

CAREL

Code of Conduct for Suppliers of CAREL Industries S.p.A.

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1. OUR MISSION

CAREL Industries S.p.A. (also “Company” or “Group”) is one of the world leaders in solutions for controlling air conditioning, refrigeration and heating, and systems for humidification and evaporative cooling. We design our products to save energy and reduce environmental impact, by combining the most cutting-edge technologies and customised services to optimise the performance of equipment and systems.

“**Better Control, Better Environment**” embodies the CAREL model, the starting point and the ultimate goal that together encompass the process of designing, manufacturing and marketing our products and systems. As an innovative consultant and technological partner, CAREL anticipates market demands by proposing energyefficient solutions with guaranteed high performance.

Continual improvement is our modus operandi, the method that allows us to create a standard without being constrained by it, going on to gradually outperform that standard and take it to an even higher level.

Research, innovation and technology are the keys to our success: for almost fifty years we have put our customer’s needs at the centre of our developments to ensure standout functions and aesthetics.

The Group’s strength lies in bringing together the different areas; our overall vision, experience and soft skills enable us to transcend the boundaries of individual products and be a single point of contact capable of finding integrated application solutions.

The values that inspire CAREL on a daily basis are:

C – Customer first (care of needs understanding of the wishes guaranteed quality)

A – Achievement (of personal commitment of results)

R – Respect (of people and each other as trust in relationship with partners of the environment)

E – Evolution (as innovation, as technology, as ergonomics)

L – Learning (as personal growth, as professional improvement, as company enhancement).

The values we believe in can only be fully respected if we share them with all our partners and pursue them in all our everyday activities.

CAREL wishes to make its suppliers fully aware of this shared objective by asking them to agree to and sign this Supplier Code of Conduct and to act in accordance with its provisions.

The principles and provisions of the Supplier Code of Conduct are the guidelines we adhere to and we also request all our Suppliers and their collaborators, subcontractors and any others working on their behalf to adhere by them when doing business with us.

2. THE PRINCIPLES

2.1. Ethical and responsible business conduct

CAREL believes that high ethical standards in its business operations are essential for its success, a means of promoting its image, and a key asset of the organisation.

To this end, in compliance with Italian regulations, CAREL INDUSTRIES S.p.A. has adopted:

- an Organisational, Management, and Control Model, pursuant to Italian Legislative Decree 231/01, the Italian regulatory framework on *corporate criminal liability*;
- a Code of Ethics, intended to regulate - by establishing rules of conduct - the activities of the company itself and the actions of all those who operate in the name and on behalf of the Group. Loyalty, morality, honesty, equality and professionalism are some of the principles and values contained in the Code of Ethics adopted by the Company and shared with its Subsidiaries;
- an Anti-Corruption Procedure, inspired by the principles and rules of conduct contained in the Company's Code of Ethics, which incorporates the anti-corruption principles, provisions and requirements of both the regulations on the administrative liability of Entities (Legislative Decree no. 231/01) and the regulations on non-financial reporting obligations provided for by Legislative Decree no. 254/16.

Anyone directly or indirectly working for, or on behalf of the CAREL Group can report breaches, irregularities, or suspected violations of the Model and/or the Code of Ethics through the Whistleblowing reporting systems, as per the procedures (for this purpose, see the Convercent¹ platform, Supervisory Body boxes and the possibility of sending anonymous mail) duly disclosed to all recipients.

Compliance with legal requirements

The Supplier undertakes to:

- comply with applicable local, national and international laws and regulations concerning, but not limited to, human rights, health and safety, labour practice, respect for the environment and animals, anti-corruption and socio-economic compliance, safety and quality of goods and services, and to comply with the principles and requirements set out in this Code. In cases where the provisions of the Code differ from applicable laws and regulations, Suppliers are required to adhere to the highest and most stringent standards of the two sources in order to pursue compliance with the requirements and principles contained in this Code. These cases must be clearly disclosed to CAREL, as specified in the Form for acknowledging and signing the Supplier Code of Conduct (Section 4, Appendix I of the Code).

Safety and conformity of products and services, legal, technical and quality requirements

The Supplier undertakes to:

- comply with national, EU and international quality and safety laws and rules;
- adopt and implement a quality management system compliant with the international standard ISO 9001:2015 (or similar);

¹ The Convercent platform is accessible from the carel.com website:

<https://www.carel.com/whistleblowing;jsessionid=479AAB2048ED7B609AECA73AB4D6A07D>

- meet the technological, technical and production quality and safety standards required by CAREL, also verifying and overseeing compliance of its suppliers with these standards;
- in the case of supplying goods, carefully select raw materials, components, semi-finished products and, on request, ensure traceability of the products supplied, making all information available regarding where the raw materials are sourced, the supply process, and the product manufacturing processes, necessary to ensure transparency in the value chain. CAREL reserves the right to request information from Suppliers regarding their suppliers and subcontractors (for example, details about the location of all facilities, origin of key raw materials used – non-preferential origin of the asset) to ensure utmost traceability.

Conflict of interest

The Supplier undertakes to:

- avoid any conduct that may generate conflicts of interest, as specified in Chapter 5 of the Code of Ethics;
- promptly notify CAREL of any conflict of interest, including potential, right from the negotiation stage.

Confidentiality, integrity and privacy

The Supplier undertakes to:

- treat confidential information with all due diligence – as defined in the General Purchasing Conditions available at www.carel.com – and only allow workers directly involved in the project access to this information;
 - recognise and respect CAREL’s intellectual property rights, including, by way of example, brand names, trademarks, patents, know-how, etc., reporting any real or potential infringement;
 - not disclose any information to third parties, unless explicitly authorised by CAREL or the competent authorities;
 - act in accordance with applicable data protection laws;
 - use the collected data only for purposes legitimate defined and appropriate to the conduct of its business according to the need-to-know principle;
 - adopt and implement adequate organizational and technical measures aimed at ensuring the confidentiality, integrity and availability of shared information systems, information and data;
 - promptly report any suffered incidents or cyber-attacks that result in loss of confidentiality, integrity or privacy of any information, including any intellectual property, and to initiate all the procedures required to resolve the event
- Anti-corruption The Supplier undertakes to:
- operate in full compliance with the law and ethical principles;
 - not give, offer or promise direct or indirect payment in money or any other form in an attempt to obtain or retain work or for any other gain, thereby obtaining an unfair advantage over other potential Suppliers;
 - not give, offer or receive inappropriate payments or other benefits, or encourage or allow others to do so, in order to obtain or retain an advantage, even if such practices are considered customary in a given context;

- provide their employees with the means and tools they need to report any suspected irregularities, activities or potentially wrongful and/or illegal conduct in the workplace. The report must be considered strictly confidential and treated as such by the Supplier, which also undertakes to protect the whistleblower from any form of retaliation.

Financial responsibility

The Supplier undertakes to:

- comply with all applicable national, EU and international laws on accounting, taxation and transparency;
- refrain from any form of tax evasion, avoidance, money laundering or other economic and financial offences;
- provide correct, truthful and complete accounting information in the course of business relations with CAREL.

2.2. Protection of workers and human rights

CAREL considers it fundamental to always act in a manner that ensures the protection and promotion of human rights also in its collaborations, considering its counterparts as professionals and first and foremost as human beings.

For this reason, CAREL adheres to the Ten Principles of the United Nations Global Compact and is inspired by the values of the International Labour Standards enshrined in the fundamental conventions of the International Labour Organisation (ILO) and has adopted the following Policies:

- Diversity Policy.
- Human Rights Policy.
- Environmental & Occupational Safety and Health Policy.

The Policies define the ethical principles and standards of conduct to adopt in CAREL's business operations, including for example: **legality**, **morality**, **professionalism**, **dignity**, and **equality**. In order to ensure compliance of all stakeholders with these values and principles of conduct, CAREL fosters sharing and disseminating them across its *value chain*.

Contracts

The Supplier undertakes to:

- guarantee staff working conditions that comply with the applicable local regulations, collective bargaining agreements and relevant ILO Conventions in terms of hours of work, overtime, holidays, salaries, benefits and accommodation conditions, where applicable;
- duly pay social security contributions for each worker. In the absence of a public social security system for workers, the supplier undertakes to provide health services or remuneration in the event of an accident at work;
- refrain from any conduct that may prevent its employees and collaborators from enjoying their legal and contractual rights.

Health and Safety

The Supplier undertakes to:

- operate in compliance with applicable national and international standards and regulations on health and safety in the workplace;
- reduce occupational accidents, injuries and diseases to a minimum, including by:
 - taking action to educate, raise awareness, inform and train workers, encouraging responsible and safe behaviour;
 - providing workers with appropriate equipment (including personal protective equipment) free of charge;
 - planning effective controls and defining safe working procedures, implementing programmes and systems aimed at ensuring the safety of workers;
 - equipping workplaces with appropriate fire detection and extinguishing devices, as well as escape routes and evacuation plans for prompt response in the event of a fire.
- measure and monitor health and safety performance and hazards through workplace inspections and audits;
- construct and maintain working facilities in accordance with applicable standards, regulations and laws. In particular, facilities must be equipped with drinking water, suitable lighting, and adequate temperature and sanitary conditions;
- if not already in place, set up emergency management procedures and report and investigate any workplace health and safety incidents.

Discrimination

The Supplier undertakes to:

- guarantee equal opportunities in the processes that regulate the employment relationship (selection, recruitment, training, promotion, etc.) without discriminating on the grounds of gender, race, colour, religion, sexual orientation, age, disability, political opinion, nationality, social or ethnic origin or membership of trade unions;
- treat its workers with fairness, respect and dignity, opposing and condemning any offensive, discriminatory, violent (physical and psychological) and intimidating behaviour in the workplace;
- promote a culture of valuing diversity and inclusion in the workplace, also by means of staff awareness and training initiatives.

Forced labour

The Supplier undertakes to:

- not use or take advantage of any form of forced, illegal or compulsory labour, involuntary prison labour, slavery or human trafficking;
- not require workers to pay recruitment or employment fees, deposit money or identity documents, or restrict their freedom of movement, and to guarantee the possibility of resignation in line with national legislation, without fear of retaliation or punishment.

Child labour

The Supplier undertakes to:

- only employ workers no younger than the minimum age established by local regulations or the age required to finish compulsory schooling and, in any case, no younger than 15 years (as stipulated by C138 – Minimum Age Convention, 1973 (No. 138) of the ILO). In any case, workers under the age of 18 must be allocated activities compatible with the protection of their safety and health and capable of ensuring their psychophysical development;
- establish appropriate mechanisms to verify the age of workers.

Remuneration and Hours of Work

The Supplier undertakes to:

- comply with applicable regulations and collective labour agreements concerning wages and benefits and, therefore, pay workers the minimum wage as established by national laws or collective agreements directly, regularly, without delay and without any deductions not provided for by law, as well as to act in compliance with national, EU and international regulations concerning hours of work. In any case, the working hours shall not exceed 48 hours per week (as per C001 – Hours of Work (Industry) Convention, 1919 (No. 1) of the ILO);
- allocate weekly rest day(s), annual leave and national holidays, as well as maternity leave, sick leave and any other leave to the extent permitted by law;
- ensure that overtime work is voluntary, not regularly required and adequately remunerated.

Security and Protection of Personal Data

The Supplier undertakes to:

- act in accordance with applicable data protection laws, respecting the rights and freedoms of all subjects whose data is processed;
- use the personal data collected only for legitimate, defined and appropriate purposes in the performance of its activities;
- put in place organisational and technical measures aimed at ensuring the confidentiality, integrity and availability of the personal data processed;
- promptly report any incidents or cyberattacks suffered that pose non – negligible risks to the rights and freedoms of subject, and implement all appropriate procedures to resolve the issue.

Collective bargaining agreements and freedom of association

The Supplier undertakes to:

- recognise the right of workers to join workers’ organisations and take part in collective bargaining where workers choose to do so in accordance with applicable laws and regulations;
- encourage honest communication regarding working conditions without workers fearing intimidation.

2.3. Concern for the Environment and Communities

In the appropriate contexts and in the conduct of its business, CAREL contributes to the promotion of scientific and technological development aimed at protecting the environment, safeguarding natural resources and minimising impact.

Its commitment to environmental protection is rooted in the Group's vision. As specified in its Code of Ethics, Environmental protection and the preservation of natural resources are priority objectives of the CAREL.

In performing their functions and activities, the Group and all its employees act in accordance with the laws and regulations in force, endeavouring to protect the environment and natural resources, as laid down in CAREL's "Environmental & Occupational Safety and Health Policy".

The Parent Company's integrated policy is complemented by the local policies of international production sites, which are tailored to local needs in line with the Parent Company's guidelines.

CAREL shares this commitment with its suppliers and customers, who are integral and fundamental to its development.

Compliance with environmental regulations

The Supplier undertakes to:

- adhere to and comply with applicable environmental regulations and requirements, including, for example, obtaining and maintaining environmental authorisations and approvals for the performance of regulated activities;
- implement initiatives aimed at improving its environmental performance (including, for example, programmes to reduce energy consumption and GHG emissions, waste, water consumption, reuse and recycling).

Environmental impact of hazardous substances

The Supplier undertakes to:

- adequately manage, measure and control all activities that are potentially harmful to human health or the environment to prevent the release of any substance into the environment. The Supplier shall equip itself with tools for preventing and reducing any accidental leaks and spills into the environment. In particular, Suppliers who use hazardous substances are required to adopt safety programmes to manage and maintain all production processes, and, therefore, take appropriate measures for managing, storing and transporting hazardous substances in compliance with the applicable safety standards and the requirements imposed by law, as well as addressing their potential impact at every stage of the production process;
- make available – at CAREL's request – the safety data sheets of any hazardous substances used.

Conflict minerals

The Supplier undertakes to:

- use only *conflict-free* minerals in the context of its activities on behalf of CAREL. CAREL reserves the right to request declarations from Suppliers verifying that the metals supplied come from conflict-free sources and listing the sources of the metals for traceability (e.g. using the *Conflict Minerals Reporting Template (CMRT)*);
- conduct reasonable due diligence to ensure compliance throughout the supply chain when dealing with suppliers of components that may contain one or more of the so-called 3TGs (i.e., tin, tantalum, tungsten and gold);

- make reasonable efforts to report the status of so-called “*conflict minerals*” and the management policy in this regard;
- forward these requirements up the supply chain to determine the origin of the specified minerals. Where a source is declared as coming from the “*Conflict region*”, CAREL will ask those suppliers concerned to change their source of supply. If, for various reasons, an immediate alternative is not found, as part of our “*contract manufacturing*” responsibility, CAREL will work in collaboration with the relevant suppliers to identify, qualify and source alternative parts or solutions; refrain from any activities that directly or indirectly support terrorism and violence connected with the precious metals trade, making every effort to increase the transparency of the supply chain.

Waste Management

The Supplier undertakes to:

- minimise waste generation through practices such as reuse, recycling of materials and promotion of the circular economy in addition to responsibly managing the waste generated;
- identify, label and manage chemicals, waste and other materials hazardous to humans or the environment to ensure their safe handling, circulation, storage, use, recycling or reuse and disposal;
- actively participate in CAREL’s training, communication and development initiatives on opportunities to improve environmental performance.

Efficient use of Resources and Climate Protection

The Supplier undertakes to:

- responsibly use the resources necessary for its manufacturing cycle through production processes that aim to reduce the waste of natural resources (paying particular attention to saving energy and water) and foster their recycling and reuse, as well as local sourcing when possible;
- minimise its greenhouse gas emissions by monitoring and reducing energy consumption and sourcing energy from renewable sources;
- collaborate – at CAREL’s request – in calculating the environmental impact of the entire production chain in order to ensure proper reporting (e.g. collecting data to calculate and report Scope 3 GHG emissions) and minimise its negative effects

Biodiversity

The Supplier undertakes to:

- make a positive contribution to sustaining ecosystems, by protecting biodiversity, especially with regard to land protection, reforestation and land use management.

Respecting Local Communities

The Supplier undertakes to:

- adequately monitor, control and address the impact of its activities on the territory in which it operates (e.g. impacts connected to health and safety and respect for community rights, etc.).

3. APPLICATION

3.1 Recipients

The Supplier Code of Conduct applies to all CAREL suppliers and, together with the Code of Ethics, the Organisational Model pursuant to legislative decree 231/2001 and the Anti-Corruption Procedure, constitutes a fundamental part of contractual relations.

The Supplier is required to monitor and document its adherence to this Supplier Code of Conduct and to keep the necessary documentation attesting to its compliance with the provisions and standards contained herein, as well as with the regulations in force.

CAREL is aware that the Supplier may operate in legal environments other than Italy and that the implementation of certain provisions of the Supplier Code of Conduct may be difficult. Therefore, compliance with the provisions of the Supplier Code of Conduct must be assessed taking into account national and international laws and locally applicable regulations. In any case, CAREL invites the Supplier to communicate if compliance with the provisions of the Supplier Code of Conduct is, for these reasons, only partially respected.

3.2 Clear, transparent communication

The Supplier undertakes to:

- promptly notify any substantial change (e.g. relocation, change of company name, change of control, change of production site, possible involvement in legal proceedings in relation to these issues, changes in personal details and/or authority, etc.) that may occur;
- appoint at least one person who will be given the responsibility and authority to ensure – and communicate on – implementation of the provisions of the Supplier Code of Conduct, and inform CAREL of this person’s name, as well as any changes;
- ensure that all its workers, directly or indirectly involved in activities related to goods or services to be supplied to CAREL, are aware of the Code, using all appropriate and effective means of communication;
- ensure that its suppliers (i.e. CAREL’s subcontractors) as well as any other third parties working on its behalf act in full compliance with the Supplier Code of Conduct when involved in activities related to goods or services to be supplied to CAREL;
- communicate any measures taken to improve its business practices in order to achieve (or increase) the level of compliance required by the Supplier Code of Conduct.

3.3 Monitoring and Reporting

CAREL reserves the right to ascertain, with or without prior notice, Supplier compliance with the Supplier Code of Conduct whenever it believes it to be appropriate, by requesting documentation and/or carrying out on-site checks (“Audits”) performed directly and/or through its representatives.

The Supplier undertakes to provide CAREL with the information and data requested, unless this constitutes a breach of its legal obligations on the disclosure of information. CAREL may consider signing a confidentiality agreement (“Non Disclosure Agreement” or “NDA”) regarding all confidential information shared in relation to the Audit.

Audits may include inspecting Supplier facilities and/or conducting interviews with its workers. The Supplier undertakes to fully cooperate during Audits and Documentary Checks.

3.4 Possible Violations and Corrective Action Plans

If CAREL finds any non-compliance and/or violations of the Supplier Code of Conduct through its documentary requests and/or audits, it may require the Supplier to plan and implement the necessary corrective actions (“Corrective Action Plan”).

It is agreed that CAREL reserves the right to suspend any contractual relationship and/or agreement with the Supplier that refuses to implement the corrective measures within a reasonable period of time, without prejudice to any rights and remedies it may exercise under the law and relating to such suspension.

Notwithstanding the foregoing, in the event of any Supplier violation or non-compliance with the principles of this Supplier Code of Conduct, CAREL reserves the right to terminate any contractual agreement with the defaulting Supplier, without prejudice to any rights arising from the law and relating to such termination.

3.5 Reports

The Operations Department shall continue to provide assistance regarding the interpretation and implementation of this Supplier Code of Conduct, so that the Supplier and all its employees may confidentially communicate any concerns and/or requests for information to:

Carel Industries S.p.A.

Via dell’Industria, 11
35020 Brugine, Padova, Italy
Tel. (+39) 0499 716611 Fax
(+39) 0499 716600
carel@carel.com
<https://www.carel.it/whistleblowing>

CAREL handles reports received in accordance with the provisions of the [Whistleblower Protections for Reporting Crimes or other Anomalies](#), so as to avoid any form of retaliation, discrimination or penalisation of the whistleblower, also ensuring the anonymity and confidentiality of the information reported, without prejudice to legal obligations and the protection of CAREL’s rights.

4. APPENDIX I: Acknowledging and signing the Supplier Code of Conduct

The undersigned company
headquartered in
VAT no.

in the context of its relations with CAREL

declares that:

- it acknowledges the contents of the CAREL Supplier Code of Conduct and agrees with them;
- it acknowledges that what is required by the CAREL Supplier Code of Conduct supplements but does not replace the requirements and provisions of the law, as well as what is contained in the contractual commitments undertaken with CAREL;
- it undertakes to comply with the Supplier Code of Conduct, also on behalf of the shareholders, directors, employees and collaborators of the Company engaged in relations with CAREL, according to an approach geared towards continuous improvement;
- it undertakes to promote the contents and principles of the Supplier Code of Conduct within its supply chain used in the services to CAREL;
- the person who will be given the responsibility and authority to ensure – and communicate on – implementation of the provisions of the Supplier Code of Conduct is

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The Company that outsources its activities to subcontractors is required to guarantee, verify and demonstrate compliance with the principles and duties established by this Supplier Code of Conduct by its subcontractors, it being understood that, in any case, it will be responsible for any oversights or violations of the Code of Conduct by each of its subcontractors.

This declaration must be signed by the Company's legal representative or by a person vested with due powers, either digitally or by hand, attaching a copy of a valid identity document.

Date

For

Name and Surname of the legal representative