

CAREL

Whistleblowing Protections for Reporting Crimes
or other Anomalies within Carel Industries S.p.A

1. Foreword – Applicable legislation and *best practices*

With the passing of Law no. 179 of 30 November 2017 (hereinafter, also denoted Law no. 179/2017), published in the Official Gazette on 14 December 2017, Italy's legislature implemented new protections for whistleblowers (hereinafter, "Whistleblowers") reporting crimes or anomalies they observed, or of which they were apprised, in the course of their job duties, whether in the private or in the public sector (an act known as *whistleblowing*).

To wit, with respect to the private sector, Art. 2 of Law no. 179/2017 amended the regulatory framework established by Legislative Decree no. 231 (8 June 2001, hereinafter also denoted Legislative Decree no. 231/2001) through the insertion of paragraphs 2-*bis*, 2-*ter* and 2-*quater* into the text of Art. 6 of that same decree.

To wit, pursuant to Art. 6, paragraph 2-*bis*, subpart (a), Legislative Decree no. 231/2001 establishes the requirement that an organisation, management, and control model (hereinafter also denoted "Model") must include "one or more channels" allowing senior management or those reporting to the same and identified by Legislative Decree no. 231/2001 "to submit, for purposes of institutional integrity, reports (when substantiated) of unlawful or illicit conduct which is significant for purposes of the instant decree, when predicated on specific, concordant facts, or any breach of the entity's organisation and management model, of which the whistleblower was apprised over the course of his/her job duties". Such channels of communication shall further guarantee "whistleblower anonymity in the processing of any whistleblower complaint". Moreover, that same paragraph introduced, by way of Law no. 179/2017, a requirement that the Model must also include an "alternative reporting channel sufficient to guarantee whistleblower anonymity, through the use of information technology" (subpart [b]), and it shall further make explicit the "prohibition of any direct or indirect acts of retaliation or discrimination as against the whistleblower for reasons relating (whether directly or indirectly) to the whistleblower's report" (subpart [c]) and shall, finally, incorporate within its disciplinary system "sanctions as against those who violate whistleblower protections, as well as those persons who, either intentionally or through gross negligence, make reports which are discovered to be unsubstantiated" (subpart [d]).

The new Art. 6, paragraph 2-*ter*, of Legislative Decree no. 231/2001 additionally provides the whistleblower – or the labour union or organisation designated by the same – the option to report any discriminatory action taken against the whistleblower to the Labour Inspector's office.

Finally, Art. 6, paragraph 2-*quater*, of Legislative Decree no. 231/2001 serves to void any retaliatory or discriminatory termination of the whistleblower, or any modification to the whistleblower's job duties as defined under Art. 2103 of the Civil Code, as well as any other retaliatory or discriminatory measures adopted as against the whistleblower.

With the premise that ethical management of *whistleblowing* reports not only helps identify and combat potential offences, but it likewise serves to create an ethical and law-abiding culture within an organisation, foster a climate of transparency, and

create buy-in whilst raising awareness of the need to ensure the utmost protection for those reporting unlawful conduct within the entity, Carel Industries S.p.A. (“Carel” or “Company”) promptly updated and amended its own Model with the new *whistleblowing* provisions.

The instant **Whistleblowing Protections for Reporting Crimes or other Anomalies within Carel Industries S.p.A.** (hereinafter also denoted simply the “Procedure”) therefore represents, with respect to *whistleblowing*, the operational side of Company’s Model, and is therefore an integral part of the same.

For purposes of generating the instant Procedure, especially in light of the importance placed by Company on providing the utmost protection to those who report crimes and anomalies, Carel looked to – although it did not rely solely upon – industry *best practices*.

2. Purposes

By approving and publishing the instant Procedure, Company intended, first and foremost, to ensure **full protections** and the **utmost confidentiality** for Whistleblowers.

Carel’s additional goal is to remove any roadblock or other disincentive to reporting crimes or anomalies, by dispelling any doubts or uncertainties regarding the modalities or the channels to be used, and any fears of any type of retaliation or discrimination.

Company also censures the behaviour of those making false, misleading, or otherwise unsubstantiated reports, which censure may take place through the use of the instant Procedure, or through another mechanism.

Therefore, the purpose of this Procedure is, in part, to provide Whistleblowers clear instructions regarding reporting purposes, content, and submission methods, as well as to highlight the protections available to them as afforded by Italian law.

3. Recipients of the Procedure

Carel intends to apply the instant Procedure to the widest possible gamut of persons who, for whatever reason, interact with Company in its business operations.

Consequently, the Procedure is intended for all members of the corporate bodies – Board of Directors and Board of Statutory Auditors – as well as all Employees and external parties (e.g. consultants, auditing firms, agents, distributors) acting on behalf of Carel or any subsidiary thereof.

4. Purpose of the Report

As briefly noted *supra*, pursuant to Art. 6, paragraph 2-*bis*, of Legislative Decree no. 231/2001 whistleblowing reports may, first and foremost, involve **illicit conduct deemed significant for purposes of that Decree** or which otherwise **violates the Model** as implemented by Carel.

More generally, the following are deemed (by Carel) to be *per se* indicia of potential crimes or anomalies, and thus subject to reporting:

- Facts or circumstances which might meet the elements of a crime, an illicit act, or an anomaly;
- Actions which might potentially cause economic or reputational harm to Carel or to its subsidiaries;
- Actions which might potentially jeopardise the health and safety of Carel employees, or those of its subsidiaries, or to members of the community, or the environment;
- Actions which violate Company's Code of Ethics or internal rules and regulations.

Conversely, Carel deems the following *not meritorious* with respect to reporting:

- Rumours or "hearsay" (including, for example, speculation, or information on facts or circumstances of which the party does not have direct knowledge); or
- a Whistleblower's personal grievance or claim, or an issue that would be governed by ordinary employment regulations.

5. Content of the Report

Pursuant to Art. 6, paragraph 2-*bis*, of Legislative Decree no. 231/2001, in order for a report to be deemed meritorious, must be **substantiated** as well as **predicted on precise, concordant facts**.

Thus, Carel deems reports containing the following elements to *warrant* consideration:

- **General identifiers on the whistleblower**, noting the position or role filled within Company or any subsidiary thereof;
- A straight-forward, thorough **description** of the facts being reported;
- Facts and circumstances regarding the **time** and **place** wherein the reported facts occurred;
- If known, the **general identifiers** or other identifying elements for the **subject of the reported** incident;
- A notation of **other persons** who might corroborate the facts as reported, if any;
- Any **documents** that might corroborate the facts as reported;
- Any other item of **information** which might supply helpful feedback regarding the substance of the facts as reported.

6. Anonymous Reports

Carel takes anonymous reports as seriously as those from self-identified whistleblowers. However, to merit consideration, anonymous reports must contain those other elements as previously described.

7. Reporting modalities, channels, and recipient

Carel has designated the following entity to receive and assess whistleblowing reports: the **Supervisory Body** appointed pursuant to Legislative Decree no. 231/2001.

Reports may be made using the following channels:

- By sending **an email** to **odv@carel.com**;
- By **post** addressed to "Organismo di Vigilanza di Carel Industries S.p.A. - Via dell'Industria, 11, 35020, Brugine PD"; in that case, in order to ensure confidentiality, the report must be submitted in a sealed envelope marked "private/confidential" to the attention of the Supervisory Board;
- By placing it in the designated mailboxes onsite with Company, which are accessible to all, but only to be inspected and opened by the SB.

8. Evaluation Activities

Once the report has been received, the Supervisory Board shall move forward with an initial vetting, consisting of determining whether the reported behaviour meets **the elements of unlawful conduct under Legislative Decree no. 231/01**, or which is otherwise **a breach of the Model** adopted by Carel, and from that perspective:

- If the report is intended to report behaviour to Company which presents a risk for the business, any of its subsidiaries and/or third parties, and not a mere grievance;
- The severity of the risk to Carel, any of its subsidiaries and/or third parties;
- If the subject of the report has been previously assessed by Carel, or any other authority with jurisdiction over the matter;
- If the report contains sufficient elements to be able to verify it, or, on the other hand, the report is overly generic or lacking the components needed to investigate it thereafter.

The Supervisory Board, once it has determined the report is simply a personal grievance, or having determined that the fact as reported has already been fielded by Company or by any other authority with jurisdiction in that regard, shall move forward with **archiving** the report, notifying the Whistleblower of the same (unless anonymous).

By the same token, the Supervisory Body shall contact the Whistleblower – if known – should it find the report to be **overly generic**, in order to request information helpful for the enquiry.

Conversely, where the Supervisory Body deems it necessary to conduct an assessment, it **shall launch an enquiry into the same**, in order to ascertain the substance of the same. Under those circumstances, the Whistleblower – if known – shall be notified that the report has been vetted and is being assessed.

During the inquiry proceedings, the Supervisory Body may avail itself of the support of other company functions, such as through a request to share specific information and/or documents.

Following the enquiry proceedings, the Supervisory Body generates a summary *report* of the assessment conducted and the findings thereof. The Supervisory Body shall additionally file all relevant documentation in a manner sufficient to avoid third-party access to the information collected. To wit, should the Supervisory Body make a determination that the report is not meritorious, it shall make such notation in the minutes at the next reasonable Supervisory Body meeting thereafter, notate such finding in its annual or biannual report to the Board of Directors, or (at the SB's discretion and as the particular circumstances might require) to generate an *ad-hoc* report to be submitted to the Board of Directors (or, if needed, to the Board of Statutory Auditors).

9. Whistleblower Protection

Company and Supervisory Body shall take all necessary steps to safeguard the confidentiality of the Whistleblower, pursuant to applicable law. Furthermore, Carel shall censure any retaliation or discriminatory behaviours which might harm the Whistleblower.

Please refer to the related provisions in the Model.

10. Whistleblower Protection

Carel and the Supervisory Body thereafter shall take all necessary steps to protect the privacy of the identify of the Whistleblower. By the same token, Company shall censure the violation, be it committed with intent or with gross negligence, of the restriction against baseless reports.

To wit:

- Reports shall not contain accusations which the Whistleblower knows to be false and, generally, shall not be used as a tool to resolve a matter which is merely personal in nature;
- Carel undertakes to safeguard the Whistleblower only to the extent of protecting such person from retaliation or discrimination with respect to the report;
- This shall be without prejudice to the Whistleblower's criminal and civil liability in situations where the slanderous or defamatory report, and/or one made solely to harm the Whistleblower as well as any other situation of abuse or intentional wielding of the *whistleblowing* procedure occurs.

Once again, we would refer the reader of the relevant provisions of the Model.

Headquarters ITALY

CAREL INDUSTRIES Hqs.
Via dell'Industria, 11
35020 Brugine - Padova (Italy)
Tel. (+39) 0499 716611
Fax (+39) 0499 716600
carel@carel.com