UNITED TECHNOLOGIES CORP /DE/
Form PRE 14A
March 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12

United Technologies Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2018

ANNUAL MEETING
OF SHAREOWNERS

and Proxy Statement

COMPANY AWARDS IN 2017

Among the World's Most Respected Companies

– Barron's

Among the World's Greenest Companies

– Newsweek

Among the Most Admired Aerospace and Defense Companies

– Fortune

Among the Best Places to Work for LGBTQ

– Human Rights Campaign Foundation Corporate Equality Index

Rated A- for Companies Responding to Climate Change

– Carbon Disclosure Project

Among the Best Places to Work for Latinas

– Latina Style Magazine

Among the Best Places to Work for Employment Disability Inclusion

– Disability Equality Index

Among Noteworthy Companies for Diversity Practices

– DiversityInc

All-America Executive Team: Most Honored Company in the Aerospace and Defense Electronics Sector

– Institutional Investor

Among the Best Investor Relations Programs in the Aerospace and Defense Electronics Sector

– Institutional Investor

March 19, 2018

Notice of 2018 Annual Meeting of Shareowners

Meeting Information

DATE AND TIME:	**LOCATION:**	
April 30, 2018 8:00 a.m. Eastern Time (doors open at 7:30 a.m.)	UTC Center for Intelligent Buildings 13995 Pasteur Boulevard Palm Beach Gardens, Florida 33418	**Your vote is very important. Please submit your proxy or voting instructions as soon as possible.**

Agenda

Election of the Twelve Director Nominees Listed in the Proxy Statement.
Advisory Vote to Approve Executive Compensation.
Approve the UTC 2018 Long-Term Incentive Plan.
Appoint PricewaterhouseCoopers LLP to Serve as Independent Auditor for 2018.
Approve an Amendment to the Restated Certificate of Incorporation to Eliminate Supermajority Voting for Certain Business Combinations.
Consideration of the Shareowner Proposal Set Forth in the Proxy Statement, if Properly Presented.
Other Business, if Properly Presented.

Who may vote:

If you owned shares of UTC Common Stock at the close of business on March 2, 2018, you are entitled to receive this notice of the Annual Meeting and to vote at the meeting, either in person or by proxy.

How to attend:

Please request a ticket in advance by following the instructions on page 81.

Please review your Proxy Statement and vote in one of the four ways described in the box below.

By order of the Board of Directors,

Peter J. Graber-Lipperman

Corporate Vice President, Secretary & Associate General Counsel

Please refer to the enclosed proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.

THE INTERNET	BY TELEPHONE	BY MAIL	IN PERSON
Visit the website on your proxy card.	*Call the telephone number on your proxy card.*	*Sign, date and return your proxy card in the enclosed envelope.*	*Attend the Annual Meeting in Palm Beach Gardens, Florida. See page 81 for instructions on how to attend.*

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Important Notice Regarding the Availability of Proxy Materials for the Shareowner Annual Meeting to be held on April 30, 2018. This Notice of the 2018 Annual Meeting of Shareowners and Proxy Statement, and UTC's 2017 Annual Report are both available free of charge at www.proxyvote.com. References in either document to our website are for the convenience of readers, and information available at or through our website is not a part of nor is it incorporated by reference in the Proxy Statement or Annual Report.

The Board of Directors of United Technologies Corporation ("UTC," the "Company" or the "Corporation") is soliciting proxies to be voted at our 2018 Annual Meeting of Shareowners on April 30, 2018, and at any postponed or reconvened meeting. We expect that this Proxy Statement will be mailed and made available to shareowners beginning on or about March 19, 2018. At the meeting, votes will be taken on the six matters listed in the Notice of Meeting.

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PROPOSAL 4:
Appoint PricewaterhouseCoopers LLP to Serve as Independent Auditor for 2018

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PROPOSAL 5:
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Shareowner Proposal

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BOARD RECOMMENDATION: **AGAINST**

"Our investments in purposeful innovation and our focus on execution, cost reduction and disciplined capital allocation are yielding outstanding results."

Greg Hayes, Chairman & CEO

The summary below highlights selected information in this Proxy Statement. Please review the entire Proxy Statement and UTC's 2017 Annual Report before voting your shares.

2017 Performance Highlights

Our investments in purposeful innovation and our focus on execution, cost reduction and disciplined capital allocation are yielding outstanding results. We delivered solid financial performance in 2017. Sales, adjusted earnings per share ("EPS") and free cash flow exceeded our expectations. We saw 5% sales growth in 2017, which included organic sales of 4% — our strongest since 2014. Importantly, each of our businesses contributed to this organic sales growth, with Pratt & Whitney leading the charge with sales and organic growth of 9%. Additionally, we made substantial strategic investments and fully funded our U.S. qualified pension plans (as of December 31, 2017).

(1) See Appendix A on pages 90-91 for more information regarding these non-GAAP financial measures.
(2) "GAAP cash flow" is cash flow from continuing operations while "Non-GAAP cash flow" is free cash flow. See Appendix A for more information.

Strategic and Operational Highlights

•

- We announced the proposed acquisition of Rockwell Collins, which upon close (expected in the third quarter of 2018) will merge with our UTC Aerospace Systems ("UTAS") business to create Collins Aerospace Systems.
- UTC Digital Accelerator launched in Brooklyn, New York.
- Pratt & Whitney met its 2017 shipment targets for the Geared Turbofan ("GTF") engine.
- Our commercial businesses gained market share and generated solid organic growth. Otis delivered its best year of organic sales growth since 2014. UTC Climate, Controls & Security ("CCS") generated 6% sales growth, including 4% organic growth, and launched over 100 new products in 2017.

Shareowner Returns

$2.1 billion dividends paid	**19% total shareowner return**	**$1.4 billion share buybacks**

PROXY SUMMARY

Governance and Board Highlights

UTC is committed to strong corporate governance practices, which the Board believes are critical to achieving long-term shareowner value and which strengthen Board and Management accountability. The following are highlights of our governance framework:

INDEPENDENT AND ENGAGED BOARD

92% of our director nominees are independent

All standing committees except Finance are comprised entirely of independent directors

98% overall attendance by directors at ten Board meetings in 2017

99% overall attendance by directors at committee meetings in 2017

75% or more of the Board and applicable committee meetings were attended by each director in 2017

100% director attendance at the 2017 Annual Meeting

PROACTIVE GOVERNANCE IN 2017

- Amended Bylaws to allow shareowner action by special meeting
- Amended Corporate Governance Guidelines to explicitly provide for annual self-evaluation of individual directors

•Increased share ownership requirements for CFO and business unit presidents

REFRESHED AND DIVERSE BOARD

+5 new independent directors since 2016

-4 independent directors retired since 2016

63% of independent director nominees have served < 9 years

45% of independent director nominees are diverse

BOARD OVERSIGHT

•Regularly reviews the Company's strategic direction and priorities

•Director and CEO succession planning and management development

•Government relations activities, including those of UTC's political action committee

•Regularly monitors significant risks

ACCOUNTABLE BOARD

•Annual election of all directors

•Robust Lead Director role

•Proxy access

•Shareowner right to act by written consent

•Shareowner right to call a special meeting

DIVERSITY IN BACKGROUND OF THE DIRECTOR NOMINEES

current or former CEOs	women and people of color	worked outside the United States	current or former CFOs or Chief Investment Officers	with STEM degrees	worked in government

DIVERSITY IN TENURE OF THE NOMINEES

We believe that diversity in experience and perspective are of the utmost importance for reaching sound decisions that drive shareowner value.

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PROXY SUMMARY

BOARD NOMINEES

	Director Since	Other Public Boards	Skills and Expertise						
			Financial	**Government**	**International**	**Knowledge of Company/Industry**	**Risk Management /Oversight**	**Senior Leadership**	**Tec Inn**
LLOYD J. AUSTIN III General, U.S. Army (Retired) and Former Commander of U.S. Central Command	2016	1		n	n		n	n	
DIANE M. BRYANT Chief Operating Officer, Google Cloud	2017	0	n				n		n
JOHN V. FARACI Retired Chairman & Chief Executive Officer, International Paper	2005	2	n		n	n		n	
JEAN-PIERRE GARNIER Chairman, Indorsia Pharmaceuticals Ltd.	1997	2			n	n		n	n
	2014	1	n			n	n	n	

GREGORY J. HAYES Chairman & Chief Executive Officer, United Technologies Corporation									
ELLEN J. KULLMAN Retired Chair & Chief Executive Officer, E. I. du Pont de Nemours and Company	2011	2			n	n		n	n
MARSHALL O. LARSEN Retired Chairman, President & Chief Executive Officer, Goodrich Corporation	2012	3	n			n		n	
HAROLD W. MCGRAW III Chairman Emeritus, S&P Global Inc. (formerly McGraw Hill Financial, Inc.)	2003	1	n		n	n		n	
MARGARET L. O’SULLIVAN Professor, Harvard University Kennedy School	2017	0		n	n		n		
FREDRIC G. REYNOLDS	2016	2	n				n		n

Retired Executive Vice President & Chief Financial Officer, CBS Corporation								
BRIAN C. ROGERS Non-Executive Chairman, T. Rowe Price Group, Inc.	2016	1	n			n	n	n
CHRISTINE TODD WHITMAN President, The Whitman Strategy Group	2003	0		n		n	n	n

All directors, except Mr. Hayes, are independent. Directors are elected annually by majority vote.

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PROXY SUMMARY

Executive Compensation Overview

Aligning Pay With Performance. Our compensation program's fundamental objective is aligning our executives' pay with the interests of our shareowners. The program is designed to reward financial performance and effective strategic leadership that drives long-term, sustainable value.

CEO REALIZABLE AND REALIZED PAY ($M)*

1-YEAR TOTAL SHAREOWNER RETURN (TSR)

122%
of Target
UTC annual bonus factor

28%
of Target
2015–2017 PSU vesting

* For details on how we evaluate the alignment of CEO pay and Company performance and for a definition of realizable and realized compensation, see pages 44-45.

Emphasis on "At Risk" Compensation. The vast majority of compensation for our CEO and other Named Executive Officers ("NEOs") is "at risk" compensation, meaning it is contingent on performance. "At risk" compensation consists of annual bonus and long-term incentive awards that are subject to the achievement of pre-established performance goals and/or UTC's stock performance.

CEO*   **OTHER NEOS***

* Charts reflect the value of base salaries, annual bonus and long-term incentive awards, as shown in the Summary Compensation Table on page 54.

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2017 NEO TOTAL DIRECT COMPENSATION

As discussed in detail on pages 37-41, our executive compensation program has three principal components of compensation: base salary, annual bonus and long-term incentives ("LTI"). Total direct compensation shown below reflects the Compensation Committee's pay decisions, which represent its assessment of each NEO's 2017 performance. Total direct compensation includes the grant date fair value of LTI awards granted in January 2018. This differs from the values included in the Summary Compensation Table on page 54, which shows the January 2017 LTI grants that relate to the Committee's assessment of 2016 performance.

				Base Salary ($K)	Annual Bonus ($K)	LTI* ($K)	Total ($K)
Gregory J. Hayes	9%	20%	71%	$1,500	$3,300	$12,044	$16,844
Akhil Johri	14%	19%	67%	$860	$1,100	$4,003	$5,963
David L. Gitlin	9%	11%	80%	$900	$1,100	$8,006	$10,006
Robert J. McDonough	15%	16%	69%	$900	$900	$4,003	$5,803
Robert F. Leduc	14%	17%	69%	$800	$1,000	$4,003	$5,803

n Base Salary n Annual Bonus n LTI

* Reflects the grant date fair values of equity awards granted on January 2, 2018, calculated in accordance with the Compensation–Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), but excluding the effects of estimated forfeitures. For Mr. Gitlin, the amount shown includes a special retention restricted stock unit award which is discussed in more detail on page 47.

RECENT CHANGES TO OUR COMPENSATION PROGRAM

What we changed	Why we changed it
We added RSUs to our long-term incentive mix, beginning with the January 2017 grants. Our LTI mix for Executive Leadership Group ("ELG") members is now: • 50% Performance Share Units ("PSUs") • 30% Stock Appreciation Rights ("SARs") • 20% Restricted Stock Units ("RSUs")	Each component of our LTI program is intended to encourage specific business objectives: • PSUs encourage the achievement of important financial goals. • SARs motivate decision-making that drive share price appreciation. • RSUs, which vest contingent on an executive's continued employment with UTC, enhance our program's retentive value and better align our program with those of our peers.
We changed the cash flow metric used in our 2018 annual bonus program. Instead of a metric based on the ratio of free cash flow to net income, beginning with the 2018 awards, we will now use an absolute free cash flow metric.	Switching to an absolute free cash flow metric: • Aligns our annual bonus program with the way we now communicate cash flow expectations to our investors. • Eliminates the net income portion of this metric, which is already used as a metric in our annual bonus program. • Places more emphasis on cash flow generation.
We strengthened share ownership requirements. The Committee increased share ownership requirements for our CFO and business unit presidents from 3x to 4x base salary.	Higher share ownership requirements will enhance the alignment of interests between our senior leaders and our shareowners.

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PROPOSAL 1

Election of Directors

We are seeking your support for the election of the twelve candidates that the Board has nominated to serve on the Board of Directors for a one-year term beginning on the date of the Annual Meeting. We believe these nominees have qualifications consistent with our position as a large, diversified industrial corporation with worldwide operations. We also believe these nominees have the experience and perspective to guide the Company as we innovate and develop new products, compete in a broad range of markets around the world, and adjust to rapidly changing technologies, business cycles and competition.

Criteria for Board Membership

The Board and the Committee on Governance and Public Policy (the "Governance Committee") believe that there are general attributes that all directors must exhibit and other key skills and expertise that should be represented on the Board as a whole, but not necessarily by each director.

The Board and the Governance Committee believe that it is important that our directors, as a group, have the following attributes:

- Objectivity and independence in making informed business decisions
- A willingness to devote the extensive time necessary to fulfill a director's duties
- Extensive knowledge, experience and judgment
- An appreciation of the role of the corporation in society

- The highest integrity
- Loyalty to the interests of UTC and its shareowners
- Diversity of perspectives

While we do not have a specific policy on diversity of the Board, the ability to contribute to the diversity of perspectives present in Board deliberations is an attribute that is critical to our success.

Key Skills and Expertise

The Board and the Governance Committee have identified the key skills and expertise (and the associated attributes) that are important to be represented on the Board, in light of the Company's business needs and strategy.

Financial	Leadership of a financial firm or management of an enterprise's finance function, resulting in proficiency in complex financial management, financial reporting processes, capital allocation, capital markets, and mergers and acquisitions — representing the importance we place on accurate financial reporting and robust financial controls and compliance.
Government	Directors who have served in government, including the military, provide valuable insights on how significant government policies and public policy issues may affect our Company and how to respond to those matters most effectively.

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ELECTION OF DIRECTORS PROPOSAL 1

International	UTC is a global organization with manufacturing, research and development, sales and other offices in many countries. In addition, a significant portion of our sales come from outside the United States. Directors with international experience can thus provide valuable business, political and cultural perspectives regarding important aspects of our businesses and strategy.
Knowledge of Company/ Industry	Knowledge of or experience in the Company's specific industries, whether acquired through service as a senior leader in one of the specific industries, as an institutional investor or through longer-term service on the UTC Board.
Risk Management/ Oversight	This experience is critical to the Board's role in overseeing and understanding major financial risk exposures, including significant operational, compliance, reputational, strategic, country, political and cybersecurity risks.
Senior Leadership	Extensive leadership experience for a significant enterprise, resulting in a practical understanding of organizations, processes, strategic planning, along with demonstrated strengths in developing talent, succession planning, and driving change and long-term growth.
Technology and Innovation	Experience and/or expertise in research and development, engineering, science, digital media or technology. This translates into an understanding of UTC's technological innovations, development and marketing challenges, how to anticipate technological trends, and how to generate disruptive innovation — all of which facilitate the execution of our business objectives and strategy.

The chart below represents the Board's skills and expertise as a group. Each director's biography also highlights the three key skills and areas of expertise upon which the Board particularly relies, in addition to describing each director's relevant work experience and service.

SKILLS AND EXPERTISE

Senior Leadership	**9**
Knowledge of Company/Industry	**8**
Financial	**7**
Risk Management/Oversight	**7**
International	**6**
Technology and Innovation	**4**
Government	**3**

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PROPOSAL 1 ELECTION OF DIRECTORS

Director Orientation and Education

Director Orientation

New directors participate in an orientation program to familiarize them with the roles and responsibilities of the Board and its committees, including specific topics tailored to the director's committee assignments. New directors also learn about the Company's strategy, our business units, financial statements, significant financial, accounting and risk management issues, and our compliance programs. The orientation includes meetings with key executives and, to the extent practical, visits to significant facilities and operations, such as a visit in 2017 to Pratt & Whitney's "engine school" where directors were familiarized with engines and the associated technologies.

Director Continuing Education

As part of the directors' continuing education, the Board endeavors to conduct at least one annual onsite visit to a UTC business unit, providing directors with the firsthand opportunity to understand that unit's operations and facilitating interaction between directors and employees. Directors are also encouraged to attend outside continuing education programs. Supplementary presentations and materials, including updates on recent business developments also are provided from time to time on an individual basis or collectively, as appropriate, on topical and beneficial subjects.

Board Self-Evaluation Process

The Board believes that a constructive self-evaluation process is an essential element of good corporate governance and Board effectiveness. To this end, the Board conducts an annual self-evaluation of the performance of the full Board, its standing committees and individual directors. The Governance Committee is responsible for and oversees the design and conduct of the annual self-evaluation. The Lead Director or non-Executive Chairman (as applicable) and the Governance Committee Chair jointly lead the self-evaluation process. Each of the Board's standing committees report to the Board annually on the committee's self-evaluation of its own performance.

The self-evaluation focuses on the Board's overall effectiveness and informs the Board's consideration of the following:

- Board roles
- Succession planning
- Refreshment objectives, including composition and diversity
- Opportunities to increase the Board's effectiveness, including the addition of new skills and expertise

Incorporation of Feedback. The self-evaluation process generates constructive comments and discussion, and has resulted in improvements to our corporate governance practices and the Board’s effectiveness. For example, the Board has expanded the role and responsibilities of the Lead Director, restructured the standing committees to allocate more time to strategy discussions at the meetings of the full Board and to private sessions of the independent directors, and improved upon the self-evaluation process.

Nominating Process

The Governance Committee regularly reviews with the Board the qualifications that are most important in selecting candidates to serve as directors, taking into account UTC’s assorted operations and the mix of capabilities and experience represented on the Board already. As part of the Board’s annual evaluation of its overall effectiveness, the Board considers whether its composition reflects a diversity of experience, skills and perspectives that continuously enhance and refresh the Board’s ability to carry out its oversight role on behalf of shareowners. Based on these considerations, the Board adjusts the priority it gives to various director qualifications when identifying candidates. For example, the Board previously identified a gap in its digital and cybersecurity expertise, leading to the election to the Board in 2017 of Diane M. Bryant, formerly the Group President of Intel Corporation’s Data Center Group and the current Chief Operating Officer of Google Cloud.

The UTC Governance Guidelines and Bylaws do not impose term limits because such limits may unnecessarily cause the loss of experience and expertise important to the optimal operation of the Board. However, the Board’s self-evaluation process, including individual director evaluations, contributes to the Governance Committee’s consideration of each incumbent director as part of the nomination process.

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ELECTION OF DIRECTORS PROPOSAL 1

The Governance Committee considers candidates recommended by directors, management and shareowners who meet the qualifications UTC seeks in its directors. A shareowner may recommend a director candidate by submitting a letter addressed to the UTC Corporate Secretary (see page 85 for contact information). The Company may also engage search firms from time to time to assist in identifying and evaluating qualified candidates.

Nominees

The Board, upon the recommendation of the Governance Committee, has nominated the twelve individuals listed in this Proxy Statement as director nominees, each of whom is a current director and, except for Dr. O'Sullivan who joined the Board in November 2017, was elected by the shareowners at the 2017 Annual Meeting.

As described in her biography, Dr. O'Sullivan brings to the Board and its committees (Audit and Governance and Public Policy) international, government and risk management/oversight experience, among other critical and desired attributes. This experience has been honed through Dr. O'Sullivan's service at the U.S. Department of State and the White House, where she served on the National Security Council as Deputy National Security Advisor and as Special Assistant to the President.

Edward A. Kangas, who is currently the Lead Director and Chair of the Audit Committee, is not standing for re-election. He will retire from the Board on April 30, 2018, in accordance with UTC's Governance Guidelines that require retirement from the Board at the annual meeting after the director reaches age 72, unless the Board makes an exception to the policy in special circumstances. The Board made such an exception for Mr. Kangas' election at the 2017 Annual Meeting. The Company and the directors extend their sincere appreciation to Mr. Kangas for his dedicated service.

With Mr Kangas' retirement, the Board has designated Ellen J. Kullman to serve as Lead Director and Fredric G. Reynolds to serve as Chair of the Audit Committee at the close of the 2018 Annual Meeting.

If, prior to the 2018 Annual Meeting, any of the Board's nominees become unavailable to serve, the Board may select a replacement nominee or reduce the number of directors to be elected. If the Board selects a replacement nominee, the proxy holders will vote the shares for which they serve as proxy for that replacement candidate.

FOR

The Board of Directors recommends a vote FOR each of the following nominees:

LLOYD J. AUSTIN III

General • U.S. Army (Retired) and Former Commander of U.S. Central Command

AGE 64 | DIRECTOR SINCE 2016 | COMMITTEES Audit • Governance and Public Policy

Key Skills and Expertise **GOVERNMENT** **SENIOR LEADERSHIP** **INTERNATIONAL**

Experience:

•Commander, U.S. Central Command (military leadership), 2013-2016

•33rd Vice Chief of Staff of the U.S. Army, 2012-2013

•Commander of United States Forces — Iraq, 2010-2011

Other Current Directorships:

•Nucor Corporation, since 2017

•Guest Services, Inc. (non-public)

Other Leadership Experience and Service:

•Class of 1951 Leadership Chair for the Study of Leadership, U.S. Military Academy at West Point

•Board of Trustees, Auburn University

•Board of Trustees, Carnegie Corporation of New York

•Member, Council on Foreign Relations

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PROPOSAL 1 ELECTION OF DIRECTORS

DIANE M. BRYANT

Chief Operating Officer • Google Cloud

AGE 56 | DIRECTOR SINCE 2017 | COMMITTEES Audit • Finance

Key Skills and Expertise	TECHNOLOGY AND INNOVATION	RISK MANAGEMENT/OVERSIGHT (CYBER)	FINANCIAL

Experience:

- Chief Operating Officer, Google Cloud (cloud computing services), since 2017
- Group President, Data Center Group, Intel Corporation (advanced technology, enterprise, cloud and communications infrastructure), 2017
- Executive Vice President and General Manager, Data Center Group, Intel Corporation, 2012-2017
- Corporate Vice President and Chief Information Officer, Intel Corporation, 2008-2012

Other Leadership Experience and Service:

- Executive Sponsor, Network of Intel African American Employees
- Member, Anita Borg Institute Technical Board
- Intel spokesperson for STEM education
- Established Diane Bryant Endowed Scholarship Fund for Diversity in Engineering at the University of California, Davis

JOHN V. FARACI

Retired Chairman & Chief Executive Officer • International Paper

AGE 68 | DIRECTOR SINCE 2005 | COMMITTEES Compensation • Finance (Chair) • Executive

Key Skills and Expertise	FINANCIAL	SENIOR LEADERSHIP	KNOWLEDGE OF COMPANY/INDUSTRY

Experience:

- Chairman & Chief Executive Officer, International Paper (paper, packaging and distribution), 2003-2014
- Executive Vice President and Chief Financial Officer, International Paper, 2000-2003
- Chief Executive Officer and Managing Director, Carter Holt Harvey, Ltd. (former New Zealand subsidiary of International Paper), 1995-1999

Other Current Directorships:

- ConocoPhillips Company, since 2015
- PPG Industries, Inc., since 2012

Other Leadership Experience and Service:

- Board of Trustees, American Enterprise Institute
- Member, Council on Foreign Relations
- Chairman, Board of Trustees, Denison University
- Chairman, National Fish and Wildlife Foundation, 2014-2016

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ELECTION OF DIRECTORS PROPOSAL 1

JEAN-PIERRE GARNIER

Chairman of the Board of Directors • Idorsia Pharmaceuticals Ltd.

AGE 70 | DIRECTOR SINCE 1997 | COMMITTEES Compensation (Chair) • Governance and Public Policy • Executive

Key Skills and Expertise	INTERNATIONAL	TECHNOLOGY AND INNOVATION	SENIOR LEADERSHIP

Experience:

- Chairman of the Board of Directors, Idorsia Pharmaceuticals Ltd. (biopharmaceuticals), since 2017
- Operating Partner, Advent International (global private equity), since 2011
- Chief Executive Officer, Pierre Fabre S.A. (pharmaceuticals), 2008-2010
- Chief Executive Officer and Executive Member of the Board of Directors, GlaxoSmithKline plc (pharmaceuticals), 2000-2008
- Chief Executive Officer, SmithKline Beecham plc (pharmaceuticals), 2000
- Chief Operating Officer and Executive Member of the Board of Directors, SmithKline Beecham plc, 1996-2000

Other Current Directorships:

- Radius Health, Inc., since 2015
- Chairman of the Board of Directors (non-executive), Alzheon, Inc. (non-public)

Former Public Company Directorships:

- Chairman of the Board of Directors, Actelion Ltd., 2011-2017
- Renault S.A., 2009-2016

Other Leadership Experience and Service:

- Advisory Board, Newman's Own Foundation
- Board of Trustees, Max Planck Florida Institute for Neuroscience
- Knight Commander of the Order of the British Empire
- Officier de la Légion d'Honneur of France

GREGORY J. HAYES

Chairman & Chief Executive Officer • United Technologies Corporation

AGE 57 | DIRECTOR SINCE 2014 | COMMITTEES Finance • Executive (Chair)

Key Skills and Expertise	**SENIOR LEADERSHIP**	**FINANCIAL**	**KNOWLEDGE OF COMPANY/INDUSTRY**

Experience:

- Chairman & Chief Executive Officer, United Technologies Corporation, since 2016
- President, Chief Executive Officer and Director, 2014-2016
- Senior Vice President and Chief Financial Officer, 2008-2014
- Various senior positions since joining UTC in 1999 through the merger with Sundstrand Corporation, including Vice President, Accounting and Finance, and responsibility for UTC's Corporate Strategy group

Other Current Directorships:

- Nucor Corporation, since 2014

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PROPOSAL 1 ELECTION OF DIRECTORS

ELLEN J. KULLMAN

Retired Chair & Chief Executive Officer • E. I. du Pont de Nemours and Company

AGE 62 | DIRECTOR SINCE 2011 | COMMITTEES Governance and Public Policy (Chair) • Compensation • Executive

Key Skills and Expertise	TECHNOLOGY AND INNOVATION	SENIOR LEADERSHIP	KNOWLEDGE OF COMPANY/INDUSTRY

Experience:

• Chair & Chief Executive Officer, E. I. du Pont de Nemours and Company (provider of basic materials and innovative products and services for diverse industries), 2009-2015

• President, E. I. du Pont de Nemours and Company, 2008

• Executive Vice President, E. I. du Pont de Nemours and Company, 2006-2008

• Group Vice President, E. I. du Pont de Nemours and Company, 1988-2006

Other Current Directorships:

• Amgen, Inc., since 2016

• Goldman Sachs, since 2016

• Dell Technologies (non-public)

• Carbon3D, Inc. (non-public)

Other Leadership Experience and Service:

• Member, The Business Council

• Member, National Academy of Engineering

•Board of Advisors, Tufts University School of Engineering

•Board of Trustees, Northwestern University

•North American Advisory Council of Temasek Holdings

MARSHALL O. LARSEN

Retired Chairman, President & Chief Executive Officer • Goodrich Corporation

AGE 69 | DIRECTOR SINCE 2012 | COMMITTEES Audit • Finance

Key Skills and Expertise	**KNOWLEDGE OF COMPANY/INDUSTRY**	**SENIOR LEADERSHIP**	**FINANCIAL**

Experience:

- Chairman, President & Chief Executive Officer, Goodrich Corporation (supplier of systems and services to the aerospace and defense industry), 2003-2012
- President, Chief Operating Officer and Director, Goodrich Corporation, 2002-2003
- Executive Vice President, Goodrich Corporation, and President and Chief Operating Officer, Goodrich Aerospace, 1995-2002

Other Current Directorships:

- Air Lease Corporation, since 2014
- Becton, Dickinson and Company, since 2007
- Lowe’s Companies, Inc. (Lead Director), since 2004

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ELECTION OF DIRECTORS PROPOSAL 1

HAROLD W. MCGRAW III

Chairman Emeritus • S&P Global Inc. (formerly McGraw Hill Financial, Inc.)

AGE 69 | DIRECTOR SINCE 2003 | COMMITTEES Compensation • Governance and Public Policy

Key Skills and Expertise	**FINANCIAL**	**SENIOR LEADERSHIP**	**KNOWLEDGE OF COMPANY/INDUSTRY**

Experience:

- Chairman Emeritus, S&P Global Inc. (formerly McGraw Hill Financial, Inc.) (ratings, benchmarks and analytics for financial reports), since 2015
- Chairman, McGraw Hill Financial, Inc., 1999-2015
- President and Chief Executive Officer, The McGraw-Hill Companies, 1998-2013
- President and Chief Operating Officer, The McGraw-Hill Companies, 1993-1998

Other Current Directorships:

- Phillips 66 Company, since 2012

Former Public Company Directorships:

- ConocoPhillips Company, 2005-2012

Other Leadership Experience and Service:

- Board of Trustees, Asia Society
- Former Chairman, Business Roundtable
- Board of Trustees, Carnegie Hall

•Board of Directors, Committee Encouraging Corporate Philanthropy

•Board of Trustees, New York Public Library

•Chairman, U.S. Council for International Business

•Member, U.S. Trade Representative's Advisory Committee for Trade Policy and Negotiations

•Honorary Chairman, International Chamber of Commerce

MARGARET L. O'SULLIVAN

Professor • Harvard University Kennedy School

AGE 48 | DIRECTOR SINCE 2017 | COMMITTEES Audit • Governance and Public Policy

Key Skills and Expertise	**INTERNATIONAL**	**GOVERNMENT**	**RISK MANAGEMENT/OVERSIGHT (POLITICAL RISK)**

Experience:

•Jeane Kirkpatrick Professor of the Practice of International Affairs, Harvard University Kennedy School (higher education), since 2009

•Director of the Geopolitics of Energy Project, Harvard University Kennedy School, since 2011

•Lecturer and Senior Fellow, Harvard University Kennedy School, 2008-2009

•Deputy National Security Advisor for Iraq and Afghanistan, National Security Council, 2005-2007

•Special Assistant to the President, National Security Council, 2004-2007

•Deputy Director (Governance), Iraq Coalition Provisional Authority, 2003-2004

•Principal Advisor to the President's Special Envoy to the Northern Ireland Peace Process, U.S. Department of State, 2001-2003

•Fellow, The Brookings Institution, 1997-2001

Other Leadership Experience and Service:

•Adjunct Senior Fellow, Council on Foreign Relations

•Board of Trustees, Friends of Inter-Mediate

•Advisory Council, George W. Bush Institute Women’s Initiative

•International Advisory Board, Linklaters LLP

•Board of Trustees, The German Marshall Fund of the United States

•Board of Directors, The Mission Continues

•Executive Committee, Trilateral Commission

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PROPOSAL 1 ELECTION OF DIRECTORS

FREDRIC G. REYNOLDS

Retired Executive Vice President & Chief Financial Officer • CBS Corporation

AGE 67 | DIRECTOR SINCE 2016 | COMMITTEES Audit • Finance

Key Skills and Expertise	FINANCIAL	RISK MANAGEMENT/OVERSIGHT	TECHNOLOGY AND INNOVATION

Experience:

•Executive Vice President and Chief Financial Officer, CBS Corporation (mass media), 2005-2009

•President and Chief Executive Officer, Viacom Television Stations Group (CBS predecessor), 2001-2005

•Executive Vice President and Chief Financial Officer, Viacom, Inc., 2000-2001

•Executive Vice President and Chief Financial Officer, Westinghouse Electric Corporation, 1994-2000

•Various positions at PepsiCo, Inc., 1982-1994

Other Current Directorships:

•Hess Corporation, since 2013

•Mondelez International, Inc. (formerly Kraft Foods, Inc.), since 2007

•MGM Holdings, Inc. (non-public)

•NEP Group, Inc. (non-public)

•Pinterest (non-public)

Former Public Company Directorships:

•AOL, Inc., 2009-2015

BRIAN C. ROGERS

Non-Executive Chairman • T. Rowe Price Group, Inc.

AGE 62 | DIRECTOR SINCE 2016 | COMMITTEES Compensation • Finance

Key Skills and Expertise FINANCIAL RISK MANAGEMENT/OVERSIGHT SENIOR LEADERSHIP

Experience:

- Chairman of the Board of Directors, T. Rowe Price Group, Inc. (investment management), 2007-2017
- Chief Investment Officer, T. Rowe Price Group, Inc., 2004-2017
- Various other senior leadership roles since joining T. Rowe Price Group, Inc., in 1982

Other Current Directorships:

- Chairman of the Board (non-executive), T. Rowe Price Group, Inc., since 2017

Other Leadership Experience and Service:

- Chairman, Finance Committee, Archdiocese of Baltimore
- Board of Directors, Greater Baltimore Committee
- Board of Directors, Harvard Management Company
- Board of Trustees, Johns Hopkins Medicine
- Maryland Economic Development Commission

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ELECTION OF DIRECTORS PROPOSAL 1

CHRISTINE TODD WHITMAN

President • The Whitman Strategy Group

AGE 71 | DIRECTOR SINCE 2003 | COMMITTEES Finance • Governance and Public Policy

Key Skills and Expertise	**GOVERNMENT**	**SENIOR LEADERSHIP**	**KNOWLEDGE OF COMPANY/INDUSTRY**

Experience:

- President, The Whitman Strategy Group (environmental and energy consulting), since 2004
- Administrator, U.S. Environmental Protection Agency, 2001-2003
- Governor, State of New Jersey, 1994-2001

Former Public Company Directorships:

- Texas Instruments, Inc., 2003-2017

Other Leadership Experience and Service:

- Chair, Board of Directors, American Security Project
- Board of Directors, Center for Sustainable Shale Development
- Co-Chair, Clean and Safe Energy Coalition
- Advisory Board, Corporate Eco Forum
- Member, Council on Foreign Relations
- Vice Chair, Board of Trustees, Eisenhower Fellowships
- Senior Advisory Committee, Institute of Politics at Harvard University Kennedy School

•Advisory Board, The Northeast Maglev

•Advisory Board, Terrestrial Energy

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CORPORATE Governance

Our Commitment to Sound Corporate Governance

UTC is committed to strong corporate governance practices that are designed to maintain high standards of oversight, accountability, integrity and ethics, while promoting long-term growth in shareowner value.

Our governance structure enables independent, experienced and accomplished directors to provide advice, insight and oversight to advance the interests of the Company and our shareowners. UTC has long strived to maintain sound governance standards, as reflected in our Code of Ethics, Governance Guidelines, our systematic approach to risk management, and in our commitment to transparent financial reporting and strong internal controls.

We encourage you to visit the Corporate Governance section of our website **www.utc.com/Who-We-Are/Corporate-Governance/Pages/default.aspx** where you may access information about corporate governance at UTC, including:

- Our Governance Guidelines
- Our Board Committee Charters
- Our Certificate of Incorporation and Bylaws
- Our Code of Ethics
- Director Independence Policy
- Public Activities
- Information about our Ombudsman program, which allows UTC's employees and third parties to raise questions confidentially and outside the usual management channels
- Information about how to communicate concerns to the Board of Directors

• Related Persons Transaction Policy

Shareowner Engagement

The Board and Management believe in transparent and open communication with investors. Over the years, our engagement with investors has resulted in a number of changes to our Corporate Governance Guidelines, shareowner rights, Board composition and the design of our executive compensation program.

Each fall we solicit feedback from our largest investors on changes that the Board (or a Committee) is considering with respect to UTC's executive compensation program and on our corporate governance practices. In the spring, after the proxy statement is filed, we hold discussions that generally focus on the clarity and effectiveness of our disclosures and respond to investors' questions. From time to time, we have also discussed other topics with investors, such as Board composition, leadership structure, governance best practices, executive compensation program design, corporate social responsibility, and UTC's diversity and sustainability efforts.

In addition, senior leaders and independent directors routinely engage with our shareowners on financial performance, capital allocation and business strategy. In 2017, Management presented at seven industry conferences and investor days, hosted shareowners at UTC's Corporate Headquarters and visited shareowners in the Americas, Asia and Europe throughout the year.

In 2017, UTC contacted institutional investors holding more than 400 million shares of UTC Common Stock and subsequently engaged with investors holding more than 340 million shares.

Board Leadership Structure

Policy on Chairman and CEO Roles

The Committee on Governance and Public Policy (the "Governance Committee") routinely reviews our governance practices and board leadership structure. Under our Governance Guidelines, the Board does not have a fixed policy on whether or not the Company's CEO is permitted to serve simultaneously as Chairman of the Board. Instead, the Board believes this determination should be based on the Company's best interests in light of the circumstances, which may vary over time. The Board, therefore, chooses the structure that it believes can provide the most effective leadership and oversight for the Company while also facilitating the most effective functioning of the Board and Management. In making this decision, the Board considers a range of factors, including: the Company's operating and financial performance under the then-existing structure; any recent or anticipated changes in the CEO role; the effectiveness of the then-current processes and structures for Board interaction with and oversight of management; and the importance of maintaining a single voice in leadership communications and Board oversight, both internally and with investors.

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CORPORATE GOVERNANCE

Lead Director Responsibilities

Under our Governance Guidelines, the Board designates a non-employee director to serve as Lead Director when the Chairman is not independent. The Lead Director's responsibilities include the following and essentially mirror the responsibilities of the non-executive Chairman under the Governance Guidelines and Bylaws:

- Calls and presides over private sessions of the independent directors or special meetings of the Board of Directors
- Serves as a liaison between the independent directors and the Chairman
- Engages with significant constituencies, as requested
- Works with the Chairman to plan and set the agenda for Board meetings
- Oversees the evaluation and compensation of the CEO's performance
- Facilitates succession planning and management development
- Works jointly with the Chair of the Governance Committee to lead the Board's annual self-evaluation process
- Authorizes retention of outside advisors and consultants who report to the Board on Board-wide issues

The Board believes that a non-executive Chairman or Lead Director with defined responsibilities enhances the effectiveness of the independent directors, improves risk management and oversight, and provides a channel for independent directors to candidly raise issues or concerns for Board consideration.

UTC's independent directors meet in regularly scheduled private sessions without Management and in additional sessions when requested. In practice, the private sessions occur before or after most Board meetings.

Board Committees

Our Board has four standing committees: Audit, Governance and Public Policy, Compensation and Finance. Except for the Finance Committee (which includes our CEO as a member), each standing committee is composed exclusively of independent directors. Each standing committee has the authority to retain independent advisors to assist in the fulfillment of its responsibilities, to approve the fees paid to those advisors and to terminate their engagements.

All committee charters, which are reviewed by each committee annually, are available on the Corporate Governance section of UTC's website (see page 16).

AUDIT

2017 Meetings: 7	**Edward A. Kangas** (Chair) Lloyd J. Austin III Diane M. Bryant Marshall O. Larsen Margaret L. O'Sullivan* Fredric G. Reynolds	• Assist the Board in overseeing the following: the integrity of UTC's financial statements; the independence, qualifications and performance of UTC's internal and external auditors; the Company's compliance with its policies and procedures, internal controls, Code of Ethics, and applicable laws and regulations; and policies and procedures relating to risk assessment and management • Nominate, for appointment by shareowners, an accounting firm to serve as UTC's independent auditor and maintain responsibility for compensation, retention and oversight of the auditor • Pre-approve all auditing services and permitted non-audit services to be performed for UTC by its independent auditor • Review and approve the appointment and replacement of the senior Internal Audit executive

The Board determined during 2017 that Messrs. Kangas, Larsen and Reynolds each are "audit committee financial experts," as that term is defined in SEC rules.

* Appointed a member of the Committee effective November 1, 2017.

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CORPORATE GOVERNANCE

GOVERNANCE AND PUBLIC POLICY

2017 Meetings: 4	**Ellen J. Kullman** (Chair) Lloyd J. Austin III Jean-Pierre Garnier Marshall O. Larsen Harold W. McGraw III Margaret L. O'Sullivan* Christine T. Whitman	• Identify and recommend qualified candidates for election to the Board • Develop and recommend appropriate corporate governance guidelines • Oversee the design and conduct of the annual self-evaluation of the Board and its committees' performance • Recommend appropriate compensation of directors • Submit to the Board recommendations for committee assignments • Review and monitor the orientation of new Board members and the continuing education of all directors • Review and oversee UTC's positions on significant public issues and corporate social responsibility, including diversity, the environment and safety

COMPENSATION

2017 Meetings: 5	**Jean-Pierre Garnier** (Chair) John V. Faraci Edward A. Kangas Ellen J. Kullman	• Review the Company's executive compensation policies and practices and their associated risks • Review and approve the design of and set performance goals for the annual bonus and long-term incentive awards for executives

Harold W. McGraw III Brian C. Rogers	• Evaluate the performance of the Company, the business units and the NEOs relative to the pre-established performance goals set by the Committee for the annual and long-term incentive programs • Approve compensation levels for ELG members and executive officers

FINANCE

2017 Meetings: 4	**John V. Faraci** (Chair) Diane M. Bryant Gregory J. Hayes Marshall O. Larsen Fredric G. Reynolds Brian C. Rogers Christine T. Whitman	• Review and make recommendations to the Board on the management of the Company's financial resources and financial risks • Consider plans for significant acquisitions and divestitures and their potential financial impact, and monitor progress on pending and completed transactions • Review significant financing programs in support of business objectives • Review significant capital appropriations • Review policies and programs related to: dividends and share repurchases; financing, working and long-term capital requirements; managing exposure to foreign exchange, interest rates and raw material prices; investment of pension assets; and insurance and risk management

* Appointed a member of the Committee effective November 1, 2017.

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CORPORATE GOVERNANCE

Director Independence

Under the UTC Corporate Governance Guidelines and the New York Stock Exchange ("NYSE") listing requirements, a majority of our directors must be independent. The Board has therefore adopted a Director Independence Policy, available on our website (see page 16), to guide the director independence determination, including categories of relationships that the Board has determined would not affect a director's independence.

Before joining the Board and annually thereafter, each director completes a detailed questionnaire that provides information about relationships that may affect the independence determination or that may otherwise require disclosure. The Governance Committee then completes an assessment considering all known relevant facts and circumstances about any relationship bearing on the independence of a director or nominee. In determining the independence of our directors, the Governance Committee considered sales and purchases of products and services, in the ordinary course of business, between UTC (including its subsidiaries) and other companies, as well as charitable organizations, where nominees are or have been executive officers. In each of the past three years, the annual payments UTC made or received for products and services or UTC's charitable contributions fell well below the thresholds in our Independence Policy and the NYSE listing requirements (the greater of $1 million or 2% of the other company's or organization's total gross revenues).

The Board has determined that each of the nominees for election at the 2018 Annual Meeting, other than Mr. Hayes, qualifies as independent under the Independence Policy and the NYSE requirements. Specifically, none of the nominees, other than Mr. Hayes, has a business, financial, family or other relationship with UTC that is considered to be material under UTC's Independence Policy.

How We Manage Risk

Our Risk Management Framework

UTC's enterprise risk management ("ERM") program and policies conform to the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Under our policies, the president of each major business unit is responsible for identifying and reporting to the Chairman & CEO the risks that could affect the achievement of business goals and strategies, assessing the likelihood and potential impact of significant risks, and prioritizing these risks and the actions to be taken to address them.

The Chairman & CEO, Chief Financial Officer and General Counsel periodically report on UTC’s risk management policies and practices to the relevant Board committees and to the full Board.

The Board’s Role in Risk Management

The full Board is responsible for the oversight of UTC’s risk management process and structure, while the Audit Committee oversees UTC’s overall policies and practices for enterprise risk management. In addition, responsibility for the oversight of specific risk categories is allocated among the Board and its committees as follows:

BOARD RISK OVERSIGHT: AREAS OF RESPONSIBILITY

Full Board of Directors	**Audit Committee**	**Committee on Governance and Public Policy**	**Compensation Committee**	**Finance Committee**
• Government relations, major strategies and business objectives	• Financial	• Corporate governance	• Compensation and benefits policies, practices and plans	• Capital structure
• Significant risks, such as major litigation and succession planning	• Operational	• Director candidate review	• Senior executive performance assessments	• Financing
	• Compliance	• Conflicts of interest	• Executive retention	• Pensions
	• Reputational	• Director independence		• Capital transactions
	• Strategic	• Environment		• Foreign exchange, interest rates and raw material prices
	• Cybersecurity	• Safety		
		• Equal employment opportunity		

- Public policy issues

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CORPORATE GOVERNANCE

Compensation Risk

The Compensation Committee believes that executive compensation payouts must align with the Company's financial performance, be earned in a manner consistent with UTC's Code of Ethics, promote long-term, sustainable value for shareowners, and strike a balance between appropriate levels of financial opportunity and risk. Through UTC's ERM framework, the Compensation Committee identifies, monitors and mitigates compensation risk in the following ways:

- *Emphasis on Long-Term Performance.* Long-term incentives are the cornerstone of UTC's executive compensation program. Our LTI program incorporates long-term financial performance metrics which align executive and shareowner interests to create sustainable value.
- *Rigorous Share Ownership Requirements.* UTC maintains significant share ownership requirements for our senior executives and directors. These requirements are intended to reduce risk by aligning the economic interests of executives and directors with that of our shareowners. A significant stake in future performance discourages the pursuit of short-term opportunities that create excessive risk.
- *Prohibition on Hedging.* UTC prohibits directors and executives from entering into short sales of our securities or similar transactions where potential gains are linked to a decline in UTC's stock price. Moreover, unvested equity awards may not be assigned, traded, transferred or otherwise disposed of for economic benefit.
- *Comprehensive Clawback Policy.* UTC maintains a comprehensive policy on recoupment (see page 52 for more details) that applies to both annual and long-term incentive compensation. The policy allows UTC to clawback compensation in a number of circumstances including, but not limited to, financial restatements, compensation earned as a result of financial miscalculations,violations of UTC's Code of Ethics and violations of post-employment restrictive covenants.
- *Post-Employment Covenants.* ELG members may not engage in post-employment activities detrimental to UTC, such as disclosing proprietary information, soliciting UTC employees or engaging in competitive activities.

Public Policy Engagement

UTC's government relations initiatives are intended to educate and inform officials and the public on a broad range of public policy issues that are important to our businesses. These initiatives are consistent with the interests of UTC's shareowners, and are not based on the personal agendas of individual directors, officers or employees. The Board is actively engaged in reviewing and monitoring the Company's government relations activities, including the activities of the United Technologies Corporation Federal Political Action Committee ("UTC PAC").

UTC does not make political contributions to candidates for federal office. The UTC PAC is nonpartisan and supports candidates for federal office and the national political organizations of both major parties through voluntary giving by individual employees — thus providing employees, regardless of their political affiliations, with a legal and ethical way to speak with a unified voice on issues important to our Company.

UTC does not contribute to candidates for state and local office or to state and local party committees. We also do not make contributions towards communications to the general public that expressly advocate the election or defeat of a clearly identified federal candidate, nor do we provide funding to support or oppose ballot initiatives.

UTC's federal lobbying activities and expenditures can be reviewed through the reports filed with Congress that can be accessed through our website referenced on page 16. UTC's state lobbying activities, which are also available on our website, are generally limited to 10 states and involve issues such as building safety and related building codes, economic development, and various business regulation issues.

For the second consecutive year, UTC was recognized as a "Trendsetter" by the nonprofit and nonpartisan Center for Political Accountability ("CPA") — placing UTC among the 50 companies in the S&P 500 that received the highest scores for the CPA-Zicklin Index for Corporate Political Disclosure and Accountability.

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CORPORATE
Responsibility

Corporate Sustainability

UTC has long recognized the value of sustainable practices and since 1992 has implemented sustainability initiatives throughout our organization and value chain. We believe our operations should not compromise the environmental or economic health of future generations, and we have seen firsthand how responsible management practices provide value to our operations, employees, customers, shareowners and the communities where we operate.

We believe that trends in urbanization and population growth will continue to increase demand for more sustainable products and behaviors. Each of UTC's major businesses is critical to modern life and the continuing development of prosperous economies around the world. As a recognized leader in these sectors, UTC is well-positioned to reduce the impact of urbanization and population growth on the environment. We continually work to reduce the environmental footprint of our manufacturing facilities, while offering our customers the most cutting-edge, sustainable technologies, including:

- *Pratt & Whitney's Geared Turbofan engine family* improves fuel efficiency by 16%, cuts NOx emissions by 50% to the regulatory standard and reduces the noise footprint by 75%.
- *Carrier Transicold & Refrigeration Systems' cold-chain solutions* are used in the preservation of food from origin to point of sale, helping to reduce global food waste and its environmental impact.
- *Carrier's NaturaLINE unit* combines a natural refrigerant with energy-efficient technology to reduce the carbon footprint of marine container refrigeration by 28% when compared to previous Carrier equipment using conventional synthetic refrigerants.
- *Marioff's HI-FOG water mist systems* use up to 90% less water than traditional sprinkler systems.
- *Carrier's Infinity Controls, combined with its energy-efficient geothermal solutions*, can reduce heating and cooling costs by up to 70% when compared to ordinary forced air heating and cooling systems.
- *Otis' Gen2 machine with ReGen drive* is smaller and capable of reducing overall elevator energy consumption by 75% under normal operation when compared to conventional geared machines with non-regenerative drives.
- *Otis' Gen2 Switch elevator* uses less electricity than most household appliances; if the power fails, the Gen2 Switch seamlessly transitions from the grid to battery power and is also able to operate on wind and solar power.
- *UTC Aerospace Systems' composite actuation components for large commercial aircraft* can result in between 30% to 70% weight savings (depending on wingspan length), thereby reducing fuel burn.

- *UTC Aerospace Systems' 360-degree acoustically smooth inlet nacelle system* helps reduce aircraft noise from engines like Pratt & Whitney's GTF engine.

- *UTC Aerospace Systems' SmartProbe Air Data System* reduces the number of sensors and pneumatic pressure lines, resulting in up to 50% weight savings when compared to traditional systems, thereby reducing fuel burn.

We continually work to reduce the environmental footprint of our manufacturing facilities, while offering our customers the most cutting-edge, sustainable technologies.

Since 1997 we have achieved:

Triple our sales	**$$$**	**33%** reduction in our greenhouse gas emissions	**62%** reduction in water consumption

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CORPORATE RESPONSIBILITY

Progress Toward Our 2020 Environmental Sustainability Goals

We set five-year environmental sustainability goals for which we track progress on an annual basis. Our current goals are for the period between 2016 and 2020. We are committed to a targeted reduction in environmental impacts, irrespective of business growth. As a result, we measure our progress towards the attainment of these goals in absolute terms, rather than adjusting for the opening or closing of manufacturing facilities.(1) In 2017, we saw progress in all of our goals:

5-YEAR ENVIRONMENTAL SUSTAINABILITY GOALS(2)

(1) Consistent with the Greenhouse Gas Protocol, UTC's goals and targets are adjusted to reflect the impact of acquired companies at the time of acquisition and to remove divested companies from UTC's measured performance. For example, goals and actual performance were recalibrated in 2013 to account for the Goodrich acquisition and in 2015 to reflect the sale of Sikorsky. UTC's goals and targets are not adjusted for the opening of new facilities due to organic growth or for the closing of facilities without a divestiture. Actual levels reflect data reported quarterly by UTC sites under common reporting and quality standards. Reported data are reviewed and consolidated by UTC's Corporate Office. UTC annually submits site energy use and greenhouse gas emissions data to independent review based on International Standards Organization 14064 Part 3 criteria for the validation of greenhouse gas assertions.

(2) The 2020 goals and progress toward these goals are compared to the following 2015 adjusted baselines: greenhouse gas emissions (2 million mtCO2e), hazardous waste generation (60 million pounds), chlorinated and brominated solvent air chemical emissions (148,000 pounds), water use (1.8 billion gallons) and total industrial waste recycled (75%).

2017 RECOGNITION FOR WORLD CLASS SUSTAINABILITY PRACTICES

Carbon Disclosure Project

The Carbon Disclosure Project rated UTC A- for our actions and performance to reduce greenhouse gas emissions and mitigate climate change.

We are committed to a targeted reduction in environmental impacts, regardless of business growth.

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CORPORATE RESPONSIBILITY

Corporate Citizenship

UTC takes great pride in building a diverse work environment, supporting lifelong employee learning, and contributing to charitable and community causes. In the same way that we set the highest standards for our business operations, we apply the highest corporate responsibility standards and rigorous performance measurements to these efforts.

UTC's Commitment to Diversity and Inclusion

We believe that a diverse and inclusive workplace provides us with a competitive advantage and enables us to better meet the needs of a globally diverse market and customer base by encouraging innovative thought, better team performance and quality customer service.

Paradigm for Parity

In 2017, UTC joined the Paradigm for Parity coalition ("P4P"), pledging our commitment to achieving gender parity across all levels of corporate leadership. As part of this pledge, UTC has adopted the P4P five-point roadmap:

Employee Inclusion and Engagement

UTC has 112 Employee Resource Groups ("ERGs") globally that enhance our workplace culture by supporting recruitment, inclusion, career development and community outreach initiatives for nine diverse groups of employees (African American, Asian American, Employment Disability, Hispanic, Generational, LGBT, Military/Veterans, Women and Professionals).

2017 RECOGNITION FOR DIVERSITY AND INCLUSION

Among Best Places to Work for Latinas

For the fifth straight year, UTC was ranked among the top 10 best places to work for Latinas, out of 50 companies honored by *Latina Style Magazine*.

Among Best Places to Work for LGBTQ Equality

UTC earned the top rating of 100% from the Human Rights Campaign Foundation Corporate Equality Index, along with the distinction of being one of the Best Places to Work for LGBTQ Equality.

Among Best Places to Work for Employment Disability Inclusion

UTC was recognized by the Disability Equality Index ("DEI"), a joint initiative between the U.S. Business Leadership Network and the American Association of People with Disabilities, as a 2017 DEI Best Place to Work.

Among Noteworthy Companies for Diversity Practices

UTC was named a noteworthy company by DiversityInc, an honor that recognizes the top U.S. companies for diversity and inclusion management, with a focus on hiring, retaining and promoting women, minorities, people with disabilities, LGBTQ and veterans.

We believe diversity in

the workplace provides us

with a competitive advantage.

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CORPORATE RESPONSIBILITY

Our Employee Scholar Program

At UTC, we support a culture of lifelong learning in which our employees are encouraged to expand their knowledge and capabilities to maintain their competitive skills in an ever-changing world. We aspire to maintain a highly educated workforce capable of the innovation required of our technology-driven company.

Our Employee Scholar Program has been in place for more than 20 years and has been consistently recognized as one of the world's most comprehensive employee education programs.

39,300+	**$1.3 billion**	**5,800+**	**60+**
degrees earned	invested	employees participated in 2017	countries with participating employees since 1996

UTC Cares about the Community

UTC focuses its sustainability and corporate responsibility initiatives in three areas: environment, people and communities. Through grants to leading nonprofit organizations and employee volunteerism, we are committed to making the world a better place while building long-term, sustainable value for our shareowners.

In our signature collaborations with The New York Academy of Sciences and the National Geographic Society, we work to advance achievement and thought leadership in science, technology, engineering and math ("STEM") education, as well as in the study of sustainable cities. With regard to STEM, UTC's investments enable virtual one-on-one mentoring of students by science and engineering professionals. Our Urban Expeditions initiative with the National Geographic Society produces cutting-edge research and reporting on urbanization megatrends, while also highlighting solutions for the environmental impacts of rapid urban growth.

In 2017, we worked to help those affected by Hurricane Maria in Puerto Rico. The Company provided critical supplies and offered our facilities on the island to distribute meals, showers and other basic needs to our employees. Separately, UTC employees delivered toys and clothing to local orphanages and community centers and traveled to isolated towns to provide disaster relief.

These efforts, along with our support for veterans and military family programs, local educational endeavors, and artistic, historical and cultural initiatives, demonstrate our commitment to our employees and the communities where we do business.

We continue to support leading

nonprofit organizations worldwide through

grants and employee volunteerism.

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COMPENSATION of Directors

Pay Structure

Annual Retainer

The following chart shows annual retainers for the April 2017 to April 2018 Board cycle for non-employee directors. 40% is payable in cash and the remaining 60% is payable in deferred stock units ("DSUs"). Alternatively, a director may elect to receive 100% of his or her retainer in DSUs.

Role	Cash ($)	Deferred Stock Units ($)	**Total ($)**
Base Retainer	$120,000	$180,000	$300,000
Incremental Amount Above Base Retainer*			
Lead Director	$32,000	$48,000	$80,000
Audit Committee Chair	$16,000	$24,000	$40,000
Audit Committee Member	$12,000	$18,000	$30,000
Compensation Committee Chair	$10,000	$15,000	$25,000
Finance Committee Chair	$10,000	$15,000	$25,000
Committee on Governance and Public Policy Chair	$10,000	$15,000	$25,000

* Directors serving in multiple roles receive incremental compensation for each role.

Directors do not receive additional compensation for attending regularly scheduled Board or committee meetings, but do receive an additional $5,000 for each special meeting attended in person. The directors did not attend any special Board or committee meetings in person during 2017.

Annual retainers are paid each year following the Annual Meeting. New directors joining the Board between the Annual Meeting and the end of September receive 100% of the annual retainer. Directors joining the Board between October and the following April receive 50% of the annual retainer.

After a non-employee director leaves the Board, DSUs are converted into shares of UTC Common Stock either in a lump-sum payment or in 10- or 15-year installments, at the election of the director.

New Director RSU Award

Non-employee directors receive a one-time $100,000 restricted stock unit ("RSU") award when first elected to the Board. This award vests in equal portions over five years and is distributed in shares of UTC Common Stock upon termination of service. Ms. Bryant and Dr. O'Sullivan received this award in 2017.

Treatment of Dividends

When UTC pays a dividend on Common Stock, each director is credited with additional DSUs and RSUs equal in value to the dividend paid on the corresponding number of shares of UTC Common Stock.

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COMPENSATION OF DIRECTORS

2017 Director Compensation

Name	Fees Earned or Paid in Cash ($)	**Stock Awards ($)(1)**	**All Other Compensation ($)(2)**	**Total ($)**
Lloyd J. Austin III	$132,000	$198,000	$8,137	$338,137
Diane M. Bryant(3)	$0	$585,000	$2,820	$587,820
John V. Faraci	$0	$325,000	$25,974	$350,974
Jean-Pierre Garnier	$0	$325,000	$974	$325,974
Edward A. Kangas	$168,000	$252,000	$974	$420,974
Ellen J. Kullman	$0	$325,000	$30,974	$355,974
Marshall O. Larsen	$132,000	$198,000	$1,141	$331,141
Harold W. McGraw III	$120,000	$180,000	$974	$300,974
Margaret L. O'Sullivan(4)	$0	$265,000	$583	$265,583
Fredric G. Reynolds	$132,000	$198,000	$2,820	$332,820
Brian C. Rogers	$0	$300,000	$2,820	$302,820
Christine T. Whitman	$120,000	$180,000	$738	$300,738

(1) Stock Awards consist of the grant date fair value of DSU and RSU awards credited to the director's account, including any portion of the annual cash retainer that the director elected to receive as DSUs. The value of DSU and RSU awards has been calculated in accordance with the Compensation—Stock Compensation Topic of the FASB ASC. The assumptions made in the valuation of these awards can be found in Note 12, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2017 Annual Report on Form 10-K. The number of units credited to each director in 2017 was calculated by dividing the value of the award by $116.32, the NYSE closing price per share of UTC Common Stock on April 24, 2017, the date of the 2017 Annual Meeting. Directors who joined the Board following the Annual Meeting received the number of DSUs and RSUs based on the NYSE closing price of UTC Common Stock on the date of his or her appointment. Since DSU awards vest on the grant date, but are not distributed until the director leaves the Board, the only unvested units as of December 31, 2017, are the following unvested portions of the new director RSU awards: L. Austin III, 750 units; D. Bryant, 722 units; M. O'Sullivan, 833 units; F. Reynolds, 628 units; and B. Rogers, 628 units. The aggregate number of shares subject to awards outstanding as of December 31, 2017, for each Director can be found in the table on Share Ownership on page 27.

(2) Amounts in this column include matching contributions made to eligible universities, colleges and certain other eligible nonprofit organizations under the Company's matching gift program that covers non-employee directors as well as company employees. The Company's matching gifts in 2017 were as follows: L. Austin III, $5,000; J. Faraci, $25,000; and E. Kullman, $30,000.

(3) Ms. Bryant was elected to the Board of Directors effective January 1, 2017. In accordance with the UTC Board's annual retainer policy, she received 50% of the annual retainer for the April 2016 to April 2017 Board cycle, 100% of the annual retainer for the April 2017 to April 2018 Board cycle, and the new director RSU award.

(4) Dr. O'Sullivan was elected to the Board effective November 1, 2017. In accordance with the UTC Board's annual retainer policy, she received 50% of the annual retainer for the April 2017 to April 2018 Board cycle, and the new

director RSU award.

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SHARE Ownership

Share Ownership Requirements

Our robust share ownership requirements promote and strengthen the alignment of interests between our non-employee directors, management and shareowners. These requirements are:

6x	5x	4x	3x
base salary for the Chairman & CEO	annual base cash retainer for independent directors	base salary for the CFO and business unit presidents	base salary for other ELG members

As previously discussed on page 5, the Compensation Committee increased the share ownership requirements for the CFO and business unit presidents during 2017 from 3x to 4x base salary. The Committee made this change because it recognizes the importance of shareowner alignment for these particular roles.

Non-employee directors must achieve the required ownership level within five years of joining the Board. For ELG members (including the NEOs), the applicable ownership levels must be achieved within five years of their appointment to the ELG. The sale of UTC shares is prohibited if ownership requirements are not met after the five-year period. All directors and NEOs currently comply with their ownership requirement or are on track to meet the requirement within the five-year period.

Share Ownership Information for Directors and Officers

The following table shows the number of shares of Common Stock beneficially owned as of March 2, 2018, by our current directors, NEOs, and our directors and current executive officers as a group. None of these individuals, or the group as a whole, beneficially owned more than 1% of UTC's shares outstanding as of that date. Each person listed in the following table had sole voting and investment power of the shares shown, except as noted in the footnotes below.

Directors and Executive Officers	SARs Exercisable	RSUs Convertible	DSUs Convertible	Total Shares

	within 60 days(1)	to Shares within 60 days(2)	to Shares within 60 days(2)	Beneficially Owned(3)	
L. Austin III	—	215	3,353	3,568	
D. Bryant	—	202	4,319	4,521	
J. Faraci	—	2,301	47,219	49,520	
J. Garnier	—	—	81,965	100,075	
D. Gitlin	32,502	—	—	46,072	(4)
G. Hayes	188,787	—	—	312,387	(5)
A. Johri	51,007	—	—	90,235	
E. Kangas	—	2,589	37,113	39,702	
E. Kullman	—	1,494	16,498	17,992	
M. Larsen	—	1,434	15,010	21,876	(4)
R. Leduc	28,332	—	—	83,652	
R. McDonough	69,306	—	—	89,918	
H. McGraw III	—	3,073	49,560	56,238	
M. O'Sullivan	—	4	1,381	1,385	
F. Reynolds	—	471	4,608	18,304	
B. Rogers	—	471	6,939	12,410	(4)
C. Whitman	—	3,072	33,824	43,746	
Directors & Executive Officers as a group (23 in total)(6)(7)(8)	598,228	15,326	301,789	1,340,750	

(1) For the executive officers, includes the net number of shares of Common Stock issuable upon exercise of vested SARs. Following vesting, each SAR is exercisable for a number of shares of Common Stock having a value equal to the increase in value of a share of Common Stock from the date the SAR was granted through the date of exercise. For purposes of this table, the net number of shares of Common Stock issuable upon exercise has been calculated using the NYSE closing price of UTC Common Stock on the last trading day of 2017 of $127.57 per share.

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SHARE OWNERSHIP

(2) For directors, RSUs and DSUs are settled upon resignation or retirement from the Board.

(3) The share amounts include stock units credited to the account of the executive officer under the UTC Savings Restoration Plan (“SRP”) that are attributable to Company contributions to match 60% of the officer’s payroll contributions and which are settled in shares of UTC Common Stock following retirement or separation of employment. As of March 2, 2018, the following executive officers held stock units in their SRP account: D. Gitlin, 2,118 units; G. Hayes, 7,388 units; A. Johri, 1,388 units; and R. Leduc, 1,392 units; and the current executive officers as a group held 27,571 units. In addition, the share amounts in this column reflect the shares in which the listed person or the members of the group had the right to acquire beneficial ownership at any time within 60 days after March 2, 2018, by exercising SARs and, in the case of non-employee directors, upon the settlement of RSUs or DSUs as a result of their resignation or retirement from the Board.

(4) Includes the following: 8,742 shares, 5,432 shares, and 5,000 shares of Common Stock for which the spouses of D. Gitlin, M. Larsen and B. Rogers, respectively, share voting and investment power.

(5) Includes 2,154 shares of Common Stock for which the spouse of G. Hayes holds voting and investment power.

(6) Consists of holdings of those directors and executive officers who serve in such positions as of March 2, 2018. A complete list of UTC’s executive officers is included in the Company’s Annual Report on Form 10-K for 2017.

(7) Includes 11,329 shares of Common Stock for which the spouse of an executive officer who is not an NEO shares voting and investment power.

(8) Includes 1,546 shares of Common Stock for which the spouse of an executive officer who is not an NEO holds voting and investment power.

Certain Beneficial Owners

The following table shows all holders known to UTC to be beneficial owners of more than 5% of the outstanding shares of Common Stock as of December 31, 2017.

Name and Address	Shares	Percent of Class
State Street Corporation(1) State Street Financial Center One Lincoln Street Boston, MA 02111	90,109,040	11.28%
The Vanguard Group(2) 100 Vanguard Boulevard Malvern, PA 19355	57,346,994	7.18%
BlackRock, Inc.(3) 55 East 52nd Street New York, NY 10055	46,850,302	5.9%

(1) State Street Corporation reported in an SEC filing that, as of December 31, 2017, it held sole voting power with respect to zero shares of Common Stock, shared voting power with respect to 90,109,040 shares of Common Stock, sole dispositive power with respect to zero shares of Common Stock, and shared dispositive power with

respect to 90,109,040 shares of Common Stock. State Street Corporation also reported that its wholly-owned subsidiary, State Street Bank and Trust Company, is the trustee for the UTC Common Stock in the UTC Employee Savings Plan Master Trust, which beneficially owns 6.49% of Common Stock of UTC, and that in this capacity State Street Bank and Trust Company has dispositive power and voting power over the shares in certain circumstances.

(2) The Vanguard Group reported in an SEC filing that, as of December 31, 2017, it held sole voting power with respect to 1,047,328 shares of Common Stock, shared voting power with respect to 168,161 shares of Common Stock, sole dispositive power with respect to 56,159,799 shares of Common Stock, and shared dispositive power with respect to 1,187,195 shares of Common Stock.

(3) BlackRock, Inc. reported in an SEC filing that, as of December 31, 2017, it held sole voting power with respect to 40,753,090 shares of Common Stock and sole dispositive power with respect to 46,850,302 shares of Common Stock.

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PROPOSAL 2
Advisory Vote

TO APPROVE EXECUTIVE COMPENSATION

Each year we ask shareowners to approve, on an advisory basis, the compensation of UTC's Named Executive Officers ("NEOs"). We encourage you, before voting, to read and consider the Compensation Discussion and Analysis on pages 30-52, along with the compensation tables on pages 54-65.

How is Shareowner Feedback Considered?

Although your vote is advisory, UTC values and carefully considers shareowner opinions when making executive compensation decisions. Over the years, shareowner input has substantially contributed to our executive compensation program's Guiding Principles, which can be found on page 31 of this Proxy Statement. Since our last Annual Meeting, we engaged in discussions with investors holding more than 340 million shares of UTC stock on compensation matters. The Compensation Committee uses this feedback in its annual evaluation and management of our program. Shareowner feedback is also reflected in our description of our compensation program in this Proxy Statement in order to enhance its clarity and transparency for our investors.

Why Should I Vote FOR This Proposal?

Our executive compensation program is structured to advance its fundamental objective: aligning our executives' compensation with the long-term interests of UTC shareowners. We design our program to reward financial performance and effective strategic leadership, key elements in building sustainable shareowner value. The performance metrics used in our incentive plans align with shareowner interests by correlating the timing and amount of actual payouts to our short-, medium- and long-term performance. Compensation opportunities are structured to reward the appropriate balance of financial, strategic and operational business results, and to require ethical and responsible conduct in pursuit of these goals. The Board and its Compensation Committee believe that UTC's executive compensation program has effectively aligned pay with performance, while facilitating the retention of highly talented executives who are critical to our long-term success.

Accordingly, the Board recommends that shareowners vote FOR the following resolution:

"RESOLVED, that the compensation of UTC's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and related information provided in this Proxy Statement, is hereby APPROVED on an advisory basis."

As a matter of law, the approval or disapproval of this Proposal 2 may not be construed as overruling any decision by UTC or the Board, or as imposing any duty or obligation on UTC, the Board or any individual director.

The Board of Directors recommends a vote FOR this proposal.	**FOR**

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COMPENSATION
Discussion and Analysis

2017 NAMED EXECUTIVE OFFICERS

GREGORY J. HAYES
Chairman & CEO

AKHIL JOHRI
Executive Vice President &
Chief Financial Officer

DAVID L. GITLIN
President, UTC Aerospace Systems ("UTAS")

ROBERT J. MCDONOUGH
President, UTC Climate, Controls & Security ("CCS")

ROBERT F. LEDUC
President, Pratt & Whitney

In this section, we discuss our compensation philosophy, and describe our executive compensation program and how it is structured to advance our fundamental objective of aligning our executives' compensation with the long-term interests of UTC shareowners. We explain how the Compensation Committee of the Board (the "Committee") determines compensation for the members of our Executive Leadership Group ("ELG"), including the NEOs listed above. This discussion also explains the Committee's rationale for specific 2017 pay decisions.

Executive Summary

Investor Engagement

2017 SHAREOWNER OUTREACH EFFORTS

We actively seek and highly value feedback from shareowners and their advisors. The Committee annually considers this feedback, along with factors such as external market data and staff and consultant recommendations, in its ongoing assessment of the effectiveness of our program.

RESPONSE TO 2017 SAY-ON-PAY VOTE

Each year we consider the results of our advisory vote on executive compensation ("Say-on-Pay") from the prior year. In 2017, 97% of the votes cast (excluding abstentions and broker non-votes) voted in favor of the Committee's 2016 executive compensation decisions, a result that slightly exceeded the 96% favorable vote we received in 2016. We interpreted this result, along with our positive five-year voting trend, as an endorsement of our compensation program's design and direction.

2017 SHAREOWNER FEEDBACK

This past year, shareowners also expressed support for our recent executive compensation program changes, which are discussed in detail in this Proxy Summary on page 5.

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COMPENSATION DISCUSSION AND ANALYSIS

Our Executive Compensation Philosophy

The Committee believes there must be a meaningful link between the compensation paid to our executives and our goal of long-term, sustainable growth for our shareowners. This core philosophy is embedded in the following principles, which guide all aspects of our compensation program:

UTC'S GUIDING PRINCIPLES FOR EXECUTIVE COMPENSATION

Competitiveness

Total compensation should be sufficiently competitive to attract, retain and motivate a leadership team capable of maximizing UTC's performance. Each element should be benchmarked relative to peers.

Long-Term Focus

For our most senior executives, long-term, stock-based compensation opportunities should significantly outweigh short-term, cash-based opportunities. Annual objectives should complement sustainable, long-term performance.

Balance

The portion of total compensation contingent on performance should increase with an executive's level of responsibility. Annual and long-term incentive opportunities should reward the appropriate balance of short-, medium- and long-term financial, strategic and operational business results.

Pay-for-Performance

A substantial portion of compensation should be variable, contingent and directly linked to individual, company and business unit performance.

Responsibility

A complete commitment to ethical and corporate responsibility is a fundamental principle incorporated into all aspects of our compensation program. Compensation should take into account each executive's responsibility to act at all times in accordance with our Code of Ethics and our environmental, health and safety objectives. Financial, strategic and operational performance must not compromise these values.

Shareowner Alignment

The financial interests of executives should be aligned with the long-term interests of our shareowners through stock-based compensation and performance metrics that correlate with long-term shareowner value.

Principal Components of Compensation

The following table summarizes the principal components of our executive compensation program for 2017. The Committee structures these elements to promote and reward superior financial performance through a variety of performance metrics and time horizons. For additional details on each of these components refer to pages 37-41.

Pay Component	Time Horizon (in years)	Performance	Purpose

Base Salary	Individual achievement	Attract and retain
Annual Bonus	Earnings Free cash flow to net income ratio* Individual achievement	Drive near-term performance goals
Performance Share Units	Adjusted earnings per share Return on invested capital Total shareowner return vs. S&P 500 Share price appreciation	Drive medium-term performance goals
Restricted Stock Units	Share price appreciation	Retention
Stock Appreciation Rights	Share price appreciation	Drive long-term share price appreciation

*The Committee changed the cash flow metric beginning with the 2018 annual bonus program to an absolute free cash flow goal, as described on page 5.

COMPENSATION DISCUSSION AND ANALYSIS

2017 Performance

Our senior leadership team continued its focus on our key priorities — innovation, cost reduction, execution and disciplined capital allocation. The following 2017 accomplishments reflect our commitment to these priorities, which we believe drive long-term, sustainable growth.

FINANCIAL ACCOMPLISHMENTS*

In 2017, we met or exceeded all of the key financial targets we communicated to investors for the year, including achieving diluted EPS of $5.70 (GAAP) and $6.65 (non-GAAP). Sales increased by 5%, which included organic sales growth of 4% —our best performance since 2014. We also generated $5.6 billion of cash flow from continuing operations and free cash flow of $3.6 billion, while returning $3.5 billion to shareowners through a combination of dividends and share buybacks and contributing $1.9 billion to fully fund our qualified U.S. pension plans (as of December 31, 2017).

GAAP FINANCIAL MEASURES*	**NON-GAAP FINANCIAL MEASURES***
NET SALES (in billions)	**ADJUSTED NET SALES (in billions)**
DILUTED EPS ($ per share)	**ADJUSTED DILUTED EPS ($ per share)**
CASH FLOW FROM OPERATIONS (in billions)	**FREE CASH FLOW (in billions)**
NET INCOME (in billions)	**ADJUSTED NET INCOME (in billions)**

*Please refer to Appendix A on pages 90-91 for additional information regarding these GAAP and non-GAAP financial measures.

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COMPENSATION DISCUSSION AND ANALYSIS

DIVIDENDS PAID (PER COMMON SHARE)

81st	**$3.5 billion**	**3.8% increase**	**19% TSR**
consecutive year we paid dividends to shareowners	paid in 2017 to investors through dividends and share buybacks	in dividends per share paid to shareowners	delivered to our shareowners during 2017

SHAREOWNER VALUE

Our executive compensation program is designed to drive long-term shareowner value and incentivize strategic investments and operational decisions that contribute to long-term growth in earnings and total shareowner return. In the three years since Mr. Hayes became CEO, UTC has made substantial investments in each of our business units. For example, we brought the Pratt & Whitney GTF engine to market and are shipping an increasing number of engines to our customers. We are building the world's premier aerospace systems business through a combination of mergers and acquisitions and steady organic growth. We are investing in new digital technologies for Otis products and aftermarket services. CCS has launched a wide array of innovative new products that promote safer, smarter and more sustainable buildings. Our long-term business investments are paying off.

We believe there is a solid foundation in place for years of strong earnings growth across UTC's businesses and, as a result, investor sentiment and TSR continue to improve. This can be seen in UTC's 19% TSR performance in 2017, even during the heavy investment cycle of the last several years. The following chart illustrates UTC's TSR compared to our Compensation Peer Group ("CPG") and other major market indices over varying time periods.

TOTAL SHAREOWNER RETURN: UTC COMPARISONS*

* TSR values are provided by S&P Capital IQ and are calculated on an annualized basis as of December 29, 2017. The CPG composite returns are determined by calculating the TSR for each peer company, then a weighted average is applied based on each company's market capitalization at the beginning of the measurement period.

STRATEGIC ACCOMPLISHMENTS

Rockwell Collins Acquisition. In 2017, we reached a definitive agreement to acquire Rockwell Collins for $30 billion (including $7 billion in assumed net debt). We believe that the combined businesses — which have highly complementary capabilities — will better position UTC to deliver more innovative products and services, compete more effectively for future business, and provide greater value to our customers and shareowners.

United Technologies Digital Accelerator. Another milestone in 2017 was the launch of the UT Digital Accelerator in Brooklyn, New York, where our business and technology talent collaborate to expand the digital capabilities that we believe will enhance our products, improve our services and unlock efficiencies. To best utilize advanced digital capabilities, we have

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COMPENSATION DISCUSSION AND ANALYSIS

selected several initiatives in areas critical to our business success: customer experience, service transformation, asset intelligence and smart factories. These initiatives will enable us to rapidly expand new product experiences so we can meet the demands of the fast-paced, technology-driven economy with greater agility and flexibility.

How 2017 Performance Affected Incentive Payouts

UTC[(1)]	Threshold	Target	Maximum	Actual	Payout Factor
2017 Annual Bonus[(2)]					
Earnings (net income)	$4.6 billion	$5.1 billion	$5.6 billion	$5.3 billion	138%
Free Cash Flow to Net Income Ratio	50%	90%	150%	99%[(3)]	115%
Committee Approved UTC Financial Performance Factor					**122%**[(4)]
2015-2017 Performance Share Units					
EPS Growth	3%	6%	9%	1%	0%
TSR vs. S&P 500	37.5th	50th	75th	39.2nd	57%
Committee Approved Payout Factor					28%

(1) Performance goals and results are based on non-GAAP financial measures.

(2) Reflects annual bonus goals and results for the UTC financial performance factor. Refer to pages 38-39 for more details.

(3) The free cash flow to net income ratio of 99% that was used for annual bonus purposes was adjusted for certain non-recurring items, as discussed in more detail on page 39.

(4) The Committee used its discretion and reduced the calculated payout factor from 129% to 122%. For more details on how UTC's financial results are adjusted for incentive plan purposes, refer to page 39.

How We Make Pay Decisions and Assess Our Programs

WHO DOES WHAT

Compensation Committee	**CEO**
Oversees our programs	Provides selective input to the Committee
• Sets financial, strategic and operational goals and objectives for the Company, the business units and the CEO.	• Considers the performance of each ELG member, his or her business unit and/or function, market benchmarks and retention risk when determining pay recommendations.

• Sets performance goals for the annual and long-term incentive programs. • Assesses Company, business unit and NEOs' performance relative to the pre-established goals and objectives set for the year. • Approves CEO pay adjustments. • Reviews the CEO's recommendations for each ELG member's and executive officer's pay and makes adjustments it deems appropriate. • Evaluates the competitiveness of each ELG member's and executive officer's total compensation package. • Approves all executive compensation program design changes, including severance, change-in-control and supplemental benefit arrangements. • Considers input from UTC's shareowners regarding executive compensation decisions and policies. • All decisions are subject to review by the other independent directors.	• Presents the Committee with recommendations for each principal element of compensation for ELG members (including each of the NEOs). • Does not have any role in the Committee's determination of his own compensation.
Management and Consultant	**Shareowners**
Provides insight and assistance	Provide feedback on our programs
The Executive Vice President & Chief Human Resources Officer, along with UTC's Human Resources staff and the independent compensation consultant, provide insights on program design and compensation market data to assist the Committee with its decisions. Management also has been delegated oversight responsibility of executive compensation plan administration.	In assessing our programs each year, the Committee reviews the feedback received from shareowners. This feedback, along with other factors, helps the Committee in its decisions and its ongoing assessment of the effectiveness of our program.

Role of Independent Compensation Consultant

The Compensation Committee retained Pearl Meyer & Partners ("Pearl Meyer") to serve as its executive compensation consultant for 2017. Pearl Meyer may make recommendations on the form and amount of compensation, but the Committee makes all decisions regarding the compensation of our NEOs and other ELG members.

During 2017, Pearl Meyer advised the Committee on a variety of subjects, including compensation plan design and trends, pay-for-performance analytics, benchmarking data and related matters. Pearl Meyer reports directly to the Committee, participates in meetings as requested and communicates with the Committee Chair between meetings as necessary. A Pearl Meyer representative attended five meetings in 2017.

Prior to engaging Pearl Meyer, the Committee reviewed the firm's qualifications, independence and any potential conflicts of interest. Pearl Meyer does not perform other services for or receive other fees from UTC (except for an incidental amount of $8,400 in 2017 for participation in certain business surveys). The Committee therefore determined that Pearl Meyer qualified as an independent consultant. The Committee has the sole authority to modify or approve Pearl Meyer's compensation, determine the nature and scope of its services, evaluate its performance, terminate the engagement, and hire a replacement or additional consultant at any time.

The Committee also uses market data from other compensation consulting firms for benchmarking and other purposes. However, this benchmark data is generally available broadly to these firms' other consulting clients. No other consulting firm made recommendations to the Committee or management on peer group composition or on the form, amount or design of executive compensation in 2017.

Our Compensation Peer Group

How We Use Peer Group Data. We compare our executive compensation program to those at the 23 companies that make up our Compensation Peer Group ("CPG"). Data from a broader range of companies, including the Fortune 100, are used for insight into general compensation trends and to supplement CPG data when necessary and appropriate. To maintain a sufficiently competitive executive compensation program, the Committee believes the target value of each principal element of compensation should approximate the market median of the companies UTC views as competitors for executive talent. The Committee annually evaluates each compensation element relative to the market for each ELG member's role and makes adjustments as necessary. However, individual compensation may vary from market median benchmarks based on the Committee's assessment of Company, business unit/function and individual performance, job scope, retention risk, tenure and other factors that it determines to be relevant to its evaluation.

How Our Compensation Peer Group is Constructed. The CPG's composition reflects a mix of both industry and non-industry peers that the Committee views as competitors for senior executive talent. Like UTC, 12 of these 23 companies are Dow Jones Industrial Average components. In determining the most appropriate peer group composition, the Committee considers factors such as revenue, market capitalization, global scope of operations, manufacturing footprint, research and development activities, and diversified product portfolios. In its 2017 review, the Committee made no adjustments to the CPG. However, two of the CPG companies (DuPont and Dow Chemical) merged into one company during the year, reducing the number of CPG companies from 24 to 23. The Committee believes the companies in the CPG provide a relevant comparison based on their similarity to UTC in size and operational complexity. The CPG is constructed to serve the specific purpose of benchmarking executive compensation. For this reason, we do not use the relative financial performance of the CPG as a performance metric in our incentive compensation programs.

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COMPENSATION DISCUSSION AND ANALYSIS

OUR COMPENSATION PEER GROUP

Companies in Blue represent Dow Jones Industrial Average components.

Aerospace & Defense	Equipment & Machinery	Technology/ Communications	Consumer Packaged Goods	Oil & Gas
Boeing General Dynamics Lockheed Martin Northrop Grumman Raytheon	3M Caterpillar Deere Eaton Emerson Electric Johnson Controls	AT&T Cisco IBM Verizon	Johnson & Johnson Procter & Gamble	Chevron

Chemicals	Diversified Industrials	Automotive	Pharmaceuticals
DowDuPont	General Electric Honeywell	General Motors	Pfizer

PEER GROUP DATA*

	Net Sales (in billions)	Market Capitalization (in billions)	Employees
25th Percentile	$30.2	$56.2	80,259
50th Percentile	$48.0	$140.0	98,200
75th Percentile	$93.4	$202.8	128,500
UTC	$59.8	$101.9	204,651
UTC Rank	59th	43rd	96th

* Peer company data is provided by S&P Capital IQ. Net sales and employee data reflect the most recent publicly available information (as of February 19, 2018). Net sales are based on continuing operations, as reported, in accordance with U.S. GAAP financial reporting standards. Market capitalization for peer companies is calculated based on shares outstanding as of December 31, 2017.

Timeline For Compensation Decisions

The Committee followed the process below to make 2017 annual pay decisions for each of the principal components of compensation:

February 2017	April 2017	December 2017	January 2, 2018	February 2018	1st Quarter of 2018
2017 base salary adjustments were approved	2017 base salary adjustments took effect	Review of preliminary Company/business unit/individual performance	2018 LTI awards granted	Review of final 2017 Company/ business unit/individual performance	Payment of 2017 annual bonuses
		2018 LTI award levels were approved		Financial performance factors and individual payout levels for annual bonuses were approved	

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COMPENSATION DISCUSSION AND ANALYSIS

Our Principal Elements of Compensation

Base Salary

To attract and retain talented and qualified executives, we provide competitive base salaries, which we target at the market median. Each year, the Committee reviews the CEO's recommendations for base salary adjustments for ELG members relative to peer market data for similar roles. The Committee has complete discretion to modify or approve the CEO's recommendations. The CEO has no involvement in the Committee's determination of his base salary. Actual salaries may vary from market medians based on factors such as job scope and responsibilities, experience, tenure, individual performance, retention risk and internal pay equity.

Annual Bonus

OUR OBJECTIVES

The Committee believes its methodology for determining annual bonus awards accomplishes the following objectives:

- Sets financial performance goals that are consistent with the Committee's assessment of the opportunities and risks for the upcoming year, as communicated to investors.
- Establishes challenging but achievable performance goals for our executives.
- Provides incentive opportunities that are market competitive.
- Allows the Committee to make discretionary adjustments if it determines that actual performance does not fully align with its assessment of overall performance.

ANNUAL BONUS TARGETS

The Committee approves annual bonus target levels based on relevant market data for each ELG member's role. Target levels are expressed as a percentage of an executive's base salary and generally approximate the market median. The 2017 annual bonus targets for each NEO are shown below:

NEO	ANNUAL BONUS TARGET
Gregory Hayes	175%
Akhil Johri	100%
David Gitlin	100%

Robert McDonough	100%
Robert Leduc	100%

SETTING FINANCIAL PERFORMANCE METRICS AND GOALS FOR 2017

For 2017, the Committee established annual performance goals for two financial metrics: earnings and the ratio of free cash flow to net income ("FCF/NI") at threshold, target and maximum goal levels. Performance relative to these pre-established goals determines the financial performance factors for UTC and each business unit.

The charts below show the weighting of each financial metric. UTC's financial performance factor determines the annual bonus pool for Corporate Office executives, while a blend of the UTC factor and business unit-specific financial performance factors are used to determine the pool for business unit executives.

UTC FINANCIAL PERFORMANCE FACTOR

BUSINESS UNIT FINANCIAL PERFORMANCE FACTORS

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COMPENSATION DISCUSSION AND ANALYSIS

BACKGROUND ON FINANCIAL PERFORMANCE METRICS AND GOALS

	UTC Earnings	**UTC FCF/NI**	**Business Unit Earnings**	**Business Unit FCF/NI**
How are performance metrics defined for annual bonus purposes?	Adjusted net income[1]	UTC FCF/NI ratio[1]	Growth in adjusted earnings before interest and taxes ("EBIT") at constant currency[1]	Business unit FCF/NI ratio[1]
Why has the Committee selected these metrics?	The Committee believes that adjusted net income is an appropriate UTC-wide goal because it includes the impact of items such as tax, interest and foreign exchange fluctuations, which are managed at the Corporate level and thus relevant to assessing UTC's overall performance.	The Committee believes that cash flow performance is a relevant measure of the overall quality and sustainability of earnings.	The Committee believes operating earnings growth, exclusive of tax, interest and foreign exchange exposure, should be the focus of business unit performance.	The Committee believes that cash flow performance is a relevant measure of the overall quality and sustainability of earnings.
Why does the Company use adjusted[2] financial performance goals for annual bonus purposes?	The Committee believes annual bonuses should not be positively or negatively impacted by short-term decisions made in the best interest of UTC's long-term business strategies. Making such adjustments encourages decision-making that considers long-term value creation that does not conflict with short-term incentive metrics. In addition, we communicate adjusted financial goals to our investors; therefore, using adjusted financial goals align short-term compensation opportunities directly with investor expectations.			
How does the Committee set performance goals?	An adjusted net income goal is set to correspond to the expected EPS range communicated to investors for the year.	The UTC FCF/NI goal is set to align with the performance expectations communicated to investors for the year.	Adjusted EBIT goals contribute to the overall net income goal set for the Corporation and reflect each business unit's anticipated opportunities and challenges for the upcoming year.	FCF/NI goals are set to contribute to the UTC FCF/NI goal and to align with each business unit's strategic business plan for the year.
What goals did the Committee set for 2017?	$5.1 billion adjusted net income goal was approved by the Committee. This amount corresponds to an adjusted EPS of $6.50 and falls within the EPS range communicated to investors for the year.	90% FCF/NI ratio goal.	Business unit adjusted EBIT goals ranged from -12% to 6%.	Business unit FCF/NI ratio goals ranged from 85% to 105%.

(1) Refer to Appendix B on page 92 for a detailed definition on how we calculate earnings and FCF/NI for the purposes of determining the UTC and business unit financial performance factors.

(2) See Appendix A on pages 90-91 for details on non-GAAP financial measures.

PAYOUT RANGES

Payouts begin at 50% of target (for threshold-level performance) and are capped at 200% (for maximum-level performance). There are no payouts for below threshold-level performance and at no point can the Committee approve payouts above 200% of target.

UTC Earnings Goal	Threshold	Target	Maximum
Net Income (as a % of target)	90%*	100%*	110%*
Payout (as a % of target)	50%	100%	200%

UTC FCF/NI Goal	Threshold	Target	Maximum
FCF/NI Ratio	50%	90%	150%
Payout (as a % of target)	50%	100%	200%

* Earnings goals are set based on dollar values, rather than as a percentage of target as shown. Threshold and maximum performance levels (as a percent of target) for the business units may vary slightly from those set for the UTC financial performance factor.

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COMPENSATION DISCUSSION AND ANALYSIS

HOW 2017 FINANCIAL PERFORMANCE RESULTS LED TO THE FINANCIAL PERFORMANCE FACTORS

	UTC Earnings	UTC FCF/NI	Business Unit Earnings	Business Units FCF/NI
What were the 2017 financial results used to determine the financial performance factors?	Adjusted 2017 net income was $5.3 billion.	UTC's free cash flow was 79% of net income, which was adjusted to 99% for annual bonus purposes to exclude a significant pension contribution, tax items, and other gains and losses unrelated to operational performance.	Adjusted business unit EBIT ranged from -9% to 4%.	FCF/NI results for the business units ranged from 94% to 125%.
What were the payout factors for each metric?	138% of target.	115% of target.	Ranged from 75% to 123% of target.	Ranged from 95% to 161% of target.
What were the calculated financial performance factors?	The weighted earnings and FCF/NI payout factors resulted in a blended UTC financial performance factor of 129% of target.		After incorporating the UTC factor, the weighted earnings and FCF/NI payout factors resulted in blended financial performance factors for the business units ranging from 102% to 135% of target.	
Did the Committee make any adjustments to the calculated financial performance factors?	The Committee reduced the calculated UTC financial performance factor from 129% to 122% of target, to account for an unfavorable customer contract adjustment that it deemed relevant to assessing the overall performance of the Company. See "Committee's Use of Discretion in Annual Bonus Awards" below for more details.		The Committee reduced some of the business units' calculated financial performance factors to account for items it deemed relevant to assessing overall performance, such as adverse contract adjustments and product recalls. After these adjustments, the business unit factors ranged from 98% to 114% of target. See "Committee's Use of Discretion in Annual Bonus Awards" below for more details.	

POOL DETERMINATION

Annual bonus pools are calculated by multiplying each executive's annual bonus target value (base salary x target bonus percentage) by the final UTC or business unit financial performance factor, as applicable. These amounts are aggregated to determine award pools for Corporate Office executives and each business unit and are subsequently allocated among eligible executives based on individual performance.

INDIVIDUAL PERFORMANCE

Our NEOs begin the year with individual financial, strategic and operational objectives. Based on the CEO's assessment of each NEO's performance, he may recommend that the Committee make a discretionary adjustment to increase or decrease the annual bonus calculated using the applicable financial performance factor. The Committee considers these recommendations and makes adjustments as it deems appropriate. Mr. Hayes has no role in the Committee's determination of his own annual bonus.

COMMITTEE'S USE OF DISCRETION IN ANNUAL BONUS AWARDS

As previously discussed, the annual bonus program is designed to closely align individual payouts with performance relative to pre-established goals. However, the Committee retains the authority to make upward or downward adjustments if it determines that Company, business unit and/or individual performance measured by the metrics do not accurately reflect the overall quality of performance for the year. Although the achievement of financial performance goals remains the primary basis for determining actual annual bonus amounts, the Committee has made positive and negative discretionary adjustments in the past to both financial performance factors and as a result of individual performance. Examples of situations that could result in discretionary adjustment include:

- Material, unforeseen circumstances beyond Management's control that affected financial performance results relative to the established goals or certain non-recurring charges or credits unrelated to operating performance;
- Tax or accounting rule adjustments that positively or negatively impact performance;
- Changes to the Company's capital structure;
- An executive's performance relative to specific individual objectives; or
- An executive's failure to adhere to UTC's Code of Ethics, Enterprise Risk Management program or other Company policies.

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COMPENSATION DISCUSSION AND ANALYSIS

Long-Term Incentive Awards

Each year the Committee reviews the design of our LTI awards to ensure consistency with our program's fundamental objectives of aligning the interests of executives and shareowners while attracting and retaining talented senior leaders. LTI awards are subject to three-year, service-based (and in some cases performance-based) vesting requirements, with limited exceptions for death, disability, retirement, change-in-control and certain qualifying involuntary terminations.

TYPES OF LTI VEHICLES

As discussed on page 5, the Committee added RSUs to the NEOs' LTI mix for 2017 to enhance the retentive value and to better align our program with market norms. NEOs received their 2017 award in the LTI vehicles shown in the chart below.

NEO LTI MIX

The number of PSUs, SARs and RSUs awarded to each NEO is based on a total award value approved by the Committee. The Committee may also, from time to time, approve special equity grants for purposes such as recruitment, retention and recognition, or to drive the achievement of specific strategic performance goals. These special grants may be in the form of PSUs, SARs, RSUs, restricted stock or performance-based SARs. In 2017, the Committee granted Mr. Gitlin a special retention RSU award reflecting his increasing leadership demands and integration challenges in connection with the announced acquisition of Rockwell Collins.

PERFORMANCE SHARE UNITS

PSUs vest at the end of a three-year performance period if, and to the extent that, the Company achieves performance goals established by the Committee. Each PSU converts into one share of Common Stock upon vesting. Unvested PSUs do not earn dividend equivalents. PSUs are designed to deliver market median compensation at target levels of performance. Below- or above-target performance levels will result in variations from market median payouts.

Performance Metrics and Goals for the 2017-2019 PSUs. PSUs granted in 2017 will vest based on UTC's performance relative to the performance goals described below over a three-year performance period. Vesting is calculated separately for each metric.

EARNINGS PER SHARE GROWTH ("EPS")

EPS Growth (weighted 35%)

- Three-year EPS compound annual growth rate goal was set at 3%.
- Aligns with our mid-range strategic business plan.
- Reflects what the Committee believes is a challenging yet attainable target.

RETURN ON INVESTED CAPITAL ("ROIC")

Return on Invested Capital (weighted 35%)

- ROIC goal was set at 10.5%.
- ROIC is calculated using a quarterly average over the three-year performance period.
- Goals are set to exceed our weighted average cost of capital.
- Incentivizes our executives to make disciplined capital allocation decisions.

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COMPENSATION DISCUSSION AND ANALYSIS

TOTAL SHAREOWNER RETURN ("TSR") VS. S&P 500

Relative TSR (weighted 30%)

- Cumulative three-year TSR goal was set at the 50th percentile relative to the companies within the S&P 500 Index.
- Vesting does not occur if UTC's TSR ranks below the 25th percentile, and is capped at 200% of target if TSR reaches the 75th percentile.
- If UTC's three-year TSR is negative, the payout for this portion of the award is capped at 100% of target regardless of UTC's relative performance vs. the S&P 500.

Why We Compare UTC's TSR to the TSR of the Companies within the S&P 500 Index. The Committee believes that comparing UTC's TSR to the companies within the S&P 500 provides an appropriate benchmark for measuring our share price performance as a large capitalization company. The Committee does not set TSR goals relative to the performance of the CPG (see page 36 for more details on our peer group) because the CPG is used solely for the purpose of measuring the competitiveness of our executive compensation program. The Committee believes the S&P 500 provides a more comprehensive and relevant comparison for our share price performance and, unlike the CPG, is not a self-selected, customized benchmark.

What the Committee Considers when Setting Performance Goals. When setting financial performance goals for our PSU awards, the Committee considers various long-term business factors, including, but not limited to: planned share buybacks, macroeconomic market trends, pension headwinds/tailwinds and cost reduction plans. Certain items such as unplanned share buybacks, restructuring charges, and other non-recurring and non-operational items may be excluded from performance results, as necessary, to maintain the validity of the targets as originally formulated. See Appendix B on page 92 for a definition of how we calculate these metrics.

PSU Vesting (2015-2017 Performance Period). PSU awards granted on January 2, 2015, were subject to vesting based on UTC's performance relative to pre-established EPS growth and relative TSR goals, each weighted at 50%. 2017 GAAP EPS of $5.70 was adjusted to $6.65 for PSU vesting purposes to account for the impact of restructuring, non-recurring, and other significant items unrelated to operational performance (see Appendix A on pages 90-91 for details on GAAP and non-GAAP financial measures). This resulted in a 1% compound annual EPS growth rate, which fell below the threshold performance level and resulted in an EPS payout factor of 0%. UTC's three-year cumulative TSR performance was at the 39.2nd percentile of the S&P 500, generating a TSR payout factor of 57%. When weighted, the combined payout factors resulted in the PSUs vesting at 28% of target.

STOCK APPRECIATION RIGHTS

SARs entitle the award recipient to receive, at the time of exercise, shares of UTC Common Stock with a market value equal to the difference between the market price of UTC Common Stock on the date the SARs are exercised and the exercise price that was set at the grant date (i.e., the closing price of UTC Common Stock on the date of grant). SARs vest and become exercisable after three years and expire 10 years from the grant date.

SAR awards directly link NEO compensation to share price appreciation thereby aligning shareowner and executive interests. The Committee believes the 10-year term of these awards incentivize long-term shareowner value creation and has been a driving force behind UTC's strong 10-year TSR performance.

RESTRICTED STOCK UNITS

In 2017, our ELG (including each of our NEOs) received 20% of their total LTI grant in the form of RSUs. The Committee believes the introduction of RSUs into the LTI mix better aligns UTC with peers and further balances our program by adding a time-based vesting vehicle that enhances retention.

RSUs vest three years from the grant date and earn dividend equivalents during the vesting period that are reinvested as additional RSUs each time UTC pays a dividend to shareowners. The reinvested RSUs vest on the same date as the underlying RSUs.

COMPENSATION DISCUSSION AND ANALYSIS

CEO Pay Overview

CEO PAY FOR 2017

$1.5M **base salary**	**$3.3M** **annual bonus**	**175% target** **annual bonus**	**$12.0M** **LTI**
no change in 2017	closely aligns with the 122% UTC performance factor used for the Corporate Office	increased from 165% of base salary to better align bonus opportunities with the market median	January 2018 LTI grant aligns with the market median

Total Direct Compensation

Unlike the amounts reported in the Summary Compensation Table, total direct compensation represents the annual pay decisions by the Committee that specifically reflect its assessment of Company, business unit and individual performance for 2017. For example, total direct compensation includes the grant date fair value of LTI awards granted in January 2018 because these awards reflect the Committee's assessment of 2017 performance. The Summary Compensation Table, however, shows the grant date fair value of LTI awards granted in January 2017, which related to the Committee's assessment of 2016 performance. Other elements included in the Summary Compensation Table — changes in pension values and other formulaic compensation components — are not related to performance and are outside the scope of the Committee's annual pay decisions and, accordingly, are excluded from total direct compensation. The Committee therefore believes that total direct compensation renders a more accurate and up-to-date reflection of its assessment of 2017 performance.

Pay Decisions for the CEO

GREGORY J. HAYES

Chairman & Chief Executive Officer

AGE 57 | UTC EXPERIENCE 28 YEARS

TOTAL DIRECT COMPENSATION:

$16.84M

The Committee assessed Mr. Hayes' 2017 performance favorably. Under his leadership, UTC successfully executed its 2017 financial, strategic and operational objectives.

Base Salary. Mr. Hayes' base salary remained at $1.5 million for 2017.

Annual Bonus. UTC's 2017 annual bonus factor is determined based on net income and free cash flow performance against pre-established goals. 2017 adjusted net income of $5.3 billion exceeded the $5.1 billion goal, resulting in a payout factor of 138% for the earnings metric. The ratio of free cash flow to net income used for annual bonus purposes equaled 99%, compared to the 90% goal. This resulted in a 115% payout factor for the UTC cash flow metric. In combination, these results generated a 129% UTC financial performance factor. However, as discussed on page 39, the Committee reduced this factor to 122%.

The Committee utilized this factor, along with favorable individual performance, explained in part by the considerations noted here, and awarded Mr. Hayes a $3.3 million annual bonus. This amount closely aligns with the Company's 122% factor.

LTI. Mr. Hayes' 2018 long-term incentive award of $12.0 million reflects the Committee's favorable assessment of his 2017 performance, exceeds the value of his 2017 grant and aligns with the CPG median for his role.

INDIVIDUAL PERFORMANCE HIGHLIGHTS

- Delivery of solid financial performance in 2017, including EPS of $5.70 (GAAP) and $6.65 (non-GAAP). In addition sales growth was 5%, including organic sales of 4%–our strongest since 2014.
- Visionary leadership which led to UTC's agreement to acquire Rockwell Collins for $30 billion, one of the largest aerospace acquisitions in history and intended to better position UTC for the future.
- Commitment to achieving gender parity in UTC's senior leadership roles by 2030, evidenced by UTC joining the Paradigm for Parity coalition.
- Support for investments in innovation through the launch of the UT Digital Accelerator in Brooklyn, New York, and the creation of UT Digital, a new organization that aims to expand our digital capabilities and optimize our software development process.
- Effectively driving a high-performance culture while emphasizing ethical standards, transparency and corporate responsibility.

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How We Assess Pay-for-Performance

The Summary Compensation Table on page 54 provides annual compensation data presented in accordance with the Securities and Exchange Commission's ("SEC") requirements. While helpful for cross-company comparisons, this SEC-mandated format uses accounting conventions to estimate values of long-term incentive awards at the time of grant. As might be expected, these estimated values can differ significantly from the actual value that is ultimately earned from these awards. The Committee believes this format does not adequately measure CEO compensation for the purposes of assessing pay-for-performance alignment. Therefore, the Committee also considers realizable and realized compensation in its evaluation of CEO pay-for-performance, as described in detail below.

Summary Compensation Table	Realizable Compensation	Realized Compensation
Basic concept		
Uses SEC methodology, which includes a mix of both compensation actually earned during the year and some future contingent pay opportunities.	3-year average compensation measure that captures how UTC's year-end stock price affects the "in-the-money"[1] value of previously granted equity awards.	Includes only pay actually earned during the year, including any gains realized on equity awards that were granted in prior years.
Purpose		
SEC-mandated compensation disclosure.	Used to evaluate pay-for-performance alignment by correlating the value of an executive's long-term incentive awards with the returns our shareowners receive from investing in UTC stock over the same period.	Used to evaluate pay-for-performance alignment by focusing on the strength of the correlation between UTC's performance and the actual cash and equity payouts earned by our CEO during the year.
How it is calculated		
Sum of:	**Three-Year Average of:**	**Sum of:**

Future pay opportunities that may or may not be realized.

(1) Defined as the difference between the closing stock price of UTC Common Stock at the end of the fiscal year and the exercise price of the award (if any) multiplied by the number of shares underlying equity awards. For PSU awards for which the vesting factor is not yet known, the target number of shares is used.

(2) Includes personal use of the Corporate aircraft, leased vehicle expenses, financial planning, security benefits, healthcare benefits and other miscellaneous items.

(3) Includes insurance premiums and Company contributions to nonqualified deferred compensation plans and defined contribution retirement plans.

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The following charts compare the Summary Compensation Table values reported for Mr. Hayes for the past three years to his realizable and realized compensation for the same period. These methodologies provide the Committee with relevant measures to assess the pay-for-performance relationship by focusing on the strength of the correlation between UTC's one-year TSR and compensation realizable and realized during these time periods.

The charts below show a strong correlation between TSR and realizable and realized compensation. For 2017, the correlation between TSR and realized compensation was less pronounced than in prior years. This was driven by a significant decrease in Mr. Hayes' SAR exercise activity during the year as well as the 2014 PSU award, which vested in 2017 at 0%. While the value realized from SAR exercises generally aligns with stock price appreciation, the executive ultimately decides when to exercise. As a result, this timing does not always correlate precisely with TSR performance.

Nevertheless, the Committee believes that the design of our executive compensation program, with its significant focus on "at risk" pay, reinforces its key objectives of driving long-term shareowner value, aligning executive and shareowner interests and rewarding pay-for-performance.

CEO PAY-FOR-PERFORMANCE TREND

SUMMARY COMPENSATION TABLE (millions)	REALIZABLE COMPENSATION* (millions)	REALIZED COMPENSATION* (millions)	TOTAL SHAREOWNER RETURN (one-year)

* Refer to the table on page 44 to see how we calculate realizable and realized compensation.

Our program’s fundamental objective is driving long-term shareowner value, aligning executive and shareowner interests and rewarding pay-for-performance.

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COMPENSATION DISCUSSION AND ANALYSIS

Pay Decisions for the Other NEOs

The Committee makes annual compensation decisions for our NEOs based on both their individual performance and the overall performance of the Company (and the business unit and/or function, where applicable). The following pages show each NEO's 2017 total direct compensation values. As discussed on page 42, total direct compensation includes only those pay elements that relate to the Committee's assessment of 2017 performance (i.e., it includes 2018 LTI grants that reflected 2017 performance, rather than 2017 LTI grants that reflected 2016 performance). We also provide individual performance highlights that contributed to the Committee's pay decisions for each NEO.

AKHIL JOHRI

Executive Vice President & Chief Financial Officer

AGE 56 | UTC EXPERIENCE 29 YEARS

TOTAL DIRECT COMPENSATION:

$5.96M

Base Salary. During 2017, Mr. Johri received a merit increase along with a market adjustment to his base salary, resulting in an aggregate increase from $825,000 to $860,000. This increase reflected the Committee's favorable assessment of his performance, as well as its efforts to better align his base salary with the CPG and Fortune 100 market medians for CFOs. Following these increases, Mr. Johri's base salary is now closely aligned with the market median.

Annual Bonus. For Mr. Johri's 2017 annual bonus, the Committee considered the UTC adjusted financial performance factor of 122% (as previously discussed on page 39), his effective leadership of UTC's Finance organization and the individual performance considerations noted here, and awarded Mr. Johri a $1.1 million annual bonus. This amount was slightly above the UTC financial performance factor.

LTI. In consideration of Mr. Johri's strong 2017 performance, the Committee granted him a 2018 LTI award valued at $4.0 million, an amount that slightly exceeds the CPG and Fortune 100 market medians for his role.

INDIVIDUAL PERFORMANCE HIGHLIGHTS

- Key role in UTC reaching an agreement to acquire Rockwell Collins for $30 billion (including $7 billion in assumed net debt).
- Effective management of the Finance function evidenced by UTC's strong cash flow and earnings performance.
- Leadership in driving UTC's disciplined capital allocation strategy, including:
  - Full funding of UTC's U.S. qualified pension plans (as of December 31, 2017) through a $1.9 billion contribution that will free up future cash flows, while reducing UTC's exposure to future pension obligations and pension-related earnings volatility.
  - Return of $3.5 billion to shareowners in 2017 through dividends and share repurchases.
  - $3.9 billion in company- and customer-funded investments in research and development.
- Ranked among the best CFOs in the Aerospace and Defense Electronics sector by *Institutional Investor* magazine.

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COMPENSATION DISCUSSION AND ANALYSIS

DAVID L. GITLIN

President, UTC Aerospace Systems ("UTAS")

AGE 48 | UTC EXPERIENCE 20 YEARS

TOTAL DIRECT COMPENSATION:

$10.01M

Base Salary. Mr. Gitlin received a base salary increase from $750,000 to $800,000, effective April 1, 2017, reflecting the Committee's favorable assessment of his performance. Subsequently, the Committee adjusted Mr. Gitlin's salary to $900,000, effective October 1, 2017, in connection with his role in the Company's agreement to acquire Rockwell Collins and related pre-closing integration efforts. Mr. Gitlin's base salary is now moderately above the CPG median.

Annual Bonus. The unadjusted UTC financial performance factor (129%, as discussed on page 39) and the factor for UTAS (104%) resulted in a blended financial performance factor of 114% of target. Based on these results, along with the individual performance considerations noted here, the Committee awarded Mr. Gitlin an annual bonus of $1.1 million, an amount slightly above UTAS' blended financial performance factor.

LTI. In consideration of Mr. Gitlin's 2017 performance, the Committee granted him a 2018 long-term incentive award valued at $4.0 million, an amount above the CPG median.

Retention RSU Award. In late 2017, the Committee also granted Mr. Gitlin a special $4.0 million retention RSU reflecting increasing leadership demands and integration challenges in connection with the announced acquisition of Rockwell Collins.

INDIVIDUAL PERFORMANCE HIGHLIGHTS

- Solid operational execution, while meeting or exceeding all key financial targets.

- Leadership in driving substantial UTAS accomplishments, including:
  - Selection to provide wheels and brakes on more than 375 aircraft for five leading airlines, representing $180 million in new business.
  - Support of NASA's future human mission to Mars by providing active thermal control, power management and distribution systems for the first uncrewed Orion mission.
  - Extensive systems and equipment to be supplied for China's new C919 large commercial jetliner, which achieved its first flight in 2017.
  - Honored by *Aviation Week* magazine for groundbreaking achievements in improving aviation safety in severe icing conditions.
  - Development of the first chromate-free REACH-compliant landing gear corrosion protection coating for steel parts on commercial airplanes.

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COMPENSATION DISCUSSION AND ANALYSIS

ROBERT J. MCDONOUGH

President, UTC Climate, Controls & Security (“CCS”)

AGE 58 | UTC EXPERIENCE 10 YEARS

TOTAL DIRECT COMPENSATION:

$5.80M

Base Salary. Mr. McDonough received a base salary increase from $825,000 to $900,000 in 2017. This increase reflects the Committee’s favorable assessment of his performance, as well as the length of his tenure as President of CCS. Mr. McDonough’s base salary is now slightly above the CPG median.

Annual Bonus. The unadjusted UTC financial performance factor (129%, as discussed on page 39) and the factor for CCS (85%) resulted in a blended financial performance factor of 103% of target. However, the Committee used its discretion and reduced the blended financial performance factor for CCS to 98% to account for a product recall that occurred in 2017.

Based on these results, along with the individual performance considerations noted here, the Committee awarded Mr. McDonough an annual bonus of $900,000, an amount that closely aligns with CCS’ blended financial performance factor.

LTI. In consideration of Mr. McDonough’s 2017 performance, the Committee granted him a 2018 LTI award valued at $4.0 million, an amount above the CPG median.

INDIVIDUAL PERFORMANCE HIGHLIGHTS

•Leadership in driving substantial CCS accomplishments, including:

- Achievement of strong 2017 sales growth of 6%, including organic growth of 4%.
- Attainment of industry-leading profit margins, notwithstanding significant investments in research and development and capital expenditures to drive product revitalization efforts and enhanced digital solutions.
- Launch of a suite of digital solutions that improves engagement and remote management of commercial HVAC systems, including the Carrier SMART Service that gives customers visibility into system performance through equipment dashboards, mobile applications and an online service and maintenance community.
- Advanced building automation, safety and cooling solutions provided to the Atlanta Braves' SunTrust Park, as well as the mixed-use Battery Atlanta development project, located adjacent to the stadium.
- 2,400 Transicold PrimeLINE refrigeration units to be provided to the shipping company Seatrade — 2,000 of which are equipped with Transicold's EDGE technology, which improves energy efficiency by 20% compared to the standard unit.

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COMPENSATION DISCUSSION AND ANALYSIS

ROBERT F. LEDUC

President, Pratt & Whitney

AGE 61 | UTC EXPERIENCE 39 YEARS

TOTAL DIRECT COMPENSATION:

$5.80M

Base Salary. Mr. Leduc received a base salary increase from $750,000 to $800,000 in 2017. This increase reflected the Committee's favorable assessment of his performance and its efforts to better align his base salary with the CPG market median. Mr. Leduc's base salary is now closely aligned with the CPG median.

Annual Bonus. The unadjusted UTC financial performance factor (129%, as discussed on page 39) and the factor for Pratt & Whitney (139%) resulted in a blended financial performance factor of 135% of target. However, the Committee used its discretion and reduced the blended financial performance factor for Pratt & Whitney to 112% to account for an unfavorable customer contract adjustment.

Based on these results, along with the individual performance considerations noted here, the Committee awarded Mr. Leduc an annual bonus of $1.0 million, an amount slightly above Pratt & Whitney's blended financial performance factor.

LTI. Reflecting its favorable assessment of Mr. Leduc's 2017 performance, the Committee granted him a 2018 LTI award valued at $4.0 million, an amount above the CPG median.

INDIVIDUAL PERFORMANCE HIGHLIGHTS

- Leadership in driving substantial Pratt & Whitney accomplishments, including:
  - Achievement of strong 2017 sales and organic growth of 9%.

- Shipments of 374 GTF family engines, which were within our 2017 target range of 350 to 400 and nearly triple 2016 shipments.
- Announcement of the Delta Air Lines agreement to acquire 100 GTF-powered Airbus A321neo aircraft, with options to acquire an additional 100.
- Launch of EngineWise, a comprehensive program designed to improve the predictability and reliability of customer fleets by using state-of-the-art data analytics and real-time intelligence to predict and prevent disruptions.
- Certification of Pratt & Whitney's PurePower GTF engine for the Mitsubishi Regional Jet and Embraer E2 aircraft.
- Achievement of outstanding employee engagement, while meeting extreme and challenging operational demands.

Other Compensation Elements

Retirement and Deferred Compensation Benefits

Retirement and deferred compensation plans help UTC attract and retain talented executives. Over the years, the Committee has from time to time updated these programs to maintain a competitive position within an evolving market. We believe the overall design of our retirement and deferred compensation programs is currently consistent with compensation practices in the marketplace and provides participating executives with benefits that approximate the CPG median.

Below is a brief description of the various retirement and deferred compensation arrangements we offer. See the Pension Benefits section on pages 59-60 and the Nonqualified Deferred Compensation section on pages 61-62 for more details.

Plan	Description
UTC Employee Retirement Plan	Only employees hired prior to January 1, 2010, are eligible to participate in this tax-qualified pension plan. Effective December 31, 2014, participants who had been covered by the original final average earnings ("FAE") formula of this plan transitioned to a more modest cash balance formula, which was already in effect for newer participants.
UTC Pension Preservation Plan	An unfunded, nonqualified retirement plan utilizing the same benefit formula, compensation recognition, retirement eligibility and vesting provisions as the tax-qualified UTC Employee Retirement Plan. For employees hired prior to January 1, 2010, it provides pension benefits not provided under the tax-qualified pension plan because of Internal Revenue Code limits.
UTC Employee Savings Plan	A tax-qualified plan where employees receive a matching contribution in the form of UTC stock units with a value equal to 60% of the first 6% of pay (consisting of base salary plus annual bonus) contributed by the employee. Salaried employees hired on or after January 1, 2010, who are not eligible to participate in the UTC Employee Retirement Plan receive an additional age-based Company contribution (ranging from 3% to 5.5% of earnings) to their UTC Employee Savings Plan account.
UTC Savings Restoration Plan	An unfunded, nonqualified plan that matches the executive's contributions with Company contributions in UTC stock units at the same rate as the UTC Employee Savings Plan, to the extent such contributions exceed Internal Revenue Code limits.
UTC Company Automatic Contribution Excess Plan	An unfunded, nonqualified plan for which salaried employees hired on or after January 1, 2010, may receive an additional age-based Company automatic contribution (ranging from 3% to 5.5% of earnings) for amounts above the Internal Revenue Code limits applicable to the qualified UTC Employee Savings Plan. Participants receiving benefits under this plan are ineligible to accrue a benefit under the UTC Pension Preservation Plan described above.
UTC Deferred Compensation Plan	An unfunded, nonqualified, deferred compensation plan that offers executives the opportunity to defer up to 50% of base salary and up to 70% of annual bonus.

UTC PSU Deferral Plan	An unfunded, nonqualified, deferred compensation plan that allows executives to defer between 10% and 100% of their vested PSU awards. Upon vesting, the deferred portion of each PSU award is converted into deferred stock units that accrue dividend equivalents.

COMPENSATION DISCUSSION AND ANALYSIS

Perquisites and Other Benefits

We provide the following benefits to our senior executives which the Committee believes are consistent with market practice and contribute to recruitment and retention.

Perquisite/Benefits*	Description
ELG Life Insurance	ELG members appointed prior to January 31, 2015, may receive company-funded life insurance coverage up to three times their base salary at age 62 (projected or actual). This benefit is not available to Mr. Leduc, who was appointed to the ELG after January 31, 2015.
ELG Long-Term Disability	The ELG long-term disability program provides an annual benefit upon disability that is equal to 80% of base salary plus target annual bonus.
Healthcare	ELG members are eligible to participate in the same health benefit program we offer to our other employees.
Executive Physical	ELG members are eligible for a comprehensive annual executive physical.
Executive Leased Vehicle	UTC provides ELG members with an annual allowance toward the costs of a leased vehicle. The value of the allowance varies by ELG appointment date. Any costs above the annual allowance are paid directly by the executive.
Financial Planning	ELG members are eligible to receive an annual financial planning benefit.
Personal Aircraft Usage	Our CEO is allowed personal use of the Corporate aircraft for up to 50 hours per year. The Committee believes this optimizes the efficient use of Mr. Hayes' time. Under this policy, Mr. Hayes may also fly commercially, subject to review by UTC security personnel. No other UTC employees are permitted to use the Corporate aircraft for personal reasons.
Security Arrangements	After a third-party security assessment, the Committee approved a security benefit for our CEO. Beginning in 2017, UTC covered expenses for the installation and monitoring of Mr. Hayes' home security system.

* See footnote (5) to the Summary Compensation Table on page 55 for more details on these perquisites/benefits.

Severance and Change-in-Control Arrangements

ELG members participate in severance and change-in-control arrangements similar to programs in effect at the majority of companies in our CPG. The Committee believes such arrangements are part of a competitive executive compensation program. Our severance program incorporates post-employment restrictive covenants designed to protect UTC's interests, including non-compete, non-solicitation and non-disclosure obligations.

Severance and change-in-control benefits are contingent upon certain future events which may never occur. The Committee, therefore, does not consider these contingent benefits when setting other compensation elements or measuring total direct compensation.

For specific details on our severance and change-in-control arrangements and how these programs have evolved over time, see the Potential Payments on Termination or Change-in-Control section on pages 62-65.

Other Executive Compensation Policies and Practices

Succession Planning

On an annual basis, the Chairman & CEO and the Executive Vice President & Chief Human Resources Officer provide the Board with information concerning the succession planning for key senior leadership roles, including the CEO. Succession plans include a readiness assessment, biographical information and future career development plans. The Board's views are incorporated into succession plans which are updated annually based on this feedback.

Employment Agreements

The Committee does not believe fixed-term executive employment contracts that guarantee minimum levels of compensation over multiple years enhance shareowner value. Accordingly, our U.S.-based executives do not have employment contracts. However, non-U.S.-based executives may have contracts consistent with local regulations and practices.

Post-Employment Restrictive Covenants

ELG members may not engage in activities after termination or retirement that are detrimental to UTC, such as disclosing proprietary information, soliciting UTC employees or engaging in competitive activities. Violations can result in a clawback of annual and long-term incentive awards.

Tax Deductibility of Incentive Compensation

To the extent consistent with other compensation objectives, the Committee has sought to minimize UTC's compensation-related tax burden. For 2017, Internal Revenue Code section 162(m) limited UTC's deduction to $1 million for annual compensation paid to the CEO and each of the three other most highly compensated NEOs (excluding the CFO), unless the compensation qualifies as "performance-based compensation" as defined in section 162(m).

Clawback Policy

UTC has a comprehensive policy on recoupment ("clawback") of executive compensation, which applies to both our annual and long-term incentive compensation programs. In the event of a financial restatement or recalculation of a financial metric applicable to an award, the Company has the right to recover annual bonus payments and gains realized from vested long-term incentive awards from any executive (including NEOs) involved in activities that caused the restatement or recalculation. Clawbacks of bonuses, long-term incentive awards and compensation realized from prior awards also may be triggered by violations of our Code of Ethics, failure to meet employee health and safety standards, violations of post-employment restrictive covenants, or the exposure of UTC to excessive risk, as determined under the Enterprise Risk Management ("ERM") program. In addition, the Company has the right to recover compensation when an executive's negligence (including negligent supervision of a subordinate) causes significant harm to UTC. If required or otherwise appropriate, the Company may publicly disclose the circumstances surrounding the Committee's decision to seek recoupment.

Anti-Hedging and Anti-Pledging Policy

UTC does not allow directors or executives to enter into short sales of UTC Common Stock or similar transactions where potential gains are linked to a decline in the price of our shares. Unvested equity awards may not be assigned, traded, transferred or otherwise disposed of for economic benefit. Additionally, our directors and executives are not permitted to pledge UTC shares as collateral for loans or any other purpose.

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REPORT OF THE Compensation Committee

The Compensation Committee establishes and oversees the design and function of UTC's executive compensation program. We have reviewed and discussed the foregoing Compensation Discussion and Analysis with the Management of the Company, and have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in UTC's Proxy Statement for the 2018 Annual Meeting.

COMPENSATION COMMITTEE

Jean-Pierre Garnier, Chair	Edward A. Kangas	Harold W. McGraw III
John V. Faraci	Ellen J. Kullman	Brian C. Rogers

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SUMMARY COMPENSATION TABLE

Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)	Total Without Change in Pension Value ($)
GREGORY J. HAYES • Chairman & Chief Executive Officer								
2017	$1,500,000	$3,300,000	$7,877,818	$2,589,650	$1,277,981	$482,044	$17,027,493	$15,759,799
2016	$1,450,000	$3,000,000	$4,960,217	$3,706,560	$2,392,716	$321,842	$15,831,335	$13,448,390
2015	$1,300,000	$850,000	$4,752,443	$3,280,210	$230,673	$354,502	$10,767,828	$10,547,063
AKHIL JOHRI • Executive Vice President & Chief Financial Officer								
2017	$851,250	$1,100,000	$2,674,030	$883,225	$198,047	$356,512	$6,063,064	$5,865,017
2016	$766,667	$1,100,000	$1,609,731	$1,207,440	$151,840	$259,356	$5,095,034	$4,943,194
2015	$700,000	$1,040,000	$6,770,654	$3,470,482	$1,174	$386,405	$12,368,715	$12,367,541
DAVID L. GITLIN • President, UTC Aerospace Systems								
2017	$812,500	$1,100,000	$6,855,052	$943,250	$385,996	$181,970	$10,278,768	$9,892,772
ROBERT J. MCDONOUGH • President, UTC Climate, Controls & Security								
2017	$881,250	$900,000	$2,851,552	$943,250	$222,507	$137,048	$5,935,607	$5,713,100
2016	$806,250	$1,100,000	$2,470,750	$1,853,280	$149,742	$136,899	$6,516,921	$6,367,179
ROBERT F. LEDUC • President, Pratt & Whitney								
2017	$787,500	$1,000,000	$2,851,552	$943,250	$353,740	$167,289	$6,103,331	$5,749,591
2016	$665,057	$600,000	$2,829,436	$1,107,040	$350,287	$112,104	$5,663,924	$5,313,637

(1) Bonus. Cash bonuses provided under the UTC Annual Executive Incentive Compensation Plan. Payments are primarily based on measured performance against pre-established goals. However, the Committee retains

discretion to adjust annual bonus amounts based on its assessment of overall performance. Consequently, we report annual bonuses in the Bonus column rather than in a Non-Equity Incentive Plan Compensation column.

(2) Stock Awards. Grant date fair value of PSUs and RSUs issued under the LTIP, calculated in accordance with the Compensation—Stock Compensation Topic of the FASB ASC, but excluding the effect of estimated forfeitures. The assumptions made in calculating the fair value of these awards are set forth in Note 12, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2017 Annual Report on Form 10-K ("2017 Form 10-K"). PSU awards are discussed in the Compensation Discussion and Analysis and in footnote (2) to the Grants of Plan-Based Awards table on page 56 of this Proxy Statement. The grant date fair values shown for PSU awards granted in 2017 to our NEOs assume target-level performance. If the highest level of performance is achieved, the grant date fair values would be: Mr. Hayes, $9,248,621; Mr. Johri, $3,150,025; Mr. Gitlin, $3,351,480; Mr. McDonough, $3,351,480; and Mr. Leduc, $3,351,480. Amounts shown for Mr. Gitlin include a special retention RSU award valued at $4,003,500.

(3) Option Awards. Grant date fair value of SARs granted under the LTIP, calculated in accordance with the Compensation—Stock Compensation Topic of the FASB ASC, but excluding the effect of estimated forfeitures. The assumptions made in the valuation of these awards are set forth in Note 12, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2017 Form 10-K. All awards shown are SARs.

(4) Change in Pension Value and Nonqualified Deferred Compensation Earnings. The increase during 2017 in the actuarial present value of each executive's accrued benefit under UTC's defined benefit plans. Actuarial value computations are based on the assumptions established in accordance with the Compensation—Retirement Benefits Topic of the FASB ASC and discussed in Note 12, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2017 Form 10-K. Above-market rates of return are not provided under UTC's deferred compensation plans. However, an above-market interest rate is paid under the frozen Sundstrand Corporation Deferred Compensation Plan, which was assumed by UTC upon the acquisition of Sundstrand in 1999. Mr. Hayes accrued $10,287 in above-market earnings under this plan in 2017.

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(5) **All Other Compensation.** The 2017 amounts in this column consist of the following items:

Name	Personal Use of Corporate Aircraft[(a)]	Leased Vehicle[(b)]	Insurance Premiums[(c)]	401(k) Plan Company Contributions[(d)]	Company Contributions to Non-Qualified Retirement Plans[(e)]	Relocation Benefit	Financial Planning[(f)]	Security Benefit[(g)]	Health Benefit[(h)]	Misc.	Total
G. Hayes	$79,350	$33,066	$143,741	$9,720	$152,280	$0	$0	$43,197	$19,717	$973	$482,044
A. Johri	$0	$25,421	$129,963	$24,570	$152,994	$0	$4,900	$0	$17,926	$738	$356,512
D. Gitlin	$0	$30,149	$63,604	$9,720	$51,930	$0	$16,000	$0	$9,829	$738	$181,970
R. McDonough	$0	$28,671	$74,879	$0	$0	$15,750	$0	$0	$17,676	$72	$137,048
R. Leduc	$0	$24,342	$0	$24,570	$101,692	$0	$0	$0	$15,946	$739	$167,289

(a) Incremental variable operating costs incurred for personal travel, which includes fuel (calculated on the basis of aircraft-specific average consumption rates and fleet average fuel costs), fleet average landing and handling fees, additional crew lodging and meal allowances, and catering and hourly maintenance contract charges, when applicable. Because fleet-wide aircraft utilization is primarily for business purposes (approximately 99% in 2017), capital and other fixed expenditures are not treated as variable operating costs relative to personal use.

(b) Annual costs associated with a leased vehicle paid by UTC on behalf of the executive.

(c) Premium paid on behalf of the executive under the ELG life insurance program. Under this program, UTC pays the premiums on a cash value life insurance contract owned by the executive. Life insurance benefits equal up to three times the executive's actual or projected base salary at age 62. Once vested (age 55 or older with three years of service as an ELG member), UTC funds the policy to maintain coverage following retirement. This benefit was eliminated for ELG members appointed after January 31, 2015, including Mr. Leduc.

(d) Dollar value of matching contributions made under the UTC Employee Savings Plan. UTC's pension plans were closed to participants effective January 1, 2010. Both Messrs. Johri and Leduc were rehired after this date and, therefore, no longer accrue benefits under the Company's pension plan. Instead, they receive an additional age-based contribution in the Company's Employee Savings Plan.

(e) Dollar value of Company contributions to the UTC Savings Restoration Plan ("SRP") and the Company Automatic Contribution Excess Plan ("CACEP"). Under the SRP, participants are credited with a benefit equal to the UTC matching contribution that the executive did not receive under the UTC Employee Savings Plan due to Internal Revenue Code ("IRC") limits. For executives hired on or after January 1, 2010, including Messrs. Johri and Leduc, the CACEP provides an additional age-based Company automatic contribution for compensation earned over IRC limits. Details on our nonqualified deferred compensation plans, which include the SRP and CACEP, are provided on page 61 of this Proxy Statement.

(f) Costs associated with a financial planning benefit available to ELG members.

(g) Costs associated with the installation and monitoring of a home security system in Mr. Hayes' personal residence, following a comprehensive, third-party security evaluation.

(h) Costs incurred by the Company associated with annual executive physicals and the Company's health and welfare benefit programs.

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GRANTS OF PLAN-BASED AWARDS

Grant Date[1]	Estimated Future Payouts under Equity Incentive Plan Awards[2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)[3]	All Other Option Awards: Number of Securities Underlying Options (#)[4]	Exercise or Base Price of Option Awards ($/Sh)[5]	Grant Date Fair Value of Stock and Option Awards ($)[6]
G. HAYES							
1/3/2017	4,040	50,500	101,000	—	—	—	$5,605,803
1/3/2017	—	—	—	—	151,000	$110.83	$2,589,650
1/3/2017	—	—	—	20,500	—	—	$2,272,015
A. JOHRI							
1/3/2017	1,376	17,200	34,400	—	—	—	$1,909,303
1/3/2017	—	—	—	—	51,500	$110.83	$883,225
1/3/2017	—	—	—	6,900	—	—	$764,727
D. GITLIN							
1/3/2017	1,464	18,300	36,600	—	—	—	$2,031,410
1/3/2017	—	—	—	—	55,000	$110.83	$943,250
1/3/2017	—	—	—	7,400	—	—	$820,142
10/11/2017[7]	—	—	—	34,000	—	—	$4,003,500
R. MCDONOUGH							
1/3/2017	1,464	18,300	36,600	—	—	—	$2,031,410
1/3/2017	—	—	—	—	55,000	$110.83	$943,250
1/3/2017	—	—	—	7,400	—	—	$820,142
R. LEDUC							
1/3/2017	1,464	18,300	36,600	—	—	—	$2,031,410
1/3/2017	—	—	—	—	55,000	$110.83	$943,250
1/3/2017	—	—	—	7,400	—	—	$820,142

(1) The Committee approves annual long-term incentive awards at its December meeting, specifying the first business day of the next calendar year as the award grant date to coincide with calendar-year-based performance measurement periods. Mr. Gitlin's special retention RSU award was approved by the Committee on October 11,

2017.

(2) Number of PSUs granted under the LTIP, which vest based on performance (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65) relative to three-year EPS growth and ROIC goals (each weighted at 35%) and a cumulative three-year relative TSR goal (weighted at 30%). Vesting ranges from a payout of 8% of target, if threshold performance is achieved for the least weighted metric (relative TSR) to a maximum payout of 200% if maximum performance is achieved for all three metrics. If UTC's three-year TSR is negative, the payout for the TSR portion of the award is capped at 100% regardless of UTC's relative TSR performance vs. the companies within the S&P 500. Each PSU corresponds to one share of Common Stock. Unvested PSUs do not accrue dividend equivalents. Vested PSUs are settled in unrestricted shares of Common Stock at the end of the performance period following the Committee's review and approval of performance achievement levels.

(3) Number of RSUs granted under the LTIP, which vest three years from the grant date (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65) subject to the executives continued employment. Each RSU corresponds to one share of Common Stock. RSUs earn dividend equivalents during the vesting period that are reinvested as additional RSUs each time UTC pays a dividend to shareowners. The reinvested RSUs vest on the same date as the underlying RSUs.

(4) Number of SARs granted under the LTIP, which vest and become exercisable three years from the grant date (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65), subject to the executive's continued employment.

(5) The SAR exercise price equals the NYSE closing price of UTC Common Stock on the grant date.

(6) Grant date fair value of awards granted in 2017, with vesting assumed at 100% of target for performance-based awards. Awards are calculated in accordance with the Compensation-Stock Compensation Topic of the FASB ASC, but excluding the effect of estimated forfeitures.

(7) Special retention RSU award granted to Mr. Gitlin that will vest following three years of continued employment from the grant date (or earlier in the case of death, disability or change-in-control).

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Grant Date	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	***Equity Incentive Plan Awards:* Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price($)[1]**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)[2]**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[3]**	***Equity Incentive Plan Awards:* Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[4]**	***Equity Incentive Plan Awards:* Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[5]**
G. HAYES									
1/3/2017	—	151,000[6]	—	$110.83	1/2/2027	20,984[9]	$2,676,929	50,500	$6,442,285
1/4/2016	—	264,000[7]	—	$95.57	1/3/2026	—	—	106,000	$13,522,420
1/2/2015	—	165,500[8]	—	$115.04	1/1/2025	—	—	11,060	$1,410,924
1/2/2014	71,500	—	—	$112.49	1/1/2024	—	—	—	—
1/2/2013	107,000	—	—	$84.00	1/1/2023	—	—	—	—
1/3/2012	122,000	—	—	$74.66	1/2/2022	—	—	—	—
1/3/2011	103,000	—	—	$78.99	1/2/2021	—	—	—	—
1/4/2010	86,000	—	—	$71.63	1/3/2020	—	—	—	—
A. JOHRI									
1/3/2017	—	51,500[6]	—	$110.83	1/2/2027	7,063[9]	$901,027	17,200	$2,194,204
1/4/2016	—	86,000[7]	—	$95.57	1/3/2026	—	—	34,400	$4,388,408
1/2/2015	—	134,600[10]	—	$115.04	1/1/2025	39,290[10]	$5,012,225	—	—
1/2/2015	—	40,500[8]	—	$115.04	1/1/2025	—	—	2,716	$346,480
1/2/2015	—	—	—	—	—	13,128[11]	$1,674,739	—	—
1/3/2012	30,500	—	—	$74.66	1/2/2022	—	—	—	—
1/3/2011	22,500	—	—	$78.99	1/2/2021	—	—	—	—
1/4/2010	14,500	—	—	$71.63	1/3/2020	—	—	—	—
1/2/2009	10,950	—	—	$54.95	1/1/2019	—	—	—	—
D. GITLIN									
10/11/2017	—	—	—	—	—	34,193[12]	$4,362,001	—	—

1/3/2017	—	55,000[(6)]	—	$110.83	1/2/2027	7,575[(9)]	$966,343	18,300	$2,334,531
1/4/2016	—	79,000[(7)]	—	$95.57	1/3/2026	—	—	31,600	$4,031,212
1/2/2015	—	46,000[(8)]	—	$115.04	1/1/2025	—	—	3,080	$392,916
1/2/2014	24,500	—	—	$112.49	1/1/2024	—	—	—	—
11/12/2013	—	—	—	—	—	15,408[(11)]	$1,965,599	—	—
1/2/2013	18,900	—	—	$84.00	1/1/2023	—	—	—	—
8/1/2012	45,036	—	—	$74.79	7/31/2022	—	—	—	—

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	Option Awards					Stock Awards			
Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	*Equity Incentive Plan Awards:* Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price($)(1)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	*Equity Incentive Plan Awards:* Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	*Equity Incentive Plan Awards:* Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
R. MCDONOUGH									
1/3/2017	—	55,000(6)	—	$110.83	1/2/2027	7,575(9)	$966,343	18,300	$2,334,531
1/4/2016	—	132,000(7)	—	$95.57	1/3/2026	—	—	52,800	$6,735,696
1/2/2015	—	50,500(8)	—	$115.04	1/1/2025	—	—	3,388	$432,207
1/2/2014	35,000	—	—	$112.49	1/1/2024	—	—	—	—
1/2/2014	44,550(13)	—	—	$112.49	1/1/2024	—	—	—	—
1/2/2013	38,000	—	—	$84.00	1/1/2023	—	—	—	—
1/3/2012	28,000	—	—	$74.66	1/2/2022	—	—	—	—
6/15/2011	—	—	—	—	—	13,129(11)	$1,674,867	—	—
1/3/2011	20,900	—	—	$78.99	1/2/2021	—	—	—	—
1/4/2010	18,900	—	—	$71.63	1/3/2020	—	—	—	—
1/2/2009	20,000	—	—	$54.95	1/1/2019	—	—	—	—
R. LEDUC									
1/3/2017	—	55,000(6)	—	$110.83	1/2/2027	7,575(9)	$966,343	18,300	$2,334,531
1/15/2016	—	88,000(7)	—	$85.63	1/14/2026	16,557(11)	$2,112,176	35,200	$4,490,464
4/1/2015	—	54,200(14)	—	$115.92	3/31/2025	4,623(14)	$589,756	—	—
1/2/2013	23,000	—	—	$84.00	1/1/2023	—	—	—	—
1/3/2012	25,500	—	—	$74.66	1/2/2022	—	—	—	—
1/3/2011	26,000	—	—	$78.99	1/2/2021	—	—	—	—

(1) The exercise price of each SAR is equal to the NYSE closing price of UTC Common Stock on the grant date. All awards shown are SARs.

(2) Number of RSUs include dividend equivalents earned during the vesting period which are reinvested as additional RSUs each time UTC pays a dividend to shareowners. The reinvested RSUs vest on the same date as the underlying RSUs.

(3) Calculated by multiplying the number of unvested RSUs by $127.57, the NYSE closing price of UTC Common Stock on the last trading day of 2017.

(4) PSUs that are subject to vesting contingent on Company performance relative to performance goals measured over a three-year period and the executive's continued employment (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65). The number of shares shown with respect to PSU awards granted in 2017 assume target-level performance and with respect to PSU awards granted in 2016 assume maximum-level performance, based on vesting estimates as of December 31, 2017. Final payouts for the 2017 and 2016 PSU awards will be based on actual performance at the end of the three-year performance periods. The number of shares shown for the 2015 PSU awards reflect vesting at 28% of target based on actual performance through December 31, 2017. The service condition for this award was satisfied on January 2, 2018.

(5) Calculated by multiplying the number of unvested 2016 and 2017 PSUs (indicated in footnote (4) above) and the number of vested 2015 PSUs by $127.57, the NYSE closing price of UTC Common Stock on the last trading day of 2017.

(6) SARs scheduled to vest on January 3, 2020, subject to the executive's continued employment (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65).

(7) SARs scheduled to vest on January 4, 2019 (and for Mr. Leduc on January 15, 2019), subject to the executive's continued employment, (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65).

(8) SARs that vested on January 2, 2018.

(9) RSUs scheduled to vest on January 3, 2020, subject to the executive's continued employment (except in certain circumstances as detailed in footnotes (2)(4)(6) on pages 64-65).

(10) SAR and RSU awards granted to Mr. Johri to offset the value of compensation forfeited upon departure from his former employer. These awards vest three years from the grant date, subject to continued service with the Company or upon death, disability or change-in-control.

(11) Number of ELG RSUs granted upon appointment to the ELG. Awards vest in the event of a mutually agreeable separation following three years of ELG service or upon death, disability or change-in-control. For Mr. McDonough, mutually agreeable separation must also occur on or after age 62.

(12) Retention RSU award granted to Mr. Gitlin which will vest on October 11, 2020, subject to continued employment or earlier in the case of death, disability or change-in-control.

(13) Consists of performance-based SARs, 50% of which vested effective December 31, 2015, at 94.4% of target, and the remaining 50% which vested at 33.8% of target based on performance through December 31, 2017, relative to pre-established performance goals.

(14) SAR and RSU awards granted to Mr. Leduc upon rehire which vest on April 1, 2018, contingent on continued service with the Company through the vesting date or upon death, disability or change-in-control.

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OPTIONS EXERCISED AND STOCK VESTED

Name	Option Awards Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise ($)(2)	Stock Awards Number of Shares Acquired on Vesting (#)(3)	Value Realized on Vesting ($)(4)
G. Hayes	54,500	$1,930,477	—	—
A. Johri	17,750	$969,699	—	—
D. Gitlin	28,300	$1,001,188	—	—
R. McDonough	—	—	12,064	$1,434,651
R. Leduc	—	—	—	—

(1) SARs exercised in 2017 which may be settled in cash or shares.

(2) Calculated by multiplying the number of shares acquired upon exercise by the difference between the market price of UTC Common Stock on the exercise date and the grant price of the award.

(3) RSUs that converted to shares of Common Stock on a one-for-one basis upon vesting in 2017.

(4) Calculated by multiplying the number of vested RSUs by the market price of UTC Common Stock on the vesting date.

PENSION BENEFITS

Overview of Plans. Salaried employees hired before January 1, 2010, participate in the UTC Employee Retirement Plan (“ERP”) and the UTC Pension Preservation Plan (“PPP”), as described in detail below. The ERP is a tax-qualified plan subject to Internal Revenue Code provisions that, as of December 31, 2017, limit recognized annual compensation to $270,000 and annual retirement benefits to $215,000.

The PPP is an unfunded, nonqualified retirement plan that utilizes the same benefit formula, retirement eligibility and vesting provisions as the ERP, but provides benefits that cannot be accrued under the ERP due to the Internal Revenue Code limits described above.

Pension Benefit Formula. Through the end of 2014, both the ERP and PPP used a traditional final average earnings (“FAE”) retirement benefit formula for salaried employees hired prior to July 1, 2002. Under this formula, the plans provide an annual benefit equal to 2% of the executive’s earnings (defined below) for each year of service up to a maximum of 20 years, plus 1% of earnings for each year of service thereafter, minus 1.5% of the executive’s Social Security benefit for each year of service (up to a maximum of 50% of the annual Social Security benefit). Earnings recognized under this formula consist of the highest average annual base salary and annual bonus received over any consecutive five calendar-year period ending on or before December 31, 2014. The FAE formula does not recognize long-term incentive compensation earnings.

Effective December 31, 2014, for employees hired prior to July 1, 2002, the FAE formula was replaced by a cash balance formula. Employees hired after June 30, 2002, but prior to January 1, 2010, including Mr. McDonough, participate under this cash balance formula for all of their years of service. The cash balance formula credits a participant's account with amounts that grow each month through two types of credits — pay credits and interest credits. Pay credits range from 3% to 8% of base salary and annual bonus, depending on the participant's age. Interest credits are based on 30-year U.S. Treasury Bond yields and are subject to annual adjustments, but cannot fall below 3.8%.

Distribution Options. The following distribution options are available for election by Plan participants:

Plan	**FAE Benefit Formula**	**Cash Balance Benefit Formula**
Employee Retirement Plan	• Lump-sum payment • Annuity payments	• Lump-sum payment • Annuity payments
Pension Preservation Plan	• Lump-sum* payment • Annuity payments • Two- to 10-year annual installments	• Lump-sum payment • Annuity payments • Two- to 10-year annual installments

* Uses a discount rate equal to the Barclay's Capital Municipal Bond Index averaged over five years (currently 2.404%). This non-taxable investment index is intended to yield an after-tax income stream on the net after-tax proceeds reinvested in tax-free bonds that are comparable to a more tax efficient annuity distribution.

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Vesting and Retirement. Under both the ERP and the PPP, vesting requires three years of service. The normal retirement age under both the FAE and the cash balance benefit formulas is 65, but the FAE formula also provides full retirement benefits at age 62 for a participant who retires with at least 10 years of service. Early retirement benefits are also available under the FAE formula beginning at age 55 with at least 10 years of service, reduced by 0.2% for each month by which retirement precedes age 62. The value of the cash balance account is not impacted by an employee's age at retirement. As of December 31, 2017, Messrs. Hayes and Johri were eligible for early retirement under the FAE formula.

Other Formulas Used. Benefits shown below for Mr. Hayes also include amounts accrued under a different formula used in a Sundstrand predecessor pension plan that was merged into UTC's pension plans, upon the acquisition of Sundstrand Corporation.

Name	**Plan Name**	**Number of Years of Credited Service (#)**	**Present Value of Accumulated Benefit ($)[1]**	**Payments During Last Fiscal Year ($)**
G. Hayes	UTC Employee Retirement Plan	28	$1,425,336	—
	UTC Pension Preservation Plan	28	$9,638,274	—
	Total		$11,063,610	—
A. Johri[2]	UTC Employee Retirement Plan	15	$814,149	—
	UTC Pension Preservation Plan	15	$1,696,037	—
	Total		$2,510,186	—
D. Gitlin	UTC Employee Retirement Plan	20	$701,742	—
	UTC Pension Preservation Plan	20	$1,278,361	—
	Total		$1,980,103	—
R. McDonough	UTC Employee Retirement Plan	10	$268,072	—
	UTC Pension Preservation Plan	10	$812,363	—
	Total		$1,080,435	—
R. Leduc[2]	UTC Employee Retirement Plan	36	$1,800,718	$103,158
	UTC Pension Preservation Plan	36	$3,521,372	$459,544
	Total		$5,322,090	$562,702

(1) Present value of the accumulated benefit is calculated using a 3.59% discount rate, a 4.00% long-term interest rate for lump-sum determinations under the UTC Pension Preservation Plan ("PPP") and other assumptions for U.S. plans, as described in the pension expense assumptions of Note 12, Employee Benefit Plans, to the Consolidated Financial Statements in Exhibit 13 to UTC's 2017 Form 10-K. Amounts are calculated based on an assumed benefit commencement date at the earliest date the participant can retire without a reduction of benefits due to age or the actual retirement date, if known. Unless the NEOs elected another form of benefit payment, the amounts shown assume the following form of payment (if not already in payment status): (i) 70% in a monthly annuity and 30% in a lump-sum payment for benefits earned under the final average earnings ("FAE") formula of the UTC Employee Retirement Plan ("ERP"); (ii) a lump-sum payment for benefits earned under the cash balance formula of the ERP; and (iii) a lump-sum payment for benefits accrued under the PPP.

(2) Messrs. Johri and Leduc were first employed by UTC in November 1986 and June 1978, respectively, and later separated UTC service, before returning to UTC to take on senior roles. Both had accrued pension benefits under the FAE formula of the ERP and the PPP before they separated. Mr. Leduc was eligible for early retirement upon separation, and therefore, began receiving benefit payments under both plans, which continue to be made. Mr. Johri was not eligible for early retirement upon his separation and must wait until subsequent separation of employment to commence his previously accrued benefit. Since rejoining UTC, Messrs. Johri and Leduc are no longer eligible to accrue additional benefits in UTC's pension plans, and instead receive age-based Company automatic contributions to their UTC Employee Savings Plan and Company Automatic Contribution Excess Plan accounts (detailed in footnotes 5(d) and 5(e) on page 55).

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NONQUALIFIED DEFERRED COMPENSATION

UTC offers the following nonqualified deferred compensation programs:

Plan Name	Description
UTC Savings Restoration Plan (“SRP”)	The SRP is a nonqualified, unfunded deferred compensation arrangement that offers participants the opportunity to defer up to 6% of pay (base salary plus annual bonus) above the annual Internal Revenue Code compensation limit ($270,000 in 2017) applicable to the tax-qualified UTC Employee Savings Plan. Using the UTC Employee Savings Plan’s matching contribution formula, the SRP credits matching contributions equal to 60% of the amount deferred by the executive in the form of UTC deferred stock units. Participants are vested in their own deferrals and vest in the UTC match upon the earlier of three years of service or two years in the Plan. SRP balances may be distributed at the election of the participant in a lump-sum payment or in annual installments over periods ranging from two to 15 years. Employee deferrals are distributed in cash and Company matching amounts are distributed in shares of UTC Common Stock.
Company Automatic Contribution Excess Plan (“CACEP”)	Salaried employees, including NEOs, hired on or after January 1, 2010, do not participate in UTC’s pension plans. These employees do, however, receive age-based Company automatic contributions (equal to a percentage of salary and annual bonus) to their tax-qualified UTC Employee Savings Plan account. The purpose of the unfunded, nonqualified CACEP is to continue to credit these age-based Company automatic contributions on compensation that exceeds the Internal Revenue Code limit for the tax-qualified UTC Employee Savings Plan. Participants receiving benefits under the CACEP do not accrue a benefit under the PPP. Participants are vested in UTC contributions upon the earlier of three years of service or two years in the Plan.
UTC Deferred Compensation Plan (“DCP”)	The DCP is a nonqualified, unfunded deferred compensation arrangement that offers participants the opportunity to defer up to 50% of base salary and up to 70% of annual bonus until retirement or a fixed period elected by the participant of at least five years. All distributions are made in cash, either in a lump-sum payment or in annual installments (over a period elected by the participant, which can be between two and 15 years). If a participant’s employment terminates before he or she is eligible to retire, all balances are paid as a lump-sum in the April following termination.
PSU Deferral Plan	The PSU Deferral Plan allows executives to defer between 10% and 100% of their vested PSU awards that would otherwise be settled in unrestricted shares of UTC Common Stock. The deferred portion of the PSU award is converted into deferred stock units that accrue dividend equivalents. Distributions from the plan are made in full or in two to 15 annual installments, either upon retirement or at a future date selected by the executive (which may be no earlier than five years from the year the PSUs are deferred). Distributions are made in whole shares of Common Stock with any fractional units paid in cash. There were no NEOs who participated in this plan in 2017.

Name	Plan[(1)]	Executive Contributions in Last FY ($)[(2)]	Registrant Contributions in Last FY ($)[(3)]	Aggregate Earnings in Last FY ($)[(4)]	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)[(5)]
G. Hayes	UTC Deferred Compensation Plan	$0	$0	$173,965	$0	$1,466,891

	UTC Savings Restoration Plan	$253,800	$152,280	$384,064	$0	$2,371,364
A. Johri	UTC Deferred Compensation Plan	$0	$0	$92,364	$0	$808,983
	UTC Savings Restoration Plan	$100,875	$60,525	$48,481	-$25,066(6)	$375,723
	UTC Company Automatic Contribution Excess Plan	$0	$92,469	$4,481	$0	$172,135
D. Gitlin	UTC Savings Restoration Plan	$86,550	$51,930	$100,868	$0	$650,017
R. Leduc	UTC Savings Restoration Plan	$67,050	$40,230	$35,606	$0	$301,269
	UTC Company Automatic Contribution Excess Plan	$0	$61,462	$2,650	$0	$108,693

(1) Executives are eligible to participate in various deferred compensation plans as detailed above. Mr. McDonough does not participate in any deferred compensation arrangements.
(2) Amounts shown are included in the Salary and Bonus columns of the Summary Compensation Table.
(3) Amounts shown are included in the All Other Compensation column of the Summary Compensation Table.
(4) Returns on amounts credited to hypothetical investment accounts, as described under “Investment Options” on page 62. These returns do not constitute above-market earnings, except for $10,287 credited to Mr. Hayes under the frozen Sundstrand Corporation Deferred Compensation Plan. This amount is included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table.
(5) The sum of contributions (both by the executive and UTC) and credited earnings on those deferrals, less withdrawals. Of these totals, the following amounts have been included in the Summary Compensation Table in prior years: $1,467,330 (Mr. Hayes), $765,150 (Mr. Johri) and $92,513 (Mr. Leduc).
(6) Mr. Johri’s 2013 separation from service triggered distributions of his accrued Savings Restoration Plan benefit in 10 annual installments. Annual distributions of the previously accrued benefit will continue through 2023. Benefits Mr. Johri has earned under the Plan since he was rehired in 2015 are not included in these distributions.

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INVESTMENT OPTIONS

Amounts deferred by participants under the SRP, CACEP and/or DCP may be allocated to one or more of the following hypothetical investment accounts:

Hypothetical Investment Accounts*	2017 Return
Income Fund	3.3%
Equity Fund (S&P 500)	21.9%
Government/Credit Bond Fund	4.1%
Small Company Stock Fund	18.2%
International Equity Fund	25.4%
Emerging Markets Equity Fund	37.3%
UTC Common Stock with Dividend Reinvestment	18.5%

* Additional age-specific retirement date funds are also available. In 2017, NEOs participated in the Target Retirement Fund 2005 (8.1% return), Target Retirement Fund 2010 (9.6% return), Target Retirement Fund 2015 (11.5% return) and Target Retirement Fund 2020 (13.5% return).

POTENTIAL PAYMENTS ON TERMINATION OR CHANGE-IN-CONTROL

SEVERANCE BENEFITS

Over the last 10 years, the Committee has made a number of modifications to the ELG severance program to align with market best practices and to serve the evolving needs of the Company. Changes are generally prospective due to existing contractual commitments. Benefit eligibility, therefore, depends on the date the executive was appointed to the ELG. The table below outlines these modifications:

	ELG Appointment Date		
	Prior to January 2006	**Between January 2006 and April 2013**	**On or after May 2013**
ELG Cash Separation Benefit	2.5x base salary	2.5x base salary	No cash benefit
Conditions to Receive Cash Separation	• Mutually agreeable separation; and	• Mutually agreeable separation prior to age 62; and	N/A

Benefit	• 3+ years as an ELG member	• 3+ years as an ELG member; or • Change-in-control	
ELG RSU Award*	No award granted	Grant value equal to 2x base salary at time of grant	Grant value up to $2 million, depending on role
Conditions to Vest in the ELG RSU Award	N/A	• Mutually agreeable separation on or after age 62; and • 3+ years as an ELG member; or • Change-in-control	• Mutually agreeable separation; and • 3+ years as an ELG member; or • Change-in-control
NEO Participation	Gregory Hayes	Robert McDonough	Akhil Johri David Gitlin Robert Leduc

* ELG RSUs receive dividend equivalents during the vesting period that are reinvested as additional RSUs and are subject to the same vesting conditions as the underlying award.

A mutually agreeable separation occurs when:

- An ELG member's position with UTC has been eliminated or diminished by a divestiture, restructuring, shift in priorities or similar event;
- An ELG member retires between age 62 and 65 with the Company's consent; or
- An executive retires at age 65 or older.

Voluntary terminations prior to age 62 or terminations related to misconduct do not qualify as mutually agreeable separations.

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Receipt of the ELG cash separation benefit and the ELG RSU award is contingent upon execution of an agreement containing the following restrictive covenants made by the executive for the protection of UTC: (i) non-compete; (ii) employee non-solicitation; (iii) non-disparagement; (iv) protection of confidential, sensitive and proprietary information; and (v) post-termination cooperation. The ELG separation benefit is not treated as compensation for purposes of determining benefits under UTC's pension plans or any other benefit programs. Distributions are subject to certain restrictions imposed by Internal Revenue Code Section 409A.

CHANGE-IN-CONTROL BENEFITS

Change-in-control severance protection under our legacy Senior Executive Severance Plan ("SESP") was designed to ensure continuity of management in potential change-in-control situations. In response to changing market practices, we closed this program to new participants effective June 2009. Accordingly, Mr. Hayes is the only NEO who remains eligible for the SESP benefit. Executives appointed to the ELG on or after June 2009 do not participate in the SESP and are instead covered by the standard ELG severance benefit (as previously discussed) in the event of a change-in-control.

The SESP provides a cash severance benefit of 2.99x the sum of base salary and target annual bonus for the year in which termination occurs, subject to various restrictive covenants. The SESP cash severance is reduced by 1/36th for each month that termination occurs after age 62 and, accordingly, is completely phased out at age 65.

A change-in-control generally occurs upon:

- The acquisition of 20% of UTC's outstanding shares by a person or a group;
- Incumbent directors no longer constituting a majority of the Board; or
- A merger or similar event where UTC shareowners own less than 50% of the voting shares of the new organization.

Benefits under both the legacy SESP and the UTC Long-Term Incentive Plan ("LTIP") are subject to a "double trigger," meaning benefits are only provided if a change-in-control is followed by an involuntary termination of employment or termination of employment for "good reason" within two years following a change-in-control event. "Good reason" generally includes material adverse changes in an executive's compensation, responsibilities, authority, reporting relationship or work location. Under the LTIP, upon a change-in-control event, the vesting of outstanding equity awards will be accelerated, using target levels for performance-based awards.

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The table below estimates the value of payments and benefits that each NEO would have been entitled to receive had employment terminated on December 31, 2017, under various hypothetical circumstances. Under UTC's programs, benefit eligibility and the value of benefits an executive is entitled to receive vary depending on the reason for termination and whether the executive is eligible for retirement at that time.

Payment Type	**G. Hayes**	**A. Johri**	**D. Gitlin**	**R. McDonough**	**R. Leduc**
Involuntary Termination (for cause)					
Cash Payment	$0	$0	$0	$0	$0
Pension Benefit (1)	$12,779,320	$2,450,965	$1,357,504	$801,938	$0
SAR Award Value (2)	$0	$0	$0	$0	$0
Stock Award Value (2)	$0	$0	$0	$0	$0
Sub-Total	$12,779,320	$2,450,965	$1,357,504	$801,938	$0
Less: Vested Pension	($12,779,320)	($2,450,965)	($1,357,504)	($801,938)	$0
Amount Triggered due to Termination	$0	$0	$0	$0	$0
Voluntary Termination					
Cash Payment	$0	$0	$0	$0	$0
Pension Benefit (1)	$12,779,320	$2,450,965	$1,357,504	$801,938	$0
SAR Award Value (3)(4)	$32,531,525	$7,572,589	$3,569,933	$12,718,499	$7,305,115
Stock Award Value (3)(4)	$14,933,344	$4,734,888	$0	$7,167,903	$4,490,464
Sub-Total	$60,244,189	$14,758,442	$4,927,437	$20,688,340	$11,795,579
Less: Vested Pension and Equity	($60,244,189)	($14,758,442)	($4,927,437)	($20,688,340)	($11,795,579)
Amount Triggered due to Termination	$0	$0	$0	$0	$0
Involuntary Termination (not for cause)					
Cash Payment (5)	$3,750,000	$0	$0	$2,250,000	$0
Pension Benefit (1)	$12,779,320	$2,450,965	$1,357,504	$801,938	$0
SAR Award Value (3)(6)	$32,531,525	$7,572,589	$5,831,657	$12,718,499	$7,305,115
Stock Award Value (3)(6)(7)	$14,933,344	$6,409,627	$5,046,032	$7,167,903	$4,490,464
Sub-Total	$63,994,189	$16,433,181	$12,235,193	$22,938,340	$11,795,579
Less: Vested Pension and Equity	($60,244,189)	($14,758,442)	($4,927,437)	($20,688,340)	($11,795,579)
Amount Triggered due to Termination	$3,750,000	$1,674,739	$7,307,756	$2,250,000	$0
Termination Following a Change-in-Control					
Cash Payment (8)	$12,333,750	$0	$0	$2,250,000	$0
Pension Benefit (1)	$12,779,320	$2,450,965	$1,357,504	$801,938	$0
SAR Award Value (9)	$35,059,265	$10,121,237	$7,595,013	$13,639,199	$8,857,245
Stock Award Value (9)	$17,291,348	$12,322,879	$12,036,995	$8,775,795	$8,248,038
Sub-Total	$77,463,683	$24,895,081	$20,989,512	$25,466,932	$17,105,283
Less: Vested Pension and Equity	($53,482,979)	($12,564,238)	($4,927,437)	($17,320,492)	($9,550,347)
Amount Triggered due to Termination	$23,980,704	$12,330,843	$16,062,075	$8,146,440	$7,554,936

(1) Estimated lump-sum value of the nonqualified portion of the retirement benefits accrued under UTC's pension plans, assuming retirement or termination on December 31, 2017, payable as of such date or attainment of age 55 (if later). The present value of benefits payable under the qualified plan are shown in the Pension Benefits table on page 60. Mr. Leduc separated employment from UTC on January 15, 2014, triggering previously accrued pension benefit payments which he continues to receive (see footnote (2) of the Pension Benefits table on page 60 for more details). Upon rejoining UTC in his current role on January 15, 2016, Mr. Leduc is no longer eligible to accrue benefits under UTC's legacy pension plans.

(2) Outstanding equity awards will be forfeited upon involuntary termination (for cause).

(3) Equity awards are valued based on the closing price of UTC Common Stock on the NYSE ($127.57) on the last trading day of 2017. For PSUs, target- and maximum-level vesting is shown for the 2017 and 2016 PSU grants, respectively, based on estimated performance as of December 31, 2017. The actual vesting (28% of target) is shown for the 2015 PSU grant.

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(4) SARs and RSUs (except for special out-of-cycle grants and ELG RSU awards) outstanding for more than one year will vest in the event of voluntary termination only after attaining qualifying retirement under the LTIP (defined as either: (i) age 55 plus 10 years of service; or (ii) "Rule of 65" — age 50 to 55 plus years of service add up to 65 or more). For executives who have attained qualifying retirement status, PSUs outstanding for at least one year will remain eligible to vest at the completion of the performance period to the extent performance targets are achieved. All NEOs, except for Mr. Gitlin, have satisfied one or both of these qualifying retirement conditions. For non-retirement eligible executives who voluntarily terminate, all unvested awards are cancelled and vested SARs may be exercised up to 90 days following separation. Special out-of-cycle SAR and RSU awards forfeit upon voluntary termination, regardless of the retirement eligibility status of the executive.

(5) ELG cash separation benefit equal to 2.5x base salary payable as a lump-sum in the event of a mutually agreeable separation (defined on page 62) following at least three years of ELG service (and for Mr. McDonough, only if separation occurs prior to age 62). ELG members appointed on or after May 2013, including Messrs. Johri, Gitlin and Leduc are not eligible for this cash separation benefit and instead received an ELG RSU grant, as described in footnote (7).

(6) For awards outstanding for more than one year, SARs and RSUs (except for special out-of-cycle grants) will vest, and PSUs will remain eligible to vest (to the extent performance targets are achieved) in the event of involuntary termination (not for cause) after an executive qualifies for retirement. For executives who have not yet qualified for retirement but have held awards for at least one year, a pro-rata portion of SARs and RSUs will vest and a pro-rata portion of PSUs will remain eligible to vest at the completion of the performance period to the extent performance goals are achieved. Special out-of-cycle SAR and RSU awards forfeit upon involuntary termination, regardless of the retirement eligibility status of the executive.

(7) ELG RSUs will vest in the case of mutually agreeable separation (as defined on page 62) following three years of ELG service (and for Mr. McDonough, only after obtaining age 62).

(8) Change-in-control benefits are provided in accordance with the Senior Executive Severance Plan ("SESP"), which was closed to new participants effective June 2009. Mr. Hayes is the only NEO eligible for the SESP benefit. The SESP provides a lump-sum cash benefit equal to 2.99x the sum of base salary and target annual bonus. ELG members appointed on or after June 2009 but prior to May 2013 (Mr. McDonough) are eligible for the standard ELG cash severance payment upon change-in-control (2.5x base salary), while ELG members appointed on or after May 2013 (Messrs. Johri, Gitlin and Leduc) are not eligible for a cash payment under either program.

(9) In the event of termination for "good reason" following a change-in-control (as defined on page 63), the LTIP provides for the accelerated vesting of all outstanding equity awards (including awards outstanding for less than one year, special out-of-cycle equity awards and ELG RSU awards). Awards are valued using the closing stock price on the last trading day of 2017 and PSUs reflect vesting at target, except where actual performance is known as of December 31, 2017.

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CEO
Pay Ratio

Background

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring companies to disclose the ratio of the median employee's total annual compensation relative to total annual compensation of the CEO. The following section provides details on the methodology used to identify the median employee, as well as the 2017 results of this analysis, which were both determined in accordance with the SEC disclosure rules.

How We Identified the Median Employee

UTC used the following parameters to identify the employee whose pay was at the median of all UTC employees globally.

Consistently Applied Compensation Measure

The compensation measure we used to identify the median employee was gross cash compensation paid to employees from October 1, 2016 to September 30, 2017. Gross cash compensation varies by country and is based on local pay practices, but generally includes:

• Base salary (including any local allowances)

• Incentive pay (including cash bonuses, sales incentives and other variable pay programs)

• Any other cash awards or payments[1]

Employees Included

For the purposes of identifying the median employee, we included all active UTC employees (excluding the CEO) on October 1, 2017, located in 48 countries in which UTC has operations. UTC's employee population in these 48 countries represents 95% (or 197,116) of our 207,464 active employees on that date. As of October 1, 2017, our global population consisted of 67,586 U.S. employees and 139,878 non-U.S. employees.

Employees Excluded

We excluded 10,348 employees from 36 countries under the SEC's de minimis exemption[(2)] and an estimated 659 employees from 22 businesses acquired by UTC in 2017.[(3)]

Methodology and Material Assumptions

Annualized pay. Pay was annualized for employees who worked a partial year between October 1, 2016, and September 30, 2017. Partial-year employees include mid-year hires, employees on paid or unpaid leave, and employees on active military duty.

Foreign exchange rates. Foreign currencies were converted into U.S. dollars as of October 1, 2017, based on the average daily spot rates during September 2017.

Unavailable data. In a few jurisdictions, sufficient employee-level compensation data was unavailable for the full period. This impacted 2,392 of our employees. In such cases, UTC used known data for these employees and annualized the full year or employment period. Sensitivity testing was then completed to ensure this population did not materially impact the outcome of the median employee.

(1) In some countries, due to differences in payroll systems and local laws and regulations, gains realized on the vesting and/or exercise of equity awards, as well as company contributions to government-sponsored social plans may be included.

(2) The countries and approximate number of UTC employees excluded from the calculation are as follows: Bahamas (1), Bosnia Herzegovina (10), Botswana (5), Brunei (33), Bulgaria (24), Costa Rica (15), Cyprus (26), Egypt (278), El Salvador (15), Estonia (50), Ethiopia (1), Fiji (4), Guatemala (46), Honduras (10), India (7,230), Indonesia (756), Iraq (1), Kenya (1), Kazakhstan (18), Latvia (17), Lebanon (1), Luxembourg (126), Malawi (2), Mozambique (7), Namibia (7), Pakistan (1), Panama (51), Papua New Guinea (4), Philippines (3), Qatar (106), Romania (105), Serbia Montenegro (7), Slovak Republic (107), Slovenia (31), Thailand (761) and Ukraine (488).

(3) In accordance with the SEC's rules, the following entities acquired in 2017 and the approximate number of employees from each entity that were excluded from the calculation are: EcoEnergy (253), EMS Security Group (2), Sensitech Japan (7), Grubbauer (5), Melco (165), Mura (14), CY.EL.ES Portofolio (5), Formet-Lift (6), A2M (23), Zaxarias Agrinio (2), Ring Hing Engineering Services Co Ltd (41), Liszka (10), ZTSM (5), Movilift (3), Juzz for Lifts (12), Liftprogres (2), Zema (10), Liftplus (6), Liftsur (8), Luque (1), Sael (8), Hainna YueAo (71).

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CEO PAY RATIO

Calculating the Ratio

Summary Compensation Table Values

Once we identified the median employee using gross cash compensation as our compensation measure, we then calculated the 2017 total compensation for our CEO and the median employee for the full year using the same methodology required by the SEC for reporting in the Summary Compensation Table (see page 54 of this Proxy Statement). For the CEO and the median employee, the Summary Compensation Table values include employee fringe benefits, such as company contributions to healthcare and retirement plans.

Results

The 2017 total annual compensation value for Mr. Hayes was $17,027,493 and for UTC's global median employee was $72,433, resulting in a ratio of 235:1.

With approximately 67% of our employees located outside the United States, UTC has operations in nearly every country in the world. We believe paying competitive wages targeted at the median of local labor markets within our diverse industry segments is essential to ensuring a productive, engaged workforce and a sustainable business. Consequently, a global ratio may not be particularly informative without any context for foreign labor markets and the diversity in the roles of UTC's employees around the world.

Comparing UTC's Ratio to Other Companies

A number of factors unrelated to compensation significantly impact this calculation and are particularly important when comparing UTC's ratio to ratios at other companies. These factors include: industry-specific pay differentials, company and organizational structure (e.g., outsourcing vs. insourcing) and the geographic location of employee populations.

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PROPOSAL 3
Approve the UTC 2018

LONG-TERM INCENTIVE PLAN

We are asking shareowners to approve the United Technologies Corporation 2018 Long-Term Incentive Plan (the "Plan"). The Plan was approved by UTC's Board of Directors (the "Board") on February 5, 2018, subject to shareowner approval as required by the NYSE. Key features of the Plan are summarized below. The full text of the Plan, can be found in Appendix C to this Proxy Statement on pages 93-103.

If Proposal 3 is approved by shareowners, the Plan will:

- Authorize 35 million shares for future issuance under the Plan, plus the total number of previously approved shares that remain available for new awards as of the Effective Date of the Plan (approximately 24.8 million shares) under the Amended and Restated United Technologies Long-Term Incentive Plan (the "Prior Plan").

- Terminate on April 30, 2028, the 10th anniversary of the Annual Meeting at which shareowners approve the Plan, unless otherwise extended by shareowner approval. Awards outstanding under the Plan on the termination date will not be impacted by the termination.

Q&A Regarding the Plan

How Does the Plan Benefit Shareowners?

The Board believes that the Plan will serve its intended purpose of:

- *Aligning shareowner and management interests.* Enabling UTC to implement an executive compensation program that correlates compensation opportunities with shareowner value.
- *Driving long-term, sustainable growth.* Focusing management on long-term, sustainable performance. The Board believes that equity incentive award opportunities have contributed to UTC's 112% cumulative total shareowner return over the 10-year period ending on December 29, 2017.
- *Enabling UTC to attract, retain and motivate top talent.* The Plan supports UTC's ability to attract, retain and motivate a qualified and talented executive leadership team which has enabled us to maintain our competitive advantage.

How Does the Plan Protect the Interest of Shareowners?

The following features have been incorporated into the Plan to protect shareowners' interest and mitigate potential risk:

- No assignment or transfer of awards for value
- No stock appreciation right or stock option repricing without shareowner approval
- No underwater buyouts of stock appreciation rights or stock options
- No evergreen provisions
- Awards do not automatically vest upon a change-in-control
- Strong clawback policy
- Post-termination restrictive covenants
- Individual grant limits
- No option reload feature
- No discounted stock appreciation rights or stock options

In addition, UTC's policy prohibits UTC executives and directors from hedging or pledging UTC shares (see page 52 for details).

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APPROVE THE UTC 2018 LONG-TERM INCENTIVE PLAN PROPOSAL 3

What Will Happen to the Shares Remaining in the Prior Plan?

Currently, equity awards are being granted under the Prior Plan. If Proposal 3 is approved by shareowners, no new awards will be granted under the Prior Plan, except for shares issued for awards outstanding under the Prior Plan, including dividends reinvested relative to such awards. Following shareowner approval of this Proposal 3, shares remaining available for new awards under the Prior Plan (including shares that are forfeited, terminate, expire, lapse without being exercised or are settled for cash) will become issuable under the Plan.

If shareowners do not approve this Proposal 3, the authorized shares remaining under the Prior Plan will continue to be available for future grants.

What is the Rate at which Shares Have Been Used under the Prior Plan?

Burn Rate. Measures how quickly UTC is using the shares available for incentive plan purposes. Higher burn rates indicate shares are being used more quickly.

BURN RATE* IS CALCULATED BY: UTC HISTORICAL BURN RATE (%)

* Data for the burn rate calculation is based on: (1) SARs, stock options and other units (other than PSUs) granted and PSUs earned during the year, as reported in Exhibit 13 of UTC's Form 10-K for the applicable year; (2) weighted average basic shares outstanding, as reported in Exhibit 13 of UTC's Form 10-K for the applicable year. The burn rate is calculated by using 4.03 shares for every full-value award granted (other than PSUs) and each PSU earned during the applicable year and 1 share for each SAR or stock option granted during the applicable year, as required by the Prior Plan.

How Much has the Prior Plan Diluted Shares Outstanding?

Overhang. Measures the extent to which long-term incentives awarded to employees and non-employee directors dilute the Company's outstanding shares. The higher the overhang, the greater the dilutive impact.

OVERHANG* IS CALCULATED BY: UTC HISTORICAL OVERHANG (%)

* Data for the overhang calculation is based on: (1) shares available for future issuance under the Prior Plan as reported in Item 12 of UTC's Form 10-K or Proxy Statement for the applicable year; (2) shares outstanding under the Prior Plan at fiscal year-end as reported in Exhibit 13 of UTC's Form 10-K for the applicable year; and (3) basic common stock issued and outstanding as of the record date of the Proxy Statement for the applicable fiscal year.

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PROPOSAL 3 APPROVE THE UTC 2018 LONG-TERM INCENTIVE PLAN

What Are the Individual Award Limits under the Plan?

Individual participants (except non-employee directors) may not be granted awards in excess of 1,000,000 shares (for stock appreciation rights and stock options), 500,000 shares (for restricted stock, restricted stock units or performance shares or any other type of "full-value award"), and $10,000,000 (for cash-denominated awards) in any single calendar year. Non-employee directors of UTC may not be granted awards under the Plan which, in combination with any cash retainer fees, exceed $1,500,000 during any single calendar year.

How Many Awards Are Outstanding and How Many Shares Remain Issuable under the Prior Plan?

The following table provides the outstanding options, warrants and rights, as well as the shares that remain available for issuance under the Prior Plan:

	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 ($/share) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
As of December 31, 2017:			
Equity compensation plans approved by security holders	14,937,000(1)	$91.87	31,922,433(2)
As of February 14, 2018:			
Equity compensation plans approved by security holders	14,790,000(3)	$96.56	24,811,284(2)

(1) Consists of the following issuable shares of Common Stock awarded under the Prior Plan: (i) shares of Common Stock issuable upon the exercise of outstanding stock options; (ii) shares of Common Stock issuable upon the exercise of outstanding SARs; (iii) shares of Common Stock issuable pursuant to vesting of outstanding RSUs and PSUs, assuming target-level performance for PSUs (up to an additional 1,220,630 could be issued if performance goals are achieved above target), except for the 2015 PSU award which reflects actual performance achieved; and (iv) shares of Common Stock issuable upon the vesting of outstanding deferred stock units ("DSUs") and RSUs awarded under the United Technologies Corporation Board of Directors Deferred Stock Unit Plan, as amended and restated effective April 24, 2017. Under the Prior Plan, 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 with respect of outstanding SARs, the closing price of UTC Common Stock on the last trading day of 2017 of $127.57 was used. The weighted average exercise price of outstanding options, warrants and rights shown in column (b)

takes into account only the shares identified in clause (i) and (ii).

(2) Represents the maximum number of shares of Common Stock available to be awarded under the Prior Plan as of December 31, 2017 and February 14, 2018, respectively. RSUs and PSUs (full-value awards) will result in a reduction in the number of shares of Common Stock available for delivery under the Prior Plan in an amount equal to 4.03 times the number of shares, subject to the awards. SARs and stock options are not full-value awards and will result in a reduction in the number of shares of Common Stock available for delivery under the Prior Plan on a one-for-one basis.

(3) Reflects 2018 grants of stock options, SARs, PSUs and RSUs under the Prior Plan, as well as exercises, vestings, and cancellations since December 31, 2017. For purposes of determining the number of SARs to be issued, the UTC Common Stock price on February 14, 2018, of $126.70 was used. PSUs reflect target-level performance. Up to an additional 1,815,769 PSUs could be issued if performance goals are achieved above target.

Will the Plan Be Impacted by the Conversion of Rockwell Collins Equity Awards to UTC Equity Awards upon the Closing of UTC's Acquisition of Rockwell Collins?

Under the terms of the merger agreement between UTC and Rockwell Collins, equity awards granted after the transaction announcement date, but before the closing of the acquisition, will be converted into UTC equity awards. However, because these awards were granted under Rockwell Collins' long-term incentive plans, which are being assumed by UTC, the Rockwell Collins converted equity awards will not reduce the awards available for future issuance under the Plan.

How Long Will the Shares Authorized under the Plan Last?

The authorized reserve consisting of (i) 35 million shares of Common Stock, plus (ii) the number of shares available for new awards under the Prior Plan as of the Effective Date of the Plan (approximately 24.8 million shares) is expected to be sufficient for Plan awards for approximately three to five years. After utilization of these shares, continued grants of awards under the Plan would require additional shareowner approval.

UTC believes that the authorization of 35 million shares, in addition to the shares remaining available under the Prior Plan, is appropriate in part because the merger with Rockwell Collins will significantly increase the number of employees eligible for UTC equity awards and any remaining shares in Rockwell Collins' long-term incentive plans will not be used for future UTC equity awards.

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APPROVE THE UTC 2018 LONG-TERM INCENTIVE PLAN PROPOSAL 3

Who Administers the Plan?

The Plan will be administered by the Board or, if the Board elects, by the Compensation Committee or any other committee of the Board as designated by the Board from time to time (including, with respect to awards to non-employee directors, the Committee on Governance and Public Policy). All references in this proposal to the "Committee" refer to the Board as a whole or the applicable committee designated by the Board. Subject to applicable law, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members or other persons it selects, provided that no delegation of authority will be permitted that would cause a transaction pursuant to the Plan to be subject to (and not exempt from) Section 16(b) of the Securities Exchange Act of 1934, as amended.

Subject to the terms and conditions of the Plan, the Committee will have absolute authority to administer the Plan, including the authority to select the eligible individuals to receive awards, to determine the type of each award, the number of shares to be granted, and the terms and conditions of the awards. The Committee also has authority to adopt procedures or sub-plans as necessary or advisable to comply with foreign legal or regulatory provisions for awards granted to participants outside of the United States.

New Plan Benefits. As of the date of this Proxy Statement, no awards have been granted under the Plan. All awards to be made under the Plan are subject to the future exercise of discretion by the Committee or its delegates, and accordingly are not presently determinable.

How Are Shares Counted under the Plan?

Action	**How Shares are Counted**
Grant of restricted stock, restricted stock units, performance share units and any other award that is not a stock appreciation right or stock option (i.e., full-value awards).	Number of shares available for future awards is reduced by 4.03 for each share granted.
Grant of stock appreciation rights and stock options.	Number of shares available for future awards is reduced by 1 share for each share granted.
Award forfeits, terminates, expires or lapses instead of vesting or being exercised.	Shares are made available for future awards under the Plan.
Shares tendered or withheld to pay the exercise price of stock appreciation rights or stock option or to satisfy tax withholding obligations.	Shares are not made available for future awards under the Plan.
Shares tendered or withheld on full-value awards to satisfy tax withholding obligations.	Shares are not made available for future awards under the Plan.
Settlement in cash of awards valued by reference to shares.	Awards settled in cash do not count as shares issued under the Plan.

Who Is Eligible to Participate in the Plan?

Directors, officers and employees of UTC and its subsidiaries and affiliates, and prospective directors, officers and employees who have accepted offers of employment from UTC and its subsidiaries and affiliates are eligible to receive awards under the Plan. As of December 31, 2017, there were 13 directors and 204,651 employees of UTC and its subsidiaries and affiliates.

Which Types of Awards Can the Committee Grant under the Plan?

Stock Appreciation Rights and Stock Options. Stock appreciation rights and stock options entitle the participant to receive an amount in cash or shares with a value equal to the product of: (i) the difference between the fair market value of one share on the exercise date less the fair market value of one share on the grant date ("the spread"), multiplied by (ii) the number of stock appreciation rights or stock options that have been exercised. Stock options granted under the Plan may either be incentive stock options ("ISOs"), which are intended to qualify for favorable treatment to the recipient under U.S. federal tax law, or nonqualified stock options, which do not qualify for this favorable tax treatment. The exercise price will be determined by the Committee and provided in the applicable award agreement, and will not be less than the fair market value (as defined in the

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PROPOSAL 3 APPROVE THE UTC 2018 LONG-TERM INCENTIVE PLAN

Plan) on the grant date. In no event may any stock appreciation right or stock option granted under this Plan be amended (other than as described on page 73 under "Plan and Award Adjustments") to: (i) decrease the exercise price; (ii) cancel in exchange for cash or other awards or in conjunction with the grant of any new stock appreciation right or stock option with a lower exercise price; or (iii) be subject to any action that would be treated, under the applicable stock exchange listing standards or for accounting purposes, as a "repricing," unless such amendment, cancellation or action is approved by shareowners. The term of each stock appreciation right and stock option is fixed by the Committee, but cannot be more than 10 years after the grant date. The effect of a participant's termination of service on any award held by the participant will be described in the applicable award agreement.

A stock option that is intended to qualify as an ISO may not be granted to an eligible individual who at grant owns more than 10% of the total combined voting power of all classes of stock of UTC, unless at the time the exercise price of such ISO is at least 110% of the fair market value of a share and is not exercisable after the fifth anniversary of the grant date. In addition, the aggregate fair market value of the shares at grant for which ISOs become exercisable by a participant during any calendar year may not exceed $100,000.

Restricted Stock and Restricted Stock Units. Shares of restricted stock are actual shares of Common Stock issued to a participant. The Committee determines: (i) the participants eligible to receive restricted stock; (ii) the timing of grants; (iii) the number of shares to be awarded; (iv) the vesting conditions of awards; (v) the conditions in which an award may be subject to forfeiture; and (vi) any other terms and conditions of the award, in addition to those contained in the Plan. A participant holding restricted shares will have all the rights of a shareowner of UTC holding shares of Common Stock, including, if applicable, the right to vote the shares and the right to receive any dividends (except as otherwise noted under the question "Can Equity Awards Earn Dividends or Dividend Equivalents under the Plan?" below).

Restricted stock units, which include deferred stock units and performance share units, are awards denominated in shares that will be settled, subject to the applicable award's terms and conditions, in a specified number of shares of Common Stock or cash equal to the fair market value of the number of shares of Common Stock. The Committee may require that restricted stock units vest based on either the continued service of the participant, the attainment of performance goals or a combination of both. Restricted stock units will be settled upon vesting or at a later time if permitted pursuant to a deferred compensation arrangement. Certain restricted stock unit awards may be eligible for dividends or dividend equivalents.

Performance Awards. The grant or vesting of awards under the Plan may be conditioned on the achievement of performance goals established by the Committee, which may be based on attainment of specified levels of one or more of the following measures, or of any other measures determined by the Committee in its discretion including: stock price, total shareholder return, earnings (whether based on earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization), earnings per share, return on equity, return on sales, return on assets or operating or net assets, market share, objective customer service measures or indices, pre- or after-tax income, net income, cash flow (before or after dividends or other adjustments), free cash flow, cash flow per share (before or after dividends or other adjustments), gross margin, working capital and gross inventory turnover, risk-based capital, revenues, revenue growth, return on capital (whether based on return on total capital or return on invested capital), cost control, gross profit, operating profit, unit volume, sales, in each case with respect to the Corporation or any one or more Subsidiaries, divisions, business units or business segments thereof, either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies).

Other Stock-Based Awards. Other stock-based awards are awards under the Plan not otherwise specifically described in the Plan that are valued by reference to, or otherwise relate to, shares of Common Stock, and which are subject to terms and conditions consistent with the terms of the Plan that are determined by the Committee.

Cash Awards. Cash awards are awards under the Plan that are denominated and payable in cash and which are subject to such terms and conditions consistent with the terms of the Plan as are determined by the Committee.

Can Equity Awards Earn Dividends or Dividend Equivalents under the Plan?

Any dividends or dividend equivalents credited with respect to any award under the Plan will be subject to the same time and/or performance-based vesting conditions applicable to such award and will, if vested, be delivered or paid at the same time as the underlying award. The award agreement will specify if the award is subject to dividend or dividend equivalent payments. Stock appreciation rights and stock options cannot receive dividend or dividend equivalent payments under the Plan.

Does the Plan Have a Minimum Vesting Period Requirement?

The Committee may not grant awards with a designated vesting period of less than one year, except for awards granted to a maximum of 5% of the authorized share reserve under the Plan.

Additional Information about the Plan

Plan and Award Adjustments

The Committee has discretion to make adjustments to the Plan and outstanding awards in limited circumstances, as described below.

Corporate Transactions and Other Corporate Events. In the event of a: (i) a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, disposition for consideration of an equity interest in a subsidiary or affiliate, or similar event affecting UTC or any of its subsidiaries; or (ii) a stock dividend, stock split, reverse stock split, reorganization, share combination, or recapitalization or similar event affecting the capital structure of UTC, or a disaffiliation, separation or spinoff, or other extraordinary dividend, the Committee or the Board may in its discretion, in the case of events described in clause (i) and (ii), make such substitutions or adjustments as it deems appropriate and equitable to: (A) the aggregate number and kind of shares or other securities reserved for issuance and delivery under the Plan; (B) the various maximum limitations on the grants to individuals of certain types of awards; (C) the number and kind of shares or other securities subject to outstanding awards; (D) financial goals or results relating to a performance goal; and (E) the exercise price of outstanding awards. In the case of certain corporate transactions, such an adjustment may consist of cancellation of outstanding awards in exchange for payments of cash, property or a combination of both having an aggregate value equal to the value of such awards, which in the case of an option may be the excess, if any of the deal consideration per share over the per share exercise price.

Change-in-Control. Upon a change-in-control of UTC, participants will be granted replacement awards by the acquiring or surviving company that are of the same type held prior to the change-in-control. Performance awards will be converted into replacement time-based awards for the remainder of the applicable performance period (or such shorter period determined by the Committee), with the number of underlying shares determined based on the greater of actual performance through the latest practicable date prior to the change-in-control and target performance. Replacement awards will generally continue to vest on the same schedule as the original awards, except that, if a participant's employment is terminated by UTC other than for cause, or if the participant terminates for "good reason," in each case, within the 24 months following the change-in-control, then the participant's replacement awards will become vested in full. In the event an acquiring or surviving company refuses to issue replacement awards, or if the acquiring or surviving company is not a publicly held company, then all awards will become vested in full, with performance awards vesting at the greater of actual performance through the latest practicable date prior to the change-in-control and target performance. The terms "cause," "good reason" and "change-in-control" are defined in the Plan.

Plan and Award Amendments. The Committee may amend, alter or discontinue the Plan at any time, subject to two limitations. First, no amendment, alteration or discontinuance may materially impair the rights of a participant with respect to a previously granted award without the participant's consent (unless the amendment is required to comply with applicable law, stock exchange rules, tax rules or accounting rules). Second, an amendment must receive approval of shareowners, if required by applicable law, or the applicable stock exchange listing standards. The Committee may unilaterally amend the terms of any outstanding award, but no such amendment shall, without the participant's consent and except as otherwise described above, materially impair the rights of any participant with respect to an award, except such an amendment made to cause this Plan or award to comply with applicable law, applicable stock exchange listing standards or accounting rules.

Clawback Provisions

The Committee has the authority, in the event of certain types of misconduct or upon the occurrence of specified events to cancel awards, including vested awards, and to recoup gains realized by participants from previous awards.

Federal Income Tax Consequences

The following discussion is intended only as a brief summary of the material U.S. Federal income tax rules that are generally relevant to Plan awards as of the date of this Proxy Statement. The laws governing the tax aspects of awards are highly technical and such laws might change. The following discussion does not address state, local or non-U.S. income tax rules applicable to awards under the Plan.

SARs and Stock Options. Upon the exercise of a SAR or stock option, an award recipient will recognize ordinary income equal to the spread which will constitute compensation taxable to the recipient as ordinary income. UTC will generally be entitled to a corresponding federal income tax deduction equal to the amount of ordinary income recognized by the recipient. Upon the sale of UTC Common Stock acquired upon exercise, the recipient will generally recognize a long- or short-term capital gain or loss, depending on whether the recipient held the share for more than one year from the date of exercise. With respect to ISOs, a recipient generally will not recognize taxable income when the ISO is exercised, unless the recipient is subject to the alternative minimum tax. If the recipient sells the shares more than two years after the ISO was granted and more than one year after the ISO was exercised, the recipient will recognize a long-term capital gain or loss, measured by the difference between the sale price and the exercise price of the shares. UTC will not receive a tax deduction with respect to the exercise of an ISO if the ISO holding period is satisfied. Award recipients do not recognize any taxable income, and UTC is not entitled to a deduction upon the grant of a stock appreciation right, a nonqualified stock option or an ISO.

Other Awards. The recipient of a restricted stock, restricted stock units, other stock-based awards or cash awards will generally not recognize taxable income at the time of grant as long as the award is subject to a substantial risk of forfeiture as a result of performance-based and/or service-based vesting requirements. The recipient will generally recognize ordinary income when the substantial risk of forfeiture expires or is removed unless, in the case of an award other than restricted stock, the cash to be paid or shares to be delivered are deferred until sometime after the vesting date, in which case, the recipient will generally recognize ordinary income upon receipt of such cash or shares. UTC will generally be entitled to a corresponding deduction equal to the amount of income the recipient recognizes. If the recipient holds shares received upon settlement of an award for more than one year, the capital gain or loss when the recipient sells the shares will be long-term.

IRC Section162(m). In general, Section 162(m) of the U.S. tax code limits UTC’s compensation deduction to $1,000,000 paid in any tax year to any “covered employee” as defined under Section 162(m). Section 162(m) may result in all or a portion of the awards granted under the Plan to “covered employees” failing to be deductible to UTC for federal income tax purposes.

The Board of Directors recommends a vote FOR this proposal. **FOR**

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REPORT OF THE
Audit Committee

The Audit Committee (the "Committee") assists the Board of Directors in its oversight of UTC's financial accounting and reporting processes and the adequacy of its system of internal controls and processes to assure compliance with Company policies and procedures, its Code of Ethics, and applicable laws and regulations. The Committee annually nominates an independent auditor for appointment by the shareowners, and evaluates the independence, qualifications and performance of UTC's internal and independent auditors. Specific responsibilities of the Committee are set forth in the Audit Committee Charter adopted by the Board, which is available on the Company's website.

Management has the primary responsibility for the financial statements and the financial reporting processes, including the system of internal accounting controls. PricewaterhouseCoopers LLP ("PwC"), the Company's Independent Auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the effectiveness of the Company's internal control over financial reporting.

In fulfilling its oversight responsibilities, the Committee has reviewed and discussed with Management and the Independent Auditor UTC's audited financial statements as of and for the year ended December 31, 2017, as well as the representations of Management and the Independent Auditor's opinion thereon regarding UTC's internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act. The Committee discussed with UTC's internal and independent auditors the overall scope and plans for their respective audits. The Committee met with the internal and independent auditors, with and without Management present, to discuss the results of their examinations, the evaluation of UTC's internal controls, Management's representations regarding internal control over financial reporting and the overall quality of UTC's financial reporting.

The Committee has discussed with UTC's Independent Auditor the matters required by the Public Company Accounting and Oversight Board's ("PCAOB") Auditing Standard No. 16 *Communications with Audit Committees.* It has also discussed with UTC's Independent Auditor its independence from UTC and its Management, including the written disclosures and letter from UTC's Independent Auditor required by the PCAOB's Rule 3526, *Communication with Audit Committees Concerning Independence,* as approved by the SEC. The Committee has concluded that PwC's provision of non-audit services as described on pages 76-77 is compatible with PwC's independence.

UTC's Independent Auditor represented to the Committee that UTC's audited financial statements were fairly presented in accordance with generally accepted accounting principles in the United States of America. Based on the reviews and discussions referred to above, the Committee has recommended to the Board of Directors that the audited financial statements be included in UTC's Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the SEC. The Committee nominates the firm of PwC for appointment by the shareowners as UTC's

Independent Auditor for 2018.

AUDIT COMMITTEE

Edward A. Kangas, Chair	Diane M. Bryant	Margaret L. O'Sullivan
Lloyd J. Austin III	Marshall O. Larsen	Fredric G. Reynolds

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PROPOSAL 4
Appoint an Independent

AUDITOR FOR 2018

As required by our Bylaws, we are asking shareowners to vote on a proposal to appoint a firm of independent registered public accountants to serve as the Company's Independent Auditor until the next annual meeting. PricewaterhouseCoopers LLP ("PwC"), an independent registered public accounting firm, served as UTC's Independent Auditor in 2017 and 2016, and the Audit Committee has nominated, and the Board of Directors has approved, the firm for appointment by the shareowners to serve again as UTC's Independent Auditor for 2018 until the next Annual Meeting in 2019.

Frequently Asked Questions About the Auditor

How Is the Auditor Reviewed by the Company?

The Audit Committee is directly responsible for the nomination, compensation, retention and oversight of the Company's Independent Auditor. To fulfill this responsibility, the Committee engages in a comprehensive annual evaluation of the Independent Auditor's qualifications, performance and independence, and periodically considers the advisability and potential impact of selecting a different independent registered public accounting firm to serve in that capacity.

Is the Audit Partner Rotated?

In accordance with SEC rules and PwC policies, audit partners are subject to rotation requirements that limit the number of consecutive years an individual partner may provide service to our Company. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. The process for selection of the Company's lead audit partner pursuant to this rotation policy includes a meeting of the Chairman of the Audit Committee with the candidate for the role, as well as consideration of the candidate's qualifications by the full Committee and with management.

Will the Auditor Attend the Annual Meeting?

Representatives of PwC will be present at the 2018 Annual Meeting, will have an opportunity to make any statements they desire, and will also be available to respond to appropriate questions from shareowners.

What Were the Auditor's Fees in 2017 and 2016?

(in thousands)	Audit	Audit-Related	Tax	All Other Fees	Total
2016	$39,744	$5,676	$18,183	$557	$64,160
2017	$38,370	$6,637	$17,000	$1,320	$63,327

Audit Fees. Fees in both years consisted of fees for the audit of UTC's consolidated annual financial statements and the effectiveness of its internal control over financial reporting, the review of interim financial statements in UTC's quarterly reports on Form 10-Q and the performance of audits in accordance with statutory requirements. Audit fees for statutory audits were $16,400,000 in 2017 and $16,900,000 in 2016.

Audit-Related Fees. Fees in both years consisted of audit-related fees for financial and tax due diligence assistance related to acquisition and disposition activity, employee benefit plan audits, advice regarding the application of generally accepted accounting principles for proposed transactions, special reports pursuant to agreed-upon procedures, contractually required audits and compliance assessments. Audit-related fees in 2017 also included services related to our proposed acquisition of Rockwell Collins, including financial and tax due diligence, and regulatory filings.

Tax Fees. In 2017, tax fees consisted of approximately $11,000,000 for U.S. and non-U.S. tax compliance, related planning and assistance with tax refund claims and expatriate tax services, and approximately $6,000,000 for tax consulting and advisory services. In 2016, tax fees consisted of approximately $12,773,000 for U.S. and non-U.S. tax compliance, related planning and assistance with tax refund claims and expatriate tax services, and approximately $5,410,000 for tax consulting and advisory services.

All Other Fees. In 2017, all other fees primarily consisted of accounting research software, government compliance, cybersecurity risk assessment and proxy consulting services. All other fees in 2016 primarily consisted of accounting research software, benchmarking, government compliance and other services.

How Does the Committee Monitor and Control Non-Audit Services?

The Audit Committee has adopted procedures requiring its review and approval in advance of all particular engagements for services provided by UTC’s Independent Auditor. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit, review or attest services, to be approved by one or more members of the Committee pursuant to authority delegated by the Committee, provided the Committee subsequently is informed of each particular service approved by delegation. All of the engagements and fees for 2017 and 2016 were approved by the Committee. The Committee reviews with PwC whether the non-audit services to be provided are compatible with maintaining the firm’s independence. The Board also has adopted the policy that in any year fees paid to the Independent Auditor for non-audit services shall not exceed the fees paid for audit and audit-related services. Non-audit services consist of those described above, as included in the tax fees and all other fees categories.

Why Should I Vote FOR This Proposal?

Through its review process, the Audit Committee determined that PwC has acquired extensive knowledge of the Company’s operations, performance and development through its previous service as the Company’s Independent Auditor. The Audit Committee and the Board of Directors believe that the continued retention of PwC as our Independent Auditor is in the best interest of the Company and our shareowners.

The Board of Directors recommends a vote FOR the appointment of PwC. **FOR**

PROPOSAL 5
Approve An Amendment

TO THE RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE SUPERMAJORITY VOTING FOR CERTAIN BUSINESS COMBINATIONS

The Board unanimously recommends that shareowners approve an amendment to the Company's Restated Certificate of Incorporation (the "Certificate") to eliminate Article Ninth, which requires a supermajority voting standard for the approval of certain business combination transactions.

Why Should I Vote FOR This Proposal?

Background on the Current Supermajority Requirement. Article Ninth of the Certificate currently requires a vote of 80% of the Company's outstanding shares to approve certain business combinations with a party that owns 10% or more of the Company's outstanding common stock — referred to as an "interested party" in the Certificate — or to repeal Article Ninth of the Certificate. Article Ninth is the only provision in the Company's Certificate or Bylaws requiring a supermajority vote.

Article Ninth was approved by the Company's shareowners in 1983 and was designed to ensure that the interests of all shareowners were adequately represented and to provide protection against self-interested action by large shareowners by requiring broad shareowner consensus to make certain fundamental changes. While such protections can be beneficial to shareowners, the Board is aware that shareowners generally oppose supermajority provisions such as this one, and now believes that these provisions can limit in certain circumstances the ability of shareowners to effectively participate in corporate governance.

Why We Now Propose to Eliminate This Requirement. After careful consideration of shareowners' input and the advantages and disadvantages of maintaining the supermajority vote requirements in Article Ninth, including as described above, the Board, upon the recommendation of the Committee on Governance and Public Policy, unanimously adopted a resolution on February 5, 2018, authorizing and declaring it advisable and in the best interests of the Company, to amend the Certificate to eliminate the supermajority voting provisions contained in Article Ninth by deleting Article Ninth in its entirety and recommended the submission of this amendment for shareowner approval.

What Happens If This Proposal Is Approved?

The proposed amendment would delete the current Article Ninth from our Certificate of Incorporation. A copy of the proposed amendment, marked with strike-outs to show the deletions, is included in Appendix D on pages 104-106.

If this proposal is approved, the amended Certificate would become effective upon the filing of a Certificate of Amendment with the State of Delaware, which the Company would file promptly following the shareowner vote. Thereafter, there will be no supermajority provisions in the Company's Certificate or Bylaws, and approval of any business combinations would be subject to the approval of the requisite number of shareholders required under the Delaware General Corporation Law (the "DGCL"). Any future amendments to the Certificate would require the approval of owners of a majority of the outstanding shares of common stock pursuant to Section 242 of the DGCL.

The Board of Directors recommends a vote FOR this proposal to amend the Company's Restated Certificate of Incorporation to eliminate supermajority voting.	**FOR**

PROPOSAL 6
Shareowner Proposal

Ms. Myra K. Young, 9295 Yorkship Court, Elk Grove, California 95758, the beneficial owner of 25 shares of UTC's Common Stock, has submitted the proposal and supporting statement set forth below verbatim for inclusion in the Proxy Statement for the 2018 Annual Meeting of the Shareowners and notified the Company that she has delegated Mr. John Chevedden to act as her agent regarding the proposal, including its presentation at the Annual Meeting:

"Proposal 6 — Special Shareowner Meetings

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 10% of our outstanding common stock the power to call a special shareowner meeting. This proposal does not impact our board's current power to call a special meeting.

Scores of Fortune 500 companies allow 10% of shares to call a special meeting. Special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. This proposal may be particularly timely because we may have a need for board refreshment after 2018 with 3 directors with more than 14-years long-tenure:

Jean-Pierre Garnier	20-years
Christine Whitman	14-years
Harold McGraw	14-years

We did not have an independent board chairman and had a weak Lead Director. Edward Kangas was Lead Director at age 73 and was distracted by work on 4 Boards. Our Lead Director also cannot call a special shareholder meeting, but our CEO can.

Marshall Larsen received 22% in negatively votes. This compares unfavorably to another director who received only 1% in negative votes.

Any claim that a shareholder right to call a special meeting can be costly - may be largely moot. If shareholders have a good reason to call a special meeting — our board should be able to take positive responding action to make a special meeting unnecessary.

Please vote for improved corporate governance: Special Shareowner Meetings — Proposal 6”

Why Does the Board Recommend a Vote AGAINST This Proposal?

The Company’s shareowners already have a right to call a special meeting under the UTC Bylaws. The Board believes that shareowners should have the ability to raise issues of substantial importance where a reasonably high proportion of our shareowners agree that a special meeting is required. In the Board’s judgment, the current threshold for calling a special meeting is appropriate when considered in conjunction with all of the other shareowner rights reflected in the Company’s corporate governance policies and processes. Accordingly, the Board recommends a vote AGAINST this proposal.

In October 2017, the Board proactively adopted an amendment to the Company’s Bylaws to provide that shareowners collectively owning at least 25% of the Company’s Common Stock may call a special meeting upon written request to the Company’s Secretary. When the Board adopted this provision, it carefully considered the ownership threshold for calling a special meeting and determined that the 25% threshold strikes an appropriate balance between assuring that shareowners have the ability to call a special meeting and protecting against a small minority of shareowners, including those with special interests, triggering the significant expense and distraction of multiple meetings in a single year to pursue matters that are not widely viewed as requiring the immediate attention of our shareowners or for reasons that may not be in the best interests of the Company and the vast majority of our shareowners. The Company also determined at the time it adopted the special meeting provision that the threshold is in the best of interests of the Company based on its size and shareowner base, including consideration that several institutional shareowners each hold more than 5% of our outstanding Common Stock. See page 28 for more information regarding the share ownership of these institutions.

The Board has carefully reviewed and considered this proposal and believes that reducing the threshold required to call a special meeting to 10% is not in the best interests of the majority of our shareowners.

We Are Committed to Strong and Effective Corporate Governance Practices and Shareowner Engagement.

A lower threshold also is unnecessary in light of the Company's history of strong governance policies and practices, including a strong independent Lead Director, robust board refreshment practices (including 5 new independent directors since 2016), and direct shareowner engagement. Moreover, in addition to shareowners' right to call a special meeting, the Bylaws provide that the Board, the Chairman, or the CEO also may call a special meeting of the shareowners. The Company's leaders frequently meet with shareowners to discuss our strategy, operational performance and governance practices. This year, in response to discussions with shareowners, the Board is recommending that shareowners approve an amendment to the Certificate of Incorporation to remove supermajority vote provisions related to certain business combination transactions. This demonstrated commitment to an ongoing and responsive dialogue with our shareowners and our strong and effective corporate governance practices — including annual director elections with a majority voting standard, a "proxy access" right for nominating directors (which the Board proactively adopted in 2015), shareowners' existing, meaningful right to call special meetings, and shareowners' right to act by written consent — ensure the Board's accountability without the potential for significant expense and burden associated with a lower special meeting threshold.

The Board of Directors recommends a vote AGAINST this proposal. **AGAINST**

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FREQUENTLY ASKED QUESTIONS
About the Annual Meeting

Who Can Vote?

You are entitled to vote at the Annual Meeting if you owned shares of Common Stock at the close of business on March 2, 2018, which is referred to as the "record date." A list of registered shareowners entitled to vote at the meeting will be available at UTC's offices (see page 85 for the address) during the ten days prior to the meeting, and also at the meeting.

How Do I Attend the Meeting?

You or your authorized proxy can attend the Annual Meeting if you were a registered or beneficial shareowner of Common Stock at the close of business on March 2, 2018.

Does the Company Have a Policy About Directors' Attendance at the Annual Meeting?

The Company does not have a written policy requiring that directors attend the Annual Meeting, but directors are encouraged to do so — unless there is an unavoidable scheduling conflict. All directors at the time attended the 2017 Annual Meeting.

How Do I Request a Ticket in Advance of the Meeting?

To request an admission ticket to the Annual Meeting, please contact our Corporate Secretary's Office (see page 85 for contact information). Seating at the Annual Meeting is limited and requests for tickets will be processed in the order in which they are received.

- If you own shares through an account with a broker, bank, trustee or other intermediary, you will need to send proof of your UTC share ownership as of the record date (for example, a brokerage account statement or a "legal proxy" from your intermediary) along with your ticket request. If you are not sure what proof to send, check with your intermediary.
- If your shares are registered in your name with UTC's stock registrar and transfer agent, Computershare Trust Company, N.A. ("Computershare"), or if you own shares through a UTC employee savings plan, no proof of ownership is required because UTC can verify your ownership of Common Stock.

For security reasons, please be prepared to show photo identification when presenting your ticket for admission to the meeting.

If you forget to bring your ticket, you will be admitted to the meeting only if you provide photo identification. If you do not request a ticket in advance, you will be admitted only if you provide photo identification and satisfactory evidence that you were a registered or beneficial shareowner of Common Stock as of the record date.

If you need special assistance at the meeting because of a disability, please contact our Corporate Secretary's Office (see page 85 for contact information).

How Many Votes Must Be Present in Order to Hold the Annual Meeting?

Under the Company's Bylaws, we can conduct business at the Annual Meeting only if the holders of a majority of the outstanding shares on the record date are present either in person or by proxy. The presence of at least that number of shares constitutes a "quorum." As of the record date, 800,086,193 shares of Common Stock were issued and outstanding.

We ask that shareowners request

tickets in advance to attend.

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FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUAL MEETING

How Do I Vote?

Shares Held Directly in Your Name.

VOTE ON THE INTERNET

You can vote online at: www.proxyvote.com.

VOTE BY TELEPHONE

In the United States or Canada, you can vote by telephone. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

Internet and telephone voting facilities will be available 24 hours a day until 11:59 p.m. Eastern Time on April 29, 2018 (except for participants in a UTC employee savings plan, who must submit voting instructions earlier, as described below).

To authenticate your Internet or telephone vote, you will need to enter your confidential voter control number as shown on the voting materials you received. If you vote online or by telephone, you do not need to return a proxy card or voting instruction card.

VOTE BY MAIL

You can mail the proxy card or voting instruction form enclosed with your printed proxy materials. Mark, sign and date your proxy card or voting instruction form and return it in the pre-paid envelope we have provided, or in an envelope addressed to:

Vote Processing, c/o Broadridge Financial Solutions
51 Mercedes Way
Edgewood, NY 11717

Please allow sufficient time for delivery of your proxy card if you decide to vote by mail.

VOTE AT THE ANNUAL MEETING

Most shareowners may vote by submitting a ballot in person at the Annual Meeting.

If you have already voted online, by telephone or by mail, your vote at the Annual Meeting will supersede your prior vote.

Shares Owned through an Account with a Bank, Broker, Trustee or Other Intermediary ("Street Name"). Your intermediary will send you printed copies of the proxy materials or provide instructions on how to access proxy materials electronically. You are entitled to direct the intermediary how to vote your shares by following the voting instructions the intermediary provides to you.

Shares Held in a UTC Employee Savings Plan. You can direct the voting of your proportionate interest in shares of Common Stock held by the ESOP Fund and the Common Stock Fund under a UTC employee savings plan by returning a voting instruction card or by providing voting instructions via the Internet or by telephone. If you do not provide voting instructions (or if your instructions are incomplete or unclear) as to one or more of the matters to be voted on, the savings plan trustee will vote your proportionate interest in shares held by the ESOP Fund for the voting choice that receives the greatest number of votes based on voting instructions received from ESOP Fund participants. Similarly, the trustee will vote your uninstructed proportionate interest in shares held by the Common Stock Fund for the voting choice that receives the greatest number of votes based on voting instructions received from the Common Stock Fund participants. For shares of Common Stock held in the ESOP Fund that are not allocated to participant accounts, the trustee will make the voting choice that receives the greatest number of votes from those ESOP Fund participants who have submitted voting instructions.

Earlier Voting Deadline for UTC Employee Savings Plan Participants. Broadridge Financial Solutions must receive your voting instructions by 11:00 a.m. Eastern Time on April 26, 2018, so that it will have time to tabulate all voting instructions of participants and communicate those instructions to the trustee, who will vote the shares held by the savings plan. Because the trustee is designated to vote on your behalf, you will not be able to vote your shares held in the savings plan in person at the Annual Meeting.

FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUAL MEETING

Changing Your Vote. If you hold shares directly in your name:

- If you voted by telephone or the Internet, access the method you used and follow the instructions given for revoking a proxy
- If you mailed a signed proxy card, mail a new proxy card with a later date (which will override your earlier proxy card)
- Write to the Corporate Secretary (see page 85 for contact information) providing your name and account information
- Vote in person at the Annual Meeting

If you hold your shares in "street name" ask your bank, broker, trustee or other intermediary for instructions on how to revoke or change your voting instructions.

How Will My Shares Be Voted?

Each share of UTC Common Stock is entitled to one vote. Your shares will be voted in accordance with your instructions. In addition, if you have returned a signed proxy card or submitted voting instructions by telephone or the Internet, the proxy holders will have, and intend to exercise, discretion to vote your shares (other than shares held in a UTC employee savings plan) in accordance with their best judgment on any matters not identified in this Proxy Statement that are brought to a vote at the Annual Meeting. We do not know of any such additional matters at this time.

If your shares are registered in your name and you sign and return a proxy card or vote by telephone or the Internet but **do not** give voting instructions on a particular matter, the proxy holders will be authorized to vote your shares on that matter in accordance with the Board's recommendation. If you hold your shares through an account with a broker and **do not** give voting instructions on a matter, your broker is permitted under the New York Stock Exchange rules to vote your shares in its discretion only on Proposal 4 (appointment of the Independent Auditor) and is required to withhold a vote on each of the other Proposals, resulting in a so-called "broker non-vote." The impact of abstentions and broker non-votes on the overall voting results is shown in the table below.

How Do Voting Abstentions and Broker Non-Votes Affect the Voting Results?

Matter	**Vote Required for Approval**	**Impact of Abstentions**	**Impact of Broker Non-Votes**
Election of Directors	Votes FOR a nominee must exceed 50% of the votes	Not counted as votes cast; no impact on	Not counted as votes cast; no impact on

	cast with respect to that nominee.	outcome.	outcome.
Advisory Vote on Executive Compensation	Votes FOR the proposal must exceed votes AGAINST it.	Not counted as votes cast; no impact on outcome.	Not counted as votes cast; no impact on outcome.
Approve the 2018 UTC Long-Term Incentive Plan	Approval by a majority of the votes making up the quorum.	Counted toward quorum; impact is the same as a vote AGAINST.	Counted toward quorum; impact is the same as a vote AGAINST.
Appoint PricewaterhouseCoopers LLP to serve as Independent Auditor for 2018	Approval by a majority of the votes making up the quorum.	Counted toward quorum; impact is the same as a vote AGAINST.	Not applicable.
Approve an Amendment to the Restated Certificate of Incorporation	Votes FOR must meet or exceed 80% of the outstanding shares.	Impact is the same as a vote AGAINST.	Impact is the same as a vote AGAINST.
Shareholder Proposal: Reduce Threshold to Call Special Meetings from 25% to 10%	Votes FOR the proposal must exceed votes AGAINST it.	Not counted as votes cast; no impact on outcome.	Not counted as votes cast; no impact on outcome.

What Happens if a Director in an Uncontested Election Receives More Votes “Against” than “For” His or Her Election?

In an uncontested election of directors, any nominee for director who is an incumbent director and who receives a greater number of votes cast “against” than votes “for” his or her election must, under UTC’s Governance Guidelines, promptly tender his or her resignation to the Chair of the Committee on Governance and Public Policy (the “Governance Committee”) following certification of the shareowner vote. The Governance Committee must promptly make a recommendation to the Board about whether to accept or reject the tendered resignation. The director who tendered a resignation may not participate in the Committee’s recommendation or the Board’s consideration.

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FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUAL MEETING

Under our Governance Guidelines, the Board must act on the Governance Committee's recommendation no later than 90 days after the date of the shareowners' meeting. Regardless of whether the Board accepts or rejects the resignation, UTC must promptly file a Report on Form 8-K with the Securities and Exchange Commission that explains the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation.

If a director's resignation is accepted, the Governance Committee also will recommend to the Board whether to fill the vacancy or to reduce the size of the Board. Under the UTC Bylaws, a vacancy arising in these circumstances may be filled, at the discretion of the Board, by a majority vote of the directors or at a special meeting of shareowners called by the Board.

Who Is Counting the Votes?

Broadridge Financial Solutions ("Broadridge"), an independent entity, will receive and tabulate the votes in connection with the Annual Meeting. A representative of Broadridge will act as the independent Inspector of Election and in this capacity will supervise the voting, decide the validity of proxies and certify the results.

Broadridge has been instructed that the vote of each shareowner must be kept confidential and may not be disclosed, except in legal proceedings or for the purpose of soliciting shareowner votes in a contested proxy solicitation.

How May the Company Solicit My Proxy?

Employees of UTC may solicit proxies on behalf of the Board of Directors by mail, email, in person and by telephone. These employees will not receive any additional compensation for these activities. UTC will bear the cost of soliciting proxies and will reimburse banks, brokers, trustees and other intermediaries for their reasonable out-of-pocket expenses for forwarding proxy materials to shareowners. UTC has retained Georgeson, Inc., to assist in distributing proxy materials and soliciting proxies for a fee of $16,000 plus expenses.

Why Did I Receive a Notice of Internet Availability?

To conserve natural resources and reduce costs, we are sending most shareowners a brief Notice of Internet Availability of Proxy Materials, as permitted by SEC rules. This Notice explains how you can access UTC's proxy materials on the Internet and how to obtain printed copies if you prefer. It also explains how you can choose either electronic or print delivery of proxy materials for future annual meetings.

How Can I Receive My Proxy Materials Electronically?

To save resources and reduce costs, we encourage shareowners to access their proxy materials electronically.

If you hold shares registered in your name, you can sign up at **www.computershare-na.com/green** to get electronic access to proxy materials for future meetings, rather than receiving them in the mail. Once you sign up, you will receive an email each year explaining how to access UTC's Annual Report and Proxy Statement, and how to vote online. Your enrollment for electronic access will remain in effect unless you cancel it, which you can do up to two weeks before the record date for any future annual meeting.

If you own your shares in "street name" you may be able to obtain electronic access to proxy materials by contacting your broker, bank, trustee or other intermediary, or by contacting Broadridge at **http://enroll.icsdelivery.com/utc.**

What Materials Are Mailed to Me When I Share the Same Address as Another UTC Shareowner?

If you share an address with one or more other UTC shareowners, you may have received only a single copy of the Annual Report, Proxy Statement or Notice of Internet Availability of Proxy Materials for your entire household. This practice, known as "householding," is intended to reduce printing and mailing costs.