

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

FORM 10-K

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

For the fiscal year ended December 31, 2022
OR

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

Commission file number 001-39220

CARRIER GLOBAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

83-4051582

(I.R.S. Employer Identification No.)

13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418

(Address of principal executive offices, including zip code)

(561) 365-2000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting Common Stock held by non-affiliates of the Registrant as of June 30, 2022, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$30.0 billion, based on the New York Stock Exchange closing price for such shares on that date. Solely for purposes of this disclosure, shares of Common Stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purpose.

As of January 31, 2023, there were 834,187,942 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III hereof incorporates by reference portions of the Registrant's definitive proxy statement related to its 2023 annual meeting of shareowners.

Index

	<u>Page</u>
Cautionary Note Concerning Factors That May Affect Future Results	2
PART I	4
Item 1. Business	4
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	26
Item 2. Properties	26
Item 3. Legal Proceedings	26
Item 4. Mine Safety Disclosures	28
PART II	28
Item 5. Market for Registrant's Common Equity, Related Shareowner Matters and Issuer Purchases of Equity Securities	28
Item 6. [Reserved]	
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	44
Item 8. Financial Statements and Supplementary Data	45
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	45
Consolidated Statement of Operations	48
Consolidated Statement of Comprehensive Income (Loss)	49
Consolidated Balance Sheet	50
Consolidated Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to Consolidated Financial Statements	53
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	89
Item 9A. Controls and Procedures	89
Item 9B. Other Information	90
Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	90
PART III	90
Item 10. Directors, Executive Officers and Corporate Governance	90
Item 11. Executive Compensation	91
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters	91
Item 13. Certain Relationships and Related Transactions, and Director Independence	92
Item 14. Principal Accountant Fees and Services	92
PART IV	92
Item 15. Exhibits, Financial Statement Schedules	92
Item 16. Form 10-K Summary	95
SIGNATURES	96

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

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K contains statements which, to the extent they are not statements of historical or present fact, constitute "forward-looking statements" under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management's current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as "believe," "expect," "expectations," "plans," "strategy," "prospects," "estimate," "project," "target," "anticipate," "will," "should," "see," "guidance," "outlook," "confident," "scenario" and other words of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates and other measures of financial performance or potential future plans, strategies or transactions of Carrier, Carrier's plans with respect to our indebtedness and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation:

- the effect of economic conditions in the industries and markets in which Carrier and our businesses operate in the U.S. and globally and any changes therein, including financial market conditions, inflationary cost pressures, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction, the impact of weather conditions, pandemic health issues (including COVID-19, any variants and their effects, among other things, on production and on global supply, demand, and distribution as the outbreak continues and results in a prolonged period of travel, commercial and other restrictions and limitations), natural disasters and the financial condition of our customers and suppliers;
- challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services;
- future levels of indebtedness, capital spending and research and development spending;
- future availability of credit and factors that may affect such availability, including credit market conditions and Carrier's capital structure and credit ratings;
- the timing and scope of future repurchases of Carrier's common stock, including market conditions and the level of other investing activities and uses of cash;
- delays and disruption in the delivery of materials and services from suppliers;
- cost reduction efforts and restructuring costs and savings and other consequences thereof;
- new business and investment opportunities;
- the outcome of legal proceedings, investigations and other contingencies;
- the impact of pension plan assumptions on future cash contributions and earnings;
- the impact of the negotiation of collective bargaining agreements and labor disputes;
- the effect of changes in political conditions in the U.S. and other countries in which Carrier and our businesses operate, including the effect of changes in U.S. trade policies, on general market conditions, global trade policies and currency exchange rates in the near term and beyond;
- the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we and our businesses operate;
- the ability of Carrier to retain and hire key personnel;
- the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of

acquired businesses into existing businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs;

- a determination by the U.S. Internal Revenue Service ("IRS") and other tax authorities that the Distribution or certain related transactions should be treated as taxable transactions; and
- risks associated with indebtedness, as well as our ability to reduce indebtedness and the timing thereof.

This Annual Report on Form 10-K includes important information as to risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. See the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K under the heading "Note 23 – Commitments and Contingent Liabilities," the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Business Overview," "Results of Operations," "Liquidity and Financial Condition," and "Critical Accounting Estimates," and the section entitled "Risk Factors." This Annual Report on Form 10-K also includes important information as to these factors in the "Business" section under the headings "General," "Other Matters Relating to Our Business as a Whole," and in the "Legal Proceedings" section. The forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additional information as to factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements is disclosed from time to time in our other filings with the United States Securities and Exchange Commission ("SEC").

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

PART I

ITEM 1. BUSINESS

General

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

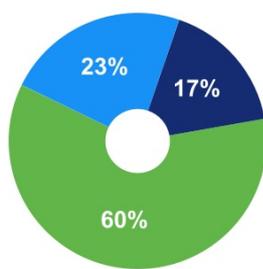
Our worldwide operations are affected by global and regional industrial, economic and political factors and trends. These include the mega-trends of urbanization, climate change and increasing requirements for food safety driven by the food needs of a growing global population and the rising standards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

Our operations are classified into three segments: HVAC, Refrigeration and Fire & Security. For the year ended December 31, 2022, our net sales were \$20.4 billion and our operating profit was \$4.5 billion. Our net sales for 2022 were derived from the Americas (60%), Europe, Middle East and Africa ("EMEA") (23%) and Asia-Pacific (17%). Our international operations, including U.S. export sales, represented approximately 45% of our net sales for 2022. During the same period, new equipment comprised 77% and parts and service comprised 23% of our net sales.

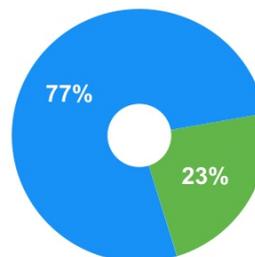
Sales by Segment *



Net Sales by Region



Sales by Type



■ HVAC ■ Refrigeration
■ Fire & Security

■ Americas ■ EMEA
■ Asia Pacific

■ Parts and Service
■ New Equipment

* Segment sales include inter-company sales.

Acquisition of Toshiba Carrier Corporation

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

Sale of Chubb Fire and Security Business

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

Separation from United Technologies Corporation

On April 3, 2020 (the "Distribution Date"), United Technologies Corporation, since renamed Raytheon Technologies Corporation ("UTC") completed the spin-off of Carrier into an independent publicly traded company (the "Separation") through a pro rata distribution (the "Distribution") on a one-for-one basis of all of the outstanding shares of common stock of Carrier to UTC shareowners. In connection with the Separation, we issued an aggregate principal balance of \$11.0 billion of debt and transferred approximately \$10.9 billion of cash to UTC on February 27, 2020 and March 27, 2020. In addition, we entered into several agreements with UTC and Otis Worldwide Corporation ("Otis") that govern various aspects of the relationship among us, UTC and Otis following the Separation and the Distribution. As of December 31, 2022, only the Tax Matters Agreement ("TMA") remains in effect. On April 1, 2020 and April 2, 2020, we received cash contributions totaling \$590 million from UTC related to the Separation.

Business Strategy

Our business strategy is to be the world leader in healthy, safe, sustainable and intelligent building and cold chain solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to our customers. We believe our strategy is supported by a variety of favorable secular trends, including health and wellness, sustainability, digitalization and a growing middle class. In order to execute our business strategy, we are focused on three pillars of growth:

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

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

Grow Aftermarket and Digital. Our strategy is focused on digital capabilities to drive the evolution of our hardware in order to enable cloud connectivity, modernize legacy software and launch new platforms, products and services. We expect that these solutions will increase our total available market opportunity, enhance our predictive service and maintenance capabilities, strengthen our customer intimacy as well as fuel our aftermarket growth. Abound is a cloud-based building platform that unlocks and unites building data to create more healthy, safe, sustainable and intelligent solutions for indoor spaces. It gathers data from disparate systems, sensors and sources; identifies opportunities to optimize performance; and works with healthy building solutions to improve occupant experiences. Our Lynx digital platform, developed in collaboration with Amazon Web Services ("AWS"), allows customers to leverage data to enhance visibility, resiliency, agility and efficiency in the cold chain to reduce loss and support real-time decisions. In addition, our product teams are deriving insights from data by employing AWS for connectivity, artificial intelligence and machine learning. Most recently, we signed a multi-year, strategic collaboration

agreement with AWS to offer additional Software-as-a-Service ("SaaS") solutions in the areas of HVAC performance, sustainability and safety and security. The collaboration is part of our growing investment in digitally-enabled lifecycle solutions designed to inspire confidence in the health and safety of indoor environments.

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

Business Segments

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

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

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

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

Other Matters Relating to Our Business as a Whole

Competitive Conditions

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

The most significant competitive factors we face are technology differentiation, product performance, service, delivery schedule and price. Brand reputation, service to customers and quality are also important competitive factors for our products and services. While our competitive position varies among our products and services, we are a significant competitor with respect to

each of our major product and service offerings. We believe that the loss of any individual contract or customer would not have a material adverse effect on our results.

Raw Materials and Supplies

We rely on suppliers and commodity markets to secure components and raw materials such as copper, aluminum and steel. In addition, we also use semi-conductors and other electronic components in the manufacture of our products. To maximize our buying effectiveness and leverage our scale, we have a central strategic sourcing group that consolidates purchases of certain materials and components across our business segments.

The ongoing global economic recovery from the COVID-19 pandemic has caused significant challenges for global supply chains resulting in inflationary cost pressures, component shortages and transportation delays. As a result, we have incurred incremental costs for commodities and components used in our products as well as component shortages and higher freight costs that have negatively impacted our sales and results of operations. We expect that these challenges will continue to have an impact on our businesses for the foreseeable future.

We continue to take proactive steps to limit the impact of these challenges and are working closely with our suppliers to ensure availability of products and implement other cost savings initiatives. In addition, we continue to invest in our operations and supply chain to improve its resilience with a focus on automation, dual sourcing of critical components and localized manufacturing when feasible. To date, there has been moderate disruption to the availability of our products, though it is possible that more significant disruptions could occur if these supply chain challenges continue.

Intellectual Property

We maintain a broad portfolio of patents, trademarks, copyrights, trade secrets, licenses and franchises related to our business to protect our research and development investments and to maintain our competitive advantages. We hold approximately 9,000 active patents and pending patent applications worldwide. From time to time, we take actions to protect our business by asserting our intellectual property rights against third-party infringement. We believe that we have taken reasonable measures to build and protect this portfolio of intellectual property rights, but we cannot be assured that these rights will not be challenged, found invalid or unenforceable.

Operating System

We plan to continue to foster operational, financial and commercial excellence to drive sales and earnings growth. With roots in our legacy manufacturing and business processes, the Carrier operating system — Carrier Excellence — is our continuous improvement framework that is expected to drive operational excellence across our businesses. Our Supplier Excellence program is intended to apply these same operating principles to our supply base and we continue to focus on strategic cost reductions through operational efficiency, digitalization, automation and supply chain productivity. These efforts have helped reduce the impact of inflationary pressures experienced during 2022 and 2021.

Joint Ventures and Strategic Relationships

Our joint ventures and strategic relationships are an important part of our business. We hold direct ownership interests in approximately 47 joint ventures, the financial results of which are accounted for by the equity method of accounting or the cost basis of accounting, of which 99% of such investments are in our HVAC segment. These relationships engage in distribution, manufacturing and product development activities and are integral to our business operations and growth strategy.

Seasonality

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

Compliance with the Regulation of our Business and Operations

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

Environmental Goals

As a leading global provider of healthy, safe, sustainable and intelligent buildings and cold chain solutions, we are committed to making the world safer, sustainable and more comfortable. We have set ambitious environmental, social and governance goals to be reached by 2030, which include the following:

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

Human Capital Management

As of December 31, 2022, Carrier had approximately 52,000 employees worldwide, of which 39% are located in the Americas, 25% are located in EMEA and 36% are located in Asia. As of December 31, 2022, in the U.S., approximately 66% of Carrier's approximately 5,000 production and maintenance employees were covered under six collective bargaining agreements that have expiration dates ranging from 2023 to 2026. In the European Union, approximately 12,000 employees are represented by two European Works Councils and, at national and local levels, we inform and consult with 46 local works councils and with unions representing employees at approximately 40 sites. We believe that our relations with our labor unions and works councils are generally good.

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

Health & Safety. Our Environmental, Health and Safety program is focused on eliminating the risk of serious injuries, illness and fatalities to employees, contractors and customers during manufacturing, installation, servicing and other business activities. We apply rigorous standards, controls, inspections and audits to help ensure that our operations and premises comply with national and local regulations and Carrier incident reporting requirements. For 2022, our total recordable incident rate ("TRIR"), based upon the number of injuries per 200,000 hours worked for our employees was 0.31 and our lost time incident rate ("LTIR") was 0.12.

In response to COVID-19, we implemented various measures to protect the health and safety of our employees and customers including work-from-home requirements (where practical), social distancing and deep cleaning protocols at all of our facilities as well as travel restrictions, among other measures, which comply with applicable governmental regulations and guidance.

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

Inclusion & Diversity. As of December 31, 2022, approximately 29% of our employees and 30% of our executives globally were women. As of December 31, 2022, people of color represented approximately 31% of our U.S. executive and 26% of our professional employees in the U.S.

Our greatest strength is the diversity of our people and their ideas and experiences; inclusion and diversity are the cornerstones of our values and we believe that it is a source of innovation. To this end, we continue to promote *belong*, our inclusion and diversity philosophy and brand as well as an inclusion and diversity strategy that consists of four tenets – Reduce the Gap, Develop & Sponsor, Drive Inclusion and Lean Forward – which include a focus on recruitment, development and mentoring activities. We also sponsor multiple Employee Resource Groups ("ERGs"), such as Pride, Carrier Black Alliance, WE (Women's Empowerment at Carrier), CHEER (Carrier Hispanic & Latino Employee Engagement Resource group), UCAN (United Carrier Asian Network) and Military and Veterans. These ERGs operate with a formal leadership structure, a steering committee, senior leadership sponsorship and a defined mission statement that is aligned with supporting Carrier's business strategy. We also have established multi-year relationships with two historically Black colleges and universities to create programs to help students develop skills for the future and provide career and recruitment initiatives.

We continue to take steps to expand our role as an employer that champions inclusion, diversity and equality of opportunity. Carrier has pledged to achieve gender parity in senior leadership roles by 2030. Our Chairman and Chief Executive Officer ("CEO") has signed the CEO Action for Diversity & Inclusion™ pledge joining more than 2,000 CEOs to underscore our commitment to ensure inclusion is core to our business culture. Our senior management has also signed the Hispanic Promise, joining other Fortune 500 companies in the pledge to hire, retain and develop Hispanics in the workplace. Additionally, we continue to provide our global workforce with inclusion and diversity training with a focus on unconscious bias, micro-aggression and allyship.

While we recognize more work needs to be done, we are proud of the strides we have made and the recognition we have received in furthering our inclusion and diversity strategy. In 2021, Carrier participated for the first time in the Human Rights Campaign Foundation's 2021 Corporate Equality Index and achieved a perfect score being recognized Best Place to Work for LGBTQ Equality. Carrier earned the same recognition in 2022. Carrier also participated for the first time in the Human Rights Campaign Foundation's 2022 Corporate Equality Index in Mexico and achieved a perfect score being recognized as Best Place to Work for LGBTQ Equality in Mexico.

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

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

Corporate Information

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

ITEM 1A. RISK FACTORS

RISK FACTOR SUMMARY

Risks Related to Our Business

- Our business, financial condition and results of operations have been and may continue to be adversely affected by COVID-19.
- Risks associated with our international operations could adversely affect our competitive position, results of operations, cash flows or financial condition.
- We are party to joint ventures and other strategic relationships, which may not be successful and may expose us to unique risks and restrictions.
- Climate change, regulations associated with climate change and mitigation efforts could adversely affect our business.
- Demand for our HVAC products and services is influenced by weather conditions and seasonality.
- Our business and financial performance depend on continued and substantial investments in our information technology infrastructure, which may not yield anticipated benefits and which may be vulnerable to cyber-attacks.
- Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.
- We depend on our intellectual property and have access to certain intellectual property and information of our customers and suppliers. Infringement of or the failure to protect that intellectual property could adversely affect our future growth and success.
- We use a variety of raw materials, supplier-provided parts and third-party service providers in our business. The ability of suppliers to deliver parts, components and manufacturing equipment to our manufacturing facilities, and our ability to manufacture without disruption, could affect our business performance. Significant shortages, supplier capacity constraints or production disruptions, price increases or tariffs could increase our operating costs and adversely impact the competitive positions of our products.
- We design, manufacture and service products that incorporate advanced technologies. The introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated.
- We operate in a competitive environment and our profitability and competitive position depend on our ability to accurately estimate the costs and timing of providing our products and services.
- Customers and others may take disruptive actions.
- Labor matters may impact our business.
- Our defined benefit pension plans are subject to financial market risks that could adversely affect our results.
- We may not realize expected benefits from our cost reduction and restructuring efforts, and our profitability or our business otherwise might be adversely affected.
- Failure to achieve and maintain a high level of product and service quality could damage our reputation with customers and negatively impact our results.
- We are subject to litigation, environmental and other legal and compliance risks.
- We are subject to risks arising from doing business with the U.S. government.
- We engage in acquisitions and divestitures and may encounter difficulties integrating acquired businesses with, or disposing of businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures.
- We may recognize impairment charges for our goodwill and intangible assets.
- Failure to maintain a satisfactory credit rating could adversely affect our liquidity, capital position, borrowing costs and access to the capital markets.

- We incurred debt obligations, and we may incur additional debt obligations in the future, which could adversely affect our business and profitability and our ability to meet other obligations.

Risks Related to the Separation from UTC

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

Risks Related to Our Common Stock

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

General Risks

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

RISK FACTORS

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

Risks Related to Our Business

Our business, financial condition and results of operations have been and may continue to be adversely affected by COVID-19.

The global outbreak of COVID-19 in 2020 severely constrained economic activity and caused a significant contraction in the global economy. In response to this outbreak, governments took preventive or protective actions, including imposing restrictions on business operations and travel. Governments also implemented economic stabilization efforts and other measures to mitigate the economic effects of the outbreak; however, the effectiveness and continuation of those measures remains uncertain.

The COVID-19 pandemic has had, and could continue to have, an adverse effect on our business, financial condition and results of operations. The pandemic resulted in widespread and extended or partial shutdowns and other restrictions on the operations of non-essential businesses, specifically due to resurgence in cases and the spread of variants, including construction, hospitality venues, offices and travel. The nature and extent of the continuing impact of COVID-19 on our business, financial condition and results of operations is uncertain and will depend on future developments, including the emergence, severity and spread of COVID-19 variants. Nonetheless, further prolonged closures and restrictions throughout the world due to a resurgence of COVID-19 cases and decreases in the general level of economic activity may again disrupt our operations and the operations of our suppliers, distributors and customers.

As a result of the foregoing, the pandemic and its impact have also affected and could continue to affect our ability to obtain necessary raw materials and parts, ship finished products to customers, the ability of our customers to pay for our products and services and to obtain financing for significant purchases and operations, which could result in a decrease and/or cancellation of orders and/or payment delays or defaults. The COVID-19 pandemic has impacted our supply chain as we experienced disruptions or delays in shipments of certain materials or components of our products. Facility closures or other restrictions could materially adversely affect our ability to adequately staff, supply or otherwise maintain our operations. Further, such conditions may also adversely affect our supply base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy, which could impact our ability to fulfill orders on time or at the anticipated cost. We also may be required to raise additional capital in the future and our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our results of operations and our credit ratings. There is no guarantee that financing will be available in the future to fund our obligations, or that it will be available on terms consistent with our expectations. Any of these factors could have a material adverse effect on our business, results of operations, cash flows and financial condition. In addition, labor shortages due to prolonged illness or quarantine or an increase in the cost of labor could adversely affect our profit margins and results of operations.

Recovery from the COVID-19 pandemic and related economic impact may be slowed or reversed by a variety of factors. In addition, even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of its global economic impact. Further, many of the factors discussed under Risk Factors in this Form 10-K are, and we anticipate will continue to be further, heightened or exacerbated by the impact of the COVID-19 pandemic.

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

Approximately 45% of our net sales for the year ended December 31, 2022 are derived from international operations, including U.S. export sales. As a result, changes in local and regional economic conditions, including fluctuating exchange rates, may adversely affect demand for our products and the profits generated by our non-U.S. operations because a significant portion of our sales and expenses are denominated in currencies other than U.S. dollars. While we attempt to manage our exchange rate risks, we are not completely insulated from that exposure. Exchange rates can be volatile and a substantial weakening of foreign currencies against the U.S. dollar could reduce our operating margins in various locations outside of the U.S., which would adversely impact the comparability of our results from period to period.

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

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

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

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

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

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

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

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

Climate change, regulations associated with climate change and mitigation efforts could adversely affect our business.

The effects of climate change, including increased frequency and intensity of weather conditions and water scarcity, create financial risks to our business. The potential impacts of climate change on our operations are highly uncertain and depend upon the unique geographic and environmental factors present; for example rising sea levels at certain of our facilities, changing storm patterns and intensities and changing temperature levels. The effects of climate change could disrupt our operations by impacting the availability and cost of materials and by increasing insurance and other operating costs. The effects of climate

change also may impact our decisions to construct new facilities or maintain existing facilities in the areas most prone to physical risks, which could similarly increase our operating and material costs. We could also face indirect financial risks passed through the supply chain that could result in higher prices for our products and the resources needed to produce them. Potential adverse impacts from climate change may create health and safety issues for employees operating at our facilities and may lead to an inability to maintain standard operating hours.

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

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

We have set environmental, social and governance goals to be achieved by 2030, which include investing over \$2 billion to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts, reducing our customers' carbon footprint by more than 1 gigaton, achieving carbon neutral operations and reducing energy intensity by 10% across our operations. Although we intend to meet these goals, we may be required to expend significant resources to do so, which could increase our operational costs. Further, there can be no assurance of the extent to which any of our goals will be achieved, or that any future expenditures or investments we make in furtherance of achieving such goals will be available, effective, meet investor expectations or any binding or non-binding legal standards regarding sustainability performance. For example, to make substantial progress toward or to meet some of these goals, we may need to purchase or deploy a combination of renewable energy utility contracts, carbon credits or offsets, energy-efficient or low-emission products or operations, or carbon sequestration technologies, and there can be no assurance of the extent to which such contracts, credits, offsets, products, operations or technologies will be available or effective in reducing emissions or energy intensity. Moreover, we may determine that it is in the best interest of our company and our shareowners to prioritize other business, social, governance or sustainability investments over the achievement of our current goals based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If we are unable to make substantial progress toward or meet these goals, then we could incur adverse publicity and reaction from investors, activist groups or other stakeholders, which could adversely impact the perception of us and our products and services by current and potential customers, as well as investors, which could in turn adversely impact our results of operations.

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

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

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

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

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

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

In addition, because of the global nature of our business, our internal systems and products must comply with applicable laws, regulations and standards in a number of jurisdictions, and government enforcement actions and violations of data privacy and cybersecurity laws could be costly or interrupt our business operations. Any disruption to our business arising from such issues, or an increase in our costs to cover these issues that is greater than what we have anticipated, could have an adverse effect on our reputation, competitive position, results of operations, cash flows or financial condition.

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

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

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

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

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

Our reliance on suppliers and commodity markets to secure components and raw materials (such as copper, aluminum and steel), and on service providers to deliver our products, exposes us to volatility in the prices and availability of these materials and services. We use a wide range of materials and components in the global production of our products, which come from numerous suppliers around the world. Because not all of our business arrangements provide for guaranteed supply and some key parts may be available only from a single supplier or a limited group of suppliers, we are subject to supply and pricing risk. In addition, certain proprietary component parts used in some of our products are provided by single-source unaffiliated third-party suppliers. We would be unable to obtain these proprietary components for an indeterminate period of time if these single-source suppliers were to cease or interrupt production or otherwise fail to supply these components to us, which could adversely affect our product sales and operating results. Our supply chain could be impacted by climate change through extreme weather events, resulting in delivery or production disruptions and increased material costs. In addition, other issues with suppliers (such as capacity constraints, quality issues, consolidations, closings or bankruptcies), price increases, raw material shortages, or the decreased availability of trucks and other delivery services could also have a material adverse effect on our ability to meet our commitments to customers or increase our operating costs. Additionally, during 2021 and 2022, we have experienced multiple disruptions to our supply chain. This disruption has resulted, and may continue to result, in sufficient inventory not being available in a timely manner or during the appropriate season as well as higher freight and other logistic costs, including increased carrier rates, which could have a material adverse effect on our business.

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

Our operations and those of our suppliers are subject to disruption for a variety of reasons, including COVID-19-related supplier plant shutdowns or slowdowns, transportation delays, work stoppages, labor relations, governmental regulatory and enforcement actions, intellectual property claims against suppliers, financial issues such as supplier bankruptcy, IT failure and hazards such as fire, earthquakes, flooding or other natural disasters. For example, we expect to continue to be impacted by the following supply chain issues, due to factors largely beyond our control: a global shortage of semi-conductors, a strain on raw materials and cost inflation, all of which could escalate in the future. Insurance for certain disruptions may not be available, affordable or adequate. The effects of climate change, including extreme weather events, long-term changes in temperature levels and water availability may exacerbate these risks. Such disruption has in the past and could in the future interrupt our ability to manufacture certain products. Any significant disruption could have a material adverse impact on our competitive position.

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

Our future success depends on designing, developing, producing, selling and supporting innovative products that incorporate advanced technologies. The regulations applicable to our products, as well as our customers' product and service needs, change from time to time. Moreover, regulatory changes, inclusive of those aimed at addressing climate change and its impacts, may

render our products and technologies non-compliant and may subject us to operational, compliance and reputational risks. Our ability to realize the anticipated benefits of our technological advancements or product improvements – including those associated with regulatory changes – depends on a variety of factors, including: meeting development, production and regulatory approval schedules; meeting performance plans and expectations; the availability of raw materials and parts; our suppliers' performance; the hiring, training and deployment of qualified personnel; achieving efficiencies; identifying emerging regulatory and technological trends; validating innovative technologies; the level of customer interest in new technologies and products; and the costs and customer acceptance of our new or improved products.

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

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

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

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

Customers and others may take disruptive actions.

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

Labor matters may impact our business.

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

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

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

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

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

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

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

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

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

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

We are subject to a variety of litigation, legal and compliance risks including, without limitation, claims, lawsuits and/or regulatory enforcement actions relating to breach of contract, cybersecurity and data privacy, employment and labor, environmental and employee health and safety matters, global chemical compliance, intellectual property rights, personal injury, product safety and taxes as well as anti-corruption, competition and securities laws and other laws governing improper business practices. If found responsible in connection with such matters, we could be subject to significant fines, penalties, repayments and other damages (in certain cases, treble damages) and experience reputational harm.

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

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

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

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

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

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

For a description of material legal proceedings and regulatory matters, see the section entitled "Legal Proceedings" and Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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

As a supplier and service provider to the U.S. government, including as a subcontractor under prime contracts with the U.S. government, we are subject to certain heightened risks, such as those associated with the government's rights to audit and conduct investigations and with its rights to terminate contracts for convenience or default. In light of the current U.S. government contracting environment, we are and will continue to be the subject of U.S. government investigations relating to our U.S. government contracts or subcontracts. Such investigations often take years to complete and could result in administrative, civil or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution or penalties, or could lead to suspension or debarment of U.S. government contracting or of export privileges. For instance, if a business unit were charged with wrongdoing in connection with a U.S. government investigation (including fraud or violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts or subcontracts. If convicted or found liable, the U.S. government could fine and debar us from receiving new awards for a period generally not to exceed three years and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated.

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

We seek to grow through strategic acquisitions in addition to organic growth. In the past several years, we have acquired consolidated and minority-owned businesses in an effort to complement and expand our business. We expect to continue such pursuits in the future. Our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's historical activities. For example, we may incur unanticipated costs, expenses or other liabilities, or reduced sales, as a result of an acquisition's violation of applicable laws, such as the FCPA or other anti-corruption laws outside of the U.S. We also may incur – and have incurred – unanticipated costs or expenses, including asset impairment and other charges and expenses associated with eliminating duplicate facilities, litigation and other liabilities. We may encounter – and have encountered – difficulties in integrating acquired businesses with our operations, establishing internal controls at these acquired businesses, or in managing strategic investments. Additionally, we may not realize – and have sometimes not realized – the degree or timing of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings subsequent to periods in which we acquire new businesses.

We also make strategic divestitures from time to time. Our divestitures may result in continued financial exposure to the divested businesses, such as through guarantees, other financial arrangements, continued supply and services arrangements or through the retention of liabilities, such as for environmental and product liability claims. Under these arrangements, nonperformance by those divested businesses or claims against retained liabilities could result in the imposition of obligations that could have a material adverse effect on our results of operations, cash flows or financial condition.

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

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

As of December 31, 2022, the net carrying value of our goodwill and intangible assets totaled \$10.0 billion and \$1.3 billion, respectively. Our intangible assets primarily consist of customer relationships, patents, service portfolios and trademarks. We periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, planned or unexpected significant changes in the use of the assets, and sustained market capitalization declines may result in the impairment of goodwill or intangible assets. Any charges relating to such impairments could have a material adverse impact on our results of operations in the period in which the impairment is recognized.

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

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

We incurred debt obligations, and we may incur additional debt obligations in the future, which could adversely affect our business and profitability and our ability to meet other obligations.

As of December 31, 2022, we had approximately \$8.8 billion in aggregate principal amount of outstanding indebtedness. See Note 7 – Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements and the section entitled "Liquidity and Financial Condition" in this Annual Report on Form 10-K for additional information. We may also incur additional indebtedness in the future.

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

As described in Note 7 – Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements and "Liquidity and Financial Condition" the terms of our indebtedness contain covenants restricting our financial flexibility in a number of ways, including, among other things, restrictions on our ability and the ability of certain of our subsidiaries to incur liens, to make certain fundamental changes and to enter into sale and leaseback transactions. In addition, the Revolving Credit Facility and the Japanese Term Loan Facility (both defined subsequently) require that we not exceed a maximum consolidated total leverage ratio. If we breach a restrictive covenant under any of our indebtedness, or an event of default occurs in respect of any of our indebtedness, our lenders may be entitled to declare all amounts owing in respect thereof to be immediately due and payable.

To the extent that we incur additional indebtedness, the foregoing risks could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flows from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

Risks Related to the Separation from UTC

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

Following the Separation and the Distribution, certain members of management and the Board of Directors of each of UTC, Carrier and Otis own common stock in all three companies. This ownership overlap could create, or appear to create, potential conflicts of interest when the management and directors of one company face decisions that could have different implications for themselves and the other two companies. For example, potential conflicts of interest could arise in connection with the resolution of any dispute regarding the terms of the agreements governing the Separation and Carrier's relationship with UTC and Otis thereafter. These agreements include a separation and distribution agreement, the TMA, the employee matters agreement, the intellectual property agreement and any commercial agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that we or UTC may enter into in the future. See Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information on these agreements.

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

Pursuant to the separation and distribution agreement and certain other agreements among UTC, Carrier and Otis, each party has agreed to indemnify the other parties for certain liabilities as discussed further in Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K. Indemnities that we may be required to provide UTC and/or Otis are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that UTC and/or Otis has agreed to retain. The indemnities from UTC and Otis for our benefit may not be sufficient to protect us against the full amount of such liabilities, and UTC and/or Otis may not be able to fully satisfy their respective indemnification obligations. Any amounts we are required to pay pursuant to such indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business.

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

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

Under the TMA, Carrier is generally required to indemnify UTC and Otis for any taxes resulting from the Separation (and any related costs and other damages) to the extent such amounts resulted from: (1) an acquisition of all or a portion of the equity securities or assets of Carrier, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (2) other actions or failures to act by Carrier or (3) certain of Carrier's representations, covenants or undertakings contained in any of the Separation-related agreements and documents or in any documents relating to the IRS ruling and/or the opinion of counsel being incorrect or violated. Further, under the TMA, we are generally required to indemnify UTC and Otis for a specified portion of any taxes (and any related costs and other damages) (a) arising as a result of the failure of the Distribution and certain related transactions to qualify as a transaction that is generally tax-free (including if the transactions were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code) or a failure of any internal separation transaction that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts did not result from a disqualifying action by, or acquisition of equity securities of, Carrier, Otis or UTC or (b) arising from an adjustment, pursuant to an audit or other tax proceeding, with respect to any separation transaction that is not intended to qualify as a transaction that is generally tax-free. Any such indemnity obligations could be material. See Note 1 – Description of the Business in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

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

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

Risks Related to Our Common Stock

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

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

The factors that could affect our common stock price include among others: (1) industry or general market conditions, including inflation and increasing cost of goods; (2) domestic and international economic factors unrelated to our performance; (3) impact of the COVID-19 pandemic; (4) lawsuits, enforcement actions and other claims by third parties or governmental authorities; (5) changes in our customers' preferences; (6) new regulatory pronouncements and changes in regulatory guidelines; (7) actual or anticipated fluctuations in our quarterly operating results; (8) changes in securities analysts' estimates of our financial performance or lack of research coverage and reports by industry analysts; (9) action by institutional shareowners or other large shareowners; (10) failure to meet any financial guidance given by us or any change in any financial guidance given by us, or changes by us in our financial guidance practices; (11) announcements by us of significant impairment charges; (12) speculation in the press or investment community; (13) investor perception of us and our industry; (14) changes in market valuations or earnings of similar companies; (15) announcements by us or our competitors of significant contracts, acquisitions,

dispositions or strategic partnerships; (16) war or terrorist acts; (17) any future sales of our common stock or other securities; (18) additions or departures of key personnel and (19) failure to achieve any of our environmental, social or governance goals.

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

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

The percentage ownership of shareowners in Carrier's common stock may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including any equity awards that we grant to our directors, officers and employees. Our employees have, and will receive from Carrier, stock-based awards that correspond to shares of our common stock. Such awards have had and will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. See Note 14 – Stock-Based Compensation and Note 18 – Earnings Per Share in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

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

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

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

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

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

This exclusive forum provision may limit the ability of our shareowners to bring a claim in a judicial forum that such shareowners find favorable for disputes with Carrier or our directors or officers, which may discourage such lawsuits against

Carrier and our directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described previously, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our business, results of operations and financial condition.

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

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

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

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

General Risks

Natural disasters, epidemics or other unexpected events may disrupt our operations, adversely affect our results of operations, cash flows or financial condition and may not be fully covered by insurance.

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

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

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

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

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

Our business success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that we have leadership with the necessary skill sets and experience could impede our ability to deliver our growth objectives, execute our strategic plan and effectively transition our leadership.

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

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

See "Business Overview" and "Results of Operations—Income Taxes" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 – Summary of Significant Accounting Policies and Note 17 – Income Taxes in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion on income taxes and related contingencies.

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

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

will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal controls over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal controls over financial reporting.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate approximately 1,100 sites, which comprise approximately 41 million square feet of productive space. Of these, our facilities and key manufacturing sites greater than 100,000 square feet comprise approximately 32 million square feet of productive space. Approximately 70%, 14% and 13% of these significant properties are associated with our HVAC, Refrigeration and Fire & Security segments, respectively, with approximately 3% not associated with a particular segment. Approximately 33% of these significant properties are leased and the remainder are owned. Approximately 43% of these significant properties are located in the U.S.

Our fixed assets as of December 31, 2022 include manufacturing facilities and non-manufacturing facilities, such as warehouses and machinery and equipment, most of which is general purpose machinery and equipment that use special jigs, tools and fixtures and that, in many instances, have automatic control features and special adaptations. The facilities, warehouses, machinery and equipment in use as of December 31, 2022 are in good operating condition, are well-maintained and substantially all are in regular use.

ITEM 3. LEGAL PROCEEDINGS

Asbestos Matters

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

UTC Equity Awards Conversion Litigation

On August 12, 2020, several former employees of UTC or its subsidiaries filed a putative class action complaint (the "Complaint") in the United States District Court for the District of Connecticut against Raytheon Technologies Corporation, Carrier, Otis, the former members of the UTC Board of Directors and the members of the Carrier and Otis Boards of Directors (*Geraud Darnis, et al. v. Raytheon Technologies Corporation, et al.*). The Complaint challenged the method by which UTC equity awards were converted to UTC, Carrier and Otis equity awards following the Separation and the Distribution. Defendants moved to dismiss the Complaint. Plaintiffs amended their Complaint on September 13, 2021 (the "Amended Complaint"). The Amended Complaint, with Raytheon, Carrier and Otis as the only defendants, asserted that the defendants are

liable for breach of certain equity compensation plans and for breach of the implied covenant of good faith and fair dealing. The Amended Complaint also sought specific performance. Carrier believes all plaintiffs' claims against the Company are without merit. Defendants moved to dismiss the Amended Complaint. On September 30, 2022, the court dismissed the case against all defendants, with prejudice. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. The briefing process is ongoing.

Aqueous Film Forming Foam Litigation

As of December 31, 2022, the Company and certain of its subsidiaries, including Kidde-Fenwal, Inc. ("KFI"), have been named as defendants in more than 3,150 lawsuits filed by individuals in or removed to the federal courts of the United States alleging that the historic use of Aqueous Film Forming Foam ("AFFF") caused personal injuries and/or property damage. The Company and certain of its subsidiaries including KFI, have also been named as a defendant in more than 300 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company and others to the U.S. District Court for the District of South Carolina ("MDL Court") for pre-trial proceedings ("MDL Proceedings"). The individual plaintiffs in the MDL Proceedings generally seek damages for alleged personal injuries, medical monitoring, diminution in property value and injunctive relief to remediate alleged contamination of water supplies. The U.S. state, municipal and water utility plaintiffs in the MDL Proceedings generally seek damages and costs related to the remediation of public property and water supplies.

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires primarily at military bases and airports. AFFF was manufactured by several companies, including National Foam and Angus Fire. UTC subsidiaries first entered the AFFF business with their acquisition of National Foam and Angus Fire in 2005 as part of the acquisition of KFI and Kidde Products Limited ("KPL"). In 2013, KFI and KPL divested the National Foam and Angus Fire businesses to a third party. The Company acquired KFI and KPL as part of its separation from UTC in April 2020. During the eight-year period of its operation by KFI, National Foam manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania ("Pennsylvania Site"). During the same period, Angus Fire manufactured AFFF for sale outside the United States at a single facility located in Bentham, England.

The key components of AFFF that contribute to its fire-extinguishing capabilities are known as fluorosurfactants. Neither the Company nor any of its former or current subsidiaries, including National Foam/Angus Fire and KFI/KPL, respectively, manufactured fluorosurfactants; they instead purchased these substances from unrelated third parties to in turn manufacture AFFF. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as perfluorooctane sulfonate ("PFOS") and/or perfluorooctane acid ("PFOA"). Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

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

Plaintiffs in the MDL Proceedings have named multiple defendants, including four suppliers of chemicals and raw materials used to manufacture fluorosurfactants, four fluorosurfactant manufacturers, two toll manufacturers of fluorosurfactants and seven current (including National Foam and Angus Fire) and former (including the Company and KFI) AFFF manufacturers.

The defendants moved for summary judgment on the government contractor defense, which potentially applies to AFFF sold to or used by the U.S. government. After full briefing and oral argument, on September 16, 2022, the MDL court declined to enter summary judgment for the defendants. The defense, however, remains available at any trial to which it applies.

On September 23, 2022, after completion of discovery, the MDL court selected one water provider case, the *City of Stuart, FL v. 3M, et al.*, for a bellwether trial. That trial is tentatively scheduled for June 2023. The MDL court has ordered that the

bellwether process for personal injury cases will begin in 2023. The court has not yet outlined details on that process or its timing.

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply.

The Company and its subsidiaries, including KFI, and other defendants are also party to one action in Arizona state court brought by a firefighter claiming that occupational exposure to AFFF has caused him certain personal injuries. The Company and its subsidiaries, including KFI, believe that they have meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Based on its 2013 agreement for the sale of National Foam and Angus Fire, the Company and its subsidiaries, including KFI are pursuing indemnification against these claims from the purchaser and current owner of National Foam and Angus Fire. The Company and its subsidiaries, including KFI, are also pursuing insurance coverage for these claims. At this time, however, given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate the damages, if any, to be allocated to the Company and its subsidiaries, including KFI, if one or more plaintiffs were to prevail in these cases. There can be no assurance that any such future exposure will not be material in any period.

Other

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

A further discussion of our potential regulatory liabilities can be found under the headings "Business" and "Risk Factors" in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

PART II

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

The Company's common stock is listed on the NYSE under the ticker symbol "CARR." As of December 31, 2022, the approximate number of common stock shareowners of record was 22,805.

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

PERFORMANCE GRAPH

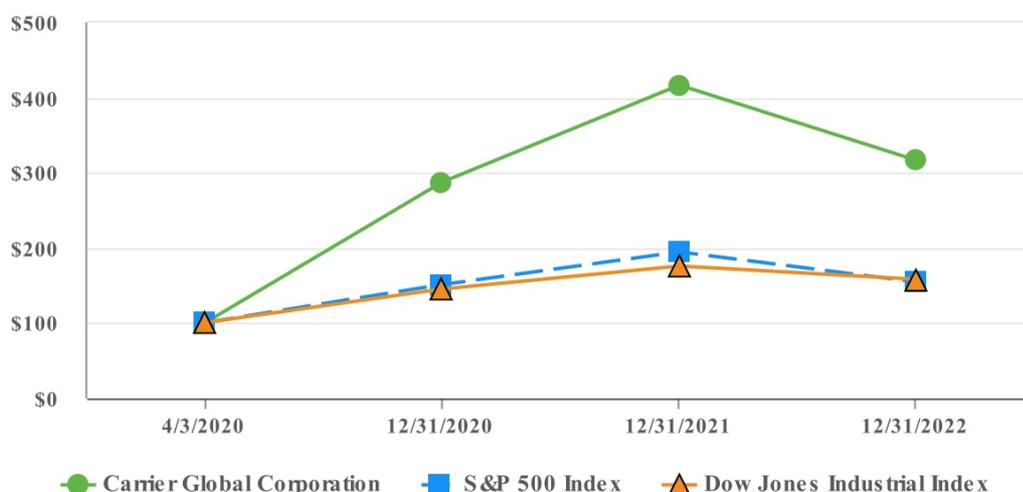
The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing of the Company under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

On April 3, 2020, UTC completed the Separation of Carrier into a stand-alone company. As a result of the Separation and the Distribution, Carrier became an independent public company. The following graph presents the cumulative total shareowner

return from the Distribution Date through December 31, 2022 for our common stock, as compared with the S&P 500 Index and the Dow Jones Industrial Index.

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

Comparison of Cumulative Total Return



The cumulative total returns on Carrier common stock and each index as of each April 3, 2020 through December 31, 2022 plotted in the above graph are as follows:

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

Issuer Purchases of Equity Securities

The following table provides information about our purchases during the three months ended December 31, 2022 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act.

	Total Number of Shares Purchased (in 000's)	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of a Publicly Announced Program (in 000's)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions)
2022				
October 1 - October 31	751	\$36.34	751	\$ 2,282
November 1 - November 30	642	\$42.53	642	\$ 2,255
December 1 - December 31	1,474	\$43.46	1,474	\$ 2,190
Total	2,867	\$41.39	2,867	

⁽¹⁾ Excludes broker commissions.

We may purchase our outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. In July 2021, the Company's Board of Directors approved a \$1.75

billion increase to the Company's existing \$350 million share repurchase program authorizing the repurchase of up to \$2.1 billion of the Company's outstanding common stock. In October 2022, our Board of Directors approved a \$2 billion increase to the Company's existing \$2.1 billion share repurchase program.

Equity Compensation Plan Information

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters, of this Annual Report on Form 10-K.

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

BUSINESS OVERVIEW

Business Summary

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

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

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

Significant Events

Acquisition of Toshiba Carrier Corporation

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

Supply Chain Challenges

The ongoing global economic recovery from the COVID-19 pandemic has caused significant challenges for global supply chains resulting in inflationary cost pressures, component shortages and transportation delays. As a result, we have incurred incremental costs for commodities and components used in our products as well as component shortages that have negatively

impacted our sales and results of operations. We expect that these challenges will continue to have an impact on our businesses for the foreseeable future.

We continue to take proactive steps to limit the impact of these challenges and are working closely with our suppliers to ensure availability of products and implement other cost savings initiatives. In addition, we continue to invest in our supply chain to improve its resilience with a focus on automation, dual sourcing of critical components and localized manufacturing when feasible. To date, there has been limited disruption to the availability of our products, though it is possible that more significant disruptions could occur if these supply chain challenges continue.

Russia's Invasion of Ukraine

In February 2022, Russian forces initiated a military action against Ukraine. As a result, the European Union, the United States, the United Kingdom and other countries have imposed sanctions that have increased global economic and political uncertainty. We operated in Russia through a Russia-based subsidiary and a joint venture which represented less than 1% of our total assets and revenue. On March 10, 2022, we announced that we were suspending business operations in Russia, honoring existing contractual obligations in a manner that fully complies with all sanctions and trade controls imposed. As of December 31, 2022, we have ceased all operations in Russia. While neither Russia nor Ukraine constitute a material portion of our business, the conflict could lead to disruption, instability and volatility in global markets and industries that could negatively impact our results of operations. We continue to monitor the evolving impacts of this conflict and its effect on the global economy and geopolitical landscape.

Sale of Chubb Fire & Security Business

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

Impact of the COVID-19 Pandemic

In early 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 as a global pandemic. In response, many countries implemented containment and mitigation measures to combat the outbreak, which severely restricted the level of economic activity and caused a significant contraction in the global economy. As a result, we took several preemptive actions to manage liquidity, preserve the health and safety of our employees and customers as well as maintaining the continuity of our operations. The preparation of financial statements requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period, which can have a significant effect on reported amounts. However, due to significant uncertainty surrounding the pandemic, including a resurgence in cases and the spread of COVID-19 variants, management's judgments could change. While our results of operations, cash flows and financial condition could be negatively impacted, the extent of any continuing impact cannot be estimated with certainty at this time.

RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity for the year ended December 31, 2022 compared with December 31, 2021. This discussion should be read in conjunction with Item 8, the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K. A detailed discussion of the year ended December 31, 2021 compared with December 31, 2020 is not included herein and can be found in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in the Company's 2021 Annual Report on Form 10-K, filed with the SEC on February 8, 2022, under the heading "Results of Operations," which is incorporated herein by reference.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

As a result of the Chubb Sale, we do not have any remaining ownership interest in Chubb and no longer consolidate Chubb in our financial statements as of January 3, 2022. Therefore, this Management's Discussion and Analysis of Financial Condition and Results of Operations only includes the financial results of Chubb in periods prior to the date of sale. As a result, prior period results may not be comparable to the current period.

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

The following represents our consolidated net sales and operating results:

<i>(In millions)</i>	2022	2021	Period Change	% Change
Net sales	\$ 20,421	\$ 20,613	\$ (192)	(1) %
Cost of products and services sold	(14,957)	(14,633)	(324)	2 %
Gross margin	5,464	5,980	(516)	(9) %
Operating expenses	(949)	(3,335)	2,386	(72) %
Operating profit	4,515	2,645	1,870	71 %
Non-operating income (expense), net	(223)	(245)	22	(9) %
Income from operations before income taxes	4,292	2,400	1,892	79 %
Income tax expense	(708)	(699)	(9)	1 %
Net income from operations	3,584	1,701	1,883	111 %
Less: Non-controlling interest in subsidiaries' earnings from operations	50	37	13	35 %
Net income attributable to common shareowners	\$ 3,534	\$ 1,664	\$ 1,870	112 %

Net Sales

For the year ended December 31, 2022, *Net sales* was \$20.4 billion, a 1% decrease compared with the same period of 2021. The components of the year-over-year change were as follows:

	2022
Organic / Operational	8 %
Foreign currency translation	(3) %
Acquisitions and divestitures, net	(6) %
Total % change	(1) %

Organic sales for the year ended December 31, 2022 increased by 8% compared with the same period of 2021. We continue to benefit from the demand for energy-efficient, digital products and healthy building solutions. In addition, pricing improvements more than offset inflationary impacts in each of our segments. The organic increase was primarily driven by our HVAC segment due to pricing improvements in our North America residential and light commercial business and improved global end-markets in our Commercial HVAC business. Refrigeration results were flat as each of the segment's businesses experienced challenges in certain end markets during the second half of the year. Pricing improvements in our Fire & Security segment were the primary driver of growth compared with the prior year while supply chain and logistics constraints continue to be challenging. Refer to "Segment Review" below for a discussion of *Net sales* by segment.

Gross Margin

For the year ended December 31, 2022, gross margin was \$5.5 billion, a 9% decrease compared with the same period of 2021. The components were as follows:

<i>(In millions)</i>	2022	2021
Net sales	\$ 20,421	\$ 20,613
Cost of products and services sold	(14,957)	(14,633)
Gross margin	\$ 5,464	\$ 5,980
Percentage of net sales	26.8 %	29.0 %

Gross margin decreased by \$516 million compared with the year ended December 31, 2021. A main driver of the decrease related to incremental costs of products and services sold associated with TCC since the date of acquisition, which included inventory step-up, backlog amortization and intangible asset amortization resulting from the recognition of acquired assets at fair value. These costs had a 50 basis point impact on gross margin as a percentage of *Net sales*. In addition, each of our segments continue to be impacted by the higher cost of commodities and components used in our products, certain supply chain constraints and higher freight costs. However, these impacts were partially offset by ongoing customer demand, pricing improvements and our continued focus on productivity initiatives. Although pricing improvements more than offset inflationary impacts and supply chain challenges, gross margin as a percentage of *Net sales* decreased by 220 basis points compared with the same period of 2021.

Operating Expenses

For the year ended December 31, 2022, operating expenses, including *Equity method investment net earnings*, was \$0.9 billion, a 72% decrease compared with the same period of 2021. The components were as follows:

<i>(In millions)</i>	For the Year Ended December 31,	
	2022	2021
Selling, general and administrative	\$ (2,512)	\$ (3,120)
Research and development	(539)	(503)
Equity method investment net earnings	262	249
Other income (expense), net	1,840	39
Operating expenses	\$ (949)	\$ (3,335)
Percentage of net sales	4.6 %	16.2 %

For the year ended December 31, 2022, *Selling, general and administrative* expenses were \$2.5 billion, a 19% decrease compared with the same period of 2021. The decrease is primarily due to the Chubb Sale on January 3, 2022. In addition, lower restructuring charges and the benefit provided by changes in the fair value of cash-settled equity awards further contributed to the decrease. These amounts were partially offset by incremental selling, general and administrative expenses associated with TCC since the date of acquisition and \$31 million of acquisition-related costs. The year ended December 31, 2021 included \$43 million of costs related to the Chubb Sale and \$20 million of costs related to the Separation.

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

Investments over which we do not exercise control, but have significant influence, are accounted for using the equity method of accounting. For the year ended December 31, 2022, *Equity method investment net earnings* were \$262 million, a 5% increase compared with the same period of 2021. The increase was primarily related to a \$27 million gain on the sale of two minority owned subsidiaries by one of our joint ventures. In addition, higher earnings in HVAC joint ventures in Asia and North America further benefited earnings. These amounts were partially offset by the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of interests in our equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than an entity's functional currency and hedging-related activities. In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest. In addition, we completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion during the twelve months ended December 31, 2022.

Non-Operating Income (Expense), net

For the year ended December 31, 2022, Non-operating income (expense), net was \$223 million, a 9% decrease compared with the same period of 2021. The components were as follows:

<i>(In millions)</i>	For the Year Ended December 31,	
	2022	2021
Non-service pension benefit (expense)	\$ (4)	\$ 61
Interest expense	(302)	(319)
Interest income	83	13
Interest (expense) income, net	(219)	(306)
Non-operating income (expense), net	\$ (223)	\$ (245)

Non-operating income (expense), net includes the results from activities other than normal business operations such as interest expense, interest income and the non-service components of pension and post-retirement obligations. Interest expense is affected by the amount of debt outstanding and the interest rates on that debt. For the year ended December 31, 2022, interest expense was \$302 million, a 5% decrease compared with the same period of 2021. During the year ended December 31, 2022, we completed tender offers to repurchase approximately \$1.15 billion aggregate principal of our 2.242% Notes due 2025 and 2.493% Notes due 2027. Upon settlement, we wrote off \$5 million of unamortized deferred financing costs in *Interest expense* and recognized a net gain of \$33 million in *Interest income*. During the year ended December 31, 2021, we incurred a make-whole premium of \$17 million and write-off of \$2 million of unamortized deferred financing costs as a result of the redemption of our \$500 million 1.923% Notes originally due in February 2023.

Income Taxes

	2022	2021
Effective tax rate	16.5 %	29.1 %

The effective tax rate for the year ended December 31, 2022 was lower than our statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of our previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in the current year. The effective tax rate for the year ended December 31, 2021 was higher than our statutory U.S. federal income tax rate. The increase was driven by a net tax charge of \$157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of Chubb and a \$43 million deferred tax charge as a result of the tax rate increase from 19% to 25% in the United Kingdom. These amounts were partially offset by a favorable tax adjustment of \$70 million due to foreign tax credits generated and expected to be utilized in the current year and \$21 million resulting from the re-organization of a German subsidiary.

Segment Review

We conduct our operations through three reportable segments:

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

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

Summary performance for each of our segments is as follows:

<i>(In millions)</i>	Net Sales		Operating Profit		Operating Margin	
	2022	2021	2022	2021	2022	2021
HVAC	\$ 13,408	\$ 11,390	\$ 2,610	\$ 1,738	19.5 %	15.3 %
Refrigeration	3,883	4,127	483	476	12.4 %	11.5 %
Fire & Security	3,570	5,515	1,630	662	45.7 %	12.0 %
Total segment	\$ 20,861	\$ 21,032	\$ 4,723	\$ 2,876	22.6 %	13.7 %

HVAC Segment

For the year ended December 31, 2022, *Net sales* in our HVAC segment was \$13.4 billion, an 18% increase compared with the same period of 2021. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	12 %
Foreign currency translation	(2) %
Acquisitions and divestitures, net	8 %
Total % change	18 %

The organic increase in *Net sales* of 12% was driven by continued strong results across each of the segment's businesses. Increased sales in our North America residential and light commercial business (up 14%) were primarily driven by pricing improvements and end market demand. These amounts were partially offset by volume reductions in certain end markets. Increased sales in our Commercial HVAC business (up 9%) benefited from pricing improvements and ongoing customer demand in our end-markets. The business saw growth in North America and Asia while growth in Europe was tempered by current economic conditions and inflationary cost pressures which impacted end-market demand. Increased sales in our Global Comfort Solutions business (up 8%) were primarily driven by pricing improvements. While current demand remains strong, supply chain and logistics constraints continue to be challenging, negatively impacting our sales and results of operations. In addition, results for 2021 reflected a significant rebound in demand after initial weakness associated with the COVID-19 pandemic.

On August 1, 2022, the Commercial HVAC business acquired a majority ownership interest in TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The results of TCC have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 7% to *Net sales* for the year ended December 31, 2022 and is included in Acquisitions and divestitures, net.

On June 1, 2021, the Commercial HVAC business acquired a 70% controlling interest in Guangdong Giwee Group and its subsidiaries ("Giwee") and subsequently acquired the remaining 30% ownership interest on September 7, 2021. Giwee is a China-based manufacturer offering a portfolio of HVAC products including variable refrigerant flow, modular chillers and light commercial air conditioners. The results of Giwee have been included in our Consolidated Financial Statements since the date of acquisition. The transaction added 1% to *Net sales* during the year ended December 31, 2022 and is included in Acquisitions and divestitures, net.

For the year ended December 31, 2022, *Operating profit* in our HVAC segment was \$2.6 billion, a 50% increase compared with the same period of 2021. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	10 %
Foreign currency translation	(1) %
Acquisitions and divestitures, net	(1) %
Restructuring	1 %
Other	41 %
Total % change	50 %

The operational profit increase of 10% was primarily attributable to pricing improvements compared with the prior year. Higher earnings from equity method investments in Asia and North America also benefited operational profit and included a \$27 million gain on the sale of two minority owned subsidiaries by one of our joint ventures. These amounts were partially offset by the increase in our ownership interest in TCC on August 1, 2022. As a result, TCC is no longer accounted for under the equity method of accounting since the date of acquisition. In addition, productivity initiatives provided further benefits to operational profit. These amounts were partially offset by the higher costs of commodities and components used in our products as well as higher freight and logistics costs.

In connection with the TCC acquisition, the carrying value of our previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, we recognized a \$705 million non-cash gain associated with the increase in our ownership interest in Other. In addition, amounts reported in Other include a \$22 million charge resulting from a litigation matter recognized during the year ended December 31, 2022.

Refrigeration Segment

For the year ended December 31, 2022, *Net sales* in our Refrigeration segment was \$3.9 billion, a 6% decrease compared with the same period of 2021. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	— %
Foreign currency translation	(6) %
Total % change	(6) %

Organic *Net sales* were flat compared to the prior year as each of the segment's businesses experienced challenges in certain end markets during the second half of the year. Results for Commercial refrigeration were flat compared with the prior year, primarily driven by continued supply chain constraints and lower volumes in Europe as economic conditions and inflationary cost pressures impacted end-market demand. In addition, ongoing growth in Asia was more than offset by fourth quarter COVID-19 impacts. These impacts were offset by pricing improvements. Transport refrigeration sales were flat compared to the prior year as pricing improvements and strong end market demand in the U.S. and Europe were offset by continued weakness in the marine sector. The year ended December 31, 2021 reflected a significant rebound in demand associated with the cyclical decline that began in late 2019 as well as the demand for global transportation and COVID-19 vaccine-related cargo monitoring. In addition, supply chain and logistics constraints continue to be challenging, negatively impacting our sales and results of operations.

For the year ended December 31, 2022, *Operating profit* in our Refrigeration segment was \$483 million, a 2% increase compared with the same period of 2021. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	5 %
Foreign currency translation	(7) %
Restructuring	3 %
Other	1 %
Total % change	2 %

The increase in operational profit of 5% was primarily attributable to pricing improvements compared with the prior year. In addition, favorable productivity initiatives and lower selling, general and administrative costs further benefited operational profit. These amounts were partially offset by the higher costs of commodities and components used in our products and higher freight and logistic costs.

Fire & Security Segment

For the year ended December 31, 2022, *Net sales* in our Fire & Security segment was \$3.6 billion, a 35% decrease compared with the same period of 2021. The components of the year-over-year change were as follows:

	Net sales
Organic / Operational	5 %
Foreign currency translation	(2) %
Acquisitions and divestitures, net	(38) %
Total % change	(35)%

The organic increase in *Net sales* of 5% was primarily driven by pricing improvements compared with the prior year. The segment primarily saw growth in both residential and commercial sales in the Americas and Europe as sales in China decreased as a result of current economic conditions and reduced end-market demand. Global industrial sales also benefited segment results with pricing improvements and strong demand. Results for 2021 reflected a significant rebound in demand after initial weakness associated with the COVID-19 pandemic. In addition, supply chain constraints continue to be challenging, negatively impacting our sales and results of operations.

Acquisitions and divestitures, net primarily relates to the prior year results of our Chubb business, the sale of which was completed on January 3, 2022. During the year ended December 31, 2021, *Net sales* in our Fire & Security segment were \$5.5 billion, which included \$2.2 billion from our Chubb business. Absent the results of Chubb, *Net sales* increased 6% from \$3.3 billion to \$3.6 billion.

For the year ended December 31, 2022, *Operating profit* in our Fire & Security segment was \$1.6 billion, a 146% increase compared with the same period of 2021. The components of the year-over-year change were as follows:

	Operating profit
Organic / Operational	(5) %
Foreign currency translation	(2) %
Acquisitions and divestitures, net	(15) %
Restructuring	2 %
Other	166 %
Total % change	146 %

The operational profit decrease of 5% was primarily attributable to the higher costs of commodities and components used in our products and higher freight and logistics costs. In addition, unfavorable mix and lower volumes further impacted results

compared with the prior year. These amounts were partially offset by pricing improvements and favorable productivity initiatives. Acquisitions and divestitures, net primarily relates to the prior year results of our Chubb business, the sale of which was completed on January 3, 2022. Amounts reported during the year ended December 31, 2021 include \$42 million of transaction costs associated with the divestiture. Amounts reported in Other represent the net gain on the Chubb Sale of \$1.1 billion.

LIQUIDITY AND FINANCIAL CONDITION

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

As of December 31, 2022, we had cash and cash equivalents of \$3.5 billion, of which approximately 42% was held by our foreign subsidiaries. We manage our worldwide cash requirements by reviewing available funds and the cost effectiveness with which we can access funds held by foreign subsidiaries. On occasion, we are required to maintain cash deposits in connection with contractual obligations related to acquisitions or divestitures or other legal obligations. As of December 31, 2022 and 2021, the amount of such restricted cash was \$7 million and \$39 million, respectively.

We maintain a \$2.0 billion unsecured, unsubordinated commercial paper program which we can use for general corporate purposes, including working capital and potential acquisitions. In addition, we maintain our \$2.0 billion revolving credit agreement with various banks (the "Revolving Credit Facility") that matures on April 3, 2025 which supports our commercial paper borrowing program and cash requirements. The Revolving Credit Facility has a commitment fee of 0.125% that is charged on the unused commitments. Borrowings under the Revolving Credit Facility are available in U.S. Dollars, Euros and Pounds Sterling and bear interest at a variable interest rate plus a ratings-based margin, which was 125 basis points as of December 31, 2022. As of December 31, 2022, we had no borrowings outstanding under our commercial paper program and our Revolving Credit Facility.

We believe that our available cash and operating cash flows will be sufficient to meet our future operating cash needs. Our committed credit facilities and access to the debt and equity markets provide additional sources of short-term and long-term capital to fund current operations, debt maturities and future investment opportunities. Although we believe that the arrangements currently in place permit us to finance our operations on acceptable terms and conditions, our access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including: (1) our credit ratings or absence of credit ratings; (2) the liquidity of the overall capital markets; and (3) the state of the economy, including the impact of the COVID-19 pandemic. There can be no assurance that we will be able to obtain additional financing on terms favorable to us, if at all.

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

<i>(In millions)</i>	As of December 31,	
	2022	2021
Cash and cash equivalents	\$ 3,520	\$ 2,987
Total debt	\$ 8,842	\$ 9,696
Net debt (total debt less cash and cash equivalents)	\$ 5,322	\$ 6,709
Total equity	\$ 8,076	\$ 7,094
Total capitalization (total debt plus total equity)	\$ 16,918	\$ 16,790
Net capitalization (total debt plus total equity less cash and cash equivalents)	\$ 13,398	\$ 13,803
Total debt to total capitalization	52 %	58 %
Net debt to net capitalization	40 %	49 %

Borrowings and Lines of Credit

Our short-term obligations primarily consist of current maturities of long-term debt. Our long-term obligations primarily consist of long-term notes with maturity dates ranging between 2025 and 2050. Interest payments related to long-term notes are

expected to approximate \$249 million per year, reflecting an approximate weighted-average interest rate of 2.85%. Any borrowings from the Revolving Credit Facility are subject to variable interest rates. See Note 7 - Borrowings and Lines of Credit in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for additional information regarding the terms of our long-term debt obligations.

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

<i>(In millions)</i>	
2023	\$ 140
2024	\$ 2
2025	\$ 1,202
2026	\$ 2
2027	\$ 1,306
Thereafter	\$ 6,251

On March 15, 2022, we commenced tender offers to repurchase up to \$1.15 billion aggregate principal of our 2.242% Notes due 2025 and 2.493% Notes due 2027. The tender offers included payment of applicable accrued and unpaid interest up to the settlement date, along with a fixed spread for early repayment. Based on participation, we elected to settle the tender offers on March 30, 2022. The aggregate principal amount of Senior Notes validly tendered and accepted was approximately \$1.15 billion and included \$800 million of Notes due 2025 and \$350 million of Notes due 2027. Upon settlement, we recognized a net gain of \$33 million and wrote off \$5 million of unamortized deferred financing costs during the three months ended March 31, 2022.

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

The Revolving Credit Facility, the Japanese Term Loan Facility and the indentures for our long-term notes contain affirmative and negative covenants customary for financings of this type, which among other things, limit our ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. As of December 31, 2022, we were compliant with the covenants under the agreements governing our outstanding indebtedness.

The following table presents our credit ratings and outlook as of December 31, 2022:

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

⁽¹⁾ The long-term rating for S&P was affirmed on May 14, 2021, and for Moody's on March 30, 2022. Fitch Ratings' long-term rating was issued on June 3, 2021.

⁽²⁾ S&P revised its outlook to positive from stable on May 20, 2022.

Acquisitions and Divestitures

On January 3, 2022, we completed the Chubb Sale for net proceeds of \$2.9 billion. Consistent with our capital allocation strategy, the net proceeds will be used to fund investments in organic and inorganic growth initiatives and capital returns to shareowners as well as for general corporate purposes.

On February 6, 2022, we entered into a binding agreement to acquire a majority ownership interest in TCC for \$930 million, less cash acquired. The transaction was completed on August 1, 2022 and funded through the Japanese Term Loan Facility and cash on hand. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC. In addition, during the year ended December 31, 2022, we acquired other consolidated businesses and minority-owned businesses. The aggregate cash paid for these acquisitions, net of cash acquired, totaled \$77 million and was funded through cash on hand.

Share Repurchase Program

We may purchase our outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. In July 2021, our Board of Directors approved a \$1.75 billion increase to our existing \$350 million share repurchase program authorizing the repurchase of up to \$2.1 billion of our outstanding common stock. In October 2022, our Board of Directors approved an additional \$2.0 billion increase to our existing \$2.1 billion share repurchase program. Since inception, we repurchased 42.1 million shares of our common stock for an aggregate purchase price of \$1.9 billion. As of December 31, 2022, we have approximately \$2.2 billion remaining under the current authorization.

Dividends

We paid dividends on our common stock of \$0.60 per share during the year ended December 31, 2022, totaling \$509 million. On December 7, 2022, the Board of Directors declared a dividend of \$0.185 per share of common stock which represents a 23% increase over the prior quarterly dividend. It is payable on February 10, 2023 to shareowners of record at the close of business on December 22, 2022.

Discussion of Cash Flows

<i>(In millions)</i>	For the Years Ended December 31,	
	2022	2021
Cash provided by (used in):		
Operating activities	\$ 1,743	\$ 2,237
Investing activities	1,745	(692)
Financing activities	(2,931)	(1,562)
Effect of foreign exchange rate changes on cash and cash equivalents	(56)	(16)
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 501	\$ (33)

Cash flows from operating activities primarily represent inflows and outflows associated with our operations. Primary activities include net income from operations adjusted for non-cash transactions, working capital changes and changes in other assets and liabilities. We define working capital as the assets and liabilities, other than cash, generated through our primary operating activities. The year-over-year decrease in net cash provided by operating activities was driven by higher working capital balances. Ongoing customer demand and an increase in safety stock led to higher inventory balances. In addition, higher account receivable balances more than offset higher accounts payable balances.

Cash flows from investing activities primarily represent inflows and outflows associated with long-term assets. Primary activities include capital expenditures, acquisitions, divestitures and proceeds from the sale of fixed assets. During the year ended December 31, 2022, net cash provided by investing activities was \$1.7 billion. The primary driver of the inflow related to the net proceeds from the Chubb Sale. This amount was partially offset by the acquisition of TCC and several other businesses and minority-owned businesses, which totaled \$506 million, net of cash acquired and \$353 million of capital expenditures. During the year ended December 31, 2021, net cash used in investing activities was \$692 million. The primary driver of the outflow related to the acquisition of several businesses and a minority-owned business, which totaled \$366 million, net of cash acquired and \$344 million of capital expenditures.

Cash flows from financing activities primarily represent inflows and outflows associated with equity or borrowings. Primary activities include debt transactions, paying dividends to shareowners and the repurchase of our common stock. During the year ended December 31, 2022 net cash used in financing activities was \$2.9 billion. The primary driver of the outflow related to the payment of \$1.4 billion to repurchase shares of our common stock. In addition, we settled our tender offers for \$1.15 billion and paid \$509 million in dividends to our common shareowners. During the year ended December 31, 2021 net cash used in financing activities was \$1.6 billion. The primary drivers of the outflow resulted from the repurchase of \$527 million of our common stock, the redemption of our 1.923% Notes of \$500 million and the payment of \$417 million in dividends to our common shareowners.

Summary of Other Sources and Uses of Cash

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

Rapid changes in legislation, regulations and government policies, including with respect to regulations intended to combat climate change, affect our operations and business in the countries, regions and localities in which we operate and sell our products. We are committed to comply with these regulations and to environmental stewardship. As a result, we have set goals to invest over \$2 billion by 2030 to develop healthy, safe, sustainable and intelligent buildings and cold chain solutions that incorporate sustainable design principles and reduce lifecycle impacts. In addition, to reach our goal to achieve carbon neutrality in our operations by 2030, we expect to incur capital expenditures for climate-related projects including upgrading our facilities, equipment and controls to optimize energy efficiency, transition our energy consumption from a dependency on fossil fuels to renewable energy and expanding the electrification of our fleet vehicles. See section entitled Environmental Goals under the headings "Other Matters Relating to Our Business as a Whole" for additional information.

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

CRITICAL ACCOUNTING ESTIMATES

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

Goodwill and Indefinite-Lived Intangible Assets

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

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

For our 2022 impairment test, we elected to perform a quantitative test on our Commercial HVAC reporting unit prior to the TCC acquisition and the subsequent creation of a separate Global Comfort Solutions reporting unit. We utilized a discounted cash flow method under the income approach to estimate the fair value of the Commercial HVAC reporting unit prior to the reorganization, the results of which did not indicate any goodwill impairment. We then reassigned goodwill among our Commercial HVAC and Global Comfort Solutions reporting units using a relative fair value approach and performed a goodwill impairment assessment using a discounted cash flow method under the income approach to estimate the fair value of the reporting units. The results did not indicate any goodwill impairment. For each test, we relied on our estimates of future cash flows, long-term growth rates, discount rates and income tax rates and explicitly addressed factors such as timing, growth and margins with due consideration given to forecasting, market and geographic risk.

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

Revenue Recognition from Contracts with Customers

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

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

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

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

Income Taxes

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

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

Employee Benefit Plans

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

A change in any of these assumptions would have an effect on net periodic pension and post-retirement benefit costs reported in the Consolidated Financial Statements. The following table summarizes the estimated sensitivity of our 2022 projected benefit obligation and net periodic pension (benefit) cost to a 25 basis point change in the discount rate:

<i>(In millions)</i>	Increase in Discount Rate of 25 bps	Decrease in Discount Rate of 25 bps
Projected benefit obligation	\$ (20)	\$ 21
Net periodic pension (benefit) cost	\$ (1)	\$ 1

Net periodic pension (benefit) cost is also sensitive to changes in the expected return on plan assets. An increase or decrease of 25 basis points in the expected return on plan assets would have decreased or increased 2022 pension expense by approximately \$1 million.

Contingent Liabilities

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

As described in Note 23 – Commitments and Contingent Liabilities in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K, contractual, regulatory and other matters, including asbestos claims, may arise in the ordinary course of business that subject us to claims or litigation. We have recorded reserves in the consolidated financial statements related to these matters, which are developed using input derived from actuarial estimates and historical and anticipated experience depending on the nature of the reserve, and in certain instances in consultation with legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, we believe our estimated reserves are reasonable and do not believe the final determination of the liabilities with respect to these matters would have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition. See the "Risk Factors" section in this Annual Report on Form 10-K for additional information.

Recent Accounting Pronouncements

See Note 3 – Summary of Significant Accounting Policies in the accompanying Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for a discussion of recent accounting pronouncements and their effect on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk and Risk Management

We are exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices which could impact our results of operations and financial condition. There has been no significant change in our exposure to market risk for the year ended December 31, 2022.

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

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

Commodity Price Exposures. We are exposed to volatility in the prices of commodities used in some of our products and when appropriate, we use fixed price contracts to manage this exposure. In addition, we are exposed to fuel costs to ship our products and materials. We do not have commodity hedge contracts in place at December 31, 2022.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of Carrier Global Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Carrier Global Corporation and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

As described in Management’s Report on Internal Control Over Financial Reporting, management has excluded Toshiba Carrier Corporation (TCC) from its assessment of internal control over financial reporting as of December 31, 2022, because it was acquired by the Company in a purchase business combination during 2022. We have also excluded TCC from our audit of internal control over financial reporting. TCC is a majority-owned subsidiary whose total assets and total net sales excluded from management’s assessment and our audit of internal control over financial reporting represent approximately 7% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

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

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

Critical Audit Matters

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

Revenue Recognition from Contracts with Customers

As described in Note 13 to the consolidated financial statements, the Company recognized \$20,421 million of consolidated revenue for the year ended December 31, 2022. Some of the Company's contracts with customers contain a single performance obligation, while others contain multiple performance obligations most commonly when a contract spans multiple phases of a product life-cycle such as production, installation, maintenance and support. The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment. For over-time performance obligations requiring the installation of equipment, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

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

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

estimated costs at completion for revenue recognized on an over-time basis involved comparing the originally estimated costs and actual costs incurred, including identifying circumstances that may warrant a modification to the total estimated costs to complete.

Acquisition of TCC – Valuation of Technology, Trademark, and Certain Customer Relationships Intangible Assets

As described in Note 19 to the consolidated financial statements, on August 1, 2022, the Company acquired a majority ownership interest in TCC for \$930 million, which resulted in the recognition of intangible assets including \$220 million of technology, \$180 million of trademark, and \$497 million of customer relationships. The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, earnings before interest and taxes (“EBIT”) margins, discount rates, customer attrition rates, and royalty rates, among others.

The principal considerations for our determination that performing procedures relating to the valuation of technology, trademark, and certain customer relationships intangible assets acquired in the acquisition of TCC is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the technology, trademark, and certain customer relationships intangible assets; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s significant assumptions related to certain royalty rates used in the valuation of the technology, the discount rate and royalty rate used in the valuation of the trademark, and certain projected revenue growth rates, EBIT margins, discount rates, and customer attrition rates used in the valuation of certain customer relationships; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to business combination accounting, including controls over management’s valuation of the technology, trademark, and certain customer relationships intangible assets and controls over the development of significant assumptions related to projected revenue growth rates, EBIT margins, discount rates, customer attrition rates, and royalty rates, as applicable to the respective intangible assets. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management’s process for developing the fair value estimate of the technology, trademark, and certain customer relationships intangible assets. Testing management’s process included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of the underlying data used by management, and evaluating the reasonableness of the aforementioned significant assumptions. Evaluating management’s assumptions related to certain projected revenue growth rates and EBIT margins involved considering TCC’s historical performance, consistency with economic and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company’s valuation methods and the evaluation of the reasonableness of the significant assumptions related to discount rates, customer attrition rates, and certain royalty rates.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 7, 2023

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

CARRIER GLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

<i>(In millions, except per share amounts)</i>	For the Year Ended December 31,		
	2022	2021	2020
Net sales			
Product sales	\$ 18,250	\$ 17,214	\$ 14,347
Service sales	2,171	3,399	3,109
	<u>20,421</u>	<u>20,613</u>	<u>17,456</u>
Costs and expenses			
Cost of products sold	(13,337)	(12,300)	(10,185)
Cost of services sold	(1,620)	(2,333)	(2,162)
Research and development	(539)	(503)	(419)
Selling, general and administrative	(2,512)	(3,120)	(2,820)
	<u>(18,008)</u>	<u>(18,256)</u>	<u>(15,586)</u>
Equity method investment net earnings	262	249	207
Other income (expense), net	1,840	39	1,006
Operating profit	<u>4,515</u>	<u>2,645</u>	<u>3,083</u>
Non-service pension benefit (expense)	(4)	61	60
Interest (expense) income, net	(219)	(306)	(288)
Income from operations before income taxes	<u>4,292</u>	<u>2,400</u>	<u>2,855</u>
Income tax expense	(708)	(699)	(849)
Net income from operations	<u>3,584</u>	<u>1,701</u>	<u>2,006</u>
Less: Non-controlling interest in subsidiaries' earnings from operations	50	37	24
Net income attributable to common shareowners	<u>\$ 3,534</u>	<u>\$ 1,664</u>	<u>\$ 1,982</u>
Earnings per share			
Basic	\$ 4.19	\$ 1.92	\$ 2.29
Diluted	\$ 4.10	\$ 1.87	\$ 2.25
Weighted-average number of shares outstanding			
Basic	843.4	867.7	866.5
Diluted	861.2	890.3	880.2

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

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

<i>(In millions)</i>	For the Year Ended December 31,		
	2022	2021	2020
Net income from operations	\$ 3,584	\$ 1,701	\$ 2,006
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Foreign currency translation adjustments arising during period	(551)	(322)	604
Less: reclassification adjustments for gain on sale of an investment in a foreign entity recognized in Other income (expense), net	—	8	—
Chubb divestiture	(574)	—	—
Foreign currency translation adjustments arising during period	(1,125)	(314)	604
Pension and post-retirement benefit plans:			
Net actuarial gain (loss) arising during period	63	53	(94)
Amortization of actuarial (gain) loss and prior service credit	11	34	24
Chubb divestiture	329	—	—
Other	—	—	(35)
	403	87	(105)
Tax (expense) benefit	(3)	(17)	22
Pension and post-retirement benefit plans adjustments arising during the period	400	70	(83)
Other comprehensive income (loss), net of tax	(725)	(244)	521
Comprehensive income (loss)	2,859	1,457	2,527
Less: Comprehensive income (loss) attributable to non-controlling interest	(24)	(37)	(37)
Comprehensive income (loss) attributable to common shareowners	\$ 2,835	\$ 1,420	\$ 2,490

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

CARRIER GLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

<i>(In millions, except share amounts)</i>	As of December 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 3,520	\$ 2,987
Accounts receivable, net	2,833	2,403
Contract assets, current	537	503
Inventories, net	2,640	1,970
Assets held for sale	—	3,168
Other assets, current	349	376
Total current assets	9,879	11,407
Future income tax benefits	612	563
Fixed assets, net	2,241	1,826
Operating lease right-of-use assets	642	640
Intangible assets, net	1,342	509
Goodwill	9,977	9,349
Pension and post-retirement assets	26	43
Equity method investments	1,148	1,593
Other assets	219	242
Total Assets	\$ 26,086	\$ 26,172
Liabilities and Equity		
Accounts payable	\$ 2,833	\$ 2,334
Accrued liabilities	2,610	2,561
Contract liabilities, current	449	415
Liabilities held for sale	—	1,134
Current portion of long-term debt	140	183
Total current liabilities	6,032	6,627
Long-term debt	8,702	9,513
Future pension and post-retirement obligations	349	380
Future income tax obligations	568	354
Operating lease liabilities	529	527
Other long-term liabilities	1,830	1,677
Total Liabilities	18,010	19,078
Commitments and contingent liabilities (Note 23)		
Equity		
Common stock, par value \$0.01; 4,000,000,000 shares authorized; 876,487,480 and 873,064,219 shares issued; 834,664,966 and 863,039,097 outstanding as of December 31, 2022 and 2021, respectively	9	9
Treasury stock - 42,103,995 common shares	(1,910)	(529)
Additional paid-in capital	5,481	5,411
Retained earnings	5,866	2,865
Accumulated other comprehensive income (loss)	(1,688)	(989)
Non-controlling interest	318	327
Total Equity	8,076	7,094
Total Liabilities and Equity	\$ 26,086	\$ 26,172

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

CARRIER GLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In millions)</i>	UTC Net Investment	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Non-Controlling Interest	Total Equity
Balance as of January 1, 2020	\$ 15,355	\$ (1,253)	\$ —	\$ —	\$ —	\$ —	\$ 333	\$ 14,435
Net income	96	—	—	—	—	1,886	24	2,006
Other comprehensive income (loss), net of tax	—	508	—	—	—	—	13	521
Capital contribution to non-controlling interest	—	—	—	—	—	—	4	4
Dividends declared on common stock (\$0.28 per share)	—	—	—	—	—	(243)	—	(243)
Shares issued under incentive plans, net	—	—	—	—	(15)	—	—	(15)
Stock-based compensation	—	—	—	—	77	—	—	77
Dividends attributable to non-controlling interest	—	—	—	—	—	—	(48)	(48)
Net transfers to UTC	(11,014)	—	—	—	—	—	—	(11,014)
Adoption impact of ASU 2016-13	(4)	—	—	—	—	—	—	(4)
Net transfers from UTC	859	—	—	—	—	—	—	859
Reclassification of UTC Net Investment to Common stock and Additional paid-in capital	(5,292)	—	9	—	5,283	—	—	—
Balance as of December 31, 2020	\$ —	\$ (745)	\$ 9	\$ —	\$ 5,345	\$ 1,643	\$ 326	\$ 6,578
Net income	—	—	—	—	—	1,664	37	1,701
Other comprehensive income (loss), net of tax	—	(244)	—	—	—	—	—	(244)
Dividends declared on common stock (\$0.51 per share)	—	—	—	—	—	(442)	—	(442)
Shares issued under incentive plans, net	—	—	—	—	(24)	—	—	(24)
Stock-based compensation	—	—	—	—	92	—	—	92
Acquisition (sale) of non-controlling interest, net	—	—	—	—	(2)	—	2	—
Dividends attributable to non-controlling interest	—	—	—	—	—	—	(38)	(38)
Treasury stock repurchases	—	—	—	(529)	—	—	—	(529)
Balance as of December 31, 2021	\$ —	\$ (989)	\$ 9	\$ (529)	\$ 5,411	\$ 2,865	\$ 327	\$ 7,094
Net income	—	—	—	—	—	3,534	50	3,584
Other comprehensive income (loss), net of tax	—	(699)	—	—	—	—	(26)	(725)
Dividends declared on common stock (\$0.64 per share)	—	—	—	—	—	(533)	—	(533)
Shares issued under incentive plans, net	—	—	—	—	(12)	—	—	(12)
Stock-based compensation	—	—	—	—	77	—	—	77
Dividends attributable to non-controlling interest	—	—	—	—	—	—	(50)	(50)
Acquisition of non-controlling interest	—	—	—	—	5	—	22	27
Sale of non-controlling interest	—	—	—	—	—	—	(5)	(5)
Treasury stock repurchase	—	—	—	(1,381)	—	—	—	(1,381)
Balance as of December 31, 2022	\$ —	\$ (1,688)	\$ 9	\$ (1,910)	\$ 5,481	\$ 5,866	\$ 318	\$ 8,076

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

CARRIER GLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In millions)</i>	For the Year Ended December 31,		
	2022	2021	2020
Operating Activities			
Net income from operations	\$ 3,584	\$ 1,701	\$ 2,006
Adjustments to reconcile net income from operations to net cash flows from operating activities			
Depreciation and amortization	380	338	336
Deferred income tax provision	(124)	(74)	97
Stock-based compensation cost	77	92	77
Equity method investment net earnings	(262)	(249)	(207)
Impairment charge on minority-owned joint venture investments	—	2	72
(Gain) loss on extinguishment of debt	(36)	—	—
(Gain) loss on sale of investments	(1,815)	2	(1,123)
Changes in operating assets and liabilities			
Accounts receivable, net	(145)	(97)	49
Contract assets, current	(51)	(47)	(9)
Inventories, net	(334)	(408)	(240)
Other assets, current	104	(11)	3
Accounts payable and accrued liabilities	61	829	237
Contract liabilities, current	29	51	46
Defined benefit plan contributions	(16)	(47)	(41)
Distributions from equity method investments	148	159	169
Other operating activities, net	143	(4)	220
Net cash flows provided by (used in) operating activities	1,743	2,237	1,692
Investing Activities			
Capital expenditures	(353)	(344)	(312)
Proceeds on sale of investments	—	7	1,377
Investment in businesses, net of cash acquired	(506)	(366)	—
Dispositions of businesses	2,902	—	—
Settlement of derivative contracts, net	(194)	4	40
Payment to former shareholders of TCC	(104)	—	—
Other investing activities, net	—	7	1
Net cash flows provided by (used in) investing activities	1,745	(692)	1,106
Financing Activities			
(Decrease) increase in short-term borrowings, net	(140)	13	(23)
Issuance of long-term debt	432	140	11,784
Repayment of long-term debt	(1,275)	(704)	(1,911)
Repurchases of common stock	(1,380)	(527)	—
Dividends paid on common stock	(509)	(417)	(138)
Dividends paid to non-controlling interest	(46)	(42)	(48)
Net transfers to UTC	—	—	(10,359)
Other financing activities, net	(13)	(25)	14
Net cash flows provided by (used in) financing activities	(2,931)	(1,562)	(681)
Effect of foreign exchange rate changes on cash and cash equivalents	(56)	(16)	45
Net increase (decrease) in cash and cash equivalents and restricted cash, including cash classified in current assets held for sale	501	(33)	2,162
Less: Change in cash balances classified as assets held for sale	—	60	—
Net increase (decrease) in cash and cash equivalents and restricted cash	501	(93)	2,162
Cash, cash equivalents and restricted cash, beginning of period	3,026	3,119	957
Cash, cash equivalents and restricted cash, end of period	3,527	3,026	3,119
Less: restricted cash	7	39	4
Cash and cash equivalents, end of period	\$ 3,520	\$ 2,987	\$ 3,115

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

CARRIER GLOBAL CORPORATION AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE BUSINESS

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

Impact of the COVID-19 Pandemic

In early 2020, the World Health Organization declared the outbreak of a respiratory disease known as COVID-19 as a global pandemic. In response, many countries implemented containment and mitigation measures to combat the outbreak, which severely restricted the level of economic activity and caused a significant contraction in the global economy. As a result, the Company took several preemptive actions to manage liquidity, preserve the health and safety of its employees and customers as well as maintain the continuity of its operations. The preparation of financial statements requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period, which can have a significant effect on reported amounts. However, due to significant uncertainty surrounding the pandemic, including a resurgence in cases and the spread of COVID-19 variants, management's judgments could change. While the Company's results of operations, cash flows and financial condition could be negatively impacted, the extent of any continuing impact cannot be estimated with certainty at this time.

NOTE 2: BASIS OF PRESENTATION

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

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

Acquisition of Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in Toshiba Carrier Corporation ("TCC"), a variable refrigerant flow ("VRF") and light commercial HVAC joint venture between Carrier and Toshiba Corporation. The acquisition was completed on August 1, 2022. As a result, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within the Company's HVAC segment. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC. See Note 19 - Acquisitions for additional information.

Sale of Chubb Fire & Security Business

On July 26, 2021, the Company entered into a stock purchase agreement to sell its Chubb Fire and Security business ("Chubb") to APi Group Corporation ("APi"). As a result, the assets and liabilities of Chubb are presented as held for sale in the accompanying Consolidated Balance Sheet as of December 31, 2021 and recorded at the lower of their carrying value or fair value less estimated cost to sell. The sale of Chubb was completed on January 3, 2022 (the "Chubb Sale"). See Note 20 - Divestitures for additional information.

Separation from United Technologies

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

The Company's financial statements for the periods prior to the Separation and the Distribution are prepared on a "carve-out" basis and include all amounts directly attributable to the Company. Net cash transfers and other property transferred between UTC and the Company, including related party receivables and payables between the Company and other UTC affiliates, are presented as Net transfers to UTC within *UTC Net Investment* in the accompanying Consolidated Financial Statements. In addition, the financial statements include allocations of costs for administrative functions and services performed on behalf of the Company by centralized groups within UTC. All allocations and estimates in the accompanying Consolidated Financial Statements are based on assumptions that management believes are reasonable. The allocated centralized costs for the year ended December 31, 2020 were \$43 million and are primarily included in *Selling, general and administrative* in the accompanying Consolidated Statement of Operations.

The Company's financial statements for the periods subsequent to April 3, 2020 are consolidated financial statements based on the reported results of Carrier as a stand-alone company. Following the Separation and Distribution, the Company entered into several agreements with UTC and Otis Worldwide Corporation ("Otis") that govern various aspects of the relationship among the Company, UTC and Otis. As of December 31, 2022, only the Tax Matters Agreement ("TMA") remains in effect. In addition, the Company incurred separation-related costs of \$20 million and \$141 million for the years ended December 31, 2021 and 2020, respectively. These costs are primarily included in *Selling, general and administrative* in the accompanying Consolidated Statement of Operations and consist of employee-related costs, costs to establish certain stand-alone functions and information technology systems, professional service fees and other transaction-related costs resulting from Carrier's transition to becoming an independent, publicly traded company.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. On occasion, the Company is required to maintain restricted cash deposits with certain banks due to contractual or other legal obligations. Restricted cash of \$7 million and \$39 million is included in *Other assets, current* as of December 31, 2022 and 2021, respectively.

Accounts Receivable. Accounts receivable consist of billed amounts owed for products shipped to or services performed for customers. Amounts are recorded net of an allowance for expected credit losses which represents the best estimate of probable loss inherent in the Company's accounts receivable portfolio. The allowance is determined using a combination of factors including a reserve based on the aging of the outstanding accounts receivable portfolio and the Company's historical credit loss experience with its end markets, customer base and products. In addition, the Company considers knowledge of specific customers, current market conditions as well as reasonable and supportable forecasts of future events and economic conditions. As of December 31, 2022 and 2021, the allowance for expected credit losses was \$117 million and \$88 million, respectively. These estimates and assumptions are reviewed periodically with the effects of changes, if any, reflected in the Consolidated Statement of Operations in the period that they are determined.

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

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

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

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

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

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

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

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

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

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

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

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

Prior to the Separation, the Company's income tax provision was prepared following the separate return methodology. The separate return method applies ASC 740 to the financial statements of each member of a consolidated group as if the group members were separate taxpayers. As a result, certain operations of the Company were included in a consolidated return with other UTC entities. The calculation of the Company's income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. See Note 17 – Income Taxes for additional information.

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

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

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

Research and Development. The Company conducts research and development activities with a focus on new product development and technology innovation. These costs are charged to expense as incurred. For the years ended December 31, 2022, 2021 and 2020, these costs amounted to \$539 million, \$503 million and \$419 million, respectively.

Recent Pronouncements

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

Recently Adopted Accounting Pronouncements and SEC Rules

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which updates the current guidance to require that an entity recognize and measure contract asset and contract liabilities acquired in a business combination consistent with those recorded by the acquiree immediately before the acquisition. The guidance eliminates the complexity of determining the fair value of contract liabilities and will likely increase the balance of contract liabilities acquired in a business combination with a corresponding increase in post-combination revenue recognized by the acquirer. The update is effective for fiscal years beginning after December 15, 2022 and interim periods therein, with early adoption permitted. In October 2021, the Company early adopted ASU 2021-08 and the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions allowed by Topic 740 including exceptions to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or gain from other items, the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. There are also additional areas of guidance in regards to franchise and other taxes partially based on income and the interim recognition of enactment of tax laws and rate changes. The provisions of this ASU were effective for years beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 in the first quarter of 2021 and the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In May 2020, the SEC issued Final Rule Release No. 33-10786, which amends the financial statement requirements for acquisitions and dispositions of businesses and related pro forma financial information required under SEC Regulation S-X, Rule 3-05. The final rule modifies the significance test required in SEC Regulation S-X, Rule 1-02(w) by raising the significance threshold for reporting dispositions of a business from 10% to 20% and by modifying the calculation of the investment and income tests. In accordance with Rules 3-09 or 4-08(g), the revised income test will apply to the evaluation of equity method investments for significance. The Company adopted these modifications, which were effective for fiscal years

beginning after December 31, 2020. The adoption of these amendments did not have a material impact on the Consolidated Financial Statements.

In November 2020, the SEC issued Final Rule Release No. 33-10980, which amends the requirements for providing selected quarterly financial data, contractual obligations and management discussion and analysis. These modifications were required after August 9, 2021. The Company applied the requirements of this release in its 2021 Annual Report on Form 10-K.

NOTE 4: INVENTORIES, NET

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

Inventories, net consisted of the following:

<i>(In millions)</i>	2022		2021	
Raw materials	\$	884	\$	559
Work-in-process		230		197
Finished goods		1,526		1,214
Inventories, net	\$	2,640	\$	1,970

The Company performs periodic assessments utilizing customer demand, production requirements and historical usage rates to determine the existence of excess and obsolete inventory and records necessary provisions to reduce such inventories to the lower of cost or estimated net realizable value. Raw materials, work-in-process and finished goods are net of valuation reserves of \$190 million and \$154 million as of December 31, 2022 and 2021, respectively.

Certain entities use LIFO to determine the cost of inventory. If inventories that were valued using the LIFO method had been valued under the FIFO method, the net book value of the inventories would have been higher by \$199 million and \$141 million as of December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, approximately 26% and 31%, respectively, of all inventory utilized the LIFO method.

NOTE 5: FIXED ASSETS, NET

Fixed assets, net consisted of the following:

<i>(In millions)</i>	Estimated Useful Lives (Years)	2022		2021	
Land		\$	126	\$	114
Buildings and improvements	20 to 40		1,251		1,084
Machinery, tools and equipment	3 to 25		2,409		2,093
Rental assets	3 to 12		390		381
Other, including assets under construction			347		304
Fixed assets, gross			4,523		3,976
Accumulated depreciation			(2,282)		(2,150)
Fixed assets, net		\$	2,241	\$	1,826

Depreciation expense was \$256 million, \$238 million and \$234 million for the years ended December 31, 2022, 2021 and 2020, respectively.

NOTE 6: GOODWILL AND INTANGIBLE ASSETS

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

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

<i>(In millions)</i>	HVAC	Refrigeration	Fire & Security	Total
Balance as of December 31, 2020	\$ 5,489	\$ 1,251	\$ 3,399	\$ 10,139
Goodwill resulting from business combinations ⁽¹⁾	261	(1)	60	320
Reclassified to held for sale ⁽²⁾	—	—	(940)	(940)
Foreign currency translation	(92)	(22)	(56)	(170)
Balance as of December 31, 2021	\$ 5,658	\$ 1,228	\$ 2,463	\$ 9,349
Goodwill resulting from business combinations ⁽¹⁾	904	—	1	905
Foreign currency translation	(170)	(31)	(76)	(277)
Balance as of December 31, 2022	\$ 6,392	\$ 1,197	\$ 2,388	\$ 9,977

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

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

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

Identifiable intangible assets consisted of the following:

<i>(In millions)</i>	2022			2021		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortized:						
Customer relationships	\$ 1,431	\$ (720)	\$ 711	\$ 945	\$ (699)	\$ 2
Patents and trademarks	401	(191)	210	232	(182)	
Service portfolios and other	953	(595)	358	688	(539)	1
	<u>2,785</u>	<u>(1,506)</u>	<u>1,279</u>	<u>1,865</u>	<u>(1,420)</u>	<u>4</u>
Unamortized:						
Trademarks and other	63	—	63	64	—	
Intangible assets, net	\$ 2,848	\$ (1,506)	\$ 1,342	\$ 1,929	\$ (1,420)	\$ 5

Amortization of intangible assets was \$124 million, \$98 million and \$102 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The estimated future amortization of intangible assets is as follows:

<i>(In millions)</i>	2023	2024	2025	2026	2027
Future amortization	\$ 246	\$ 194	\$ 170	\$ 136	\$ 99

Annual Impairment Assessment

The Company tested its goodwill and indefinite-lived intangible assets for impairment as part of its annual assessment. For each test except one, the Company qualitatively assessed all relevant events or circumstances that could impact the estimate of fair value and determined it was more likely than not that the fair value of each reporting unit and indefinite-lived intangible asset exceeded their carrying amount. The remaining test related to the TCC acquisition and the subsequent reorganization of the Company's Commercial HVAC reporting unit in order to create a separate Global Comfort Solutions reporting unit. As a result, the Company performed a quantitative goodwill impairment test on its Commercial HVAC reporting unit prior to the reorganization, the results of which did not indicate any goodwill impairment. The Company then reassigned goodwill among its Commercial HVAC and Global Comfort Solutions reporting units using a relative fair value approach and performed a goodwill impairment assessment. The results did not indicate any goodwill impairment.

NOTE 7: BORROWINGS AND LINES OF CREDIT

Long-term debt consisted of the following:

<i>(In millions)</i>	2022	2021
2.242% Notes due February 15, 2025	1,200	2,000
2.493% Notes due February 15, 2027	900	1,250
2.722% Notes due February 15, 2030	2,000	2,000
2.700% Notes due February 15, 2031	750	750
3.377% Notes due April 5, 2040	1,500	1,500
3.577% Notes due April 5, 2050	2,000	2,000
Total long-term notes	8,350	9,500
Japanese Term Loan Facility	404	—
Other debt (including project financing obligations and finance leases)	149	267
Discounts and debt issuance costs	(61)	(71)
Total debt	8,842	9,696
Less: current portion of long-term debt	140	183
Long-term debt, net of current portion	\$ 8,702	\$ 9,513

Japanese Term Loan Facility

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

Revolving Credit Facility

On February 10, 2020, the Company entered into a revolving credit agreement with various banks permitting aggregate borrowings of up to \$2.0 billion pursuant to an unsecured, unsubordinated revolving credit facility that matures on April 3, 2025 (the "Revolving Credit Facility"). The Revolving Credit Facility supports the Company's commercial paper program and cash requirements of the Company. A commitment fee of 0.125% is charged on unused commitments. Borrowings under the Revolving Credit Facility are available in U.S. Dollars, Euros and Pounds Sterling. Pounds Sterling borrowings bear interest at a variable interest rate based on daily simple SONIA plus 0.0326%, Euro borrowings bear interest at EURIBOR rates and U.S. Dollar borrowings bear interest at LIBOR plus a ratings-based margin, which was 125 basis points as of December 31, 2022. As of December 31, 2022, there were no borrowings outstanding under the Revolving Credit Facility.

Commercial Paper Program

The Company has a \$2.0 billion unsecured, unsubordinated commercial paper program, which can be used for general corporate purposes, including the funding of working capital and potential acquisitions. As of December 31, 2022, there were no borrowings outstanding under the commercial paper program.

Project Financing Arrangements

The Company is involved in long-term construction contracts in which it arranges project financing with certain customers. As a result, the Company issued \$38 million and \$124 million of debt during the year ended December 31, 2022 and 2021, respectively. Long-term debt repayments associated with these financing arrangements for the years ended December 31, 2022 and 2021 were \$160 million and \$181 million, respectively.

Debt Covenants

The Revolving Credit Facility, the indenture for the long-term Notes and the Japanese Term Loan Facility contain affirmative and negative covenants customary for financings of these types, which, among other things, limit the Company's ability to incur additional liens, to make certain fundamental changes and to enter into sale and leaseback transactions. As of December 31, 2022, the Company was in compliance with the covenants under the agreements governing its outstanding indebtedness.

Tender Offers

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

Schedule of Long-term Debt Maturities

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

<i>(In millions)</i>	
2023	\$ 140
2024	\$ 2
2025	\$ 1,202
2026	\$ 2
2027	\$ 1,306
Thereafter	\$ 6,251

As of December 31, 2022, the average maturity of the Company's long-term notes is approximately 12 years and the weighted-average interest rate on its total borrowings is approximately 2.9%. Interest expense associated with long-term debt for the years ended December 31, 2022, 2021 and 2020 was \$302 million, \$319 million and \$298 million, respectively.

NOTE 8: FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The following tables provide the valuation hierarchy classification of assets and liabilities that are recorded at fair value and measured on a recurring basis in the accompanying Consolidated Balance Sheet:

<i>(In millions)</i>	Total	Level 1	Level 2	Level 3
December 31, 2022				
Fair value measurement:				
Derivative assets ⁽¹⁾⁽³⁾	\$ 28	\$ —	\$ 28	\$ —
Derivative liabilities ⁽²⁾⁽³⁾	\$ (48)	\$ —	\$ (48)	\$ —
December 31, 2021				
Fair value measurement:				
Derivative assets ⁽¹⁾	\$ 8	\$ —	\$ 8	\$ —
Derivative liabilities ⁽²⁾	\$ (35)	\$ —	\$ (35)	\$ —

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

⁽²⁾ Included in *Accrued liabilities* on the accompanying Consolidated Balance Sheet.

⁽³⁾ Includes cross currency swaps.

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

<i>(In millions)</i>	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total long-term notes ⁽¹⁾	\$ 8,350	\$ 6,832	\$ 9,500	\$ 9,842

⁽¹⁾ Excludes debt discount and issuance costs.

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

NOTE 9: LEASES

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

the present value of the future lease payments with an offsetting entry to recognize a ROU asset.

Operating lease ROU assets and liabilities are reflected on the Consolidated Balance Sheet as follows:

<i>(In millions)</i>	2022	2021
Operating lease right-of-use assets	\$ 642	\$ 640
Accrued liabilities	\$ (132)	\$ (130)
Operating lease liabilities	(529)	(527)
Total operating lease liabilities	\$ (661)	\$ (657)
Weighted-Average Remaining Lease Term (in years)	7.7	7.8
Weighted-Average Discount Rate	3.4 %	3.0 %

The operating lease ROU assets include any lease payments related to initial direct costs and prepayments and excludes lease incentives. The Company's leases generally have remaining lease terms of 1 to 26 years, some of which include options to extend. For the majority of its leases with options to extend, those options are up to 5 years with the ability to terminate the lease within 1 to 5 years of inception. The exercise of lease renewal options is at the Company's sole discretion and its lease ROU assets and liabilities reflect only the options the Company is reasonably certain that it will exercise.

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

<i>(In millions)</i>	2022	2021	2020
Operating cash flows for measurement of operating lease liabilities	\$ 145	\$ 197	\$ 213
Operating lease ROU assets obtained in exchange for operating lease obligations	\$ 109	\$ 180	\$ 169
Operating lease expense	\$ 148	\$ 200	\$ 197

Operating lease expense is recognized on a straight-line basis over the lease term. Where applicable, the Company accounts for each separate lease component of a contract and its associated non-lease component as a single lease component.

Undiscounted maturities of operating lease liabilities, including options to extend lease terms that are reasonably certain of being exercised, as of December 31, 2022 are as follows:

<i>(In millions)</i>	
2023	\$ 153
2024	132
2025	106
2026	83
2027	59
Thereafter	231
Total undiscounted lease payments	764
Less: imputed interest	(103)
Total discounted lease payments	\$ 661

NOTE 10: EMPLOYEE BENEFIT PLANS

The Company sponsors both funded and unfunded domestic and international defined benefit pension and defined contribution plans. In addition, the Company contributes to various domestic and international multi-employer defined benefit pension plans.

Pension Plans

Qualified domestic pension plan benefits covering collectively bargained U.S. employees comprise approximately 29% of the projected benefit obligation. This noncontributory defined benefit plan provides benefits on a flat dollar formula based on an employee's location and is closed to new entrants. The non-U.S. plans comprise approximately 71% of the projected benefit obligation; certain of these plans provide participants with one-time payments upon separation of employment rather than a retirement annuity. These plans provide benefits based on a plan specific benefit formula. Non-qualified domestic pension plans provide supplementary retirement benefits to certain employees and are not a material component of the projected benefit obligation.

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

<i>(In millions)</i>	2022	2021
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 906	\$ 3,224
Service cost	20	27
Interest cost	18	37
Actuarial (gain) loss ⁽¹⁾	(271)	(112)
Benefits paid	(21)	(106)
Curtailed, settlements and special termination benefits	(7)	(54)
Other, including expenses paid	(38)	(48)
Liabilities held for sale ⁽²⁾	—	(2,062)
Acquisitions ⁽³⁾	153	—
Benefit obligation at end of year	<u>\$ 760</u>	<u>\$ 906</u>
Change in Plan Assets		
Fair value at beginning of year	\$ 591	\$ 3,294
Actual return on plan assets	(170)	67
Company contributions	16	47
Benefits paid	(21)	(106)
Settlements	(7)	(54)
Other, including expenses paid	(18)	(34)
Assets held for sale ⁽²⁾	—	(2,623)
Acquisitions ⁽³⁾	60	—
Fair value of assets end of year	<u>\$ 451</u>	<u>\$ 591</u>
Funded status of plans	<u>\$ (309)</u>	<u>\$ (315)</u>
Amounts included in the balance sheet:		
Other non-current assets	\$ 25	\$ 43
Accrued compensation and benefits	(18)	(10)
Post-employment and other benefit liabilities	(316)	(348)
Net amount recognized	<u>\$ (309)</u>	<u>\$ (315)</u>

⁽¹⁾ Reflects the impact of foreign exchange translation, primarily for plans in the United Kingdom, Canada and Germany.

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

⁽³⁾ See Note 19 - Acquisitions for additional information.

All plans experienced an improvement in the net deficit position due to a significant increase in the discount rates used to measure the benefit obligations of the plans. Discount rates increased over the measurement period as a result of increases in corporate bond yields. The reduction in the benefit obligation was partially offset by lower plan asset performance. In addition, the acquisition of TCC on August 1, 2022 contributed to the change in the funded position.

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

<i>(In millions)</i>	Prior Service Cost (Benefit)	Net Actuarial (Gain) Loss	Total
As of December 31, 2021	\$ 15	\$ 595	\$ 610
Current year changes recorded in AOCI	(2)	(476)	(478)
Amortization reclassified to earnings	(2)	(9)	(11)
Settlement/curtailment reclassified to earnings	—	(2)	(2)
Currency translation and other	—	(15)	(15)
As of December 31, 2022	\$ 11	\$ 93	\$ 104

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

<i>(In millions)</i>	2022	2021
Projected benefit obligation	\$ 564	\$ 405
Accumulated benefit obligation	\$ 538	\$ 374
Fair value of plan assets	\$ 230	\$ 47

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

<i>(In millions)</i>	2022	2021
Projected benefit obligation	\$ 564	\$ 405
Accumulated benefit obligation	\$ 538	\$ 374
Fair value of plan assets	\$ 230	\$ 47

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

<i>(In millions)</i>	2022 ⁽¹⁾	2021	2020
Service cost	\$ 20	\$ 27	\$ 29
Interest cost	18	37	52
Expected return on plan assets	(27)	(145)	(140)
Amortization of prior service cost	2	2	2
Recognized actuarial net loss	9	32	22
Net settlement, curtailment and special termination benefit loss	2	13	4
Net periodic pension expense (benefit)	\$ 24	\$ (34)	\$ (31)

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

The accumulated benefit obligation for all defined benefit plans was \$0.7 billion and \$0.9 billion as of December 31, 2022 and 2021, respectively.

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

	Benefit Obligation		Net Costs		
	2022	2021	2022	2021	2020
Discount rate					
Projected benefit obligation	4.2%	2.1 %	2.1%	1.4 %	2.0 %
Interest cost ⁽¹⁾	—%	— %	1.9%	1.2 %	1.8 %
Service cost ⁽¹⁾	—%	— %	2.8%	2.1 %	1.8 %
Salary scale	2.4%	3.1 %	3.1%	2.8 %	3.3 %
Expected return on plan assets	—%	— %	5.0%	4.6 %	4.9 %

⁽¹⁾The 2022 and 2021 discount rates used to measure the service cost and interest cost applies to the significant plans of the Company. The projected benefit obligation discount rate is used for the service cost and interest cost measurements for non-significant plans.

The weighted-average discount rates used to measure pension benefit obligations and net costs are set by reference to specific analyses using each plan's specific cash flows and high-quality bond indices to assess reasonableness. For those significant plans, the Company utilizes a full yield curve approach in the estimation of the service cost and interest cost components by applying the specific spot rates along the yield curve used in determination of the benefit obligation to the relevant projected cash flows.

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

The plans' investment management objectives include providing the liquidity and asset levels needed to meet current and future benefit payments, while maintaining a prudent degree of portfolio diversification considering interest rate risk and market volatility. Globally, investment strategies target a mix of approximately 50% of growth seeking assets and 50% of income generating and hedging assets using a wide diversification of asset types, fund strategies and investment managers. The growth seeking allocation consists of global public equities in developed and emerging countries and alternative-asset class strategies. Within the income generating assets, the fixed income portfolio primarily consists of government and broadly diversified high quality corporate bonds.

The plans seek to reduce interest rate risk and have incorporated liability hedging programs that include the adoption of a risk reduction objective as part of the long-term investment strategy. Under this objective, the income generating and hedging assets typically increase as funded status improves. The hedging programs incorporate a range of assets and investment tools, each with various interest rate sensitivities. As a result of the improved funded status of the plans, due to favorable asset returns and funding of the plans, the income generating and hedging assets increased in recent years.

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

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

(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Total
Asset Category					
Public Equities:					
Global Equities	\$ —	\$ 29	\$ —	\$ —	\$ 29
Global Equity Funds at net asset value ⁽¹⁾⁽²⁾	—	—	—	208	208
Fixed Income Securities:					
Governments	—	26	—	—	26
Corporate Bonds	—	103	—	—	103
Fixed Income Securities ⁽²⁾	—	—	—	189	189
Real Estate ⁽³⁾	—	9	—	—	9
Other ⁽⁴⁾⁽⁵⁾	—	5	—	—	5
Cash & Cash Equivalents ⁽²⁾⁽⁶⁾	—	7	—	3	10
Subtotal	\$ —	\$ 179	\$ —	\$ 400	\$ 579
Other assets and liabilities ⁽⁷⁾					12
Total as of December 31, 2021 ⁽⁸⁾				\$	591

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

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

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

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

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

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

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

⁽⁸⁾ Chubb plan assets for 2021, totaling \$2.6 billion are not included within this table, as the business was reclassified as held for sale.

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

Quoted market prices are used to value investments when available. Investments in securities traded on exchanges, including listed futures and options, are valued at the last reported sale prices on the last business day of the year or, if not available, the

last reported bid prices. Fixed income securities are primarily measured using a market approach pricing methodology, whereby observable prices are obtained by market transactions involving identical or comparable securities of issuers with similar credit ratings. Over-the-counter securities and government obligations are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, including broker quotes. Temporary cash investments are stated at cost, which approximates fair value.

For the years ended December 31, 2022, 2021 and 2020, the Company made \$16 million, \$47 million and \$41 million, respectively, of cash contributions to its defined benefit pension plans. The Company expects to make total contributions of approximately \$5 million to its defined benefit pension plans in 2023. Contributions do not reflect benefits to be paid directly from corporate assets. Benefit payments, including amounts to be paid from corporate assets, and reflecting expected future service, as appropriate, are expected to be paid as follows: \$38 million in 2023, \$38 million in 2024, \$40 million in 2025, \$45 million in 2026, \$50 million in 2027 and \$243 million from 2028 through 2031.

Multiemployer Benefit Plans

The Company contributes to various domestic and foreign multiemployer defined benefit pension plans. The risks of participating in these multiemployer plans are different from those of single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. The Company's contributions to these plans for the years ended December 31, 2022 and 2021 was \$15 million and \$14 million, respectively.

Employee Savings Plans

The Company sponsors various employee savings plans. Certain employees of Carrier participate in these plans. Carrier's contributions to employer sponsored defined contribution plans were \$123 million, \$115 million and \$103 million for the years ended December 31, 2022, 2021 and 2020, respectively.

NOTE 11: PRODUCT WARRANTIES

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

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

<i>(In millions)</i>	2022	2021
Balance as of January 1,	\$ 524	\$ 514
Warranties, performance guarantees issued and changes in estimated liability	184	172
Settlements made	(171)	(165)
Other	14	3
Balance as of December 31,	\$ 551	\$ 524

NOTE 12: EQUITY

The authorized number of shares of common stock of Carrier is 4,000,000,000 shares of \$0.01 par value. As of December 31, 2022 and December 31, 2021, 876,487,480 and 873,064,219 shares of common stock were issued, respectively, which includes 42,103,995 and 10,375,654 shares of treasury stock, respectively.

Share Repurchase Program

The Company may purchase its outstanding common stock from time to time subject to market conditions and at our discretion. Repurchases occur in the open market or through one or more other public or private transactions pursuant to plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. Shares acquired are recognized at cost and presented separately on the balance sheet as a reduction to *Equity*. In July 2021, the Company's Board of Directors approved a \$1.75 billion increase to the Company's existing \$350 million share repurchase program authorizing the repurchase of up to \$2.1 billion of the Company's outstanding common stock. During 2021, the Company repurchased 10.4 million shares of common stock for an aggregate purchase price of \$529 million.

On December 14, 2021, the Company entered into an accelerated share repurchase agreement ("ASR Agreement") to repurchase \$500 million of its common stock pursuant to the Company's existing share repurchase program. In accordance with the ASR Agreement, the Company received initial delivery of 7.6 million shares on January 4, 2022, representing approximately 80% of the expected share repurchases. The final number of shares under the ASR Agreement was based on the daily average of the volume-weighted average share price of the Company's common stock over the term of the ASR Agreement. Upon final settlement, the Company received an additional 2.7 million shares on February 8, 2022 and recognized \$500 million in *Treasury stock* as a reduction in equity. In addition, the Company's Board of Directors approved a \$2 billion increase to the Company's existing share repurchase program in October 2022.

During 2022, the Company repurchased 31.7 million shares of common stock for an aggregate purchase price of \$1.4 billion, which includes shares repurchased under the ASR Agreement. As of December 31, 2022, the Company has approximately \$2.2 billion remaining under the current authorization.

Accumulated Other Comprehensive Income (Loss)

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

<i>(In millions)</i>	Foreign Currency Translation	Defined Benefit Pension and Post- retirement Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2020	\$ (780)	\$ (473)	\$ (1,253)
Other comprehensive income (loss) before reclassifications, net	589	2	591
Amounts reclassified, pre-tax	—	(105)	(105)
Tax benefit reclassified	—	22	22
Balance as of December 31, 2020	\$ (191)	\$ (554)	\$ (745)
Other comprehensive income (loss) before reclassifications, net	(322)	53	(269)
Amounts reclassified, pre-tax	8	34	42
Tax benefit reclassified	—	(17)	(17)
Balance as of December 31, 2021	\$ (505)	\$ (484)	\$ (989)
Other comprehensive income (loss) before reclassifications, net	(525)	63	(462)
Amounts reclassified, pre-tax	—	11	11
Tax benefit reclassified	—	(3)	(3)
Chubb divestiture	(574)	329	(245)
Balance as of December 31, 2022	\$ (1,604)	\$ (84)	\$ (1,688)

NOTE 13: REVENUE RECOGNITION

The Company accounts for revenue in accordance with ASC 606: *Revenue from Contracts with Customers*. Revenue is recognized when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A significant portion of the Company's performance obligations are recognized at a point-in-time when control of the product transfers to the customer, which is generally the time of shipment. The remaining portion of the Company's performance obligations are recognized over time as the customer simultaneously obtains control as the Company performs work under a contract, or if the product being produced for the customer has no alternative use and the Company has a contractual right to payment.

Performance Obligations

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

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

Segment sales disaggregated by product and service are as follows:

<i>(In millions)</i>	2022	2021	2020
Sales Type			
Product	\$ 11,882	\$ 9,985	\$ 8,165
Service	1,526	1,405	1,313
HVAC sales	13,408	11,390	9,478
Product	3,432	3,653	2,927
Service	451	474	406
Refrigeration sales	3,883	4,127	3,333
Product	3,372	3,985	3,585
Service	198	1,530	1,400
Fire & Security sales	3,570	5,515	4,985
Total segment sales	20,861	21,032	17,796
Eliminations and other	(440)	(419)	(340)
Consolidated	\$ 20,421	\$ 20,613	\$ 17,456

The transaction price allocated to performance obligations reflects the Company's expectations about the consideration it will be entitled to receive from a customer. The Company includes variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount and when it is probable that a significant reversal of revenue recognized would not occur when the uncertainty associated with variable consideration is subsequently resolved. In addition, the Company customarily offers its customers incentives to purchase products to ensure an adequate supply of its products in

distribution channels. The principal incentive programs provide reimbursements to distributors for offering promotional pricing for products. The Company accounts for estimated incentive payments as a reduction in sales at the time a sale is recognized.

Contract Balances

Total contract assets and liabilities consisted of the following:

<i>(In millions)</i>	2022	2021
Contract assets, current	\$ 537	\$ 503
Contract assets, non-current (included within <i>Other assets</i>)	6	70
Total contract assets	543	573
Contract liabilities, current	(449)	(415)
Contract liabilities, non-current (included within <i>Other long-term liabilities</i>)	(174)	(165)
Total contract liabilities	(623)	(580)
Net contract assets (liabilities)	\$ (80)	\$ (7)

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

The Company recognized revenue of \$321 million for the year ended December 31, 2022 that was related to contract liabilities as of January 1, 2022. The Company expects a majority of its contract liabilities at the end of the period to be recognized as revenue over the next 12 months. There were no individually significant customers with sales exceeding 10% of total sales for the years ended December 31, 2022, 2021 and 2020.

NOTE 14: STOCK-BASED COMPENSATION

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

Stock Options and Appreciation Rights

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

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

	2022 ⁽¹⁾	2021 ⁽¹⁾	2020 ⁽¹⁾
Stock options and stock appreciation rights weighted-average fair value per award	\$ 10.68	\$ 10.13	\$ 4.67
Assumptions:			
Volatility	30.8% to 31.3%	31.6% to 34.1%	32.1% to 35.6%
Expected term (in years)	6.1	6.6	7.0
Expected dividend yield	1.5%	1.5%	1.4% to 2.0%
Range of risk-free rates	1.7% to 3.0%	0.7% to 1.4%	0.1% to 1.0%

⁽¹⁾ Carrier has limited historical trading data and used peer group data to estimate expected volatility for the 2022, 2021 and 2020 awards.

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

Changes in stock options and stock appreciation rights outstanding subsequent to the Separation and Distribution were as follows:

	Shares Subject to Option (in thousands)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted- Average Remaining Life (in years)
As of April 3, 2020	36,015	\$ 19.90		
Granted	3,921	\$ 17.57		
Exercised	(2,620)	\$ 15.81		
Cancelled	(584)	\$ 22.31		
As of December 31, 2020	36,732	\$ 19.91		
Granted	3,194	\$ 38.92		
Exercised	(5,934)	\$ 17.59		
Cancelled	(1,551)	\$ 23.98		
As of December 31, 2021	32,441	\$ 22.02		
Granted	2,715	\$ 47.72		
Exercised	(3,495)	\$ 17.76		
Cancelled	(883)	\$ 30.33		
Outstanding as of December 31, 2022	30,778	\$ 24.53	\$ 532	5.9
Exercisable as of December 31, 2022	17,642	\$ 20.03	\$ 375	4.5

Restricted Stock Units

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

Changes in restricted stock units subsequent to the Separation and Distribution were as follows:

	RSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of April 3, 2020	5,622	\$ 21.37
Granted	523	\$ 21.43
Vested	(483)	\$ 19.74
Cancelled	(88)	\$ 23.29
Outstanding and unvested as of December 31, 2020	5,574	\$ 21.57
Granted	286	\$ 46.49
Vested	(2,168)	\$ 21.45
Cancelled	(122)	\$ 25.39
Outstanding and unvested as of December 31, 2021	3,570	\$ 23.33
Granted	555	\$ 41.88
Vested	(1,915)	\$ 20.85
Cancelled	(143)	\$ 32.92
Outstanding and unvested as of December 31, 2022	2,067	\$ 29.87

Performance Share Units

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

Changes in PSUs subsequent to the Separation and Distribution were as follows:

	PSUs (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding and unvested as of April 3, 2020	68	\$ 21.23
Granted	728	\$ 18.23
Forfeited	(24)	\$ 19.25
Outstanding and unvested as of December 31, 2020	772	\$ 18.46
Granted	821	\$ 41.48
Vested	(20)	\$ 23.72
Forfeited	(152)	\$ 27.28
Outstanding and unvested as of December 31, 2021	1,421	\$ 30.75
Granted	653	\$ 46.93
Vested	(5)	\$ 41.81
Forfeited	(139)	\$ 35.45
Outstanding and unvested as of December 31, 2022	1,930	\$ 35.86

Compensation Expense

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

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

<i>(In millions)</i>	2022	2021	2020 ⁽¹⁾
Equity compensation costs - equity settled	\$ 77	\$ 92	\$ 77
Equity compensation costs - cash settled ⁽²⁾	(15)	19	11
Total stock-based compensation cost	\$ 62	\$ 111	\$ 88
Income tax benefit	\$ 9	\$ 13	\$ 9

⁽¹⁾ The stock-based compensation cost for 2020 include amounts allocated to Carrier by UTC related to its direct employees.

⁽²⁾ The cash settled awards are classified as liability awards and are measured at fair value at each balance sheet date.

Prior to the Separation and the Distribution, the Company participated in UTC's long-term incentive plans, which authorized various types of market and performance-based incentive awards. Stock-based compensation expense was allocated to the Company from UTC based upon direct employee headcount. In connection with the Separation and the Distribution, all awards were converted to Carrier stock-based awards with unvested awards converted to preserve the aggregate intrinsic value immediately before and after the Separation.

As of December 31, 2022 and 2021, there were \$64 million and \$77 million of unrecognized stock-based compensation costs related to non-vested awards granted under the plan, respectively, which will be recognized ratably over the awards weighted-average remaining vesting period of 2 years.

NOTE 15: RESTRUCTURING COSTS

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

The Company recorded net pre-tax restructuring costs for new and ongoing restructuring actions as follows:

<i>(In millions)</i>	2022	2021	2020
HVAC	\$ 8	\$ 33	\$ 7
Refrigeration	10	25	12
Fire & Security	11	26	28
Total Segment	29	84	47
General corporate expenses	2	5	2
Total restructuring costs	\$ 31	\$ 89	\$ 49
Cost of sales	\$ 9	\$ 28	\$ 20
Selling, general and administrative	22	60	29
Other income (expense), net	—	1	—
Total restructuring costs	\$ 31	\$ 89	\$ 49

The following table summarizes the reserves and charges related to the restructuring reserve, included in *Accrued liabilities* on the accompanying Consolidated Balance Sheet:

<i>(In millions)</i>	2022		2021	
Balance as of January 1,	\$	54	\$	49
Net pre-tax restructuring costs		31		89
Utilization, foreign exchange and other		(61)		(76)
Reclassified as <i>Liabilities held for sale</i> ⁽¹⁾		—		(8)
Balance as of December 31,	\$	24	\$	54

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

During the year ended December 31, 2022, charges associated with restructuring initiatives related to cost reduction efforts. Amounts recognized primarily related to severance due to workforce reductions and exit costs due to the consolidation of field operations. As of December 31, 2022, the Company had \$24 million accrued for costs associated with its announced restructuring initiatives, all of which is expected to be paid within one year.

NOTE 16: OTHER INCOME (EXPENSE), NET

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

<i>(In millions)</i>	2022		2021		2020	
Transaction gains ⁽¹⁾	\$	—	\$	—	\$	1,123
Impairment charge on minority-owned joint venture investments ⁽¹⁾		—		(2)		(72)
Other		1,840		41		(45)
Other income (expense), net	\$	1,840	\$	39	\$	1,006

⁽¹⁾ See Note 22 - Related Parties for additional information.

Other income (expense), net primarily includes the impact of gains and losses related to the sale of interests in equity method investments, foreign currency gains and losses on transactions that are denominated in a currency other than the entity's functional currency and hedging-related activities. In connection with the TCC acquisition, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition. As a result, the Company recognized a \$705 million non-cash gain associated with the increase in our ownership interest. In addition, the Company completed the Chubb Sale and recognized a net gain on the sale of \$1.1 billion during the twelve months ended December 31, 2022.

NOTE 17: INCOME TAXES

Income Before Income Taxes

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

<i>(In millions)</i>	2022		2021		2020	
United States	\$	1,876	\$	1,528	\$	915
Foreign		2,416		872		1,940
Total	\$	4,292	\$	2,400	\$	2,855

Provision for Income Taxes

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

<i>(In millions)</i>	2022	2021	2020
Current:			
United States:			
Federal	\$ 453	\$ 336	\$ 434
State	120	83	74
Foreign	259	354	244
	<u>832</u>	<u>773</u>	<u>752</u>
Future:			
United States:			
Federal	(23)	(125)	13
State	(29)	(14)	6
Foreign	(72)	65	78
	<u>(124)</u>	<u>(74)</u>	<u>97</u>
Income tax expense	\$ 708	\$ 699	\$ 849

Reconciliation of Effective Income Tax Rate

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

	2022	2021	2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State income tax	1.5	1.9	1.7
Tax on international activities	(1.0)	7.2	4.2
Separation impact	—	—	3.4
TCC acquisition impact	(4.2)	—	—
Other	(0.8)	(1.0)	(0.6)
Effective income tax rate	16.5 %	29.1 %	29.7 %

The effective tax rate for the year ended December 31, 2022 was lower than the Company's statutory U.S. federal income tax rate. The decrease was driven by a lower effective tax rate on the \$705 million non-cash gain resulting from the recognition of the Company's previously held TCC equity investments at fair value upon acquisition of TCC, a lower effective tax rate on the \$1.1 billion Chubb gain and \$45 million of foreign tax credits generated and utilized in the current year. The effective tax rate for the year ended December 31, 2021 was higher than the Company's statutory U.S. federal income tax rate. The increase was driven by a net tax charge of \$157 million primarily relating to the re-organization and disentanglement of certain Chubb subsidiaries executed in advance of the planned divestiture of the Chubb business and a \$43 million deferred tax charge associated with a tax rate increase in the United Kingdom enacted on June 10, 2021 with an effective date of April 2023. These amounts were partially offset by the recognition of a favorable tax adjustment of \$70 million due to foreign tax credits generated and expected to be utilized in the current year and \$21 million resulting from the re-organization of a German subsidiary. The effective tax rate for the year ended December 31, 2020 was higher than the Company's statutory U.S. federal income tax rate. The increase was driven by a \$51 million charge related to a valuation allowance recorded against a United Kingdom tax loss and credit carryforward and a charge of \$46 million resulting from the Company's decision to no longer permanently reinvest certain pre-2018 unremitted non-U.S. earnings. These items were impacted by the Separation and included in "Separation impact" in the previous table.

Deferred Tax Assets and Liabilities

Future income taxes represent the tax effects of transactions, which are reported in different periods for tax and GAAP purposes. These amounts consist of the tax effects of differences between tax and GAAP that are expected to be reversed in the

future and tax carryforwards. Future income tax benefits and payables within the same tax paying component of a particular jurisdiction are offset for presentation in the Consolidated Balance Sheet.

The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables as of December 31, 2022 and 2021 are as follows:

<i>(In millions)</i>	2022	2021
Future income tax benefits:		
Insurance and employee benefits	\$ 161	\$ 198
Other assets basis differences	284	166
Other liabilities basis differences	571	512
Tax loss carryforward	177	175
Tax credit carryforward	29	24
Valuation allowances	(100)	(90)
Future income tax benefit	\$ 1,122	\$ 985
Future income tax payables:		
Goodwill and intangible assets	\$ (449)	\$ (270)
Other asset basis differences	(395)	(307)
Future income tax payables	\$ (844)	\$ (577)

Valuation allowances have been established primarily for tax credit carryforwards, tax loss carryforwards and certain foreign temporary differences to reduce future income tax benefits to expected realizable amounts. As of December 31, 2021, future income tax benefits and future income tax payables exclude a net liability of \$266 million classified as held for sale. See Note 20 - Divestitures for additional information.

Changes to valuation allowances consisted of the following:

<i>(In millions)</i>		
Balance as of January 1, 2020	\$	128
Additions charged to income tax expense ⁽¹⁾		112
Reduction credited to income tax expense		(13)
Other adjustments		4
Balance as of December 31, 2020	\$	231
Additions charged to income tax expense		32
Reduction credited to income tax expense		(22)
Other adjustments		(41)
Reclassified to held for sale		(110)
Balance as of December 31, 2021	\$	90
Additions charged to income tax expense		18
Reduction credited to income tax expense		(22)
Other adjustments		14
Balance as of December 31, 2022	\$	100

⁽¹⁾ Includes \$89 million relating to "Separation impact" discussed in section "Reconciliation of Effective Income Tax Rate."

Tax Credit and Loss Carryforwards

As of December 31, 2022, tax credit carryforwards and tax loss carryforwards were as follows:

<i>(In millions)</i>	Tax Loss Carryforwards	Tax Credit Carryforwards
Expiration period:		
2023-2027	\$ 107	\$ 7
2028-2032	61	5
2033-2042	33	4
Indefinite	607	13
Total	\$ 808	\$ 29

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

Unrecognized Tax Benefits

As of December 31, 2022, the Company had unrecognized tax benefits of \$291 million, all of which, if recognized, would impact its effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and related interest expense is as follows:

<i>(In millions)</i>	2022	2021	2020
Balance at beginning of period	\$ 251	\$ 162	\$ 166
Additions for tax positions related to the current year	34	86	22
Additions for tax positions of prior years ⁽¹⁾	32	24	14
Reductions for tax positions of prior years ⁽²⁾	(13)	(1)	(40)
Settlements	(13)	(18)	—
Reclassified as held for sale	—	(2)	—
Balance at end of period	\$ 291	\$ 251	\$ 162
Gross interest expense related to unrecognized tax benefits	\$ 16	\$ 8	\$ 6
Total accrued interest balance at end of period	\$ 48	\$ 35	\$ 25

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

⁽²⁾ Includes an adjustment of \$37 million recorded in UTC Net investment for the year ended December 31, 2020 for tax positions of prior years.

The Company conducts business globally and, as a result, the Company and its subsidiaries file income tax returns in the U.S. federal, various state and foreign jurisdictions. In certain jurisdictions, the Company's operations were included in UTC's combined tax returns for the periods through the Separation and the Distribution. The IRS commenced an audit of UTC's tax years 2017 and 2018 in the second quarter of 2020 and this audit will continue into 2023. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including the U.S., Australia, Belgium, Canada, China, Czech Republic, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Singapore, Thailand, and the United Kingdom. The Company is no longer subject to U.S. federal income tax examination for years prior to 2017 and, with few exceptions, is no longer subject to U.S. state and local and foreign income tax examinations for tax years before 2013.

In the ordinary course of business, there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. The Company believes that it is reasonably possible that a net decrease in unrecognized tax benefits of \$45 million to \$55 million may occur within 12 months as a result of additional uncertain tax positions, the revaluation of uncertain tax positions arising from examinations, appeals, court decisions or the closure of tax statutes.

As a result of the Tax Cuts and Jobs Act ("TCJA"), the Company no longer intends to reinvest certain undistributed earnings of its international subsidiaries that have been previously taxed in the U.S. As such, the Company has recorded the taxes associated with the future remittance of these earnings. For the remainder of the Company's undistributed international earnings, unless tax effective to repatriate, the Company intends to continue to permanently reinvest these earnings. As of December 31, 2022, such undistributed earnings were approximately \$10 billion, excluding other comprehensive income amounts. It is not practicable to estimate the amount of tax that might be payable on the remaining amounts. In addition, the TCJA subjects the Company to a tax on global intangible low-taxed income ("GILTI"). GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations which the Company has elected to account for as a period cost.

NOTE 18: EARNINGS PER SHARE

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

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

<i>(In millions, except per share amounts)</i>	2022	2021	2020
Net income attributable to common shareowners	\$ 3,534	\$ 1,664	\$ 1,982
Basic weighted-average number of shares outstanding	843.4	867.7	866.5
Stock awards and equity units (share equivalent)	17.8	22.6	13.7
Diluted weighted-average number of shares outstanding	861.2	890.3	880.2
Antidilutive shares excluded from computation of diluted earnings per share	2.9	0.1 ⁽¹⁾	0.2
Earnings Per Share			
Basic	\$ 4.19	\$ 1.92	\$ 2.29
Diluted	\$ 4.10	\$ 1.87	\$ 2.25

NOTE 19: ACQUISITIONS

During the year ended December 31, 2022, the Company acquired consolidated and minority-owned businesses. The aggregate cash paid, net of cash acquired, totaled \$506 million. Acquisitions are recorded using the acquisition method of accounting in accordance with ASC 805. As a result, the aggregate purchase price has been allocated to assets acquired and liabilities assumed based on the estimate of fair market value of such assets and liabilities at the date of acquisition. The excess purchase price over the estimated fair value of net assets acquired was recognized as goodwill and totaled \$905 million.

Toshiba Carrier Corporation

On February 6, 2022, the Company entered into a binding agreement to acquire a majority ownership interest in TCC for \$930 million. TCC, a VRF and light commercial HVAC joint venture between Carrier and Toshiba Corporation, designs and manufactures flexible, energy-efficient and high-performance VRF and light commercial HVAC systems as well as commercial products, compressors and heat pumps. The acquisition included all of TCC's advanced research and development centers and global manufacturing operations, product pipeline and the long-term use of Toshiba's iconic brand. The acquisition was completed on August 1, 2022 and funded through the Japanese Term Loan Facility and cash on hand. Upon closing, Toshiba Corporation retained a 5% ownership interest in TCC.

The preliminary allocation of the purchase price is as follows:

<i>(In millions)</i>	August 1, 2022
Cash and cash equivalents	\$ 462
Accounts receivable	414
Inventories	373
Other assets, current	54
Fixed assets	343
Intangible assets	965
Goodwill	889
Other assets	293
Accounts payable	(412)
Accrued liabilities	(445)
Contract liabilities, current	(21)
Other long-term liabilities	(565)
Net assets acquired	\$ 2,350
Less: Fair value of non-controlling interests	(22)
Less: Fair value of previously held TCC equity investments	(1,398)
Total cash consideration	\$ 930

The excess purchase price over the estimated fair value of the net assets acquired was recognized as goodwill and totaled \$889 million, which is not deductible for tax purposes. Accounts receivable and current liabilities were stated at their historical carrying value, which approximates fair value given the short-term nature of these assets and liabilities. The estimate of fair value for inventory and fixed assets was based on an assessment of the acquired assets' condition as well as an evaluation of the current market value of such assets. The sale agreement included several customary provisions to settle working capital and other transaction-related items as of the date of sale. During the year ended December 31, 2022, the parties finalized these amounts in accordance with the terms of the sale agreement. As a result, the Company recorded an accrual of \$39 million which is expected to be paid to Toshiba Corporation in the first quarter of 2023.

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

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

The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, EBIT margins, discount rates, customer attrition rates and royalty rates among others. The projected future cash flows are discounted to present value using an appropriate discount rate. As of December 31, 2022, the Company finalized the process of allocating the purchase price and valuing the acquired assets and liabilities except for certain amounts associated with pension funding levels and income taxes.

The Company previously accounted for its minority ownership in TCC under the equity method of accounting. In connection with the transaction, the carrying value of the Company's previously held TCC equity investments were recognized at fair value at the date of acquisition using an income approach methodology. As a result, the Company recognized a \$705 million non-cash

gain within *Other income (expense), net* on the accompanying Consolidated Statement of Operations. In addition, the assets, liabilities and results of operations of TCC are consolidated in the accompanying Consolidated Financial Statements as of the date of acquisition and reported within the Company's HVAC segment. During the year ended December 31, 2022, the Company incurred \$29 million of acquisition-related costs which are included within *Selling, general and administrative* on the accompanying Consolidated Statement of Operations. The Company has not included pro forma financial information required under ASC 805 as the pro forma impact was not deemed significant.

Acquisition of Guangdong Giwee Group Co.

On June 1, 2021, the Company acquired a 70% controlling stake in Guangdong Giwee Group Co. and its subsidiaries ("Giwee") and subsequently acquired the remaining 30% ownership in Giwee on September 7, 2021. Giwee is a China-based manufacturer offering a portfolio of HVAC products including variable refrigerant flow, modular chillers and light commercial air conditioners. The acquisition was funded through cash on hand.

The excess of the purchase price over the estimated fair value of the net assets acquired was recognized as goodwill and totaled \$182 million, which is not deductible for tax purposes. Accounts receivable and current liabilities were stated at their historical carrying value, which approximates fair value given the short-term nature of these assets and liabilities. The estimate of fair value for inventory and property, plant and equipment was based on an assessment of the acquired assets' condition as well as an evaluation of the current market value of such assets.

The Company recorded intangible assets which consisted of the following:

<i>(In millions)</i>	Estimated Useful Life (in years)	Intangible Assets Acquired
Customer relationships	14	\$ 52
Technology	10	34
Non-compete agreement	5	8
Total intangible assets acquired		\$ 94

The valuation of intangible assets was determined using an income approach methodology including the multi-period excess earnings method and the relief from royalty method. Key assumptions used in estimating future cash flows included projected revenue growth rates, customer attrition rates and royalty rates. The projected future cash flows are discounted to present value using an appropriate discount rate.

The results of Giwee are reported within the HVAC segment as of the date of acquisition. The Company finalized the process of allocating the purchase price and valuing the acquired assets and liabilities during the year ended December 31, 2021. The Company has not included pro forma financial information required under ASC 805 as the pro forma impact was not deemed significant.

NOTE 20: DIVESTITURES

On January 3, 2022, the Company completed the Chubb Sale for net proceeds of \$2.9 billion. Chubb, which was reported within the Company's Fire & Security segment, delivered essential fire safety and security solutions from design and installation to monitoring, service and maintenance across more than 17 countries around the globe. During the year ended December 31, 2022, the Company recognized a net gain on the sale of \$1.1 billion, which is included in *Other income (expense), net* on the accompanying Consolidated Statement of Operations.

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

<i>(In millions)</i>	December 31, 2021
Cash and cash equivalents	\$ 60
Accounts receivable, net	445
Inventories, net	73
Contract assets, current	184
Other assets, current	27
Fixed assets, net	67
Intangible assets, net	545
Goodwill	940
Operating lease right-of-use assets	193
Pension and post-retirement assets	614
Other assets	20
Total assets held for sale	\$ 3,168
Accounts payable	\$ (190)
Accrued liabilities	(248)
Contract liabilities, current	(162)
Future pension and post-retirement obligations	(69)
Future income tax obligations	(273)
Operating lease liabilities	(175)
Other long-term liabilities	(17)
Total liabilities held for sale	\$ (1,134)

The sale agreement included several customary provisions to settle working capital and other transaction-related items as of the date of sale. The parties finalized these amounts in accordance with the terms of the sale agreement.

NOTE 21: SEGMENT FINANCIAL DATA

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

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

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

Net sales and Operating profit by segment are as follows:

<i>(In millions)</i>	Net Sales			Operating Profit		
	2022	2021	2020	2022	2021	2020
HVAC	\$ 13,408	\$ 11,390	\$ 9,478	\$ 2,610	\$ 1,738	\$ 2,462
Refrigeration	3,883	4,127	3,333	483	476	357
Fire & Security	3,570	5,515	4,985	1,630	662	584
Total segment	20,861	21,032	17,796	4,723	2,876	3,403
Eliminations and other	(440)	(419)	(340)	(80)	(96)	(184)
General corporate expenses	—	—	—	(128)	(135)	(136)
Consolidated	\$ 20,421	\$ 20,613	\$ 17,456	\$ 4,515	\$ 2,645	\$ 3,083

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

<i>(In millions)</i>	Segment Assets		Capital Expenditures			Depreciation & Amortization		
	2022	2021	2022	2021	2020	2022	2021	2020
HVAC	\$ 3,191	\$ 2,375	\$ 232	\$ 225	\$ 188	\$ 256	\$ 186	\$ 163
Refrigeration	1,279	1,285	32	39	26	31	36	39
Fire & Security	1,492	1,203	40	49	51	58	83	108
Total Segment	5,962	4,863	304	313	265	345	305	310
Eliminations and other	48	13	49	31	47	35	33	26
Consolidated	\$ 6,010	\$ 4,876	\$ 353	\$ 344	\$ 312	\$ 380	\$ 338	\$ 336
Cash and cash equivalents	3,520	2,987						
Other assets, current	349	376						
Assets held for sale	—	3,168						
Total current assets	\$ 9,879	\$ 11,407						

Geographic External Sales

Geographic external sales and operating profits are attributed to the geographic regions based on their location of origin. With the exception of the U.S. as presented in the following table, there were no individually significant countries with sales exceeding 10% of total sales for the years ended December 31, 2022, 2021 and 2020.

<i>(In millions)</i>	External Sales			Long-Lived Assets	
	2022	2021	2020	2022	2021
United States Operations	\$ 11,797	\$ 10,492	\$ 9,105	\$ 803	\$ 772
International Operations					
Europe	4,359	5,776	4,935	453	476
Asia Pacific	3,489	3,464	2,655	573	279
Other	776	881	761	412	299
Consolidated	\$ 20,421	\$ 20,613	\$ 17,456	\$ 2,241	\$ 1,826

NOTE 22: RELATED PARTIES**Equity Method Investments**

The Company sells products to and purchases products from unconsolidated entities accounted for under the equity method and, therefore, these entities are considered to be related parties. The Company has 27 directly owned unconsolidated domestic and foreign affiliates as of December 31, 2022 and 2021, respectively, of which 99% of such investments are in its HVAC segment. Amounts attributable to equity method investees are as follows:

<i>(In millions)</i>	2022		2021		2020	
Sales to equity method investees included in <i>Product sales</i>	\$	2,845	\$	2,258	\$	1,758
Purchases from equity method investees included in <i>Cost of products sold</i>	\$	331	\$	357	\$	292

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

<i>(In millions)</i>	2022		2021	
Receivables from equity method investees included in <i>Accounts receivable, net</i>	\$	154	\$	150
Payables to equity method investees included in <i>Accounts payable</i>	\$	44	\$	51

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

The Company periodically reviews the carrying value of its equity method investments to determine if there has been an other-than-temporary decline in fair value. In 2020, the Company determined that indicators of impairment existed for a minority owned joint venture investment and performed a valuation of this investment using a discounted cash flow method. The Company determined that the loss in value was other-than-temporary due to a reduction in sales and earnings that were primarily driven by a deterioration in the oil and gas industry (the joint venture's primary market) and by the impact of the COVID-19 pandemic. As a result, the Company recorded a non-cash, other-than-temporary impairment charge of \$71 million on this investment in 2020, which is included in *Other income (expense), net* on the accompanying Consolidated Statement of Operations.

In September 2020, the Company sold 9.25 million B shares of Beijer for SEK290 (\$32.38) per share equal to approximately 7.9% of the outstanding B shares in Beijer, through an accelerated equity offering. The Company received proceeds of approximately \$300 million and recognized a pre-tax gain on the sale of \$252 million, which is included in *Other income (expense), net* on the Consolidated Statement of Operations. Subsequently, in December 2020, the Company sold all of its remaining A and B shares of Beijer for SEK245 (\$29.03) per share. The Company received proceeds of approximately \$1.1 billion and recognized a pre-tax gain on the sale of \$871 million, which is included in *Other income (expense), net* on the Consolidated Statement of Operations. Prior to the sale of the Company's remaining shares, Beijer was reported as an equity method investment.

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

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

<i>(In millions)</i>	2022	2021
Current assets	\$ 10,621	\$ 4,275
Non-current assets	1,931	2,140
Total assets	12,552	6,415
Current liabilities	(8,631)	(2,596)
Non-current liabilities	(195)	(329)
Total liabilities	(8,826)	(2,925)
Total net equity of investees	\$ 3,726	\$ 3,490

<i>(In millions)</i>	2022	2021	2020
Net sales	\$ 11,524	\$ 9,471	\$ 9,299
Gross profit	\$ 2,274	\$ 1,907	\$ 1,722
Income from continuing operations	\$ 757	\$ 650	\$ 544
Net income	\$ 757	\$ 650	\$ 544

NOTE 23: COMMITMENTS AND CONTINGENT LIABILITIES

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

Environmental Matters

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

As of December 31, 2022 and 2021, the outstanding liability for environmental obligations are as follows:

<i>(In millions)</i>	2022	2021
Environmental reserves included in <i>Accrued liabilities</i>	\$ 24	\$ 29
Environmental reserves included in <i>Other long-term liabilities</i>	211	191
Total environmental reserves	\$ 235	\$ 220

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

Asbestos Matters

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

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

<i>(In millions)</i>	2022	2021
Asbestos liabilities included in <i>Accrued liabilities</i>	\$ 16	\$ 17
Asbestos liabilities included in <i>Other long-term liabilities</i>	212	220
Total asbestos liabilities	\$ 228	\$ 237
Asbestos-related recoveries included in <i>Other assets, current</i>	\$ 5	\$ 5
Asbestos-related recoveries included in <i>Other assets</i>	90	93
Total asbestos-related recoveries	\$ 95	\$ 98

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

UTC Equity Awards Conversion Litigation

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

Aqueous Film Forming Foam Litigation

As of December 31, 2022, the Company and certain of its subsidiaries, including Kidde-Fenwal, Inc. ("KFI"), have been named as defendants in more than 3,150 lawsuits filed by individuals in or removed to the federal courts of the United States alleging that the historic use of Aqueous Film Forming Foam ("AFFF") caused personal injuries and/or property damage. The Company and certain of its subsidiaries, including KFI, have also been named as a defendant in more than 300 lawsuits filed by several U.S. states, municipalities and water utilities in or removed to U.S. federal courts alleging that the historic use of AFFF caused contamination of property and water supplies. In December 2018, the U.S. Judicial Panel on Multidistrict Litigation transferred and consolidated all AFFF cases pending in the U.S. federal courts against the Company and others to the U.S. District Court for the District of South Carolina ("MDL Court") for pre-trial proceedings ("MDL Proceedings"). The individual

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

AFFF is a firefighting foam, developed beginning in the late 1960s pursuant to U.S. military specification, used to extinguish certain types of hydrocarbon-fueled fires primarily at military bases and airports. AFFF was manufactured by several companies, including National Foam and Angus Fire. UTC subsidiaries first entered the AFFF business with their acquisition of National Foam and Angus Fire in 2005 as part of the acquisition of KFI and Kidde Products Limited ("KPL"). In 2013, KFI and KPL divested the National Foam and Angus Fire businesses to a third party. The Company acquired KFI and KPL as part of its separation from UTC in April 2020. During the eight-year period of its operation by KFI, National Foam manufactured AFFF for sale to government (including the U.S. federal government) and non-government customers in the U.S. at a single facility located in West Chester, Pennsylvania ("Pennsylvania Site"). During the same period, Angus Fire manufactured AFFF for sale outside the United States at a single facility located in Bentham, England.

The key components of AFFF that contribute to its fire-extinguishing capabilities are known as fluorosurfactants. Neither the Company nor any of its former or current subsidiaries, including National Foam/Angus Fire and KFI/KPL, respectively, manufactured fluorosurfactants; they instead purchased these substances from unrelated third parties to in turn manufacture AFFF. Plaintiffs in the MDL Proceedings allege that the fluorosurfactants used by various manufacturers in producing AFFF contained, or over time degraded into, compounds known as perfluorooctane sulfonate ("PFOS") and/or perfluorooctane acid ("PFOA"). Plaintiffs further allege that, as a result of the use of AFFF, PFOS and PFOA were released into the environment and, in some instances, ultimately reached drinking water supplies.

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

Plaintiffs in the MDL Proceedings have named multiple defendants, including four suppliers of chemicals and raw materials used to manufacture fluorosurfactants, four fluorosurfactant manufacturers, two toll manufacturers of fluorosurfactants and seven current (including National Foam and Angus Fire) and former (including the Company and KFI) AFFF manufacturers.

The defendants moved for summary judgment on the government contractor defense, which potentially applies to AFFF sold to or used by the U.S. government. After full briefing and oral argument, on September 16, 2022, the MDL court declined to enter summary judgment for the defendants. The defense, however, remains available at any trial to which it applies.

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

Outside of the MDL Proceedings, the Company and other defendants are also party to six lawsuits in U.S. state courts brought by oil refining companies alleging product liability claims related to legacy sales of AFFF and seeking damages for the costs to replace the product and for property damage. In addition, the Company and other defendants are party to two actions related to the Pennsylvania Site in which the plaintiff water utility company seeks remediation costs related to the alleged contamination of the local water supply.

The Company and its subsidiaries, including KFI, and other defendants are also party to one action in Arizona state court brought by a firefighter claiming that occupational exposure to AFFF has caused him certain personal injuries. The Company and its subsidiaries, including KFI, believe that they have meritorious defenses to the claims in the MDL Proceedings and the other AFFF lawsuits. Based on its 2013 agreement for the sale of National Foam and Angus Fire, the Company and its subsidiaries, including KFI, are pursuing indemnification against these claims from the purchaser and current owner of National Foam and Angus Fire. The Company and its subsidiaries, including KFI, are also pursuing insurance coverage for these claims.

At this time, however, given the numerous factual, scientific and legal issues to be resolved relating to these claims, the Company is unable to assess the probability of liability or to reasonably estimate the damages, if any, to be allocated to the Company and its subsidiaries, including KFI, if one or more plaintiffs were to prevail in these cases. There can be no assurance that any such future exposure will not be material in any period.

Income Taxes

Under the Tax Matters Agreement relating to the Separation, the Company is responsible to UTC for its share of the TCJA transition tax associated with foreign undistributed earnings as of December 31, 2017. As a result, liabilities of \$34 million and \$383 million are included within the accompanying Consolidated Balance Sheet within *Accrued Liabilities* and *Other Long-Term Liabilities* as of December 31, 2022, respectively. This obligation is expected to be settled in annual installments ending in April 2026 with the next installment of \$34 million due in 2023. The Company believes that the likelihood of incurring losses materially in excess of this amount is remote.

Self-Insurance

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

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

<i>(In millions)</i>	2022		2021	
Self-insurance liabilities included in <i>Accrued liabilities</i>	\$	139	\$	154
Self-insurance liabilities included in <i>Other long-term liabilities</i>		53		72
Total self-insurance liabilities	\$	192	\$	226

The Company incurred expenses related to self-insured risks of \$155 million, \$155 million and \$145 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Other Matters

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

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

NOTE 24: SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information was as follows:

<i>(In millions)</i>	2022	2021	2020
Interest paid, net of amounts capitalized	\$ 297	\$ 317	\$ 196
Income taxes paid, net of refunds	\$ 833	\$ 675	\$ 819
Non-cash financing activity:			
Common stock dividends payable	\$ 158	\$ 130	\$ 108

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures — Our management, with the participation of our CEO and Senior Vice President and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2022. Based on that evaluation, the Company's CEO and CFO have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting — The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's management, with the participation of the Company's CEO and CFO, has evaluated the effectiveness of the Company's internal control over financial reporting based on the criteria described in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that, as of December 31, 2022, the Company's internal control over financial reporting was effective.

In accordance with guidance issued by the staff of the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. As discussed in Note 19 "Acquisitions" of the Company's Notes to the Consolidated Financial Statements, the Company acquired a majority ownership interest in TCC on August 1, 2022 in a purchase business combination. TCC has total assets excluding intangible assets and goodwill arising from the acquisition and total net sales, of approximately 7% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022 excluded the TCC acquisition, as the Company is in the process of aligning and integrating various processes, systems and internal controls related to the business and operations of this subsidiary, excluding intangible assets and goodwill, which are included within the scope of management's assessment.

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

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting — There were no changes in our internal control over financial reporting during the three months ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to directors, the Audit Committee of the Board of Directors and audit committee financial experts is incorporated herein by reference to the sections of our Proxy Statement for the 2023 Annual Meeting of Shareowners entitled "Proposal 1: Election of Directors" (under the subheadings "Criteria for Board Membership", "Nominees for the 2023 Annual Meeting" and "Corporate Governance").

Information about our Executive Officers

The following persons are executive officers of Carrier Global Corporation:

Name	Position	Age as of February 7, 2023
David Gitlin	Chairman and Chief Executive Officer	53
Ajay Agrawal	Senior Vice President, Global Services and Healthy Buildings	59
Kyle Crockett	Vice President, Controller	49
Patrick Goris	Senior Vice President and Chief Financial Officer	51
Christopher Nelson	President, HVAC	52
Kevin J. O'Connor	Senior Vice President, Chief Legal Officer	55
Jurgen Timperman	President, Fire & Security	50
Nadia Villeneuve	Senior Vice President, Chief Human Resources Officer	50
Timothy White	President, Refrigeration	49

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

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

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

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

Christopher Nelson. Mr. Nelson was appointed President, HVAC in March 2020. Previously, he served as President, Commercial HVAC from 2018 to March 2020 and President, North American HVAC from 2012 to 2018.

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

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

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

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

Information concerning Section 16(a) compliance is incorporated herein by reference to the section of our Proxy Statement for the 2023 Annual Meeting of Shareowners entitled "Other Important Information" under the heading "Delinquent Section 16(a) Reports." We have adopted a code of ethics that applies to all of our directors, officers, employees and representatives. This code is publicly available on our website at <https://www.corporate.carrier.com/corporate-responsibility/governance>. Amendments to the code of ethics and any grant of a waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed on our website. Our Corporate Governance Guidelines and the charters of our Board of Directors' Audit Committee, Compensation Committee, and Governance Committee are available on our website at <https://www.corporate.carrier.com>. These materials may also be requested in print free of charge by writing to our Investor Relations Department at Carrier Global Corporation, 13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections of our Proxy Statement for the 2023 Annual Meeting of Shareowners entitled "Proposal 2: Advisory Vote to Approve Named Executive Officer Compensation."

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

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the section of our Proxy Statement for the 2023 Annual Meeting of Shareowners titled "Share Ownership."

Equity Compensation Plan Information

The following table provides information as of December 31, 2022 concerning Common Stock issuable under Carrier's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareowners	17,266,000 ⁽¹⁾	\$ 24.53	26,100,000 ⁽²⁾

⁽¹⁾ Consists of the following issuable shares of Common Stock awarded under the Carrier Global Corporation 2020 Long-Term Incentive Plan (the "2020 LTIP"): (i) shares of Common Stock issuable upon the exercise of outstanding non-qualified stock options; (ii) shares of Common Stock issuable upon the exercise of outstanding Stock Appreciation Rights (SARs); (iii) shares of Common Stock issuable pursuant to outstanding restricted stock unit and performance share unit awards, assuming performance at the target level (up to an additional 2,235,900 shares of Common Stock could be issued if performance goals are achieved above target); and (iv) shares of Common Stock issuable upon the settlement of outstanding deferred stock units awarded under the 2020 LTIP. Under the 2020 LTIP, each SAR referred to in clause (ii) is exercisable for a number of shares of Common Stock having a value equal to the increase in the market price of a share of such stock from the date the SAR was granted. For purposes of determining the total number of shares to be issued in respect of outstanding SARs as reflected in column (a) above, we have used the NYSE closing price for a share of Common Stock on December 31, 2022 of \$41.25. The

weighted-average exercise price of outstanding options, warrants and rights shown in column (b) takes into account only the shares identified in clauses (i) and (ii).

⁽²⁾ Represents the maximum number of shares of Common Stock available to be awarded under the 2020 LTIP as of December 31, 2022. Performance share units and restricted stock units (Full Share Awards) will result in a reduction in the number of shares of Common Stock available for delivery under the 2020 LTIP in an amount equal to 2 times the number of shares to which the award corresponds. Stock options and stock appreciation rights do not constitute Full Share Awards and will result in a reduction in the number of shares of Common Stock available for delivery under the 2020 LTIP on a one-for-one basis.

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

The information required by Item 13 is incorporated herein by reference to the sections of our Proxy Statement for the 2023 Annual Meeting of Shareowners entitled "Nominees for the 2023 Annual Meeting" (under the subheading "Director Independence") and "Other Important Information" (under the subheading "Transactions with Related Persons").

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the sections of our Proxy Statement for the 2023 Annual Meeting of Shareowners entitled "Proposal 3: Ratify Appointment of Independent Auditor for 2023," including the information provided in that section with regard to "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees."

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements, Financial Statement Schedules and Exhibits

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

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

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation (incorporated by reference to Exhibit 2.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
2.2	Stock Purchase Agreement, dated as of July 26, 2021, among Carrier Global Corporation, Carrier Investments UK Limited, Chubb Limited and APi Group Corporation (incorporated by reference to Exhibit 2.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on July 30, 2021, File No. 001-39220)
3.1	Amended and Restated Certificate of Incorporation of Carrier Global Corporation (incorporated by reference to Exhibit 3.1(b) of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220)
3.2	Amended and Restated Bylaws of Carrier Global Corporation (incorporated by reference to Exhibit 3.2 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 8, 2022, File No. 001-39220)
4.1	Indenture, dated February 27, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220)
4.2	Supplemental Indenture No. 1, dated February 27, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.2 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220)

Exhibit Index

- 4.3 [Registration Rights Agreement, dated February 27, 2020, by and among Carrier Global Corporation, United Technologies Corporation and Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC \(incorporated by reference to Exhibit 4.3 of Amendment No. 1 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on March 11, 2020, File No. 001-39220\)](#)
- 4.4 [Supplemental Indenture No. 2, dated June 19, 2020, between Carrier Global Corporation and The Bank of New York Mellon Trust Company, N.A. \(incorporated by reference to Exhibit 4.2 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on June 19, 2020, File No. 001-39220\)](#)
- 4.5 [Registration Rights Agreement, dated June 19, 2020, by and among Carrier Global Corporation, J.P. Morgan Securities LLC, BofA Securities, Inc. and Citigroup Global Markets Inc. \(incorporated by reference to Exhibit 4.4 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on June 19, 2020, File No. 001-39220\)](#)
- 4.6 [Description of Securities \(incorporated by reference to Exhibit 4.6 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 8, 2022, File No. 001-39220\)](#)
- 10.1 [Amendment No. 2 dated as of November 15, 2021 to the Revolving Credit Agreement, dated as of February 10, 2020, among Carrier Global Corporation, the subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent \(incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 8, 2022, File No. 001-39220\)](#)
- 10.2 [Transition Services Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)](#)
- 10.3 [Tax Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.2 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)](#)
- 10.4 [Employee Matters Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.3 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)](#)
- 10.5 [Intellectual Property Agreement, dated as of April 2, 2020, by and among United Technologies Corporation, Otis Worldwide Corporation and Carrier Global Corporation \(incorporated by reference to Exhibit 10.4 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)](#)
- 10.6 [Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.5 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.7 [Carrier Global Corporation Change in Control Severance Plan \(Amended and Restated effective as of April 13, 2022\) \(incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022, File No. 001-39220\)+](#)
- 10.8 [Carrier Global Corporation Executive Annual Bonus Plan \(incorporated by reference to Exhibit 10.7 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.9 [Carrier Global Corporation Deferred Compensation Plan \(incorporated by reference to Exhibit 10.8 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.10 [Carrier Global Corporation Company Automatic Contribution Excess Plan \(incorporated by reference to Exhibit 10.9 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.11 [Carrier Global Corporation LTIP Performance Share Unit Deferral Plan*+](#)
- 10.12 [Carrier Global Corporation Pension Preservation Plan \(incorporated by reference to Exhibit 10.11 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.13 [French Sub-Plan for Restricted Stock Granted Under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.13 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.14 [Carrier Global Corporation Amended and Restated Savings Restoration Plan \(incorporated by reference to Exhibit 10.14 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 3, 2020, File No. 001-39220\)+](#)
- 10.15 [Schedule of Terms for Carrier Founders Grant Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.17 of Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2020, File No. 001-39220\)+](#)

- 10.16 [Schedule of Terms for Stock Appreciation Right Awards \(Founders Grant\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.18 of Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 31, 2020, File No. 001-39220\)+](#)
- 10.17 [Schedule of Terms for Restricted Stock Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.8 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.18 [Schedule of Terms for Stock Appreciation Right Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.10 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.19 [Schedule of Terms for Restricted Stock Unit Awards \(Off-Cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.9 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.20 [Schedule of Terms for Stock Appreciation Right Awards \(Off-Cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.11 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.21 [Schedule of Terms for Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.12 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.22 [Schedule of Terms for Non-Qualified Stock Option Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.13 to Carrier Global Corporation's Registration Statement on Form 10 filed with the SEC on February 7, 2020, File No. 001-39220\)+](#)
- 10.23 [Offer Letter with Patrick Goris, dated October 13, 2020 \(incorporated by reference to Exhibit 10.27 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.24 [Carrier Global Corporation Board of Directors Deferred Stock Unit Plan \(amended and restated effective October 15, 2020\) \(incorporated by reference to Exhibit 10.28 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.25 [Carrier Summary of Compensation and Benefits for Directors \(2023-2024 Board Cycle\)*+](#)
- 10.26 [Form of Award Agreement for Carrier Founders Performance Share Unit and Stock Appreciation Right Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.30 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)+](#)
- 10.27 [Share Purchase Agreement, dated December 7, 2020, between Carrier Refrigeration ECR Holding Luxembourg S.à.r.l., and Breeze TopCo S.à.r.l. \(incorporated by reference to Exhibit 10.31 of Carrier Global Corporation's Annual Report on Form 10-K filed with the SEC on February 9, 2021, File No. 001-39220\)](#)
- 10.28 [Carrier Global Corporation Senior Executive Severance Plan, effective April 19, 2021 \(incorporated by reference to Exhibit 10.1 of Carrier Global Corporation's Current Report on Form 8-K filed with the SEC on April 22, 2021, File No. 001-39220\)+](#)
- 10.29 [Schedule of Terms for 2021 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.30 [Form of Award Agreement for 2021 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.31 [Letter Agreement, dated April 19, 2021, by and between Carrier Corporation and John V. Faraci \(incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021, File No. 001-39220\)+](#)
- 10.32 [Schedule of Terms for Performance Share Unit Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(rev. February 1, 2022\) \(incorporated by reference to Exhibit 10.1 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.33 [Schedule of Terms for Restricted Stock Unit Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.34 [Schedule of Terms for Stock Appreciation Right Awards \(annual\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.3 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)
- 10.35 [Schedule of Terms for Restricted Stock Unit Awards \(off-cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.4 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)+](#)

- 10.36 [Schedule of Terms for Stock Appreciation Right Awards \(off-cycle\) granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(February 1, 2022\) \(incorporated by reference to Exhibit 10.5 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)](#)⁺
- 10.37 [Form of Award Agreement for 2022 Performance Share Unit Awards granted under the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.6 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)](#)⁺
- 10.38 [Letter Agreement, dated July 12, 2021, by and between Carrier Corporation and Timothy N. White \(incorporated by reference to Exhibit 10.7 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2022, File No. 001-39220\)](#)⁺
- 10.39 [Amendment Number One to the Carrier Global Corporation 2020 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Carrier Global Corporation's Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022, File No. 001-39220\)](#)⁺
- 14 Code of Ethics. The Carrier Global Corporation Code of Ethics may be accessed via Carrier Global Corporation's website at <https://www.corporate.carrier.com/corporate-responsibility/governance/ethics-compliance/>
- 21 [Subsidiaries of the Registrant](#)*
- 23 [Consent of PricewaterhouseCoopers LLP](#)*
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification](#)*
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification](#)*
- 31.3 [Rule 13a-14\(a\)/15d-14\(a\) Certification](#)*
- 32 [Section 1350 Certifications](#)‡
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
(File name: carr-20211231.xml)
- 101.SCH XBRL Taxonomy Extension Schema Document.*
(File name: carr-20211231.xsd)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.*
(File name: carr-20211231_cal.xml)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.*
(File name: carr-20211231_def.xml)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.*
(File name: carr-20211231_lab.xml)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.*
(File name: carr-20211231_pre.xml)
- 104 The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL and contained in Exhibit 101.

Notes to Exhibits List:

* Filed herewith.

‡ Furnished herewith.

+ Exhibit is a management contract or compensatory plan or arrangement.

Attached as Exhibit 101 to this report are the following formatted in extensible Business Reporting Language ("XBRL"): (i) Consolidated Statement of Operations for the years ended December 31, 2022, 2021 and 2020, (ii) Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2022, 2021 and 2020, (iii) Consolidated Balance Sheet as of December 31, 2022 and 2021, (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2022, 2021 and 2020, (v) Consolidated Statement of Changes in Equity for the years ended December 31, 2022, 2021 and 2020 and (vi) Notes to the Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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

Signature	Title	Date
<u>/s/David Gitlin</u> David Gitlin	Director, Chairman and Chief Executive Officer (Principal Executive Officer)	February 7, 2023
<u>/s/Patrick Goris</u> Patrick Goris	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 7, 2023
<u>/s/Kyle Crockett</u> Kyle Crockett	Vice President, Controller (Principal Accounting Officer)	February 7, 2023
<u>/s/Jean-Pierre Garnier</u> Jean-Pierre Garnier	Director	February 7, 2023
<u>/s/John J. Greisch</u> John J. Greisch	Director	February 7, 2023
<u>/s/Charles M. Holley, Jr.</u> Charles M. Holley, Jr.	Director	February 7, 2023
<u>/s/Michael M. McNamara</u> Michael M. McNamara	Director	February 7, 2023
<u>/s/Susan N. Story</u> Susan N. Story	Director	February 7, 2023
<u>/s/Michael A. Todman</u> Michael A. Todman	Director	February 7, 2023
<u>/s/Virginia M. Wilson</u> Virginia M. Wilson	Director	February 7, 2023
<u>/s/Beth A. Wozniak</u> Beth A. Wozniak	Director	February 7, 2023

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

ARTICLE I – PREAMBLE

Section 1.1 – Purpose of the Plan

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

Section 1.2 – Spin-off from UTC

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

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

ARTICLE II – DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(gg) *Separation from Service prior to age 50*. If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date for the lump sum distribution will be the July 31st next following the Separation from Service date.

(hh) *Retirement*. If the distribution is made because of the Participant's Retirement and the distribution is (1) a lump sum, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the vesting date for the PSUs) or (2) in installments, the Valuation Date will be the July 31st next following the Retirement Date (or, if later, the vesting date for the PSUs) and each subsequent July 31st thereafter for the remaining installments.

(ii) *Specific Deferral Date*. If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

(jj) *Death*. If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.

For PSUs granted prior to January 1, 2008, the following rules apply for purposes of determining the Valuation

Date:

(kk) *Separation from Service prior to age 50.* If the distribution is made because of the Participant's Separation from Service prior to attaining age fifty (50), the Valuation Date will be determined by reference to the date upon which the Participant's Separation from Service occurs. For Separations of Service that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year.

(ll) *Retirement.* If the distribution is made because of the Participant's Retirement and the distribution is a lump sum, the Valuation Date will be determined by reference to the date upon which the Participant's Retirement Date occurs (or, if later, the vesting date for the PSUs). For Retirement Dates that occur in a year (1) prior to July 21st, the Valuation Date will be July 31st of that year, (2) on or after July 21st and prior to October 21st, the Valuation Date will be October 31st, (3) on or after October 21st and prior to December 1st, the Valuation Date will be December 15th, and (4) in the month of December, the Valuation Date will be January 15th of the following year. If the distribution is made because of the Participant's Retirement and the distribution is in the form of installments, the Valuation Date will be the July 31st next following the Retirement Date (or if later the vesting date of the PSUs) and each subsequent July 31st thereafter for the remaining installments.

(mm) *Specific Deferral Date.* If the distribution is made because the Deferral Period has ended on a Specific Deferral Date, the Valuation Date for the lump sum or initial installment distribution will be the July 31st next following the Specific Deferral Date and each subsequent July 31st thereafter for any remaining installments.

(nn) *Death.* If the distribution is made as a result of the Participant's death, the Valuation Date will be a date that is as soon as practicable prior to the date the distribution is to be made on account of the death.

ARTICLE III – ELIGIBILITY AND PARTICIPATION

Section 3.1 – Eligibility

Each Employee of a Carrier Company, who is classified as an eligible Participant at the time of the deferral election, will be eligible to participate in this Plan in respect of that Performance Cycle in accordance with the terms of this Plan.

Section 3.2 – Participation

Each eligible Participant may elect to participate in this Plan with respect to any Performance Cycle for which he/she receives an award of PSUs, and for which the opportunity to defer PSUs is offered, by timely filing an Election Form, properly completed in accordance with Section 4.1.

ARTICLE IV – PARTICIPANT ELECTIONS AND DESIGNATIONS

Section 4.1 – Election

An eligible Participant, who has been awarded PSUs, may, on or before the election deadline established by the Committee, file an Election Form to defer the Participant's PSUs, subject to their future vesting. Notwithstanding anything to the contrary herein or in any other agreement, PSUs granted on or after January 1, 2021 are not eligible for deferral under the Plan.

Section 4.2 – Election Amount

An eligible Participant must designate in the Election Form the percentage of vested PSUs (rounded down to the nearest whole share) that will be deferred under this Plan for the Performance Cycle. The minimum percentage of vested PSUs that a Participant may defer under this Plan for any Performance Cycle is ten percent (10%) and the maximum is one hundred percent (100%).

Section 4.3 – One-Time Diversification Election and Investment Fund Allocation

(a) *One-Time Diversification Election.* Each Participant will be allowed a one-time opportunity during a specified two (2)-week period in February 2020 to elect to diversify his or her then-existing Performance Cycle Accounts out of Deferred Share Units, and into available Investment Funds. A separate diversification election may be made for each Performance Cycle Account; and once made, will apply to the entire Performance Cycle Account. Performance Cycle Accounts that are diversified will be valued as of the date on which the diversification election is made (or on the next business day if the election occurs after trading hours). If no

election is made by a Participant, his or her Performance Cycle Accounts will remain invested in Deferred Share Units.

(b) *Investment Fund Allocation.* Performance Cycle Accounts that are diversified as part of the one-time election under paragraph (a) of this Section 4.3 can never be reinvested in Deferred Share Units; however, Participants may change the asset allocation of the diversified Performance Cycle Accounts between other Investment Funds, as permitted by the Committee.

Section 4.4 – Election Date

To defer PSUs under this Plan, an Election Form must be completed and submitted to the Committee no later than the election deadline for that Performance Cycle. If the PSUs qualify as “performance-based compensation” for purposes of Section 409A, the election deadline shall be no later than December 31st of the second (2nd) year of the Performance Cycle; *provided that* the compensation provided under the PSUs has not become reasonably ascertainable by the election deadline, and provided further that the Participant has performed services continuously from the beginning of the Performance Cycle (or, if later, the date when the performance criteria were established if the award is made after the beginning of the Performance Cycle) until the election deadline. The Committee may specify an election deadline for any Performance Cycle that is earlier than the latest permissible deadline described in this paragraph, or may specify before the election deadline that particular PSUs are not eligible for deferral. Except as provided below in Section 4.7 (Change in Distribution Election) and Section 5.8 (Accelerated Distribution in the Case of an Unforeseeable Emergency), the choices reflected in the Participant’s Election Form shall become irrevocable on the election deadline. If an eligible Participant fails to submit a properly completed Election Form by the election deadline, he or she will be ineligible to participate in this Plan for the applicable Performance Cycle.

Section 4.5 – Deferral Period

Each Participant shall specify in the Election Form the Deferral Period for amounts to be deferred. Failure to specify a Deferral Period shall result in a deferral for the Default Deferral Period. A Participant may elect a Deferral Period that ends either (1) on a Specific Deferral Date that is at least five (5) years following the date on which the Performance Cycle Account is established, or (2) on the Participant’s Retirement Date.

Section 4.6 – Distribution Election

At the time the Participant first elects to defer his or her vested PSUs under Section 4.1, the Participant must further make an election to have the Performance Cycle Account distributed in a lump sum or in two (2) to fifteen (15) annual installments. If no distribution election is made, the Participant's Performance Cycle Account will be distributed in a lump sum. If a Participant elects to receive the Performance Cycle Account in installments, the amount of each installment shall be determined by dividing the total Performance Cycle Account Balance on each Valuation Date by the number of installments remaining, rounded down to the nearest whole share. For any amounts not denominated in Deferred Share Units, installment payments will be determined by valuing such amount on the payment and multiplying such amount by a fraction, the numerator of which is one (1) and the denominator of which is the number of scheduled installments that remain unpaid.

Section 4.7 – Change in Distribution Election

A Participant may make an irrevocable election to extend the Deferral Period and/or change the form of distribution for a Performance Cycle Account. A Participant may change his or her election, as provided in this Section 4.7, for some accounts and not for others. For each Performance Cycle Account, the extended Deferral Period shall not be less than five (5) years following the date on which distribution would otherwise have occurred. A deferral extension election and/or change to the form of distribution must meet all of the following requirements:

(a) The new election must be made at least twelve (12) months prior to the earlier of the date on which payments will commence under the current election and/or the date of the Participant's Separation from Service following the attainment of age fifty (50) (and the new election shall be ineffective if the Participant incurs a Separation from Service within twelve (12) months after the date of the new election);

(b) The new election will not take effect until at least twelve (12) months after the date when the new election is submitted in a manner acceptable to the Committee; and

(c) The new payment commencement date must be at least five (5) years later than the date on which payments would commence under the current election.

A Participant may change his or her election up to a maximum of three (3) times for each Performance Cycle Account.

Section 4.8 – Designation of Beneficiary

Each Participant shall designate a Beneficiary for his or her Plan Account on an electronic or written form provided by the Committee. A Participant may change such designation on an electronic or written form acceptable to the Committee and any change will be effective on the date received by the Committee. Designations received after the Participant's death will not be effective. If a Beneficiary designation is not filed with the Committee before the Participant's death, or if the Beneficiary (and any contingent Beneficiary) does not survive the Participant, the value of the Participant's Plan Account will be paid to the Participant's estate. If a Participant designates the Participant's spouse as the Participant's Beneficiary, that designation shall not be revoked or otherwise altered or affected by any: (a) change in the marital status of the Participant; (b) agreement between the Participant and such spouse; or (c) judicial decree (such as a divorce decree) affecting any rights that the Participant and such spouse might have as a result of their marriage, separation, or divorce; it being the intent of this Plan that any change in the designation of a Beneficiary hereunder may be made by the Participant only in accordance with the procedures set forth in this Section 4.8. In the event of the death of a Participant, distributions shall be made in accordance with Section 5.5.

ARTICLE V – VALUATION & DISTRIBUTION OF ACCOUNTS

Section 5.1 – Valuation of Performance Cycle Accounts

Upon the Spin-off, UTC Deferred Share Units will be converted into Carrier Deferred Share Units, including fractional Carrier Deferred Share Units, in accordance with the Employee Matters Agreement. Deferred Share Units included in a Participant's Performance Cycle Account are valued prior to distribution on the applicable Valuation Date. Except in the case of distributions made after Deferred Share Units have been converted to cash as a result of (a) the elective diversification of a Performance Cycle Account pursuant to Section 4.3, or (b) a Change of Control (as defined in Section 5.7 below), one (1) share of Common Stock will be distributed for each Deferred Share Unit. If the distribution includes a fractional unit, the number of units will be rounded down to the next whole unit for purposes of calculating the number of shares of Common Stock to be exchanged in the distribution, and the value of the fractional unit will be paid in cash. The Deferred Share Unit shall be valued based on the closing price of Common Stock as reported on the composite tape of the New York Stock Exchange on the Valuation Date. For Performance Cycle Accounts invested in an Investment Fund, the value of the units of an

Investment Fund will fluctuate on each business day based on the performance of the applicable Investment Fund.

Section 5.2 – Timing of Plan Distributions

Except as provided in Section 4.7 (Change in Distribution Election), Section 5.3 (Separation from Service before Attaining Age 50), Section 5.4 (Separation from Service of Specified Employees), and Section 5.5 (Distribution in the Event of Death) the value of a Participant's Performance Cycle Account will be distributed (or begin to be distributed) according to the distribution election on file to the Participant within thirty (30) calendar days following the Valuation Date associated with (a) the Participant's Retirement (if the Participant's Deferral Period ends on the Retirement Date) or (b) the Specific Deferral Period (if the Participant's Deferral Period ends on a Specific Deferral Date).

Section 5.3 – Separation from Service before Attaining Age 50

If a Participant's Separation from Service occurs before the Participant attains age fifty (50), the full value of the Participant's entire Plan Account will be distributed in a lump sum, within thirty (30) calendar days following the Valuation Date (subject to Section 5.4 below), regardless of the distribution election on file.

Section 5.4 – Separation from Service of Specified Employees

If the Participant is a Specified Employee on the date of the Participant's Separation from Service, any distribution of the Participant's Plan Account that is made on account of the Participant's Separation from Service will not be made or commence earlier than the first (1st) day of the seventh (7th) month following the date of Separation from Service. The Plan Account shall be valued as if the Valuation Date were the last business day of the month preceding the distribution date. In the case of a distribution in installments, the date of any subsequent installments shall not be affected by the delay of any installment hereunder.

Section 5.5 – Distribution in the Event of Death

In the event of the death of a Participant before the Participant's Plan Account has been fully distributed, the full remaining value of the Participant's Plan Account will be distributed to the designated Beneficiary or the Participant's estate in a lump sum no later than December 31st of the year immediately following the year in which the death occurred.

Section 5.6 – Disability

In the event of the Disability of a Participant, the Participant's Performance Cycle Accounts that are designated to be deferred to a Specific Deferral Date will be maintained and distributed in accordance with the Participant's elections on file. The Participant's Performance Cycle Accounts that are designated to be deferred to the Participant's Retirement Date will be distributed as if such Participant had retired on the date of the Participant's Disability, but without applying the six (6)-month delay in Section 5.4, above.

Section 5.7 – Distribution upon a Change in Control

In the event of a Change in Control of the Corporation, the Participant's entire Plan Account will be converted to cash and distributed in a lump sum within ten (10) business days following the Change in Control event. The cash amount per Deferred Share Unit will equal the closing price of Common Stock on the New York Stock Exchange on the date the Change in Control occurs or, if the Common Stock is not traded on that day, on the trading day immediately preceding the Change in Control. For purposes of this Plan, a "Change in Control" means (a) the acquisition by one person, or more than one person acting as a group, of stock possessing 30 percent (30%) or more of the total voting power of the stock of the Corporation during the twelve (12)-month period ending on the date of the most recent acquisition; (b) the replacement of a majority of the members of the Corporation's board of directors during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Corporation's board of directors as constituted immediately prior to the date of such appointment or election; (c) the acquisition by one person, or more than one person acting as a group, of more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Corporation; (d) a change in the ownership of a substantial portion of the Corporation's assets such that one person, or more than one person acting as a group, acquires assets of the Corporation with a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Corporation determined immediately prior to such acquisition; and (e) a dissolution or liquidation of the Corporation. The intention of this Plan is that Change in Control shall be a permissible payment event under Section 409A. For the avoidance of doubt, the Spin-off shall not constitute a Change in Control.

Section 5.8 – Accelerated Distribution in the Case of an Unforeseeable Emergency

(a) The Committee may, upon a Participant's written application, agree to an accelerated distribution of some or all of the value of the Participant's Plan Accounts upon the showing of an unforeseeable emergency. An "unforeseeable emergency" is a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in IRC Section 152, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)); (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution is to be determined based on the relevant facts and circumstances of each case. Acceleration will not be granted if the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under this Plan.

(b) Distributions on account of an unforeseeable emergency, as defined in Section 5.8(a), shall be limited to the amount reasonably necessary to satisfy the emergency need. Such amount may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution.

(c) The Committee will determine from which Performance Cycle Accounts hardship distributions will be made. Any Participant who is an officer or director of the Corporation within the meaning of Section 16 of the Securities Exchange Act of 1934 is not eligible for distributions on account of unforeseeable emergency.

Section 5.9 – Administrative Adjustments in Payment Date

A payment is treated as being made on the date when it is due under this Plan if the payment is made on the due date specified by this Plan, or on a later date that is either (a) in the same calendar year (for a payment whose specified due date is on or before September 30), or (b) by the fifteenth (15th) day of the third (3rd) calendar month following the date specified by this Plan (for a payment whose specified due date is on or after October 1). A payment also is treated as being made on the date when it is due under this Plan if the payment is made not more than thirty (30) days before the due date specified by this Plan. In no event will a payment to a

Specified Employee on account of his or her Separation from Service be made or commence earlier than the first (1st) day of the seventh (7th) month following the date of Separation from Service. A Participant may not, directly or indirectly, designate the taxable year of a payment made in reliance on the administrative rules in this Section 5.9.

Section 5.10 – Minimum Balance Payout Provision

If a Participant's Plan Account balance under this Plan (and under all other nonqualified deferred compensation plans of the Corporation that are required to be aggregated with this Plan under Section 409A), determined at the time of the Participant's Separation from Service, is less than the amount set as the limit on elective deferrals under Section 402(g)(1)(B) of the Code in effect for the year in which the Participant's Separation from Service occurs, the Committee retains discretion to distribute the Participant's entire Plan Account (and the Participant's entire interest in any other nonqualified deferred compensation plan that is required to be aggregated with this Plan) in a lump sum within thirty (30) days following the Participant's Separation from Service, even if the Participant has elected to receive a different form of distribution. Any exercise of the Committee's discretion taken pursuant to this Section 5.10 shall be evidenced in writing, no later than the payment date.

ARTICLE VI – AMENDMENT AND TERMINATION OF PLAN

Section 6.1 – Amendment

The Corporation may, at any time, amend this Plan in whole or in part; *provided* that no amendment may decrease the value of any Plan Accounts as of the date of such amendment. In the event of any change in law or regulation relating to this Plan or the tax treatment of this Plan Accounts, this Plan shall, without further action by the Committee, be deemed to be amended to comply with any such change in law or regulation effective the first date necessary to prevent the taxation, constructive receipt or deemed distribution of Plan Accounts prior to the date Plan Accounts would be distributed under the provisions of Article V. To the extent any rule or procedure adopted by the Committee is inconsistent with a provision of this Plan that is administrative, technical or ministerial in nature, this Plan shall be deemed amended to the extent of the inconsistency.

Section 6.2 – Plan Suspension and Termination

(a) The Committee may, at any time, suspend or terminate this Plan with respect to new or existing Election Forms if, in its sole judgment, the continuance of this Plan, the tax,

accounting, or other effects thereof, or potential payments thereunder would not be in the best interest of the Corporation or for any other reason.

(b) In the event of suspension of this Plan, no additional deferrals shall be made under this Plan, but all previous deferrals shall accumulate and be distributed in accordance with the otherwise applicable provisions of this Plan and the applicable elections on file.

(c) Upon the termination of this Plan with respect to all Participants, and the termination of all arrangements sponsored by the Corporation that would be aggregated with this Plan under Section 409A, the Corporation shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay the Participant's Plan Account in a lump sum, to the extent permitted under Section 409A. All payments that may be made pursuant to this Section 6.2 shall be made no earlier than the thirteenth (13th) month and no later than the twenty-fourth (24th) month after the termination of this Plan. The Corporation may not accelerate payments pursuant to this Section 6.2 if the termination of this Plan is proximate to a downturn in the Corporation's financial health within the meaning of Treas. Regs. Sec. 1.409A-3(j)(4)(ix)(C)(1). If the Corporation exercises its discretion to accelerate payments under this Section 6.2, it shall not adopt any new arrangement that would have been aggregated with this Plan under Section 409A within three (3) years following the date of this Plan's termination. The Committee may also provide for distribution of Plan Accounts following a termination of this Plan under any other circumstances permitted by Section 409A.

Section 6.3 – No Consent Required

The consent of any Participant, Beneficiary, or other person shall not be required with respect to any amendment, suspension, or termination of this Plan.

ARTICLE VII – MISCELLANEOUS PROVISIONS

Section 7.1 – Reinvestment of Dividend Equivalents

Deferred Share Units shall be credited with dividend equivalents at the same time and in the same amount that cash dividends would be paid with respect to an equal number of shares of Common Stock. At the time the election under Section 4.1 is made, the Participant agrees to have dividend equivalents deferred and invested in additional Deferred Share Units based upon the number of whole and fractional units that the dollar dividend amount would purchase, using the closing price of the Common Stock on the New York Stock Exchange on each dividend payment date. Dividend equivalents that are deferred and invested pursuant to this Section 7.1

shall be credited to the same Performance Cycle Account as the Deferred Share Units for which the dividend equivalents are paid, and shall be distributed at the time and in the form applicable to that Performance Cycle Account. For the avoidance of doubt, Performance Cycle Accounts diversified out of Deferred Stock Units will no longer be eligible for dividend equivalents.

Section 7.2 – Withholding Taxes

The Committee may make any appropriate arrangements to deduct from all deferrals and payments under this Plan any taxes that the Committee reasonably determines to be required by law to be withheld from such credits and payments.

Section 7.3 – Adjustment of Deferred Share Units

In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or split, recapitalization, merger, consolidation, combination, exchange of shares, spin-off or other similar corporate change, the number of Deferred Share Units may be adjusted appropriately by the Committee, whose determination shall be conclusive.

Section 7.4 – Section 409A Compliance

To the extent that rights or payments under this Plan are subject to Section 409A, this Plan shall be construed and administered in compliance with the conditions of Section 409A and regulations and other guidance issued pursuant to Section 409A for deferral of income taxation until the time the compensation is paid. Any distribution election that would not comply with Section 409A shall not be effective for purposes of this Plan. To the extent that a provision of this Plan does not comply with Section 409A, such provision shall be void and without effect. The Corporation does not warrant that this Plan will comply with Section 409A with respect to any Participant or Beneficiary or with respect to any payment. In no event shall any Carrier Company, any director, officer, or employee of a Carrier Company (other than the Participant), or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant or Beneficiary as a result of this Plan's failure to satisfy the requirements of Section 409A, or as a result of this Plan's failure to satisfy any other requirements of applicable tax laws.

ARTICLE VIII – GENERAL PROVISIONS

Section 8.1 – Unsecured General Creditor

The Corporation's obligations under this Plan constitute an unfunded and unsecured promise to distribute shares in the future. Participants' and Beneficiaries' rights under this Plan

are solely those of a general unsecured creditor of the Corporation. No assets will be placed in trust, set aside or otherwise segregated to fund or offset liabilities in respect of this Plan or Participants' Plan Accounts.

Section 8.2 – Nonassignability

(a) Except as provided in subsection (b) or (c) below, no Participant or Beneficiary or any other person shall have the right to sell, assign, transfer, pledge, or otherwise encumber any interest in this Plan and all Plan Accounts and the rights to all payments are unassignable and non-transferable. Plan Accounts or payment hereunder, prior to actual payment, will not be subject to attachment or seizure for the payment of any debts, judgments or other obligations. Plan Accounts or other Plan benefit will not be transferred by operation of law in the event of a Participant's or any Beneficiary's bankruptcy or insolvency.

(b) The Plan shall comply with the terms of any valid domestic relations order submitted to the Committee. Any payment of a Participant's Plan Account to a party other than the Participant pursuant to the terms of a domestic relations order shall be charged against and reduce the Participant's Plan Account. Neither this Plan, the Corporation, the Committee, nor any other party shall be liable in any manner to any person, including but not limited to any Participant or Beneficiary, for complying with the terms of a domestic relations order.

(c) To the extent that any Participant, Beneficiary or other person receives an excess or erroneous payment under this Plan, the amount of such excess or erroneous payment shall be held in a constructive trust for the benefit of the Corporation and this Plan, and shall be repaid by such person upon demand. The Committee may reduce any other benefit payable to such person, or may pursue any remedy available at law or equity to recover the amount of such excess or erroneous payment or the proceeds thereof. Notwithstanding the foregoing, the amount payable to a Participant or Beneficiary may be offset by any amount owed to any Carrier Company to the extent permitted by Section 409A.

Section 8.3 – No Contract of Employment

Participation in this Plan shall not be construed to constitute a direct or indirect contract of employment between any Carrier Company and the Participant. Participants and Beneficiaries will have no rights against any Carrier Company resulting from participation in this Plan other than as specifically provided herein. Nothing in this Plan shall be deemed to give a Participant

the right to be retained in the service of any Carrier Company for any length of time or to interfere with the right of any Carrier Company to terminate a Participant's employment.

Section 8.4 – Governing Law

The provisions of this Plan will be construed and interpreted according to the laws of the State of Delaware, to the extent not preempted by federal law.

Section 8.5 – Validity

If any provision of this Plan is held to be illegal or invalid for any reason, the remaining provisions of this Plan will be construed and enforced as if such illegal and invalid provision had never been inserted herein.

Section 8.6 – Notice

Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if sent by first-class mail, to Carrier Global Corporation, 13995 Pasteur Boulevard, Palm Beach Gardens, Florida 33418, Attn: Employee Benefit Committee. Any notice or filing required or permitted to be given to any Participant or Beneficiary under this Plan shall be sufficient if provided either electronically, hand-delivered, or mailed to the address (or email address, as the case may be) of the Participant or Beneficiary then listed on the records of the Corporation. Any such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or email system.

Section 8.7 – Successors

The provisions of this Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which by merger, consolidation, purchase or otherwise acquires all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

Section 8.8 – Incompetence

If the Committee determines, upon evidence satisfactory to the Committee, that any Participant or Beneficiary to whom a benefit is payable under this Plan is unable to care for their affairs because of illness or accident, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Committee and the Corporation, to the spouse of the Participant or other person deemed by the Committee to have incurred expenses for the benefit of

and on behalf of such Participant or Beneficiary. Any such payment from a Participant's Plan Accounts shall be a complete discharge of any liability under this Plan with respect to the amount so paid.

ARTICLE IX – ADMINISTRATION AND CLAIMS

Section 9.1 – Plan Administration

The Committee shall be solely responsible for the administration and operation of this Plan and shall be the “administrator” of this Plan for purposes of ERISA. The Committee shall have full and exclusive authority and discretion to interpret the provisions of this Plan and to establish such administrative procedures as it deems necessary and appropriate to carry out the purposes of this Plan. All decisions and interpretations of the Committee shall be final and binding on all parties.

Any person claiming a benefit, requesting an interpretation or ruling under this Plan, or requesting information under this Plan shall present the request in writing to the Committee at Carrier Global Corporation, 13955 Pasteur Boulevard, Palm Beach Gardens, Florida 33418, Attn: Employee Benefit Committee. The Committee shall respond in writing as soon as practicable.

Section 9.2 – Claim Procedures

A Participant or Beneficiary who believes that he or she has been denied a benefit under this Plan (referred to in this Section 9.2 as a “Claimant”) may file a written request with the Committee setting forth the claim. The Committee shall consider and resolve the claim as set forth below.

(a) Upon receipt of a claim, the Committee shall advise the Claimant that a response will be forthcoming within ninety (90) days. The Committee may, however, extend the response period for up to an additional ninety (90) days for reasonable cause, and shall notify the Claimant of the reason for the extension and the expected response date. The Committee shall respond to the claim within the specified period.

(b) If the claim is denied in whole or part, the Committee shall provide the Claimant with a written decision, using language calculated to be understood by the Claimant, setting forth (i) the specific reason or reasons for such denial; (ii) the specific reference to relevant provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation for why

such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review of the claim; and (vi) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

(c) Within sixty (60) days after the Claimant's receipt of the written decision denying the claim in whole or in part, the Claimant may request in writing that the Committee review the determination. The Claimant or his or her duly authorized representative may, but need not, review the relevant documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60)-day period, the Claimant shall be barred from challenging the determination.

(d) Within sixty (60) days after the Committee receives a request for review, it will review the initial determination. If special circumstances require that the sixty (60)-day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

(e) All decisions on review shall be final and binding with respect to all concerned parties. The decision on review shall set forth, in a manner calculated to be understood by the Claimant, (i) the specific reasons for the decision, including references to the relevant Plan provisions upon which the decision is based; (ii) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information, relevant to his or her benefits; and (iii) the Claimant's right to bring an action for benefits under Section 502(a) of ERISA.

CERTAIN REGULATORY MATTERS

The Plan is subject to ERISA. Because this Plan is an unfunded plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, this Plan is exempt from most of ERISA's requirements. Although this Plan is subject to Part 1 (Reporting and Disclosure) and Part 5 (Administration and Enforcement) of Title I, Subtitle B of ERISA, the Department of Labor has issued a regulation that exempts this Plan from most of ERISA's reporting and disclosure requirements.

TO WHOM SHOULD QUESTIONS CONCERNING THE PLAN BE DIRECTED?

All questions concerning the operation of this Plan (including information concerning the administrators of this Plan) should be directed to:

Carrier Global Corporation
13995 Pasteur Boulevard
Palm Beach Gardens, FL 33418
Attn: Employee Benefit Committee
Telephone: 561-365-2000



**COMPENSATION AND BENEFITS
FOR NON-EMPLOYEE DIRECTORS
(As of April 14, 2022)**

The following policy regarding compensation and benefits for non-employee members of the Board of Directors as of the date set forth above will remain in place until amended or terminated by the Board of Directors. The Board of Directors may temporarily or permanently reduce or increase future retainers, awards and fees described herein at any time.

Annual Cash Retainer and Deferred Stock Unit Award:

Non-employee members of the Board of Directors receive annual compensation comprised of a cash retainer and deferred stock units (“DSUs”) pursuant to the Carrier Board of Directors Deferred Stock Unit Plan (the “Plan”). The compensation arrangements for non-employee Directors are as follows for each Board Cycle (as defined in the Plan):

	Total Combined Award	Annual Cash Retainer Award	Annual DSU Award
Base Compensation	\$310,000	\$124,000	\$186,000

Non-employee Directors serving in leadership roles on the Board and/or its committees receive the following awards for each Board Cycle:

	Total Additional Combined Award	Additional Annual Cash Retainer Award	Additional Annual DSU Award
Lead Director	35,000	14,000	21,000
Audit Chair	25,000	10,000	15,000
Audit Members	15,000	6,000	9,000
Compensation Chair	20,000	8,000	12,000
Governance Chair	20,000	8,000	12,000
Technology and Innovation Chair	20,000	8,000	12,000

The Annual Cash Retainer and DSUs will be issued to non-employee Directors as of the date of Carrier’s Annual Meeting of Shareowners (the “Annual Meeting”). A Director may elect to receive additional DSUs in lieu of the Annual Cash Retainer Award by making a timely election in accordance with the Plan. The number of DSUs will be determined by dividing the Annual DSU Award (including the Annual Cash Retainer Award if so elected by the Director) by the closing price of Carrier common stock on the date of the Annual Meeting. Fractional DSUs are credited to the Director’s account. All whole or partial DSUs are eligible for dividend equivalents equal to Carrier’s declared dividend and will be credited to a Director’s account as additional DSUs on the date the dividend is paid.

Upon retirement or termination from the Board, DSUs held in your account will be converted into shares of Carrier common stock and distributed to you, unless you elected 10 or 15 annual installments, in which case DSUs will be converted to shares of stock in accordance with the installment schedule. During the installment period, the value of your account will not be taxable until each installment distribution is received. In the event of your death before distribution, the full value of your account will be distributed to your estate unless a Beneficiary Designation form is on file. DSUs will be governed by the terms and conditions of the Carrier Global Corporation Board of Directors Deferred Stock Unit Plan.

Directors elected after September 30, but before the next Annual Meeting, receive half of the Base Compensation plus half of any additional awards for serving in leadership roles.

Extra Meeting Fees:

Non-employee Directors will receive an additional \$5,000 cash payment for each special meeting of the Board or a committee attended in person. This amount may not be elected as DSUs.

Carrier Stock Ownership Guidelines:

To further encourage the alignment of Board and shareowner interests, non-employee Directors are required to own shares of Carrier Common Stock – including DSUs – that are equal in value to at least five times the then applicable Annual Cash Retainer Award within five years of joining the Board.

SUBSIDIARIES OF CARRIER GLOBAL CORPORATION

The following entities are expected to be subsidiaries of Carrier Global Corporation as of December 31, 2022:

Subsidiary	State or Country of Incorporation or Organization
AHI Carrier FZC	United Arab Emirates
Ainsworth Holdings SAS	France
AirSense Technology Limited	UK
Alarko Carrier Sanayi ve Ticaret A.S.	Turkey
Aldridge Holdings LLC	Delaware
APLITER SL	Spain
Arabian Air Conditioning Company	Saudi Arabia
Ardmore Holdings S.a.r.l.	Luxembourg
Automated Logic - Canada, Ltd.	Alberta
Automated Logic Contracting Services, Inc.	Delaware
Automated Logic Corporation	Georgia
Automated Logic Limited	UK
Autronica Fire & Security AS	Norway
Autronica Fire and Security A/S	Denmark
B. Grimm Airconditioning Limited	Thailand
B. Grimm Carrier (Thailand) Limited	Thailand
Bing Wo Investment Limited	Hong Kong
Bresco Limited	Ireland
Brokerbay Inc.	Ontario
Carlyle Air Conditioning Company, Inc.	New York
Carlyle Scroll Holdings Inc.	Delaware
Carrier (Malaysia) SDN. BHD.	Malaysia
Carrier (Thailand) Limited	Thailand
Carrier (US) LLC	Delaware
Carrier Air Conditioning & Refrigeration R&D Management (Shanghai) Co., Ltd	China
Carrier Air Conditioning Philippines, Inc.	Philippines
Carrier Air Conditioning Pty. Limited	Australia
Carrier Air Conditioning Sales & Service (Shanghai) Co Ltd	China
Carrier Aircon Lanka Private Limited	Sri Lanka
Carrier Airconditioning & Refrigeration Limited	India
Carrier Air-Conditioning & Refrigeration Sales (Shanghai) Co., Ltd	China
Carrier Air-Conditioning & Refrigeration System (Shanghai) Co., Ltd.	China

Carrier Aire Acondicionado De Venezuela, S.A.	Venezuela
Carrier Aktiebolag	Sweden
Carrier ARCD Pte. Ltd	Singapore
Carrier Asia Limited	Hong Kong
Carrier Asia Pacific Operations Pte Ltd	Singapore
Carrier Australia Commercial Holdings Pty Ltd	Australia
Carrier Australia Pty Ltd	Australia
Carrier Building and Industrial Systems MET FZCO	United Arab Emirates
Carrier Canada Corporation	New Brunswick
Carrier chladiaca technika Slovakia s.r.o	Slovakia
Carrier chladici technika CZ s.r.o.	Czech Republic
Carrier Chłodnictwo Polska Sp. z.o.o	Poland
Carrier Commercial Refrigeration (Thailand) Ltd.	Thailand
Carrier Controls Limited	UK
Carrier Corporation	Delaware
Carrier Deutschland Holding GmbH	Germany
Carrier Distribution Italy Srl	Italy
CARRIER EMEA SAS	France
Carrier Enterprise Canada L.P.	Ontario
Carrier Enterprise Canada, (G.P.), Inc.	New Brunswick
Carrier Enterprise Leasing, Inc.	Delaware
Carrier Enterprise Northeast, LLC	Delaware
Carrier Enterprise, LLC	Delaware
Carrier Experts Service (Central Malaysia) Sdn. Bhd.	Malaysia
Carrier Far East Limited	Hong Kong
Carrier Fire & Security - Portugal Lda	Portugal
Carrier Fire & Security (Legacy 2011) Ltd	UK
Carrier Fire & Security Americas Corporation	Delaware
Carrier Fire & Security Australia Pty Ltd	Australia
Carrier Fire & Security B.V.	Netherlands
Carrier Fire & Security Corporation	Delaware
Carrier Fire & Security Danmark A/S	Denmark
Carrier Fire & Security Deutschland GmbH	Germany
Carrier Fire & Security EMEA BV	Belgium
Carrier Fire & Security Espana SL	Spain
Carrier Fire & Security France S.A.S.	France
Carrier Fire & Security Hong Kong Limited	Hong Kong
Carrier Fire & Security Infrastructure (Australia) Pty Ltd	Australia
Carrier Fire & Security Ireland Limited	Ireland
Carrier Fire & Security Italia S.r.l.	Italy
Carrier Fire & Security Ltd., Taiwan	Taiwan

Carrier Fire & Security Luxembourg S.a r.l.	Luxembourg
Carrier Fire & Security Management (Shanghai) Co., Ltd.	China
Carrier Fire & Security Norge AS	Norway
Carrier Fire & Security Polska Sp.z.o.o.	Poland
Carrier Fire & Security Singapore Pte Ltd.	Singapore
Carrier Fire & Security South Africa Pty Ltd	South Africa
Carrier Fire & Security Suomi OY	Finland
Carrier Fire & Security Sverige AB	Sweden
Carrier Fire & Security Trading (Shanghai) Co., Ltd.	China
Carrier Fire & Security UK Limited	UK
Carrier Fire and Security Denmark Holding A/S	Denmark
Carrier Fire and Security Products Bahrain W.L.L	Bahrain
Carrier Fire and Security South Africa Holdings (Pty) Ltd	South Africa
Carrier Foundation, Inc.	Florida
Carrier France SCS	France
Carrier Frigel Apostolou SA	Greece
Carrier Global Container Solutions, Inc.	Delaware
Carrier Global Corporation	Delaware
Carrier Guam, Inc.	Guam
Carrier Holdings Australia Pty Ltd	Australia
Carrier Holdings B.V.	Netherlands
Carrier Hong Kong Limited	Hong Kong
Carrier Hungary Refrigerating Trading and Manufacturing Limited Liability Co.	Hungary
Carrier HVACR Investments B.V.	Netherlands
Carrier InterAmerica Corporation	Delaware
Carrier Intercompany Lending Designated Activity Company	Ireland
Carrier International Corporation	Delaware
Carrier International Corporation	Nevada
Carrier International Mauritius Ltd.	Mauritius
Carrier International Sdn. Berhad	Malaysia
Carrier Investments Australia Pty Ltd	Australia
Carrier Investments UK Limited	UK
Carrier Kältesysteme Austria GmbH	Austria
Carrier Kältetechnik Austria Ges.m.b.H.	Austria
Carrier Kältetechnik Deutschland GmbH	Germany
Carrier Klimatechnik GmbH	Germany
Carrier Kuwait Airconditioning K.S.C.	Kuwait
Carrier Linde Refrigeration Philippines, Inc.	Philippines
Carrier Manufacturing Poland Spółka z ograniczoną odpowiedzialnością	Poland
Carrier Mexico II, S. de R.L. de C.V.	Mexico
Carrier Mexico, S.A. de C.V.	Mexico

Carrier Middle East Limited	Bermuda
Carrier Midea India Private Limited	India
Carrier Midea North America LLC	Delaware
Carrier Montluel SCS	France
Carrier Overseas Service, Limited	Delaware
Carrier Oy	Finland
Carrier Park View, Inc.	Delaware
CARRIER Polska Sp. z o.o.	Poland
Carrier Portugal Ar Condicionado, Lda	Portugal
Carrier Reefers & Gensets B.V.	Netherlands
Carrier Refrigeracao Brasil Ltda.	Brazil
Carrier Refrigeracion Iberica SA	Spain
Carrier Refrigeration (Thailand) Co., Ltd.	Thailand
Carrier Refrigeration Benelux B.V.	Netherlands
Carrier Refrigeration Denmark A/S	Denmark
Carrier Refrigeration Distribution France SAS	France
Carrier Refrigeration Distribution Hungary Ltd.	Hungary
Carrier Refrigeration ECR Holding Luxembourg, S.a r.l.	Luxembourg
Carrier Refrigeration eServices GmbH	Germany
Carrier Refrigeration LLC	United Arab Emirates
Carrier Refrigeration Norway AS	Norway
Carrier Refrigeration Operation Czech Republic s.r.o	Czech Republic
Carrier Refrigeration Operation Italy Srl	Italy
Carrier Refrigeration Operations France SAS	France
Carrier Refrigeration Rus Limited Liability Company	Russian Federation
Carrier Refrigeration Sweden AB	Sweden
Carrier Refrigeration Switzerland Ltd	Switzerland
Carrier Refrigeration System Sales & Service (Qingdao) Co., Ltd.	China
Carrier Refrigeration UK Ltd	UK
Carrier Rental Systems (UK) Limited	UK
Carrier Rental Systems Asia Pte Ltd	Singapore
Carrier Rental Systems Limited	UK
Carrier Rental Systems Malaysia Sdn. Bhd.	Malaysia
Carrier Rental Systems NL BV	Netherlands
Carrier Rental Systems, Inc.	Delaware
Carrier S.A. Industria E Comercio	Brazil
CARRIER S.C.S.	France
Carrier Safety System (Hebei) Co., Ltd.	China
Carrier Saudi Service Company	Saudi Arabia
Carrier Service Company	Delaware
Carrier Singapore (PTE) Limited	Singapore

Carrier Solutions Contracting and Trading and Services W.L.L.	Qatar
Carrier South Africa Proprietary Limited	South Africa
Carrier Srl	Italy
Carrier Taiwan Co., Ltd.	Taiwan
Carrier Technologies India Limited	India
Carrier Technologies ULC	Alberta
Carrier Transicold (UK) Limited	UK
Carrier Transicold Austria GmbH	Austria
Carrier Transicold Belgium BVBA	Belgium
Carrier Transicold Brasil Equipamentos de Ar Condicionado e de Refrigeração para Transportes Ltda.	Brazil
Carrier Transicold Container Products B.V.	Netherlands
Carrier Transicold Container Products Limited	Japan
Carrier Transicold Container Products Limited	Hong Kong
Carrier Transicold De Mexico, S. de R.L. de C.V.	Mexico
Carrier Transicold Deutschland GmbH	Germany
Carrier Transicold Espana, S.A.	Spain
Carrier Transicold Europe	France
Carrier Transicold France	France
Carrier Transicold Hong Kong Limited	Hong Kong
Carrier Transicold Hungaria Kft	Hungary
Carrier Transicold Industries	France
Carrier Transicold Italia S.r.l.	Italy
Carrier Transicold Limited	Delaware
Carrier Transicold Netherlands B.V.	Netherlands
Carrier Transicold Polska Sp. z o.o.	Poland
Carrier Transicold Pte. Ltd	Singapore
Carrier Transicold Scandinavia A/S	Denmark
Carrier Transicold Sweden AB	Sweden
Carrier Treasury Center Inc.	Delaware
Carrier UK Holdings Limited	UK
Carrier Ventures, Inc.	Delaware
Carrier Vietnam Air Conditioning Company Limited	Vietnam
Carrier Warranty Holdings, LLC	Delaware
Carrier Warranty, LLC	Delaware
Cavius Ltd.	UK
Celsior GmbH	Germany
Chengdu TICA Environmental Equipment Co., Ltd	China
Chipan Corporation	Delaware
Chubb Holdings (Pty) Ltd	South Africa
Chubb Löschtechnik GmbH	Germany

Chubb Security (Pty) Ltd. Namibia	Namibia
Chubb Security Investments (Pty) Ltd	South Africa
CIAT GROUP	France
CIAT Ozonair Ltd	UK
CIAT Suisse SA	Switzerland
CIATESA Servicio de Asistencia S.A.	Spain
Climate & Controls Benelux B.V.	Netherlands
Climate, Controls & Security Argentina S.A.	Argentina
Climate, Controls & Security do Brasil Ltda.	Brazil
CLK Corporation	Republic of Korea
Coldtrans, Inc.	Delaware
Comercial Sensitech South America Limitada	Chile
Compagnie Industrielle d'Applications Thermiques S.A. (CIAT)	France
Compañía Industrial de Aplicaciones Termicas S.A.U.	Spain
Compu-Home Systems, Inc.	Delaware
Concepcion Carrier Realty Holdings Inc.	Philippines
Concepcion-Carrier AirConditioning Company	Philippines
Concepcion-Carrier Holdings Inc.	Philippines
Conkey-NORESCO JV, LLC	Delaware
CT Mid-Atlantic, LLC	North Carolina
Dah Fung Hong (Holdings) Company Limited	Hong Kong
Detector Electronics (UK) Limited	UK
Detector Electronics Corporation	Minnesota
Det-Tronics France SAS	France
Domotermia S.L.	Spain
Dongguan Fyrnetics Co., Ltd.	China
DTKO BV	Netherlands
EcoEnergy Insights Limited	India
Edward B. Ward & Company, Inc.	California
Electronic Modular Services Limited	UK
Elgin Holdings SAS	France
Empresas Carrier, S. de R.L. de C.V.	Mexico
EMS Security Group Limited	UK
EMS Smartcell Ltd	UK
Energy Infrastructure, LLC	Delaware
Environmental Market Solutions, Inc.	District of Columbia
Environmental Market Solutions, Inc.	China
F&S Mexico Corporation, S. de R.L. de C.V.	Mexico
FHP Manufacturing Company	Delaware
Fireye Inc.	Delaware
FIT SERVICE S.P.A.	Italy

Foray 414 Limited	UK
Foshan Midea Carrier Air-Conditioning Equipment Co. Ltd.	China
FreightWatch Group Limited	Ireland
FreightWatch International (USA), Inc.	Texas
Frigi Transport (Fritans) S.A.	Panama
Frylands B.V.	Netherlands
FWI Logistics Private Security SA de CV	Mexico
Fymetics (Hong Kong) Limited	Hong Kong
GD Midea Air-Conditioning Equipment Co., Ltd.	China
GD Midea Group WUHAN Air-Conditioning Equipment Co., Ltd.	China
GLORIA GmbH	Germany
Gnitrow Limited	UK
GST Group International Limited	British Virgin Islands
GST Holdings Limited	Cayman Islands
Guangdong Carrier Heating, Ventilation & Air Conditioning Company Limited	China
Guangdong Giwee Electronics Commerce Co., Ltd	China
Guangdong Giwee Group Co., LTD	China
Guangdong Giwee Technology Co., Ltd	China
Guangdong Shengjie Fire Protection Technology Co., Ltd.	China
Guangdong Yuean Information Technology Co., Ltd.	China
Gulf Electric Engineering Company Limited	China
Gulf Security Technology Company Limited	China
Haiyang Fuerda Air-conditioning Equipment Installation Co., Ltd.	China
Hasta-Mex, S.A. De C.V.	Mexico
Hawthorne Holdings S.a.r.l.	Luxembourg
HVAC Clima, Servicio y Controles Iberia, S.L.	Spain
ICP International Holdings Inc.	Cayman Islands
ICP Petroleum Inc.	Delaware
Jada Holdings B.V.	Netherlands
Kaysail Limited	UK
Kidde Australia Pty Limited	Australia
Kidde Brasil LTDA	Brazil
Kidde Canada Inc.	British Columbia
Kidde China Limited	Hong Kong
Kidde Finance Limited	UK
Kidde Fire Protection Inc.	Delaware
Kidde Holding (Thailand) Co., Limited	Thailand
Kidde International Limited	UK
Kidde IP Holdings Inc.	Delaware
Kidde IP Holdings Limited	UK
Kidde Limited	UK

Kidde Matamoros, S. de R.L. de C.V.	Mexico
Kidde Norway AS	Norway
Kidde plc Inc.	Delaware
Kidde Products Limited	UK
Kidde Safety Europe Limited	UK
Kidde Securities Investments Limited	UK
Kidde Securities Limited	UK
Kidde UK	UK
Kidde US Holdings Inc.	Delaware
Kidde-Fenwal, Inc.	Delaware
Mangrove Cell 11 PC	District of Columbia
Marioff Corporation Oy	Finland
Marioff GmbH	Germany
Marioff Hi-Fog S.L.U.	Spain
Marioff Inc.	Maryland
Marioff Ltd	UK
Marioff SAS	France
Marioff Skandinavien AB	Sweden
Marioff SRL	Italy
Maroc Climate & Security - MCS	Morocco
Matlock Holdings Ltd	UK
Miraco Development Services & Trading Company, S.A.E.	Egypt
Misr Refrigeration And Air Conditioning Manufacturing Company S.A.E.	Egypt
Nihon Sensitech Corporation	Japan
Nlyte Software Americas Limited, UK	UK
Nlyte Software Holdings Inc.	Delaware
Nlyte Software Inc.	Delaware
Nlyte Software India LLP	India
Nlyte Software Limited	UK
NORESCO Puerto Rico, LLC	Delaware
NORESCO, Inc.	Delaware
Noresco, LLC	Delaware
NORESCO-SG, LLC	Delaware
Onity Co., Limited	Thailand
Onity Comercial, S.A. de C.V.	Mexico
Onity Inc.	Delaware
Onity India Private Limited	India
Onity Industrial, S.A. de C.V.	Mexico
Onity Limited	UK
Onity LTDA	Brazil
Onity Pty Ltd	Australia

Onity SA	Argentina
Onity SAS	France
Onity Trading (Shanghai) Co., Ltd.	China
Onity, S.L.U.	Spain
Parkview Treasury Services (UK) Limited	UK
Pita Limited	UK
PT Berca Carrier Indonesia	Indonesia
Q-Carrier (B) Sendirian Berhad	Brunei Darussalam
Qingdao Haier-Carrier Refrigeration Equipment Company Limited	China
Qinhuangdao Gulf Plastic & Metal Products Company Limited	China
ReefCo, LLC	Delaware
Riello Canada Inc.	Canada
Riello Corporation of America	New Jersey
RIELLO FRANCE SA	France
RIELLO GROUP S.P.A	Italy
Riello Heating Equipment (Shanghai) Co Ltd	China
RIELLO HUNGARY Kereskedelmi Zártkörűen Működő Részvénytársaság	Hungary
Riello Investments Inc.	Canada
Riello Ltd	UK
Riello NV	Belgium
RIELLO PALNIKI SP.Zoo	Poland
Riello RO S.r.l.	Romania
Riello S.A.	Switzerland
RIELLO S.P.A.	Italy
Riello Trading (shanghai) Co.Ltd	China
RUG RIELLO URZADZENIA GRZEWCZE SA	Poland
Saudi Airconditioning Manufacturing Company (Samco)	Saudi Arabia
Sebec Holdings Corporation	Nova Scotia
SEC Carrier Energy Performance Engineering Co., Ltd. (YiChuang)	China
Sensitech (UK) Limited	UK
Sensitech Brasil Ltda.	Brazil
Sensitech Canada Inc.	Alberta
Sensitech EMEA B.V.	Netherlands
Sensitech France S.a.r.L.	France
Sensitech Iberica SL	Spain
Sensitech Inc.	Delaware
Sensitech Pty Limited	Australia
SFS Holdings Limited	UK
Shandong Fuerda Air-Conditioning Equipment Co., Ltd.	China
Shanghai Carrier Transicold Equipment Co., Ltd	China
Shanghai Kidde Fire Protection Trading Co., Ltd.	China

Shanghai Yileng Carrier Air Conditioning Equipment Company Limited	China
Sinostride Technology Co., Ltd.	China
South American Coöperatief U.A.	Netherlands
South American HoldCo I B.V.	Netherlands
South American HoldCo II B.V.	Netherlands
SSS Carrier, S. de R.L. de C.V.	Mexico
Sunbelt Transport Refrigeration, Ltd.	Florida
Sustainability Investment Asia Limited	Hong Kong
Systemax Pty Ltd	Australia
T G Products Limited	UK
TCFG Compressor (Thailand) Co., Ltd.	Thailand
TEC Distribution LLC	Delaware
TEC Leasing, Inc.	Delaware
Tianjin Yuanchang Reefer Container Service Co., Ltd	China
TICA Global Limited	British Virgin Islands
Toshiba Carrier (Thailand) Co., Ltd	Thailand
Toshiba Carrier Air Conditioning (China) Co., Ltd.	China
Toshiba Carrier Air Conditioning Europe Sp.z.o.o	Poland
Toshiba Carrier Air-Conditioning India Private Limited	India
Toshiba Carrier AirConditioning Sales (Shanghai) Co., Ltd	China
Toshiba Carrier Corporation	Japan
Toshiba Carrier Engineering & Life Support Corporation	Japan
Toshiba Carrier Europe S.A.S.	France
Toshiba Carrier North America, Inc.	Delaware
Toshiba Carrier UK Limited	UK
Toshiba Technical Service & Maintenance Co., Ltd.	Japan
TRS Transportkoeling B.V.	Netherlands
UHS PTY LTD	Australia
UHS SYSTEMS PTY LTD	Australia
United Technologies Research Center (China), Ltd.	China
UTEC Controls, S. de R.L. de C.V.	Mexico
UTEC, Inc.	Delaware
UTS Carrier L.L.C.	United Arab Emirates
VOKERA (IRELAND) LIMITED	Ireland
Vokera Ltd	UK
Walter Kidde Limited	UK
Walter Kidde Portable Equipment Inc.	Delaware
Watkins Hire Limited	UK
WHL 2013 Limited	UK
Worthington Holdings B.V.	Netherlands

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-237157) and Form S-8 (No. 333-237207) of Carrier Global Corporation of our report dated February 7, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 7, 2023

CERTIFICATION

I, David Gitlin, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2023

/s/David Gitlin

David Gitlin

Chairman and Chief Executive Officer

CERTIFICATION

I, Patrick Goris, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2023

/s/Patrick Goris

Patrick. Goris

Senior Vice President and Chief Financial Officer

CERTIFICATION

I, Kyle Crockett, certify that:

1. I have reviewed this annual report on Form 10-K of Carrier Global Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2023

/s/Kyle Crockett

Kyle Crockett
Vice President, Controller

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Carrier Global Corporation, a Delaware corporation (the "Corporation"), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 7, 2023

/s/David Gitlin
David Gitlin
Chairman and Chief Executive Officer

Date: February 7, 2023

/s/Patrick Goris
Patrick Goris
Senior Vice President and Chief Financial Officer

Date: February 7, 2023

/s/Kyle Crockett
Kyle Crockett
Vice President, Controller