021
Net sales			
Product sales	\$ 19,563	\$ 18,250	\$ 17,214
Service sales	2,535	2,171	3,399
	<u>22,098</u>	<u>20,421</u>	<u>20,613</u>
Costs and expenses			
Cost of products sold	(13,831)	(13,337)	(12,300)
Cost of services sold	(1,884)	(1,620)	(2,333)
Research and development	(617)	(539)	(503)
Selling, general and administrative	(3,297)	(2,512)	(3,120)
	<u>(19,629)</u>	<u>(18,008)</u>	<u>(18,256)</u>
Equity method investment net earnings	211	262	249
Other income (expense), net	(384)	1,840	39
Operating profit	<u>2,296</u>	<u>4,515</u>	<u>2,645</u>
Non-service pension benefit (expense)	(1)	(4)	61
Interest (expense) income, net	(211)	(219)	(306)
Income from operations before income taxes	<u>2,084</u>	<u>4,292</u>	<u>2,400</u>
Income tax expense	(644)	(708)	(699)
Net income from operations	<u>1,440</u>	<u>3,584</u>	<u>1,701</u>
Less: Non-controlling interest in subsidiaries' earnings from operations	91	50	37
Net income attributable to common shareowners	<u>\$ 1,349</u>	<u>\$ 3,534</u>	<u>\$ 1,664</u>
Earnings per share			
Basic	\$ 1.61	\$ 4.19	\$ 1.92
Diluted	\$ 1.58	\$ 4.10	\$ 1.87
Weighted-average number of shares outstanding			
Basic	837.3	843.4	867.7
Diluted	853.0	861.2	890.3

The accompanying notes are an integral part of the Consolidated Financial Statements.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

<i>(In millions)</i>	For the Year Ended December 31,		
	2023	2022	2021
Net income from operations	\$ 1,440	\$ 3,584	\$ 1,701
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Foreign currency translation adjustments arising during period	157	(551)	(322)
Less: reclassification adjustments for gain on sale of an investment in a foreign entity recognized in Other income (expense), net	—	—	8
Chubb divestiture	—	(574)	—
Foreign currency translation adjustments arising during period	157	(1,125)	(314)
Pension and post-retirement benefit plans:			
Net actuarial gain (loss) arising during period	(17)	63	53
Amortization of actuarial (gain) loss and prior service credit	1	11	34
Chubb divestiture	—	329	—
	(16)	403	87
Tax (expense) benefit	—	(3)	(17)
Pension and post-retirement benefit plans adjustments arising during period	(16)	400	70
Change in unrealized cash flow hedging:			
Unrealized cash flow hedging gain (loss) arising during period	58	—	—
Other comprehensive income (loss), net of tax	199	(725)	(244)
Comprehensive income (loss)	1,639	2,859	1,457
Less: Comprehensive income (loss) attributable to non-controlling interest	(88)	(24)	(37)
Comprehensive income (loss) attributable to common shareowners	\$ 1,551	\$ 2,835	\$ 1,420

The accompanying notes are an integral part of the Consolidated Financial Statements.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

<i>(In millions, except share amounts)</i>	As of December 31,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 10,015	\$ 3,520
Accounts receivable, net	2,481	2,833
Contract assets, current	306	537
Inventories, net	2,217	2,640
Assets held for sale	3,314	—
Other assets, current	447	349
Total current assets	18,780	9,879
Future income tax benefits	739	612
Fixed assets, net	2,293	2,241
Operating lease right-of-use assets	491	642
Intangible assets, net	1,028	1,342
Goodwill	7,989	9,977
Pension and post-retirement assets	32	26
Equity method investments	1,140	1,148
Other assets	330	219
Total Assets	\$ 32,822	\$ 26,086
Liabilities and Equity		
Accounts payable	\$ 2,742	\$ 2,833
Accrued liabilities	2,811	2,610
Contract liabilities, current	425	449
Liabilities held for sale	862	—
Current portion of long-term debt	51	140
Total current liabilities	6,891	6,032
Long-term debt	14,242	8,702
Future pension and post-retirement obligations	155	349
Future income tax obligations	535	568
Operating lease liabilities	391	529
Other long-term liabilities	1,603	1,830
Total Liabilities	23,817	18,010
Commitments and contingent liabilities (Note 23)		
Equity		
Common stock, par value \$0.01; 4,000,000,000 shares authorized; 883,068,393 and 876,487,480 shares issued; 839,910,275 and 834,664,966 outstanding as of December 31, 2023 and 2022, respectively	9	9
Treasury stock - 43,490,981 common shares	(1,972)	(1,910)
Additional paid-in capital	5,535	5,481
Retained earnings	6,591	5,866
Accumulated other comprehensive income (loss)	(1,486)	(1,688)
Non-controlling interest	328	318
Total Equity	9,005	8,076
Total Liabilities and Equity	\$ 32,822	\$ 26,086

The accompanying notes are an integral part of the Consolidated Financial Statements.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In millions)</i>	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non- Controlling Interest	Total Equity
Balance, December 31, 2020	\$ (745)	\$ 9	\$ —	\$ 5,345	\$ 1,643	\$ 326	\$ 6,578
Net income	—	—	—	—	1,664	37	1,701
Other comprehensive income (loss), net of tax	(244)	—	—	—	—	—	(244)
Dividends declared on common stock (\$0.510 per share)	—	—	—	—	(442)	—	(442)
Shares issued under incentive plans, net	—	—	—	(24)	—	—	(24)
Stock-based compensation	—	—	—	92	—	—	92
Acquisition (sale) of non-controlling interest, net	—	—	—	(2)	—	2	—
Dividends attributable to non-controlling interest	—	—	—	—	—	(38)	(38)
Treasury stock repurchases	—	—	(529)	—	—	—	(529)
Balance at December 31, 2021	\$ (989)	\$ 9	\$ (529)	\$ 5,411	\$ 2,865	\$ 327	\$ 7,094
Net income	—	—	—	—	3,534	50	3,584
Other comprehensive income (loss), net of tax	(699)	—	—	—	—	(26)	(725)
Dividends declared on common stock (\$0.635 per share)	—	—	—	—	(533)	—	(533)
Shares issued under incentive plans, net	—	—	—	(12)	—	—	(12)
Stock-based compensation	—	—	—	77	—	—	77
Acquisition of non-controlling interest	—	—	—	5	—	22	27
Sale of non-controlling interest	—	—	—	—	—	(5)	(5)
Dividends attributable to non-controlling interest	—	—	—	—	—	(50)	(50)
Treasury stock repurchases	—	—	(1,381)	—	—	—	(1,381)
Balance at December 31, 2022	\$ (1,688)	\$ 9	\$ (1,910)	\$ 5,481	\$ 5,866	\$ 318	\$ 8,076
Net income	—	—	—	—	1,349	91	1,440
Other comprehensive income (loss), net of tax	202	—	—	—	—	(3)	199
Dividends declared on common stock (\$0.745 per share)	—	—	—	—	(624)	—	(624)
Shares issued under incentive plans, net	—	—	—	(27)	—	—	(27)
Stock-based compensation	—	—	—	81	—	—	81
Dividends attributable to non-controlling interest	—	—	—	—	—	(56)	(56)
Acquisition (sale) of non-controlling interest, net	—	—	—	—	—	(22)	(22)
Treasury stock repurchase	—	—	(62)	—	—	—	(62)
Balance as of December 31, 2023	\$ (1,486)	\$ 9	\$ (1,972)	\$ 5,535	\$ 6,591	\$ 328	\$ 9,005

The accompanying notes are an integral part of the Consolidated Financial Statements.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In millions)</i>	For the Year Ended December 31,		
	2023	2022	2021
Operating Activities			
Net income from operations	\$ 1,440	\$ 3,584	\$ 1,701
Adjustments to reconcile net income from operations to net cash flows from operating activities			
Depreciation and amortization	542	380	338
Deferred income tax provision	(233)	(124)	(74)
Stock-based compensation cost	81	77	92
Equity method investment net earnings	(211)	(262)	(249)
Impairment charge on minority-owned joint venture investments	—	—	2
(Gain) loss on extinguishment of debt	—	(36)	—
(Gain) loss on sale of investments / deconsolidation	278	(1,815)	2
Changes in operating assets and liabilities			
Accounts receivable, net	(148)	(145)	(97)
Contract assets, current	93	(51)	(47)
Inventories, net	237	(334)	(408)
Other assets, current	(117)	104	(11)
Accounts payable and accrued liabilities	477	61	829
Contract liabilities, current	74	29	51
Defined benefit plan contributions	(33)	(16)	(47)
Distributions from equity method investments	129	148	159
Other operating activities, net	(2)	143	(4)
Net cash flows provided by (used in) operating activities	<u>2,607</u>	<u>1,743</u>	<u>2,237</u>
Investing Activities			
Capital expenditures	(469)	(353)	(344)
Proceeds on sale of investments	—	—	7
Investment in businesses, net of cash acquired	(84)	(506)	(366)
Dispositions of businesses	54	2,902	—
Settlement of derivative contracts, net	(50)	(194)	4
Payment to former shareholders of TCC	—	(104)	—
Kidde-Fenwal, Inc. deconsolidation	(134)	—	—
Other investing activities, net	23	—	7
Net cash flows provided by (used in) investing activities	<u>(660)</u>	<u>1,745</u>	<u>(692)</u>
Financing Activities			
(Decrease) increase in short-term borrowings, net	(15)	(140)	13
Issuance of long-term debt	5,609	432	140
Repayment of long-term debt	(111)	(1,275)	(704)
Repurchases of common stock	(62)	(1,380)	(527)
Dividends paid on common stock	(620)	(509)	(417)
Dividends paid to non-controlling interest	(58)	(46)	(42)
Other financing activities, net	(131)	(13)	(25)
Net cash flows provided by (used in) financing activities	<u>4,612</u>	<u>(2,931)</u>	<u>(1,562)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	88	(56)	(16)
Net increase (decrease) in cash and cash equivalents and restricted cash, including cash classified in current assets held for sale	<u>6,647</u>	<u>501</u>	<u>(33)</u>
Less: Change in cash balances classified as assets held for sale	157	—	60
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>6,490</u>	<u>501</u>	<u>(93)</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>3,527</u>	<u>3,026</u>	<u>3,119</u>
Cash, cash equivalents and restricted cash, end of period	<u>10,017</u>	<u>3,527</u>	<u>3,026</u>
Less: restricted cash	2	7	39
Cash and cash equivalents, end of period	\$ 10,015	\$ 3,520	\$ 2,987

The accompanying notes are an integral part of the Consolidated Financial Statements.



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CARRIER GLOBAL CORPORATION AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE BUSINESS

Carrier Global Corporation (the "Company") is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to its customers. The Company's portfolio includes industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning ("HVAC"), refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. The Company also provides a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. The Company's operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

NOTE 2: BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements reflect the consolidated operations of the Company and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") as defined by the Financial Accounting Standards Board ("FASB") within the FASB Accounting Standards Codification ("ASC"). Inter-company accounts and transactions have been eliminated. Related party transactions between the Company and its equity method investees have not been eliminated.

The accompanying Consolidated Financial Statements include all majority-owned subsidiaries of the Company. A non-controlling interest in a subsidiary is considered an ownership interest in a majority-owned subsidiary that is not attributable to the parent. The Company includes *Non-controlling interest* as a component of *Total equity* in the accompanying Consolidated Balance Sheet and the *Non-controlling interest in subsidiaries' earnings from operations* are presented as an adjustment to *Net income from operations* used to arrive at *Net income attributable to common shareowners* in the accompanying Consolidated Statement of Operations. Partially-owned equity affiliates represent 20 to 50% ownership interests in investments where the Company demonstrates significant influence, but does not have a controlling financial interest. Partially-owned equity affiliates are accounted for under the equity method.

Planned Portfolio Transformation

On April 25, 2023, the Company announced that it entered into a Share Purchase Agreement (the "Agreement") to acquire the climate solutions business (the "VCS Business") of Viessmann Group GmbH & Co. KG ("Viessmann"), a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The acquisition was completed on January 2, 2024 for total consideration of \$14.2 billion.

On April 25, 2023, the Company announced plans to exit its Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, the Company entered into a stock purchase agreement to sell its Access Solutions business ("Access Solutions") to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. Access Solutions, historically reported in the Company's Fire & Security segment, is a global supplier of physical security and digital access solutions supporting the hospitality, commercial, education and military markets. On December 12, 2023, the Company entered into a stock purchase agreement to sell its Commercial Refrigeration business ("CCR") to Haier Group Corporation for an enterprise value of approximately \$775 million. CCR, historically reported in the Company's Refrigeration segment, is a global supplier of turnkey solutions for commercial refrigeration systems and services, with a primary focus on serving food retail customers, cold storage facilities and warehouses. As a result, the assets and liabilities of both businesses are presented as held for sale in the accompanying Consolidated Balance Sheets as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.

In addition, the net assets of the Company's Industrial Fire business met the criteria to be classified as held for sale during the fourth quarter of 2023. Industrial Fire, historically reported in the Company's Fire & Security segment, is a leading manufacturer of a full spectrum of fire detection and suppression solutions and services in critical high-hazard environments, including oil and gas, power generation, marine and offshore facilities, automotive, data centers and aircraft hangars. As a result, the assets and liabilities of the business are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.



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Deconsolidation of Kidde-Fenwal, Inc.

On May 14, 2023, Kidde-Fenwal, Inc. ("KFI"), an indirect wholly-owned subsidiary of the Company, filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court for the District of Delaware. KFI, an industrial fire detection and suppression business historically reported in the Company's Fire & Security segment, has indicated that it intends to use the bankruptcy process to explore strategic alternatives, including the sale of KFI as a going concern. KFI has further stated that, during the Chapter 11 process, KFI expects that there will be no significant interruptions to its business operations. As of the petition date, KFI was deconsolidated and its respective assets and liabilities were derecognized from the Company's Consolidated Financial Statements.

Acquisition of Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in Toshiba Carrier Corporation ("TCC"), a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The acquisition was completed on August 1, 2022. As a result, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within the Company's HVAC segment. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.

Sale of Chubb Fire & Security Business

On July 26, 2021, the Company entered into a stock purchase agreement to sell its Chubb Fire and Security business ("Chubb") to APi Group Corporation ("APi"). Chubb, which was reported within the Company's Fire & Security segment, delivered essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. On January 3, 2022, the Company completed the sale of Chubb (the "Chubb Sale") for net proceeds of \$2.9 billion and recognized a gain on the sale of \$1.1 billion during the year ended December 31, 2022.

Separation from United Technologies

On April 3, 2020 (the "Distribution Date"), United Technologies Corporation ("UTC"), since renamed RTX Corporation ("Raytheon Technologies Corporation" or "RTX"), completed the spin-off of Carrier into an independent, publicly traded company (the "Separation") through a pro rata distribution (the "Distribution") on a one-for-one basis of all of the outstanding shares of common stock of Carrier to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the Distribution. In connection with the Separation, the Company issued an aggregate principal balance of \$11.0 billion of debt and transferred approximately \$10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. On April 1, 2020 and April 2, 2020, the Company received cash contributions totaling \$590 million from UTC related to the Separation.

Following the Separation and Distribution, the Company entered into several agreements with UTC and Otis Worldwide Corporation ("Otis") that govern various aspects of the relationship among the Company, UTC and Otis. As of December 31, 2023, only certain portions of the Tax Matters Agreement ("TMA") remain in effect. The Company incurred separation-related costs of \$20 million for the year ended December 31, 2021. These costs are primarily included in *Selling, general and administrative* in the accompanying Consolidated Statement of Operations and consist of employee-related costs, costs to establish certain stand-alone functions and information technology systems, professional service fees and other transaction-related costs resulting from Carrier's transition to becoming an independent, publicly traded company.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies used in the preparation of the accompanying Consolidated Financial Statements is as follows:

Use of Estimates. The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates are based on several factors including the facts and circumstances available at the time the estimates are made, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.



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Currency Translation. Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates, and income and expense accounts have been translated using average exchange rates throughout the year. Adjustments resulting from the process of translating an entity's financial statements into the U.S. dollar have been recorded in the equity section of the Consolidated Balance Sheet within *Accumulated other comprehensive income (loss)*. Transactions that are denominated in a currency other than an entity's functional currency are subject to changes in exchange rates with the resulting gains and losses recorded in *Net income from operations*.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. On occasion, the Company is required to maintain restricted cash deposits with certain banks due to contractual or other legal obligations. Restricted cash of \$2 million and \$7 million is included in *Other assets, current* as of December 31, 2023 and 2022, respectively.

Accounts Receivable. Accounts receivable consist of billed amounts owed for products shipped to or services performed for customers. Amounts are recorded net of an allowance for expected credit losses which represents the best estimate of probable loss inherent in the Company's accounts receivable portfolio. The allowance is determined using a combination of factors including a reserve based on the aging of the outstanding accounts receivable portfolio and the Company's historical credit loss experience with its end markets, customer base and products. In addition, the Company considers knowledge of specific customers, current market conditions as well as reasonable and supportable forecasts of future events and economic conditions. As of December 31, 2023 and 2022, the allowance for expected credit losses was \$108 million and \$117 million, respectively. These estimates and assumptions are reviewed periodically with the effects of changes, if any, reflected in the Consolidated Statement of Operations in the period that they are determined.

Fixed Assets. Property, plant and equipment are stated at cost less accumulated depreciation. Assets placed in service are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Assets acquired in a business combination are recorded at fair value at the date of acquisition. Major expenditures for replacements and significant improvements that increase asset values and extend useful lives are capitalized. Repairs and maintenance expenditures that do not extend the useful life of an asset are charged to expense as incurred.

Per ASC 360, *Property, Plant and Equipment* ("ASC 360"), the Company assesses the recoverability of the carrying value of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Equity Method Investments. Investments in which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method of accounting and are presented on the Consolidated Balance Sheet. Under this method of accounting, the Company's share of the net earnings or losses of the investee is presented within *Operating profit* on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the Company. The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period. Distributions received from equity method investees are presented in the Consolidated Statement of Cash Flows based on the cumulative earnings approach.

Goodwill and Intangible Assets. The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. In accordance with ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"), goodwill and other indefinite-lived intangibles are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset.

Impairment of goodwill is assessed at the reporting unit level and begins with a qualitative assessment to determine if it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test under ASC 350. For those reporting units that bypass or fail the qualitative assessment, the test compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.



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Intangible assets such as patents, service contracts, monitoring lines and customer relationships with finite useful lives are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. If a pattern of economic benefit cannot be reliably determined or if straight-line amortization approximates the pattern of economic benefit, a straight-line amortization may be used.

The range of useful lives approximate the following (in years):

Customer relationships	1 to 30
Patents and trademarks	5 to 30
Monitoring lines	7 to 10
Service portfolio and other	1 to 23

The Company assesses the recoverability of the carrying amount of its intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying value of the asset group exceeds the fair value of the asset group.

Leases. The Company accounts for leases in accordance with ASC 842, *Leases* ("ASC 842"), which requires a lessee to record a right-of-use ("ROU") asset and a lease liability on the Consolidated Balance Sheet for all leases with terms longer than 12 months. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company generally uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments except when an implicit interest rate is readily determinable. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has elected not to recognize ROU assets and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

Income Taxes. The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company recognizes future tax benefits to the extent that realizing these benefits is considered in its judgment to be more likely than not. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided. The Company reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust its estimate if significant events so dictate. To the extent that the ultimate results differ from the Company's original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements.

Pension and Post-retirement Obligations. The Company provides a range of benefit plans to eligible current and former employees. The Company accounts for its benefit plans in accordance with ASC 715, *Compensation - Retirement Benefits* ("ASC 715") which requires balance sheet recognition of the overfunded or underfunded status of pension and post-retirement benefit plans. Determining the amounts associated with these benefits are performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally recorded in *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on current rates and trends, if appropriate. See Note 10 – Employee Benefit Plans for additional information.



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Business Combinations. In accordance with ASC 805, *Business Combinations* ("ASC 805"), acquisitions that meet the definition of a business are recorded using the acquisition method of accounting. We recognize and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest as of the acquisition date at fair value. The valuation of intangible assets is determined by an income approach methodology, using assumptions such as projected future revenues, customer attrition rates, royalty rates, tax rates and discount rates. The excess, if any, of total consideration transferred in a business combination over the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest is recognized as goodwill. Costs incurred as a result of a business combination other than costs related to the issuance of debt or equity securities are recorded in the period the costs are incurred.

Asset Retirement Obligations. The Company records the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which a liability is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, the Company capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset.

Research and Development. The Company conducts research and development activities with a focus on new product development and technology innovation. These costs are charged to expense as incurred. For the years ended December 31, 2023, 2022 and 2021, these costs amounted to \$617 million, \$539 million and \$503 million, respectively.

Recent Pronouncements

The FASB ASC is the sole source of authoritative GAAP other than United States Securities and Exchange Commission ("SEC") issued rules and regulations that apply only to SEC registrants. The FASB issues Accounting Standards Updates ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. ASUs not referenced below were assessed and determined to be either not applicable or are not expected to have a material impact on the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. In addition, the amendments clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment and contains other disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires public entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

NOTE 4: INVENTORIES, NET

Inventories are stated at the lower of cost or estimated net realizable value. Cost is primarily determined based on the first-in, first-out inventory method ("FIFO") or average cost methods, which approximates current replacement cost. However, certain Carrier entities use the last-in, first-out inventory method ("LIFO").



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Inventories, net consisted of the following:

<i>(In millions)</i>	2023	2022
Raw materials	\$ 695	\$ 884
Work-in-process	259	230
Finished goods	1,263	1,526
Inventories, net	\$ 2,217	\$ 2,640

The Company performs periodic assessments utilizing customer demand, production requirements and historical usage rates to determine the existence of excess and obsolete inventory and records necessary provisions to reduce such inventories to the lower of cost or estimated net realizable value. Raw materials, work-in-process and finished goods are net of valuation reserves of \$223 million and \$190 million as of December 31, 2023 and 2022, respectively.

Certain entities use LIFO to determine the cost of inventory. If inventories that were valued using the LIFO method had been valued under the FIFO method, the net book value of the inventories would have been higher by \$226 million and \$199 million as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, approximately 35% and 26%, respectively, of all inventory utilized the LIFO method.

NOTE 5: FIXED ASSETS, NET

Fixed assets, net consisted of the following:

<i>(In millions)</i>	Estimated Useful Lives (Years)	2023	2022
Land		\$ 112	\$ 126
Buildings and improvements	20 to 40	1,122	1,251
Machinery, tools and equipment	3 to 25	2,515	2,409
Rental assets	3 to 12	346	390
Other, including assets under construction		442	347
Fixed assets, gross		4,537	4,523
Accumulated depreciation		(2,244)	(2,282)
Fixed assets, net		\$ 2,293	\$ 2,241

Depreciation expense was \$300 million, \$256 million and \$238 million for the years ended December 31, 2023, 2022 and 2021, respectively.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the reporting unit may be less than its carrying value.



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The changes in the carrying amount of goodwill were as follows:

<i>(In millions)</i>	HVAC	Refrigeration	Fire & Security	Total
Balance at December 31, 2021	\$ 5,658	\$ 1,228	\$ 2,463	\$ 9,349
Goodwill resulting from business combinations ⁽¹⁾	904	—	1	905
Foreign currency translation	(170)	(31)	(76)	(277)
Balance at December 31, 2022	\$ 6,392	\$ 1,197	\$ 2,388	\$ 9,977
Goodwill resulting from business combinations	1	(4)	—	(3)
Reclassified to held for sale ⁽²⁾	—	(72)	(1,937)	(2,009)
Foreign currency translation	14	3	7	24
Balance as of December 31, 2023	\$ 6,407	\$ 1,124	\$ 458	\$ 7,989

⁽¹⁾ See Note 19 - Acquisitions for additional information.

⁽²⁾ See Note 20 - Divestitures for additional information.

Indefinite-lived intangible assets are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the asset may be less than the carrying amount of the asset. All other intangible assets with finite useful lives are amortized over their estimated useful lives.

Identifiable intangible assets consisted of the following:

<i>(In millions)</i>	2023			2022		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortized:						
Customer relationships	\$ 1,222	\$ (610)	\$ 612	\$ 1,431	\$ (720)	\$ 7
Patents and trademarks	332	(163)	169	401	(191)	2
Service portfolios and other	686	(503)	183	953	(595)	3
	<u>2,240</u>	<u>(1,276)</u>	<u>964</u>	<u>2,785</u>	<u>(1,506)</u>	<u>1,2</u>
Unamortized:						
Trademarks and other	64	—	64	63	—	—
Intangible assets, net	\$ 2,304	\$ (1,276)	\$ 1,028	\$ 2,848	\$ (1,506)	\$ 1,3

Amortization of intangible assets was \$242 million, \$124 million and \$98 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The estimated future amortization of intangible assets is as follows:

<i>(In millions)</i>	2024	2025	2026	2027	2028	Thereafter
Future amortization	\$ 175	\$ 155	\$ 122	\$ 95	\$ 75	\$ 342

Annual Impairment Assessment

The Company tested its goodwill and indefinite-lived intangible assets for impairment on July 1 as part of its annual assessment. For each test, the Company qualitatively assessed all relevant events or circumstances that could impact the estimate of fair value and determined it was more likely than not that the fair value of each reporting unit and indefinite-lived intangible asset exceeded their carrying amount.

In connection with the presentation of CCR, Access Solutions and Industrial Fire as held for sale at December 31, 2023, the Company reassigned goodwill between each of the remaining reporting units within its Fire & Security segment using a relative fair value approach. As a result, the Company performed a quantitative goodwill impairment test to determine if any impairment existed. The test did not indicate any goodwill impairment.



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NOTE 7: BORROWINGS AND LINES OF CREDIT

Long-term debt consisted of the following:

<i>(In millions)</i>	2023	2022
2.242% Notes due 2025	1,200	1,200
4.375% Notes due 2025	830	—
5.800% Notes due 2025	1,000	—
2.493% Notes due 2027	900	900
4.125% Notes due 2028	830	—
2.722% Notes due 2030	2,000	2,000
2.700% Notes due 2031	750	750
4.500% Notes due 2032	941	—
5.900% Notes due 2034	1,000	—
3.377% Notes due 2040	1,500	1,500
3.577% Notes due 2050	2,000	2,000
6.200% Notes due 2054	1,000	—
Total long-term notes	13,951	8,350
Japanese Term Loan Facility	379	404
Other debt (including project financing obligations and finance leases)	74	149
Discounts and debt issuance costs	(111)	(61)
Total debt	14,293	8,842
Less: current portion of long-term debt	51	140
Long-term debt, net of current portion	\$ 14,242	\$ 8,702

Debt Issuance

In November 2023, the Company issued \$3.0 billion principal amount of USD-denominated notes in three tranches. The tranches consist of \$1.0 billion aggregate principal amount of 5.800% notes due 2025, \$1.0 billion aggregate principal amount of 5.900% notes due 2034 and \$1.0 billion aggregate principal amount of 6.200% notes due 2054 (collectively, the "USD Notes"). In addition, the Company issued €2.35 billion principal amount of Euro-denominated notes in three tranches. The tranches consist of €750 million aggregate principal amount of 4.375% notes due 2025, €750 million aggregate principal amount of 4.125% notes due 2028 and €850 million aggregate principal amount of 4.500% notes due 2032 (collectively, the "Euro Notes"). The Company capitalized \$51 million of deferred financing costs which are being amortized over the term of their related notes.

The Company used the USD Notes and the Euro Notes to fund a portion of the Euro-denominated purchase price of the VCS Business. The Company has the option to redeem the notes in whole or in part at any time, prior to their stated maturity date at redemption prices set forth in the indenture agreements. The notes are subject to certain customary covenants.

Japanese Term Loan Facility

On July 15, 2022, the Company entered into a five-year, JPY 54 billion (approximately \$400 million) senior unsecured term loan facility with MUFG Bank Ltd., as administrative agent and lender, and certain other lenders (the "Japanese Term Loan Facility"). Borrowings under the Japanese Term Loan Facility bear interest at a rate equal to the Tokyo Term Risk Free Rate plus 0.75%. In addition, the Japanese Term Loan Facility is subject to customary covenants including a covenant to maintain a maximum consolidated leverage ratio. The Company capitalized \$2 million of deferred financing costs which are being amortized over the term of the facility. On July 25, 2022, the Company borrowed JPY 54 billion under the Japanese Term Loan Facility and used the proceeds to fund a portion of the TCC acquisition and to pay related fees and expenses.



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Revolving Credit Facility

On May 19, 2023, the Company entered into a revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and certain other lenders, permitting aggregate borrowings of up to \$2.0 billion pursuant to an unsecured, unsubordinated revolving credit facility that matures in May 2028 (the "Revolving Credit Facility"). The Revolving Credit Facility supports the Company's commercial paper program and can be used for other general corporate purposes. Borrowings are available in U.S. Dollars and Euros. U.S. Dollar borrowings can bear interest at either a Term SOFR Rate plus 0.10% and a ratings-based margin or, alternatively, at an alternate base rate plus a ratings-based margin. Euro borrowings bear interest at an adjusted EURIBOR rate plus a ratings-based margin. A ratings-based commitment fee is charged on unused commitments. Upon entering into the agreement, the Company terminated its existing revolving credit facility that was set to mature in April 2025. In addition, the Company capitalized \$2 million of deferred financing costs which are being amortized over the term of the facility. As of December 31, 2023, there were no borrowings outstanding under the Revolving Credit Facility.

Commercial Paper Program

The Company has a \$2.0 billion unsecured, unsubordinated commercial paper program, which can be used for general corporate purposes, including the funding of working capital and potential acquisitions. As of December 31, 2023, there were no borrowings outstanding under the commercial paper program.

Project Financing Arrangements

The Company is involved in long-term construction contracts in which it arranges project financing with certain customers. As a result, the Company issued \$39 million and \$38 million of debt during the year ended December 31, 2023 and 2022, respectively. Long-term debt repayments associated with these financing arrangements for the years ended December 31, 2023 and 2022 were \$111 million and \$160 million, respectively.

Debt Covenants

The Revolving Credit Facility, the indenture for the long-term notes and the Japanese Term Loan Facility contain affirmative and negative covenants customary for financings of these types, which, among other things, limit the Company's ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. As of December 31, 2023, the Company was in compliance with the covenants under the agreements governing its outstanding indebtedness.

Tender Offers

On March 15, 2022, the Company commenced tender offers to purchase up to \$1.15 billion ("Aggregate Tender Cap") aggregate principal of the Company's 2.242% Notes due 2025 and 2.493% Notes due 2027 (together, the "Senior Notes"). The tender offers included payment of applicable accrued and unpaid interest up to the settlement date, along with a fixed spread for early repayment. Based on participation, the Company elected to settle the tender offers on March 30, 2022. The aggregate principal amount of Senior Notes validly tendered and accepted was approximately \$1.15 billion, which included \$800 million of Notes due 2025 and \$350 million of Notes due 2027. As a result, the Company recognized a net gain of \$33 million and wrote off \$5 million of unamortized deferred financing costs within *Interest (expense) income, net* on the accompanying Consolidated Statement of Operations during the year ended December 31, 2022.

Schedule of Long-term Debt Maturities

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

<i>(In millions)</i>	
2024	\$ 51
2025	\$ 3,053
2026	\$ 4
2027	\$ 1,245
2028	\$ 832
Thereafter	\$ 9,191



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As of December 31, 2023, the average maturity of the Company's long-term notes is approximately 11 years and the weighted-average interest rate on its total borrowings is approximately 3.8%. Interest expense associated with long-term debt for the years ended December 31, 2023, 2022 and 2021 was \$362 million, \$302 million and \$319 million, respectively.

NOTE 8: FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement* ("ASC 820"), defines fair value as the price that would be received if an asset is sold or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors, including foreign currency and commodity price risk. These exposures are managed through operational strategies and the use of undesignated hedging contracts. The Company's derivative assets and liabilities are measured at fair value on a recurring basis using internal models based on observable market inputs, such as forward, interest, contract and discount rates with changes in fair value reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations.

In connection with the TCC acquisition, the Company funded a portion of the Yen-denominated purchase price with cash on hand by entering into cross currency swaps with various financial institutions. The cross currency swaps are measured at fair value on a recurring basis using observable market inputs, such as forward, discount and interest rates as well as credit default swap spreads. The Company designated the cross currency swaps as a partial hedge of its investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the fair value of the swaps are recorded in *Equity* in the accompanying Consolidated Balance Sheet.

The remaining portion of the Yen-denominated purchase price was funded by the Japanese Term Loan Facility. The carrying value of the facility is translated on a recurring basis using the exchange rate at the end of the applicable period and approximates its fair value. The Company designated the Japanese Term Loan Facility as a partial hedge of its investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the carrying value of the Japanese Term Loan Facility associated with foreign exchange rate movements are recorded in *Equity* in the Consolidated Balance Sheet.

In connection with the acquisition of the VCS Business, the Company entered into window forward contracts with Bank of America N.A. and JPMorgan Chase Bank N.A. to mitigate the foreign currency risk of the expected cash outflows associated with the Euro-denominated purchase price. The instruments have an aggregate notional amount of €7 billion and are measured at fair value on a recurring basis using observable market inputs, such as forward, discount and interest rates with changes in fair value reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations. During the year ended December 31, 2023, the Company recognized a \$96 million loss on the mark-to-market valuation of its window forward contracts. The Company settled the window forward contracts on January 2, 2024 upon the acquisition of the VCS Business.

During 2023, the Company entered into several interest rate swap contracts to mitigate interest rate exposure on the forecasted issuance of long-term debt. The contracts had an aggregate notional amount of \$1.525 billion and were designated as cash flow hedges with changes in fair value reported in *Equity* in the accompanying Consolidated Balance Sheet. Fair value was measured on a recurring basis using observable market inputs, such as forward, discount and interest rates. In November 2023, the contracts were settled upon the issuance of the underlying debt. As a result, the Company deferred a net unrecognized gain of \$58 million in *Equity* which will be subsequently recognized in *Interest expense* over the term of the related notes which range from 2034 to 2044. The amount expected to be amortized over the next twelve months is a net gain of \$3 million.

The following tables provide the valuation hierarchy classification of assets and liabilities that are recorded at fair value and



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measured on a recurring basis in the accompanying Consolidated Balance Sheet:

<i>(In millions)</i>	Total	Level 1	Level 2	Level 3
December 31, 2023				
Fair value measurement:				
Derivative assets ⁽¹⁾⁽³⁾	\$ 32	\$ —	\$ 32	\$ —
Derivative liabilities ⁽²⁾⁽³⁾	\$ (126)	\$ —	\$ (126)	\$ —
December 31, 2022				
Fair value measurement:				
Derivative assets ⁽¹⁾⁽³⁾	\$ 28	\$ —	\$ 28	\$ —
Derivative liabilities ⁽²⁾⁽³⁾	\$ (48)	\$ —	\$ (48)	\$ —

⁽¹⁾ Included in *Other assets, current* and *Other assets* on the accompanying Consolidated Balance Sheet.

⁽²⁾ Included in *Accrued liabilities* and *Other long-term liabilities* on the accompanying Consolidated Balance Sheet.

⁽³⁾ Includes cross currency swaps, window forward contracts and interest rate swap contracts.

The following table provides the carrying amounts and fair values of the Company's long-term notes that are not recorded at fair value in the accompanying Consolidated Balance Sheet:

<i>(In millions)</i>	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total long-term notes ⁽¹⁾	\$ 13,951	\$ 13,194	\$ 8,350	\$ 6,832

⁽¹⁾ Excludes debt discount and issuance costs.

The fair value of the Company's long-term debt is measured based on observable market inputs which are considered Level 1 within the fair value hierarchy. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value due to the short-term nature of these accounts and would be classified as Level 1 in the fair value hierarchy. The Company's financing leases and project financing obligations, included in *Long-term debt* and *Current portion of long-term debt* on the accompanying Consolidated Balance Sheet, approximate fair value and are classified as Level 3 in the fair value hierarchy.

NOTE 9: LEASES

The Company enters into operating and finance leases for the use of real estate space, vehicles, information technology equipment and certain other equipment. At contract inception, the Company determines a lease exists if the arrangement conveys the right to control an identified asset for a period of time in exchange for consideration. Control is considered to exist when the lessee has the right to obtain substantially all of the economic benefits from the use of an identified asset as well as the right to direct the use of that asset. If a contract is considered to be a lease, the Company recognizes a lease liability based on the present value of the future lease payments with an offsetting entry to recognize a right-of-use asset.



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Operating lease right-of-use assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

<i>(In millions)</i>	2023	2022
Operating lease right-of-use assets	\$ 491	\$ 642
Accrued liabilities	\$ (108)	\$ (132)
Operating lease liabilities	(391)	(529)
Total operating lease liabilities	\$ (499)	\$ (661)
Weighted-Average Remaining Lease Term (in years)	7.0	7.7
Weighted-Average Discount Rate	3.9 %	3.4 %

Where applicable, the Company accounts for each separate lease component of a contract and its associated non-lease component as a single lease component.

Supplemental cash flow and lease expense information related to operating leases were as follows:

<i>(In millions)</i>	2023	2022	2021
Operating cash flows for measurement of operating lease liabilities	\$ 166	\$ 145	\$ 197
Operating lease ROU assets obtained in exchange for operating lease obligations	\$ 63	\$ 109	\$ 180
Operating lease expense	\$ 158	\$ 148	\$ 200

Operating lease expense is recognized on a straight-line basis over the lease term. In addition, the Company has certain leases that contain variable lease payments which are based on an index, a rate referenced in the lease or on the actual usage of the leased asset. These payments are not included in the right-of-use asset or lease liability and are expensed as incurred as variable lease expense.

Undiscounted maturities of operating lease liabilities as of December 31, 2023 are as follows:

<i>(In millions)</i>	
2024	\$ 126
2025	107
2026	87
2027	62
2028	45
Thereafter	149
Total undiscounted lease payments	576
Less: imputed interest	(77)
Total discounted lease payments	\$ 499

NOTE 10: EMPLOYEE BENEFIT PLANS

The Company sponsors U.S. and international defined benefit pension and defined contribution plans. In addition, the Company contributes to various U.S. and international multi-employer defined benefit pension plans.

Pension Plans

Qualified U.S. pension plan benefits covering collectively bargained employees comprise approximately 42% of the projected benefit obligation. This noncontributory defined benefit plan provides benefits on a flat dollar formula based on an employee's location and is closed to new entrants. The non-U.S. plans comprise approximately 58% of the projected benefit obligation;



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certain of these plans provide participants with one-time payments upon separation of employment rather than a retirement annuity. The plans' benefits provided are based on plan specific parameters. Non-qualified U.S. pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

The following table details information regarding the Company's pension plans:

<i>(In millions)</i>	2023	2022
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 760	\$ 906
Service cost	15	20
Interest cost	31	18
Actuarial (gain) loss	27	(271)
Benefits paid	(25)	(21)
Curtailment, settlements and special termination benefits	(24)	(7)
Other, including expenses paid	3	(38)
Reclassified to held for sale ⁽¹⁾	(212)	—
Acquisitions ⁽²⁾	—	153
Benefit obligation at end of year	<u>\$ 575</u>	<u>\$ 760</u>
Change in Plan Assets		
Fair value at beginning of year	\$ 451	\$ 591
Actual return on plan assets	39	(170)
Company contributions	33	16
Benefits paid	(25)	(21)
Settlements	(24)	(7)
Other, including expenses paid	2	(18)
Reclassified to held for sale ⁽¹⁾	(8)	—
Acquisitions ⁽²⁾	—	60
Fair value of assets end of year	<u>\$ 468</u>	<u>\$ 451</u>
Funded status of plans	<u>\$ (107)</u>	<u>\$ (309)</u>
Amounts included in the balance sheet:		
Other non-current assets	\$ 32	\$ 25
Accrued compensation and benefits	(12)	(18)
Post-employment and other benefit liabilities	(127)	(316)
Net amount recognized	<u>\$ (107)</u>	<u>\$ (309)</u>

⁽¹⁾ See Note 20 - Divestitures for additional information.

⁽²⁾ See Note 19 - Acquisitions for additional information.

The change in funded status was primarily driven by the presentation of the Company's CCR business as held for sale. In addition, the discount rates for our significant pension plans in Germany and the U.S. decreased over the measurement period, resulting in higher benefit obligations.



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The pretax amounts recognized in *Accumulated other comprehensive (income) loss* are:

<i>(In millions)</i>	Prior Service Cost (Benefit)	Net Actuarial (Gain) Loss	Total
As of December 31, 2022	\$ 11	\$ 93	\$ 104
Current year changes recorded in AOCI	—	20	20
Amortization reclassified to earnings	(2)	1	(1)
Settlement/curtailment reclassified to earnings	(3)	1	(2)
Currency translation and other	—	5	5
As of December 31, 2023	\$ 6	\$ 120	\$ 126

Information for pension plans with accumulated benefit obligations in excess of plan assets:

<i>(In millions)</i>	2023	2022
Projected benefit obligation	\$ 378	\$ 564
Accumulated benefit obligation	\$ 362	\$ 538
Fair value of plan assets	\$ 239	\$ 230

Information for pension plans with projected benefit obligations in excess of plan assets:

<i>(In millions)</i>	2023	2022
Projected benefit obligation	\$ 378	\$ 564
Accumulated benefit obligation	\$ 362	\$ 538
Fair value of plan assets	\$ 239	\$ 230

The accumulated benefit obligation for all defined benefit plans was \$0.6 billion and \$0.7 billion as of December 31, 2023 and 2022, respectively.

Pension benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

<i>(In millions)</i>	
2024	\$ 31
2025	\$ 33
2026	\$ 37
2027	\$ 42
2028	\$ 38
2029 through 2033	\$ 201

For the years ended December 31, 2023, 2022 and 2021, the Company made \$33 million, \$16 million and \$47 million, respectively, of cash contributions to its defined benefit pension plans. The Company expects to make total contributions of approximately \$5 million to its defined benefit pension plans in 2024.



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The components of net periodic pension expense (benefit) for the defined benefit pension plans are as follows:

<i>(In millions)</i>	2023	2022	2021
Service cost	\$ 15	\$ 20	\$ 27
Interest cost	31	18	37
Expected return on plan assets	(32)	(27)	(145)
Amortization of prior service cost	3	2	2
Recognized actuarial net loss	(2)	9	32
Net settlement, curtailment and special termination benefit loss	1	2	13
Net periodic pension expense (benefit)	\$ 16	\$ 24	\$ (34)

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Costs		
	2023	2022	2023	2022	2021
Discount rate					
Projected benefit obligation	4.3%	4.2 %	4.2%	2.1 %	1.4 %
Interest cost ⁽¹⁾	—%	— %	4.1%	1.9 %	1.2 %
Service cost ⁽¹⁾	—%	— %	4.5%	2.8 %	2.1 %
Salary scale	2.2%	2.4 %	2.4%	3.1 %	2.8 %
Expected return on plan assets	—%	— %	5.7%	5.0 %	4.6 %

⁽¹⁾The 2023 and 2022 discount rates used to measure the service cost and interest cost applies to the significant plans of the Company. The projected benefit obligation discount rate is used for the service cost and interest cost measurements for non-significant plans.

The expected long-term rate of return on plan assets is determined by considering the relative weighting of plan assets, the historical performance of total plan assets, individual asset classes, economic and other indicators of future performance. Return projections are assessed for reasonableness using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

The Company's investment objective is to provide liquidity and asset levels needed to meet current and future benefit payments, while maintaining a prudent degree of portfolio diversification considering interest rate risk and market volatility. Globally, investment strategies target a mix of approximately 30% of growth seeking assets and 70% of income generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers.

The growth seeking allocation consists of global public equities in developed and emerging countries and alternative asset class strategies. The income generating assets primarily consist of government and broadly diversified high quality corporate bonds. In addition, the Company's investment strategies seek to reduce interest rate risk and have incorporated liability hedging programs as part of the long-term investment strategy. Under this objective, the income generating and hedging assets typically increase as the plans' funded status improves. The Company monitors plan funded status and asset allocation regularly in addition to investment manager performance.



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The fair values of pension plan assets by asset category are as follows:

<i>(In millions)</i>	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	Not Subject to Leveling	Total
Asset Category	(Level 1)	(Level 2)	(Level 3)		
Public Equities:					
Global Equities	\$ —	\$ 26	\$ —	\$ —	\$ 26
Global Equity Funds at net asset value ⁽¹⁾⁽²⁾	—	—	—	125	125
Fixed Income Securities:					
Governments	—	40	—	23	63
Corporate Bonds	—	44	—	—	44
Fixed Income Securities ⁽²⁾	—	9	—	172	181
Real Estate ⁽³⁾	—	1	—	—	1
Other ⁽⁴⁾⁽⁵⁾	—	10	—	—	10
Cash & Cash Equivalents ⁽⁶⁾⁽⁹⁾	—	13	—	3	16
Subtotal	<u>\$ —</u>	<u>\$ 143</u>	<u>\$ —</u>	<u>\$ 323</u>	<u>\$ 466</u>
Other assets and liabilities ⁽⁷⁾					2
Total as of December 31, 2023					<u>\$ 468</u>

<i>(In millions)</i>	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	Not Subject to Leveling	Total
Asset Category	(Level 1)	(Level 2)	(Level 3)		
Public Equities:					
Global Equities	\$ —	\$ 27	\$ —	\$ —	\$ 27
Global Equity Funds at net asset value ⁽¹⁾⁽²⁾	—	—	—	119	119
Fixed Income Securities:					
Governments	—	35	—	24	59
Corporate Bonds	—	45	—	—	45
Fixed Income Securities ⁽²⁾	—	11	—	156	167
Real Estate ⁽³⁾	—	1	—	—	1
Other ⁽⁴⁾⁽⁵⁾	—	8	—	—	8
Cash & Cash Equivalents ⁽⁶⁾⁽⁹⁾	—	25	—	1	26
Subtotal	<u>\$ —</u>	<u>\$ 152</u>	<u>\$ —</u>	<u>\$ 300</u>	<u>\$ 452</u>
Other assets and liabilities ⁽⁷⁾					(1)
Total as of December 31, 2022					<u>\$ 451</u>

⁽¹⁾ Represents commingled funds that invest primarily in common stocks.

⁽²⁾ In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension plan assets.

⁽³⁾ Represents investments in real estate, including commingled funds and directly held properties.

⁽⁴⁾ Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.

⁽⁵⁾ Includes fixed income repurchase agreements entered into for purposes of pension asset and liability matching.

⁽⁶⁾ Represents short-term commercial paper, bonds and other cash or cash-like instruments.

⁽⁷⁾ Represents trust receivables and payables that are not leveled.

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of fixed income repurchase agreements, interest rate swaps, total return swaps and currency forward contracts.

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, whereby observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit



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ratings. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, including broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

Multiemployer Benefit Plans

The Company contributes to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from those of single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. The Company's contributions to these plans for the years ended December 31, 2023 and 2022 was \$15 million and \$15 million, respectively.

Employee Savings Plans

The Company sponsors various employee savings plans. Employer contributions are determined based on criteria specific to each plan and were \$125 million, \$123 million and \$115 million for the year ended December 31, 2023, 2022 and 2021, respectively.

NOTE 11: PRODUCT WARRANTIES

In the ordinary course of business, the Company provides standard warranty coverage on its products. Provisions for these amounts are established at the time of sale and estimated primarily based on product warranty terms and historical claims experience. In addition, the Company incurs discretionary costs to service its products in connection with specific product performance issues. Provisions for these amounts are established when they are known and estimable. The Company assesses the adequacy of its initial provisions and will make adjustments as necessary based on known or anticipated claims or as new information becomes available that suggests it is probable that future costs will be different than estimated amounts. Amounts associated with these provisions are classified on the accompanying Consolidated Balance Sheet as *Accrued liabilities* or *Other long-term liabilities* based on their anticipated settlement date.

The changes in the carrying amount of warranty related provisions are as follows:

<i>(In millions)</i>	2023	2022
Balance as of January 1,	\$ 551	\$ 524
Warranties, performance guarantees issued and changes in estimated liability	237	184
Settlements made	(194)	(171)
Other	(13)	14
Reclassified to held for sale ⁽¹⁾	(13)	—
Balance as of December 31,	\$ 568	\$ 551

⁽¹⁾See Note 20 - Divestitures for additional information.



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NOTE 12: EQUITY

The authorized number of shares of common stock of Carrier is 4,000,000,000 shares of \$0.01 par value. As of December 31, 2023 and December 31, 2022, 883,068,393 and 876,487,480 shares of common stock were issued, respectively, which includes 43,490,981 and 42,103,995 shares of treasury stock, respectively.

Share Repurchase Program

The Company may purchase its outstanding common stock from time to time subject to market conditions and at the Company's discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Shares acquired are recognized at cost and presented separately on the balance sheet as a reduction to *Equity*. Since the initial authorization in February 2021, the Company's Board of Directors authorized the repurchase of up to \$4.1 billion of the Company's outstanding common stock.

As of December 31, 2023, the Company repurchased 43.5 million shares of common stock for an aggregate purchase price of \$2.0 billion, which includes shares repurchased under an accelerated share repurchase agreement. As a result, the Company has approximately \$2.1 billion remaining under the current authorization at December 31, 2023. Upon announcement of the proposed acquisition of the VCS Business, the Company temporarily paused its share repurchase program in order to advance its capital allocation strategy. As a result, there is no share repurchase activity to report for the fourth quarter of 2023.

Accumulated Other Comprehensive Income (Loss)

A summary of changes in the components of *Accumulated other comprehensive income (loss)* is as follows:

<i>(In millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Post- retirement Plans	Unrealized Hedging Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2021	\$ (191)	\$ (554)	\$ —	\$ (745)
Other comprehensive income (loss) before reclassifications, net	(322)	53	—	(269)
Amounts reclassified, pre-tax	8	34	—	42
Tax benefit reclassified	—	(17)	—	(17)
Balance as of December 31, 2021	\$ (505)	\$ (484)	\$ —	\$ (989)
Other comprehensive income (loss) before reclassifications, net	(525)	63	—	(462)
Amounts reclassified, pre-tax	—	11	—	11
Tax benefit reclassified	—	(3)	—	(3)
Chubb divestiture	(574)	329	—	(245)
Balance as of December 31, 2022	\$ (1,604)	\$ (84)	\$ —	\$ (1,688)
Other comprehensive income (loss) before reclassifications, net	160	(17)	58	201
Amounts reclassified, pre-tax	—	1	—	1
Balance as of December 31, 2023	\$ (1,444)	\$ (100)	\$ 58	\$ (1,486)

NOTE 13: REVENUE RECOGNITION

The Company accounts for revenue in accordance with ASC 606: *Revenue from Contracts with Customers*. Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company



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performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment.

Performance Obligations

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to each distinct performance obligation. Revenue is recognized when or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, the Company allocates the transaction price to each performance obligation based on its relative stand-alone selling price.

The Company primarily generates revenue from the sale of products to customers and recognizes revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, the Company recognizes revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs include direct costs such as labor, materials and subcontractors' costs and where applicable, indirect costs.

Segment sales disaggregated by product and service are as follows:

<i>(In millions)</i>	2023	2022	2021
Sales Type			
Product	\$ 13,313	\$ 11,882	\$ 9,985
Service	1,826	1,526	1,405
HVAC sales	<u>15,139</u>	<u>13,408</u>	<u>11,390</u>
Product	3,352	3,432	3,653
Service	466	451	474
Refrigeration sales	<u>3,818</u>	<u>3,883</u>	<u>4,127</u>
Product	3,384	3,372	3,985
Service	249	198	1,530
Fire & Security sales	<u>3,633</u>	<u>3,570</u>	<u>5,515</u>
Total segment sales	<u>22,590</u>	<u>20,861</u>	<u>21,032</u>
Eliminations and other	(492)	(440)	(419)
Consolidated	<u>\$ 22,098</u>	<u>\$ 20,421</u>	<u>\$ 20,613</u>

The transaction price allocated to performance obligations reflects the Company's expectations about the consideration it will be entitled to receive from a customer. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.



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Contract Balances

Total contract assets and liabilities consisted of the following:

<i>(In millions)</i>	2023	2022
Contract assets, current	\$ 306	\$ 537
Contract assets, non-current (included within <i>Other assets</i>)	26	6
Total contract assets	<u>332</u>	<u>543</u>
Contract liabilities, current	(425)	(449)
Contract liabilities, non-current (included within <i>Other long-term liabilities</i>)	(160)	(174)
Total contract liabilities	<u>(585)</u>	<u>(623)</u>
Net contract assets (liabilities)	\$ (253)	\$ (80)

The timing of revenue recognition, billings and cash collections results in contract assets and contract liabilities. Contract assets relate to the conditional right to consideration for any completed performance under a contract when costs are incurred in excess of billings under the percentage-of-completion methodology. Contract liabilities relate to payments received in advance of performance under a contract or when the Company has a right to consideration that is conditioned upon transfer of a good or service to the customer. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The Company recognized revenue of \$347 million for the year ended December 31, 2023 that was related to contract liabilities as of January 1, 2023. The Company expects a majority of its contract liabilities at the end of the period to be recognized as revenue over the next 12 months. There were no individually significant customers with sales exceeding 10% of total sales for the years ended December 31, 2023, 2022 and 2021.

NOTE 14: STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation plans in accordance with ASC 718, *Compensation - Stock Compensation*, which requires a fair-value based method for measuring the value of stock-based compensation. Fair value is measured at the date of grant and is generally not adjusted for subsequent changes. The Company's stock-based compensation plans include programs for stock appreciation rights, restricted stock and performance share units.

Stock Options and Appreciation Rights

Eligible participants may receive stock options or stock appreciation rights as part of the Company's long-term incentive program. The fair value of each instrument is determined as of the date of grant using a binomial lattice model and expensed on a straight-line basis over the required service period, which is generally a three-year vesting period. However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions.

The following table summarizes fair value information for stock options and stock appreciation rights:

	2023 ⁽¹⁾	2022 ⁽¹⁾	2021 ⁽¹⁾
Stock options and stock appreciation rights weighted-average fair value per award	\$ 11.64	\$ 10.68	\$ 10.13
Assumptions:			
Volatility	30.9%	30.8% to 31.3%	31.6% to 34.1%
Expected term (in years)	5.8	6.1	6.6
Expected dividend yield	1.8%	1.5%	1.5%
Range of risk-free rates	3.6%	1.7% to 3.0%	0.7% to 1.4%

⁽¹⁾ Carrier has limited historical trading data and used peer group data to estimate expected volatility for the 2023, 2022 and 2021 awards.

The Company used historical employee data, including data prior to the Separation and the Distribution, to estimate expected term. The expected dividend yield is consistent with management's expectations. The risk-free rate is based on the term structure of interest rates at the time the awards were granted.



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Changes in stock options and stock appreciation rights outstanding were as follows:

	Shares Subject to Option (in thousands)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted- Average Remaining Life (in years)
As of December 31, 2020	36,732	\$ 19.91		
Granted	3,194	\$ 38.92		
Exercised	(5,934)	\$ 17.59		
Cancelled	(1,551)	\$ 23.98		
As of December 31, 2021	32,441	\$ 22.02		
Granted	2,715	\$ 47.72		
Exercised	(3,495)	\$ 17.76		
Cancelled	(883)	\$ 30.33		
As of December 31, 2022	30,778	\$ 24.53		
Granted	3,494	\$ 46.13		
Exercised	(8,432)	\$ 20.48		
Cancelled	(769)	\$ 42.94		
Outstanding as of December 31, 2023	25,071	\$ 28.34	\$ 730	5.8
Exercisable as of December 31, 2023	17,662	\$ 22.05	\$ 625	4.8

Restricted Stock Units

Eligible participants may receive restricted stock units ("RSU") as part of the Company's long-term incentive program. The fair value of restricted stock units are based on the closing market price of the Company's common stock on the date of grant and expensed on a straight-line basis over the required service period (which is generally a three-year vesting period). However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions. Dividends accrue during the vesting period and are paid in shares of the Company's common stock.

Changes in restricted stock units were as follows:

	RSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of December 31, 2020	5,574	\$ 21.57
Granted	286	\$ 46.49
Vested	(2,168)	\$ 21.45
Cancelled	(122)	\$ 25.39
Outstanding and unvested as of December 31, 2021	3,570	\$ 23.33
Granted	555	\$ 41.88
Vested	(1,915)	\$ 20.85
Cancelled	(143)	\$ 32.92
Outstanding and unvested as of December 31, 2022	2,067	\$ 29.87
Granted	577	\$ 45.71
Vested	(1,140)	\$ 26.09
Cancelled	(161)	\$ 35.09
Outstanding and unvested as of December 31, 2023	1,343	\$ 39.22



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Performance Share Units

The Company has a performance share program for key employees whereby awards are provided in the form of performance share units ("PSU") based on performance against pre-established objectives. The annual target level is expressed as shares of the Company's common stock based on the fair value of its stock on the date of grant. Awards are earned over a three-year performance period based equally on a performance condition, measured by the compound annual growth rate of the Company's earnings per share and on a market condition, measured by the Company's relative total shareowner return compared to the total shareowner return of a subset of industrial companies in the S&P 500 Index. The fair value of the market condition is estimated using a Monte Carlo simulation approach. The fair value of the PSU awards are expensed over the required service period, which is generally a three-year vesting period. In the event of retirement, performance share units held for at least one year remain eligible to vest based on actual performance relative to pre-established metrics. Dividends do not accrue on the performance share units during the performance period.

Changes in PSUs were as follows:

	PSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of December 31, 2020	772	\$ 18.46
Granted	821	\$ 41.48
Vested	(20)	\$ 23.72
Forfeited	(152)	\$ 27.28
Outstanding and unvested as of December 31, 2021	1,421	\$ 30.75
Granted	653	\$ 46.93
Vested	(5)	\$ 41.81
Forfeited	(139)	\$ 35.45
Outstanding and unvested as of December 31, 2022	1,930	\$ 35.86
Granted	902	\$ 47.93
Vested	(607)	\$ 18.23
Forfeited	(183)	\$ 46.52
Outstanding and unvested as of December 31, 2023	2,042	\$ 45.47

Compensation Expense

Stock-based compensation expense, net of estimated forfeitures, is included in Cost of products sold, *Selling, general and administrative* and *Research and development*, in the accompanying Consolidated Statement of Operations.

Stock-based compensation cost by award type are as follows:

<i>(In millions)</i>	2023	2022	2021
Equity compensation costs - equity settled	\$ 81	\$ 77	\$ 92
Equity compensation costs - cash settled ⁽¹⁾	3	(15)	19
Total stock-based compensation cost	\$ 84	\$ 62	\$ 111
Income tax benefit	\$ 11	\$ 9	\$ 13

⁽¹⁾The cash settled awards are classified as liability awards and are measured at fair value at each balance sheet date.

As of December 31, 2023 and 2022, there were \$76 million and \$64 million of unrecognized stock-based compensation costs related to non-vested awards granted under the plan, respectively, which will be recognized ratably over the awards weighted-average remaining vesting period of 2 years.



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NOTE 15: RESTRUCTURING COSTS

The Company incurs costs associated with restructuring initiatives intended to improve operating performance, profitability and working capital levels. Actions associated with these initiatives may include improving productivity, workforce reductions and the consolidation of facilities. Due to the size, nature and frequency of these discrete plans, they are fundamentally different from the Company's ongoing productivity initiatives. The Company recorded net pre-tax restructuring costs for new and ongoing restructuring actions as follows:

<i>(In millions)</i>	2023	2022	2021
HVAC	\$ 44	\$ 8	\$ 33
Refrigeration	21	10	25
Fire & Security	22	11	26
Total Segment	87	29	84
General corporate expenses	10	2	5
Total restructuring costs	\$ 97	\$ 31	\$ 89
Cost of sales	\$ 18	\$ 9	\$ 28
Selling, general and administrative	79	22	60
Other income (expense), net	—	—	1
Total restructuring costs	\$ 97	\$ 31	\$ 89

The following table summarizes changes in the restructuring reserve, included in *Accrued liabilities* on the accompanying Consolidated Balance Sheet:

<i>(In millions)</i>	2023	2022
Balance as of January 1,	\$ 24	\$ 54
Net pre-tax restructuring costs	97	31
Utilization, foreign exchange and other	(58)	(61)
Reclassified to held for sale ⁽¹⁾	(8)	—
Balance as of December 31,	\$ 55	\$ 24

⁽¹⁾ See Note 20 - Divestitures for additional information.

As of December 31, 2023, the Company had \$55 million accrued for costs associated with its announced restructuring initiatives. The balance relates to cost reduction efforts, primarily severance, across each of the Company's segments. In addition, reserves associated with the Company's planned portfolio transformation were established during the year, all of which are expected to be paid within 12 months.

NOTE 16: OTHER INCOME (EXPENSE), NET

Other income (expense), net consisted of the following:

<i>(In millions)</i>	2023	2022	2021
Impairment charge on minority-owned joint venture investments	—	—	(2)
Viessmann-related hedges	(96)	—	—
KFI deconsolidation	(297)	—	—
TCC acquisition-related gain	(8)	705	—
Chubb gain	—	1,105	—
Other	17	30	41
Other income (expense), net	\$ (384)	\$ 1,840	\$ 39



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Other income (expense), net primarily includes the impact of gains and losses related to the sale of businesses or interests in equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than the entity's functional currency and hedging-related activities. In connection with the proposed acquisition of the VCS Business, the Company recognized a \$96 million loss during the year ended December 31, 2023 on the mark-to-market valuation of our window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price. In addition, the Company recognized a loss of \$297 million on the deconsolidation of KFI due to its Chapter 11 filing.

In connection with the TCC acquisition, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, the Company recognized a \$697 million non-cash gain associated with the increase in our ownership interest. In addition, the Company completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion during the twelve months ended December 31, 2022.

NOTE 17: INCOME TAXES

Income Before Income Taxes

The sources of *Income from operations before income taxes* are as follows:

<i>(In millions)</i>	2023	2022	2021
United States	\$ 1,311	\$ 1,876	\$ 1,528
Foreign	773	2,416	872
Total	\$ 2,084	\$ 4,292	\$ 2,400

Provision for Income Taxes

The income tax expense (benefit) consisted of the following components:

<i>(In millions)</i>	2023	2022	2021
Current:			
United States:			
Federal	\$ 412	\$ 453	\$ 336
State	124	120	83
Foreign	341	259	354
	877	832	773
Future:			
United States:			
Federal	(138)	(23)	(125)
State	(33)	(29)	(14)
Foreign	(62)	(72)	65
	(233)	(124)	(74)
Income tax expense	\$ 644	\$ 708	\$ 699



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Reconciliation of Effective Income Tax Rate

The differences between the effective income tax rate and the statutory U.S. federal income tax rate are as follows:

	2023	2022	2021
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State income tax	2.7	1.5	1.9
Taxes on international activities	6.3	(1.0)	7.2
TCC acquisition impact	—	(4.2)	—
Other	0.9	(0.8)	(1.0)
Effective income tax rate	30.9 %	16.5 %	29.1 %

The effective tax rate for the year ended December 31, 2023 was higher than the Company's statutory U.S. federal income tax rate. The increase was primarily driven by a net tax charge of \$90 million relating to the re-organization and disentanglement of CCR and certain Fire & Security industrial businesses in advance of the planned divestitures and a deferred tax charge of \$65 million related to basis differences in certain companies presented as held-for-sale. In addition, the effective tax rate was impacted by the recognition of a deferred tax liability for withholding tax of \$33 million on repatriated foreign earnings, non-deductible divestiture-related costs and a non-deductible loss of \$96 million on the mark-to-market valuation of the Company's window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price of the VCS Business. The unfavorable impact of the above items is partially offset by a \$53 million tax benefit recorded from the announced KFI bankruptcy and deconsolidation and \$49 million of foreign tax credits generated and utilized in 2023.

The effective tax rate for the year ended December 31, 2022 was lower than the Company's statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of the Company's previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in the current year.

The effective tax rate for the year ended December 31, 2021 was higher than the Company's statutory U.S. federal income tax rate. The increase was driven by a net tax charge of \$157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of the Chubb business and a \$43 million deferred tax charge associated with a tax rate increase in the United Kingdom enacted on June 10, 2021 with an effective date of April 2023. These amounts were partially offset by the recognition of a favorable tax adjustment of \$70 million due to foreign tax credits generated and expected to be utilized in the current year and \$21 million resulting from the re-organization of a German subsidiary.

Deferred Tax Assets and Liabilities

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and GAAP purposes. These amounts consist of the tax effects of differences between tax and GAAP that are expected to be reversed in the future and tax carryforwards. Future income tax benefits and payables within the same tax paying component of a particular jurisdiction are offset for presentation in the Consolidated Balance Sheet.



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The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables as of December 31, 2023 and 2022 are as follows:

<i>(In millions)</i>	2023	2022
Future income tax benefits:		
Insurance and employee benefits	\$ 158	\$ 161
Other assets basis differences	420	284
Other liabilities basis differences	547	571
Tax loss carryforwards	185	177
Tax credit carryforwards	1,333	29
Valuation allowances	(1,399)	(100)
Future income tax benefit	\$ 1,244	\$ 1,122
Future income tax payables:		
Goodwill and intangible assets	\$ (412)	\$ (449)
Other asset basis differences	(388)	(395)
Future income tax payables	\$ (800)	\$ (844)

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards and certain foreign temporary differences to reduce future income tax benefits to expected realizable amounts. As of December 31, 2023, future income tax benefits and future income tax payables exclude a net liability of \$9 million classified as held for sale. See Note 20 - Divestitures for additional information.

Changes to valuation allowances consisted of the following:

<i>(In millions)</i>	
Balance as of January 1, 2021	\$ 231
Additions charged to income tax expense	32
Reduction credited to income tax expense	(22)
Other adjustments	(41)
Reclassified to held for sale	(110)
Balance at December 31, 2021	\$ 90
Additions charged to income tax expense	18
Reduction credited to income tax expense	(22)
Other adjustments	14
Balance at December 31, 2022	\$ 100
Additions charged to income tax expense	27
Reduction credited to income tax expense	(22)
Other adjustments (1)	1,303
Reclassified to held for sale	(9)
Balance as of December 31, 2023	\$ 1,399

(1) See discussion below regarding the Swiss tax credit



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Tax Credit and Loss Carryforwards

As of December 31, 2023, tax credit carryforwards and tax loss carryforwards were as follows:

<i>(In millions)</i>	Tax Loss Carryforwards	Tax Credit Carryforwards
Expiration period:		
2024-2028	\$ 70	\$ 28
2029-2033	96	1,289
2034-2043	96	—
Indefinite	574	16
Total	\$ 836	\$ 1,333

The Company assesses the realizability of its deferred tax assets on a quarterly basis through an analysis of potential sources of future taxable income, including prior year taxable income available to absorb a carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if valuation allowances against deferred tax assets are required. The Company maintains valuation allowances against certain deferred tax assets.

In conjunction with the announced portfolio transformation, the Company is implementing changes to its corporate structure, including intra-entity transfers of certain intellectual property to a subsidiary in Switzerland. During 2024, the Company will begin transferring certain intellectual property from wholly-owned legal entities to the Swiss subsidiary. During the three months ended December 31, 2023, the Company's Swiss subsidiary was granted a tax credit of approximately \$1.3 billion that is immediately available to offset cantonal income tax liability over a ten-year period. As the Company is in the preliminary stages of the reorganization, a full valuation allowance was recorded against this tax credit. As operations in the Swiss subsidiary expand in future years it will be necessary to reassess the estimated realizable tax benefit associated with the tax credit.

Unrecognized Tax Benefits

As of December 31, 2023, the Company had unrecognized tax benefits of \$382 million, all of which, if recognized, would impact its effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and related interest expense is as follows:

<i>(In millions)</i>	2023	2022	2021
Balance at beginning of period	\$ 291	\$ 251	\$ 162
Additions for tax positions related to the current year	37	34	86
Additions for tax positions of prior years ⁽¹⁾	81	32	24
Reductions for tax positions of prior years	—	(13)	(1)
Settlements	(27)	(13)	(18)
Reclassified to held for sale	—	—	(2)
Balance at end of period	\$ 382	\$ 291	\$ 251
Gross interest expense related to unrecognized tax benefits	\$ 18	\$ 16	\$ 8
Total accrued interest balance at end of period	\$ 64	\$ 48	\$ 35

⁽¹⁾ Includes \$73 million during the year ended December 31, 2023 and \$14 million during the year ended December 31, 2021 related to acquisitions.

The Company conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in the U.S. federal, various state and foreign jurisdictions. In certain jurisdictions, the Company's operations were included in UTC's combined tax returns for the periods through the Separation and the Distribution. The IRS commenced an audit of UTC's tax years 2017 and 2018 in the second quarter of 2020 and this audit is expected to conclude in 2024. However, the Company expects that certain of the IRS proposed adjustments will be disputed at the Appeals Division of the IRS. The U.S. Federal statute of limitations for UTC's tax year 2019 expired during the three months ended December 31, 2023. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including the U.S., Australia, Belgium, Canada, China, Czech Republic, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands,



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Singapore, Thailand, and the United Kingdom. The Company is no longer subject to U.S. federal income tax examination for years prior to 2017 and, with few exceptions, is no longer subject to U.S. state and local and foreign income tax examinations for tax years before 2013.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. The Company believes that it is reasonably possible that a net decrease in unrecognized tax benefits of \$60 million to \$80 million may occur within 12 months as a result of additional uncertain tax positions, the revaluation of uncertain tax positions arising from examinations, appeals, court decisions or the closure of tax statutes.

In October 2021, the Organization for Economic Co-operation and Development ("OECD")/G20 finalized the significant components of a two-pillar global tax reform plan, which has now been agreed to by the majority of OECD members. Pillar One allows countries to reallocate amongst other taxing jurisdictions a portion of residual profits earned by multinational enterprises ("MNE"), with annual global revenue exceeding €20 billion and a profit margin over 10%. The adoption of Pillar One and its potential effective date remain uncertain. Pillar Two requires MNEs with annual global revenue exceeding €750 million to pay a global minimum tax of 15%. The Company does not currently expect the impact of Pillar Two to be material to its effective tax rate, but the impact may be modified as legislation is adopted.

As a result of the Tax Cuts and Jobs Act ("TCJA"), the Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, the Company has recorded tax liabilities associated with the future remittance of these earnings. For the remainder of the Company's undistributed international earnings, unless it becomes tax effective to repatriate, the Company intends to continue to permanently reinvest these earnings. As of December 31, 2023, such undistributed earnings were approximately \$10 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts. In addition, the TCJA subjects the Company to a tax on global intangible low-taxed income ("GILTI"). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations which the Company has elected to account for as a period cost.

NOTE 18: EARNINGS PER SHARE

Earnings per share is computed by dividing *Net income attributable to common shareowners* by the weighted-average number of shares of common stock outstanding during the period (excluding treasury stock). Diluted earnings per share is computed by giving effect to all potentially dilutive stock awards that are outstanding. The computation of diluted earnings per share excludes the effect of the potential exercise of stock-based awards, including stock appreciation rights and stock options, when the effect of the potential exercise would be anti-dilutive.

The following table summarizes the weighted-average number of shares of common stock outstanding for basic and diluted earnings per share calculations:

<i>(In millions, except per share amounts)</i>	2023	2022	2021
Net income attributable to common shareowners	\$ 1,349	\$ 3,534	\$ 1,664
Basic weighted-average number of shares outstanding	837.3	843.4	867.7
Stock awards and equity units (share equivalent)	15.7	17.8	22.6
Diluted weighted-average number of shares outstanding	853.0	861.2	890.3
Antidilutive shares excluded from computation of diluted earnings per share	2.0	2.9	0.1
Earnings Per Share			
Basic	\$ 1.61	\$ 4.19	\$ 1.92
Diluted	\$ 1.58	\$ 4.10	\$ 1.87



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NOTE 19: ACQUISITIONS

During the year ended December 31, 2023, the Company acquired consolidated and minority-owned businesses. The aggregate cash paid, net of cash acquired, totaled \$84 million. Acquisitions are recorded using the acquisition method of accounting in accordance with ASC 805. As a result, the aggregate purchase price has been allocated to assets acquired and liabilities assumed based on the estimate of fair market value of such assets and liabilities at the date of acquisition. The excess purchase price over the estimated fair value of net assets acquired is recognized as goodwill.

Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in TCC for \$920 million. TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation, designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition included all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The acquisition was completed on August 1, 2022 and funded through the Japanese Term Loan Facility and cash on hand. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.

The allocation of the purchase price is as follows:

<i>(In millions)</i>	August 1, 2022
Cash and cash equivalents	\$ 462
Accounts receivable	428
Inventories	373
Other assets, current	54
Fixed assets	330
Intangible assets	965
Goodwill	876
Other assets	299
Accounts payable	(412)
Accrued liabilities	(445)
Contract liabilities, current	(21)
Other long-term liabilities	(569)
Net assets acquired	\$ 2,340
Less: Fair value of non-controlling interests	(22)
Less: Fair value of previously held TCC equity investments	(1,398)
Total cash consideration	\$ 920

The excess purchase price over the estimated fair value of the net assets acquired was recognized as goodwill and totaled \$876 million, which is not deductible for tax purposes. Accounts receivable and current liabilities were stated at their historical carrying value, which approximates fair value given the short-term nature of these assets and liabilities. The estimate of fair value for inventory and fixed assets was based on an assessment of the acquired assets' condition as well as an evaluation of the current market value of such assets. The sale agreement included several customary provisions to settle working capital and other transaction-related items as of the date of sale. During 2022, the parties finalized these amounts in accordance with the terms of the sale agreement and the Company paid an additional \$41 million to Toshiba Corporation in 2023. In addition, the parties finalized amounts related to pension funding levels during 2023 which resulted in the Company receiving \$12 million from Toshiba Corporation.



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The Company recorded intangible assets based on its estimate of fair value which consisted of the following:

<i>(In millions)</i>	Estimated Useful Life (in years)	Intangible Assets Acquired
Customer relationships	23	\$ 497
Technology	7	220
Trademark	26	180
Backlog	1	60
Land use rights	45	8
Total intangible assets acquired		\$ 965

The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, EBIT margins, discount rates, customer attrition rates and royalty rates among others. The projected future cash flows are discounted to present value using an appropriate discount rate. The Company finalized the process of allocating the purchase price and valuing the acquired assets and liabilities during the year ended December 31, 2023.

The Company previously accounted for its minority ownership in TCC under the equity method of accounting. In connection with the transaction, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition using an income approach methodology. As a result, the Company recognized a \$697 million non-cash gain within *Other income (expense), net* on the accompanying Consolidated Statement of Operations. In addition, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within the Company's HVAC segment. The Company incurred \$29 million of acquisition-related costs during 2022 which are included within *Selling, general and administrative* on the accompanying Consolidated Statement of Operations. The Company has not included pro forma financial information required under ASC 805 as the pro forma impact was not deemed significant.

Announced Acquisition

On April 25, 2023, the Company announced that it entered into an Agreement to acquire the VCS Business, a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. Under the terms of the Agreement, 20% of the purchase price was to be paid in Carrier common stock, issued directly to Viessmann and subject to long-term lock-up provisions and 80% was to be paid in cash, subject to working capital and other adjustments. The acquisition was completed on January 2, 2024. See Note 25 - Subsequent Events for additional information.

On April 25, 2023, the Company entered into commitment letters with JPMorgan Chase Bank, N.A., BofA Securities, Inc. and Bank of America, N.A. to provide a €8.2 billion aggregate principal, senior unsecured bridge term loan facility (the "Bridge Loan"). The Company capitalized \$48 million of deferred financing costs associated with the Bridge Loan which are being amortized over the commitment period. In May 2023, the aggregate principal amount of the Bridge Loan was reduced by €2.3 billion upon entering into a senior unsecured delayed draw term loan credit agreement. As a result, the Company accelerated the amortization on \$10 million of deferred financing costs in *Interest expense*. In November 2023, the aggregate principle amount of the Bridge Loan was reduced by €5.4 billion upon the issuance of the USD Notes and the Euro Notes. As a result, the Company accelerated the amortization on \$15 million of deferred financing costs in *Interest expense*.

On May 19, 2023, the Company entered into a senior unsecured delayed draw term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders that permits aggregate borrowings of up to €2.3 billion (the "Delayed Draw Facility"). The Company capitalized \$4 million of deferred financing costs associated with the Delayed Draw Facility which will be amortized over the term once the facility is drawn upon. In addition, the Company entered into a 364-day, \$500 million, senior unsecured revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders (the "Revolver") on May 19, 2023. Proceeds from the Revolver became available upon closing the purchase of the VCS Business.



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NOTE 20: DIVESTITURES

Planned Portfolio Transformation

On April 25, 2023, the Company announced plans to exit its Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, the Company entered into a stock purchase agreement to sell its Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. Access Solutions, historically reported in the Company's Fire & Security segment, is a global supplier of physical security and digital access solutions supporting the hospitality, commercial, education and military markets. On December 12, 2023, the Company entered into a stock purchase agreement to sell the CCR business to Haier Group Corporation for an enterprise value of approximately \$775 million. CCR, historically reported in the Company's Refrigeration segment, is a global supplier of turnkey solutions for commercial refrigeration systems and services, with a primary focus on serving food retail customers, cold storage facilities and warehouses. As a result, the assets and liabilities of both businesses are presented as held for sale in the accompanying Consolidated Balance Sheets as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell. Both transactions are expected to close in 2024 and are subject to customary closing conditions.

In addition, the net assets of the Company's Industrial Fire business met the criteria to be classified as held for sale during the fourth quarter of 2023. Industrial Fire, historically reported in the Company's Fire & Security segment, is a leading manufacturer of a full spectrum of fire detection and suppression solutions and services in critical high-hazard environments, including oil and gas, power generation, marine and offshore facilities, automotive, data centers and aircraft hangars. As a result, the assets and liabilities of the business are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.

The following table summarizes assets and liabilities classified as held for sale:

<i>(In millions)</i>	December 31, 2023			
	Commercial Refrigeration	Access Solutions	Industrial Fire	Total
Cash and cash equivalents	\$ 131	\$ 6	\$ 20	\$ 157
Accounts receivable, net	274	104	101	479
Inventories, net	84	31	65	180
Contract assets, current	98	2	42	142
Other assets, current	15	3	4	22
Fixed assets, net	78	13	22	113
Intangible assets, net	—	53	2	55
Goodwill	72	1,498	439	2,009
Operating lease right-of-use assets	49	13	28	90
Other assets	44	10	13	67
Total assets held for sale	\$ 845	\$ 1,733	\$ 736	\$ 3,314
Accounts payable	\$ 129	\$ 20	\$ 39	\$ 188
Accrued liabilities	181	21	55	257
Contract liabilities, current	23	53	22	98
Long-term debt, including current portion	8	—	—	8
Future pension and post-retirement obligations	203	—	1	204
Future income tax obligations	4	2	3	9
Operating lease liabilities	40	11	23	74
Other long-term liabilities	3	12	9	24
Total liabilities held for sale	\$ 591	\$ 119	\$ 152	\$ 862



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NOTE 21: SEGMENT FINANCIAL DATA

The Company conducts its operations through three reportable operating segments: HVAC, Refrigeration and Fire & Security. In accordance with ASC 280 - *Segment Reporting*, the Company's segments maintain separate financial information for which results of operations are evaluated on a regular basis by the Company's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. Inter-company sales between segments are immaterial.

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability.
- The Refrigeration segment includes transport refrigeration and monitoring products, services and digital solutions for trucks, trailers, shipping containers, intermodal and rail, as well as commercial refrigeration products.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property.

The Company's customers are in both the public and private sectors and its businesses reflect extensive geographic diversification. Inter-company sales between segments are immaterial.

Net sales and Operating profit by segment are as follows:

(In millions)	Net Sales			Operating Profit		
	2023	2022	2021	2023	2022	2021
HVAC	\$ 15,139	\$ 13,408	\$ 11,390	\$ 2,275	\$ 2,610	\$ 1,738
Refrigeration	3,818	3,883	4,127	428	483	476
Fire & Security	3,633	3,570	5,515	209	1,630	662
Total segment	22,590	20,861	21,032	2,912	4,723	2,876
Eliminations and other	(492)	(440)	(419)	(275)	(80)	(96)
General corporate expenses	—	—	—	(341)	(128)	(135)
Consolidated	\$ 22,098	\$ 20,421	\$ 20,613	\$ 2,296	\$ 4,515	\$ 2,645

Total assets are not presented for each segment as they are not presented to or reviewed by the CODM. Segment assets in the following table represent *Accounts receivable, net, Contract assets, current and Inventories, net*. These assets are regularly reviewed by management and are therefore reported in the following table as segment assets. All other remaining assets and liabilities for all periods presented are managed on a company-wide basis.

(In millions)	Segment Assets		Capital Expenditures			Depreciation & Amortization		
	2023	2022	2023	2022	2021	2023	2022	2021
HVAC	\$ 3,204	\$ 3,191	\$ 313	\$ 232	\$ 225	\$ 413	\$ 256	\$ 186
Refrigeration	834	1,279	30	32	39	34	31	36
Fire & Security	940	1,492	33	40	49	54	58	83
Total Segment	4,978	5,962	376	304	313	501	345	305
Eliminations and other	26	48	93	49	31	41	35	33
Consolidated	\$ 5,004	\$ 6,010	\$ 469	\$ 353	\$ 344	\$ 542	\$ 380	\$ 338
Cash and cash equivalents	10,015	3,520						
Other assets, current	447	349						
Assets held for sale	3,314	—						
Total current assets	\$ 18,780	\$ 9,879						

Geographic External Sales



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Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. With the exception of the U.S. as presented in the following table, there were no individually significant countries with sales exceeding 10% of total sales for the years ended December 31, 2023, 2022 and 2021.

<i>(In millions)</i>	External Sales			Long-Lived Assets	
	2023	2022	2021	2023	2022
United States Operations	\$ 12,205	\$ 11,797	\$ 10,492	\$ 857	\$ 803
International Operations					
Europe	4,729	4,359	5,776	497	453
Asia Pacific	4,352	3,489	3,464	543	573
Other	812	776	881	396	412
Consolidated	\$ 22,098	\$ 20,421	\$ 20,613	\$ 2,293	\$ 2,241

NOTE 22: RELATED PARTIES

Equity Method Investments

The Company sells products to and purchases products from unconsolidated entities accounted for under the equity method and, therefore, these entities are considered to be related parties. The Company has 26 directly owned unconsolidated domestic and foreign affiliates as of December 31, 2023, of which 97% of such investments are in its HVAC segment. The Company periodically reviews the carrying value of its equity method investments to determine if there has been an other-than-temporary decline in fair value.

Amounts attributable to equity method investees are as follows:

<i>(In millions)</i>	2023	2022	2021
Sales to equity method investees included in <i>Product sales</i>	\$ 2,920	\$ 2,845	\$ 2,258
Purchases from equity method investees included in <i>Cost of products sold</i>	\$ 214	\$ 331	\$ 357

The Company had receivables from and payables to equity method investees as follows:

<i>(In millions)</i>	2023	2022
Receivables from equity method investees included in <i>Accounts receivable, net</i>	\$ 231	\$ 154
Payables to equity method investees included in <i>Accounts payable</i>	\$ 44	\$ 44

The financial results of TCC are included in the Company's consolidated results since the acquisition date of August 1, 2022. Prior to the acquisition, the Company previously accounted for its minority ownership in TCC under the equity method of accounting. As a result, prior period results may not be comparable to the current period.



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Summarized Financial Information. Pursuant to Rule 3-10 and Rule 4-08(g) of Regulation S-X under the Securities Act, the Company presents summarized financial information of the combined accounts of its non-consolidated joint ventures accounted for by the equity method.

Summarized unaudited financial information for equity method investments is as follows:

<i>(In millions)</i>	2023		2022	
Current assets	\$	11,432	\$	10,621
Non-current assets		1,834		1,931
Total assets		13,266		12,552
Current liabilities		(9,296)		(8,631)
Non-current liabilities		(190)		(195)
Total liabilities		(9,486)		(8,826)
Total net equity of investees	\$	3,780	\$	3,726

<i>(In millions)</i>	2023		2022		2021	
Net sales	\$	16,180	\$	11,524	\$	9,471
Gross profit	\$	2,862	\$	2,274	\$	1,907
Income from continuing operations	\$	655	\$	757	\$	650
Net income	\$	655	\$	757	\$	650

NOTE 23: COMMITMENTS AND CONTINGENT LIABILITIES

The Company is involved in various litigation, claims and administrative proceedings, including those related to environmental (including asbestos) and legal matters. In accordance with ASC 450, *Contingencies*, the Company records accruals for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. The Company is unable to predict the final outcome of the following matters based on the information currently available, except as otherwise noted. However, the Company does not believe that the resolution of any of these matters will have a material adverse effect upon its results of operations or financial condition.

Environmental Matters

The Company's operations are subject to environmental regulation by various authorities. The Company has accrued for the costs of environmental remediation activities, including but not limited to, investigatory, remediation, operating and maintenance costs and performance guarantees. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to individual sites, including the technology required to remediate, current laws and regulations and prior remediation experience.

As of December 31, 2023 and 2022, the outstanding liability for environmental obligations are as follows:

<i>(In millions)</i>	2023		2022	
Environmental reserves included in <i>Accrued liabilities</i>	\$	21	\$	24
Environmental reserves included in <i>Other long-term liabilities</i>		203		211
Total environmental reserves	\$	224	\$	235



For sites with multiple responsible parties, the Company considers its likely proportionate share of the anticipated remediation costs and the ability of other parties to fulfill their obligations in establishing a provision for these costs. Accrued environmental liabilities are not reduced by potential insurance reimbursements and are undiscounted.

Asbestos Matters

The Company has been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos allegedly integrated into certain Carrier products or business premises. While the Company has never manufactured asbestos and no longer incorporates it into any currently-manufactured products, certain products that the Company no longer manufactures contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been dismissed without payment or have been covered in full or in part by insurance or other forms of indemnity. Additional cases were litigated and settled without any insurance reimbursement. The amounts involved in asbestos-related claims were not material individually or in the aggregate in any period.

The Company's asbestos liabilities and related insurance recoveries are as follows:

<i>(In millions)</i>	2023	2022
Asbestos liabilities included in <i>Accrued liabilities</i>	\$ 15	\$ 16
Asbestos liabilities included in <i>Other long-term liabilities</i>	206	212
Total asbestos liabilities	\$ 221	\$ 228
Asbestos-related recoveries included in <i>Other assets, current</i>	\$ 5	\$ 5
Asbestos-related recoveries included in <i>Other assets</i>	88	90
Total asbestos-related recoveries	\$ 93	\$ 95

The amounts recorded for asbestos-related liabilities are based on currently available information and assumptions that the Company believes are reasonable and are made with input from outside actuarial experts. These amounts are undiscounted and exclude the Company's legal fees to defend the asbestos claims, which are expensed as incurred. In addition, the Company has recorded insurance recovery receivables for probable asbestos-related recoveries.

UTC Equity Awards Conversion Litigation

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint (the "Complaint") in the United States District Court for the District of Connecticut against RTX, Carrier, Otis, the former members of the UTC Board of Directors and the members of the Carrier and Otis Boards of Directors (*Geraud Darnis, et al. v. Raytheon Technologies Corporation, et al.*). The Complaint challenged the method by which UTC equity awards were converted to UTC, Carrier and Otis equity awards following the Separation and the Distribution. Defendants moved to dismiss the Complaint. Plaintiffs amended their Complaint on September 13, 2021 (the "Amended Complaint"). The Amended Complaint, with RTX, Carrier and Otis as the only defendants, asserted that the defendants are liable for breach of certain equity compensation plans and for breach of the implied covenant of good faith and fair dealing. The Amended Complaint also sought specific performance. The Company believes all plaintiffs' claims against it are without merit. Defendants moved to dismiss the Amended Complaint. On September 30, 2022, the court dismissed the case against all defendants, with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. On August 3, 2023, the Second Circuit of Appeals affirmed the district court's ruling. The Second Circuit's judgment is final and non-appealable.

Aqueous Film Forming Foam Litigation

As of December 31, 2022, the Company, KFI and others have been named as defendants in more than 6,000 lawsuits filed by individuals in or removed to the federal courts of the United States alleging that the historic use of Aqueous Film Forming Foam ("AFFF") caused personal injuries and/or property damage. The Company, KFI and others have also been named as defendants in more than 700 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company, KFI and others to the U.S. District Court for the District of South Carolina (the "MDL Proceedings"). The individual plaintiffs in the MDL Proceedings generally seek damages for alleged personal injuries, medical monitoring,



diminution in property value and injunctive relief to remediate alleged contamination of water supplies. The U.S. state, municipal and water utility plaintiffs in the MDL Proceedings generally seek damages and costs related to the remediation of public property and water supplies.

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires. The lawsuits identified above relate to Kidde Fire Fighting, Inc., which owned the National Foam business. Kidde Fire Fighting, Inc. was acquired by a UTC subsidiary in 2005 and merged into KFI in 2007. The National Foam business manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania (the "Pennsylvania Site"). In 2013, KFI divested the AFFF businesses to an unrelated third party. The Company acquired KFI as part of the Separation in April 2020.

The key components of AFFF that contribute to its fire-extinguishing capabilities are known as fluorosurfactants. Neither the Company nor KFI, nor any of the Company's subsidiaries involved in the AFFF litigation manufactured fluorosurfactants. Instead, the National Foam business purchased these substances from unrelated third parties to in turn manufacture AFFF. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as per- and polyfluoroalkyl substances (referred to collectively as "PFAS"), including perfluorooctanesulfonic acid ("PFOS") and perfluorooctanoic acid ("PFOA"). Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

Plaintiffs in the MDL Proceedings allege that PFOS and PFOA contamination has resulted from the use of AFFF manufactured using a process known as ECF, and that this process was used exclusively by 3M. They also allege that PFOA contamination has resulted from the use of AFFF manufactured using a different process, known as telomerization, and that this process was used exclusively by the other AFFF manufacturers (including the National Foam business). Compounds containing PFOS and PFOA (as well as many other PFAS) have also been used for decades by many third parties in a number of different industries to manufacture firefighters' protective outerwear, carpets, clothing, fabrics, cookware, food packaging, personal care products, cleaning products, paints, varnishes and other consumer and industrial products.

Plaintiffs in the MDL Proceedings have named multiple defendants, including suppliers of chemicals and raw materials used to manufacture fluorosurfactants, fluorosurfactant manufacturers and AFFF manufacturers. The defendants in the MDL Proceedings moved for summary judgment on the government contractor defense, which potentially applies to AFFF sold to or used by the U.S. government. After full briefing and oral argument, on September 16, 2022, the MDL court declined to enter summary judgment for the defendants. The defense, however, remains available at any trial to which it applies.

On September 23, 2022, after completion of discovery, the MDL court selected one water provider case, the *City of Stuart, FL v. 3M, et al.*, for a bellwether trial. That trial was scheduled to begin in early June 2023 but was postponed indefinitely. The MDL court has ordered that the bellwether process for personal injury cases to begin in 2023. However, the court has not yet outlined details on that process or its timing.

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply. The Company, KFI and other defendants are also party to one action in Arizona state court brought by a firefighter claiming that occupational exposure to AFFF has caused certain personal injuries.

The Company and KFI believe that they have meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate a range of possible loss at this time. There can be no assurance that any such future exposure will not be material in any period.

On May 14, 2023, KFI filed a voluntary petition with the United States Bankruptcy court for the District of Delaware seeking relief under Chapter 11 of the Bankruptcy Code after the Company determined that it would not provide financial support to KFI going forward, other than ensuring KFI has access to services necessary for the effective operation of its business. As a result, all litigation against KFI is automatically stayed. KFI filed an adversary complaint and motion in the Chapter 11 case seeking an order staying or enjoining all AFFF-related litigation against the Company, its other subsidiaries and RTX. That



motion was resolved through an agreement that effectively stays the AFFF litigation against these parties. KFI has also indicated to the bankruptcy court that it intends to pursue insurance coverage for AFFF-related liabilities and contractual indemnification for AFFF-related liabilities from the third party to which KFI sold National Foam. On November 21, 2023, the bankruptcy court ordered certain parties, including the Company, to participate in a mediation with respect to claims that might be asserted by and against it in the bankruptcy proceedings. The parties have engaged in several mediation sessions and anticipate further sessions in the future.

Deconsolidation Due to Bankruptcy

As of May 14, 2023, the Company no longer controlled KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from the Company's Consolidated Financial Statements. Upon deconsolidation, the Company determined the fair value of its retained interest in KFI to be zero and accounted for it prospectively using the cost method. As a result of these actions, the Company recognized a loss of \$297 million in its Consolidated Statements of Operations within *Other income/(expense), net*. In addition, the deconsolidation resulted in an investing cash outflow of \$134 million in the Company's Consolidated Statements of Cash Flows.

In connection with the bankruptcy filing, KFI entered into several agreements with subsidiaries of the Company to ensure they have access to services necessary for the effective operation of their business. All post-deconsolidation activity between the Company and KFI are reported as third-party transactions recorded within the Company's Consolidated Statements of Operations. Since the petition date, there were no material transactions between the Company and KFI.

Income Taxes

Under the Tax Matters Agreement relating to the Separation, the Company is responsible to UTC for its share of the Tax Cuts and Jobs Act transition tax associated with foreign undistributed earnings as of December 31, 2017. As a result, liabilities of \$132 million and \$243 million are included within the accompanying Consolidated Balance Sheet within *Accrued Liabilities* and *Other Long-Term Liabilities* as of December 31, 2023, respectively. This obligation is expected to be settled in annual installments ending in April 2026 with the next installment of \$89 million due in 2024. The Company believes that the likelihood of incurring losses materially in excess of this amount is remote.

Self-Insurance

The Company maintains self-insurance for a number of risks, including but not limited to, workers' compensation, general liability, automobile liability, property and employee-related healthcare benefits. It has obtained insurance coverage for amounts exceeding individual and aggregate loss limits. The Company accrues for known future claims and incurred but not reported losses.

The Company's self-insurance liabilities were as follows:

<i>(In millions)</i>	2023	2022
Self-insurance liabilities included in <i>Accrued liabilities</i>	\$ 160	\$ 139
Self-insurance liabilities included in <i>Other long-term liabilities</i>	55	53
Total self-insurance liabilities	\$ 215	\$ 192

The Company incurred expenses related to self-insured risks of \$180 million, \$155 million and \$155 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Other Matters

The Company has other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising in the ordinary course of business. The Company accrues for contingencies generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount.



In the ordinary course of business, the Company is also routinely a defendant in, party to or otherwise subject to many pending and threatened legal actions, claims, disputes and proceedings. These matters are often based on alleged violations of contract, product liability, warranty, regulatory, environmental, health and safety, employment, intellectual property, tax and other laws. In some of these proceedings, claims for substantial monetary damages are asserted against the Company and could result in fines, penalties, compensatory or treble damages or non-monetary relief. The Company does not believe that these matters will have a material adverse effect upon its competitive position, results of operations, cash flows or financial condition.

NOTE 24: SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information was as follows:

<i>(In millions)</i>	2023	2022	2021
Interest paid, net of amounts capitalized	\$ 320	\$ 297	\$ 317
Income taxes paid, net of refunds	\$ 942	\$ 833	\$ 675
Non-cash financing activity:			
Common stock dividends payable	\$ 161	\$ 158	\$ 130

NOTE 25: SUBSEQUENT EVENTS

On January 2, 2024, the Company entered into a 60-day senior unsecured bridge term loan agreement with JPMorgan Chase Bank, N.A., as administrative agent ("60-day Bridge Loan"). The facility consisted of a Euro-denominated tranche in an aggregate amount of €113 million and a USD-denominated tranche in an aggregate amount of \$349 million. Euro-denominated borrowings bear interest at the EURIBOR Rate plus a ratings-based margin, USD-denominated borrowings bear interest at either a Term SOFR Rate plus 0.10% and a ratings-based margin or, alternatively, at a base rate plus a ratings-based margin. The proceeds of the senior unsecured bridge term loan were used to fund a portion of the Euro-denominated purchase price of the VCS Business.

On January 2, 2024, the Company completed the previously announced acquisition of the VCS Business from Viessmann for total consideration of \$14.2 billion. The purchase price consisted of (i) US\$11.2 billion in cash and (ii) 58,608,959 shares of the Company's common stock, subject to long-term lock-up provisions and anti-dilution protection. The Company funded the cash portion of the base purchase price with a combination of cash on hand, net proceeds from the USD Notes and Euro Notes and borrowings under the Delayed Draw Facility and the 60-day Bridge Loan.

The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The Company believes that secular trends in these areas will drive significant, sustained future growth. In addition, the Company anticipates realizing significant operational synergies including purchase material savings through supplier rationalization and procurement leverage, improvement in manufacturing costs and lower general and administrative costs. Longer term, the Company expects to benefit from synergies related to service revenue expansion, leverage of distribution channels and vertical cross selling through certain vertical markets. The net sales of the VCS Business were €3.4 billion during the twelve months ended December 31, 2022.

The transaction will be accounted for as a business combination under ASC 805 and the results of operations from the date of acquisition will be reflected within the HVAC segment. The Company is in the process of completing its appraisals of tangible and intangible assets relating to this acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed will be completed once the appraisal process has been finalized. During the year ended December 31, 2023, the Company recognized acquisition-related costs of \$80 million, which are reflected within *Selling, general and administrative* in the Consolidated Statement of Operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.



ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures — Our management, with the participation of our CEO and Senior Vice President and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. Based on that evaluation, the Company's CEO and CFO have concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting — The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's management, with the participation of the Company's CEO and CFO, has evaluated the effectiveness of the Company's internal control over financial reporting based on the criteria described in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2023 as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting — There were no changes in our internal control over financial reporting during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and audit committee financial experts is incorporated herein by reference to the sections of our Proxy Statement for the 2024 Annual Meeting of Shareowners entitled "Proposal 1: Election of Directors" (under the subheadings "Criteria for Board Membership", "Nominees for the 2024 Annual Meeting" and "Corporate Governance").



Information about our Executive Officers

The following persons are executive officers of Carrier Global Corporation:

Name	Position	Age as of February 6, 2024
David Gitlin	Chairman and Chief Executive Officer	54
Ajay Agrawal	Senior Vice President, Global Services and Healthy Buildings	60
Kyle Crockett	Vice President, Controller	50
Patrick Goris	Senior Vice President and Chief Financial Officer	52
Kevin J. O'Connor	Senior Vice President, Chief Legal Officer	56
Jurgen Timperman	President, Fire & Security	51
Nadia Villeneuve	Senior Vice President, Chief Human Resources Officer	51
Timothy White	President, Refrigeration	50

David Gitlin. Mr. Gitlin was elected Chairman of the Board in April 2021 and was appointed President and Chief Executive Officer of Carrier in June 2019. Mr. Gitlin also held the position of President, HVAC from December 2019 to March 2020. He most recently served as President and Chief Operating Officer of Collins Aerospace Systems from 2018 to 2019 and President of UTC Aerospace Systems from 2015 to 2018. He has served as a member of the Board of Directors of The Boeing Company since 2022.

Ajay Agrawal. Mr. Agrawal was appointed Chief Strategy Officer and Senior Vice President, Global Services & Healthy Buildings in March 2021 and served as Senior Vice President, Strategy & Services for Carrier from October 2019 to March 2021. Previously he served as President, Aftermarket Services, and Vice President responsible for Rockwell Collins integration for Collins Aerospace, a UTC company, from August 2015 to September 2019.

Kyle Crockett. Mr. Crockett was appointed Vice President, Controller of Carrier in January 2020. He joined Carrier from General Motors where he held several positions, including Director, Global Business Solutions – Finance from 2017 to 2020.

Patrick Goris. Mr. Goris was appointed Senior Vice President and Chief Financial Officer of Carrier in November 2020. Prior to joining Carrier, Mr. Goris served as Senior Vice President and Chief Financial Officer of Rockwell Automation, Inc., from 2017 to 2020.

Kevin J. O'Connor. Mr. O'Connor was appointed Senior Vice President, Chief Legal Officer in 2020. He joined Carrier from Point72 Asset Management where he served as Chief Legal Officer from 2015 through 2019.

Jurgen Timperman. Mr. Timperman was appointed President, Fire & Security of Carrier in February 2019. Prior to that, he served as President, Global Fire & Security Products from 2017 to 2019 and President, Global Security Products from 2015 to 2017.

Nadia Villeneuve. Ms. Villeneuve was appointed Senior Vice President, Chief Human Resources Officer of Carrier in 2015. Prior to that, she served as Vice President and Chief Human Resources Officer for the Pratt & Whitney division of UTC from 2012 to 2015.

Timothy White. Mr. White was appointed President, Refrigeration of Carrier in August 2021. Prior to joining Carrier, Mr. White served as CEO, Onshore Wind Americas for General Electric from 2020 to 2021. He was previously with UTC, renamed Raytheon Technologies Corporation, for 24 years where he held a number of senior leadership roles, including President, Power & Controls and President, Electric Systems, for Raytheon's Collins Aerospace division.

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2024 Annual Meeting of Shareowners entitled "Other Important Information" under the heading "Delinquent Section 16(a) Reports." We have adopted a code of ethics that applies to all of our directors, officers, employees and representatives. This code is publicly available on our website at <https://www.corporate.carrier.com/corporate-responsibility/governance>. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors



Audit Committee, Compensation Committee, and Governance Committee are available on our website at <https://www.corporate.carrier.com>. These materials may also be requested in print free of charge by writing to our Investor Relations Department at Carrier Global Corporation, 13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2024 Annual Meeting of Shareowners entitled "Proposal 2: Advisory Vote to Approve Named Executive Officer Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREOWNER MATTERS

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the section of our Proxy Statement for the 2024 Annual Meeting of Shareowners titled "Share Ownership."

Equity Compensation Plan Information

The following table provides information as of December 31, 2023 concerning Common Stock issuable under Carrier's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareowners	16,403,000 ⁽¹⁾	\$ 28.34	19,600,000 ⁽²⁾

⁽¹⁾ Consists of the following issuable shares of Common Stock awarded under the Carrier Global Corporation 2020 Long-Term Incentive Plan (the "2020 LTIP"): (i) shares of Common Stock issuable upon the exercise of outstanding non-qualified stock options; (ii) shares of Common Stock issuable upon the exercise of outstanding Stock Appreciation Rights (SARs); (iii) shares of Common Stock issuable pursuant to outstanding restricted stock unit and performance share unit awards, assuming performance at the target level (up to an additional 3,138,000 shares of Common Stock could be issued if performance goals are achieved above target); and (iv) shares of Common Stock issuable upon the settlement of outstanding deferred stock units awarded under the 2020 LTIP. Under the 2020 LTIP, each SAR referred to in clause (ii) is exercisable for a number of shares of Common Stock having a value equal to the increase in the market price of a share of such stock from the date the SAR was granted. For purposes of determining the total number of shares to be issued in respect of outstanding SARs as reflected in column (a) above, we have used the NYSE closing price for a share of Common Stock on December 29, 2023 of \$57.45. The weighted-average exercise price of outstanding options, warrants and rights shown in column (b) takes into account only the shares identified in clauses (i) and (ii).

⁽²⁾ Represents the maximum number of shares of Common Stock available to be awarded under the 2020 LTIP as of December 31, 2023. Performance share units and restricted stock units (Full Share Awards) will result in a reduction in the number of shares of Common Stock available for delivery under the 2020 LTIP in an amount equal to 2 times the number of shares to which the award corresponds. Stock options and stock appreciation rights do not constitute Full Share Awards and will result in a reduction in the number of shares of Common Stock available for delivery under the 2020 LTIP on a one-for-one basis.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2024 Annual Meeting of Shareowners entitled "Nominees for the 2024 Annual Meeting" (under the subheading "Director Independence") and "Other Important Information" (under the subheading "Transactions with Related Persons").

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the sections of our Proxy Statement for the 2024 Annual Meeting of Shareowners entitled "Proposal 3: Ratify Appointment of Independent Auditor for 2024," including the information provided in that section with regard to "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees."

PART IV



ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements, Financial Statement Schedules and Exhibits

1. Financial Statements

See [Index](#) appearing on [page 1](#).

2. Financial Statement Schedules

Schedules not filed herewith called for under Regulation S-X are omitted because of the absence of conditions under which they are required, they are included in the Consolidated Financial Statements, Notes to the Consolidated Financial Statements, elsewhere in this Annual Report on Form 10-K or are not material.

3. Exhibits

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report.

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 2.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
2.2	Stock Purchase Agreement, dated as of July 26, 2021, among Carrier Global Corporation, Carrier Investments UK Limited, Chubb Limited and API Group Corporation (incorporated by reference to Exhibit 2.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on July 30, 2021, File No. 001-39220)
3.1	Amended and Restated Certificate of Incorporation of Carrier Global Corporation (incorporated by reference to Exhibit 3.1(b) of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
3.2	Amended and Restated Bylaws of Carrier Global Corporation (incorporated by reference to Exhibit 3.2 of Carrier Global Corporation's Annual Report filed with the SEC on February 8, 2022, File No. 001-39220)
4.1	Indenture, dated February 27, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220)
4.2	Supplemental Indenture No. 1, dated February 27, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.2 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220)
4.3	Registration Rights Agreement, dated February 27, 2020, by and among Carrier Global Corporation, United Technologies Corporation and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (incorporated by reference to Exhibit 4.3 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220)
4.4	Supplemental Indenture No. 2, dated June 19, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.2 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on June 19, 2020, File No. 001-39220)
4.5	Registration Rights Agreement, dated June 19, 2020, by and among Carrier Global Corporation, J.P. Morgan Securities LLC, BofA Securities, Inc. and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 4.4 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on June 19, 2020, File No. 001-39220)
4.6	Description of Securities (incorporated by reference to Exhibit 4.6 of Carrier Global Corporation's Annual Report on Form 10-K filed on Form 10-K filed with the SEC on February 8, 2022, File No. 001-39220)
4.7	Indenture, dated November 29, 2023, between Carrier Global Corporation and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on November 30, 2023, File No. 001-39220)
4.8	Supplemental Indenture No. 1, dated November 29, 2023, between Carrier Global Corporation and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.2 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on November 30, 2023, File No. 001-39220)

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- 4.9 Supplemental Indenture No. 2, dated November 30, 2023, between Carrier Global Corporation and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 4.3 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on November 30, 2023, File No. 001-39220)
- 4.10 Registration Rights Agreement, dated November 29, 2023, by and among Carrier Global Corporation, J.P. Morgan Securities plc, Merrill Lynch International, Citigroup Global Markets Limited, HSBC Bank plc, Barclays Bank PLC, Goldman Sachs & Co. LLC, Morgan Stanley & Co. International plc, BNP Paribas, Deutsche Bank AG, London Branch, Intesa Sanpaolo S.p.A., Mizuho International plc, MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited, UniCredit Bank AG, Wells Fargo Securities International Limited, Bank of Montreal, London Branch, Commerzbank Aktiengesellschaft, ICBC Standard Bank Plc, Loop Capital Markets LLC, Société Générale, and Siebert Williams Shank & Co., LLC. (incorporated by reference to Exhibit 4.4 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on November 30, 2023, File No. 001-39220)
- 4.11 Registration Rights Agreement, dated November 30, 2023, by and among Carrier Global Corporation, J.P. Morgan Securities LLC, BofA Securities, Inc., Citigroup Global Markets Inc. and HSBC Securities (USA) Inc. (incorporated by reference to Exhibit 4.5 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on November 30, 2023, File No. 001-39220)
- 10.1 Amendment No. 2 dated as of November 15, 2021 to the Revolving Credit Agreement, dated as of February 10, 2020, among Carrier Global Corporation, the subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 8, 2022, File No. 001-39220)
- 10.2 Transition Services Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
- 10.3 Tax Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 10.2 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
- 10.4 Employee Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 10.3 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
- 10.5 Intellectual Property Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 10.4 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
- 10.6 Carrier Global Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.7 Carrier Global Corporation Change in Control Severance Plan (Amended and Restated effective as of April 13, 2022) (incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022, File No. 001-39220)+
- 10.8 Carrier Global Corporation Executive Annual Bonus Plan (incorporated by reference to Exhibit 10.7 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.9 Carrier Global Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.10 Carrier Global Corporation Company Automatic Contribution Excess Plan (incorporated by reference to Exhibit 10.9 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.11 Carrier Global Corporation LTIP Performance Share Unit Deferral Plan*+
- 10.12 Carrier Global Corporation Pension Preservation Plan (incorporated by reference to Exhibit 10.11 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.13 French Sub-Plan for Restricted Stock Granted Under the Carrier Global Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.14 Carrier Global Corporation Amended and Restated Savings Restoration Plan (incorporated by reference to Exhibit 10.14 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)+
- 10.15 Schedule of Terms for Carrier Founders Grant Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 of Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2020, File No. 001-39220)+



- 10.16 [Schedule of Terms for Stock Appreciation Right Awards \(Founders Grant\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.18 of Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2020, File No. 001-39220\)+](#)
- 10.17 [Schedule of Terms for Restricted Stock Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.8 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.18 [Schedule of Terms for Stock Appreciation Right Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.10 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.19 [Schedule of Terms for Restricted Stock Unit Awards \(Off-Cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.9 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.20 [Schedule of Terms for Stock Appreciation Right Awards \(Off-Cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.11 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.21 [Schedule of Terms for Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.12 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.22 [Schedule of Terms for Non-Qualified Stock Option Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.13 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.23 [Offer Letter with Patrick Goris, dated October 13, 2020 \(incorporated by reference to Exhibit 10.27 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.24 [Carrier Global Corporation Board of Directors Deferred Stock Unit Plan \(amended and restated effective October 15, 2020\) \(incorporated by reference to Exhibit 10.28 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.25 [Carrier Summary of Compensation and Benefits for Directors \(2024-2025 Board Cycle\)*+](#)
- 10.26 [Form of Award Agreement for Carrier Founders Performance Share Unit and Stock Appreciation Right Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.30 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.27 [Share Purchase Agreement, dated December 7, 2020, between Carrier Refrigeration ECR Holding Luxembourg S.à.r.l., and Breeze TopCo S.à.r.l. \(incorporated by reference to Exhibit 10.31 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)](#)
- 10.28 [Carrier Global Corporation Senior Executive Severance Plan, effective April 19, 2021 \(incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 22, 2021, File No. 001-39220\)+](#)
- 10.29 [Schedule of Terms for 2021 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.30 [Form of Award Agreement for 2021 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.31 [Letter Agreement, dated April 19, 2021, by and between Carrier Corporation and John V. Faraci \(incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.32 [Schedule of Terms for Performance Share Unit Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(rev. February 1, 2022\) \(incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.33 [Schedule of Terms for Restricted Stock Unit Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.34 [Schedule of Terms for Stock Appreciation Right Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.35 [Schedule of Terms for Restricted Stock Unit Awards \(off-cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.4 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)



- 10.36 Schedule of Terms for Stock Appreciation Right Awards (off-cycle) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan (February 1, 2022) (incorporated by reference to Exhibit 10.5 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220)+
- 10.37 Form of Award Agreement for 2022 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220)+
- 10.38 Letter Agreement, dated July 12, 2021, by and between Carrier Corporation and Timothy N. White (incorporated by reference to Exhibit 10.7 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220)+
- 10.39 Amendment Number One to the Carrier Global Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022, File No. 001-39220)+
- 10.40 Revolving Credit Agreement, dated as of May 19, 2023, among Carrier Global Corporation, Carrier Intercompany Lending Designated Activity Company, the Subsidiary Borrowers party hereto, the Lenders party hereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on May 25, 2023, File No. 001-39220)
- 10.41 364-Day Revolving Credit Agreement, dated as of May 19, 2023, among Carrier Global Corporation, Carrier Intercompany Lending Designated Activity Company the Subsidiary Borrowers party hereto, the Lenders party hereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on May 25, 2023, File No. 001-39220)
- 10.42 Term Loan Credit Agreement, dated as of May 19, 2023, among Carrier Global Corporation, the Subsidiary Borrowers party hereto, the Lenders party hereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on May 25, 2023, File No. 001-39220)
- 10.43 License Agreement dated as of January 2, 2024, by and among Viessmann Group GmbH & Co. KG, Viessmann Climate Solutions SE and Carrier Global Corporation (incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on January 2, 2024, File No. 001-39220)
- 10.44 Investor Rights Agreement dated as of January 2, 2024, by and between Carrier Global Corporation and Viessmann Group GmbH & Co. KG, (incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on January 2, 2024, File No. 001-39220)
- 10.45 Bridge Loan Agreement dated as of January 2, 2024, by and among Carrier Global Corporation, JPMorgan Chase Bank, N.A., BofA Securities, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on January 2, 2024, File No. 001-39220)
- 14 Code of Ethics. The Carrier Global Corporation Code of Ethics may be accessed via Carrier Global Corporation's website at <https://www.corporate.carrier.com/corporate-responsibility/governance/ethics-compliance/>
- 21 Subsidiaries of the Registrant*
- 23 Consent of PricewaterhouseCoopers LLP*
- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 31.3 Rule 13a-14(a)/15d-14(a) Certification*
- 32 Section 1350 Certifications†
- 97 Carrier Global Corporation Clawback Policy
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
(File name: carr-20211231.xml)
- 101.SCH XBRL Taxonomy Extension Schema Document.*
(File name: carr-20211231.xsd)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.*
(File name: carr-20211231_cal.xml)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.*
(File name: carr-20211231_def.xml)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.*
(File name: carr-20211231_lab.xml)



- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.*
(File name: carr-20211231_pre.xml)
- 104 The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2023, formatted in Inline XBRL and contained in Exhibit 101.

Notes to Exhibits List:

- * Filed herewith.
- ‡ Furnished herewith.
- + Exhibit is a management contract or compensatory plan or arrangement.

Attached as Exhibit 101 to this report are the following formatted in extensible Business Reporting Language ("XBRL"): (i) Consolidated Statement of Operations for the years ended December 31, 2023, 2022 and 2021, (ii) Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2023, 2022 and 2021, (iii) Consolidated Balance Sheet as of December 31, 2023 and 2022, (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2023, 2022 and 2021, (v) Consolidated Statement of Changes in Equity for the years ended December 31, 2023, 2022 and 2021 and (vi) Notes to the Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

Not applicable.



Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/David Gitlin</u> David Gitlin	Director, Chairman and Chief Executive Officer (Principal Executive Officer)	February 6, 2024
<u>/s/Patrick Goris</u> Patrick Goris	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 6, 2024
<u>/s/Kyle Crockett</u> Kyle Crockett	Vice President, Controller (Principal Accounting Officer)	February 6, 2024
<u>/s/Jean-Pierre Garnier</u> Jean-Pierre Garnier	Director	February 6, 2024
<u>/s/John J. Greisch</u> John J. Greisch	Director	February 6, 2024
<u>/s/Charles M. Holley, Jr.</u> Charles M. Holley, Jr.	Director	February 6, 2024
<u>/s/Michael M. McNamara</u> Michael M. McNamara	Director	February 6, 2024
<u>/s/Susan N. Story</u> Susan N. Story	Director	February 6, 2024
<u>/s/Michael A. Todman</u> Michael A. Todman	Director	February 6, 2024
<u>/s/Maximilian Viessmann</u> Maximilian Viessmann	Director	February 6, 2024
<u>/s/Virginia M. Wilson</u> Virginia M. Wilson	Director	February 6, 2024
<u>/s/Beth A. Wozniak</u> Beth A. Wozniak	Director	February 6, 2024



CARRIER GLOBAL CORPORATION
LTIP PERFORMANCE SHARE UNIT DEFERRAL PLAN
(Effective October 13, 2022)

ARTICLE I – PREAMBLE

Section 1.1 – Purpose of the Plan

The Carrier Global Corporation LTIP Performance Share Unit Deferral Plan was established effective January 1, 2020 (the “Effective Date”) to provide eligible Participants with the opportunity to defer receipt of shares of Common Stock in respect of Performance Share Units (“PSUs”) awarded by United Technologies Corporation (“UTC”) prior to the Spin-off or by the Corporation on or following the Spin-off, and amended and restated effective October 13, 2022 (the “Plan”) to provide that PSUs awarded by the Corporation on or after January 1, 2021 will not be eligible for deferral under the Plan.

Section 1.2 – Spin-off from UTC

On November 26, 2018, UTC announced its intention to separate into three independent companies, UTC, the Corporation and Otis Worldwide Corporation (“Otis”), through spin-off transactions expected to be completed by mid-year 2020. The transaction by which the Corporation ceases to be a subsidiary of UTC is referred to herein as the “Spin-off.” In connection with the Spin-off, and pursuant to the terms of the Employee Matters Agreement to be entered into by and among the Corporation, UTC, and Otis (the “Employee Matters Agreement”), the Corporation and this Plan shall assume all obligations and liabilities of UTC and its subsidiaries under the UTC LTIP PSU Deferral Plan with respect to “Carrier Group Employees” and “Former Carrier Group Employees” (as such terms are defined in the Employee Matters Agreement, and collectively referred to as “Carrier Employees”). Any benefits due under the UTC LTIP PSU Deferral Plan with respect to Carrier Employees or Beneficiaries of Carrier Employees will now be the responsibility of the Corporation and this Plan, and any such benefits accrued but not yet paid under the UTC LTIP PSU Deferral Plan immediately prior to the Effective Date, will be administered and paid under the terms of this Plan. All investment and distribution elections and designations of Beneficiary made under the UTC LTIP PSU Deferral Plan by a Carrier Employee or Beneficiary of a Carrier Employee and in effect immediately prior to the Effective Date will continue to apply and shall be administered under

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this Plan, until such election or designation expires or is otherwise changed or revoked in accordance with the terms of this Plan. All valid domestic relations orders filed with the UTC LTIP PSU Deferral Plan as of immediately prior to the Effective Date with respect to the benefit of a Carrier Employee shall continue to apply under this Plan to the extent provided under Section 8.2.

ARTICLE II – DEFINITIONS

For purposes of this Plan, the following terms are defined as set forth below:

(a) *Beneficiary* means the person, persons, entity, or entities designated on an electronic or written form by the Participant to receive the value of his or her Plan Account in the event of the Participant's death in accordance with the terms of this Plan. If the Participant fails to designate a Beneficiary, or the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the Participant's estate.

(b) *Carrier Company* means, (i) prior to the Spin-off, any entity within the Carrier business unit of UTC controlled by or under common control with UTC within the meaning of Section 414(b) or (c) of the Code and (ii) from and after the Spin-off, the Corporation and any entity controlled by or under common control with the Corporation within the meaning of Section 414(b) or (c) of the Code (but under both clauses (i) and (ii) substituting "at least 20 percent" for "at least 80 percent" as the control threshold used in applying Sections 414(b) and (c)).

(c) *Carrier LTIP PSU Deferral Plan* means the Carrier Global Corporation LTIP Performance Share Unit Deferral Plan.

(d) *Code* means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto. Reference to any section of the Internal Revenue Code shall include any final regulations or other applicable guidance. References to "Section 409A" shall include any final regulations or other applicable guidance issued thereunder by the Internal Revenue Service from time to time in effect.

(e) *Committee* means the Carrier Employee Benefit Committee, which is responsible for the administration of this Plan. The Committee may delegate administrative responsibilities to such individuals and entities as it shall determine.

(f) *Common Stock* means the common stock of United Technologies Corporation until the Spin-off and means the common stock of the Corporation from and after such date.



- (g) *Corporation* means Carrier Global Corporation, or any successor thereto.
- (h) *DCP* means the United Technologies Deferred Compensation Plan prior to the Spin-off date and means the Corporation's Deferred Compensation Plan from and after the Spin-off date.
- (i) *Default Deferral Period* means the minimum Deferral Period of five (5) years following the date on which the Performance Cycle Account is established.
- (j) *Default Distribution* means payment in a lump sum distribution.
- (k) *Deferral Period* means the period designated (or deemed to be designated) by the Participant in accordance with this Plan that ends on the Participant's Retirement Date or on a Specific Deferral Date.
- (l) *Deferred Share Units* means PSUs that have been deferred pursuant to the terms of this Plan (or pursuant to the UTC LTIP PSU Deferral Plan for periods prior to the Spin-off), and dividend equivalents that are credited and invested pursuant to Section 7.1.
- (m) *Disability* means permanent and total disability as determined under the Corporation's long-term disability plan applicable to the Participant, or if there is no such plan applicable to the Participant, "Disability" means a determination of total disability by the Social Security Administration; provided that, in either case, the Participant's condition also qualifies as a "disability" for purposes of Section 409A(a)(2)(C).
- (n) *Election Form* means the enrollment form provided by the Committee to Participants electronically or in paper form for the purpose of deferring PSUs under this Plan. Each Participant's Election Form must contain such information as the Committee may require, including: the percentage of the award to be deferred with respect to the applicable Performance Cycle, the form of distribution elected, and the distribution start date (see also Default Deferral Period and Default Distribution). There will be a separate Election Form for each Performance Cycle.
- (o) *Employee* means an employee of the Corporation and its subsidiaries. For the period January 1, 2020 until the Spin-off date, Employee shall exclude any employee of UTC and its subsidiaries and affiliates that is not deemed to be within the Carrier business unit of UTC.
- (p) *ERISA* means the Employee Retirement Income Security Act of 1974, as amended.



(q) *Investment Fund* means a hypothetical fund that tracks the value of an investment option offered under the Qualified Savings Plan or the DCP, as determined by the Committee. Investment Funds offered under the LTIP PSU Deferral Plan may be changed from time to time by the Committee and shall be valued in the manner set forth in Section 5.1. The value of Participants' Plan Accounts invested in Investment Funds shall be adjusted to replicate the performance of the applicable Investment Funds. Amounts credited to any Investment Fund do not result in the investment in actual assets corresponding to the Investment Fund.

(r) *Participant* means an Employee of a Carrier Company who (i) is determined by the Committee to be within a select group of management or highly compensated employees, (ii) is paid from a U.S. payroll, (iii) files a U.S. income tax return, (iv) has been awarded PSUs, (v) elects to defer a portion of such PSUs pursuant to the terms of this Plan, and (vi) is not an active participant in the UTC LTIP PSU Deferral Plan or the Carrier LTIP PSU Deferral Plan. A Participant who has previously contributed to this Plan, but who ceases to be eligible under the preceding sentence, shall not be eligible to further defer PSUs under Article IV, but shall remain a Participant under this Plan with respect to his or her Plan Account until final distribution in accordance with the terms of this Plan.

(s) *Performance Cycle* means the three (3)-year performance measurement period during which the pre-established performance targets are measured for each PSU Award.

(t) *Performance Cycle Account* means the account established for each Participant for each Performance Cycle for which PSUs have been deferred under this Plan. The Performance Cycle Account shall be established shortly after the end of the final year of the three (3)-year performance measurement period (i.e., when the Corporation's Compensation Committee determines the extent to which the performance goals were obtained).

(u) *Plan* means the Carrier Global Corporation LTIP Performance Share Unit Deferral Plan, as amended from time to time.

(v) *Plan Account* means the aggregate value of all Performance Cycle Accounts.

(w) *PSUs* means restricted stock units granted pursuant to a long-term incentive plan of the Corporation (or for periods prior to the Spin-off, pursuant to a UTC long-term incentive plan), the vesting of which are conditioned upon the attainment of performance goals and continued service; *provided* that PSUs awarded by the Corporation on or after January 1, 2021 are not eligible for deferral under the Plan.



(x) *Qualified Savings Plan* means the United Technologies Corporation Employee Savings Plan until the Spin-off date and means the Carrier Retirement Savings Plan from and after the Spin-off date.

(y) *Retirement* means a Separation from Service on or after attainment of age fifty (50).

(z) *Retirement Date* means the date of a Participant's Retirement.

(aa) *Separation from Service* means a Participant's termination of employment with all Carrier Companies, other than by reason of death. A Separation from Service will be deemed to occur where the Participant and the Carrier Company that employs the Participant reasonably anticipate that the bona fide level of services the Participant will perform (whether as an employee or as an independent contractor) for the Carrier Companies will be permanently reduced to a level that is less than thirty-seven and a half percent (37.5%) of the average level of bona fide services the Participant performed during the immediately preceding thirty-six (36) months (or the entire period the Participant has provided services if the Participant has been providing services to the Carrier Companies for less than thirty-six (36) months). A Participant shall not be considered to have had a Separation from Service as a result of a transfer from one Carrier Company to another Carrier Company. For the avoidance of doubt, a transfer of employment from an entity that constitutes a Carrier Company prior to the Spin-off to an entity that constitutes a Carrier Company following the Spin-off shall not constitute a Separation from Service under this Plan or with respect to benefits transferred to this Plan if such transfer is made in connection with the Spin-off, but a transfer from a Carrier Company to UTC or Otis (or one of their affiliates) after the Spin-off (and that otherwise satisfies the definition of a Separation from Service) shall constitute a Separation from Service.

(bb) *Share* means a share of UTC Common Stock until the Spin-off, and means a share of the Corporation's common stock from and after such date.

(cc) *Specific Deferral Date* means a specified date, not less than five (5) years following the date on which the Performance Cycle Account is established.

(dd) *Specified Employee* means for the period (1) until the Corporation's first specified employee effective date following the Spin-off, those officers and executives of the Corporation and its affiliates who were identified as a specified employee of UTC on the "specified employee identification date" preceding such specified employee effective date (as such terms are defined



by Treas. Regs. Sec. 1.409A-1(i)(3) and (4)); and (2) from and after the Corporation's first specified employee effective date following the Spin-off, each of the fifty (50) highest-paid officers and other executives of the Corporation and its affiliates (determined for this purpose under Treas. Regs. Sec. 1.409A-1(g)), effective annually as of April 1st, based on compensation reported on Box 1 of Form W-2, but including amounts that are excluded from taxable income as a result of elective deferrals to qualified plans and pre-tax contributions. Foreign compensation earned by a nonresident alien that is not effectively connected with the conduct of a trade or business in the United States will not be used to determine Specified Employees following the Spin-off.

(ee) *UTC LTIP PSU Deferral Plan* means the United Technologies Corporation LTIP Performance Share Unit Deferral Plan.

(ff) *Valuation Date* means the date on which Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution. If the New York Stock Exchange is closed on a Valuation Date, the Valuation Date will be the next business day.

For PSUs granted on or after January 1, 2008 the following rules apply for purposes of determining the Valuation Date:

(gg) *Separation from Service prior to age 50*. If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date for the lump sum distribution will be the July 31st next following the Separation from Service date.

(hh) *Retirement*. If the distribution is made because of the Participant's Retirement and the distribution is (1) a lump sum, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the vesting date for the PSUs) or (2) in installments, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the vesting date for the PSUs) and each subsequent July 31st thereafter for the remaining installments.

(ii) *Specific Deferral Date*. If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

(jj) *Death*. If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.



For PSUs granted prior to January 1, 2008, the following rules apply for purposes of determining the Valuation

Date:

(kk) *Separation from Service prior to age 50.* If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date will be determined by reference to the date upon which the Participant's Separation from Service occurs. For Separations of Service that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year.

(ll) *Retirement.* If the distribution is made because of the Participant's Retirement and the distribution is a lump sum, the Valuation Date will be determined by reference to the date upon which the Participant's Retirement Date occurs (or, if later, the vesting date for the PSUs). For Retirement Dates that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year. If the distribution is made because of the Participant's Retirement and the distribution is in the form of installments, the Valuation Date will be the July 31st next following the Retirement Date (or if later the vesting date of the PSUs) and each subsequent July 31st thereafter for the remaining installments.

(mm) *Specific Deferral Date.* If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

(nn) *Death.* If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.



ARTICLE III – ELIGIBILITY AND PARTICIPATION

Section 3.1 – Eligibility

Each Employee of a Carrier Company, who is classified as an eligible Participant at the time of the deferral election, will be eligible to participate in this Plan in respect of that Performance Cycle in accordance with the terms of this Plan.

Section 3.2 – Participation

Each eligible Participant may elect to participate in this Plan with respect to any Performance Cycle for which he/she receives an award of PSUs, and for which the opportunity to defer PSUs is offered, by timely filing an Election Form, properly completed in accordance with Section 4.1.

ARTICLE IV – PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1 – Election

An eligible Participant, who has been awarded PSUs, may, on or before the election deadline established by the Committee, file an Election Form to defer the Participant's PSUs, subject to their future vesting. Notwithstanding anything to the contrary herein or in any other agreement, PSUs granted on or after January 1, 2021 are not eligible for deferral under the Plan.

Section 4.2 – Election Amount

An eligible Participant must designate in the Election Form the percentage of vested PSUs (rounded down to the nearest whole share) that will be deferred under this Plan for the Performance Cycle. The minimum percentage of vested PSUs that a Participant may defer under this Plan for any Performance Cycle is ten percent (10%) and the maximum is one hundred percent (100%).

Section 4.3 – One-Time Diversification Election and Investment Fund Allocation

(a) *One-Time Diversification Election.* Each Participant will be allowed a one-time opportunity during a specified two (2)-week period in February 2020 to elect to diversify his or her then-existing Performance Cycle Accounts out of Deferred Share Units, and into available Investment Funds. A separate diversification election may be made for each Performance Cycle Account; and once made, will apply to the entire Performance Cycle Account. Performance Cycle Accounts that are diversified will be valued as of the date on which the diversification election is made (or on the next business day if the election occurs after trading hours). If no



election is made by a Participant, his or her Performance Cycle Accounts will remain invested in Deferred Share Units.

(b) *Investment Fund Allocation.* Performance Cycle Accounts that are diversified as part of the one-time election under paragraph (a) of this Section 4.3 can never be reinvested in Deferred Share Units; however, Participants may change the asset allocation of the diversified Performance Cycle Accounts between other Investment Funds, as permitted by the Committee.

Section 4.4 – Election Date

To defer PSUs under this Plan, an Election Form must be completed and submitted to the Committee no later than the election deadline for that Performance Cycle. If the PSUs qualify as “performance-based compensation” for purposes of Section 409A, the election deadline shall be no later than December 31st of the second (2nd) year of the Performance Cycle; *provided* that the compensation provided under the PSUs has not become reasonably ascertainable by the election deadline, and provided further that the Participant has performed services continuously from the beginning of the Performance Cycle (or, if later, the date when the performance criteria were established if the award is made after the beginning of the Performance Cycle) until the election deadline. The Committee may specify an election deadline for any Performance Cycle that is earlier than the latest permissible deadline described in this paragraph, or may specify before the election deadline that particular PSUs are not eligible for deferral. Except as provided below in Section 4.7 (Change in Distribution Election) and Section 5.8 (Accelerated Distribution in the Case of an Unforeseeable Emergency), the choices reflected in the Participant’s Election Form shall become irrevocable on the election deadline. If an eligible Participant fails to submit a properly completed Election Form by the election deadline, he or she will be ineligible to participate in this Plan for the applicable Performance Cycle.

Section 4.5 – Deferral Period

Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred. Failure to specify a Deferral Period shall result in a deferral for the Default Deferral Period. A Participant may elect a Deferral Period that ends either (1) on a Specific Deferral Date that is at least five (5) years following the date on which the Performance Cycle Account is established, or (2) on the Participant’s Retirement Date.



Section 4.6 – Distribution Election

At the time the Participant first elects to defer his or her vested PSUs under Section 4.1, the Participant must further make an election to have the Performance Cycle Account distributed in a lump sum or in two (2) to fifteen (15) annual installments. If no distribution election is made, the Participant's Performance Cycle Account will be distributed in a lump sum. If a Participant elects to receive the Performance Cycle Account in installments, the amount of each installment shall be determined by dividing the total Performance Cycle Account Balance on each Valuation Date by the number of installments remaining, rounded down to the nearest whole share. For any amounts not denominated in Deferred Share Units, installment payments will be determined by valuing such amount on the payment and multiplying such amount by a fraction, the numerator of which is one (1) and the denominator of which is the number of scheduled installments that remain unpaid.

Section 4.7 – Change in Distribution Election

A Participant may make an irrevocable election to extend the Deferral Period and/or change the form of distribution for a Performance Cycle Account. A Participant may change his or her election, as provided in this Section 4.7, for some accounts and not for others. For each Performance Cycle Account, the extended Deferral Period shall not be less than five (5) years following the date on which distribution would otherwise have occurred. A deferral extension election and/or change to the form of distribution must meet all of the following requirements:

- (a) The new election must be made at least twelve (12) months prior to the earlier of the date on which payments will commence under the current election and/or the date of the Participant's Separation from Service following the attainment of age fifty (50) (and the new election shall be ineffective if the Participant incurs a Separation from Service within twelve (12) months after the date of the new election);
- (b) The new election will not take effect until at least twelve (12) months after the date when the new election is submitted in a manner acceptable to the Committee; and
- (c) The new payment commencement date must be at least five (5) years later than the date on which payments would commence under the current election.

A Participant may change his or her election up to a maximum of three (3) times for each Performance Cycle Account.



Section 4.8 – Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and any change will be effective on the date received by the Committee. Designations received after the Participant's death will not be effective. If a Beneficiary designation is not filed with the Committee before the Participant's death, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the Participant's estate. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of this Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.8. In the event of the death of a Participant, distributions shall be made in accordance with Section 5.5.

ARTICLE V – VALUATION & DISTRIBUTION OF ACCOUNTS

Section 5.1 – Valuation of Performance Cycle Accounts

Upon the Spin-off, UTC Deferred Share Units will be converted into Carrier Deferred Share Units, including fractional Carrier Deferred Share Units, in accordance with the Employee Matters Agreement. Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution on the applicable Valuation Date. Except in the case of distributions made after Deferred Share Units have been converted to cash as a result of (a) the elective diversification of a Performance Cycle Account pursuant to Section 4.3, or (b) a Change of Control (as defined in Section 5.7 below), one (1) share of Common Stock will be distributed for each Deferred Share Unit. If the distribution includes a fractional unit, the number of units will be rounded down to the next whole unit for purposes of calculating the number of shares of Common Stock to be exchanged in the distribution, and the value of the fractional unit will be paid in cash. The Deferred Share Unit shall be valued based on the closing price of Common Stock as reported on the composite tape of the New York Stock Exchange on the Valuation Date. For Performance Cycle Accounts invested in an Investment Fund, the value of the units of an



Investment Fund will fluctuate on each business day based on the performance of the applicable Investment Fund.

Section 5.2 – Timing of Plan Distributions

Except as provided in Section 4.7 (Change in Distribution Election), Section 5.3 (Separation from Service before Attaining Age 50), Section 5.4 (Separation from Service of Specified Employees), and Section 5.5 (Distribution in the Event of Death) the value of a Participant's Performance Cycle Account will be distributed (or begin to be distributed) according to the distribution election on file to the Participant within thirty (30) calendar days following the Valuation Date associated with (a) the Participant's Retirement (if the Participant's Deferral Period ends on the Retirement Date) or (b) the Specific Deferral Period (if the Participant's Deferral Period ends on a Specific Deferral Date).

Section 5.3 – Separation from Service before Attaining Age 50

If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's entire Plan Account will be distributed in a lump sum, within thirty (30) calendar days following the Valuation Date (subject to Section 5.4 below), regardless of the distribution election on file.

Section 5.4 – Separation from Service of Specified Employees

If the Participant is a Specified Employee on the date of the Participant's Separation from Service, any distribution of the Participant's Plan Account that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first (1st) day of the seventh (7th) month following the date of Separation from Service. The Plan Account shall be valued as if the Valuation Date were the last business day of the month preceding the distribution date. In the case of a distribution in installments, the date of any subsequent installments shall not be affected by the delay of any installment hereunder.

Section 5.5 – Distribution in the Event of Death

In the event of the death of a Participant before the Participant's Plan Account has been fully distributed, the full remaining value of the Participant's Plan Account will be distributed to the designated Beneficiary or the Participant's estate in a lump sum no later than December 31st of the year immediately following the year in which the death occurred.



Section 5.6 – Disability

In the event of the Disability of a Participant, the Participant's Performance Cycle Accounts that are designated to be deferred to a Specific Deferral Date will be maintained and distributed in accordance with the Participant's elections on file. The Participant's Performance Cycle Accounts that are designated to be deferred to the Participant's Retirement Date will be distributed as if such Participant had retired on the date of the Participant's Disability, but without applying the six (6)-month delay in Section 5.4, above.

Section 5.7 – Distribution upon a Change in Control

In the event of a Change in Control of the Corporation, the Participant's entire Plan Account will be converted to cash and distributed in a lump sum within ten (10) business days following the Change in Control event. The cash amount per Deferred Share Unit will equal the closing price of Common Stock on the New York Stock Exchange on the date the Change in Control occurs or, if the Common Stock is not traded on that day, on the trading day immediately preceding the Change in Control. For purposes of this Plan, a "Change in Control" means (a) the acquisition by one person, or more than one person acting as a group, of stock possessing 30 percent (30%) or more of the total voting power of the stock of the Corporation during the twelve (12)-month period ending on the date of the most recent acquisition; (b) the replacement of a majority of the members of the Corporation's board of directors during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Corporation's board of directors as constituted immediately prior to the date of such appointment or election; (c) the acquisition by one person, or more than one person acting as a group, of more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation; (d) a change in the ownership of a substantial portion of the Corporation's assets such that one person, or more than one person acting as a group, acquires assets of the Corporation with a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Corporation determined immediately prior to such acquisition; and (e) a dissolution or liquidation of the Corporation. The intention of this Plan is that Change in Control shall be a permissible payment event under Section 409A. For the avoidance of doubt, the Spin-off shall not constitute a Change in Control.



Section 5.8 – Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) The Committee may, upon a Participant’s written application, agree to an accelerated distribution of some or all of the value of the Participant’s Plan Accounts upon the showing of an unforeseeable emergency. An “unforeseeable emergency” is a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or the Participant’s dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)); (ii) loss of the Participant’s property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under this Plan.

(b) Distributions on account of an unforeseeable emergency, as defined in Section 5.8(a), shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Performance Cycle Accounts hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of unforeseeable emergency.

Section 5.9 – Administrative Adjustments in Payment Date

A payment is treated as being made on the date when it is due under this Plan if the payment is made on the due date specified by this Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the fifteenth (15th) day of the third (3rd) calendar month following the date specified by this Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under this Plan if the payment is made not more than thirty (30) days before the due date specified by this Plan. In no event will a payment to a



Specified Employee on account of his or her Separation from Service be made or commence earlier than the first (1st) day of the seventh (7th) month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 5.9.

Section 5.10 – Minimum Balance Payout Provision

If a Participant's Plan Account balance under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A), determined at the time of the Participant's Separation from Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant's Separation from Service occurs, the Committee retains discretion to distribute the Participant's entire Plan Account (and the Participant's entire interest in any other nonqualified deferred compensation plan that is required to be aggregated with this Plan) in a lump sum within thirty (30) days following the Participant's Separation from Service, even if the Participant has elected to receive a different form of distribution. Any exercise of the Committee's discretion taken pursuant to this Section 5.10 shall be evidenced in writing, no later than the payment date.

ARTICLE VI – AMENDMENT AND TERMINATION OF PLAN

Section 6.1 – Amendment

The Corporation may, at any time, amend this Plan in whole or in part; *provided* that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to this Plan or the tax treatment of this Plan Accounts, this Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article V. To the extent any rule or procedure adopted by the Committee is inconsistent with a provision of this Plan that is administrative, technical or ministerial in nature, this Plan shall be deemed amended to the extent of the inconsistency.

Section 6.2 – Plan Suspension and Termination

(a) The Committee may, at any time, suspend or terminate this Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of this Plan, the tax,



accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of suspension of this Plan, no additional deferrals shall be made under this Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of this Plan and the applicable elections on file.

(c) Upon the termination of this Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation that would be aggregated with this Plan under Section 409A, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 6.2 shall be made no earlier than the thirteenth (13th) month and no later than the twenty-fourth (24th) month after the termination of this Plan. The Corporation may not accelerate payments pursuant to this Section 6.2 if the termination of this Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Regs. Sec. 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 6.2, it shall not adopt any new arrangement that would have been aggregated with this Plan under Section 409A within three (3) years following the date of this Plan's termination. The Committee may also provide for distribution of Plan Accounts following a termination of this Plan under any other circumstances permitted by Section 409A.

Section 6.3 – No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of this Plan.

ARTICLE VII – MISCELLANEOUS PROVISIONS

Section 7.1 – Reinvestment of Dividend Equivalents

Deferred Share Units shall be credited with dividend equivalents at the same time and in the same amount that cash dividends would be paid with respect to an equal number of shares of Common Stock. At the time the election under Section 4.1 is made, the Participant agrees to have dividend equivalents deferred and invested in additional Deferred Share Units based upon the number of whole and fractional units that the dollar dividend amount would purchase, using the closing price of the Common Stock on the New York Stock Exchange on each dividend payment date. Dividend equivalents that are deferred and invested pursuant to this Section 7.1



shall be credited to the same Performance Cycle Account as the Deferred Share Units for which the dividend equivalents are paid, and shall be distributed at the time and in the form applicable to that Performance Cycle Account. For the avoidance of doubt, Performance Cycle Accounts diversified out of Deferred Stock Units will no longer be eligible for dividend equivalents.

Section 7.2 – Withholding Taxes

The Committee may make any appropriate arrangements to deduct from all deferrals and payments under this Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits and payments.

Section 7.3 – Adjustment of Deferred Share Units

In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, spin-off or other similar corporate change, the number of Deferred Share Units may be adjusted appropriately by the Committee, whose determination shall be conclusive.

Section 7.4 – Section 409A Compliance

To the extent that rights or payments under this Plan are subject to Section 409A, this Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A, such provision shall be void and without effect. The Corporation does not warrant that this Plan will comply with Section 409A with respect to any Participant or Beneficiary or with respect to any payment. In no event shall any Carrier Company, any director, officer, or employee of a Carrier Company (other than the Participant), or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of this Plan's failure to satisfy the requirements of Section 409A, or as a result of this Plan's failure to satisfy any other requirements of applicable tax laws.

ARTICLE VIII – GENERAL PROVISIONS

Section 8.1 – Unsecured General Creditor

The Corporation's obligations under this Plan constitute an unfunded and unsecured promise to distribute shares in the future. Participants' and Beneficiaries' rights under this Plan



are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of this Plan or Participants' Plan Accounts.

Section 8.2 – Nonassignability

(a) Except as provided in subsection (b) or (c) below, no Participant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in this Plan and all Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

(b) The Plan shall comply with the terms of any valid domestic relations order submitted to the Committee. Any payment of a Participant's Plan Account to a party other than the Participant pursuant to the terms of a domestic relations order shall be charged against and reduce the Participant's Plan Account. Neither this Plan, the Corporation, the Committee, nor any other party shall be liable in any manner to any person, including but not limited to any Participant or Beneficiary, for complying with the terms of a domestic relations order.

(c) To the extent that any Participant, Beneficiary or other person receives an excess or erroneous payment under this Plan, the amount of such excess or erroneous payment shall be held in a constructive trust for the benefit of the Corporation and this Plan, and shall be repaid by such person upon demand. The Committee may reduce any other benefit payable to such person, or may pursue any remedy available at law or equity to recover the amount of such excess or erroneous payment or the proceeds thereof. Notwithstanding the foregoing, the amount payable to a Participant or Beneficiary may be offset by any amount owed to any Carrier Company to the extent permitted by Section 409A.

Section 8.3 – No Contract of Employment

Participation in this Plan shall not be construed to constitute a direct or indirect contract of employment between any Carrier Company and the Participant. Participants and Beneficiaries will have no rights against any Carrier Company resulting from participation in this Plan other than as specifically provided herein. Nothing in this Plan shall be deemed to give a Participant



the right to be retained in the service of any Carrier Company for any length of time or to interfere with the right of any Carrier Company to terminate a Participant's employment.

Section 8.4 – Governing Law

The provisions of this Plan will be construed and interpreted according to the laws of the State of Delaware, to the extent not preempted by federal law.

Section 8.5 – Validity

If any provision of this Plan is held to be illegal or invalid for any reason, the remaining provisions of this Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6 – Notice

Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if sent by first-class mail, to Carrier Global Corporation, 13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418, Attn: Employee Benefit Committee. Any notice or filing required or permitted to be given to any Participant or Beneficiary under this Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7 – Successors

The provisions of this Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8 – Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under this Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of



and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Accounts shall be a complete discharge of any liability under this Plan with respect to the amount so paid.

ARTICLE IX – ADMINISTRATION AND CLAIMS

Section 9.1 – Plan Administration

The Committee shall be solely responsible for the administration and operation of this Plan and shall be the “administrator” of this Plan for purposes of ERISA. The Committee shall have full and exclusive authority and discretion to interpret the provisions of this Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of this Plan. All decisions and interpretations of the Committee shall be final and binding on all parties.

Any person claiming a benefit, requesting an interpretation or ruling under this Plan, or requesting information under this Plan shall present the request in writing to the Committee at Carrier Global Corporation, 13955 Pasteur Boulevard, Palm Beach Gardens, Florida 33418, Attn: Employee Benefit Committee. The Committee shall respond in writing as soon as practicable.

Section 9.2 – Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit under this Plan (referred to in this Section 9.2 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within ninety (90) days. The Committee may, however, extend the response period for up to an additional ninety (90) days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (i) the specific reason or reasons for such denial; (ii) the specific reference to relevant provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation for why



such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review of the claim; and (vi) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within sixty (60) days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60)-day period, the Claimant shall be barred from challenging the determination.

(d) Within sixty (60) days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the sixty (60)-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (i) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (ii) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (iii) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

CERTAIN REGULATORY MATTERS

The Plan is subject to ERISA. Because this Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, this Plan is exempt from most of ERISA's requirements. Although this Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts this Plan from most of ERISA's reporting and disclosure requirements.



TO WHOM SHOULD QUESTIONS CONCERNING THE PLAN BE DIRECTED?

All questions concerning the operation of this Plan (including information concerning the administrators of this Plan) should be directed to:

Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
Attn: Employee Benefit Committee
Telephone: 561-365-2000



COMPENSATION AND BENEFITS FOR NON-EMPLOYEE DIRECTORS (As of April 14, 2022)

The following policy regarding compensation and benefits for non-employee members of the Board of Directors as of the date set forth above will remain in place until amended or terminated by the Board of Directors. The Board of Directors may temporarily or permanently reduce or increase future retainers, awards and fees described herein at any time.

Annual Cash Retainer and Deferred Stock Unit Award:

Non-employee members of the Board of Directors receive annual compensation comprised of a cash retainer and deferred stock units ("DSUs") pursuant to the Carrier Board of Directors Deferred Stock Unit Plan (the "Plan"). The compensation arrangements for non-employee Directors are as follows for each Board Cycle (as defined in the Plan):

	Total Combined Award	Annual Cash Retainer Award	Annual DSU Award
Base Compensation	\$310,000	\$124,000	\$186,000

Non-employee Directors serving in leadership roles on the Board and/or its committees receive the following awards for each Board Cycle:

	Total Additional Combined Award	Additional Annual Cash Retainer Award	Additional Annual DSU Award
Lead Director	35,000	14,000	21,000
Audit Chair	25,000	10,000	15,000
Audit Members	15,000	6,000	9,000
Compensation Chair	20,000	8,000	12,000
Governance Chair	20,000	8,000	12,000
Technology and Innovation Chair	20,000	8,000	12,000

The Annual Cash Retainer and DSUs will be issued to non-employee Directors as of the date of Carrier's Annual Meeting of Shareowners (the "Annual Meeting"). A Director may elect to receive additional DSUs in lieu of the Annual Cash Retainer Award by making a timely election in accordance with the Plan. The number of DSUs will be determined by dividing the Annual DSU Award (including the Annual Cash Retainer Award if so elected by the Director) by the closing price of Carrier common stock on the date of the Annual Meeting. Fractional DSUs are credited to the Director's account. All whole or partial DSUs are eligible for dividend equivalents equal to Carrier's declared dividend and will be credited to a Director's account as additional DSUs on the date the dividend is paid.

Upon retirement or termination from the Board, DSUs held in your account will be converted into shares of Carrier common stock and distributed to you, unless you elected 10 or 15 annual installments, in which case DSUs will be converted to shares of stock in accordance with the installment schedule. During the installment period, the value of your account will not be taxable until each installment distribution is received. In the event of your death before distribution, the full value of your account will be distributed to your estate unless a Beneficiary Designation form is on file. DSUs will be governed by the terms and conditions of the Carrier Global Corporation Board of Directors Deferred Stock Unit Plan.



Directors elected after September 30, but before the next Annual Meeting, receive half of the Base Compensation plus half of any additional awards for serving in leadership roles.

Extra Meeting Fees:

Non-employee Directors will receive an additional \$5,000 cash payment for each special meeting of the Board or a committee attended in person. This amount may not be elected as DSUs.

Carrier Stock Ownership Guidelines:

To further encourage the alignment of Board and shareowner interests, non-employee Directors are required to own shares of Carrier Common Stock – including DSUs – that are equal in value to at least five times the then applicable Annual Cash Retainer Award within five years of joining the Board.



Exhibit 21

SUBSIDIARIES OF CARRIER GLOBAL CORPORATION

The following entities are expected to be subsidiaries of Carrier Global Corporation as of December 31, 2023:

Subsidiary	State or Country of Incorporation or Organization
Access Solutions Belgium BV, Belgium	Belgium
Access Solutions Netherlands B.V., Netherlands	Netherlands
Access Solutions Poland Sp. z o.o., Poland	Poland
AHI Carrier FZC, United Arab Emirates	United Arab Emirates
Ainsworth Holdings SAS, France	France
Alarko Carrier Sanayi ve Ticaret A.S., Turkey	Turkey
Aldridge Holdings LLC, Delaware	Delaware
APLITER SL, Spain	Spain
Arabian Air Conditioning Company Ltd., Saudi Arabia	Saudi Arabia
Ardmore Holdings S.a r.l., Grand-Duchy of Luxembourg	Grand-Duchy of Luxembourg
Automated Logic - Canada, Ltd., Ontario	Ontario
Automated Logic Australia Pty Limited, Australia	Australia
Automated Logic Contracting Services, Inc., Delaware	Delaware
Automated Logic Corporation, Georgia	Georgia
Automated Logic Limited, England	England
Autronica Fire & Security AS, Norway	Norway
Autronica Fire and Security A/S, Denmark	Denmark
B. Grimm Airconditioning Limited, Thailand	Thailand
B. Grimm Carrier (Thailand) Limited, Thailand	Thailand
Bing Wo Investment Limited, Hong Kong	Hong Kong
Bresco Limited, Ireland	Ireland
Brokerbay Inc., Ontario	Ontario
Carin Holdings S.a r.l., Grand-Duchy of Luxembourg	Grand-Duchy of Luxembourg
Carlyle Air Conditioning Company, Inc., New York	New York
Carlyle Scroll Holdings Inc., Delaware	Delaware
Carolin Holdings B.V., Netherlands	Netherlands
Carrier (Malaysia) SDN. BHD., Malaysia	Malaysia
Carrier (Thailand) Limited, Thailand	Thailand
Carrier Air Conditioning & Refrigeration R&D Management (Shanghai) Co., Ltd, China	China
Carrier Air Conditioning Philippines, Inc., Philippines	Philippines
Carrier Air Conditioning Pty Ltd, Australia	Australia



Carrier Air Conditioning Sales & Service (Shanghai) Co Ltd, China	China
Carrier Aircon Lanka Private Limited, Sri Lanka	Sri Lanka
Carrier Airconditioning & Refrigeration Limited, India	India
Carrier Air-Conditioning & Refrigeration Sales (Shanghai) Co., Ltd, China	China
Carrier Air-Conditioning & Refrigeration System (Shanghai) Co., Ltd., China	China
Carrier Aire Acondicionado De Venezuela, S.A., Venezuela	Venezuela
Carrier Aktiebolag, Sweden	Sweden
Carrier ARCD Pte. Ltd, Singapore	Singapore
Carrier Asia Limited, Hong Kong	Hong Kong
Carrier Asia Pacific Operations Pte Ltd, Singapore	Singapore
Carrier Australia Commercial Holdings Pty Ltd, Australia	Australia
Carrier Australia Pty Ltd, Australia	Australia
Carrier Building and Industrial Systems MET FZCO, United Arab Emirates	United Arab Emirates
Carrier Canada Corporation, New Brunswick	New Brunswick
Carrier chladiaca technika Slovakia s.r.o., Slovakia	Slovakia
Carrier chladicí technika CZ s.r.o., Czech Republic	Czech Republic
Carrier Chłodnictwo Polska Sp. z.o.o, Poland	Poland
Carrier Commercial Refrigeration (Thailand) Ltd., Thailand	Thailand
Carrier Controls Limited, England	England
Carrier Corporation Regional Head Quarter Company, Saudi Arabia	Saudi Arabia
Carrier Corporation, Delaware	Delaware
Carrier Culoz S.A., France	France
Carrier Deutschland Holding GmbH, Germany	Germany
Carrier Distribution Italy Srl, Italy	Italy
CARRIER EMEA SAS, France	France
Carrier Enterprise Canada L.P., Ontario	Ontario
Carrier Enterprise Canada, (G.P.), Inc., New Brunswick	New Brunswick
Carrier Enterprise Leasing, Inc., Delaware	Delaware
Carrier Enterprise Northeast, LLC, Delaware	Delaware
Carrier Enterprise, LLC, Delaware	Delaware
Carrier Experts Service (Central Malaysia) Sdn. Bhd., Malaysia	Malaysia
Carrier Far East Limited, Hong Kong	Hong Kong
Carrier Fire & Security - Portugal Lda, Portugal	Portugal
Carrier Fire & Security Americas, LLC, Delaware	Delaware
Carrier Fire & Security Australia Pty Ltd, Australia	Australia
Carrier Fire & Security B.V., Netherlands	Netherlands
Carrier Fire & Security Danmark A/S, Denmark	Denmark
Carrier Fire & Security Deutschland GmbH, Germany	Germany
Carrier Fire & Security EMEA BV, Belgium	Belgium
Carrier Fire & Security Espana SL, Spain	Spain
Carrier Fire & Security France S.A.S., France	France



Carrier Fire & Security Hong Kong Limited, Hong Kong	Hong Kong
Carrier Fire & Security Infrastructure (Australia) Pty Ltd, Australia	Australia
Carrier Fire & Security Ireland Limited, Ireland	Ireland
Carrier Fire & Security Italia S.r.l., Italy	Italy
Carrier Fire & Security Ltd., Taiwan, Taiwan (Province of China)	Taiwan (Province of China)
Carrier Fire & Security Luxembourg S.a.r.l., Grand-Duchy of Luxembourg	Grand-Duchy of Luxembourg
Carrier Fire & Security Management (Shanghai) Co., Ltd., China	China
Carrier Fire & Security Norge AS, Norway	Norway
Carrier Fire & Security Polska Sp.z.o.o., Poland	Poland
Carrier Fire & Security Singapore Pte Ltd., Singapore	Singapore
Carrier Fire & Security South Africa Pty Ltd, South Africa	South Africa
Carrier Fire & Security Suomi OY, Finland	Finland
Carrier Fire & Security Sverige AB, Sweden	Sweden
Carrier Fire & Security Trading (Shanghai) Co., Ltd., China	China
Carrier Fire & Security UK Limited, Scotland	Scotland
Carrier Fire & Security, LLC, Delaware	Delaware
Carrier Fire and Security Denmark Holding A/S, Denmark	Denmark
Carrier Fire and Security Products Bahrain W.L.L, Bahrain	Bahrain
Carrier Fire and Security South Africa Holdings (Pty) Ltd, South Africa	South Africa
Carrier Foundation, Inc., Florida	Florida
Carrier France SCS, France	France
Carrier Frigel Apostolou SA, Greece	Greece
Carrier Global Corporation, Delaware	Delaware
Carrier Guam, Inc., Guam	Guam
Carrier Holdings Australia Pty Ltd, Australia	Australia
Carrier Holdings B.V., Netherlands	Netherlands
Carrier Hong Kong Limited, Hong Kong	Hong Kong
Carrier Hungary Refrigerating Trading and Manufacturing Limited Liability Co., Hungary	Hungary
Carrier HVACR Investments B.V., Netherlands	Netherlands
Carrier Innovation Technologies GmbH, Switzerland	Switzerland
Carrier InterAmerica Corporation, Delaware	Delaware
Carrier Intercompany Lending Designated Activity Company, Ireland	Ireland
Carrier International Corporation, Delaware	Delaware
Carrier International Corporation, Nevada	Nevada
Carrier International Deutschland GmbH, Germany	Germany
Carrier International Mauritius Ltd., Mauritius	Mauritius
Carrier International Sdn. Berhad, Malaysia	Malaysia
Carrier Investments Australia Pty Ltd, Australia	Australia
Carrier Investments UK Limited, United Kingdom	United Kingdom
Carrier Kältesysteme Austria GmbH, Austria	Austria



Carrier Kältetechnik Austria Ges.m.b.H., Austria	Austria
Carrier Kältetechnik Deutschland GmbH, Germany	Germany
Carrier Kältetechnik Schweiz AG aka Carrier Refrigeration Switzerland Ltd, Switzerland	Switzerland
Carrier Klimatechnik GmbH, Germany	Germany
Carrier Kuwait Airconditioning K.S.C., Kuwait	Kuwait
Carrier Linde Refrigeration Philippines, Inc., Philippines	Philippines
Carrier Manufacturing Poland Spółka z ograniczoną odpowiedzialnością, Poland	Poland
Carrier Mexico II, S. de R.L. de C.V., Mexico	Mexico
Carrier Mexico, S.A. de C.V., Mexico	Mexico
Carrier Middle East Limited, Bermuda	Bermuda
Carrier Midea India Private Limited, India	India
Carrier Midea North America LLC, Delaware	Delaware
Carrier Montluel SCS, France	France
Carrier Overseas Service, Limited, Delaware	Delaware
Carrier Oy, Finland	Finland
Carrier Park View, Inc., Delaware	Delaware
CARRIER PENSION TRUSTEE LIMITED, England	England
CARRIER Polska Sp. z o.o., Poland	Poland
Carrier Portugal Ar Condicionado, Lda, Portugal	Portugal
Carrier Reefers & Gensets B.V., Netherlands	Netherlands
Carrier Refrigeracao Brasil Ltda., Brazil	Brazil
Carrier Refrigeracion Iberica SA, Spain	Spain
Carrier Refrigeration (Thailand) Co., Ltd., Thailand	Thailand
Carrier Refrigeration Benelux B.V., Netherlands	Netherlands
Carrier Refrigeration Denmark ApS, Denmark	Denmark
Carrier Refrigeration Distribution France SAS, France	France
Carrier Refrigeration Distribution Hungary Ltd., Hungary	Hungary
Carrier Refrigeration eServices GmbH, Germany	Germany
Carrier Refrigeration LLC, United Arab Emirates	United Arab Emirates
Carrier Refrigeration Norway AS, Norway	Norway
Carrier Refrigeration Operation Czech Republic s.r.o, Czech Republic	Czech Republic
Carrier Refrigeration Operation Italy Srl, Italy	Italy
Carrier Refrigeration Operations France SAS, France	France
Carrier Refrigeration Rus Limited Liability Company, Russian Federation	Russian Federation
Carrier Refrigeration Sweden AB, Sweden	Sweden
Carrier Refrigeration System Sales & Service (Qingdao) Co., Ltd., China	China
Carrier Refrigeration UK Ltd, England	England
Carrier Rental Systems (UK) Limited, Scotland	Scotland
Carrier Rental Systems Asia Pte Ltd, Singapore	Singapore
Carrier Rental Systems Limited, England	England
Carrier Rental Systems Malaysia Sdn. Bhd., Malaysia	Malaysia



Carrier Research Center, Inc., Delaware	Delaware
Carrier S.A. Industria E Comercio, Brazil	Brazil
Carrier Safety System (Hebei) Co., Ltd., China	China
CARRIER SAS, France	France
Carrier Saudi Service Company Ltd., Saudi Arabia	Saudi Arabia
Carrier Service Company, Delaware	Delaware
Carrier Singapore (PTE) Limited, Singapore	Singapore
Carrier Solutions Contracting and Trading and Services W.L.L., Qatar	Qatar
Carrier South Africa Proprietary Limited, South Africa	South Africa
Carrier Srl, Italy	Italy
Carrier Taiwan Co., Ltd., Taiwan (Province of China)	Taiwan (Province of China)
Carrier Technologies India Limited, India	India
Carrier Technologies ULC, Alberta	Alberta
Carrier Transicold (UK) Limited, England	England
Carrier Transicold Austria GmbH, Austria	Austria
Carrier Transicold Belgium BV, Belgium	Belgium
Carrier Transicold Brasil Equipamentos de Ar Condicionado e de Refrigeração para Transportes Ltda., Brazil	Brazil
Carrier Transicold Container Products B.V., Netherlands	Netherlands
Carrier Transicold Container Products Limited, Hong Kong	Hong Kong
Carrier Transicold Container Products Limited, Japan	Japan
Carrier Transicold De Mexico, S. de R.L. de C.V., Mexico	Mexico
Carrier Transicold Deutschland GmbH, Germany	Germany
Carrier Transicold Espana, S.A., Spain	Spain
Carrier Transicold Europe, France	France
Carrier Transicold France, France	France
Carrier Transicold Hong Kong Limited, Hong Kong	Hong Kong
Carrier Transicold Hungaria Kft, Hungary	Hungary
Carrier Transicold Industries, France	France
Carrier Transicold Italia S.r.l., Italy	Italy
Carrier Transicold Limited, Delaware	Delaware
Carrier Transicold Netherlands B.V., Netherlands	Netherlands
Carrier Transicold Polska Sp. z o.o., Poland	Poland
Carrier Transicold Pte. Ltd, Singapore	Singapore
Carrier Transicold Scandinavia A/S, Denmark	Denmark
Carrier Transicold Sweden AB, Sweden	Sweden
Carrier Treasury Center Inc., Delaware	Delaware
Carrier Treasury Services Ireland Limited, Ireland	Ireland
Carrier UK Holdings Limited, United Kingdom	United Kingdom
Carrier Ventures, LLC, Delaware	Delaware
Carrier Vietnam Air Conditioning Company Limited, Vietnam	Vietnam



Carrier Warranty Holdings, LLC, Delaware	Delaware
Carrier Warranty, LLC, Delaware	Delaware
Cavius Ltd., Scotland	Scotland
Celsior GmbH, Germany	Germany
Chengdu TICA Environmental Equipment Co., Ltd, China	China
Chipan Corporation, Delaware	Delaware
Chubb Holdings (Pty) Ltd, South Africa	South Africa
Chubb Löschtechnik GmbH, Germany	Germany
Chubb Security Investments (Pty) Ltd, South Africa	South Africa
CIAT GROUP, France	France
CIAT Suisse SA, Switzerland	Switzerland
CIATESA Servicio de Asistencia S.A., Spain	Spain
Climate & Controls Benelux B.V., Netherlands	Netherlands
Climate, Controls & Security Argentina S.A., Argentina	Argentina
Climate, Controls & Security do Brasil Ltda., Brazil	Brazil
CLK Corporation, Korea (the Republic of)	Korea (the Republic of)
Coldtrans, Inc., Delaware	Delaware
Comercial Sensitech South America Limitada, Chile	Chile
Compañia Industrial de Aplicaciones Termicas S.A.U., Spain	Spain
Compu-Home Systems, Inc., Delaware	Delaware
Concepcion Carrier Realty Holdings Inc., Philippines	Philippines
Concepcion-Carrier AirConditioning Company, Philippines	Philippines
Concepcion-Carrier Holdings Inc., Philippines	Philippines
Conkey-NORESCO JV, LLC, Delaware	Delaware
CT Mid-Atlantic, LLC, North Carolina	North Carolina
Dah Fung Hong (Holdings) Company Limited, Hong Kong	Hong Kong
Detector Electronics (UK) Limited, England	England
Detector Electronics Corporation, Minnesota	Minnesota
Det-Tronics France SAS, France	France
Dongguan Fymetics Co., Ltd., China	China
DIKO BV, Netherlands	Netherlands
EcoEnergy Insights Limited, India	India
Edward B. Ward & Company, Inc., California	California
Electronic Modular Services Limited, United Kingdom	United Kingdom
Elgin Holdings SAS, France	France
Empresas Carrier, S. de R.L. de C.V., Mexico	Mexico
EMS Security Group Limited, England & Wales	England & Wales
Energy Infrastructure, LLC, Delaware	Delaware
Environmental Market Solutions, Inc., China	China
Environmental Market Solutions, Inc., District of Columbia	District of Columbia
F&S Mexico Corporation, S. de R.L. de C.V., Mexico	Mexico



FHP Manufacturing Company, Delaware	Delaware
Fireye Inc., Delaware	Delaware
FIT SERVICE S.P.A., Italy	Italy
Foray 414 Limited, England	England
Foshan Midea Carrier Air-Conditioning Equipment Co. Ltd., China	China
Frigi Transport (Fritans) S.A., Panama	Panama
Frylands B.V., Netherlands	Netherlands
Fymetics (Hong Kong) Limited, Hong Kong	Hong Kong
GD Midea Air-Conditioning Equipment Co., Ltd, China	China
GD Midea Group WUHAN Air-Conditioning Equipment Co., Ltd, China	China
Global Comfort Solutions LLC, Delaware	Delaware
GLORIA GmbH, Germany	Germany
Gnitrow Ltd, England	England
GST Group International Limited, British Virgin Islands	British Virgin Islands
GST Holdings Limited, Cayman Islands	Cayman Islands
Guangdong Carrier Heating, Ventilation & Air Conditioning Company Limited, China	China
Guangdong Giwee Electronics Commerce Co., Ltd, China	China
Guangdong Giwee Group Co., LTD, China	China
Guangdong Giwee Technology Co., Ltd, China	China
Guangdong Shengjie Fire Protection Technology Co., Ltd., China	China
Guangdong Yuan Information Technology Co., Ltd., China	China
Gulf Electric Engineering Company Limited, China	China
Gulf Security Technology Company Limited, China	China
Hasta-Mex, S.A. De C.V., Mexico	Mexico
Hawthorne Holdings S.a r.l., Grand-Duchy of Luxembourg	Grand-Duchy of Luxembourg
HVAC Clima, Servicio y Controles Iberia, S.L., Spain	Spain
ICP International Holdings Inc., Cayman Islands	Cayman Islands
ICP Petroleum Inc., Delaware	Delaware
Industrial Fire Poland Sp. Z o.o., Poland	Poland
Jada Holdings B.V., Netherlands	Netherlands
Johann Purchaser GmbH, Germany	Germany
Kaysail Limited, England	England
KFI U.K. Limited, England & Wales	England & Wales
Kidde Australia Pty Limited, Australia	Australia
Kidde Brasil LTDA, Brazil	Brazil
Kidde Canada Inc., Ontario	Ontario
Kidde China Limited, Hong Kong	Hong Kong
Kidde Fire Protection, LLC, Delaware	Delaware
Kidde Holding (Thailand) Co., Limited, Thailand	Thailand
Kidde International Limited, England	England



Kidde IP Holdings Inc., Delaware	Delaware
Kidde IP Holdings Limited, England	England
Kidde Limited, England	England
Kidde Matamoros, S. de R.L. de C.V., Mexico	Mexico
Kidde Norway AS, Norway	Norway
Kidde plc Inc., Delaware	Delaware
Kidde Products Limited, England	England
Kidde Safety Europe Limited, England	England
Kidde Securities Investments Limited, England	England
Kidde Securities Limited, England	England
Kidde UK, England	England
Kidde US Holdings, LLC, Delaware	Delaware
Kidde-Fenwal, Inc., Delaware	Delaware
Mangrove Cell 11 PC, District of Columbia	District of Columbia
Marioff Corporation Oy, Finland	Finland
Marioff GmbH, Germany	Germany
Marioff Hi-Fog S.L.U., Spain	Spain
Marioff Inc., Maryland	Maryland
Marioff Ltd, Scotland	Scotland
Marioff SAS, France	France
Marioff Skandinavien AB, Sweden	Sweden
Marioff SRL, Italy	Italy
Maroc Climate & Security - MCS, Morocco	Morocco
Matlock Holdings Ltd, England & Wales	England & Wales
Miraco Development Services & Trading Company, S.A.E., Egypt	Egypt
Misr Refrigeration And Air Conditioning Manufacturing Company S.A.E., Egypt	Egypt
Nihon Sensitech Corporation, Japan	Japan
Nlyte Software Americas Limited, United Kingdom, United Kingdom	United Kingdom
Nlyte Software Holdings Inc., Delaware	Delaware
Nlyte Software India LLP, India	India
Nlyte Software Limited, United Kingdom	United Kingdom
NORESKO Puerto Rico, LLC, Delaware	Delaware
NORESKO, Inc., Delaware	Delaware
Noresco, LLC, Delaware	Delaware
NORESKO-SG, LLC, Delaware	Delaware
Onity Co., Limited, Thailand	Thailand
Onity Comercial, S.A. de C.V., Mexico	Mexico
Onity Inc., Delaware	Delaware
Onity India Private Limited, India	India
Onity Industrial, S. de R.L. de C.V., Mexico	Mexico
Onity Limited, England	England



Onity LTDA, Brazil	Brazil
Onity Pte. Ltd., Singapore	Singapore
Onity Pty Ltd, Australia	Australia
Onity SA, Argentina	Argentina
Onity SAS, France	France
Onity Trading (Shanghai) Co., Ltd., China	China
Onity, S.L.U., Spain	Spain
Parkview Treasury Services (UK) Limited, United Kingdom	United Kingdom
PT Berca Carrier Indonesia, Indonesia	Indonesia
Q-Carrier (B) Sendirian Berhad, Brunei Darussalam	Brunei Darussalam
Qingdao Haier-Carrier Refrigeration Equipment Company Limited, China	China
Qinhuangdao Gulf Plastic & Metal Products Company Limited, China	China
ReefCo, LLC, Delaware	Delaware
Refrigeration Solutions Czech Republic, s.r.o, Czech Republic	Czech Republic
Refrigeration Solutions France SAS, France	France
Refrigeration Solutions Hong Kong Limited, Hong Kong	Hong Kong
Refrigeration Solutions Italy S.r.l., Italy	Italy
Refrigeration Solutions Switzerland LLC aka Kältetechnische Lösungen Schweiz GmbH, Switzerland	Switzerland
Refrigeration Systems Bermuda Limited, Bermuda	Bermuda
Riello America LLC, New Jersey	New Jersey
Riello Canada Inc., Ontario	Ontario
RIELLO FRANCE SA, France	France
RIELLO GROUP S.P.A, Italy	Italy
Riello Heating Equipment (Shanghai) Co Ltd, China	China
Riello Investments Inc., Ontario	Ontario
Riello Ltd, United Kingdom	United Kingdom
Riello NV, Belgium	Belgium
RIELLO PALNIKI SP.Zoo, Poland	Poland
Riello RO S.r.l., Romania	Romania
Riello S.A., Switzerland	Switzerland
RIELLO S.P.A., Italy	Italy
Riello Trading (shanghai) Co.Ltd, China	China
RUG RIELLO URZADZENIA GRZEWCZE SA, Poland	Poland
Safety Solutions U.K. Limited, England & Wales	England & Wales
Saudi Airconditioning Manufacturing Company (Samco), Saudi Arabia	Saudi Arabia
Sebec Holdings Corporation, Nova Scotia	Nova Scotia
SEC Carrier Energy Performance Engineering Co., Ltd. (YiChuang), China	China
Sensitech (UK) Limited, England	England
Sensitech Canada Inc., Alberta	Alberta
Sensitech EMEA B.V., Netherlands	Netherlands
Sensitech France S.a.r.L., France	France



Sensitech Iberica SL, Spain	Spain
Sensitech Inc., Delaware	Delaware
Sensitech Pty Limited, Australia	Australia
SFS Holdings Limited, United Kingdom	United Kingdom
Shandong Fuerda Air-Conditioning Equipment Co., Ltd., China	China
Shanghai Carrier Transcold Equipment Co., Ltd, China	China
Shanghai Kidde Fire Protection Trading Co., Ltd., China	China
Shanghai Yileng Carrier Air Conditioning Equipment Company Limited, China	China
Sinostride Technology Co., Ltd., China	China
South American Coöperatief U.A., Netherlands	Netherlands
South American HoldCo I B.V., Netherlands	Netherlands
South American HoldCo II B.V., Netherlands	Netherlands
SSS Carrier, S. de R.L. de C.V., Mexico	Mexico
Sumbelt Transport Refrigeration, Ltd., Florida	Florida
Sustainability Investment Asia Limited, Hong Kong	Hong Kong
T G Products Limited, England	England
TEC Distribution LLC, Delaware	Delaware
TEC Leasing, Inc., Delaware	Delaware
Tianjin Yuanchang Reefer Container Service Co., Ltd, China	China
TICA Global Limited, British Virgin Islands	British Virgin Islands
Toshiba Carrier (Thailand) Co., Ltd., Thailand	Thailand
Toshiba Carrier Air Conditioning (China) Co., Ltd., China	China
Toshiba Carrier Air-Conditioning Europe Sp.z.o.o., Poland	Poland
Toshiba Carrier Air-Conditioning India Private Limited, India	India
Toshiba Carrier AirConditioning Sales (Shanghai) Co., Ltd, China	China
Toshiba Carrier Corporation, Japan	Japan
Toshiba Carrier Engineering & Life Support Corporation, Japan	Japan
Toshiba Carrier Europe S.A.S., France	France
Toshiba Carrier North America, Inc., Delaware	Delaware
Toshiba Carrier UK Limited, England	England
Toshiba Technical Service & Maintenance Co., Ltd., Japan	Japan
TRS Transportkoeling B.V., Netherlands	Netherlands
UHS PTY LTD, Australia	Australia
UHS SYSTEMS PTY LTD, Australia	Australia
UTEK Controls, S. de R.L. de C.V., Mexico	Mexico
UTEK, Inc., Delaware	Delaware
UTS Carrier L.L.C., United Arab Emirates	United Arab Emirates
VOKERA (IRELAND) LIMITED, Ireland	Ireland
Vokera Ltd, United Kingdom	United Kingdom
Walter Kidde Limited, England	England
Walter Kidde Portable Equipment Inc., Delaware	Delaware



Worthington Holdings B.V., Netherlands
Zhongshan Cristopia Energy System Co. Ltd, China

Netherlands
China



Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-237157) and Form S-8 (No. 333-237207) of Carrier Global Corporation of our report dated February 6, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 6, 2024



Exhibit 31.1

CERTIFICATION

I, David Gitlin, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024

/s/David Gitlin

David Gitlin

Chairman and Chief Executive Officer



CERTIFICATION

I, Patrick Goris, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024

/s/Patrick Goris

Patrick Goris

Senior Vice President and Chief Financial Officer



CERTIFICATION

I, Kyle Crockett, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024

/s/Kyle Crockett

Kyle Crockett
Vice President, Controller



Exhibit 32

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Carrier Global Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 6, 2024

/s/David Gitlin

David Gitlin

Chairman and Chief Executive Officer

Date: February 6, 2024

/s/Patrick Goris

Patrick Goris

Senior Vice President and Chief Financial Officer

Date: February 6, 2024

/s/Kyle Crockett

Kyle Crockett

Vice President, Controller



Exhibit 97

CARRIER GLOBAL CORPORATION
CLAWBACK POLICY
EFFECTIVE OCTOBER 2, 2023

Carrier Global Corporation (the "**Company**") has adopted this Clawback Policy ("**Policy**") in accordance with New York Stock Exchange (the "**Exchange**") listing requirements.

A. Application of Policy

This Policy applies in the event of any accounting restatement ("**Restatement**") due to the Company's material non-compliance with financial reporting requirements under applicable securities laws, in accordance with Rule 10D-1 of the Securities Exchange Act of 1934 ("**Rule 10D**"). This Policy shall apply to Incentive-Based Compensation (as defined below) received on or after October 2, 2023 (the "**Effective Date**").

B. Executive Officers Subject to the Policy

The executives of the Company who are or were designated officers (as defined under Rule 16a-1 of the Securities Exchange Act of 1934) of the Company (the "**Section 16 Officers**") are covered by this Policy. This includes the Company's current or former principal executive officer, president, principal financial officer, chief accounting officer or Controller, any vice-president of the Company in charge of a principal business unit, division or function, and any other current or former officer or person who performs a significant policy-making function for the Company, including executive officers of Company subsidiaries. All of these Executive Officers are subject to this Policy, even if an Executive Officer had no responsibility for the financial statement errors which required restatement.

C. Compensation Subject to and Clawback Period of the Policy

This Policy covers all incentive-based compensation (including any cash or equity compensation) that is granted, earned or vested based wholly or in part upon the attainment of any "financial reporting measure" ("**Incentive-Based Compensation**"). This Policy applies to any Incentive-Based Compensation "received" by an Executive Officer during the period (the "**Clawback Period**") consisting of any of the three fiscal completed years immediately preceding:

- the date that the Company's Board of Directors (the "**Board**") (or Audit Committee) concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or
- the date that a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

Financial reporting measures are those that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measures derived wholly or in part from such financial information (including non-GAAP measures, e.g. stock price and total shareholder return). For purposes of this Policy, Incentive-Based Compensation is deemed "received" in the fiscal period during which the applicable financial reporting measure (as specified in the terms of the award) is attained (the "**Performance Period**"), even if the payment or grant occurs after the end of that fiscal period. The Clawback Period with respect to an Executive Officer applies to Incentive-Based Compensation received by the Executive Officer (a) after beginning services as an Executive Officer (including compensation derived from an award authorized before the individual is newly hired as an Executive Officer, e.g. sign-on grants) and (b) if that person served as an Executive Officer at any time during the Performance Period for such Incentive-Based Compensation.

For the avoidance of doubt, Incentive-Based Compensation does not include (i) annual base salary, (ii) compensation which is awarded based solely on service to the Company (e.g. a time-vested award, including time-vesting stock appreciation rights or restricted share units), or (iii) compensation which is awarded based solely on subjective standards, strategic measures (e.g. completion of a merger) or operational measures (e.g. attainment of a certain market share).



A. Amount Required to be Repaid Pursuant to this Policy

The amount of Incentive-Based Compensation that must be repaid (subject to the few limitations discussed below) is the amount of Incentive-Based Compensation received by the Executive Officer that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the Restatement (the "**Recoverable Amount**"). Applying this definition, after a Restatement, the Company will recalculate the applicable financial reporting measure and the Recoverable Amount in accordance with SEC and Exchange rules. The Company will determine whether, based on that financial reporting measure as calculated relying on the original financial statements, an Executive Officer received a greater amount of Incentive-Based Compensation than would have been received applying the recalculated financial measure. Where Incentive-Based Compensation is based only in part on the achievement of a financial reporting measure performance goal, the Company will determine the portion of the original Incentive-Based Compensation based on or derived from the financial reporting measure which was restated and will recalculate the affected portion based on the financial reporting measure as restated to determine the difference between the greater amount based on the original financial statements and the lesser amount that would have been received based on the Restatement. The Recoverable Amounts will be calculated on a pre-tax basis to ensure that the Company recovers the full amount of Incentive-Based Compensation that was erroneously awarded.

In no event shall the Company be required to award Executive Officers an additional payment if the restated or accurate financial results would have resulted in a higher incentive compensation payment.

If equity compensation is recoverable due to being granted to the Executive Officer (when the accounting results were the reason the equity compensation was granted) or vested by the Executive Officer (when the accounting results were the reason the equity compensation was vested), in each case in the Clawback Period, the Company will recover the excess portion of the equity award that would not have been granted or vested based on the Restatement, as follows:

- if the equity award is still outstanding, the Executive Officer will forfeit the excess portion of the award;
- if the equity award has been exercised or settled into shares (the "**Underlying Shares**"), and the Executive Officer still holds the Underlying Shares, the Company will recover the number of Underlying Shares relating to the excess portion of the award (less any exercise price paid for the Underlying Shares); and
- if the Underlying Shares have been sold by the Executive Officer, the Company will recover the proceeds received by the Executive Officer from the sale of the Underlying Shares relating to the excess portion of the award (less any exercise price paid for the Underlying Shares).

To the extent the Recoverable Amount represents an award which has previously been deferred, such deferred compensation award shall be forfeited. Without otherwise limiting the Company's authority to recover the Recoverable Amount hereunder, the Company shall have the authority to unilaterally forfeit an Executive Officer's deferred compensation. The Board (or its applicable committee) will take such action as it deems appropriate, in its sole and absolute discretion, reasonably promptly to recover the Recoverable Amount, unless a majority of the independent members of the Board (or the Compensation Committee) determines that it would be impracticable to recover such amount because (1) the Company has made a reasonable and documented attempt to determine that the direct costs of enforcing recovery would exceed the Recoverable Amount, or (2) recovery would, based on an opinion of counsel, likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

A. Additional Clawback Required by Section 304 of the Sarbanes-Oxley Act of 2002

In addition to the provisions described above, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, then, in accordance with Section 304 of the Sarbanes-Oxley Act of 2002, the Chief Executive Officer and Chief Financial Officer (at the time the



financial document embodying such financial reporting requirement was originally issued) shall reimburse the Company for:

- any bonus or other incentive-based or equity-based compensation received from the Company during the 12-month period following the first public issuance or filing with the Commission (whichever first occurs) of such financial document; and
- any profits realized from the sale of securities of the Company during that 12-month period.

A. Crediting of Recovery Amounts

To the extent that subsections A, B, C and D of this Policy (the "Rule 10D-1 Clawback Requirements") would provide for recovery of Incentive-Based Compensation recoverable by the Company pursuant to Section 304 of the Sarbanes-Oxley Act, in accordance with subsection E of this Policy (the "Sarbanes-Oxley Clawback Requirements"), and/or any other recovery obligations (including pursuant to employment agreements or plan awards), the amount such Executive Officer has already reimbursed the Company shall be credited to the required recovery under the Rule 10D-1 Clawback Requirements. Recovery pursuant to the Rule 10D-1 Clawback Requirements does not preclude recovery under the Sarbanes-Oxley Clawback Requirements, to the extent any applicable amounts have not been reimbursed to the Company.

B. General Provisions

This Policy may be amended by the Board from time to time. Changes to this Policy will be communicated to all persons to whom this Policy applies.

The Company will not indemnify or provide insurance to cover any repayment of Incentive-Based Compensation in accordance with this Policy.

The provisions of this Policy apply to the fullest extent of the law; provided however, to the extent that any provisions of this Policy are found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

This Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or right of offset against any Executive Officer that is required pursuant to any other statutory repayment requirement (regardless of whether implemented at any time prior to or following the adoption of this Policy). Nothing in this Policy in any way detracts from or limits any obligation that those subject to it have in law or pursuant to a management, employment, consulting, equity award or other plan or agreement with the Company or any of its subsidiaries.

All determinations and decisions made by the Board (or any committee thereof) pursuant to the provisions of this Policy shall be final, conclusive and binding on the Company, its subsidiaries and the persons to whom this Policy applies. Executive Officers (as defined above) are required to acknowledge, using the form set forth in Exhibit A to this Policy, that they have read this Policy annually. Any questions about the interpretation of the Policy should be directed to the Company's Chief Legal Officer.



Exhibit A

Carrier Global Corporation Clawback Policy

Executive Officer Annual Acknowledgement

I acknowledge that I have received a copy of the Clawback Policy, and that I have read and understood the Policy.

I further understand that the Policy applies to my Incentive-Based Compensation, as defined in the Policy, and that I agree to take all actions necessary to assist the Company in complying with the Policy.

[Name of Executive Officer]

Date



Global Leader in Intelligent Climate and Energy Solutions



2023
Annual Report



Transforming today for a better tomorrow.

Transformation begins with belief. That innovation can make an impact. That taking care of people means taking care of the planet. That our solutions have the power to improve life today and tomorrow. It is why Carrier is transforming spaces every day. In homes. In buildings. Across the cold chain. Our inclusive, diverse team combines global and local expertise with an uncompromising commitment to customers. Together, we deliver intelligent, connected ecosystems and visionary breakthroughs that help support comfort, health and productivity while promoting sustainable energy usage.

We are Carrier. A global leader in intelligent climate and energy solutions. For people, our planet and generations to come.

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About Carrier

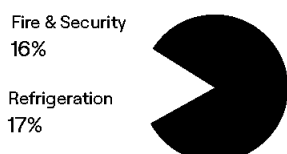
Carrier is a global leader in intelligent climate and energy solutions, with a diverse and world-class workforce. Through our performance-driven culture, we are creating long-term shareowner value by growing earnings and investing strategically to strengthen our position in the markets we serve.

160+ Countries
~53,000 Employees

2023 Financial Performance



Net sales² by segment



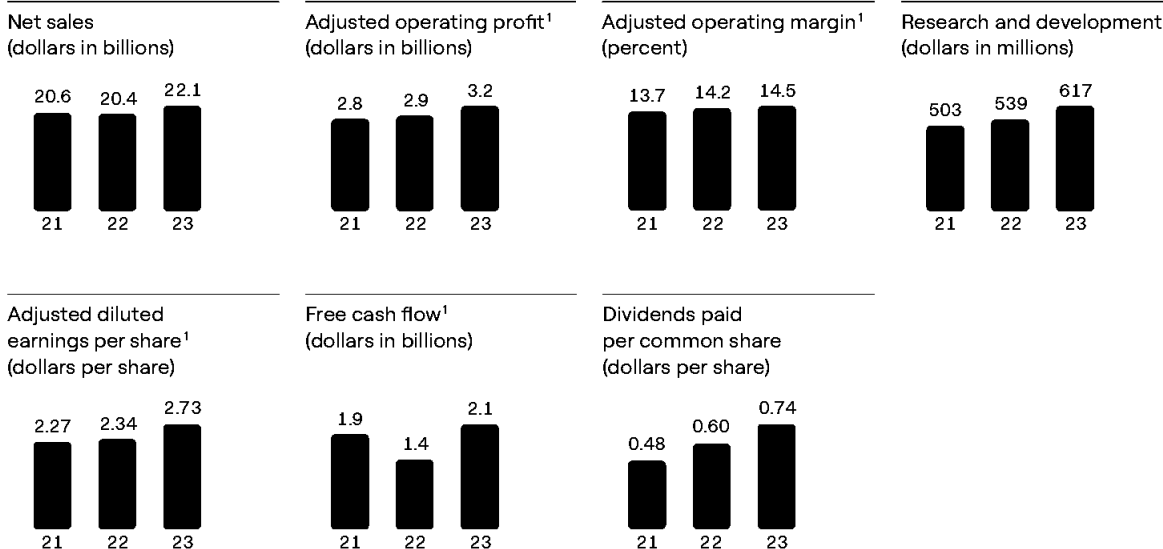
Net sales by region



Net sales mix



Historical Performance



¹ See page 69 for additional information regarding non-GAAP measures.

² Segment sales include intercompany sales.



David Gitlin

Chairman & Chief Executive Officer

\$22.1B

Net sales

\$2.73

Adjusted diluted earnings per share¹

\$2.1B

Free cash flow¹

\$57.45

CARR stock price as of December 31, 2023

¹ See page 69 for additional information regarding non-GAAP measures.

Dear Fellow Shareowners,

2023 was a monumental year for Carrier as we initiated our transformation to become the global leader in intelligent climate and energy solutions.

Sharpened strategic focus: portfolio transformation

I am proud to say we delivered excellent results as we transformed our portfolio and embarked on a journey to become a more agile, simpler, higher-growth, customer-centric company. Our focus is clear and unwavering: to be the global leader in intelligent climate and energy solutions.

Heating and cooling of buildings and homes, together with food waste, contribute an estimated 25% of annual carbon emissions and play a significant role in global warming and climate change. Our industry has both the opportunity and the obligation to be part of the solution. This challenge is the catalyst for Carrier's portfolio transformation and drives the decisions we make and the priorities we set for our investments and product offerings.

The cornerstone of our portfolio transformation is our recent combination with Viessmann Climate Solutions, which I believe will be viewed as the most impactful business combination our industry has ever seen.

Viessmann Climate Solutions is the premier company in the most attractive space in our industry – residential heating and cooling in Europe – which is undergoing a significant shift from fossil fuel boilers to energy-efficient electric heat pumps. Viessmann Climate Solutions enhances our existing global portfolio with access to the iconic Viessmann brand, a differentiated channel, and a reputation built over more than 100 years for manufacturing premium products and highly efficient and renewable climate solutions. Together, we now have the most comprehensive and differentiated suite of sustainable technologies and services to address our customers' business and sustainability goals. We are thrilled to welcome the 12,000 Viessmann Climate Solutions team members to Carrier.

We also made the pivotal decision to exit our Fire & Security segment and commercial refrigeration business. In December, we announced the sale of our security business, global access solutions, to Honeywell for an enterprise value of \$4.95 billion, quickly followed by a definitive agreement to sell our commercial refrigeration business to Haier for \$775 million. We are making good progress on our other business exits and are preparing to exit them throughout the course of 2024.

Upon the completion of our transformation, we will be a higher-growth pure-play company with over 6,000 engineers around the world focused on providing our customers with innovative and differentiated sustainable solutions.



Well positioned to lead in the rapid climate and energy transition

Through our acquisitions and rigorous innovation, we are advancing our portfolio of solutions focused on efficiency and electrification, in support of the shift from fossil fuel to electric heating. We also remain focused on helping our customers achieve their climate goals, including net-zero commitments, and we are on track to reduce our customers' carbon footprint by more than 1 gigaton by 2030.

Heat pumps are a vital tool to address the rapidly growing demand for sustainable building solutions. In Europe, new regulations and incentive programs are expected to result in approximately 400% growth in the region's heat pump installed base by 2030. In the United States, the Inflation Reduction Act is further incentivizing the transition to heat pumps, as government subsidies provide Americans with access to \$370 billion for clean energy investments in the form of tax credits, incentives and rebates to improve energy efficiency and, notably, a \$2,000 incentive for residential heat pumps. We are starting to see this transition play out around the world, and we expect significant acceleration throughout 2024.

Driving greater recurring revenues in aftermarket and digitally enabled lifecycle solutions

We are transitioning from an equipment-only provider to a leader in digitally enabled lifecycle solutions. In 2023, we saw positive traction through increases in both the number of connected and connectable devices as well as customer subscriptions across key geographies. By year-end, our commercial HVAC business had nearly 75,000 chillers under long-term BluEdge service agreements and approximately 29,000 connected chillers.

We continue to make significant investments in our two key digital platforms — Abound for buildings and Lynx for the cold chain. Both platforms are helping us drive strong and consistent double-digit growth for our aftermarket business. Abound now monitors over 1.1 billion square feet of building space, and nearly 115,000 refrigeration units equipped with Lynx are under paid subscriptions. We are also unlocking incremental value through long-term BluEdge service contracts, enabling customers to realize the benefits of connected devices and the Internet of Things, enhancing efficiency and performance, lowering costs and improving building health.

Given the strong performance of our parts and service business, we remain confident in our ability to continue to generate double-digit aftermarket growth, as we have for the last three years — underscoring the strength of this higher-margin business as a meaningful pillar of our value proposition.

Performing while transforming and delivering strong financial execution

In 2023, our team controlled the controllables and consistently delivered on our commitments. Our strong

financial results for the year demonstrate that our playbook is working. We are actively pursuing areas of growth by focusing our resources and efforts on key verticals and geographies that present the greatest opportunities.

We surpassed all our financial projections for 2023 by growing sales 8%, adjusted diluted earnings per share by 17% and free cash flow by 54% year over year. Our light commercial business grew 35% — an industry best. Strong cost discipline resulted in over 200 basis points of gross margin expansion. Importantly, we took key steps to accelerate growth initiatives and productivity programs to position the company for future success. We are confident Carrier will achieve another year of growth and strong margin expansion in 2024.

Carrier's culture is the backbone of our success. Our team demonstrates *The Carrier Way* every day by operating with integrity as we innovate and enact positive change for people and our planet. We have now embedded those principles into our talent philosophy, connecting our hiring, development and leadership practices with our strong culture. And it is paying off — we continue to be recognized as an employer of choice with strong sustainability and innovation leadership. Carrier was named to Forbes' list of the World's Best Employers, Fortune's list of the World's Most Admired Companies and TIME's inaugural World's Best Companies list. We are also proud to be ranked eighth on Barron's list of the 100 Most Sustainable Companies, reaffirming the positive impact our climate solutions are having on the planet for generations to come.

Looking ahead

We remain focused on successfully integrating Viessmann Climate Solutions and completing our business exits. Through these critical steps, we will become a digitally enabled, end-to-end sustainable climate and energy solutions provider. We will address all heating, cooling, renewable energy, storage and energy management needs for the home, buildings and cold chain applications. We will continue to transform and perform, remaining laser-focused on the needs and goals of our customers.

My conviction in Carrier's strategy, long-term growth opportunity and commitment to delivering shareowner value has never been greater. Thank you to all our investors for your continued confidence in our future and to our employees for tirelessly driving our business to new heights as the global climate leader.

Sincerely,

David Gitlin
Chairman & Chief Executive Officer
Carrier



At Carrier, we are committed to positively impacting people and our planet.

We do this through our Healthy Buildings, Healthy Homes and Connected Cold Chain programs, which bring together expertise from across our company and solutions from our industry-leading brands. Together, we take on the world's toughest challenges and shape a better tomorrow.

Leading the way to smarter, more sustainable buildings

Through our Healthy Buildings Program, Carrier provides solutions and services that optimize building systems and transform indoor spaces to support productivity and well-being. We offer advanced ventilation and filtration solutions, touchless products, indoor air quality assessment tools and more. Our digital platforms monitor building health to help mitigate potential issues and achieve peak performance and efficiency. We invest in research and development to fuel the growth of climate solutions that meet the needs of customers and help them achieve their sustainability targets.

Carrier's Abound suite of connected lifecycle solutions and services provides visibility into building assets to help improve energy efficiency, enhance occupant comfort and productivity, and streamline compliance reporting. A new offering, Abound Net Zero Management, tracks and reports energy and carbon performance to help building owners and managers prioritize specific reduction measures to meet their energy and sustainability goals.

In alignment with our Healthy Buildings Program, LenelS2 launched On The Safe Side, a program designed to empower families, schools and communities to have more impactful discussions about school security. LenelS2 developed a conversation guide for families and tools to help administrators navigate the government funding process.

Creating healthier, more efficient homes

We transform indoor spaces to maximize health and comfort through our Healthy Homes Program. Carrier provides a full range of products and solutions through our HVAC and fire safety businesses.

We are constantly innovating to bring healthy home solutions and technologies to our customers. For example, Carrier introduced a carbon air purifier with ultraviolet light that helps remove unwanted odors, volatile organic compounds and common household gases from indoor air. In addition, Carrier was named the Best HVAC Company by U.S. News & World Report for the second consecutive year, based on advanced technology, energy efficiency and innovation.

We educate consumers on the importance of creating healthy home environments and the factors that go into a healthy home, such as having smoke and carbon monoxide alarms. Together with fire departments, community organizations and other partners, Kidde provides resources to schools and families to make healthier homes more accessible to all. Kidde was named to Fast Company's Brands That Matter list for its efforts to provide innovative home safety devices and education to those in need.

Connecting an intelligent, more effective cold chain

Carrier protects and extends the supply of food, medicine and other perishable goods around the world through our Connected Cold Chain Program. Our electric and digital solutions improve cold chain connectivity, sustainability and effectiveness. We continue to be a leader in the global dialogue around how reliable transport and preservation can reduce food waste and help mitigate climate change.

We expanded our Lynx Fleet digital offering to provide comprehensive monitoring capabilities for refrigerated trucks and trailers in China and India. The intelligent solution improves visibility throughout the cold chain to improve fleet uptime and asset health management, and drive operational efficiencies.

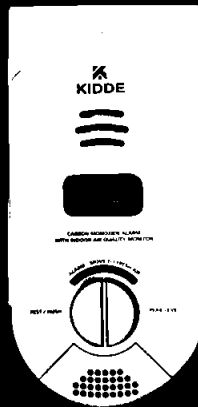
Carrier added an electrification dashboard to the Lynx Fleet digital platform, helping fleet owners in Europe manage the transition to electric refrigeration technology. The dashboard provides insight into the state of battery charge, tracks carbon dioxide emissions avoided, supports compliance with the latest cold chain regulations and helps customers monitor progress toward their sustainability goals.

Our efforts to expand the global cold chain extend into local communities and support economic growth. In India, for example, Carrier provided refrigerated trucks that were distributed to fish farmers to help export produce to a growing group of local and neighboring markets.



Carrier provided more than 42,000 high-efficiency portable air purifiers and replacement HEPA filters to K-12 schools and licensed early childhood education providers in Colorado. The solutions were funded by the federal Elementary and Secondary School Emergency Relief Fund to improve indoor air quality and reduce exposure to harmful particulates, allergens and other pollutants.

HEALTHYBUILDINGS

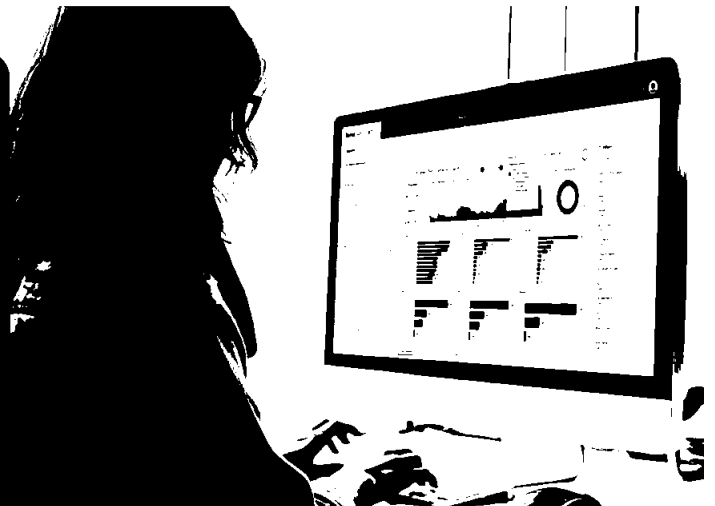


Kidde expanded its suite of Wi-Fi-enabled home health and safety products with the launch of three additional connected detection devices. The smart products include devices for whole-home detection of smoke, carbon monoxide, indoor air quality issues, water leaks and frozen pipes. Consumers receive real-time alerts about potential issues via their smartphones and connected devices.

HEALTHYHOMES

Sensitech launched a digital offering to monitor shipments through the SensiWatch platform, which connects to the Lynx digital ecosystem. The cloud-based solution uses sensors to monitor outbound cargo from distribution centers to stores and restaurants. Real-time temperature alerts help ensure the freshness and safety of food and other perishables.

CONNECTEDCOLDCHAIN





HVAC

\$15.1B

Net sales

\$2.5B

Adjusted operating profit¹

16.6%

Adjusted operating margin¹

¹ See page 69 for additional information regarding non-GAAP measures.

As a global leader in intelligent climate and energy solutions, Carrier is at the forefront of heating, ventilating and cooling solutions for residential, commercial and industrial customers around the world. Through an industry-leading family of HVAC brands, our global presence, and our innovative and differentiated digital solutions, we are transforming the built environment to be more energy efficient, sustainable and autonomous. Our solutions help customers achieve their targeted outcomes, including Abound, which monitors over 1.1 billion square feet of building space to help improve indoor air quality, and enhance occupant comfort and productivity.

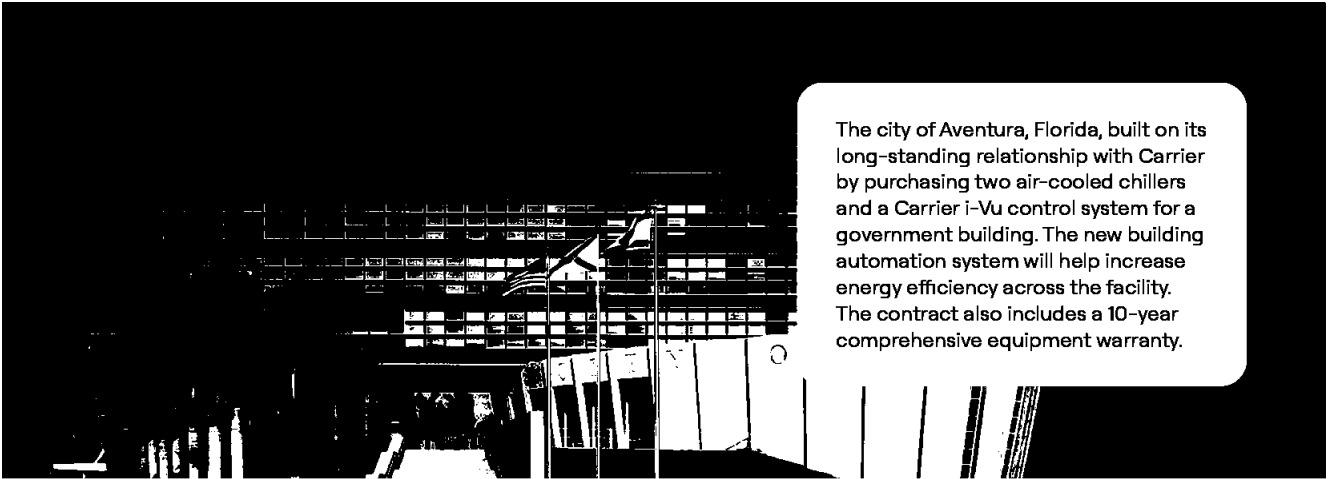
Our HVAC businesses continue to develop energy-efficient connected solutions that help customers meet their sustainability goals, while improving comfort and productivity in homes and buildings around the world.

In Europe, Riello launched a range of heat pumps for residential properties that provide year-round comfort and control. The solutions are energy-efficient alternatives to conventional wall-mounted gas boilers and use a refrigerant with lower global warming potential than a traditional refrigerant. The heat pumps feature quiet operation and a slim profile for homes and apartments.

Carrier introduced the Toshiba Daiseikai 10 air conditioner in Nordic countries, bringing sustainability, sleek design and performance to homes across the region. The indoor unit features ultra-quiet operation, a wooden grille sourced from sustainable forests, and plastic components made from 43% recycled materials. In addition to a best-in-class energy rating in cooling and heating, the ductless system offers motion tracking and connectivity through a remote control, app and smart speakers.

Carrier launched IntelliSense Technology, an industry-first advanced smart technology for midtier residential HVAC systems that provides real-time data to technicians via a mobile app or online portal. Sensor data from the equipment





The city of Aventura, Florida, built on its long-standing relationship with Carrier by purchasing two air-cooled chillers and a Carrier i-Vu control system for a government building. The new building automation system will help increase energy efficiency across the facility. The contract also includes a 10-year comprehensive equipment warranty.



Carrier won a contract to provide Toshiba variable refrigerant flow (VRF) systems for high-rise residential buildings at Jiuhai Yuntian, an international science and technology community in China. Expanding upon a prior contract for the project, the energy-efficient systems will help support the country's carbon reduction goals.

is communicated to an IntelliSense-enabled thermostat, allowing dealers to remotely monitor the system's operational health and proactively diagnose potential issues to decrease downtime and maintain home comfort.

Customers across the globe continue to trust our HVAC businesses to meet their most critical needs.

Long-standing customer Canadian Solar purchased 19 water-cooled centrifugal chillers from Carrier. The high-efficiency chillers feature a compact footprint and are designed for high-capacity operations. The equipment was installed at the company's Thailand factory, where it manufactures solar technology solutions to meet the growing demand for sustainable energy.

The U.S. Environmental Protection Agency's National Vehicle and Fuel Emissions Laboratory selected energy and sustainable solutions provider NORESKO to implement a decarbonization program through an energy savings performance contract. The program includes energy efficiency improvements, critical infrastructure upgrades, and comprehensive operations and maintenance services

over a 22-year term. The improvements are projected to reduce the facility's energy usage, carbon emissions and water consumption.

Carrier conducted an energy audit of chiller systems across several branches of Changhua Christian Hospital and helped prepare an energy savings proposal that qualified the customer for a government subsidy program. The contract for the retrofit project includes five higher-efficiency water-cooled chillers, and Automated Logic will deploy a WebCTRL building automation system to monitor a chiller plant and optimize efficiency. The agreement also includes a five-year BluEdge service contract, driving recurring revenue for the business.

In China, Carrier secured a contract to install energy-efficient centrifugal chillers and heat pumps for a terminal expansion at Chongqing Jiangbei International Airport. In addition, Carrier provides consulting services to optimize chiller plant performance. The comprehensive HVAC solution will help the airport meet its sustainability goals and maintain a comfortable indoor environment for millions of travelers each year.



Refrigeration

\$3.8B

Net sales

\$449M

Adjusted operating profit¹

11.8%

Adjusted operating margin¹

Carrier is a global leader in cold chain transport equipment and monitoring solutions with the largest distribution network of nearly 1,700 dealers, distributors and service centers. We differentiate ourselves with both scale and technology to serve as a trusted partner throughout the cold chain.

We are helping lead the shift toward electrification, more connected technologies and refrigerants with lower global warming potential.

We enable a more sustainable and intelligent cold chain by preserving, protecting and extending the supply of fresh food, lifesaving medicine and other perishable goods for people around the world. Our refrigeration solutions help customers achieve their sustainability goals while maximizing operational efficiency and product quality. Carrier's Lynx digital ecosystem offers a suite of advanced analytics solutions that provides customers with enhanced visibility, increased connectivity and actionable intelligence across their cold chain operations.

Our Refrigeration businesses continue to innovate connected solutions that help customers optimize their refrigeration technology and meet energy, carbon and waste reduction goals.

Carrier launched a lineup of trailer refrigeration models that significantly improve fuel efficiency and reduce particulate emissions to achieve lifetime compliance with the latest California emissions standards. The units use a refrigerant with lower global warming potential and are equipped with Carrier's Lynx Fleet telematics solution to remotely monitor temperature, location, movement and operating performance.

In North America, Carrier introduced two all-electric truck refrigeration models to increase the efficiency, reliability and sustainability of midsize and large trucks. In addition to using a refrigerant with lower global warming potential, the units have improved electric standby operation capacities to help customers reduce their carbon footprint.

In Europe, Carrier launched an all-electric temperature-controlled refrigeration unit that is energy efficient and easy to install. Compatible with most electric trucks, the new Syberia eCool system delivers zero direct engine emissions and ultra-low noise operation, meeting the latest regulations for urban areas.

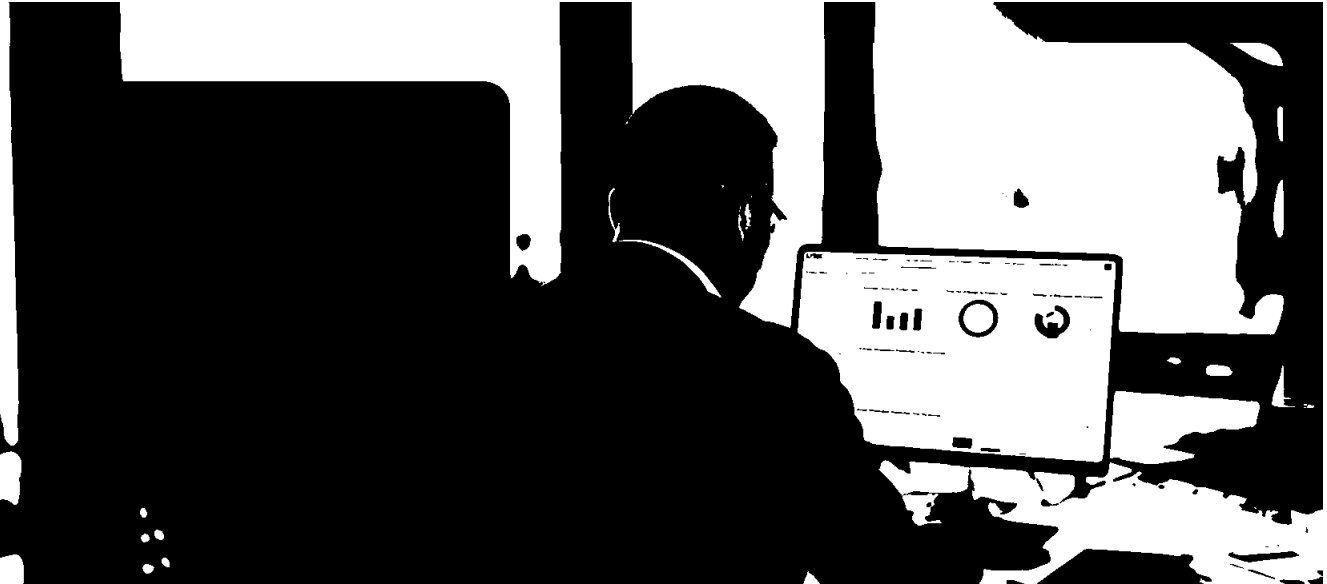
Carrier also introduced the OptimaLINE container refrigeration unit, which reduces carbon dioxide emissions and improves fuel efficiency compared with prior units, lowering customers' annual energy costs. The unit integrates with Carrier's Lynx Fleet telematics platform to improve operations by remotely monitoring refrigeration systems, location data and more.

In our commercial refrigeration business, Carrier launched a range of heat pumps in Europe featuring a compact, efficient design that significantly reduces direct and indirect emissions. The heat pumps use carbon dioxide as a natural refrigerant to offer a more sustainable energy supply solution to heat or cool commercial buildings, district heating grids and various industrial processes. In addition, remote monitoring and preventive maintenance technology help customers extend the product lifespan and optimize the efficient use of their systems.

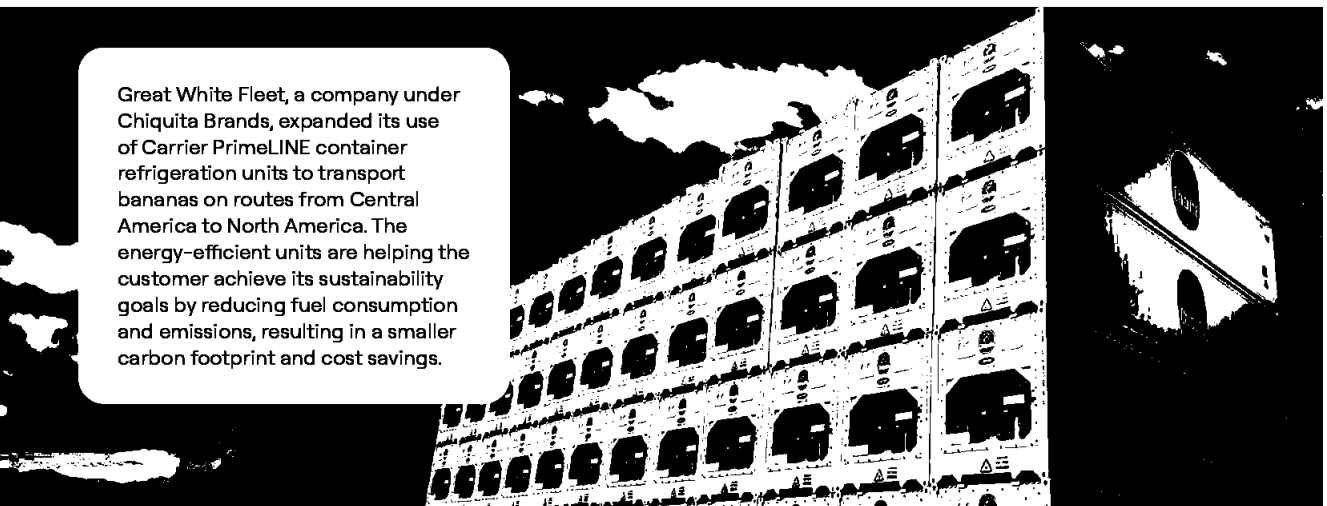
The Refrigeration segment had several key wins throughout the year, meeting the needs of customers around the world.

Carrier provided 2,000 PrimeLINE refrigeration units featuring Lynx Fleet to Yang Ming Marine Transport Corp., allowing the customer to transport and monitor a wider range of perishables on longer journeys, while maintaining quality. The Lynx Fleet solution includes proprietary technology that monitors performance and provides early warning actionable diagnostics and predictive analytics. The energy-efficient refrigeration units support Carrier's companywide goal of helping customers avoid more than 1 gigaton of greenhouse gas emissions by 2030.

¹ See page 69 for additional information regarding non-GAAP measures.



Long-time customer FreshLine purchased Carrier temperature-controlled trailers and tractor units fitted with Eco-Drive systems that use electric power from the truck's engine to power the refrigerated trailers. The solutions offer fuel and emissions savings, reducing the carbon footprint of FreshLine's commercial vehicle fleet. The units are backed by Carrier's BluEdge full-service maintenance package, including annual temperature control testing and certification, full regulatory checks and access to 24/7 incident management service.



Great White Fleet, a company under Chiquita Brands, expanded its use of Carrier PrimeLINE container refrigeration units to transport bananas on routes from Central America to North America. The energy-efficient units are helping the customer achieve its sustainability goals by reducing fuel consumption and emissions, resulting in a smaller carbon footprint and cost savings.



Fire & Security

\$3.6B

Net sales

\$543M

Adjusted operating profit¹

14.9%

Adjusted operating margin¹

With industry-leading brands like Kidde, Edwards, LenelS2, Det-Tronics and GST, customers trust us for all their safety and security needs, from the most complex jobs to the simplest conveniences. We offer a comprehensive suite of lifecycle solutions, connected technologies, mobile applications and cloud-based services. We lead the market in innovation, from best-in-class water mist technology with Marioff to industry-first smart, integrated indoor air quality, smoke and carbon monoxide detectors for the home.

Our Fire & Security businesses continue to develop innovative and intelligent solutions that make the world a safer place to live.

In our residential business, Kidde added three Wi-Fi-enabled detection devices to its comprehensive suite of fully integrated home health and safety product offerings. The connected devices include the industry's first plug-in device to combine carbon monoxide detection with an indoor air quality (IAQ) monitor, the industry's first device to combine smoke detection with an IAQ monitor, and a new smoke alarm with smart features. The products provide users with real-time notification of smoke, carbon monoxide and IAQ issues through the Kidde app.

Kidde Commercial introduced KESMobile, a cloud-based productivity solution to manage fire and life safety systems. It provides real-time insights into fire system panels and events across multiple sites using a comprehensive dashboard that is accessible remotely or on-site. The data informs system management resource planning and efficient service scheduling to streamline operations, optimize costs, minimize disruptions and meet compliance reporting requirements.

Aritech launched a security platform that integrates with new hardware and software, legacy devices and third-party systems. The panel connects to the cloud, allowing installers to optimize configuration on-premises or remotely, and enabling fast incident management in a cyber-secure environment.

LenelS2 made its BlueDiamond mobile credential technology available in Apple Wallet to further enhance building security and convenience. Approved users can unlock

secured areas or resources by holding an iPhone or Apple Watch near the keyless access reader. The solution does not require third-party integrations, reducing the total cost of ownership and creating a safer environment for employee data.

Customers continue to rely on our Fire & Security businesses to protect people and property across a wide range of applications.

In our commercial fire business, Edwards installed an integrated fire alarm, smoke management and communication system at the new Lusail International Circuit in Doha. The life safety system uses fiber cables to connect fire control panels in 35 buildings to a single network with centralized reporting for streamlined emergency communication and control.

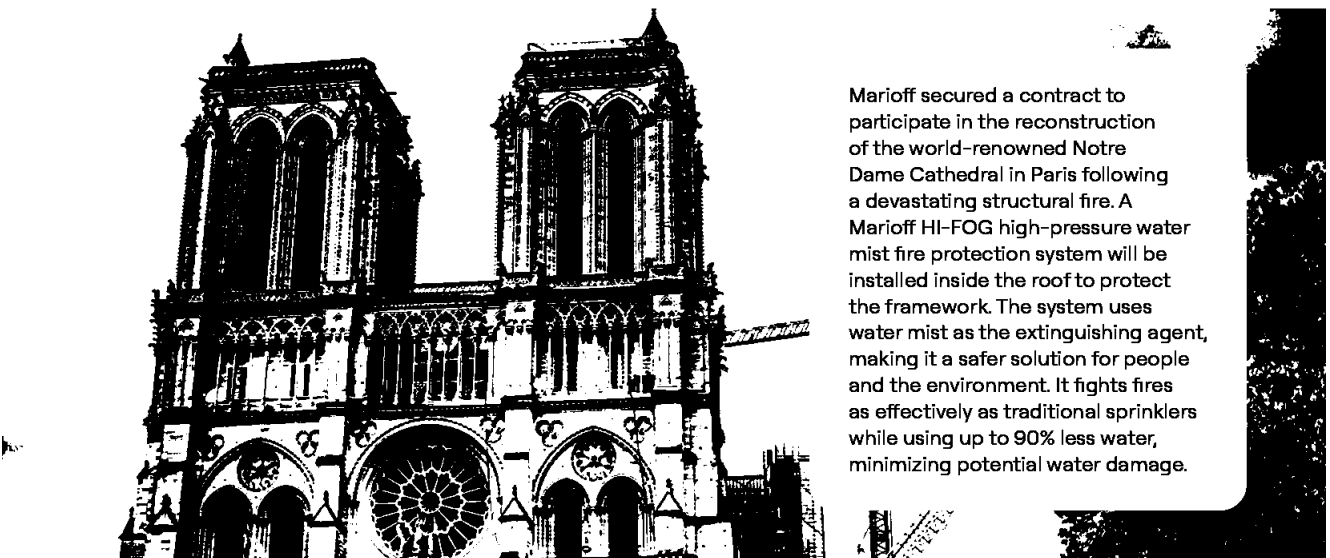
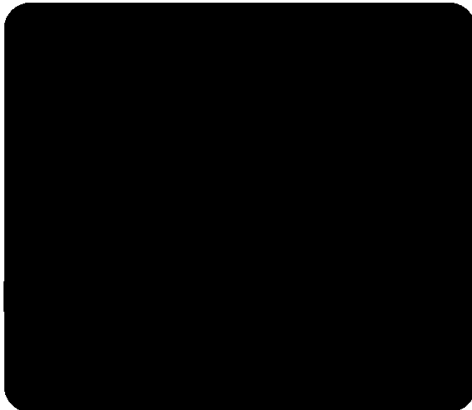
Norwegian Cruise Line Holdings extended its BluEdge Elite service agreement for Marioff to provide preventive maintenance services for water mist fire protection systems installed aboard 15 cruise ships. The five-year service agreement helps predict and optimize maintenance costs while prioritizing the safety of the fleet and maximizing uptime. It also covers spare parts, on-call emergency support and crew training.

Extra Space Storage, the second-largest self-storage company in the United States, integrated Onity's encrypted DirectKey mobile credentialing technology into its customer app and began using Onity's new Passport locking solution to digitize storage unit access. The solution allows tenants to unlock self-storage unit doors quickly and securely through a mobile app. Self-storage operators can remotely manage access, monitor activity and streamline operations.

¹ See page 69 for additional information regarding non-GAAP measures.



Kidde launched a subscription service through its home health mobile app. Subscribers receive a weekly report on indoor air quality and thermal comfort to help them take proactive, informed steps to keep their homes healthy and safe.



Marioff secured a contract to participate in the reconstruction of the world-renowned Notre Dame Cathedral in Paris following a devastating structural fire. A Marioff HI-FOG high-pressure water mist fire protection system will be installed inside the roof to protect the framework. The system uses water mist as the extinguishing agent, making it a safer solution for people and the environment. It fights fires as effectively as traditional sprinklers while using up to 90% less water, minimizing potential water damage.



Carrier provides intelligent climate and energy solutions and services for our customers. We are committed to operational excellence across our business.

Accelerating aftermarket growth through lifecycle solutions

We deliver digitally enabled solutions to customers across the entire product lifecycle. Our comprehensive aftermarket offerings include remote monitoring and diagnostics, predictive maintenance, spare parts, repairs, modifications and upgrades, rentals and other cutting-edge digital services.

For the third consecutive year, Carrier achieved double-digit aftermarket growth in 2023. Our expanded Abound and Lynx offerings accelerated recurring revenues while helping customers achieve their sustainability goals. Across all business segments, insights from our connected devices help increase energy efficiency, optimize performance and implement solutions before issues arise. We also grew our catalog of parts, services and connected solutions.

Our commercial HVAC business has nearly 75,000 chillers under long-term BluEdge service contracts. Approximately 29,000 Carrier chillers are connected, enabling real-time monitoring and remote services from our global network of command centers, engineers and data scientists.

We have nearly 115,000 refrigeration units under Lynx subscriptions, and our truck trailer business has more than 130,000 units under BluEdge contracts. In our Fire & Security segment, more than 260,000 systems are connected, providing insights and alerts.

Building intelligent, connected ecosystems

We create digital solutions that leverage data-driven insights and artificial intelligence (AI) to help customers achieve their desired outcomes, while increasing our recurring revenues.

Carrier expanded the capabilities and deployment of our key digital platforms, Abound and Lynx. As we continue to accelerate our go-to-market efforts for these platforms, we are activating the full strength of our global sales network. Abound was also released on the Amazon Web Services Marketplace, opening a new path to market for our software.

Internally, we continued to invest in Carrier IO, a single platform for connecting assets to the cloud. We released a collection of plug-and-play services within the platform that are designed to increase productivity and agility, while accelerating product innovation.

John Mackirdy Ltd., a customer of more than 20 years, enhanced its existing fleet of Carrier temperature-controlled trailers by installing Lynx Fleet onto the units. The connected solution continuously monitors performance and automates key processes to reduce fuel consumption and greenhouse gas emissions, lower the risk of cargo spoilage and optimize performance.





We continued to reduce the complexity of our enterprise resource planning landscape, enabling more agile and cost-efficient internal operations. In addition, we implemented digital initiatives to optimize factory operations – from the procurement of raw materials to tracking equipment in transit. The digitalization of our factories aims to expedite time to market, inform decision-making and streamline overall manufacturing processes.

Our new Generative AI Task Force is guiding the company’s secure and responsible use of AI technology to drive efficiency and innovation. By applying the power of generative AI, Carrier is tackling a range of high-impact use cases related to operational efficiency, customer experience and more.

Creating visionary breakthroughs for a better tomorrow

Carrier develops intelligent climate and energy solutions that support our commitment to achieving net-zero greenhouse gas emissions across our value chain by 2050. Our comprehensive offerings help customers reach and exceed their goals and stay ahead of regulatory changes.

Our portfolio of digitally enabled lifecycle solutions expanded with offerings such as Abound Net Zero Management, Lynx Logix, IntelliSense and more. We introduced more electric technologies and energy-efficient products to reduce dependency on fossil fuels, and we increased the use of refrigerants with lower global warming potential.

We increased our annual investment in research and development, investing more than \$2 billion in the last four years. In 2023, for the ninth year in a row, we released more than 100 new products. We also have more than 14,000 active patents and pending patent applications worldwide combined.

Carrier innovates through collaboration. We opened four additional i3 Labs in the United States, India, China and Japan. The innovation incubators are creative spaces where we ignite the development of disruptive technologies and empower our teams to test and develop solutions quickly, choosing speed to deliver differentiated customer solutions.



100+

New products
for the 9th consecutive year



14,000+

Active patents
and pending patent applications worldwide

Enhancing performance through operational excellence

Carrier Excellence is our continuous improvement framework that drives our world-class operations culture. It enhances customer experiences, enables growth and engages employees in problem-solving to achieve breakthrough performance results. In 2023, we deployed the Carrier Excellence program to over 1,000 additional employees and certified 14 more manufacturing sites.

We achieved productivity savings through our strategic sourcing actions. Carrier continues to build a more resilient supply chain with increased leverage through dual sourcing critical components, localizing suppliers, establishing direct relationships with original equipment manufacturers and redesigning components using a design-to-value approach. We also implemented new digital tools that help our factories lower production costs, reduce inventories and improve efficiency.

Carrier focuses on product safety and quality, along with health and safety excellence, throughout our facilities. Our factories undergo an in-depth quality assessment to ensure compliance with our standards, and our Lead with Safety program includes nine safety commitments that empower our employees to stop work if any task cannot be performed safely. The program helps us uphold our 2030 goal to maintain world-class safety metrics.



Sustainability

Carrier is developing visionary breakthroughs today to create a better tomorrow. Our solutions help customers achieve their decarbonization targets. We also incorporate sustainable practices throughout our global operations.

Recognition

Ranked No. 8 of
100 Most Sustainable Companies

Barron's, 2023

Named to
Carbon Clean200

Corporate Knights and As You Sow, 2023

Awarded a
Silver Medal

EcoVadis, 2023

Achieved
Prime ESG Corporate Rating

ISS ESG, 2023

Achieved
ESG Leader Rating

MSCI ESG Ratings, 2023

Among
America's Most Responsible Companies

Newsweek, 2023

Named an
ESG Industry Top-Rated Company

Sustainalytics, 2023

Carrier is leading the way to a more sustainable future. Our 2030 environmental, social and governance (ESG) goals underscore Carrier's commitment to the things that matter and to continuously challenge ourselves to think bigger and to be better. Expanding on three decades of environmental targets, our goals include measures to improve our planet, our people and our communities through sustainable solutions, investments and practices. We strive to be a catalyst for positive and sustainable change as we innovate, empower our people and operate with integrity. That is *The Carrier Way*.

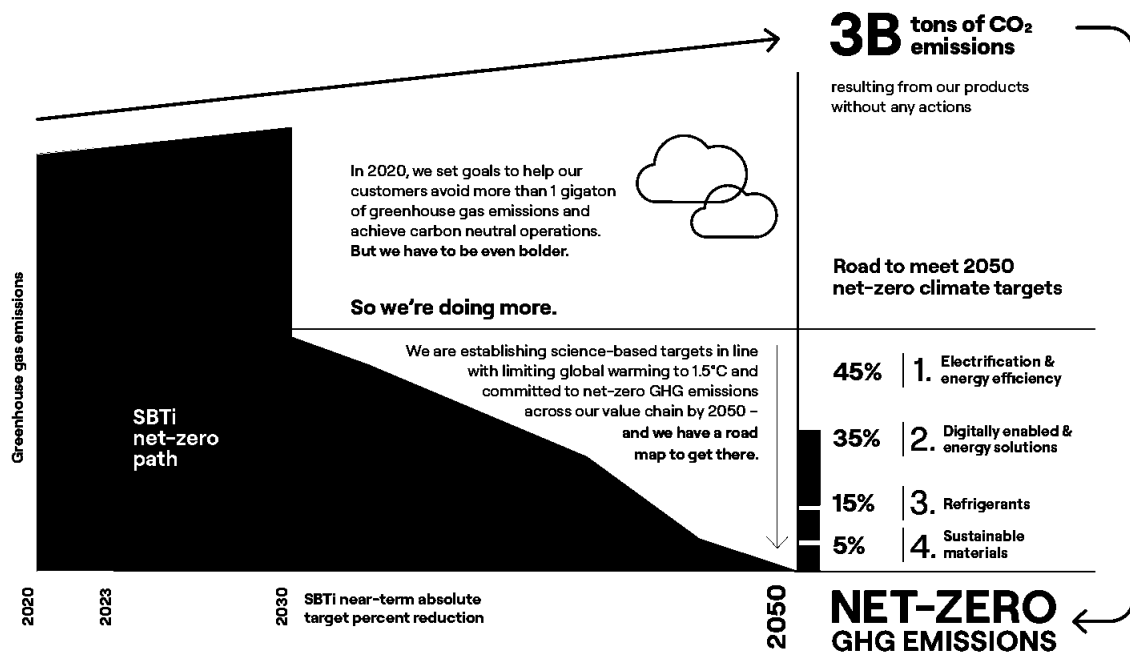
In addition, Carrier committed to setting near- and long-term greenhouse gas emission reduction goals in line with the Science Based Targets initiative to limit global warming to 1.5°C. In accordance with this initiative, we unveiled our road map to achieve net-zero greenhouse gas emissions across our value chain by 2050. We also joined the Corporate Coalition for Innovation & Technology toward Net Zero, a business alliance dedicated to helping countries meet decarbonization and climate change goals.

Our road map involves strategically transforming our portfolio through electrification, integration and resilience. By providing sustainable solutions, we are also advancing toward our goal of helping customers avoid more than 1 gigaton of greenhouse gas emissions by 2030. Our products, services and digital capabilities help customers meet their energy, carbon and food-waste reduction goals. Energy-efficient heat pumps, all-electric refrigeration and building solutions, refrigerants with lower global warming potential and connected technologies are just a few of the ways we are improving efficiencies in buildings, in homes and across the cold chain.

Learn about our goals and progress
at corporate.carrier.com/esg-report



Carrier's Road Map to Net Zero



We have invested more than \$965 million in sustainable research and design since 2020. Additionally, our global venture capital group, Carrier Ventures, expanded its portfolio of strategic partnerships with high-growth companies to accelerate the development of sustainable innovations and disruptive technologies for building and cold chain net-zero solutions.

We incorporate sustainable practices aimed at reducing greenhouse gas emissions, energy consumption, water withdrawal and waste to landfill. We are expanding the use of high-efficiency equipment, refrigerants with lower global warming potential, electric technologies and renewable energy.

In support of our carbon neutrality goal, we are transitioning to cleaner energy sources. In Montilla, Spain, and Montluel, France, we entered contracts to install solar array systems at our commercial HVAC sites. The renewable energy generated from the systems is expected to account for approximately 33% and 17% of the annual electricity consumption at the sites, respectively. In the United States, we entered long-term contracts that will provide us with renewable energy certificates to credit against 100% of our annual U.S. electricity consumption.

We also achieved zero waste to landfill certification at 11 additional manufacturing sites by transitioning to more sustainable methods of waste management.



Our People & Culture

At Carrier, we strive to connect our people to our purpose, our culture and to each other. *The Carrier Way* is our foundation, our north star. It defines our vision, values and cultural behaviors that allow us to create a workplace where we work and win, together, and always with a focus on delivering excellence, the right way.

Carrier is a global employer of choice, focused on attracting, developing and retaining world-class talent, and fostering an inclusive culture rich in global diversity. We develop and deploy best-in-class programs and practices, provide enriching career opportunities, listen to employee feedback and always challenge ourselves to do better.

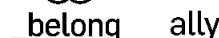
In 2023, we introduced *Leading People The Carrier Way*, an extension of *The Carrier Way*. It defines our Talent Philosophy, our guiding principles for how people leaders develop talent and build the best teams, and our Leader Success Model, which sets expectations for how people leaders lead others. Our goal is to build the very best teams with great talent so that we can engage our teams, delight our customers and grow the company.

As part of our activation activities, these talent and leadership principles were embedded into our hiring, assessment, development and reward practices to drive consistency and enable the recruitment and retention of top talent, internal talent mobility and engagement. We integrated our people leadership behaviors into *Performance Connections*, our performance management program, and other development programs such as our early career programs, new people leader training, and our *Elevate* and *Talent Possible* leadership and high-potential development programs.

At Carrier, we take great care in listening to our employees, reflecting on their feedback and taking action. One of the ways we achieve this is by conducting our *Pulse* global engagement surveys three times a year, in local languages. Our Engagement and Inclusion scores are above benchmark and have each improved by six points since we became an independent company in 2020.

We also increased our focus on transparent, two-way feedback by equipping people leaders and employees with a feedback model and training. We introduced additional resources and dashboards to help people leaders have visibility to key people-related data to create action plans for continuous improvement, and to track progress.

In support of our deep focus on talent, culture and being an employer of choice, Carrier has invested in a number of people programs, philosophies and practices focused on development and career growth, engagement, flexible work and employee well-being.



Pulse Survey Results

Engagement Score

76 2023	70 2019	74 Benchmark ¹
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Inclusion Score

74 2023	68 2019	70 Benchmark ¹
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¹ This global external benchmark is provided by Carrier's third-party engagement survey provider.

2023 Diversity Representation

	2023	2015
Global executive diversity ²	50%	27%
Global women executives	32%	20%
U.S. People of Color executives	33%	13%
U.S. People of Color professionals	27%	18%

² Global women and U.S. People of Color.



OUR TALENT PHILOSOPHY

Our guiding principles for how People Leaders develop talent and Build Best Teams.

- We value BEHAVIORS while achieving results.**
We use the "what" and the "how" to assess performance and potential. We role model *The Carrier Way* behaviors and hold each other accountable to do the same.
- We DEVELOP and help our people grow.**
We support a culture of growth, valuing experiences and cross-company movement to accelerate development. Employees own their development, with support from their leader.
- We are TRANSPARENT and give real-time feedback.**
We discuss performance and potential, so all employees can grow and succeed. Leaders and employees give and receive two-way feedback candidly and constructively.
- We PERFORM by setting stretch goals and holding individuals and teams accountable.**
We coach for higher performance, raising the bar every year, and take timely action.
- We DIFFERENTIATE based on contributions.**
We recognize and reward both high performance and high potential through differentiated investment, development, compensation and career progression.

OUR LEADER SUCCESS MODEL

Our expectations for how People Leaders lead others.

- Think "Outside In"**
Seek market-leading solutions. One Carrier always. Know and amaze your customers.
- Define the Future Boldly**
Think big, take risks, inspire ideas. Make change comfortable. Try, learn, celebrate.
- Generate Energy**
Connect people to purpose, empower. Lead inclusively, ignite optimism. Choose mission over self.
- Own Outcomes**
Simplify, prioritize and focus. Anticipate, adjust, clear the path. Make it happen, together.

We further support our employees by providing global well-being offerings, including our worX flexible work program,³ Global Employee Assistance Program, online well-being training and an employee well-being incentive program.

Our inclusion philosophy, *_belong*, underscores the importance of culture in a diverse workplace where everyone can come to work – every day – and feel like they belong. To build upon that philosophy, in 2023, we introduced *ally*, outlining our principles for how employees can contribute to building an inclusive culture, globally. Our *ally* principles include **advocate, listen, learn and yield**. We held our annual companywide "Day of Understanding," focusing our discussion on allyship, and offered our employees inclusion awareness training.

Our global Employee Resource Groups (ERGs) include Carrier Black Alliance, Carrier Hispanics & Latinos Employee Engagement Resource Group, Military & Veterans, Pride, Women Empowerment at Carrier and United Carrier Asian Network. They reflect the diversity of Carrier's workforce;

foster a culture of inclusion, allyship and sponsorship for all; and continue to be open to all employees. Our ERGs led sessions on networking and career planning and held grassroots events throughout the year. In Japan, with our recent acquisition of Toshiba Carrier Corp., we expanded our efforts with the creation of an inclusion and diversity council.

We maintain partnerships with several colleges and universities to strengthen our talent pipeline, and we increased student participation in our six-week leadership program. Mentors from Carrier led workshops on inclusion and diversity, and career preparation.

For the third consecutive year, Carrier was named a Best Place to Work for LGBTQ+ Equality by the Human Rights Campaign Foundation in the United States and for the second time in Mexico by Equidad Mexico. Both locations received a perfect score of 100 points on the Corporate Equality Index, demonstrating our commitment to workplace inclusion. Carrier was also named to the Forbes list of the World's Best Employers.

³ For those employees whose roles and responsibilities allow for remote work. May be subject to location regulation or bargaining/consultation requirement.



Corporate Social Responsibility

Carrier supports organizations that promote the *planet* by advancing sustainable climate solutions, *people* by developing a skilled and diverse workforce, and the *communities* in which we live, work and operate.

We supported civic, cultural, economic and social welfare organizations around the world. We invested in communities through cash and in-kind donations, and through the Carrier Matching Gifts Program, a dollar-for-dollar charitable donation program in the United States. We exceeded our first-year volunteer program goal with nearly 12,000 volunteer hours logged.

Carrier continued to support Habitat for Humanity through volunteer efforts, financial contributions and product donations from our Healthy Homes suite of indoor air quality and fire safety solutions. More than 650 employees participated in home builds across the United States as part of National Healthy Homes Month, the Carter Work Project, National Intern Day, a veteran build and more to help increase access to healthy and safe indoor environments.

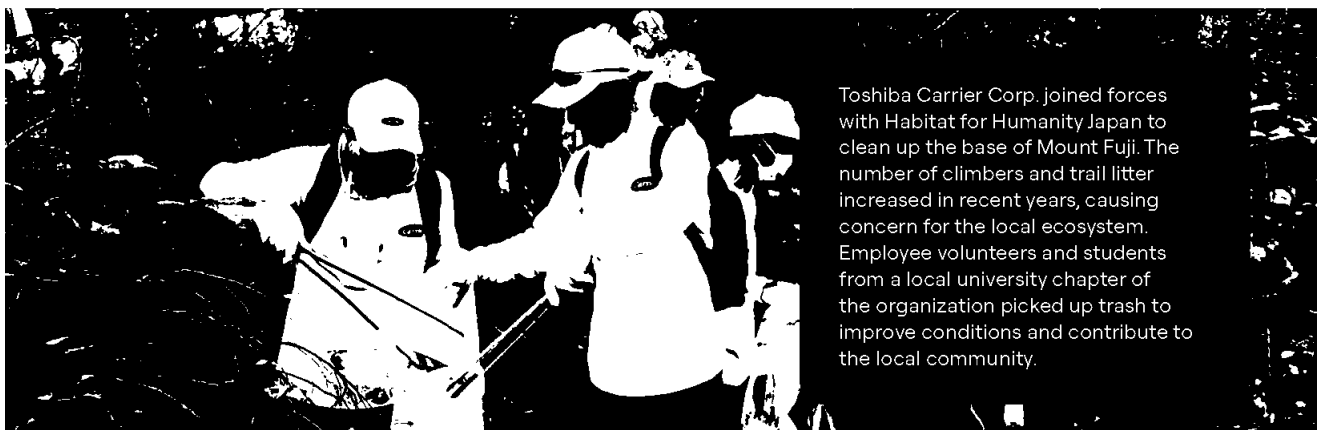
In Ghana, construction progressed on the new World Food Programme Transport Training Centre, a collaboration among Carrier, other leading companies and the United Nations World Food Programme. In 2023, the center trained nearly 200 participants from across the humanitarian community and the private sector in West Africa via both in-person and virtual sessions to enhance cold chain transport and logistics capacities.

We continued our long-term support of the Indian Green Building Council Green Your School Programme. Students submitted ideas to make their schools more environmentally responsible. The winning schools received grant money to implement sustainability projects and transform their spaces.

Carrier and the Urban Green Council are working toward decarbonizing buildings for more resilient communities. We supported an interactive public portal for New York City building data that tracks energy use to help the city implement policies that promote energy efficiency and reduce greenhouse gas emissions. Carrier also supported the Green Professional Training certificate program, which helps those who build, renovate and operate buildings learn how to make them sustainable, resilient and healthy.

We expanded our involvement with the global youth robotics organization For Inspiration and Recognition of Science and Technology (*FIRST*). The organization encourages students ages 4 to 18 to develop science, technology, engineering and math skills for future careers. Carrier supported programs around the world, and employees mentored teams and volunteered at competitions.

Our Kidde business continued to grow its award-winning Cause For Alarm fire safety education initiative to support communities that are at higher risk of residential fires. The program expanded beyond the United States to Canada, Australia and the United Kingdom, educating families about the importance of having working smoke alarms and practicing fire safety at home. Kidde donated fire safety products to communities in need and partnered with organizations around the world to raise fire safety awareness.



Toshiba Carrier Corp. joined forces with Habitat for Humanity Japan to clean up the base of Mount Fuji. The number of climbers and trail litter increased in recent years, causing concern for the local ecosystem. Employee volunteers and students from a local university chapter of the organization picked up trash to improve conditions and contribute to the local community.



Financials

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The financial information included herein should be read in conjunction with the financial statements and notes in our Annual Report on Form 10-K for calendar year 2023 filed with the United States Securities and Exchange Commission ("SEC") on February 6, 2024 (the "2023 Annual Report on Form 10-K").



Cautionary Note Concerning Factors That May Affect Future Results

This Annual Report contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "outlook," "confident," "scenario" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Carrier, Carrier's plans with respect to our indebtedness and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- The effect of economic conditions in the industries and markets in which Carrier and our businesses operate in the U.S. and globally and any changes therein, including financial market conditions, inflationary cost pressures, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions, pandemic health issues, natural disasters and the financial condition of our customers and suppliers;
- Challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- Future levels of capital spending and research and development spending;
- Future availability of credit and factors that may affect such availability, including credit market conditions and Carrier's capital structure and credit ratings;
- The timing and scope of future repurchases of Carrier's common stock, including market conditions and the level of other investing activities and uses of cash;
- Delays and disruption in the delivery of materials and services from suppliers;
- Cost reduction efforts and restructuring costs and savings and other consequences thereof;

- New business and investment opportunities;
- The outcome of legal proceedings, investigations and other contingencies;
- The impact of pension plan assumptions on future cash contributions and earnings;
- The impact of the negotiation of collective bargaining agreements and labor disputes;
- The effect of changes in political conditions in the U.S. and other countries in which Carrier and our businesses operate, including the effect of changes in U.S. trade policies, on general market conditions, global trade policies and currency exchange rates in the near term and beyond;
- The effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we and our businesses operate;
- The ability of Carrier to retain and hire key personnel;
- The scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;
- A determination by the U.S. Internal Revenue Service ("IRS") and other tax authorities that the Distribution or certain related transactions should be treated as taxable transactions; and
- Risks associated with current and future indebtedness, as well as our ability to reduce indebtedness and the timing thereof.

This Annual Report includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the Notes to the Consolidated Financial Statements in this Annual Report under the heading "Note 23 – Commitments and Contingent Liabilities," the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section entitled "Risk Factors." This Annual Report also includes important information as to these factors in the "Business" section under the headings "General," "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the United States Securities and Exchange Commission ("SEC").

This Annual Report and our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge through the Investors section of our Internet website (<http://www.corporate.carrier.com>) under the heading "SEC Filings" as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the SEC. In addition, the SEC maintains an Internet website (<http://www.sec.gov>) containing reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.



Management's Discussion and Analysis

Business Overview

Business Summary

Carrier Global Corporation ("we" or "our") is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to our customers. Our portfolio includes industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning ("HVAC"), refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. We also provide a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. Our operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

Our worldwide operations are affected by global and regional industrial, economic and political factors and trends. These include the mega-trends of urbanization, climate change and increasing requirements for food safety driven by the food needs of our growing global population and the rising standards of living in emerging markets. We believe that our business segments are well positioned to benefit from favorable secular trends, including these mega-trends and from the strength of our industry-leading brands and track record of innovation. In addition, we regularly review our end markets to proactively identify trends and adapt our strategies accordingly.

Our business is also affected by changes in the general level of economic activity, such as changes in business and consumer spending, construction and shipping activity as well as short-term economic factors such as currency fluctuations, commodity price volatility and supply disruptions. We continue to invest in our business, take pricing actions to mitigate supply chain and inflationary pressures, develop new products and services in order to remain competitive in our markets and use risk management strategies to mitigate various exposures. We believe that we have industry-leading global brands, which form the foundation of our business strategy. Coupled with our focus on growth, innovation and operational efficiency, we expect to drive long-term future growth and increased value for our shareowners.

Significant Events

Planned Portfolio Transformation

On April 25, 2023, we announced that we entered into a Share Purchase Agreement (the "Agreement") to acquire the climate solutions business (the "VCS Business") of Viessmann Group GmbH & Co. KG ("Viessmann"), a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The acquisition was completed on January 2, 2024 for total consideration of \$14.2 billion.

On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, we entered into a stock purchase agreement to sell our Fire and Security Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. On December 12, 2023, we entered into a stock purchase agreement to sell our Commercial Refrigeration business ("CCR") to Haier Group Corporation for an enterprise value of approximately \$775 million. Both transactions are expected to close 2024.

Deconsolidation of Kidde-Fenwal, Inc.

On May 14, 2023, Kidde-Fenwal, Inc. ("KFI"), an indirect wholly-owned subsidiary of ours, filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court for the District of Delaware. KFI, an industrial fire detection and suppression business historically reported in our Fire & Security segment, has indicated that it intends to use the bankruptcy process to explore strategic alternatives, including the sale of KFI as a going concern. KFI has further stated that, during the Chapter 11 process, KFI expects that there will be no significant interruptions to its business operations. As of the petition date, KFI was deconsolidated and its respective assets and liabilities were derecognized from our Consolidated Financial Statements.

Acquisition of Toshiba Carrier Corporation

On February 6, 2022, we entered into a binding agreement to acquire a majority ownership interest in Toshiba Carrier Corporation ("TCC"), a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation. TCC designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition included all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The acquisition was completed on August 1, 2022. As a result, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within our HVAC segment. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.



Management's Discussion and Analysis

Sale of Chubb Fire & Security Business

On July 26, 2021, we entered into a stock purchase agreement to sell our Chubb Fire & Security business ("Chubb") to API Group Corporation ("API"). Chubb, which was reported within our Fire & Security segment, delivered essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. On January 3, 2022, we completed the sale of Chubb (the "Chubb Sale") for net proceeds of \$2.9 billion and recognized a gain on the sale of \$1.1 billion during the year ended December 31, 2022.

Results of Operations

This discussion summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity for the year ended December 31, 2023 compared with December 31, 2022. This discussion should be read in conjunction with Item 8, the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements in this Annual Report.

A detailed discussion of the year ended December 31, 2022 compared with December 31, 2021 is not included herein and can be found in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in the Company's 2022 Annual Report, filed with the SEC on February 7, 2023, under the heading "Results of Operations," which is incorporated herein by reference.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

The results of TCC's operations are included in our consolidated results since the acquisition date of August 1, 2022. Prior to the acquisition, we previously accounted for our minority ownership in TCC under the equity method of accounting and recognized our portion of earnings within *Equity method investment in net earnings* as part of operating expenses. As a result, prior period results may not be comparable to the current period.

The following represents our consolidated net sales and operating results:

(In millions)	2023	2022	Period Change	% Change
Net sales	\$22,098	\$20,421	\$ 1,677	8%
Cost of products and services sold	(15,715)	(14,957)	(758)	5%
Gross margin	6,383	5,464	919	17%
Operating expenses	(4,087)	(949)	(3,138)	331%
Operating profit	2,296	4,515	(2,219)	(49)%
Non-operating income (expense), net	(212)	(223)	11	(5)%
Income from operations before income taxes	2,084	4,292	(2,208)	(51)%
Income tax expense	(644)	(708)	64	(9)%
Net income from operations	1,440	3,584	(2,144)	(60)%
Less: Non-controlling interest in subsidiaries' earnings from operations	91	50	41	82%
Net income attributable to common shareowners	\$ 1,349	\$ 3,534	\$(2,185)	(62)%

Net Sales

For the year ended December 31, 2023, *Net sales* was \$22.1 billion, an 8% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	2023
Organic / Operational	3%
Acquisitions and divestitures, net	5%
Total % change	8%

Organic sales for the year ended December 31, 2023 increased by 3% compared with the same period of 2022. The organic increase was primarily driven by our HVAC segment due to improved global end-markets in our Commercial HVAC business and pricing improvements in our North America residential and light commercial business. In addition, our Fire & Security segment benefited from price improvements and volume growth in each region. However, results in our Refrigeration segment decreased

due to lower volumes in commercial refrigeration and container end-markets. Refer to "Segment Review" below for a discussion of *Net sales* by segment.

On August 1, 2022, we acquired a majority ownership interest in TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The results of TCC have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 6% to *Net sales* during the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.

As of May 14, 2023, we no longer controlled KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from our Consolidated Financial Statements. The deconsolidation had a 1% impact on *Net sales* during the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.



Management's Discussion and Analysis

Gross Margin

For the year ended December 31, 2023, gross margin was \$6.4 billion, a 17% increase compared with the same period of 2022. The components were as follows:

(In millions)	2023	2022
Net sales	\$22,098	\$20,421
Cost of products and services sold	(15,715)	(14,957)
Gross margin	\$ 6,383	\$ 5,464
Percentage of net sales	28.9%	26.8%

Gross margin increased by \$919 million compared with the year ended December 31, 2022. A main driver of the increase related to ongoing customer demand, pricing improvements and our continued focus on productivity initiatives. In addition, operating results associated with TCC further benefited gross margin during the year. These amounts were partially offset by the higher cost of commodities and components used in our products and certain supply chain constraints. Although inflationary cost pressures have begun to moderate, they remain elevated and continue to impact the cost of products and services sold in each of our segments. Gross margin as a percentage of *Net sales* increased by 210 basis points compared with the same period of 2022.

Operating Expenses

For the year ended December 31, 2023, operating expenses, including *Equity method investment net earnings*, was \$4.1 billion, a 331% increase compared with the same period of 2022. The components were as follows:

For the Year Ended December 31,		
(In millions)	2023	2022
Selling, general and administrative	\$(3,297)	\$(2,512)
Research and development	(617)	(539)
Equity method investment net earnings	211	262
Other income (expense), net	(384)	1,840
Operating expenses	\$(4,087)	\$ (949)
Percentage of net sales	18.5%	4.6%

For the year ended December 31, 2023, *Selling, general and administrative* expenses were \$3.3 billion, a 31% increase compared with the same period of 2022. The increase is primarily due to higher compensation, commissions and other employee-related costs during the current period. In addition, incremental selling, general and administrative expenses associated with TCC further contributed to the increase. The current year also included \$220 million of acquisition and divestiture-related costs compared with \$31 million during the year ended December 31, 2022.

Research and development costs relate to new product development and new technology innovation. Due to the variable nature of program development schedules, year-over-year spending levels can fluctuate. In addition, we continue to invest to prepare for future energy efficiency and refrigerant regulation changes and in digital controls technologies.

Investments over which we do not exercise control, but have significant influence, are accounted for using the equity method of accounting. For the year ended December 31, 2023, *Equity method investment net earnings* were \$211 million, a 19% decrease compared with the same period of 2022. The decrease was primarily driven by the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition. The decrease was partially offset by a \$16 million benefit recognized in connection with a favorable tax ruling at a minority owned joint venture. During the year ended December 31, 2022, pre-acquisition equity earnings of TCC totaled \$87 million which included a \$27 million gain on the sale of two minority owned subsidiaries.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of businesses or interests in our equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than an entity's functional currency and hedging-related activities. In connection with the proposed acquisition of the VCS Business, we recognized a \$96 million loss during the year ended December 31, 2023 on the mark-to-market valuation of our window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price. In addition, we recognized a loss of \$297 million on the deconsolidation of KFI due to its Chapter 11 filing.

In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest during the year ended December 31, 2022. In addition, we completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion. Prior period results also included a \$22 million charge resulting from a litigation matter and a \$7 million gain on the sale of our interest in a cost method investment reported within our Refrigeration segment.

Non-Operating Income (Expense), net

For the year ended December 31, 2023, Non-operating income (expense), net was \$212 million, a 5% decrease compared with the same period of 2022. The components were as follows:

For the Year Ended December 31,		
(In millions)	2023	2022
Non-service pension benefit (expense)	\$ (1)	\$ (4)
Interest expense	(362)	(302)
Interest income	151	83
Interest (expense) income, net	(211)	(219)
Non-operating income (expense), net	\$(212)	\$(223)

Non-operating income (expense), net includes the results from activities other than normal business operations such as interest expense, interest income and the non-service components of pension and post-retirement obligations. Interest expense is affected by the amount of debt outstanding and the interest rates on that debt. For the year ended December 31, 2023, interest expense was



Management's Discussion and Analysis

\$362 million, a 20% increase compared with the same period of 2022. In connection with the proposed acquisition of the VCS Business, we entered into several financing arrangements and capitalized \$105 million of deferred financing costs during 2023. As a result, we amortized \$55 million of deferred financing costs in *Interest expense*, of which \$47 million related to our senior unsecured bridge term loan facility (the "Bridge Loan"). During the year ended December 31, 2022, we completed tender offers to repurchase approximately \$1.15 billion aggregate principal of our 2.242% Notes due 2025 and 2.493% Notes due 2027. Upon settlement, we wrote off \$5 million of unamortized deferred financing costs in *Interest expense* and recognized a net gain of \$33 million in *Interest income*.

Income Taxes

	2023	2022
Effective tax rate	30.9%	16.5%

The effective tax rate for the year ended December 31, 2023 was higher than our statutory U.S. federal income tax rate. The increase was primarily driven by a net tax charge of \$90 million relating to the re-organization and disentanglement of CCR and certain Fire & Security industrial businesses in advance of the planned divestitures and a deferred tax charge of \$65 million related to basis differences in certain companies presented as held-for-sale. In addition, the effective tax rate was impacted by the recognition of a deferred tax liability for withholding tax of \$33 million on repatriated foreign earnings, non-deductible divestiture-related costs and a non-deductible loss of \$96 million on the mark-to-market valuation of the Company's window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price of the VCS Business. The unfavorable impact of the above items is partially offset by a \$53 million tax benefit recorded from the announced KFI

bankruptcy and deconsolidation and \$49 million of foreign tax credit generated and utilized in 2023.

The effective tax rate for the year ended December 31, 2022 was lower than our statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of our previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in 2022.

Segment Review

We conduct our operations through three reportable segments:

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability.
- The Refrigeration segment includes transport refrigeration and monitoring products, services and digital solutions for trucks, trailers, shipping containers, intermodal and rail, as well as commercial refrigeration products.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property.

We determine our segments based on how our Chief Executive Officer, who is the Chief Operating Decision Maker (the "CODM"), allocates resources, assesses performance and makes operational decisions. The CODM allocates resources and evaluates the financial performance of each of our segments based on *Net sales* and *Operating profit*. Adjustments to reconcile segment reporting to the consolidated results are included in Note 21 - Segment Financial Data.

Summary performance for each of our segments is as follows:

(In millions)	Net Sales		Operating Profit		Operating Margin	
	2023	2022	2023	2022	2023	2022
HVAC	\$15,139	\$13,408	\$2,275	\$2,610	15.0%	19.5%
Refrigeration	3,818	3,883	428	483	11.2%	12.4%
Fire & Security	3,633	3,570	209	1,630	5.8%	45.7%
Total segment	\$22,590	\$20,861	\$2,912	\$4,723	12.9%	22.6%

HVAC Segment

For the year ended December 31, 2023, *Net sales* in our HVAC segment was \$15.1 billion, a 13% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	5%
Foreign currency translation	(1)%
Acquisitions and divestitures, net	9%
Total % change	13%

The organic increase in *Net sales* of 5% was driven by continued strong results in the segment. Increased sales in our Commercial HVAC business (up 12%) benefited from pricing improvements and ongoing customer demand in our end-markets. The business grew in all regions including Europe and Asia as current economic conditions and inflationary cost pressures improved compared with the prior year. Higher sales in our North America residential and light commercial business (up 1%) were primarily driven by pricing improvements and improved mix associated with regulatory changes effective as of the beginning of 2023. These amounts were partially offset by lower volume in North America residential end-markets.



Management's Discussion and Analysis

Results in our Global Comfort Solutions business (down 2%) were primarily driven by lower demand in certain European end-markets.

On August 1, 2022, we acquired a majority ownership interest in TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The results of TCC have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 9% to *Net sales* for the year ended December 31, 2023 and is included in Acquisitions and divestitures, net.

For the year ended December 31, 2023, *Operating profit* in our HVAC segment was \$2.3 billion, a 13% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	12%
Acquisitions and divestitures, net	6%
Amortization of acquired intangibles	(4)%
Restructuring	(1)%
Other	(26)%
Total % change	(13)%

The operational profit increase of 12% was primarily attributable to pricing improvements and ongoing customer demand in certain end-markets compared with the prior year. These benefits more than offset the higher cost for commodities and components used in our products. Lower earnings from equity method investments impacted operational profit due to the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition. Inflationary cost pressures have begun to moderate but continue to impact our operating profit.

Acquisitions and divestitures, net primarily related to the results of operations associated with the acquisition of TCC. The transaction added 6% to *Operating profit* during the year ended December 31, 2023. In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest in Other.

Refrigeration Segment

For the year ended December 31, 2023, *Net sales* in our Refrigeration segment was \$3.8 billion, a 2% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	(2)%
Foreign currency translation	1%
Acquisitions and divestitures, net	(1)%
Total % change	(2)%

Organic *Net sales* decreased 2% compared to the prior year as the segment experienced challenges in certain end-markets during the year. Results for Commercial refrigeration decreased (down 14%) compared with the prior year, primarily driven by lower volumes in Europe as economic conditions and inflationary cost pressures impacted end-market demand. In addition, Asia results were impacted by reduced end-market demand in China. Transport refrigeration results increased (up 3%) compared to the prior year as pricing improvements and strong end-market demand in all regions were partially offset by continued weakness in container end-markets.

For the year ended December 31, 2023, *Operating profit* in our Refrigeration segment was \$428 million, an 11% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	(14)%
Foreign currency translation	1%
Restructuring	(3)%
Other	5%
Total % change	(11)%

The decrease in operational profit of 14% was primarily driven by lower volume in certain end-markets compared with the prior year. In addition, the higher costs of commodities and components used in our products further impacted segment results. These amounts were partially offset by pricing improvements and favorable productivity initiatives. Inflationary cost pressures have begun to moderate but continue to impact our operating profit. Amounts reported in Other represent a \$24 million gain on the sale of a business within Transport refrigeration.

Fire & Security Segment

For the year ended December 31, 2023, *Net sales* in our Fire & Security segment was \$3.6 billion, a 2% increase compared with the same period of 2022. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	6%
Foreign currency translation	(1)%
KFI deconsolidation	(3)%
Total % change	2%

The organic increase in *Net sales* of 6% was primarily driven by pricing improvements and volume growth compared with the prior year. Sales grew in all three regions including strong commercial results in the Americas. Growth in Europe moderated as economic conditions and inflationary cost pressures impacted end-market demand. Results in Asia normalized after



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a strong COVID-19 related recovery. Global industrial sales benefited segment results due to pricing improvements and strong demand. The segment was impacted by ongoing supply chain constraints for certain components used in our products.

For the year ended December 31, 2023, *Operating profit* in our Fire & Security segment was \$209 million, an 87% decrease compared with the same period of 2022. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	2%
Acquisitions and divestitures, net	(1)%
Restructuring	(1)%
KFI deconsolidation	(18)%
Chubb gain	(68)%
Other	(1)%
Total % change	(87)%

The operational profit increase of 2% was primarily driven by pricing improvements, volume growth and lower freight and logistics costs compared to the prior year. These amounts were partially offset by the higher costs of commodities and components used in our products. In addition, higher inventory-related reserves resulting from supply chain challenges further impacted segment results. Inflationary cost pressures have moderated, but continue to impact our operating profit.

As of May 14, 2023, we no longer control KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from our Consolidated Financial Statements. As a result, we recognized a loss on deconsolidation of \$297 million during the year ended December 31, 2023. In addition, we incurred divestiture-related costs reported within Other. During the twelve months ended December 31, 2022, we completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion

Liquidity and Financial Condition

We assess liquidity in terms of our ability to generate adequate amounts of cash necessary to fund our current and future cash requirements to support our business and strategic initiatives. In doing so, we review and analyze our cash on hand, working capital, debt service requirements and capital expenditures. We rely on operating cash flows as our primary source of liquidity. In addition, we have access to other sources of capital to finance our strategic initiatives and fund growth.

As of December 31, 2023, we had *Cash and cash equivalents* of \$10.0 billion, of which approximately 48% was held by

our foreign subsidiaries. We manage our worldwide cash requirements by reviewing available funds and the cost effectiveness with which we can access funds held by foreign subsidiaries. On occasion, we are required to maintain cash deposits in connection with contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2023 and 2022, the amount of such restricted cash was \$2 million and \$7 million, respectively.

We continue to actively manage and strengthen our business portfolio to meet the current and future needs of our customers. This is accomplished through research and development activities with a focus on new product development and new technology innovation as well as sustaining activities with a focus on improving existing products and reducing production costs. We also pursue potential acquisitions to complement existing products and services to enhance our product portfolio. In addition, we routinely conduct discussions, evaluate targets and enter into agreements regarding possible acquisitions, divestitures, joint ventures and equity investments to manage our business portfolio.

We believe that our available cash and operating cash flows will be sufficient to meet our future operating cash needs. Our committed credit facilities and access to the debt and equity markets provide additional sources of short-term and long-term capital to fund current operations, debt maturities and future investment opportunities. Although we believe that the arrangements currently in place permit us to finance our operations on acceptable terms and conditions, our access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including: (1) our credit ratings or absence of credit ratings; (2) the liquidity of the overall capital markets; (3) the state of the economy; and (4) the restrictions under our debt agreements. There can be no assurance that we will be able to obtain additional financing on terms favorable to us, if at all.

The following table contains several key measures of our financial condition and liquidity:

	As of December 31,	
(In millions)	2023	2022
Cash and cash equivalents	\$10,015	\$ 3,520
Total debt	\$14,293	\$ 8,842
Net debt (total debt less cash and cash equivalents)	\$ 4,278	\$ 5,322
Total equity	\$ 9,005	\$ 8,076
Total capitalization (total debt plus total equity)	\$23,298	\$16,918
Net capitalization (total debt plus total equity less cash and cash equivalents)	\$13,283	\$13,398
Total debt to total capitalization	61%	52%
Net debt to net capitalization	32%	40%



Management's Discussion and Analysis

Acquisition of Viessmann

On April 25, 2023, we announced that we entered into an Agreement to acquire the VCS Business. Under the terms of the Agreement, 20% of the purchase price was to be paid in Carrier common stock, issued directly to Viessmann and subject to long-term lock-up provisions and 80% was to be paid in cash. Simultaneously, we entered into commitment letters with JPMorgan Chase Bank, N.A., BofA Securities, Inc. and Bank of America, N.A. to provide a €8.2 billion Bridge Loan to fund a portion of the Euro-denominated purchase price.

On May 19, 2023, we entered into a 364-day, \$500 million, senior unsecured revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders (the "Revolver"). In addition, we entered into a senior unsecured delayed draw term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders that permits aggregate borrowings of up to €2.3 billion (the "Delayed Draw Facility"). Upon entering into the Delayed Draw Facility, the aggregate principal amount of the Bridge Loan was reduced by €2.3 billion. In November 30, 2023, we issued \$3.0 billion principal amount of USD-denominated notes ("USD Notes") and €2.35 billion principal amount of Euro-denominated notes ("Euro Notes"). Upon issuance, the aggregate principal amount of the Bridge Loan was reduced by €5.4 billion.

On January 2, 2024, we completed the acquisition of the VCS Business for \$14.2 billion. The cash portion of the purchase price was funded through cash on hand, proceeds from the USD Notes and the Euro Notes and borrowings under the Delayed Draw Facility and a 60-day senior unsecured bridge term loan. In addition, proceeds from the Revolver became available upon closing.

Borrowings and Lines of Credit

We maintain a \$2.0 billion unsecured, unsubordinated commercial paper program which we can use for general corporate purposes, including the funding of working capital and potential acquisitions. In addition, we maintain a \$2.0 billion revolving credit agreement with various banks (the "Revolving Credit Facility") that matures in May 2028 which supports our commercial paper borrowing program and can be used for general corporate purposes. A ratings-based commitment fee is charged on unused commitments. As of December 31, 2023, we had no borrowings outstanding under our commercial paper program or our Revolving Credit Facility.

Our short-term obligations primarily consist of current maturities of long-term debt. Our long-term obligations primarily consist of long-term notes with maturity dates ranging between 2025 and 2054. Interest payments related to long-term Notes are expected to approximate \$507 million per year, reflecting an approximate weighted-average interest rate of 3.8%. Any borrowings from the Revolving Credit Facility are subject to variable interest rates. See Note 7 - Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements for additional information regarding the terms of our long-term debt obligations.

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

(In millions)	
2024	\$ 51
2025	\$3,053
2026	\$ 4
2027	\$1,245
2028	\$ 832
Thereafter	\$9,191

The following table presents our credit ratings and outlook as of December 31, 2023:

Rating Agency	Long-term Rating ⁽¹⁾	Short-term Rating	Outlook ⁽²⁾
S&P	BBB	A2	Positive
Moody's	Baa3	P3	Positive
Fitch Ratings	BBB	F3	Stable

⁽¹⁾ The long-term rating for S&P was affirmed on May 14, 2021, and for Moody's on March 30, 2022. Fitch's long-term rating was updated in December 2023.

⁽²⁾ S&P revised its outlook to positive from stable in December 2023.

⁽³⁾ Moody's Investors Service revised its outlook to positive from stable on February 28, 2023.

Portfolio Transformation

On April 25, 2023, we announced plans to exit our Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, we entered into a stock purchase agreement to sell our Fire & Security Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. On December 12, 2023, we entered into a stock purchase agreement to sell CCR to Haier Group Corporation for an enterprise value of approximately \$775 million. Both transactions are expected to close 2024.

Share Repurchase Program

We may purchase our outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Since the initial authorization in February 2021, the Company's Board of Directors authorized the repurchase of up to \$4.1 billion of our outstanding common stock. As of December 31, 2023, the Company repurchased 43.5 million shares of common stock for an aggregate purchase price of \$2.0 billion, which includes shares repurchased under an accelerated share repurchase agreement. As a result, the Company has approximately \$2.1 billion remaining under the current authorization at December 31, 2023. Upon announcement of the proposed



Management's Discussion and Analysis

acquisition of the VCS Business, the Company temporarily paused its share repurchase program in order to advance its capital allocation strategy. As a result, there is no share repurchase activity to report for the fourth quarter of 2023.

Dividends

We paid dividends on our common stock of \$0.74 per share during the year ended December 31, 2023, totaling \$620 million. On December 6, 2023, the Board of Directors declared a dividend of \$0.19 per share payable on February 9, 2024 to shareholders of record at the close of business on December 21, 2023.

Discussion of Cash Flows

	For the Years Ended December 31,	
(In millions)	2023	2022
Cash provided by (used in):		
Operating activities	\$2,607	\$1,743
Investing activities	(660)	1,745
Financing activities	4,612	(2,931)
Effect of foreign exchange rate changes on cash and cash equivalents	88	(56)
Net increase (decrease) in cash and cash equivalents and restricted cash	\$6,647	\$ 501

Cash flows from operating activities primarily represent inflows and outflows associated with our operations. Primary activities include net income from operations adjusted for non-cash transactions, working capital changes and changes in other assets and liabilities. We define working capital as the assets and liabilities, other than cash, generated through our primary operating activities. The year-over-year increase in net cash provided by operating activities was primarily driven by a reduction in working capital balances. Improved inventory management and higher accounts payable balances more that offset an increase in our accounts receivable balances. In addition, *Accounts payable and accrued liabilities* included a \$96 million mark-to-market valuation adjustment on our window forward contracts associated with the Euro-denominated purchase price of the VCS Business. Prior year working capital balances were higher due to higher safety stock and supply chain constraints.

Cash flows from investing activities primarily represent inflows and outflows associated with long-term assets. Primary activities include capital expenditures, acquisitions, divestitures and proceeds from the sale of fixed assets. During the year ended December 31, 2023, net cash used in investing activities was \$660 million. The primary drivers of the outflow related to \$469 million of capital expenditures and \$134 million related to the deconsolidation of KFI. In addition, we settled working capital and other transaction-related items associated with the acquisition of TCC and invested in several businesses. These amounts totaled \$84 million, net of cash acquired and were partially offset by the proceeds from the sale of a business during the period. During the year ended December 31, 2022, net cash

provided by investing activities was \$1.7 billion. The primary driver of the inflow related to the net proceeds from the Chubb Sale. This amount was partially offset by the acquisition of TCC and several other businesses and minority-owned businesses, which totaled \$506 million, net of cash acquired and \$353 million of capital expenditures.

Cash flows from financing activities primarily represent inflows and outflows associated with equity or borrowings. Primary activities include debt transactions, paying dividends to shareholders and the repurchase of our common stock. During the year ended December 31, 2023 net cash provided by financing activities was \$4.6 billion. The primary driver of the inflow related to the issuance of the USD Notes and the Euro Notes. The inflow was partially offset by the payment of \$620 million in dividends to our common shareholders and deferred financing costs. In addition, we paid \$62 million to repurchase shares of our common stock. During the year ended December 31, 2022 net cash used in financing activities was \$2.9 billion. The primary driver of the outflow related to the payment of \$1.4 billion to repurchase shares of our common stock. In addition, we settled our tender offers for \$1.15 billion and paid \$509 million in dividends to our common shareholders.

Summary of Other Sources and Uses of Cash

Rapid changes in legislation, regulations and government policies, including with respect to regulations intended to combat climate change, affect our operations and business in the countries, regions and localities in which we operate and sell our products. We are committed to comply with these regulations and to environmental stewardship. As a result, we have set goals to invest over \$2 billion by 2030 to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts. In addition, to reach our goal to achieve carbon neutrality in our operations by 2030, we expect to incur capital expenditures for climate-related projects including upgrading our facilities, equipment and controls to optimize energy efficiency, transition our energy consumption from a dependency on fossil fuels to renewable energy and expanding the electrification of our fleet vehicles. See section entitled Environmental Goals under the headings "Other Matters Relating to Our Business as a Whole" for additional information.

We also have obligations related to environmental and asbestos matters, pension and post-retirement benefits and taxes. See Note 10 - Employee Benefit Plans, Note 17 - Income Taxes, and Note 23 - Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for additional information.

Critical Accounting Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those



Management's Discussion and Analysis

accounting principles requires management to use judgement in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets, liabilities, sales and expenses as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results could differ from management's estimates.

Goodwill and Indefinite-Lived Intangible Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other* ("ASC 350"), goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset. We test our reporting units and indefinite-lived intangible assets for impairment annually as of the first day of our third quarter, or more frequently if events or circumstances occur.

ASC 350 provides entities with an option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether a quantitative analysis for impairment is necessary. In performing step zero for our impairment test, we are required to make assumptions and judgments, including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing step zero, we would perform a quantitative impairment analysis to estimate fair value.

For our 2023 goodwill and indefinite-lived intangible assets impairment tests, we elected to perform qualitative step zero assessments to determine if it was more likely than not that the fair values of our reporting units and indefinite-lived intangible assets were below carrying value. We considered macroeconomic factors including global economic growth, general macroeconomic trends for the markets in which our reporting units operate and where the intangible assets are utilized and the forecasted growth of the global industrial products industry. In addition to these macroeconomic factors, among other things, we considered the reporting units' current results and forecasts, changes in the nature of each business, any significant legal, regulatory, contractual, political or other business climate factors, changes in the industry and competitive environment, changes in the composition or carrying amount of net assets and any intention to sell or dispose of a reporting unit or cease the use of any indefinite-lived intangible assets. Based upon our qualitative analysis, we determined that our goodwill and indefinite-lived intangible assets were not impaired.

Revenue Recognition from Contracts with Customers

Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a

customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of our performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of our performance obligations are recognized over time as the customer simultaneously obtains control as we perform work under a contract, or if the product being produced for the customer has no alternative use and we have a contractual right to payment.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of our contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. We identify performance obligations at the inception of a contract and allocate the transaction price to each distinct performance obligation. Revenue is recognized when or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, we allocate the transaction price to each performance obligation based on its relative stand-alone selling price.

We primarily generate revenue from the sale of products to customers and recognize revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, we recognize revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs include direct costs such as labor, materials and subcontractors' costs and, where applicable, indirect costs.

The transaction price allocated to performance obligations reflects our expectations about the consideration we will be entitled to receive from a customer. We include variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, we customarily offer our customers incentives to purchase products to ensure an adequate supply of our products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. We account for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between



Management's Discussion and Analysis

financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We recognize future tax benefits to the extent that realizing these benefits is considered in our judgment to be more likely than not. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate that realization is not likely, a valuation allowance is provided. We review the realizability of our deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust our estimate if significant events so dictate. To the extent that the ultimate results differ from our original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements.

Employee Benefit Plans

We provide a range of benefit plans to eligible current and former employees. We account for our benefits plans in accordance with ASC 715, *Compensation – Retirement Benefits* ("ASC 715"), which requires balance sheet recognition of the overfunded or underfunded status of pension plans. The determination of the amounts associated with these benefits is performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally recorded in *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. We review our actuarial assumptions at each measurement date and make modifications to the assumptions based on current rates and trends, if appropriate.

A change in any of these assumptions would have an effect on net periodic pension and post-retirement benefit costs reported in the Consolidated Financial Statements. The following table summarizes the estimated sensitivity of our 2023 projected benefit obligation and net periodic pension (benefit) cost to a 25 basis point change in the discount rate:

(In millions)	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Projected benefit obligation	\$(14)	\$14
Net periodic pension (benefit) cost	\$ –	\$ –

Net periodic pension (benefit) cost is also sensitive to changes in the expected return on plan assets. An increase or decrease of 25 basis points in the expected return on plan assets would have decreased or increased 2023 pension expense by approximately \$1 million.

Contingent Liabilities

We are involved in various litigation, claims and administrative proceedings, including those related to environmental (including asbestos) and legal matters. In accordance with ASC 450, *Contingencies* ("ASC 450"), we record accruals for loss contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, we accrue the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. We are unable to predict the final outcome of these matters based on the information currently available. However, we do not believe that the resolution of any of these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

As described in Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report, contractual, regulatory and other matters, including asbestos claims, may arise in the ordinary course of business that subject us to claims or litigation. We have recorded reserves in the consolidated financial statements related to these matters, which are developed using input derived from actuarial estimates and historical and anticipated experience depending on the nature of the reserve, and in certain instances in consultation with legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, we believe our estimated reserves are reasonable and do not believe the final determination of the liabilities with respect to these matters would have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. See the "Risk Factors" section in this Annual Report for additional information.

Recent Accounting Pronouncements

See Note 3 – Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements in this Annual Report for a discussion of recent accounting pronouncements and their effect on our financial statements.



Management's Discussion and Analysis

Market for Registrant's Common Equity, Related Shareowner Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed on the NYSE under the ticker symbol "CARR." As of December 31, 2023, the approximate number of common stock shareowners of record was 21,605.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk and Risk Management

We are exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices which could impact our results of operations and financial condition. There has been no significant change in our exposure to market risk for the year ended December 31, 2023.

Foreign Currency Exposures. We have operations throughout the world that manufacture and sell products in various international markets. As a result, we are exposed to exchange rate movements in relation to our reporting currency, the U.S. dollar. Many of our non-U.S. operations have a functional currency other than the U.S. dollar. Therefore, our reported results will be higher or lower depending on the weakening or strengthening of the U.S. dollar against the respective foreign currency. We actively manage material currency exposures that are associated with purchases and sales and other assets and liabilities at the legal entity level; however, we do not hedge currency translation risk.

In connection with the acquisition of the VCS Business, 80% of the Euro-denominated purchase price was paid in cash to Viessmann on January 2, 2024. As a result, the purchase price was exposed to exchange rate movements in relation to our reporting currency, the U.S. dollar. To mitigate the foreign currency risk of the cash outflow, we entered into window forward contracts. Changes in the fair value of the window forward contracts are reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations.

In connection with the TCC acquisition, we entered into cross currency swaps and the Japanese Term Loan Facility to fund the Yen-denominated purchase price. We designated the cross currency swaps and the Japanese Term Loan Facility as a hedge of our investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the fair value of the cross currency swaps and the carrying value of the Japanese Term Loan Facility associated with foreign exchange rate movements are recorded in *Equity* in the Consolidated Balance Sheet. To the extent that any hedge is not fully effective at offsetting changes in the underlying hedged item, there could be a net earnings impact.

Commodity Price Exposures. We are exposed to volatility in the prices of commodities used in some of our products and when appropriate, we use fixed price contracts to manage this exposure. In addition, we are exposed to fuel costs to ship our products and materials. We do not have commodity hedge contracts in place at December 31, 2023.

Interest Rate Exposures. Substantially all of our long-term debt has fixed interest rates. As a result, any fluctuation in market interest rates is not expected to have a material effect on our results of operations.



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners
of Carrier Global Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Carrier Global Corporation and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Report of Independent Registered Public Accounting Firm

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition from Contracts with Customers

As described in Note 13 to the consolidated financial statements, the Company recognized \$22,098 million of consolidated revenue for the year ended December 31, 2023. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to

purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

The principal considerations for our determination that performing procedures relating to revenue recognition from contracts with customers is a critical audit matter are the high degree of audit effort in performing procedures related to revenue recognized on the Company's point-in-time and over-time contracts with customers.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process on the Company's point-in-time and over-time contracts with customers. These procedures also included, among others, (i) evaluating management's significant accounting policies related to revenue recognition; (ii) testing the appropriateness of the timing and amount of revenue recognized for a sample of point-in-time revenue transactions by obtaining and inspecting source documents, such as contracts with customers, purchase order information, shipping documents, cash receipts, and other documentation; and (iii) evaluating and testing management's process for determining the total estimated costs at completion for a sample of over-time revenue contracts, which included evaluating the total estimated costs at completion used by management by considering factors that can affect the accuracy of those estimates. Evaluating the total estimated costs at completion for revenue recognized on an over-time basis involved comparing the originally estimated costs and actual costs incurred, including identifying circumstances that may warrant a modification to the total estimated costs to complete.

/s/ PricewaterhouseCoopers LLP
Miami, Florida
February 6, 2024

We have served as the Company's auditor since 2019.



Consolidated Statement of Operations

	For the Year Ended December 31,		
(In millions, except per share amounts)	2023	2022	2021
Net sales			
Product sales	\$19,563	\$18,250	\$17,214
Service sales	2,535	2,171	3,399
	22,098	20,421	20,613
Costs and expenses			
Cost of products sold	(13,831)	(13,337)	(12,300)
Cost of services sold	(1,884)	(1,620)	(2,333)
Research and development	(617)	(539)	(503)
Selling, general and administrative	(3,297)	(2,512)	(3,120)
	(19,629)	(18,008)	(18,256)
Equity method investment net earnings	211	262	249
Other income (expense), net	(384)	1,840	39
Operating profit	2,296	4,515	2,645
Non-service pension benefit (expense)	(1)	(4)	61
Interest (expense) income, net	(211)	(219)	(306)
Income from operations before income taxes	2,084	4,292	2,400
Income tax expense	(644)	(708)	(699)
Net income from operations	1,440	3,584	1,701
Less: Non-controlling interest in subsidiaries' earnings from operations	91	50	37
Net income attributable to common shareowners	\$ 1,349	\$ 3,534	\$ 1,664
Earnings per share			
Basic	\$ 1.61	\$ 4.19	\$ 1.92
Diluted	\$ 1.58	\$ 4.10	\$ 1.87
Weighted-average number of shares outstanding			
Basic	837.3	843.4	867.7
Diluted	853.0	861.2	890.3

The accompanying notes are an integral part of the Consolidated Financial Statements.



Consolidated Statement of Comprehensive Income (Loss)

	For the Year Ended December 31,		
(In millions)	2023	2022	2021
Net income from operations	\$1,440	\$ 3,584	\$1,701
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Foreign currency translation adjustments arising during period	157	(551)	(322)
Less: reclassification adjustments for gain on sale of an investment in a foreign entity recognized in Other income (expense), net	–	–	8
Chubb divestiture	–	(574)	–
Foreign currency translation adjustments arising during period	157	(1,125)	(314)
Pension and post-retirement benefit plans:			
Net actuarial gain (loss) arising during period	(17)	63	53
Amortization of actuarial (gain) loss and prior service credit	1	11	34
Chubb divestiture	–	329	–
	(16)	403	87
Tax (expense) benefit	–	(3)	(17)
Pension and post-retirement benefit plans adjustments arising during period	(16)	400	70
Change in unrealized cash flow hedging:			
Unrealized cash flow hedging gain (loss) arising during period	58	–	–
Other comprehensive income (loss), net of tax	199	(725)	(244)
Comprehensive income (loss)	1,639	2,859	1,457
Less: Comprehensive income (loss) attributable to non-controlling interest	(88)	(24)	(37)
Comprehensive income (loss) attributable to common shareowners	\$1,551	\$ 2,835	\$1,420

The accompanying notes are an integral part of the Consolidated Financial Statements.



Consolidated Balance Sheet

	As of December 31,	
(In millions, except share amounts)	2023	2022
Assets		
Cash and cash equivalents	\$10,015	\$ 3,520
Accounts receivable, net	2,481	2,833
Contract assets, current	306	537
Inventories, net	2,217	2,640
Assets held for sale	3,314	–
Other assets, current	447	349
Total current assets	18,780	9,879
Future income tax benefits	739	612
Fixed assets, net	2,293	2,241
Operating lease right-of-use assets	491	642
Intangible assets, net	1,028	1,342
Goodwill	7,989	9,977
Pension and post-retirement assets	32	26
Equity method investments	1,140	1,148
Other assets	330	219
Total Assets	\$32,822	\$26,086
Liabilities and Equity		
Accounts payable	\$ 2,742	\$ 2,833
Accrued liabilities	2,811	2,610
Contract liabilities, current	425	449
Liabilities held for sale	862	–
Current portion of long-term debt	51	140
Total current liabilities	6,891	6,032
Long-term debt	14,242	8,702
Future pension and post-retirement obligations	155	349
Future income tax obligations	535	568
Operating lease liabilities	391	529
Other long-term liabilities	1,603	1,830
Total Liabilities	23,817	18,010
Commitments and contingent liabilities (Note 23)		
Equity		
Common stock, par value \$0.01; 4,000,000,000 shares authorized; 883,068,393 and 876,487,480 shares issued; 839,910,275 and 834,664,966 outstanding as of December 31, 2023 and 2022, respectively	9	9
Treasury stock - 43,490,981 common shares	(1,972)	(1,910)
Additional paid-in capital	5,535	5,481
Retained earnings	6,591	5,866
Accumulated other comprehensive income (loss)	(1,486)	(1,688)
Non-controlling interest	328	318
Total Equity	9,005	8,076
Total Liabilities and Equity	\$32,822	\$26,086

The accompanying notes are an integral part of the Consolidated Financial Statements.



Consolidated Statement of Changes In Equity

(In millions)	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non- Controlling Interest	Total Equity
Balance, December 31, 2020	\$ (745)	\$9	\$ –	\$ 5,345	\$ 1,643	\$ 326	\$ 6,578
Net income	–	–	–	–	1,664	37	1,701
Other comprehensive income (loss), net of tax	(244)	–	–	–	–	–	(244)
Dividends declared on common stock (\$0.510 per share)	–	–	–	–	(442)	–	(442)
Shares issued under incentive plans, net	–	–	–	(24)	–	–	(24)
Stock-based compensation	–	–	–	92	–	–	92
Acquisition (sale) of non-controlling interest, net	–	–	–	(2)	–	2	–
Dividends attributable to non-controlling interest	–	–	–	–	–	(38)	(38)
Treasury stock repurchases	–	–	(529)	–	–	–	(529)
Balance at December 31, 2021	\$ (989)	\$9	\$ (529)	\$ 5,411	\$ 2,865	\$ 327	\$ 7,094
Net income	–	–	–	–	3,534	50	3,584
Other comprehensive income (loss), net of tax	(699)	–	–	–	–	(26)	(725)
Dividends declared on common stock (\$0.635 per share)	–	–	–	–	(533)	–	(533)
Shares issued under incentive plans, net	–	–	–	(12)	–	–	(12)
Stock-based compensation	–	–	–	77	–	–	77
Acquisition of non-controlling interest	–	–	–	5	–	22	27
Sale of non-controlling interest	–	–	–	–	–	(5)	(5)
Dividends attributable to non-controlling interest	–	–	–	–	–	(50)	(50)
Treasury stock repurchases	–	–	(1,381)	–	–	–	(1,381)
Balance at December 31, 2022	\$ (1,688)	\$9	\$ (1,910)	\$ 5,481	\$ 5,866	\$ 318	\$ 8,076
Net income	–	–	–	–	1,349	91	1,440
Other comprehensive income (loss), net of tax	202	–	–	–	–	(3)	199
Dividends declared on common stock (\$0.745 per share)	–	–	–	–	(624)	–	(624)
Shares issued under incentive plans, net	–	–	–	(27)	–	–	(27)
Stock-based compensation	–	–	–	81	–	–	81
Dividends attributable to non-controlling interest	–	–	–	–	–	(56)	(56)
Acquisition (sale) of non-controlling interest, net	–	–	–	–	–	(22)	(22)
Treasury stock repurchase	–	–	(62)	–	–	–	(62)
Balance as of December 31, 2023	\$ (1,486)	\$9	\$ (1,972)	\$ 5,535	\$ 6,591	\$ 328	\$ 9,005

The accompanying notes are an integral part of the Consolidated Financial Statements.



Consolidated Statement of Cash Flows

	For the Year Ended December 31,		
(In millions)	2023	2022	2021
Operating Activities			
Net income from operations	\$ 1,440	\$3,584	\$1,701
Adjustments to reconcile net income from operations to net cash flows from operating activities			
Depreciation and amortization	542	380	338
Deferred income tax provision	(233)	(124)	(74)
Stock-based compensation cost	81	77	92
Equity method investment net earnings	(211)	(262)	(249)
Impairment charge on minority-owned joint venture investments	—	—	2
(Gain) loss on extinguishment of debt	—	(36)	—
(Gain) loss on sale of investments / deconsolidation	278	(1,815)	2
Changes in operating assets and liabilities			
Accounts receivable, net	(148)	(145)	(97)
Contract assets, current	93	(51)	(47)
Inventories, net	237	(334)	(408)
Other assets, current	(117)	104	(11)
Accounts payable and accrued liabilities	477	61	829
Contract liabilities, current	74	29	51
Defined benefit plan contributions	(33)	(16)	(47)
Distributions from equity method investments	129	148	159
Other operating activities, net	(2)	143	(4)
Net cash flows provided by (used in) operating activities	2,607	1,743	2,237
Investing Activities			
Capital expenditures	(469)	(353)	(344)
Proceeds on sale of investments	—	—	7
Investment in businesses, net of cash acquired	(84)	(506)	(366)
Dispositions of businesses	54	2,902	—
Settlement of derivative contracts, net	(50)	(194)	4
Payment to former shareholders of TCC	—	(104)	—
Kiddle-Fenwal, Inc. deconsolidation	(134)	—	—
Other investing activities, net	23	—	7
Net cash flows provided by (used in) investing activities	(660)	1,745	(692)
Financing Activities			
(Decrease) increase in short-term borrowings, net	(15)	(140)	13
Issuance of long-term debt	5,609	432	140
Repayment of long-term debt	(111)	(1,275)	(704)
Repurchases of common stock	(62)	(1,380)	(527)
Dividends paid on common stock	(620)	(509)	(417)
Dividends paid to non-controlling interest	(58)	(46)	(42)
Other financing activities, net	(131)	(13)	(25)
Net cash flows provided by (used in) financing activities	4,612	(2,931)	(1,562)
Effect of foreign exchange rate changes on cash and cash equivalents	88	(56)	(16)
Net increase (decrease) in cash and cash equivalents and restricted cash, including cash classified in current assets held for sale	6,647	501	(33)
Less: Change in cash balances classified as assets held for sale	157	—	60
Net increase (decrease) in cash and cash equivalents and restricted cash	6,490	501	(93)
Cash, cash equivalents and restricted cash, beginning of period	3,527	3,026	3,119
Cash, cash equivalents and restricted cash, end of period	10,017	3,527	3,026
Less: restricted cash	2	7	39
Cash and cash equivalents, end of period	\$10,015	\$3,520	\$2,987

The accompanying notes are an integral part of the Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

Note 1: Description of the Business

Carrier Global Corporation (the "Company") is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to its customers. The Company's portfolio includes industry-leading brands such as Carrier, Toshiba, Automated Logic, Carrier Transicold, Kidde, Edwards and LenelS2 that offer innovative heating, ventilating and air conditioning ("HVAC"), refrigeration, fire, security and building automation technologies to help make the world safer and more comfortable. The Company also provides a broad array of related building services, including audit, design, installation, system integration, repair, maintenance and monitoring. The Company's operations are classified into three segments: HVAC, Refrigeration and Fire & Security.

Note 2: Basis of Presentation

The accompanying Consolidated Financial Statements reflect the consolidated operations of the Company and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") as defined by the Financial Accounting Standards Board ("FASB") within the FASB Accounting Standards Codification ("ASC"). Inter-company accounts and transactions have been eliminated. Related party transactions between the Company and its equity method investees have not been eliminated.

The accompanying Consolidated Financial Statements include all majority-owned subsidiaries of the Company. A non-controlling interest in a subsidiary is considered an ownership interest in a majority-owned subsidiary that is not attributable to the parent. The Company includes *Non-controlling interest* as a component of *Total equity* in the accompanying Consolidated Balance Sheet and the *Non-controlling interest in subsidiaries' earnings from operations* are presented as an adjustment to *Net income from operations* used to arrive at *Net income attributable to common shareowners* in the accompanying Consolidated Statement of Operations. Partially-owned equity affiliates represent 20 to 50% ownership interests in investments where the Company demonstrates significant influence, but does not have a controlling financial interest. Partially-owned equity affiliates are accounted for under the equity method.

Planned Portfolio Transformation

On April 25, 2023, the Company announced that it entered into a Share Purchase Agreement (the "Agreement") to acquire the climate solutions business (the "VCS Business") of Viessmann

Group GmbH & Co. KG ("Viessmann"), a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The acquisition was completed on January 2, 2024 for total consideration of \$14.2 billion.

On April 25, 2023, the Company announced plans to exit its Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, the Company entered into a stock purchase agreement to sell its Access Solutions business ("Access Solutions") to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. Access Solutions, historically reported in the Company's Fire & Security segment, is a global supplier of physical security and digital access solutions supporting the hospitality, commercial, education and military markets. On December 12, 2023, the Company entered into a stock purchase agreement to sell its Commercial Refrigeration business ("CCR") to Haier Group Corporation for an enterprise value of approximately \$775 million. CCR, historically reported in the Company's Refrigeration segment, is a global supplier of turnkey solutions for commercial refrigeration systems and services, with a primary focus on serving food retail customers, cold storage facilities and warehouses. As a result, the assets and liabilities of both businesses are presented as held for sale in the accompanying Consolidated Balance Sheets as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.

In addition, the net assets of the Company's Industrial Fire business met the criteria to be classified as held for sale during the fourth quarter of 2023. Industrial Fire, historically reported in the Company's Fire & Security segment, is a leading manufacturer of a full spectrum of fire detection and suppression solutions and services in critical high-hazard environments, including oil and gas, power generation, marine and offshore facilities, automotive, data centers and aircraft hangars. As a result, the assets and liabilities of the business are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.

Deconsolidation of Kidde-Fenwal, Inc.

On May 14, 2023, Kidde-Fenwal, Inc. ("KFI"), an indirect wholly-owned subsidiary of the Company, filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") in the United States Bankruptcy Court for the District of Delaware. KFI, an industrial fire detection and suppression business historically reported in the Company's Fire & Security segment, has indicated that it intends to use the bankruptcy process to explore strategic alternatives, including the sale of KFI as a going concern. KFI has further stated that, during the Chapter 11 process, KFI expects that there will be no significant interruptions to its business operations. As of the petition date, KFI was deconsolidated and its respective assets and liabilities were derecognized from the Company's Consolidated Financial Statements.



Notes to the Consolidated Financial Statements

Acquisition of Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in Toshiba Carrier Corporation ("TCC"), a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The acquisition was completed on August 1, 2022. As a result, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within the Company's HVAC segment. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.

Sale of Chubb Fire & Security Business

On July 26, 2021, the Company entered into a stock purchase agreement to sell its Chubb Fire and Security business ("Chubb") to APi Group Corporation ("APi"). Chubb, which was reported within the Company's Fire & Security segment, delivered essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. On January 3, 2022, the Company completed the sale of Chubb (the "Chubb Sale") for net proceeds of \$2.9 billion and recognized a gain on the sale of \$1.1 billion during the year ended December 31, 2022.

Separation from United Technologies

On April 3, 2020 (the "Distribution Date"), United Technologies Corporation ("UTC"), since renamed RTX Corporation ("Raytheon Technologies Corporation" or "RTX"), completed the spin-off of Carrier into an independent, publicly traded company (the "Separation") through a pro rata distribution (the "Distribution") on a one-for-one basis of all of the outstanding shares of common stock of Carrier to UTC shareowners who held shares of UTC common stock as of the close of business on March 19, 2020, the record date for the Distribution. In connection with the Separation, the Company issued an aggregate principal balance of \$11.0 billion of debt and transferred approximately \$10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. On April 1, 2020 and April 2, 2020, the Company received cash contributions totaling \$590 million from UTC related to the Separation.

Following the Separation and Distribution, the Company entered into several agreements with UTC and Otis Worldwide Corporation ("Otis") that govern various aspects of the relationship among the Company, UTC and Otis. As of December 31, 2023, only certain portions of the Tax Matters Agreement ("TMA") remain in effect. The Company incurred separation-related costs of \$20 million for the year ended December 31, 2021. These costs are primarily included in *Selling, general and administrative* in the accompanying Consolidated Statement of Operations and consist of employee-related costs, costs to establish certain stand-alone functions and information technology systems, professional service fees and other transaction-related costs resulting from Carrier's transition to becoming an independent, publicly traded company.

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Note 3: Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the accompanying Consolidated Financial Statements is as follows:

Use of Estimates. The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates are based on several factors including the facts and circumstances available at the time the estimates are made, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Currency Translation. Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates, and income and expense accounts have been translated using average exchange rates throughout the year. Adjustments resulting from the process of translating an entity's financial statements into the U.S. dollar have been recorded in the equity section of the Consolidated Balance Sheet within *Accumulated other comprehensive income (loss)*. Transactions that are denominated in a currency other than an entity's functional currency are subject to changes in exchange rates with the resulting gains and losses recorded in *Net income from operations*.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. On occasion, the Company is required to maintain restricted cash deposits with certain banks due to contractual or other legal obligations. Restricted cash of \$2 million and \$7 million is included in *Other assets, current* as of December 31, 2023 and 2022, respectively.

Accounts Receivable. Accounts receivable consist of billed amounts owed for products shipped to or services performed for customers. Amounts are recorded net of an allowance for expected credit losses which represents the best estimate of probable loss inherent in the Company's accounts receivable portfolio. The allowance is determined using a combination of factors including a reserve based on the aging of the outstanding accounts receivable portfolio and the Company's historical credit loss experience with its end markets, customer base and products. In addition, the Company considers knowledge of specific customers, current market conditions as well as reasonable and supportable forecasts of future events and economic conditions. As of December 31, 2023 and 2022, the allowance for expected credit losses was \$108 million and \$117 million, respectively. These estimates and assumptions are reviewed periodically with the effects of changes, if any, reflected in the Consolidated Statement of Operations in the period that they are determined.



Notes to the Consolidated Financial Statements

Fixed Assets. Property, plant and equipment are stated at cost less accumulated depreciation. Assets placed in service are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Assets acquired in a business combination are recorded at fair value at the date of acquisition. Major expenditures for replacements and significant improvements that increase asset values and extend useful lives are capitalized. Repairs and maintenance expenditures that do not extend the useful life of an asset are charged to expense as incurred.

Per ASC 360, *Property, Plant and Equipment* ("ASC 360"), the Company assesses the recoverability of the carrying value of its property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Equity Method Investments. Investments in which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method of accounting and are presented on the Consolidated Balance Sheet. Under this method of accounting, the Company's share of the net earnings or losses of the investee is presented within *Operating profit* on the Consolidated Statement of Operations since the activities of the investee are closely aligned with the operations of the Company. The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period. Distributions received from equity method investees are presented in the Consolidated Statement of Cash Flows based on the cumulative earnings approach.

Goodwill and Intangible Assets. The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. In accordance with ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"), goodwill and other indefinite-lived intangibles are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicate that the fair value of the asset is more likely than not less than the carrying amount of the asset.

Impairment of goodwill is assessed at the reporting unit level and begins with a qualitative assessment to determine if it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test under ASC 350. For those reporting units that bypass or fail the qualitative assessment, the test compares the carrying amount of the reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying amount of the reporting

unit exceeds its estimated fair value, an impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

Intangible assets such as patents, service contracts, monitoring lines and customer relationships with finite useful lives are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. If a pattern of economic benefit cannot be reliably determined or if straight-line amortization approximates the pattern of economic benefit, a straight-line amortization may be used.

The range of useful lives approximate the following (in years):

Customer relationships	1 to 30
Patents and trademarks	5 to 30
Monitoring lines	7 to 10
Service portfolio and other	1 to 23

The Company assesses the recoverability of the carrying amount of its intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to the future net undiscounted cash flows expected to be generated by the asset group. If the undiscounted cash flows are less than the carrying amount of the asset group, an impairment loss is recognized for the amount by which the carrying value of the asset group exceeds the fair value of the asset group.

Leases. The Company accounts for leases in accordance with ASC 842, *Leases* ("ASC 842"), which requires a lessee to record a right-of-use ("ROU") asset and a lease liability on the Consolidated Balance Sheet for all leases with terms longer than 12 months. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company generally uses its incremental borrowing rate, which is based on information available at the lease commencement date, to determine the present value of lease payments except when an implicit interest rate is readily determinable. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has elected not to recognize ROU assets and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

Income Taxes. The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company recognizes future tax benefits to the extent that realizing these benefits is considered in its judgment to be more likely than not. For those jurisdictions where the expiration date of tax carryforwards or the projected operating results indicate



Notes to the Consolidated Financial Statements

that realization is not likely, a valuation allowance is provided. The Company reviews the realizability of its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required and will adjust its estimate if significant events so dictate. To the extent that the ultimate results differ from the Company's original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements.

Pension and Post-retirement Obligations. The Company provides a range of benefit plans to eligible current and former employees. The Company accounts for its benefit plans in accordance with ASC 715, *Compensation - Retirement Benefits* ("ASC 715") which requires balance sheet recognition of the overfunded or underfunded status of pension and post-retirement benefit plans. Determining the amounts associated with these benefits are performed by actuaries and dependent on various actuarial assumptions including discount rates, expected return on plan assets, compensation increases, mortality and health care cost trends. Actual results may differ from the actuarial assumptions and are generally recorded in *Accumulated other comprehensive income (loss)* and amortized into *Net income from operations* over future periods. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on current rates and trends, if appropriate. See Note 10 - Employee Benefit Plans for additional information.

Business Combinations. In accordance with ASC 805, *Business Combinations* ("ASC 805"), acquisitions that meet the definition of a business are recorded using the acquisition method of accounting. We recognize and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest as of the acquisition date at fair value. The valuation of intangible assets is determined by an income approach methodology, using assumptions such as projected future revenues, customer attrition rates, royalty rates, tax rates and discount rates. The excess, if any, of total consideration transferred in a business combination over the fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest is recognized as goodwill. Costs incurred as a result of a business combination other than costs related to the issuance of debt or equity securities are recorded in the period the costs are incurred.

Asset Retirement Obligations. The Company records the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which a liability is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, the Company capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset.

Research and Development. The Company conducts research and development activities with a focus on new product development and technology innovation. These costs are charged to expense as incurred. For the years ended December 31, 2023, 2022 and 2021, these costs amounted to \$617 million, \$539 million and \$503 million, respectively.

Recent Pronouncements

The FASB ASC is the sole source of authoritative GAAP other than United States Securities and Exchange Commission ("SEC") issued rules and regulations that apply only to SEC registrants. The FASB issues Accounting Standards Updates ("ASU") to communicate changes to the codification. The Company considers the applicability and impact of all ASUs. ASUs not referenced below were assessed and determined to be either not applicable or are not expected to have a material impact on the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. In addition, the amendments clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment and contains other disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires public entities to disclose disaggregated information about their effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.



Notes to the Consolidated Financial Statements

Note 4: Inventories, Net

Inventories are stated at the lower of cost or estimated net realizable value. Cost is primarily determined based on the first-in, first-out inventory method ("FIFO") or average cost methods, which approximates current replacement cost. However, certain Carrier entities use the last-in, first-out inventory method ("LIFO").

Inventories, net consisted of the following:

(In millions)	2023	2022
Raw materials	\$ 695	\$ 884
Work-in-process	259	230
Finished goods	1,263	1,526
Inventories, net	\$2,217	\$2,640

The Company performs periodic assessments utilizing customer demand, production requirements and historical usage rates to determine the existence of excess and obsolete inventory and records necessary provisions to reduce such inventories to the lower of cost or estimated net realizable value. Raw materials, work-in-process and finished goods are net of valuation reserves of \$223 million and \$190 million as of December 31, 2023 and 2022, respectively.

Certain entities use LIFO to determine the cost of inventory. If inventories that were valued using the LIFO method had been valued under the FIFO method, the net book value of the inventories would have been higher by \$226 million and \$199 million as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, approximately 35% and 26%, respectively, of all inventory utilized the LIFO method.

Note 5: Fixed Assets, Net

Fixed assets, net consisted of the following:

(In millions)	Estimated Useful Lives (Years)	2023	2022
Land		\$ 112	\$ 126
Buildings and improvements	20 to 40	1,122	1,251
Machinery, tools and equipment	3 to 25	2,515	2,409
Rental assets	3 to 12	346	390
Other, including assets under construction		442	347
Fixed assets, gross		4,537	4,523
Accumulated depreciation		(2,244)	(2,282)
Fixed assets, net		\$ 2,293	\$ 2,241

Depreciation expense was \$300 million, \$256 million and \$238 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Note 6: Goodwill and Intangible Assets

The Company records goodwill as the excess of the purchase price over the fair value of the net assets acquired in a business combination. Goodwill is tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the reporting unit may be less than its carrying value.

The changes in the carrying amount of goodwill were as follows:

(In millions)	HVAC	Refrigeration	Fire & Security	Total
Balance at December 31, 2021	\$5,658	\$ 1,228	\$ 2,463	\$9,349
Goodwill resulting from business combinations ⁽¹⁾	904	—	1	905
Foreign currency translation	(170)	(31)	(76)	(277)
Balance at December 31, 2022	\$6,392	\$ 1,197	\$ 2,388	\$9,977
Goodwill resulting from business combinations	1	(4)	—	(3)
Reclassified to held for sale ⁽²⁾	—	(72)	(1,937)	(2,009)
Foreign currency translation	14	3	7	24
Balance as of December 31, 2023	\$6,407	\$1,124	\$ 458	\$7,989

⁽¹⁾ See Note 19 - Acquisitions for additional information.

⁽²⁾ See Note 20 - Divestitures for additional information.

Indefinite-lived intangible assets are tested and reviewed annually for impairment on July 1 or whenever there is a material change in events or circumstances that indicates that the fair value of the

asset may be less than the carrying amount of the asset. All other intangible assets with finite useful lives are amortized over their estimated useful lives.



Notes to the Consolidated Financial Statements

Identifiable intangible assets consisted of the following:

(In millions)	2023			2022		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortized:						
Customer relationships	\$1,222	\$ (610)	\$ 612	\$1,431	\$ (720)	\$ 711
Patents and trademarks	332	(163)	169	401	(191)	210
Service portfolios and other	686	(503)	183	953	(595)	358
	2,240	(1,276)	964	2,785	(1,506)	1,279
Unamortized:						
Trademarks and other	64	—	64	63	—	63
Intangible assets, net	\$2,304	\$(1,276)	\$1,028	\$2,848	\$(1,506)	\$1,342

Amortization of intangible assets was \$242 million, \$124 million and \$98 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The estimated future amortization of intangible assets is as follows:

(In millions)	2024	2025	2026	2027	2028	Thereafter
Future amortization	\$175	\$155	\$122	\$95	\$75	\$342

Annual Impairment Assessment

The Company tested its goodwill and indefinite-lived intangible assets for impairment on July 1 as part of its annual assessment. For each test, the Company qualitatively assessed all relevant events or circumstances that could impact the estimate of fair value and determined it was more likely than not that the fair value of each reporting unit and indefinite-lived intangible asset exceeded their carrying amount.

In connection with the presentation of CCR, Access Solutions and Industrial Fire as held for sale at December 31, 2023, the Company reassigned goodwill between each of the remaining reporting units within its Fire & Security segment using a relative fair value approach. As a result, the Company performed a quantitative goodwill impairment test to determine if any impairment existed. The test did not indicate any goodwill impairment.

Note 7: Borrowings and Lines of Credit

Long-term debt consisted of the following:

(In millions)	2023	2022
2.242% Notes due 2025	\$ 1,200	\$1,200
4.375% Notes due 2025	830	—
5.800% Notes due 2025	1,000	—
2.493% Notes due 2027	900	900
4.125% Notes due 2028	830	—
2.722% Notes due 2030	2,000	2,000
2.700% Notes due 2031	750	750
4.500% Notes due 2032	941	—
5.900% Notes due 2034	1,000	—
3.377% Notes due 2040	1,500	1,500
3.577% Notes due 2050	2,000	2,000
6.200% Notes due 2054	1,000	—
Total long-term notes	13,951	8,350
Japanese Term Loan Facility	379	404
Other debt (including project financing obligations and finance leases)	74	149
Discounts and debt issuance costs	(111)	(61)
Total debt	14,293	8,842
Less: current portion of long-term debt	51	140
Long-term debt, net of current portion	\$14,242	\$8,702

Debt Issuance

In November 2023, the Company issued \$3.0 billion principal amount of USD-denominated notes in three tranches. The tranches consist of \$1.0 billion aggregate principal amount of 5.800% notes due 2025, \$1.0 billion aggregate principal amount of 5.900% notes due 2034 and \$1.0 billion aggregate principal amount of 6.200% notes due 2054 (collectively, the "USD Notes"). In addition, the Company issued €2.35 billion principal amount of Euro-denominated notes in three tranches. The tranches consist of €750 million aggregate principal amount of 4.375% notes due 2025, €750 million aggregate principal amount of 4.125% notes due 2028 and €850 million aggregate principal amount of 4.500%



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notes due 2032 (collectively, the "Euro Notes"). The Company capitalized \$51 million of deferred financing costs which are being amortized over the term of their related notes.

The Company used the USD Notes and the Euro Notes to fund a portion of the Euro-denominated purchase price of the VCS Business. The Company has the option to redeem the notes in whole or in part at any time, prior to their stated maturity date at redemption prices set forth in the indenture agreements. The notes are subject to certain customary covenants.

Japanese Term Loan Facility

On July 15, 2022, the Company entered into a five-year, JPY 54 billion (approximately \$400 million) senior unsecured term loan facility with MUFG Bank Ltd., as administrative agent and lender, and certain other lenders (the "Japanese Term Loan Facility"). Borrowings under the Japanese Term Loan Facility bear interest at a rate equal to the Tokyo Term Risk Free Rate plus 0.75%. In addition, the Japanese Term Loan Facility is subject to customary covenants including a covenant to maintain a maximum consolidated leverage ratio. The Company capitalized \$2 million of deferred financing costs which are being amortized over the term of the facility. On July 25, 2022, the Company borrowed JPY 54 billion under the Japanese Term Loan Facility and used the proceeds to fund a portion of the TCC acquisition and to pay related fees and expenses.

Revolving Credit Facility

On May 19, 2023, the Company entered into a revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and certain other lenders, permitting aggregate borrowings of up to \$2.0 billion pursuant to an unsecured, unsubordinated revolving credit facility that matures in May 2028 (the "Revolving Credit Facility"). The Revolving Credit Facility supports the Company's commercial paper program and can be used for other general corporate purposes. Borrowings are available in U.S. Dollars and Euros. U.S. Dollar borrowings can bear interest at either a Term SOFR Rate plus 0.10% and a ratings-based margin or, alternatively, at an alternate base rate plus a ratings-based margin. Euro borrowings bear interest at an adjusted EURIBOR rate plus a ratings-based margin. A ratings-based commitment fee is charged on unused commitments. Upon entering into the agreement, the Company terminated its existing revolving credit facility that was set to mature in April 2025. In addition, the Company capitalized \$2 million of deferred financing costs which are being amortized over the term of the facility. As of December 31, 2023, there were no borrowings outstanding under the Revolving Credit Facility.

Commercial Paper Program

The Company has a \$2.0 billion unsecured, unsubordinated commercial paper program, which can be used for general corporate purposes, including the funding of working capital and potential acquisitions. As of December 31, 2023, there were no borrowings outstanding under the commercial paper program.

Project Financing Arrangements

The Company is involved in long-term construction contracts in which it arranges project financing with certain customers. As a result, the Company issued \$39 million and \$38 million of debt during the year ended December 31, 2023 and 2022, respectively. Long-term debt repayments associated with these financing arrangements for the years ended December 31, 2023 and 2022 were \$111 million and \$160 million, respectively.

Debt Covenants

The Revolving Credit Facility, the indenture for the long-term notes and the Japanese Term Loan Facility contain affirmative and negative covenants customary for financings of these types, which, among other things, limit the Company's ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. As of December 31, 2023, the Company was in compliance with the covenants under the agreements governing its outstanding indebtedness.

Tender Offers

On March 15, 2022, the Company commenced tender offers to purchase up to \$1.15 billion ("Aggregate Tender Cap") aggregate principal of the Company's 2.242% Notes due 2025 and 2.493% Notes due 2027 (together, the "Senior Notes"). The tender offers included payment of applicable accrued and unpaid interest up to the settlement date, along with a fixed spread for early repayment. Based on participation, the Company elected to settle the tender offers on March 30, 2022. The aggregate principal amount of Senior Notes validly tendered and accepted was approximately \$1.15 billion, which included \$800 million of Notes due 2025 and \$350 million of Notes due 2027. As a result, the Company recognized a net gain of \$33 million and wrote off \$5 million of unamortized deferred financing costs within *Interest (expense) income, net* on the accompanying Consolidated Statement of Operations during the year ended December 31, 2022.

Schedule of Long-term Debt Maturities

Scheduled maturities of long-term debt, excluding amortization of discount, are as follows:

(In millions)	
2024	\$ 51
2025	\$3,053
2026	\$ 4
2027	\$1,245
2028	\$ 832
Thereafter	\$9,191

As of December 31, 2023, the average maturity of the Company's long-term notes is approximately 11 years and the weighted-average interest rate on its total borrowings is approximately 3.8%.

Notes to the Consolidated Financial Statements

Interest expense associated with long-term debt for the years ended December 31, 2023, 2022 and 2021 was \$362 million, \$302 million and \$319 million, respectively.

Note 8: Fair Value Measurements

ASC 820, *Fair Value Measurement* ("ASC 820"), defines fair value as the price that would be received if an asset is sold or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors, including foreign currency and commodity price risk. These exposures are managed through operational strategies and the use of undesignated hedging contracts. The Company's derivative assets and liabilities are measured at fair value on a recurring basis using internal models based on observable market inputs, such as forward, interest, contract and discount rates with changes in fair value reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations.

In connection with the TCC acquisition, the Company funded a portion of the Yen-denominated purchase price with cash on hand by entering into cross currency swaps with various financial institutions. The cross currency swaps are measured at fair value on a recurring basis using observable market inputs, such as forward, discount and interest rates as well as credit default swap spreads. The Company designated the cross currency swaps as a partial hedge of its investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the fair value of the swaps are recorded in *Equity* in the accompanying Consolidated Balance Sheet.

The remaining portion of the Yen-denominated purchase price was funded by the Japanese Term Loan Facility. The carrying value of the facility is translated on a recurring basis using the exchange rate at the end of the applicable period and approximates its fair value. The Company designated the Japanese Term Loan Facility as a partial hedge of its investment in certain subsidiaries whose functional currency is the Japanese Yen in order to manage foreign currency translation risk. As a result, changes in the

carrying value of the Japanese Term Loan Facility associated with foreign exchange rate movements are recorded in *Equity* in the Consolidated Balance Sheet.

In connection with the acquisition of the VCS Business, the Company entered into window forward contracts with Bank of America N.A. and JPMorgan Chase Bank N.A. to mitigate the foreign currency risk of the expected cash outflows associated with the Euro-denominated purchase price. The instruments have an aggregate notional amount of €7 billion and are measured at fair value on a recurring basis using observable market inputs, such as forward, discount and interest rates with changes in fair value reported in *Other income (expense), net* in the accompanying Consolidated Statement of Operations. During the year ended December 31, 2023, the Company recognized a \$96 million loss on the mark-to-market valuation of its window forward contracts. The Company settled the window forward contracts on January 2, 2024 upon the acquisition of the VCS Business.

During 2023, the Company entered into several interest rate swap contracts to mitigate interest rate exposure on the forecasted issuance of long-term debt. The contracts had an aggregate notional amount of \$1.525 billion and were designated as cash flow hedges with changes in fair value reported in *Equity* in the accompanying Consolidated Balance Sheet. Fair value was measured on a recurring basis using observable market inputs, such as forward, discount and interest rates. In November 2023, the contracts were settled upon the issuance of the underlying debt. As a result, the Company deferred a net unrecognized gain of \$58 million in *Equity* which will be subsequently recognized in *Interest expense* over the term of the related notes which range from 2034 to 2044. The amount expected to be amortized over the next twelve months is a net gain of \$3 million.

The following tables provide the valuation hierarchy classification of assets and liabilities that are recorded at fair value and measured on a recurring basis in the accompanying Consolidated Balance Sheet:

(In millions)	Total	Level 1	Level 2	Level 3
December 31, 2023				
Fair value measurement:				
Derivative assets ⁽¹⁾⁽³⁾	\$ 32	\$—	\$ 32	\$—
Derivative liabilities ⁽²⁾⁽³⁾	\$(126)	\$—	\$(126)	\$—
December 31, 2022				
Fair value measurement:				
Derivative assets ⁽¹⁾⁽³⁾	\$ 28	\$—	\$ 28	\$—
Derivative liabilities ⁽²⁾⁽³⁾	\$(48)	\$—	\$(48)	\$—

⁽¹⁾ Included in *Other assets, current* and *Other assets* on the accompanying Consolidated Balance Sheet.

⁽²⁾ Included in *Accrued liabilities* and *Other long-term liabilities* on the accompanying Consolidated Balance Sheet.

⁽³⁾ Includes cross currency swaps, window forward contracts and interest rate swap contracts.



Notes to the Consolidated Financial Statements

The following table provides the carrying amounts and fair values of the Company's long-term notes that are not recorded at fair value in the accompanying Consolidated Balance Sheet:

(In millions)	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total long-term notes ⁽¹⁾	\$13,951	\$13,194	\$8,350	\$6,832

⁽¹⁾ Excludes debt discount and issuance costs.

The fair value of the Company's long-term debt is measured based on observable market inputs which are considered Level 1 within the fair value hierarchy. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair value due to the short-term nature of these accounts and would be classified as Level 1 in the fair value hierarchy. The Company's financing leases and project financing obligations, included in *Long-term debt* and *Current portion of long-term debt* on the accompanying Consolidated Balance Sheet, approximate fair value and are classified as Level 3 in the fair value hierarchy.

Note 9: Leases

The Company enters into operating and finance leases for the use of real estate space, vehicles, information technology equipment and certain other equipment. At contract inception, the Company determines a lease exists if the arrangement conveys the right to control an identified asset for a period of time in exchange for consideration. Control is considered to exist when the lessee has the right to obtain substantially all of the economic benefits from the use of an identified asset as well as the right to direct the use of that asset. If a contract is considered to be a lease, the Company recognizes a lease liability based on the present value of the future lease payments with an offsetting entry to recognize a right-of-use asset.

Operating lease right-of-use assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

(In millions)	2023	2022
Operating lease right-of-use assets	\$ 491	\$ 642
Accrued liabilities	\$(108)	\$(132)
Operating lease liabilities	(391)	(529)
Total operating lease liabilities	\$(499)	\$(661)
Weighted-Average Remaining Lease Term (in years)	7.0	7.7
Weighted-Average Discount Rate	3.9%	3.4%

Where applicable, the Company accounts for each separate lease component of a contract and its associated non-lease component as a single lease component.

Supplemental cash flow and lease expense information related to operating leases were as follows:

(In millions)	2023	2022	2021
Operating cash flows for measurement of operating lease liabilities	\$166	\$145	\$197
Operating lease ROU assets obtained in exchange for operating lease obligations	\$ 63	\$109	\$180
Operating lease expense	\$158	\$148	\$200

Operating lease expense is recognized on a straight-line basis over the lease term. In addition, the Company has certain leases that contain variable lease payments which are based on an index, a rate referenced in the lease or on the actual usage of the leased asset. These payments are not included in the right-of-use asset or lease liability and are expensed as incurred as variable lease expense.

Undiscounted maturities of operating lease liabilities as of December 31, 2023 are as follows:

(In millions)	
2024	\$126
2025	107
2026	87
2027	62
2028	45
Thereafter	149
Total undiscounted lease payments	576
Less: imputed interest	(77)
Total discounted lease payments	\$499

Note 10: Employee Benefit Plans

The Company sponsors U.S. and international defined benefit pension and defined contribution plans. In addition, the Company contributes to various U.S. and international multi-employer defined benefit pension plans.

Pension Plans

Qualified U.S. pension plan benefits covering collectively bargained employees comprise approximately 42% of the projected benefit obligation. This noncontributory defined benefit plan provides benefits on a flat dollar formula based on an employee's location and is closed to new entrants. The non-U.S. plans comprise approximately 58% of the projected benefit obligation; certain of these plans provide participants with one-time payments upon separation of employment rather than a retirement annuity. The plans' benefits provided are based on plan specific parameters. Non-qualified U.S. pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.



Notes to the Consolidated Financial Statements

The following table details information regarding the Company's pension plans:

(In millions)	2023	2022
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 760	\$ 906
Service cost	15	20
Interest cost	31	18
Actuarial (gain) loss	27	(271)
Benefits paid	(25)	(21)
Curtailment, settlements and special termination benefits	(24)	(7)
Other, including expenses paid	3	(38)
Reclassified to held for sale ⁽¹⁾	(212)	—
Acquisitions ⁽²⁾	—	153
Benefit obligation at end of year	\$ 575	\$ 760
Change in Plan Assets		
Fair value at beginning of year	\$ 451	\$ 591
Actual return on plan assets	39	(170)
Company contributions	33	16
Benefits paid	(25)	(21)
Settlements	(24)	(7)
Other, including expenses paid	2	(18)
Reclassified to held for sale ⁽¹⁾	(8)	—
Acquisitions ⁽²⁾	—	60
Fair value of assets end of year	\$ 468	\$ 451
Funded status of plans	\$(107)	\$(309)
Amounts included in the balance sheet:		
Other non-current assets	\$ 32	\$ 25
Accrued compensation and benefits	(12)	(18)
Post-employment and other benefit liabilities	(127)	(316)
Net amount recognized	\$(107)	\$(309)

⁽¹⁾ See Note 20 - Divestitures for additional information.

⁽²⁾ See Note 19 - Acquisitions for additional information.

The change in funded status was primarily driven by the presentation of the Company's CCR business as held for sale. In addition, the discount rates for our significant pension plans in Germany and the U.S. decreased over the measurement period, resulting in higher benefit obligations.

The pretax amounts recognized in *Accumulated other comprehensive (income) loss* are:

(In millions)	Prior Service Cost (Benefit)	Net Actuarial (Gain) Loss	Total
As of December 31, 2022	\$11	\$ 93	\$104
Current year changes recorded in AOCI	—	20	20
Amortization reclassified to earnings	(2)	1	(1)
Settlement/curtailment reclassified to earnings	(3)	1	(2)
Currency translation and other	—	5	5
As of December 31, 2023	\$ 6	\$120	\$126

Information for pension plans with accumulated benefit obligations in excess of plan assets:

(In millions)	2023	2022
Projected benefit obligation	\$378	\$564
Accumulated benefit obligation	\$362	\$538
Fair value of plan assets	\$239	\$230

Information for pension plans with projected benefit obligations in excess of plan assets:

(In millions)	2023	2022
Projected benefit obligation	\$378	\$564
Accumulated benefit obligation	\$362	\$538
Fair value of plan assets	\$239	\$230

The accumulated benefit obligation for all defined benefit plans was \$0.6 billion and \$0.7 billion as of December 31, 2023 and 2022, respectively.



Notes to the Consolidated Financial Statements

Pension benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

(In millions)	
2024	\$ 31
2025	\$ 33
2026	\$ 37
2027	\$ 42
2028	\$ 38
2029 through 2033	\$201

For the years ended December 31, 2023, 2022 and 2021, the Company made \$33 million, \$16 million and \$47 million, respectively, of cash contributions to its defined benefit pension plans. The Company expects to make total contributions of approximately \$5 million to its defined benefit pension plans in 2024.

The components of net periodic pension expense (benefit) for the defined benefit pension plans are as follows:

(In millions)	2023	2022	2021
Service cost	\$15	\$ 20	\$ 27
Interest cost	31	18	37
Expected return on plan assets	(32)	(27)	(145)
Amortization of prior service cost	3	2	2
Recognized actuarial net loss	(2)	9	32
Net settlement, curtailment and special termination benefit loss	1	2	13
Net periodic pension expense (benefit)	\$16	\$ 24	\$ (34)

Major assumptions used in determining the benefit obligation and net cost for pension plans are presented in the following table as weighted-averages:

	Benefit Obligation		Net Costs		
	2023	2022	2023	2022	2021
Discount rate					
Projected benefit obligation	4.3%	4.2%	4.2%	2.1%	1.4%
Interest cost ⁽¹⁾	—%	—%	4.1%	1.9%	1.2%
Service cost ⁽¹⁾	—%	—%	4.5%	2.8%	2.1%
Salary scale	2.2%	2.4%	2.4%	3.1%	2.8%
Expected return on plan assets	—%	—%	5.7%	5.0%	4.6%

⁽¹⁾ The 2023 and 2022 discount rates used to measure the service cost and interest cost applies to the significant plans of the Company. The projected benefit obligation discount rate is used for the service cost and interest cost measurements for non-significant plans.

The expected long-term rate of return on plan assets is determined by considering the relative weighting of plan assets, the historical performance of total plan assets, individual asset classes, economic and other indicators of future performance. Return projections are assessed for reasonableness using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

The Company's investment objective is to provide liquidity and asset levels needed to meet current and future benefit payments, while maintaining a prudent degree of portfolio diversification considering interest rate risk and market volatility. Globally, investment strategies target a mix of approximately 30% of growth seeking assets and 70% of income generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers.

The growth seeking allocation consists of global public equities in developed and emerging countries and alternative asset class strategies. The income generating assets primarily consist of government and broadly diversified high quality corporate bonds. In addition, the Company's investment strategies seek to reduce interest rate risk and have incorporated liability hedging programs as part of the long-term investment strategy. Under this objective, the income generating and hedging assets typically increase as the plans' funded status improves. The Company monitors plan funded status and asset allocation regularly in addition to investment manager performance.



Notes to the Consolidated Financial Statements

The fair values of pension plan assets by asset category are as follows:

(In millions)	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	Not Subject to Leveling	Total
Asset Category	(Level 1)	(Level 2)	(Level 3)		
Public Equities:					
Global Equities	\$—	\$ 26	\$—	\$ —	\$ 26
Global Equity Funds at net asset value ⁽¹⁾	—	—	—	125	125
Fixed Income Securities:					
Governments	—	40	—	23	63
Corporate Bonds	—	44	—	—	44
Fixed Income Securities ⁽²⁾	—	9	—	172	181
Real Estate ⁽³⁾	—	1	—	—	1
Other ⁽⁴⁾⁽⁵⁾	—	10	—	—	10
Cash & Cash Equivalents ⁽²⁾⁽⁵⁾	—	13	—	3	16
Subtotal	\$—	\$143	\$—	\$323	\$466
Other assets and liabilities ⁽⁷⁾					2
Total as of December 31, 2023					\$468

(In millions)	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	Not Subject to Leveling	Total
Asset Category	(Level 1)	(Level 2)	(Level 3)		
Public Equities:					
Global Equities	\$—	\$ 27	\$—	\$ —	\$ 27
Global Equity Funds at net asset value ⁽¹⁾	—	—	—	119	119
Fixed Income Securities:					
Governments	—	35	—	24	59
Corporate Bonds	—	45	—	—	45
Fixed Income Securities ⁽²⁾	—	11	—	156	167
Real Estate ⁽³⁾	—	1	—	—	1
Other ⁽⁴⁾⁽⁵⁾	—	8	—	—	8
Cash & Cash Equivalents ⁽²⁾⁽⁵⁾	—	25	—	1	26
Subtotal	\$—	\$152	\$—	\$300	\$452
Other assets and liabilities ⁽⁷⁾					(1)
Total as of December 31, 2022					\$451

⁽¹⁾ Represents commingled funds that invest primarily in common stocks.

⁽²⁾ In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension plan assets.

⁽³⁾ Represents investments in real estate, including commingled funds and directly held properties.

⁽⁴⁾ Represents insurance contracts and global balanced risk commingled funds consisting mainly of equity, bonds and some commodities.

⁽⁵⁾ Includes fixed income repurchase agreements entered into for purposes of pension asset and liability matching.

⁽⁶⁾ Represents short-term commercial paper, bonds and other cash or cash-like instruments.

⁽⁷⁾ Represents trust receivables and payables that are not leveled.



Notes to the Consolidated Financial Statements

Derivatives in the plan are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. Derivative instruments mainly consist of fixed income repurchase agreements, interest rate swaps, total return swaps and currency forward contracts.

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, whereby observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, including broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

Multiemployer Benefit Plans

The Company contributes to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from those of single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. The Company's contributions to these plans for the years ended December 31, 2023 and 2022 was \$15 million and \$15 million, respectively.

Employee Savings Plans

The Company sponsors various employee savings plans. Employer contributions are determined based on criteria specific to each plan and were \$125 million, \$123 million and \$115 million for the year ended December 31, 2023, 2022 and 2021, respectively.

Note 11: Product Warranties

In the ordinary course of business, the Company provides standard warranty coverage on its products. Provisions for these amounts are established at the time of sale and estimated primarily based on product warranty terms and historical claims experience. In addition, the Company incurs discretionary costs to service its products in connection with specific product performance issues. Provisions for these amounts are established when they are known and estimable. The Company assesses the adequacy of its initial provisions and will make adjustments as necessary based on known or anticipated claims or as new information

becomes available that suggests it is probable that future costs will be different than estimated amounts. Amounts associated with these provisions are classified on the accompanying Consolidated Balance Sheet as *Accrued liabilities* or *Other long-term liabilities* based on their anticipated settlement date.

The changes in the carrying amount of warranty related provisions are as follows:

(In millions)	2023	2022
Balance as of January 1,	\$551	\$524
Warranties, performance guarantees issued and changes in estimated liability	237	184
Settlements made	(194)	(171)
Other	(13)	14
Reclassified to held for sale ⁽¹⁾	(13)	—
Balance as of December 31,	\$568	\$551

⁽¹⁾ See Note 20 - Divestitures for additional information.

Note 12: Equity

The authorized number of shares of common stock of Carrier is 4,000,000,000 shares of \$0.01 par value. As of December 31, 2023 and December 31, 2022, 883,068,393 and 876,487,480 shares of common stock were issued, respectively, which includes 43,490,981 and 42,103,995 shares of treasury stock, respectively.

Share Repurchase Program

The Company may purchase its outstanding common stock from time to time subject to market conditions and at the Company's discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Shares acquired are recognized at cost and presented separately on the balance sheet as a reduction to *Equity*. Since the initial authorization in February 2021, the Company's Board of Directors authorized the repurchase of up to \$4.1 billion of the Company's outstanding common stock.

As of December 31, 2023, the Company repurchased 43.5 million shares of common stock for an aggregate purchase price of \$2.0 billion, which includes shares repurchased under an accelerated share repurchase agreement. As a result, the Company has approximately \$2.1 billion remaining under the current authorization at December 31, 2023. Upon announcement of the proposed acquisition of the VCS Business, the Company temporarily paused its share repurchase program in order to advance its capital allocation strategy. As a result, there is no share repurchase activity to report for the fourth quarter of 2023.



Notes to the Consolidated Financial Statements

Accumulated Other Comprehensive Income (Loss)

A summary of changes in the components of *Accumulated other comprehensive income (loss)* is as follows:

(In millions)	Foreign Currency Translation	Defined Benefit Pension and Post-retirement Plans	Unrealized Hedging Gains (Losses)	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2021	\$ (191)	\$(554)	\$ –	\$ (745)
Other comprehensive income (loss) before reclassifications, net	(322)	53	–	(269)
Amounts reclassified, pre-tax	8	34	–	42
Tax benefit reclassified	–	(17)	–	(17)
Balance as of December 31, 2021	\$ (505)	\$(484)	\$ –	\$ (989)
Other comprehensive income (loss) before reclassifications, net	(525)	63	–	(462)
Amounts reclassified, pre-tax	–	11	–	11
Tax benefit reclassified	–	(3)	–	(3)
Chubb divestiture	(574)	329	–	(245)
Balance as of December 31, 2022	\$ (1,604)	\$ (84)	\$ –	\$(1,688)
Other comprehensive income (loss) before reclassifications, net	160	(17)	58	201
Amounts reclassified, pre-tax	–	1	–	1
Balance as of December 31, 2023	\$(1,444)	\$(100)	\$58	\$(1,486)

Note 13: Revenue Recognition

The Company accounts for revenue in accordance with ASC 606: *Revenue from Contracts with Customers*. Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment.

Performance Obligations

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations

most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to each distinct performance obligation. Revenue is recognized when or as the performance obligation is satisfied. When there are multiple performance obligations within a contract, the Company allocates the transaction price to each performance obligation based on its relative stand-alone selling price.

The Company primarily generates revenue from the sale of products to customers and recognizes revenue at a point in time when control transfers to the customer. Transfer of control is generally based on the shipping terms of the contract. In addition, the Company recognizes revenue on an over-time basis on installation and service contracts. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. Incurred costs represent work performed, which correspond with and best depict transfer of control to the customer. Contract costs include direct costs such as labor, materials and subcontractors' costs and where applicable, indirect costs.



Notes to the Consolidated Financial Statements

Segment sales disaggregated by product and service are as follows:

(In millions)	2023	2022	2021
Sales Type			
Product	\$13,313	\$11,882	\$ 9,985
Service	1,826	1,526	1,405
HVAC sales	15,139	13,408	11,390
Product	3,352	3,432	3,653
Service	466	451	474
Refrigeration sales	3,818	3,883	4,127
Product	3,384	3,372	3,985
Service	249	198	1,530
Fire & Security sales	3,633	3,570	5,515
Total segment sales	22,590	20,861	21,032
Eliminations and other	(492)	(440)	(419)
Consolidated	\$22,098	\$20,421	\$20,613

The transaction price allocated to performance obligations reflects the Company's expectations about the consideration it will be entitled to receive from a customer. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Contract Balances

Total contract assets and liabilities consisted of the following:

(In millions)	2023	2022
Contract assets, current	\$ 306	\$537
Contract assets, non-current (included within <i>Other assets</i>)	26	6
Total contract assets	332	543
Contract liabilities, current	(425)	(449)
Contract liabilities, non-current (included within <i>Other long-term liabilities</i>)	(160)	(174)
Total contract liabilities	(585)	(623)
Net contract assets (liabilities)	\$(253)	\$ (80)

The timing of revenue recognition, billings and cash collections results in contract assets and contract liabilities. Contract assets relate to the conditional right to consideration for any completed performance under a contract when costs are incurred in excess of billings under the percentage-of-completion methodology. Contract liabilities relate to payments received in advance of performance under a contract or when the Company has a right to consideration that is conditioned upon transfer of a good or service to the customer. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The Company recognized revenue of \$347 million for the year ended December 31, 2023 that was related to contract liabilities as of January 1, 2023. The Company expects a majority of its contract liabilities at the end of the period to be recognized as revenue over the next 12 months. There were no individually significant customers with sales exceeding 10% of total sales for the years ended December 31, 2023, 2022 and 2021.

Note 14: Stock-Based Compensation

The Company accounts for stock-based compensation plans in accordance with ASC 718, *Compensation - Stock Compensation*, which requires a fair-value based method for measuring the value of stock-based compensation. Fair value is measured at the date of grant and is generally not adjusted for subsequent changes. The Company's stock-based compensation plans include programs for stock appreciation rights, restricted stock and performance share units.

Stock Options and Appreciation Rights

Eligible participants may receive stock options or stock appreciation rights as part of the Company's long-term incentive program. The fair value of each instrument is determined as of the date of grant using a binomial lattice model and expensed on a straight-line basis over the required service period, which is generally a three-year vesting period. However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions.



Notes to the Consolidated Financial Statements

The following table summarizes fair value information for stock options and stock appreciation rights:

	2023 ⁽⁴⁾	2022 ⁽¹⁾	2021 ⁽¹⁾
Stock options and stock appreciation rights weighted-average fair value per award	\$11.64	\$10.68	\$10.13
Assumptions:			
Volatility	30.9%	30.8% to 31.3%	31.6% to 34.1%
Expected term (in years)	5.8	6.1	6.6
Expected dividend yield	1.8%	1.5%	1.5%
Range of risk-free rates	3.6%	1.7% to 3.0%	0.7% to 1.4%

⁽⁴⁾ Carrier has limited historical trading data and used peer group data to estimate expected volatility for the 2023, 2022 and 2021 awards.

The Company used historical employee data, including data prior to the Separation and the Distribution, to estimate expected term. The expected dividend yield is consistent with management's expectations. The risk-free rate is based on

the term structure of interest rates at the time the awards were granted.

Changes in stock options and stock appreciation rights outstanding were as follows:

	Shares Subject to Option (in thousands)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Life (in years)
As of December 31, 2020	36,732	\$19.91		
Granted	3,194	\$38.92		
Exercised	(5,934)	\$17.59		
Cancelled	(1,551)	\$23.98		
As of December 31, 2021	32,441	\$22.02		
Granted	2,715	\$47.72		
Exercised	(3,495)	\$17.76		
Cancelled	(883)	\$30.33		
As of December 31, 2022	30,778	\$24.53		
Granted	3,494	\$46.13		
Exercised	(8,432)	\$20.48		
Cancelled	(769)	\$42.94		
Outstanding as of December 31, 2023	25,071	\$28.34	\$730	5.8
Exercisable as of December 31, 2023	17,662	\$22.05	\$625	4.8

Restricted Stock Units

Eligible participants may receive restricted stock units ("RSU") as part of the Company's long-term incentive program. The fair value of restricted stock units are based on the closing market price of the Company's common stock on the date of grant and expensed

on a straight-line basis over the required service period (which is generally a three-year vesting period). However, in the event of retirement, awards held for at least one year may vest and become exercisable (if applicable), subject to certain terms and conditions. Dividends accrue during the vesting period and are paid in shares of the Company's common stock.



Notes to the Consolidated Financial Statements

Changes in restricted stock units were as follows:

	RSUs (in thousands)	Weighted- Average Grant Date Fair Value
Outstanding and unvested as of December 31, 2020	5,574	\$ 21.57
Granted	286	\$ 46.49
Vested	(2,168)	\$ 21.45
Cancelled	(122)	\$ 25.39
Outstanding and unvested as of December 31, 2021	3,570	\$ 23.33
Granted	555	\$ 41.88
Vested	(1,915)	\$ 20.85
Cancelled	(143)	\$ 32.92
Outstanding and unvested as of December 31, 2022	2,067	\$ 29.87
Granted	577	\$ 45.71
Vested	(1,140)	\$ 26.09
Cancelled	(161)	\$ 35.09
Outstanding and unvested as of December 31, 2023	1,343	\$ 39.22

Performance Share Units

The Company has a performance share program for key employees whereby awards are provided in the form of performance share units ("PSU") based on performance against pre-established objectives. The annual target level is expressed as shares of the Company's common stock based on the fair value of its stock on the date of grant. Awards are earned over a three-year performance period based equally on a performance condition, measured by the compound annual growth rate of the Company's earnings per share and on a market condition, measured by the Company's relative total shareowner return compared to the total shareowner return of a subset of industrial companies in the S&P 500 Index. The fair value of the market condition is estimated using a Monte Carlo simulation approach. The fair value of the PSU awards are expensed over the required service period, which is generally a three-year vesting period. In the event of retirement, performance share units held for at least one year remain eligible to vest based on actual performance relative to pre-established metrics. Dividends do not accrue on the performance share units during the performance period.

Changes in PSUs were as follows:

	PSUs (in thousands)	Weighted- Average Grant Date Fair Value
Outstanding and unvested as of December 31, 2020	772	\$ 18.46
Granted	821	\$ 41.48
Vested	(20)	\$ 23.72
Forfeited	(152)	\$ 27.28
Outstanding and unvested as of December 31, 2021	1,421	\$ 30.75
Granted	653	\$ 46.93
Vested	(5)	\$ 41.81
Forfeited	(139)	\$ 35.45
Outstanding and unvested as of December 31, 2022	1,930	\$ 35.86
Granted	902	\$ 47.93
Vested	(607)	\$ 18.23
Forfeited	(183)	\$ 46.52
Outstanding and unvested as of December 31, 2023	2,042	\$ 45.47

Compensation Expense

Stock-based compensation expense, net of estimated forfeitures, is included in Cost of products sold, *Selling, general and administrative* and *Research and development*, in the accompanying Consolidated Statement of Operations.

Stock-based compensation cost by award type are as follows:

(In millions)	2023	2022	2021
Equity compensation costs - equity settled	\$ 81	\$ 77	\$ 92
Equity compensation costs - cash settled ⁽¹⁾	3	(15)	19
Total stock-based compensation cost	\$ 84	\$ 62	\$ 111
Income tax benefit	\$ 11	\$ 9	\$ 13

⁽¹⁾ The cash settled awards are classified as liability awards and are measured at fair value at each balance sheet date.

As of December 31, 2023 and 2022, there were \$76 million and \$64 million of unrecognized stock-based compensation costs related to non-vested awards granted under the plan, respectively, which will be recognized ratably over the awards weighted-average remaining vesting period of 2 years.



Notes to the Consolidated Financial Statements

Note 15: Restructuring Costs

The Company incurs costs associated with restructuring initiatives intended to improve operating performance, profitability and working capital levels. Actions associated with these initiatives may include improving productivity, workforce reductions and the consolidation of facilities. Due to the size, nature and frequency of these discrete plans, they are fundamentally different from the Company's ongoing productivity initiatives.

The Company recorded net pre-tax restructuring costs for new and ongoing restructuring actions as follows:

(In millions)	2023	2022	2021
HVAC	\$44	\$ 8	\$33
Refrigeration	21	10	25
Fire & Security	22	11	26
Total Segment	87	29	84
General corporate expenses	10	2	5
Total restructuring costs	\$97	\$31	\$89
Cost of sales	\$18	\$ 9	\$28
Selling, general and administrative	79	22	60
Other income (expense), net	–	–	1
Total restructuring costs	\$97	\$31	\$89

The following table summarizes changes in the restructuring reserve, included in *Accrued liabilities* on the accompanying Consolidated Balance Sheet:

(In millions)	2023	2022
Balance as of January 1,	\$ 24	\$ 54
Net pre-tax restructuring costs	97	31
Utilization, foreign exchange and other	(58)	(61)
Reclassified to held for sale ⁽¹⁾	(8)	–
Balance as of December 31,	\$ 55	\$ 24

⁽¹⁾ See Note 20 - Divestitures for additional information.

As of December 31, 2023, the Company had \$55 million accrued for costs associated with its announced restructuring initiatives. The balance relates to cost reduction efforts, primarily severance, across each of the Company's segments. In addition, reserves associated with the Company's planned portfolio transformation were established during the year, all of which are expected to be paid within 12 months.

Note 16: Other Income (Expense), Net

Other income (expense), net consisted of the following:

(In millions)	2023	2022	2021
Impairment charge on minority-owned joint venture investments	\$ –	\$ –	\$ (2)
Viessmann-related hedges	(96)	–	–
KFI deconsolidation	(297)	–	–
TCC acquisition-related gain	(8)	705	–
Chubb gain	–	1,105	–
Other	17	30	41
Other income (expense), net	\$(384)	\$1,840	\$39

Other income (expense), net primarily includes the impact of gains and losses related to the sale of businesses or interests in equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than the entity's functional currency and hedging-related activities. In connection with the proposed acquisition of the VCS Business, the Company recognized a \$96 million loss during the year ended December 31, 2023 on the mark-to-market valuation of our window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price. In addition, the Company recognized a loss of \$297 million on the deconsolidation of KFI due to its Chapter 11 filing.

In connection with the TCC acquisition, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, the Company recognized a \$697 million non-cash gain associated with the increase in our ownership interest. In addition, the Company completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion during the twelve months ended December 31, 2022.

Note 17: Income Taxes

Income Before Income Taxes

The sources of *Income from operations before income taxes* are as follows:

(In millions)	2023	2022	2021
United States	\$1,311	\$1,876	\$1,528
Foreign	773	2,416	872
Total	\$2,084	\$4,292	\$2,400



Notes to the Consolidated Financial Statements

Provision for Income Taxes

The income tax expense (benefit) consisted of the following components:

(In millions)	2023	2022	2021
Current:			
United States:			
Federal	\$ 412	\$ 453	\$ 336
State	124	120	83
Foreign	341	259	354
	877	832	773
Future:			
United States:			
Federal	(138)	(23)	(125)
State	(33)	(29)	(14)
Foreign	(62)	(72)	65
	(233)	(124)	(74)
Income tax expense	\$ 644	\$ 708	\$ 699

Reconciliation of Effective Income Tax Rate

The differences between the effective income tax rate and the statutory U.S. federal income tax rate are as follows:

	2023	2022	2021
Statutory U.S. federal income tax rate	21.0%	21.0%	21.0%
State income tax	2.7	1.5	1.9
Taxes on international activities	6.3	(1.0)	7.2
TCC acquisition impact	–	(4.2)	–
Other	0.9	(0.8)	(1.0)
Effective income tax rate	30.9%	16.5%	29.1%

The effective tax rate for the year ended December 31, 2023 was higher than the Company's statutory U.S. federal income tax rate. The increase was primarily driven by a net tax charge of \$90 million relating to the re-organization and disentanglement of CCR and certain Fire & Security industrial businesses in advance of the planned divestitures and a deferred tax charge of \$65 million related to basis differences in certain companies presented as held-for-sale. In addition, the effective tax rate was impacted by the recognition of a deferred tax liability for withholding tax of \$33 million on repatriated foreign earnings, non-deductible divestiture-related costs and a non-deductible loss of \$96 million on the mark-to-market valuation of the Company's window forward contracts associated with the expected cash outflows of the Euro-denominated purchase price of the VCS Business. The unfavorable impact of the above items is partially offset by a \$53 million tax benefit recorded from the announced KFI bankruptcy and deconsolidation and \$49 million of foreign tax credits generated and utilized in 2023.

The effective tax rate for the year ended December 31, 2022 was lower than the Company's statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of the Company's previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in the current year.

The effective tax rate for the year ended December 31, 2021 was higher than the Company's statutory U.S. federal income tax rate. The increase was driven by a net tax charge of \$157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of the Chubb business and a \$43 million deferred tax charge associated with a tax rate increase in the United Kingdom enacted on June 10, 2021 with an effective date of April 2023. These amounts were partially offset by the recognition of a favorable tax adjustment of \$70 million due to foreign tax credits generated and expected to be utilized in the current year and \$21 million resulting from the re-organization of a German subsidiary.

Deferred Tax Assets and Liabilities

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and GAAP purposes. These amounts consist of the tax effects of differences between tax and GAAP that are expected to be reversed in the future and tax carryforwards. Future income tax benefits and payables within the same tax paying component of a particular jurisdiction are offset for presentation in the Consolidated Balance Sheet.

The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables as of December 31, 2023 and 2022 are as follows:

(In millions)	2023	2022
Future income tax benefits:		
Insurance and employee benefits	\$ 158	\$ 161
Other assets basis differences	420	284
Other liabilities basis differences	547	571
Tax loss carryforwards	185	177
Tax credit carryforwards	1,333	29
Valuation allowances	(1,399)	(100)
Future income tax benefit	\$ 1,244	\$1,122
Future income tax payables:		
Goodwill and intangible assets	\$ (412)	\$ (449)
Other asset basis differences	(388)	(395)
Future income tax payables	\$ (800)	\$ (844)

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards and certain foreign temporary differences to reduce future income tax benefits to expected realizable amounts. As of December 31, 2023, future



Notes to the Consolidated Financial Statements

income tax benefits and future income tax payables exclude a net liability of \$9 million classified as held for sale. See Note 20 - Divestitures for additional information.

Changes to valuation allowances consisted of the following:

(In millions)	
Balance as of January 1, 2021	\$ 231
Additions charged to income tax expense	32
Reduction credited to income tax expense	(22)
Other adjustments	(41)
Reclassified to held for sale	(110)
Balance at December 31, 2021	\$ 90
Additions charged to income tax expense	18
Reduction credited to income tax expense	(22)
Other adjustments	14
Balance at December 31, 2022	\$ 100
Additions charged to income tax expense	27
Reduction credited to income tax expense	(22)
Other adjustments ⁽¹⁾	1,303
Reclassified to held for sale	(9)
Balance as of December 31, 2023	\$1,399

⁽¹⁾ See discussion below regarding the Swiss tax credit

Tax Credit and Loss Carryforwards

As of December 31, 2023, tax credit carryforwards and tax loss carryforwards were as follows:

(In millions)	Tax Loss Carryforwards	Tax Credit Carryforwards
Expiration period:		
2024-2028	\$ 70	\$ 28
2029-2033	96	1,289
2034-2043	96	—
Indefinite	574	16
Total	\$836	\$1,333

The Company assesses the realizability of its deferred tax assets on a quarterly basis through an analysis of potential sources of future taxable income, including prior year taxable income available to absorb a carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if valuation allowances against deferred tax assets are required. The Company maintains valuation allowances against certain deferred tax assets.

In conjunction with the announced portfolio transformation, the Company is implementing changes to its corporate structure,

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including intra-entity transfers of certain intellectual property to a subsidiary in Switzerland. During 2024, the Company will begin transferring certain intellectual property from wholly-owned legal entities to the Swiss subsidiary. During the three months ended December 31, 2023, the Company's Swiss subsidiary was granted a tax credit of approximately \$1.3 billion that is immediately available to offset cantonal income tax liability over a ten-year period. As the Company is in the preliminary stages of the reorganization, a full valuation allowance was recorded against this tax credit. As operations in the Swiss subsidiary expand in future years it will be necessary to reassess the estimated realizable tax benefit associated with the tax credit.

Unrecognized Tax Benefits

As of December 31, 2023, the Company had unrecognized tax benefits of \$382 million, all of which, if recognized, would impact its effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and related interest expense is as follows:

(In millions)	2023	2022	2021
Balance at beginning of period	\$291	\$251	\$162
Additions for tax positions related to the current year	37	34	86
Additions for tax positions of prior years ⁽¹⁾	81	32	24
Reductions for tax positions of prior years	—	(13)	(1)
Settlements	(27)	(13)	(18)
Reclassified to held for sale	—	—	(2)
Balance at end of period	\$382	\$291	\$251
Gross interest expense related to unrecognized tax benefits	\$ 18	\$ 16	\$ 8
Total accrued interest balance at end of period	\$ 64	\$ 48	\$ 35

⁽¹⁾ Includes \$73 million during the year ended December 31, 2023 and \$14 million during the year ended December 31, 2021 related to acquisitions.

The Company conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in the U.S. federal, various state and foreign jurisdictions. In certain jurisdictions, the Company's operations were included in UTC's combined tax returns for the periods through the Separation and the Distribution. The IRS commenced an audit of UTC's tax years 2017 and 2018 in the second quarter of 2020 and this audit is expected to conclude in 2024. However, the Company expects that certain of the IRS proposed adjustments will be disputed at the Appeals Division of the IRS. The U.S. Federal statute of limitations for UTC's tax year 2019 expired during the three months ended December 31, 2023. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including the U.S., Australia, Belgium, Canada, China, Czech Republic, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Singapore, Thailand, and the United Kingdom. The Company is no longer subject to U.S. federal income tax



Notes to the Consolidated Financial Statements

examination for years prior to 2017 and, with few exceptions, is no longer subject to U.S. state and local and foreign income tax examinations for tax years before 2013.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. The Company believes that it is reasonably possible that a net decrease in unrecognized tax benefits of \$60 million to \$80 million may occur within 12 months as a result of additional uncertain tax positions, the revaluation of uncertain tax positions arising from examinations, appeals, court decisions or the closure of tax statutes.

In October 2021, the Organization for Economic Co-operation and Development ("OECD")/G20 finalized the significant components of a two-pillar global tax reform plan, which has now been agreed to by the majority of OECD members. Pillar One allows countries to reallocate amongst other taxing jurisdictions a portion of residual profits earned by multinational enterprises ("MNE"), with annual global revenue exceeding €20 billion and a profit margin over 10%. The adoption of Pillar One and its potential effective date remain uncertain. Pillar Two requires MNEs with annual global revenue exceeding €750 million to pay a global minimum tax of 15%. The Company does not currently expect the impact of Pillar Two to be material to its effective tax rate, but the impact may be modified as legislation is adopted.

As a result of the Tax Cuts and Jobs Act ("TCJA"), the Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, the Company has recorded tax liabilities associated with the future remittance of these earnings. For the remainder of the Company's undistributed international earnings, unless it becomes tax effective to repatriate, the Company intends to continue to permanently reinvest these earnings. As of December 31, 2023, such undistributed earnings were approximately \$10 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts. In addition, the TCJA subjects the Company to a tax on global intangible low-taxed income ("GILTI"). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations which the Company has elected to account for as a period cost.

Note 18: Earnings Per Share

Earnings per share is computed by dividing *Net income attributable to common shareowners* by the weighted-average number of shares of common stock outstanding during the period (excluding treasury stock). Diluted earnings per share is computed by giving effect to all potentially dilutive stock awards that are outstanding. The computation of diluted earnings per share excludes the effect of the potential exercise of stock-based

awards, including stock appreciation rights and stock options, when the effect of the potential exercise would be anti-dilutive.

The following table summarizes the weighted-average number of shares of common stock outstanding for basic and diluted earnings per share calculations:

(In millions, except per share amounts)	2023	2022	2021
Net income attributable to common shareowners	\$ 1,349	\$ 3,534	\$ 1,664
Basic weighted-average number of shares outstanding	837.3	843.4	867.7
Stock awards and equity units (share equivalent)	15.7	17.8	22.6
Diluted weighted-average number of shares outstanding	853.0	861.2	890.3
Antidilutive shares excluded from computation of diluted earnings per share	2.0	2.9	0.1
Earnings Per Share			
Basic	\$ 1.61	\$ 4.19	\$ 1.92
Diluted	\$ 1.58	\$ 4.10	\$ 1.87

Note 19: Acquisitions

During the year ended December 31, 2023, the Company acquired consolidated and minority-owned businesses. The aggregate cash paid, net of cash acquired, totaled \$84 million. Acquisitions are recorded using the acquisition method of accounting in accordance with ASC 805. As a result, the aggregate purchase price has been allocated to assets acquired and liabilities assumed based on the estimate of fair market value of such assets and liabilities at the date of acquisition. The excess purchase price over the estimated fair value of net assets acquired is recognized as goodwill.

Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in TCC for \$920 million. TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation, designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition included all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The acquisition was completed on August 1, 2022 and funded through the Japanese Term Loan Facility and cash on hand. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.



Notes to the Consolidated Financial Statements

The allocation of the purchase price is as follows:

(In millions)	August 1, 2022
Cash and cash equivalents	\$ 462
Accounts receivable	428
Inventories	373
Other assets, current	54
Fixed assets	330
Intangible assets	965
Goodwill	876
Other assets	299
Accounts payable	(412)
Accrued liabilities	(445)
Contract liabilities, current	(21)
Other long-term liabilities	(569)
Net assets acquired	\$ 2,340
Less: Fair value of non-controlling interests	(22)
Less: Fair value of previously held TCC equity investments	(1,398)
Total cash consideration	\$ 920

The excess purchase price over the estimated fair value of the net assets acquired was recognized as goodwill and totaled \$876 million, which is not deductible for tax purposes. Accounts receivable and current liabilities were stated at their historical carrying value, which approximates fair value given the short-term nature of these assets and liabilities. The estimate of fair value for inventory and fixed assets was based on an assessment of the acquired assets' condition as well as an evaluation of the current market value of such assets. The sale agreement included several customary provisions to settle working capital and other transaction-related items as of the date of sale. During 2022, the parties finalized these amounts in accordance with the terms of the sale agreement and the Company paid an additional \$41 million to Toshiba Corporation in 2023. In addition, the parties finalized amounts related to pension funding levels during 2023 which resulted in the Company receiving \$12 million from Toshiba Corporation.

The Company recorded intangible assets based on its estimate of fair value which consisted of the following:

(In millions)	Estimated Useful Life (in years)	Intangible Assets Acquired
Customer relationships	23	\$497
Technology	7	220
Trademark	26	180
Backlog	1	60
Land use rights	45	8
Total intangible assets acquired		\$965

The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, EBIT margins, discount rates, customer attrition rates and royalty rates among others. The projected future cash flows are discounted to present value using an appropriate discount rate. The Company finalized the process of allocating the purchase price and valuing the acquired assets and liabilities during the year ended December 31, 2023.

The Company previously accounted for its minority ownership in TCC under the equity method of accounting. In connection with the transaction, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition using an income approach methodology. As a result, the Company recognized a \$697 million non-cash gain within *Other income (expense), net* on the accompanying Consolidated Statement of Operations. In addition, the assets, liabilities and results of operations of TCC are consolidated in the date of acquisition and reported within the Company's HVAC segment. The Company incurred \$29 million of acquisition-related costs during 2022 which are included within *Selling, general and administrative* on the accompanying Consolidated Statement of Operations. The Company has not included pro forma financial information required under ASC 805 as the pro forma impact was not deemed significant.

Announced Acquisition

On April 25, 2023, the Company announced that it entered into an Agreement to acquire the VCS Business, a privately-held company. The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. Under the terms of the Agreement, 20% of the purchase price was to be paid in Carrier common stock, issued directly to Viessmann and subject to long-term lock-up provisions and 80% was to be paid in cash, subject to working capital and other adjustments. The acquisition was completed on January 2, 2024. See Note 25 - Subsequent Events for additional information.

On April 25, 2023, the Company entered into commitment letters with JPMorgan Chase Bank, N.A., BofA Securities, Inc. and Bank of America, N.A. to provide a €8.2 billion aggregate principal, senior unsecured bridge term loan facility (the "Bridge Loan"). The Company capitalized \$48 million of deferred financing costs associated with the Bridge Loan which are being amortized over the commitment period. In May 2023, the aggregate principal amount of the Bridge Loan was reduced by €2.3 billion upon entering into a senior unsecured delayed draw term loan credit agreement. As a result, the Company accelerated the amortization on \$10 million of deferred financing costs in *Interest expense*. In November 2023, the aggregate principle amount of the Bridge Loan was reduced by €5.4 billion upon the issuance of the USD



Notes to the Consolidated Financial Statements

Notes and the Euro Notes. As a result, the Company accelerated the amortization on \$15 million of deferred financing costs in *Interest expense*.

On May 19, 2023, the Company entered into a senior unsecured delayed draw term loan credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders that permits aggregate borrowings of up to €2.3 billion (the "Delayed Draw Facility"). The Company capitalized \$4 million of deferred financing costs associated with the Delayed Draw Facility which will be amortized over the term once the facility is drawn upon. In addition, the Company entered into a 364-day, \$500 million, senior unsecured revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and certain other lenders (the "Revolver") on May 19, 2023. Proceeds from the Revolver became available upon closing the purchase of the VCS Business.

Note 20: Divestitures

Planned Portfolio Transformation

On April 25, 2023, the Company announced plans to exit its Fire & Security and Commercial Refrigeration businesses over the course of 2024. On December 7, 2023, the Company entered into a stock purchase agreement to sell its Access Solutions business to Honeywell International Inc. for an enterprise value of approximately \$4.95 billion. Access Solutions, historically reported in the Company's Fire & Security segment, is a global supplier of physical security and digital access solutions supporting the hospitality, commercial, education and military markets. On December 12, 2023, the Company entered into a stock purchase agreement to sell the CCR business to Haier Group Corporation for an enterprise value of approximately \$775 million. CCR, historically reported in the Company's Refrigeration segment, is a global supplier of turnkey solutions for commercial refrigeration systems and services, with a primary focus on serving food retail customers, cold storage facilities and warehouses. As a result, the assets and liabilities of both businesses are presented as held for sale in the accompanying Consolidated Balance Sheets as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell. Both transactions are expected to close in 2024 and are subject to customary closing conditions.

In addition, the net assets of the Company's Industrial Fire business met the criteria to be classified as held for sale during the fourth quarter of 2023. Industrial Fire, historically reported in the Company's Fire & Security segment, is a leading manufacturer of a full spectrum of fire detection and suppression solutions and services in critical high-hazard environments, including oil and gas, power generation, marine and offshore facilities, automotive, data centers and aircraft hangars. As a result, the assets and liabilities of the business are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2023 and recorded at the lower of their carrying value or fair value less estimated cost to sell.

The following table summarizes assets and liabilities classified as held for sale:

	December 31, 2023			
(In millions)	Commercial Refrigeration	Access Solutions	Industrial Fire	Total
Cash and cash equivalents	\$131	\$ 6	\$ 20	\$ 157
Accounts receivable, net	274	104	101	479
Inventories, net	84	31	65	180
Contract assets, current	98	2	42	142
Other assets, current	15	3	4	22
Fixed assets, net	78	13	22	113
Intangible assets, net	—	53	2	55
Goodwill	72	1,498	439	2,009
Operating lease right-of-use assets	49	13	28	90
Other assets	44	10	13	67
Total assets held for sale	\$845	\$1,733	\$736	\$3,314
Accounts payable	\$129	\$ 20	\$ 39	\$ 188
Accrued liabilities	181	21	55	257
Contract liabilities, current	23	53	22	98
Long-term debt, including current portion	8	—	—	8
Future pension and post-retirement obligations	203	—	1	204
Future income tax obligations	4	2	3	9
Operating lease liabilities	40	11	23	74
Other long-term liabilities	3	12	9	24
Total liabilities held for sale	\$591	\$ 119	\$152	\$ 862

Note 21: Segment Financial Data

The Company conducts its operations through three reportable operating segments: HVAC, Refrigeration and Fire & Security. In accordance with ASC 280 - *Segment Reporting*, the Company's segments maintain separate financial information for which results of operations are evaluated on a regular basis by the Company's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. Inter-company sales between segments are immaterial.



Notes to the Consolidated Financial Statements

- The HVAC segment provides products, controls, services and solutions to meet the heating, cooling and ventilation needs of residential and commercial customers while enhancing building performance, health, energy efficiency and sustainability.
- The Refrigeration segment includes transport refrigeration and monitoring products, services and digital solutions for trucks, trailers, shipping containers, intermodal and rail, as well as commercial refrigeration products.
- The Fire & Security segment provides a wide range of residential, commercial and industrial technologies designed to help protect people and property.

The Company's customers are in both the public and private sectors and its businesses reflect extensive geographic diversification. Inter-company sales between segments are immaterial.

Net sales and Operating profit by segment are as follows:

(In millions)	Net Sales			Operating Profit		
	2023	2022	2021	2023	2022	2021
HVAC	\$15,139	\$13,408	\$11,390	\$2,275	\$2,610	\$1,738
Refrigeration	3,818	3,883	4,127	428	483	476
Fire & Security	3,633	3,570	5,515	209	1,630	662
Total segment	22,590	20,861	21,032	2,912	4,723	2,876
Eliminations and other	(492)	(440)	(419)	(275)	(80)	(96)
General corporate expenses	—	—	—	(341)	(128)	(135)
Consolidated	\$22,098	\$20,421	\$20,613	\$2,296	\$4,515	\$2,645

Total assets are not presented for each segment as they are not presented to or reviewed by the CODM. Segment assets in the following table represent *Accounts receivable, net*, *Contract assets, current* and *Inventories, net*. These assets are regularly reviewed by management and are therefore reported in the following table as segment assets. All other remaining assets and liabilities for all periods presented are managed on a company-wide basis.

(In millions)	Segment Assets		Capital Expenditures			Depreciation & Amortization		
	2023	2022	2023	2022	2021	2023	2022	2021
HVAC	\$ 3,204	\$3,191	\$313	\$232	\$225	\$413	\$256	\$186
Refrigeration	834	1,279	30	32	39	34	31	36
Fire & Security	940	1,492	33	40	49	54	58	83
Total Segment	4,978	5,962	376	304	313	501	345	305
Eliminations and other	26	48	93	49	31	41	35	33
Consolidated	\$ 5,004	\$6,010	\$469	\$353	\$344	\$542	\$380	\$338
Cash and cash equivalents	10,015	3,520						
Other assets, current	447	349						
Assets held for sale	3,314	—						
Total current assets	\$18,780	\$9,879						



Notes to the Consolidated Financial Statements

Geographic External Sales

Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. With the exception of the U.S. as presented in the following table, there were no individually significant countries with sales exceeding 10% of total sales for the years ended December 31, 2023, 2022 and 2021.

(In millions)	2023	External Sales		Long-Lived Assets	
		2022	2021	2023	2022
United States Operations	\$12,205	\$11,797	\$10,492	\$ 857	\$ 803
International Operations					
Europe	4,729	4,359	5,776	497	453
Asia Pacific	4,352	3,489	3,464	543	573
Other	812	776	881	396	412
Consolidated	\$22,098	\$20,421	\$20,613	\$2,293	\$2,241

Note 22: Related Parties

Equity Method Investments

The Company sells products to and purchases products from unconsolidated entities accounted for under the equity method and, therefore, these entities are considered to be related parties. The Company has 26 directly owned unconsolidated domestic and foreign affiliates as of December 31, 2023, of which 97% of such investments are in its HVAC segment. The Company periodically reviews the carrying value of its equity method investments to determine if there has been an other-than-temporary decline in fair value.

Amounts attributable to equity method investees are as follows:

(In millions)	2023	2022	2021
Sales to equity method investees included in <i>Product sales</i>	\$2,920	\$2,845	\$2,258
Purchases from equity method investees included in <i>Cost of products sold</i>	\$ 214	\$ 331	\$ 357

The Company had receivables from and payables to equity method investees as follows:

(In millions)	2023	2022
Receivables from equity method investees included in <i>Accounts receivable, net</i>	\$231	\$154
Payables to equity method investees included in <i>Accounts payable</i>	\$ 44	\$ 44

The financial results of TCC are included in the Company's consolidated results since the acquisition date of August 1, 2022. Prior to the acquisition, the Company previously accounted for its minority ownership in TCC under the equity method of accounting. As a result, prior period results may not be comparable to the current period.

Summarized Financial Information. Pursuant to Rule 3-10 and Rule 4-08(g) of Regulation S-X under the Securities Act, the Company presents summarized financial information of the combined accounts of its non-consolidated joint ventures accounted for by the equity method.

Summarized unaudited financial information for equity method investments is as follows:

(In millions)	2023	2022
Current assets	\$11,432	\$10,621
Non-current assets	1,834	1,931
Total assets	13,266	12,552
Current liabilities	(9,296)	(8,631)
Non-current liabilities	(190)	(195)
Total liabilities	(9,486)	(8,826)
Total net equity of investees	\$ 3,780	\$ 3,726

(In millions)	2023	2022	2021
Net sales	\$16,180	\$11,524	\$9,471
Gross profit	\$ 2,862	\$ 2,274	\$1,907
Income from continuing operations	\$ 655	\$ 757	\$ 650
Net income	\$ 655	\$ 757	\$ 650

Note 23: Commitments and Contingent Liabilities

The Company is involved in various litigation, claims and administrative proceedings, including those related to environmental (including asbestos) and legal matters. In accordance with ASC 450, *Contingencies*, the Company records accruals for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably



Notes to the Consolidated Financial Statements

estimated. These accruals are generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount. In addition, these estimates are reviewed periodically and adjusted to reflect additional information when it becomes available. The Company is unable to predict the final outcome of the following matters based on the information currently available, except as otherwise noted. However, the Company does not believe that the resolution of any of these matters will have a material adverse effect upon its results of operations or financial condition.

Environmental Matters

The Company's operations are subject to environmental regulation by various authorities. The Company has accrued for the costs of environmental remediation activities, including but not limited to, investigatory, remediation, operating and maintenance costs and performance guarantees. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to individual sites, including the technology required to remediate, current laws and regulations and prior remediation experience.

As of December 31, 2023 and 2022, the outstanding liability for environmental obligations are as follows:

(In millions)	2023	2022
Environmental reserves included in <i>Accrued liabilities</i>	\$ 21	\$ 24
Environmental reserves included in <i>Other long-term liabilities</i>	203	211
Total environmental reserves	\$224	\$235

For sites with multiple responsible parties, the Company considers its likely proportionate share of the anticipated remediation costs and the ability of other parties to fulfill their obligations in establishing a provision for these costs. Accrued environmental liabilities are not reduced by potential insurance reimbursements and are undiscounted.

Asbestos Matters

The Company has been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos allegedly integrated into certain Carrier products or business premises. While the Company has never manufactured asbestos and no longer incorporates it into any currently-manufactured products, certain products that the Company no longer manufactures contained components incorporating asbestos. A substantial majority of these asbestos-related claims have been dismissed without payment or have been covered in full or in part by insurance or other forms of indemnity. Additional cases were litigated and settled without any insurance reimbursement. The amounts involved in asbestos-related claims were not material individually or in the aggregate in any period.

The Company's asbestos liabilities and related insurance recoveries are as follows:

(In millions)	2023	2022
Asbestos liabilities included in <i>Accrued liabilities</i>	\$ 15	\$ 16
Asbestos liabilities included in <i>Other long-term liabilities</i>	206	212
Total asbestos liabilities	\$221	\$228
Asbestos-related recoveries included in <i>Other assets, current</i>	\$ 5	\$ 5
Asbestos-related recoveries included in <i>Other assets</i>	88	90
Total asbestos-related recoveries	\$ 93	\$ 95

The amounts recorded for asbestos-related liabilities are based on currently available information and assumptions that the Company believes are reasonable and are made with input from outside actuarial experts. These amounts are undiscounted and exclude the Company's legal fees to defend the asbestos claims, which are expensed as incurred. In addition, the Company has recorded insurance recovery receivables for probable asbestos-related recoveries.

UTC Equity Awards Conversion Litigation

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint (the "Complaint") in the United States District Court for the District of Connecticut against RTX, Carrier, Otis, the former members of the UTC Board of Directors and the members of the Carrier and Otis Boards of Directors (*Geraud Darnis, et al. v. Raytheon Technologies Corporation, et al.*). The Complaint challenged the method by which UTC equity awards were converted to UTC, Carrier and Otis equity awards following the Separation and the Distribution. Defendants moved to dismiss the Complaint. Plaintiffs amended their Complaint on September 13, 2021 (the "Amended Complaint"). The Amended Complaint, with RTX, Carrier and Otis as the only defendants, asserted that the defendants are liable for breach of certain equity compensation plans and for breach of the implied covenant of good faith and fair dealing. The Amended Complaint also sought specific performance. The Company believes all plaintiffs' claims against it are without merit. Defendants moved to dismiss the Amended Complaint. On September 30, 2022, the court dismissed the case against all defendants, with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. On August 3, 2023, the Second Circuit of Appeals affirmed the district court's ruling. The Second Circuit's judgment is final and non-appealable.

Aqueous Film Forming Foam Litigation

As of December 31, 2022, the Company, KFI and others have been named as defendants in more than 6,000 lawsuits filed by individuals in or removed to the federal courts of the United States



Notes to the Consolidated Financial Statements

alleging that the historic use of Aqueous Film Forming Foam ("AFFF") caused personal injuries and/or property damage. The Company, KFI and others have also been named as defendants in more than 700 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company, KFI and others to the U.S. District Court for the District of South Carolina (the "MDL Proceedings"). The individual plaintiffs in the MDL Proceedings generally seek damages for alleged personal injuries, medical monitoring, diminution in property value and injunctive relief to remediate alleged contamination of water supplies. The U.S. state, municipal and water utility plaintiffs in the MDL Proceedings generally seek damages and costs related to the remediation of public property and water supplies.

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires. The lawsuits identified above relate to Kidde Fire Fighting, Inc., which owned the National Foam business. Kidde Fire Fighting, Inc. was acquired by a UTC subsidiary in 2005 and merged into KFI in 2007. The National Foam business manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania (the "Pennsylvania Site"). In 2013, KFI divested the AFFF businesses to an unrelated third party. The Company acquired KFI as part of the Separation in April 2020.

The key components of AFFF that contribute to its fire-extinguishing capabilities are known as fluorosurfactants. Neither the Company nor KFI, nor any of the Company's subsidiaries involved in the AFFF litigation manufactured fluorosurfactants. Instead, the National Foam business purchased these substances from unrelated third parties to in turn manufacture AFFF. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as per- and polyfluoroalkyl substances (referred to collectively as "PFAS"), including perfluorooctanesulfonic acid ("PFOS") and perfluorooctanoic acid ("PFOA"). Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

Plaintiffs in the MDL Proceedings allege that PFOS and PFOA contamination has resulted from the use of AFFF manufactured using a process known as ECF, and that this process was used exclusively by 3M. They also allege that PFOA contamination has resulted from the use of AFFF manufactured using a different process, known as telomerization, and that this process was used exclusively by the other AFFF manufacturers (including the National Foam business). Compounds containing PFOS and PFOA (as well as many other PFAS) have also been used for decades

by many third parties in a number of different industries to manufacture firefighters' protective outerwear, carpets, clothing, fabrics, cookware, food packaging, personal care products, cleaning products, paints, varnishes and other consumer and industrial products.

Plaintiffs in the MDL Proceedings have named multiple defendants, including suppliers of chemicals and raw materials used to manufacture fluorosurfactants, fluorosurfactant manufacturers and AFFF manufactures. The defendants in the MDL Proceedings moved for summary judgment on the government contractor defense, which potentially applies to AFFF sold to or used by the U.S. government. After full briefing and oral argument, on September 16, 2022, the MDL court declined to enter summary judgment for the defendants. The defense, however, remains available at any trial to which it applies.

On September 23, 2022, after completion of discovery, the MDL court selected one water provider case, the *City of Stuart, FL v. 3M, et al.*, for a bellwether trial. That trial was scheduled to begin in early June 2023 but was postponed indefinitely. The MDL court has ordered that the bellwether process for personal injury cases to begin in 2023. However, the court has not yet outlined details on that process or its timing.

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply. The Company, KFI and other defendants are also party to one action in Arizona state court brought by a firefighter claiming that occupational exposure to AFFF has caused certain personal injuries.

The Company and KFI believe that they have meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate a range of possible loss at this time. There can be no assurance that any such future exposure will not be material in any period.

On May 14, 2023, KFI filed a voluntary petition with the United States Bankruptcy court for the District of Delaware seeking relief under Chapter 11 of the Bankruptcy Code after the Company determined that it would not provide financial support to KFI going forward, other than ensuring KFI has access to services necessary for the effective operation of its business. As a result, all litigation against KFI is automatically stayed. KFI filed an adversary complaint and motion in the Chapter 11 case seeking an order staying or enjoining all AFFF-related litigation against the Company, its other subsidiaries and RTX. That motion was resolved through



Notes to the Consolidated Financial Statements

an agreement that effectively stays the AFFF litigation against these parties. KFI has also indicated to the bankruptcy court that it intends to pursue insurance coverage for AFFF-related liabilities and contractual indemnification for AFFF-related liabilities from the third party to which KFI sold National Foam. On November 21, 2023, the bankruptcy court ordered certain parties, including the Company, to participate in a mediation with respect to claims that might be asserted by and against it in the bankruptcy proceedings. The parties have engaged in several mediation sessions and anticipate further sessions in the future.

Deconsolidation Due to Bankruptcy

As of May 14, 2023, the Company no longer controlled KFI as their activities are subject to review and oversight by the bankruptcy court. Therefore, KFI was deconsolidated and their respective assets and liabilities were derecognized from the Company's Consolidated Financial Statements. Upon deconsolidation, the Company determined the fair value of its retained interest in KFI to be zero and accounted for it prospectively using the cost method. As a result of these actions, the Company recognized a loss of \$297 million in its Consolidated Statements of Operations within *Other income/(expense), net*. In addition, the deconsolidation resulted in an investing cash outflow of \$134 million in the Company's Consolidated Statements of Cash Flows.

In connection with the bankruptcy filing, KFI entered into several agreements with subsidiaries of the Company to ensure they have access to services necessary for the effective operation of their business. All post-deconsolidation activity between the Company and KFI are reported as third-party transactions recorded within the Company's Consolidated Statements of Operations. Since the petition date, there were no material transactions between the Company and KFI.

Income Taxes

Under the Tax Matters Agreement relating to the Separation, the Company is responsible to UTC for its share of the Tax Cuts and Jobs Act transition tax associated with foreign undistributed earnings as of December 31, 2017. As a result, liabilities of \$132 million and \$243 million are included within the accompanying Consolidated Balance Sheet within *Accrued Liabilities* and *Other Long-Term Liabilities* as of December 31, 2023, respectively. This obligation is expected to be settled in annual installments ending in April 2026 with the next installment of \$89 million due in 2024. The Company believes that the likelihood of incurring losses materially in excess of this amount is remote.

Self-Insurance

The Company maintains self-insurance for a number of risks, including but not limited to, workers' compensation, general liability, automobile liability, property and employee-related healthcare benefits. It has obtained insurance coverage for amounts exceeding individual and aggregate loss limits. The Company accrues for known future claims and incurred but not reported losses.

The Company's self-insurance liabilities were as follows:

(In millions)	2023	2022
Self-insurance liabilities included in Accrued liabilities	\$160	\$139
Self-insurance liabilities included in <i>Other long-term liabilities</i>	55	53
Total self-insurance liabilities	\$215	\$192

The Company incurred expenses related to self-insured risks of \$180 million, \$155 million and \$155 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Other Matters

The Company has other commitments and contingent liabilities related to legal proceedings, self-insurance programs and matters arising in the ordinary course of business. The Company accrues for contingencies generally based upon a range of possible outcomes. If no amount within the range is a better estimate than any other, the Company accrues the minimum amount.

In the ordinary course of business, the Company is also routinely a defendant in, party to or otherwise subject to many pending and threatened legal actions, claims, disputes and proceedings. These matters are often based on alleged violations of contract, product liability, warranty, regulatory, environmental, health and safety, employment, intellectual property, tax and other laws. In some of these proceedings, claims for substantial monetary damages are asserted against the Company and could result in fines, penalties, compensatory or treble damages or non-monetary relief. The Company does not believe that these matters will have a material adverse effect upon its competitive position, results of operations, cash flows or financial condition.

Note 24: Supplemental Cash Flow Information

Supplemental cash flow information was as follows:

(In millions)	2023	2022	2021
Interest paid, net of amounts capitalized	\$320	\$297	\$317
Income taxes paid, net of refunds	\$942	\$833	\$675
Non-cash financing activity:			
Common stock dividends payable	\$161	\$158	\$130

Note 25: Subsequent Events

On January 2, 2024, the Company entered into a 60-day senior unsecured bridge term loan agreement with JPMorgan Chase Bank, N.A., as administrative agent ("60-day Bridge Loan"). The facility consisted of a Euro-denominated tranche in an aggregate amount of €113 million and a USD-denominated tranche in an aggregate amount of \$349 million. Euro-denominated borrowings bear interest at the EURIBOR Rate plus a ratings-based margin,



Notes to the Consolidated Financial Statements

USD-denominated borrowings bear interest at either a Term SOFR Rate plus 0.10% and a ratings-based margin or, alternatively, at a base rate plus a ratings-based margin. The proceeds of the senior unsecured bridge term loan were used to fund a portion of the Euro-denominated purchase price of the VCS Business.

On January 2, 2024, the Company completed the previously announced acquisition of the VCS Business from Viessmann for total consideration of \$14.2 billion. The purchase price consisted of (i) US\$11.2 billion in cash and (ii) 58,608,959 shares of the Company's common stock, subject to long-term lock-up provisions and anti-dilution protection. The Company funded the cash portion of the base purchase price with a combination of cash on hand, net proceeds from the USD Notes and Euro Notes and borrowings under the Delayed Draw Facility and the 60-day Bridge Loan.

The VCS Business develops intelligent, integrated and sustainable technologies, including heat pumps, boilers, photovoltaic systems, home battery storage and digital solutions, primarily for residential customers in Europe. The Company believes that secular trends in these areas will drive significant, sustained future

growth. In addition, the Company anticipates realizing significant operational synergies including purchase material savings through supplier rationalization and procurement leverage, improvement in manufacturing costs and lower general and administrative costs. Longer term, the Company expects to benefit from synergies related to service revenue expansion, leverage of distribution channels and vertical cross selling through certain vertical markets. The net sales of the VCS Business were €3.4 billion during the twelve months ended December 31, 2022.

The transaction will be accounted for as a business combination under ASC 805 and the results of operations from the date of acquisition will be reflected within the HVAC segment. The Company is in the process of completing its appraisals of tangible and intangible assets relating to this acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed will be completed once the appraisal process has been finalized. During the year ended December 31, 2023, the Company recognized acquisition-related costs of \$80 million, which are reflected within *Selling, general and administrative* in the Consolidated Statement of Operations.



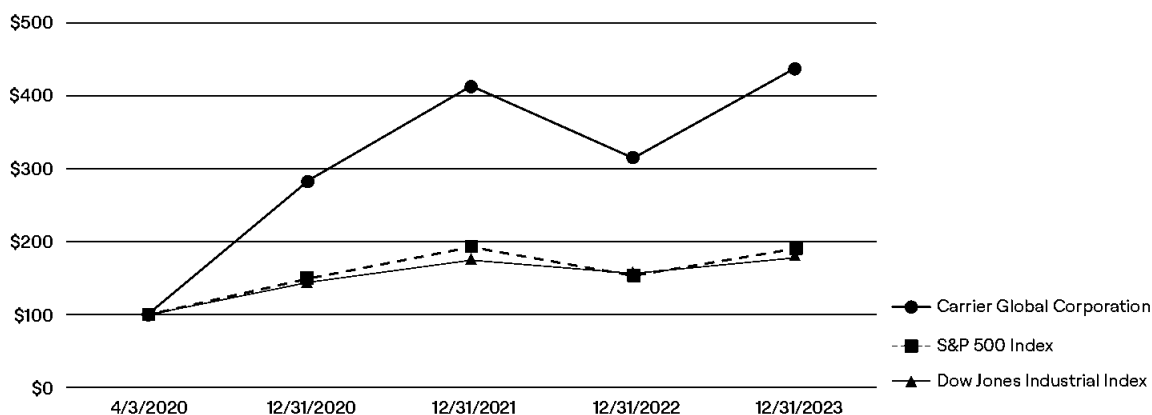
Comparison of Cumulative Total Return

Performance Graph

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

On April 3, 2020, UTC completed the Separation of Carrier into a stand-alone company. As a result of the Separation and the Distribution, Carrier became an independent public company. The following graph presents the cumulative total shareowner return from the Distribution Date through December 31, 2023 for our common stock, as compared with the S&P 500 Index and the Dow Jones Industrial Index.

Our common stock is a component of the S&P 500 Index. These figures assume that all dividends paid over the period were reinvested and that the starting value of each index and the investment in our common stock was \$100 on April 3, 2020.



The cumulative total returns on our common stock and each index as of each April 3, 2020 through December 31, 2023 plotted in the above graph are as follows:

Company / Index	April 3, 2020	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Carrier Global Corporation	\$100.00	\$286.66	\$416.55	\$316.82	\$441.24
S&P 500 Index	\$100.00	\$150.59	\$193.82	\$154.28	\$191.66
Dow Jones Industrial Index	\$100.00	\$145.31	\$175.75	\$157.45	\$179.03



Reconciliation of Non-GAAP Measures to Corresponding GAAP

Net Income, Earnings Per Share and Effective Tax Rate

(In millions, except per share amounts)	Unaudited								
	Year Ended December 31, 2023			Year Ended December 31, 2022			Year Ended December 31, 2021		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	\$22,098	\$ –	\$22,098	\$20,421	\$ –	\$20,421	\$20,613	\$ –	\$20,613
Operating profit	2,296	911 ^a	3,207	4,515	(1,621) ^a	2,894	2,645	174 ^a	2,819
Operating margin	10.4%		14.5%	22.1%		14.2%	12.8%		13.7%
Income from operations before income taxes	2,084	960 ^{a,b}	3,044	4,292	(1,649) ^{a,b}	2,643	2,400	193 ^{a,b}	2,593
Income tax expense	(644)	20 ^c	(624)	(708)	135 ^c	(573)	(699)	167 ^c	(532)
Income tax rate	30.9%		20.5%	16.5%		21.7%	29.1%		20.5%
Net income attributable to common shareowners	\$ 1,349	\$ 980	\$ 2,329	\$ 3,534	\$ (1,514)	\$ 2,020	\$ 1,664	\$ 360	\$ 2,024
Summary of Adjustments:									
Restructuring costs		\$ 97 ^a			\$ 31 ^a			\$ 89 ^a	
Amortization of acquired intangibles		149 ^a			50 ^a			15 ^a	
Acquisition step-up amortization ⁽¹⁾		41 ^a			51 ^a			5 ^a	
Acquisition/divestiture-related costs		220 ^a			31 ^a			2 ^a	
Viessmann-related hedges		96 ^a			–			–	
KFI deconsolidation		297 ^a			–			–	
TCC acquisition-related gain ⁽²⁾		8 ^a			(705) ^a			– ^a	
Chubb gain		–			(1,105) ^a			– ^a	
Chubb transaction costs		–			–			43 ^a	
Russia/Ukraine asset impairment		–			4 ^a			– ^a	
Charge resulting from legal matter		–			22 ^a			– ^a	
Separation costs		–			–			20 ^a	
Bridge loan financing costs ⁽³⁾		52 ^{a,b}			–			–	
Debt extinguishment (gain), net ⁽⁴⁾		–			(28) ^b			19 ^b	
Total adjustments		\$ 960			\$ (1,649)			\$ 193	
Tax effect on adjustments above		\$ (114)			\$ 172			\$ (33)	
Tax specific adjustments		134			(37)			200	
Total tax adjustments		\$ 20^c			\$ 135^c			\$ 167^c	
Shares outstanding - Diluted	853.0		853.0	861.2		861.2	890.3		890.3
Earnings per share - Diluted	\$ 1.58		\$ 2.73	\$ 4.10		\$ 2.34	\$ 1.87		\$ 2.27

⁽¹⁾ Amortization of the step-up to fair value of acquired inventory and backlog.

⁽²⁾ The carrying value of our previously held TCC equity investments were recognized at fair value and subsequently adjusted.

⁽³⁾ Includes commitment fees recognized in *Selling, general and administrative*.

⁽⁴⁾ The Company repurchased approximately \$115 billion of aggregate principal senior notes on March 30, 2022 and recognized a net gain of \$33 million and wrote-off \$5 million of unamortized deferred financing costs in Interest (expense) income, net.



Reconciliation of Non-GAAP Measures to Corresponding GAAP

Operating Profit

(Unaudited)						
Year Ended December 31, 2023						
(In millions, except per share amounts)	HVAC	Refrigeration	Fire & Security	Eliminations and Other	General Corporate Expenses	Carrier
Net sales	\$ 15,139	\$ 3,818	\$ 3,633	\$ (492)	\$ –	\$ 22,098
Segment operating profit	\$ 2,275	\$ 428	\$ 209	\$ (275)	\$ (341)	\$ 2,296
<i>Reported operating margin</i>	<i>15.0%</i>	<i>11.2%</i>	<i>5.8%</i>			<i>10.4%</i>
Adjustments to segment operating profit:						
Restructuring costs	\$ 44	\$ 21	\$ 22	\$ 10	\$ –	\$ 97
Amortization of acquired intangibles	143	–	6	–	–	149
Acquisition step-up amortization ⁽¹⁾	41	–	–	–	–	41
Acquisition/divestiture-related costs	–	–	9	–	211	220
Bridge loan financing costs	–	–	–	3	–	3
TCC acquisition-related gain ⁽²⁾	8	–	–	–	–	8
Viessmann-related hedges	–	–	–	96	–	96
KFI deconsolidation	–	–	297	–	–	297
Total adjustments to operating profit	\$ 236	\$ 21	\$ 334	\$ 109	\$ 211	\$ 911
Adjusted operating profit	\$ 2,511	\$ 449	\$ 543	\$ (166)	\$ (130)	\$ 3,207
<i>Adjusted operating margin</i>	<i>16.6%</i>	<i>11.8%</i>	<i>14.9%</i>			<i>14.5%</i>

⁽¹⁾ Amortization of the step-up to fair value of acquired inventory and backlog.

⁽²⁾ The carrying value of our previously held TCC equity investments were recognized at fair value and subsequently adjusted.

(Unaudited)						
Year Ended December 31, 2022						
(In millions)	HVAC	Refrigeration	Fire & Security	Eliminations and Other	General Corporate Expenses	Carrier
Net sales	\$ 13,408	\$ 3,883	\$ 3,570	\$ (440)	\$ –	\$ 20,421
Segment operating profit	\$ 2,610	\$ 483	\$ 1,630	\$ (80)	\$ (128)	\$ 4,515
<i>Reported operating margin</i>	<i>19.5%</i>	<i>12.4%</i>	<i>45.7%</i>			<i>22.1%</i>
Adjustments to segment operating profit:						
Restructuring costs	\$ 8	\$ 10	\$ 11	\$ 2	\$ –	\$ 31
Amortization of acquired intangibles	46	–	4	–	–	50
Acquisition step-up amortization ⁽¹⁾	51	–	–	–	–	51
Acquisition-related costs	–	–	–	–	31	31
Chubb gain	–	–	(1,105)	–	–	(1,105)
TCC acquisition-related gain ⁽²⁾	(705)	–	–	–	–	(705)
Russia/Ukraine asset impairment	–	3	1	–	–	4
Charge resulting from legal matter	22	–	–	–	–	22
Total adjustments to operating profit	\$ (578)	\$ 13	\$ (1,089)	\$ 2	\$ 31	\$ (1,621)
Adjusted operating profit	\$ 2,032	\$ 496	\$ 541	\$ (78)	\$ (97)	\$ 2,894
<i>Adjusted operating margin</i>	<i>15.2%</i>	<i>12.8%</i>	<i>15.2%</i>			<i>14.2%</i>

⁽¹⁾ Amortization of the step-up to fair value of acquired inventory and backlog.

⁽²⁾ The carrying value of our previously held TCC equity investments were recognized at fair value and subsequently adjusted.



Reconciliation of Non-GAAP Measures to Corresponding GAAP

(Unaudited)						
Year Ended December 31, 2021						
(In millions, except per share amounts)	HVAC	Refrigeration	Fire & Security	Eliminations and Other	General Corporate Expenses	Carrier
Net sales	\$ 11,390	\$ 4,127	\$ 5,515	\$ (419)	\$ —	\$ 20,613
Segment operating profit	\$ 1,738	\$ 476	\$ 662	\$ (96)	\$ (135)	\$ 2,645
<i>Reported operating margin</i>	<i>15.3%</i>	<i>11.5%</i>	<i>12.0%</i>			<i>12.8%</i>
Adjustments to segment operating profit:						
Restructuring costs	\$ 33	\$ 25	\$ 26	\$ —	\$ 5	\$ 89
Amortization of acquired intangibles	15	—	—	—	—	15
Acquisition step-up amortization ⁽¹⁾	5	—	—	—	—	5
Acquisition-related costs	—	—	—	—	2	2
Chubb transaction costs	—	—	42	—	1	43
Separation costs	—	—	—	17	3	20
Total adjustments to operating profit	\$ 53	\$ 25	\$ 68	\$ 17	\$ 11	\$ 174
Adjusted operating profit	\$ 1,791	\$ 501	\$ 730	\$ (79)	\$ (124)	\$ 2,819
<i>Adjusted operating margin</i>	<i>15.7%</i>	<i>12.1%</i>	<i>13.2%</i>			<i>13.7%</i>

⁽¹⁾ Amortization of the step-up to fair value of acquired inventory and backlog.

⁽²⁾ The carrying value of our previously held TCC equity investments were recognized at fair value and subsequently adjusted.

Reconciliation of Net Cash Flows From Operating Activities to Free Cash Flow

(Unaudited)			
(In millions)	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Net cash flows provided by operating activities	\$ 2,607	\$ 1,743	\$ 2,237
Less: Capital expenditures	469	353	344
Free cash flow	\$ 2,138	\$ 1,390	\$ 1,893



Board of Directors

David Gitlin

Chairman & Chief Executive Officer
Carrier Global Corporation

Jean-Pierre Garnier, Ph.D.

Former Chief Executive Officer
GlaxoSmithKline plc
Operating Partner
Advent International

John J. Greisch

Lead Independent Director
Former President & Chief Executive Officer
Hill-Rom Holdings, Inc.
Senior Advisor
TPG Capital

Charles M. Holley, Jr.

Former Executive Vice President & Chief Financial Officer
Wal-Mart Stores, Inc.

Michael M. McNamara

Co-Founder & Chief Executive Officer
Samara
Former Chief Executive Officer
Flex Ltd.

Susan N. Story

Former President & Chief Executive Officer
American Water Works Company, Inc.

Michael A. Todman

Former Vice Chairman
Whirlpool Corporation

Max Viessmann

Chief Executive Officer & Member of the Executive Board
Viessmann Group

Virginia M. Wilson

Former Senior Executive Vice President &
Chief Financial Officer
Teachers Insurance and Annuity Association of America

Beth A. Wozniak

Chair & Chief Executive Officer
nVent Electric plc

Committees

Audit Committee

Charles M. Holley, Jr., Chair
Susan N. Story
Michael A. Todman
Virginia M. Wilson

Compensation Committee

Michael A. Todman, Chair
Jean-Pierre Garnier
John J. Greisch
Susan N. Story

Governance Committee

Virginia M. Wilson, Chair
Charles M. Holley, Jr.
Michael M. McNamara
Beth A. Wozniak

Technology and Innovation Committee

Michael M. McNamara, Chair
Jean-Pierre Garnier
John J. Greisch
Max Viessmann
Beth A. Wozniak

As of 1/31/2024.

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Leadership

David Gitlin *

Chairman & Chief Executive Officer

Ajay Agrawal *

Senior Vice President, Global Services, Business Development & Chief Strategy Officer

Adrian Button

Senior Vice President, Operations

Kyle Crockett *

Vice President, Controller

Bobby George

Senior Vice President & Chief Digital Officer

Patrick Goris *

Senior Vice President & Chief Financial Officer

Thomas Heim

President, Residential & Light Commercial
HVAC Europe, Middle East and Africa

Kevin O'Connor *

Senior Vice President & Chief Legal Officer

Milena Oliveira

Senior Vice President & Chief Marketing and Communications Officer

Gaurang Pandya

President, HVAC Americas & Commercial
HVAC Europe, Middle East and Africa

Saif Siddiqui

President, HVAC Asia Pacific

Jurgen Timperman *

President, Fire & Security

Nadia Villeneuve *

Senior Vice President & Chief Human Resources Officer

Timothy White *

President, Refrigeration

Hakan Yilmaz

Senior Vice President & Chief Technology and Sustainability Officer

*Executive Officer

As of 1/31/2024.



Shareowner Information

Corporate Office

Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
561.365.2000
www.corporate.carrier.com

This report is made available to shareowners in advance of the Annual Meeting of Shareowners scheduled to be held at 8:30 a.m. Eastern time on April 18, 2024, in a virtual-only format. The Proxy Statement will be made available to shareowners on or about March 5, 2024, and will provide additional information about voting and participating in the meeting.

Stock Listing

New York Stock Exchange (ticker symbol "CARR")

Transfer Agent and Registrar

Computershare Trust Company, N.A., is the transfer agent, registrar and dividend disbursing agent for Carrier's common stock. Questions and communications from registered shareowners should be directed to:

Computershare Trust Company, N.A.
By Regular Mail
P.O. Box 43006
Providence, RI 02940-3006

By Overnight Delivery
150 Royall Street, Suite 101
Canton, MA 02021

866.507.8028
781.575.3345 (outside U.S.)
www.computershare.com/investor

Electronic Access or Delivery of Shareowner Communications

Registered shareowners can help conserve natural resources and reduce printing and mailing costs incurred by Carrier by signing up for electronic communications, including annual meeting materials, stock plan statements and tax documents, at: www.computershare-na.com/green.

Beneficial shareowners may be able to request electronic access or delivery by contacting their broker or bank, or Broadridge Financial Solutions at: www.investordelivery.com.

2023 Annual Report on Form 10-K

Copies of the Carrier 2023 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission can be accessed and downloaded via our website at: <https://ir.carrier.com/financials/sec-filings>.

Copies also can be obtained, without charge, from:

Carrier Corporate Secretary
Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
corpsec@carrier.com

Investor Relations

Investor Relations
Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
investorrelations@carrier.com



Recognition & Industry Leadership

Ranked No. 8 of
100 Most Sustainable Companies

Barron's, 2023

Named to
Carbon Clean200

Corporate Knights and As You Sow, 2023

Awarded a
Silver Medal

EcoVadis, 2023

Among the
World's Best Employers

Forbes, 2023

Among the
World's Most Admired Companies

Fortune, 2023

Among the
Best Places to Work for LGBTQ+ Equality

*Human Rights Campaign Foundation
Corporate Equality Index, 2023-2024*

Achieved
Prime ESG Corporate Rating

ISS ESG, 2023

Achieved
ESG Leader Rating

MSCI ESG Ratings, 2023

Among
America's Most Responsible Companies

Newsweek, 2023

Named an
ESG Industry Top-Rated Company

Sustainalytics, 2023

Among the
World's Best Companies

TIME, 2023

Founding member of
U.S. Green Building Council

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