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1. Purpose

One of the most characteristic expressions of the reputation of the CAREL Industries S.p.A. Group (hereinafter referred to as “CAREL” or the “Company”) is its constant drive for integrity and fairness in going about its business, together with absolute compliance with laws, regulations, guidelines and best practices in the sector, applicable in the various countries in which the Company operates.

This Anti-Corruption Procedure has been adopted in order to offer all Recipients a comprehensive framework of reference for the provisions and procedures in force regarding the prevention of the risks of illegal practices and the fight against corruption, both in the public and private sectors, which the CAREL Group has developed and constantly followed since the beginning of its activity.

The Procedure is inspired by the principles and rules of conduct contained in the Code of Ethics of the Company, in line with the most stringent international regulations, and achieves the objectives of prevention and fight against corruption provided for in the Model of Organization, Management and Control adopted by the Company pursuant to Legislative Decree no. 231 of 8 June 2001, representing the behavioural fee for all its Employees and Collaborators.

2. Definitions

The following definitions apply in this Procedure:

“Agent”
- the subjects, both natural and legal persons, to whom CAREL Industries S.p.A. has contractually assigned tasks for the marketing of its products;

“Risk Areas”
- the business sectors of CAREL Industries S.p.A. in which there is a potential risk of corruption offences being committed;

“CAREL” or the “Company”

“Code of Ethics”
- code of conduct adopted by CAREL Industries S.p.A. and published on the Company’s website, containing essential standards that all Recipients of this Model, as well as Employees and members of the Corporate Bodies of all Subsidiaries belonging to the Group, are required to comply with in order to prevent situations that could undermine the integrity of the Company and the Group itself;
"Collaborators"
• subjects, other than Employees, who work for CAREL or its Subsidiaries in accordance with art. 409 of the Italian Code of Civil Procedure, even occasionally and independently of the free or onerous nature of the collaboration;

"Subsidiary"
• any entity directly or indirectly controlled (in accordance with the provisions of the Italian Civil Code and International Accounting Standards - IAS 27 "Consolidated and Separate Financial Statements" and subsequent amendments and additions) by CAREL Industries S.p.A. or one of its Subsidiaries, as the case may be, in Italy and abroad;

"Consultant"
• natural persons or independent companies acting in the name and/or on behalf of CAREL Industries S.p.A. by virtue of a mandate contract or other contractual collaboration relationship such as, for example, financial or legal advisors;

"Corruption"
• means any act, carried out by any person who, directly or indirectly, carries out activities on behalf of or in the interest of CAREL or its Subsidiaries, which promises, receives or gives any undue benefit or compensation to third parties or which is solicited, promised, offered or given by third parties, in the personal interest of the Company or its Subsidiaries, any undue benefit or compensation, without in any way disclosing the public or private status of the offerer or recipient;

“Legislative Decree 231/2001” or the "Decree"
• Italian legislative decree of 8 June 2001, no. 231 and subsequent amendments and additions;

"Recipients"
• the Employees and Members of the Corporate Bodies of CAREL Industries S.p.A. and its Subsidiaries, as well as the Agents, Distributors, Commercial Partners, Consultants of the Company and its Subsidiaries and any other Collaborator;

"Employees"
• persons with an employment relationship of indefinite, temporary or part-time duration with CAREL Industries S.p.A., including Executives;

"Distributor"
• the subjects, both natural and legal persons, to whom CAREL Industries S.p.A. has contractually conferred distribution tasks for its products;

"Due Diligence"
• the preliminary detailed verification of the compliance of the characteristics of the Partner, sub-contractor or other counterparty with the Anti-Corruption requirements defined in this Procedure;
"Family member"
- means the spouse, the party of the civil union or the cohabiting partner of the Public Official, the person in charge of a Public Service or the private individual and their respective grandparents, parents, siblings, children, grandchildren, uncles and first cousins, as well as the spouse, the party to the civil partnership or cohabiting partner of each and every one of those people;

"Supplier"
- the economic operator, be it a natural person, a legal entity or a group, potentially able to meet the need for procurement of goods, works and services, in accordance with the definitions set out in the reference regulatory instruments within the CAREL Industries S.p.A. Group;

"FCPA"
- means the U.S. Foreign Corrupt Practices Act and associated secondary legislation and subsequent amendments and additions thereto;

"Person in charge of a Public Service"
- anyone who, for whatever reason, performs an activity disciplined in the same way as a public function, but characterized by the lack of the powers typical of the latter, with the exclusion of carrying out simple duties of order and the provision of purely material work;

"Intermediary"
- a natural or legal person that the CAREL Industries S.p.A. Group holds or proposes to hold at its service in order to promote the commercial interests of the Group in relation to a transaction or project, as well as to facilitate the stipulation or execution of contracts with third parties or to put the CAREL Industries S.p.A. Group in contact, in any way, with one or more parties in order to procure or conclude a business;

"Key Officers"
- the people at the highest organisational level who are able to provide detailed information on individual company processes and on the activities of individual organisational structures, in order to achieve a level of information/detailing suitable for understanding the existing control system;

"Anti-Corruption Laws"
- the provisions of the Italian Penal Code, of Law no. 190 of 6 November 2012 and subsequent amendments and additions, of Legislative Decree 8 June 2001, no. 231, of the FCPA, of the UK Bribery Act, of the other anti-corruption laws in force in the Italian legal system and in the foreign legal systems in which the Company operates, and of the relevant International Treaties and Conventions;

"Model 231"
- the Organisation, Management and Control Model of CAREL Industries S.p.A., implemented pursuant to Legislative Decree 231/2001;
"Corporate Bodies"
- the Shareholders’ Meeting, the Board of Directors and the Board of Statutory Auditors of CAREL Industries S.p.A. and its Subsidiaries and their respective members, as well as the members of any other CAREL corporate bodies established pursuant to Article 2380 of the Italian Civil Code;

"Supervisory Body"
- the internal control body responsible for supervising the functioning of and compliance with the 231 Model, as well as its updating;

"P.A."
- the public administration, as defined in art. 1, paragraph 2 of Legislative Decree no. 165 of 30 March 2001 and other relevant legislation;

"Facilitation Payments"
- payments not due but made, even indirectly, to a Public Official or a Person in Charge of a Public Service in order to encourage in any way or ensure the performance of any service, even if due, falling within their sphere of competence;

"Partner" or "Commercial Partner"
- the contractual counterparties of CAREL Industries S.p.A. or its Subsidiaries, with which the Company or its Subsidiaries enter into any form of contractually regulated collaboration (temporary business association, joint venture, consortia, collaboration in general, supply, contract) that does not fall into the category of Agents, Distributors or Consultants, if destined to cooperate with the Company or its Subsidiaries;

"Professional services"
- any assistance or consultancy activity, however named, consisting in an intellectual work service, pursuant to art. 2230 of the Italian Civil Code, from subjects registered or not in professional registers;

"Public Official"
- anyone exercising a legislative, administrative or judicial public function, as well as anyone acting in an official capacity in the interest of or on behalf of (I) a national, regional or local public administration; (II) an agency, office or body of the European Union or of another Italian or foreign, national, regional or local public administration; (IV) an international public organisation, such as the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Monetary Fund, the United Nations or the World Trade Organisation;

"Contact Point" or "Anti-Corruption Contact Point"
- means the natural person identified in each Subsidiary for the management of Anti-Corruption issues;
"Sponsorship"

- advertising initiatives and contracts related to a specific event, project or activity, entered into by CAREL or its subsidiaries for the enhancement and dissemination of the name, image and brand or for the promotion of company activities, products and services;

"Organisational Structures"

- the CAREL structures responsible for the individual company departments, as identified by the Company's organisational chart.

"UK Bribery Act"

- means the UK Bribery Act 2010 and the associated secondary legislation and their subsequent amendments and additions.

3. Scope of Application

This procedure applies to CAREL Industries S.p.A. and all its Subsidiaries. It is also brought to the attention of the investee companies, in order to spread a culture of compliance and optimise information flows in at least the same way as for the companies in the CAREL Group.

To the extent reasonable, CAREL will use its influence to ensure that its Business Partners ensure adequate Anti-Corruption standards comparable to those set out in this procedure, adopting and developing a suitable internal control system that complies with the requirements set out in the Anti-Corruption Laws.

In the event that CAREL has minority shareholdings in other companies, its representatives shall, as far as possible, promote the adoption of anti-corruption measures of a similar level to that provided for in this procedure. Among the factors relevant to the adoption of these procedures, CAREL will consider the extent of its shareholding in the company or entity (in the case of joint ventures and consortia), and the legal and regulatory provisions governing the commercial activity in the country where the subsidiary or entity is established or where its activities are based.

3.1 Transpositional procedures

This Anti-Corruption Procedure is adopted by resolution of the CAREL Board of Directors. Its subsequent updates will follow the same decision-making procedure, after informing the Supervisory Body, which may always request the adoption of corrective and improvement measures.
In the Subsidiaries, the respective Board of Directors (or the corresponding Corporate Body, if a different governance system is adopted) will resolve on the timely adoption of this Procedure by 1 September 2019, it being understood that the provisions on preliminary Due Diligence will be applied immediately.

Within the time limit indicated above, the Subsidiaries shall adopt any changes and additions to their internal procedures that may be necessary as a result of the adoption of this Procedure, as well as any regulatory adjustments needed to govern the profiles and the Risk Areas specific to them, after consulting CAREL’s Legal Affairs Unit and informing their respective Supervisory Bodies.

The Contact Points for Anti-Corruption issues, identified by the Managing Directors of each Subsidiary, will coordinate and link the requirements related to the implementation of this Procedure with the Legal Affairs Unit of CAREL, to which they will communicate the adoption and any modification of this Procedure.

4. Regulatory Context

4.1 Anti-Corruption laws and best practicess

The increased awareness of the serious effects of corruption in relations with the Public Administration and between business partners has led many countries to adopt specific Anti-Corruption regulations or to strengthen existing ones, extending the sanctioning burden and the scope of application, for example to foreign public officials and relations between individuals.

CAREL is based in Italy, but operates in 87 countries worldwide: the Company is therefore subject both to Italian laws - in particular to the rules on the administrative liability of entities set out in Legislative Decree no. 231 of 8 June 2001 for offences, including corruption and international corruption, committed in the interest or to the advantage of the company by its directors, employees or collaborators - and to the Anti-Corruption Laws of many countries and to international treaties and conventions ratified by them.

In particular, CAREL and its subsidiaries intend to operate at all times and in all places in accordance with the following regulatory texts:
• the Italian Criminal Code;
• Italian Legislative Decree 231/2001;
• the FCPA;
• the UK Bribery Act;
• the Anti-Corruption laws of the individual countries in which the company and its subsidiaries operate;
• the OECD Convention on combating bribery of foreign public officials in international business transactions;
• the United Nations Convention against Corruption.
Overall, these regulations prohibit the making/promising/receiving - or attempting to make - of corrupt donations, either directly or through an intermediary, to Public Officials, Public Service Agents and private parties, including payments knowingly made to anyone who will then share the amount with such parties, as well as the offering or promise of payments or donations of other benefits.

For the Employees and Collaborators of CAREL and its Subsidiaries, a violation of this Procedure is also constituted by having supported or in any case tolerated such practices, even though they did not actively participate in them, if they were aware of them or should have been reasonably aware of them (i.e. in the presence of specific warning signs or unambiguous reasons for suspicion).

Lastly, in order to combat corruption, the Anti-Corruption Laws in question require the adoption and orderly management of internal accounting, so as to allow full traceability of the operations carried out, of the expenditure incurred, as well as the acquisition and disposal of goods.

Omissions and inaccuracies in the reporting of payments, even if without corrupt intent, constitute violations of this Procedure.

Finally, it should be pointed out here that this Procedure describes in due detail the policy and standards of conduct in relation to anti-corruption in compliance with the requirements set out in the regulations on the reporting of non-financial information provided for by Legislative Decree no. 254 of 30 December 2016.

4.2 Consequences of non-compliance with anti-corruption laws

Natural and legal persons who violate the Anti-Corruption Laws may be subject to severe custodial and financial penalties, respectively. In many jurisdictions, including Italy, there are also sanctions of a prohibitory nature (such as the prohibition to contract with the Public Administration), property sanctions (such as, for example, the confiscation of illicit proceeds) as well as remedies of a compensatory nature.

Many jurisdictions tend to increase the potential affliction of such sanctions by preventing companies from adopting mechanisms to hold those responsible for violations of Anti-Corruption laws harmless.

Finally, non-compliance with Anti-Corruption regulations is a highly damaging fact from a reputational point of view.

This is why the violation of this procedure, in addition to being contrary to CAREL’s principles, constitutes a serious and highly disapproved fact in all the legal systems in which the Group operates, liable to expose its authors and the entire Group to serious prejudicial consequences.

Self-cleaning mechanisms are therefore strongly encouraged, i.e. practices that lead to the emergence of corrupt activities, thus allowing the immediate activation of the Company to take the most appropriate decisions.
4.3 Legal Affairs Units

The effective compliance of the CAREL Group’s activities with the regulatory standards on anti-corruption requires that the Company and its subsidiaries be constantly assisted by a legal support unit, which clarifies the content of the legislative provisions and assists the company in acquiring all the information necessary for the proper performance of its activities.

In light of this need, CAREL has set up a Legal Affairs Unit that provides qualified Anti-Corruption assistance to all operational and support departments of the Company and to the Contact Points of its Subsidiaries.

The Legal Affairs Unit carries out its functions by constantly updating itself on legislative and jurisprudential innovations relevant to the fight against corrupt practices and ensuring that internal procedures - even if only indirectly relevant to Anti-Corruption - are promptly reviewed.

The Unit also assists the Company in identifying possible risk factors for corruption, the existence of which it informs the relevant departments and their respective Managers or Key Officers, Internal Audit and the Supervisory Body for the appropriate measures, carrying out or commissioning the necessary Due Diligence investigations on business partners and the appropriate amendments to be made in the contract.

Finally, the Legal Affairs Unit responds to any request for clarification from the Recipients of this Procedure regarding the correct interpretation of the Anti-Corruption provisions in relation to specific transactions or activities.

5. General standards of conduct - Code of Ethics

All Recipients of this procedure are required to comply with and ensure compliance with the Code of Ethics of the Company.

CAREL and its subsidiaries prohibit all forms of corruption.

According to a summary formula, the following are prohibited

- the offer, the promise, the donation (and the behaviours produced by them: e.g. authorizations), also through third parties, of sums of money or other benefits in favour of Public Officials, Persons in Charge of a Public Service or private parties;
- the acceptance, request or solicitation (and the behaviours that produce them: e.g. authorizations), also through third parties, of sums of money, economic advantages or other undue benefits coming from a Public Official, a Person in Charge of a Public Service or a private individual;

where aimed at inducing someone to perform their function or assignment, public or private, in an improper manner.
Advantages and other benefits include, but are not limited to, the allocation of donations, the payment of courtesy and hospitality expenses, the granting of discounts or personal credits, sponsorships, the payment of meals or other contributions in kind, the granting of commercial activities, the provision of jobs or investment offers, the disclosure of confidential information.

In order to prevent such conduct from being carried out, it is forbidden for all Recipients of this Procedure to promise, give or receive from any counterparty, public or private, undue economic benefits.

In the exercise of their activities, the Agents, Consultants, Employees and Collaborators of the Company or its Subsidiaries shall comply with the following general standards of conduct:

- **linearity and clarity in the identification of the persons responsible**: the identification of the tasks and responsibilities connected with the performance of a specific activity must be carried out in a clear, comprehensible and immediately recognisable manner;

- **formalisation of powers**: the attribution of powers of signature and operating powers must be documented in writing and must correspond to the type and extent of organisational responsibilities assigned and the extent of spending powers granted;

- **transparency and impartiality**: in carrying out their activities, the Consultants, Collaborators and Employees of the Company or its Subsidiaries must avoid any situation of conflict of interest, even potential, of themselves or of a Family Member, informing their Department Manager of the situations that affect their ability to operate in the exclusive interest of CAREL or its Subsidiaries and refrain from carrying out the operation. If the actual or potential conflict situation concerns a manager, a manager or a key officer, the latter shall notify the heads of the corporate bodies and the Legal Affairs Unit for the appropriate measures, and shall refrain from carrying out the operation. Department Managers, Managers, Key Officers or heads of Corporate Bodies shall promptly identify the operational solutions necessary to safeguard the transparency and impartiality of the activities of CAREL or its Subsidiaries and shall notify the parties concerned in writing;

- **segregation of powers**: responsibility for operational decisions is always assigned to a person other than the person who authorised its execution and who exercises the relative powers of control. By way of illustration, it is not possible to attribute to a single entity the power to fully manage the phase of stipulation of supply contracts, management of the relative payments and control over the execution of the services;

- **traceability of operations**: the activities and controls carried out must be easily reconstructible ex post by means of suitable documentation, including computerised ones, which must be adequately kept in order to allow verification at all times of the correctness of the operations carried out;

- **protection of the whistleblower**: the Company and its subsidiaries prohibit any retaliatory and discriminatory conduct, whether in the form of threats, mobbing, demotion, transfer, suspension or dismissal, to the detriment of those who have proceeded to report a violation of this Procedure to the appropriate bodies, even if it has the potential to bring benefits to CAREL. Any changes in the contractual position of the whistleblower must be reported to the Legal Affairs Unit and the Supervisory Body.
6. Standards of conduct in the main risk areas

6.1 Relations with suppliers

Liability for an act of corruption may also arise from the conduct of suppliers of CAREL or its subsidiaries or their subcontractors and sub-contractors. To this end, the Company shall include specific clauses in procurement, supply and supply contracts, and in any case in any procurement contract, aimed at extending to counterparties the obligations and standards for combating corruption provided for in this Procedure, the Code of Ethics and, where applicable, the Company’s Model 231.

In accordance with paragraph 3.3 of the Code of Ethics and the 231 Model of the Company, CAREL and its Subsidiaries select their Suppliers by adopting transparent and objective comparative procedures, aimed at minimising the risk of potential conflicts of interest and inspired by the canons of fairness and loyalty. To this end, with the exception of specific prohibitions on trading, the Company and its Subsidiaries do not place restrictions on participation in the award procedures.

The individual cost centres formalise purchase requests on the basis of spending and/or offering authorisations for the materials and goods used in the production cycle. Subsequent requests for offers are sent to the Supplier, who is selected on the basis of personal criteria (certificate of outstanding loads, regularity of certificates of qualification and technical-professional suitability, of DURC and DUVRI, anti-Mafia certificate, etc.) and economic offer.

The definition of requirements, the process of awarding contracts, responsibilities in the management of contracts in the executive phase, the negotiation of standard contractual clauses and protection clauses are governed, in accordance with this Procedure and Model 231, by internal procurement rules.

6.2 Relations with agents, distributors, intermediaries and consultants

CAREL and its subsidiaries can use agents and distributors to market and sell their products and intermediaries to negotiate with customers.

Contracts governing such assignments may present a risk-corruption profile and are therefore concluded and managed with particular attention by the relevant departments.
In order to prevent risks of corruption, the following rules of conduct must be observed:

- in assessing the counterparty and filling in the relevant form, the Manager performs an appropriate Due Diligence and verifies that the Agent, the Distributor and the Intermediary ensure a high reputational standing in terms of integrity and legality. In the case of counterparties structured in corporate form and recently established, it is necessary to carry out specific investigations on shareholders and managers;
- those responsible for negotiating exclusivity clauses shall coordinate on this point with the Legal Affairs Unit;
- the contracts are always in written form, with a clear indication of the subject of the assignment and with the explicit assumption by the counterparty of the commitment, under penalty of suspension of execution and termination of the agreement, to comply with the Anti-Corruption Laws, this Procedure and to be aware, as far as applicable, of the Company’s Model 231. The agreement must then provide for the obligation of the Agent, Distributor and Intermediary who intend to use auxiliaries in the execution of the assignment to enter into such sub-contracts in writing, with Anti-Corruption compliance conditions equivalent to those provided for in this Procedure;
- contracts oblige counterparties to promptly report any potential violations of Anti-Corruption Laws;
- the amount of the commission and the definition of the currency must always be appropriate in relation to the subject matter of the contract, the geographical scope of operation of the counterparty and its level of experience;
- upon signing the contract, the parties certify in writing that the sums paid by CAREL or its Subsidiary are collected exclusively as consideration for the service provided, without reversal to parties outside the contractual relationship (public officials and private parties) and their respective Family Members, or to Employees or Collaborators of CAREL or one of its Subsidiaries and their respective Family Members;
- the commission is paid into a current account held exclusively in the name of the counterparty with a bank in the country in which the counterparty operates;
- the contract authorises CAREL or one of its subsidiaries to carry out an audit on the other party if there is a suspicion of a breach of the Anti-Corruption Laws and this Procedure;
- the contract provides for the obligation for the counterparty to promptly notify any change in its control structure with reference to the information provided to CAREL or one of its subsidiaries during the assessment procedure, potentially relevant to the judgement of suitability to carry out the activity as agreed in the contract;
- the contract must contain a clause requiring the counterparty to disclose whether it, its members and managers, if any, and their family members are Public Officials or Persons in Charge of a Public Service at the time of conclusion or become so during the performance of the contract;
- the contract must be capable of being terminated in the event of a change in the internal control structure of the Agent, Distributor or intermediary or in the event of a transfer of the contract not agreed upon.
The documentation of the procedure for the selection and assessment of the counterparty, the commissions paid and the reports drawn up by the departments responsible for assessing conformity are kept for ten years.

If CAREL or one of its Subsidiaries uses Consultants, the mandate contract or other contractual document must:

• be drawn up in writing by the persons delegated to do so, subject to due diligence confirming the integrity and excellent reputation of the consultant in the professional field of reference;
• clearly and precisely indicate (i) the object and purpose of the service, (ii) that any economic transfer is made by way of consideration or reimbursement of expenses on a current account in the name of the professional only or in the name of the company or professional association, (iii) and that these sums are not intended for parties other than the consultant himself;
• contain the clause whereby the professional undertakes, under penalty of suspension of execution and termination, to comply with the Anti-Corruption Laws and this Procedure, and declares that he is aware of the Company’s Model 231, where applicable;
• contain a clause according to which the professional who uses auxiliaries in the performance of the service guarantees their professionalism and morality. Collaboration with these auxiliaries must be attested to by a written contract in which the professional gives an account of the application of Anti-Corruption compliance standards equivalent to those provided for in the contract concluded with CAREL or one of its Subsidiaries;
• include a specific clause by which the professional certifies the absence of conflicts of interest and the obligation, in the event of a conflict arising during the performance of the assignment, to promptly notify CAREL or its subsidiary;
• contain an obligation to report to CAREL or one of its Subsidiaries any Facilitation Payment requests received or further potential violations of Anti-Corruption Laws;
• authorise CAREL or any of its Subsidiaries to audit the consultant if there is a suspicion that the consultant is in breach of the Anti-Corruption Laws and this Procedure;
• provide for the obligation to promptly notify any change in the Consultant’s ownership structure or with reference to the information provided to CAREL or one of its Subsidiaries during the assessment procedure, which could have an impact on the assessment of suitability to carry out the activity as agreed in the contract.
6.3 Relationship with partners

CAREL and its subsidiaries do not tolerate violations of Anti-Corruption Laws committed by their business partners.

In order to prevent such violations, the cooperation/commercial cooperation contracts and any sub-contracts must be drawn up in writing and must contain, under penalty of withdrawal, termination or suspension of execution, a commitment to comply with the provisions of the Anti-Corruption Laws and this Procedure.

The selection of possible Partners by the competent departments considers only subjects of very high reputational and professional standing, preferably not recently established.

The audit or the preliminary Due Diligence on the list of possible Partners must be carried out with extreme care in order to verify the integrity of the subjects identified. The performance of such preliminary assessments may never preclude the right, to be contractually stated, of CAREL or of one of its Subsidiaries to carry out further audits on the activities directly or indirectly related to the partnership in the event of the suspicion of violations of the Anti-Corruption Laws or of this Procedure by the operator, the Partner or any sub-contractors. The partnership contract or agreement must also provide for the obligation to carry out an audit or due diligence with regard to any sub-contractor.

In negotiating the business partnership, CAREL and its subsidiaries are prohibited from making, directly or through a third party, any type of payment or potentially corrupt offer and, as far as possible, the obligation for the Partner to adopt an independent and adequate Anti-Corruption compliance system.

Representatives of CAREL and its Subsidiaries must promptly report to Corporate Bodies and the Legal Affairs Unit any reports of ascertained investigations or violations of Anti-Corruption Laws by the Partner or sub-contractors.

Partner selection, audit and due diligence results, partnership and sub-contract agreements, as well as any other relevant agreements or business deals, and monitoring results must be documented and retained for ten years.
6.4 Relations with the public administration

The activities of CAREL and its Subsidiaries require that they meet with representatives of the Institutions and with Public Officials or Persons in Charge of a Public Service.

Without prejudice to compliance with the rules of legality, professionalism, diligence and fairness set out in the Code of Ethics and the principle of impartiality contained in this Procedure, anyone who has relations with a public official in the name of or on behalf of CAREL or one of its Subsidiaries must scrupulously observe the regulations of the country in which the activity is carried out and in any case document the date, the name of the interlocutor, the type of meeting and its summary content, taking great care not to unduly influence, in any way, the performance of public activities, in particular through the promise or payment of undue benefits.

The power to sign applications for access to public funding and disbursements is attributed in writing, which must show the type of requests authorized and the obligation for the person in charge of keeping the relevant documents and to prepare a statement of the amounts obtained and their use, in the interest of the Company and the financing body.

At least two Employees or Collaborators of CAREL or its Subsidiary in question, preferably from separate units, must be present at the preliminary meetings with public officials and during the central phases of the negotiation or administrative procedure; they are then required to inform the Legal Affairs Unit of the development of the activities and negotiations.

CAREL and its subsidiaries prohibit any Facilitation Payment intended, even indirectly, for public officials and never consider such practices justified or tolerated even if they may appear - or are presented as - customary in the business or in the context in which the activity is carried out.

If such a payment should be interpreted as necessary to undertake or continue an activity, each Recipient of this Procedure shall not make the payment and refrains from undertaking or continuing the activity, promptly notifying the Legal Affairs Unit, which will consider the appropriate actions to be taken to report the incident. The communication shall contain the date, place and name of the applicant, the circumstances of the request and its amount and, where available, supporting documentation.

Any payments that have been extorted (i.e. from which the person has believed, as a result of threats or violence, that he cannot abstain) must be reported immediately in the same form.
7. Standards of conduct in instrumental risk areas

7.1 Donations, benefits or other benefits offered or received

In accordance with paragraph 3.1. of the Code of Ethics, the receipt and offer of donations, benefits or gifts is permitted only if they:

- are of modest value in the reference context, taking into account, in particular, the profiles of the donor and the recipient (in any case, a value of less than 150 euros or its equivalent in the reference country is considered modest);
- are part of normal business courtesy;
- are in any case such as not to create, in the other Party or in an unrelated and impartial third party, the impression that they are intended to acquire or grant undue advantage, or to oblige the other Party to reciprocate the donation.

The delivery of donations must comply with the internal requirements of CAREL and its subsidiaries with regard to how to decide and approve the expenditure for donations and with the registration requirements.

In particular, subject to the necessary compliance of the donations with the above rules and, where existing, with the national disciplines of reference, any donation, gift or offer, including hospitality treatments and meals, (i) may not consist of cash payments or equivalent (for example, gift cards or vouchers), (ii) must comply with criteria of opportunity and reasonableness in light of the concrete circumstances, (iii) must be motivated only by reasons of courtesy in business relations.

The CAREL group indicates as a parameter to verify the modest value the amount of 150 euros per single gift or offer and a total amount of 600 euros per year where the single gift, in itself modest, is part of a constant sequence of donations offered or received. These thresholds, subject to prior notification to the Legal Affairs Unit and the Managing Director, may be modified in the individual branches of the Company and its Subsidiaries in consideration of the characteristics and cost of living of the country, giving notice within the branch and to the Industrial Design & Marketing Communication Manager.

In any case, when offered to an Agent, Collaborator, Employee or Distributor of CAREL or one of its Subsidiaries a donation or a gift, the recipient must:

- assess whether it has been delivered for purposes other than mere commercial courtesy and whether it complies with the threshold parameters indicated, failing which it must be refused;
- inform the Legal Affairs Unit, the Contact Point - in the case of a Subsidiary - and their superior or Key Officer of the name of the individual or company that made the offer, a description of its characteristics, the date of the offer and its current or presumed value, the existence of previous donations from the same person, as well as the acceptance or rejection, with the relevant circumstances and reasons.

The communications received are entered in a register kept by the Legal Affairs Unit, which is sent annually to the Parent Company’s Supervisory Body.
When an Agent, Collaborator, Employee or Distributor of CAREL or one of its Subsidiaries proceeds, for reasons of commercial courtesy or for the promotion and demonstration of products and services, to offer another party - public or private - a gift, the procedures for approving the annual gift budget and the system of controls on compliance with the provisions on donations contained in the Company’s Model 231 are observed. The same procedure applies if the donations are offered as part of the participation in seminars and workshops, or in execution or fulfilment of a contract with the PA.

The donations, gifts, benefits and offers intended for the Family Member of a public official who, in the course of his or her activities, deals or has dealt with matters relating to the CAREL Group and a private employee or collaborator of a Business Partner or supplier are considered to have been made to the latter; they are also considered to come from the same donors as those from their Family Members.

7.2 Political and trade union contributions

The payment of contributions and funding to political parties, committees, foundations and movements and to their candidates and representatives, even if not elected, may in some countries give rise to criminal liability.

Such conduct may constitute a corrupt payment if the contribution appears to be paid in order to maintain or obtain economic advantages, such as the award of contracts, the facilitated release of administrative documentation or unlawful influences on the determination of the legislative initiative of a country or a local authority.

For this reason, in accordance with paragraph 3.6. of the Code of Ethics, only corporate representatives authorised by the Articles of Association or by the Corporate Bodies may, in a transparent and impartial manner, make financial contributions to political parties and movements in the name of CAREL or its Subsidiaries, within the limits of the rules on financing to political parties existing in each jurisdiction in which the Company and its Subsidiaries operate.

Contributions to trade unions and trade union bodies are governed exclusively by national laws on labour relations and the organisation of trade union activity.
7.3 Sponsorship activities and charitable contributions

Both sponsorship activities and contributions to charitable organisations (e.g., ONLUS, non-profit associations) or charities can lead to risks of corruption, if the funds granted are in fact intended for other subjects and for other purposes. CAREL and its Subsidiaries shall comply with the budget approval procedure for sponsorship and charitable activities and with the system of powers of attorney and controls governed by the Company’s Model 231, where applicable.

In addition, this Procedure requires all Recipients to ensure that contributions and donations are made:
- consistent with the aims of promoting the activities of CAREL and its subsidiaries: to this end, each request for sponsorship and each proposal for charitable donations must give an account of the characteristics of the activity sponsored or financed and the competent corporate department must in any case carry out an appropriate Due Diligence of the beneficiary institution;
- if given in cash, paid exclusively by transfer to a current account in the name of the entity, properly recorded in the internal accounts of CAREL and the supporting documentation is kept for ten years;
- provided to bodies with proven reliability and notoriety in the non-profit and social service sectors, which demonstrate that they possess the certifications and operational requirements required by the applicable regulations.

In the case of social projects whose counterpart is an Institution or a local authority, the content of the agreements reached is transferred to specific documentation (MOUs, Conventions, Memoranda of Understanding, etc.) which must include contractual clauses referring to the provisions of the Code of Ethics, Model 231 and this Procedure, as well as certification by the competent corporate department that it has performed a specific Due Diligence, the results of which must be made available to the Legal Affairs Unit and the Supervisory Body.

7.4 Relations with the media

CAREL recognises the risk that, in the belief that it favours the commercial and reputational image of the Group, someone may consider remunerating the activities of journalists and other media operators in order to omit negative information, widen the visibility of positive information or damage the reputation of competitors.

In order to prevent such risks, it is absolutely forbidden to give donations, fees, offers, gifts or any other benefit to journalists and other media operators.

In any case, relations with the media must be maintained exclusively by the persons expressly delegated, who must always respect the principles of professionalism, morality and diligence set out in the Code of Ethics, being supported as necessary by the Legal Affairs Unit.
7.5 Staff selection

CAREL requires that the selection and management of Employees and Collaborators, which it considers to be one of the main assets of its organisation and a key element of its growth, follow exclusively the principle of merit.

CAREL and its subsidiaries take particular care to select profiles of absolute integrity. In assessing the eligibility of candidates, CAREL and its Subsidiaries collect, in compliance with applicable laws, all useful information regarding references, previous work experience, assessments of suitability for the role, the existence of criminal records or criminal proceedings or ongoing prevention, as well as civil and administrative sanctions that can be detected in the formulation of the judgement of ethical-professional suitability or suitability with respect to the vacant position, and the presence of any conflicts of interest, even potential, of candidates.

With particular regard to senior management roles, CAREL and its subsidiaries verify the existence of relations between the candidate and Public Officials and Persons in Charge of a Public Service within the Public Administration or in the bodies with which the Company has a constant relationship, as well as with senior representatives of companies, consortia, foundations or associations, including those without legal personality, which carry out business activities and are of significant importance for the company’s activities.

7.6 Keeping of accounts

In managing the accounts, CAREL and its subsidiaries comply with the accounting standards in force in order to provide a detailed representation of each economic operation carried out, reflecting the facts of the management in a truthful, accurate, precise, complete and transparent manner.

In accordance with applicable tax laws and industry best practices, therefore, costs, charges, revenues, receipts, revenues, payments, commitments and reimbursements - regardless of their significance for accounting purposes - are promptly recorded among the financial information with the relevant supporting documentation, and are made available to the external auditor for the performance of the subsequent audit.

With reference to Corruption prevention, CAREL and its Subsidiaries adopt scrupulous accounting and internal control procedures, in compliance with paragraph 6 of the Code of Ethics and with the provisions of the Company’s Model 231, in order to prevent or in any case reduce to a minimum the risk that fraud, errors or omissions in detection allow the creation of hidden availability or reserves, incidents on the reliability of the Company’s annual and interim corporate communications.
To this end, in compliance with the principle of segregation of duties, operations are only carried out with the general or specific authorisation of the management, within the limits of the forecast budget and in any case in such a way as to allow their subsequent recording in the financial statements, in line with the accounting criteria adopted.

The Company's assets are recorded at the value corresponding to their actual existence and periodic checks are carried out to allow for the recognition and elimination of any differences in estimates.

In the preparation of the financial statements, the Company and its subsidiaries adopt an internal control system for financial reporting that analyses significant processes and identifies any acquisition, management and disposal of assets that do not comply with spending authorisations, which could have a significant impact on the financial statements.

The control system consists of:

- **specific controls**, including checks on accounting records, on the issue of expense authorisations, on reconciliations between internal and external information, on consistency, which are carried out in the ordinary course of operations, also acting as process controls;
- **pervasive controls**, relating to the structural contents of the internal control system, to allow verification of the correspondence of the process activities with the objectives defined by the management. In particular, these controls concern the mechanism for assigning objectives, powers and responsibilities within the organisation of CAREL and its subsidiaries, the effective segregation of incompatible functions and the correct implementation of the management control and reporting system.
8. Reporting system

8.1 System for reporting requests

CAREL and its subsidiaries are strongly committed to combating all forms of corrupt activity.

To this end, the Employees and Collaborators of the Company must communicate to their respective Managers in charge, to the Legal Affairs Unit and to the Supervisory Body any undue request or solicitation, made directly or through a third party, by a Public Official, by a Person in Charge of a Public Service and by a private individual, for themselves or for a Family Member, relating to the payment, or offer of gifts, travel, meals, stays of hospitality, contributions, reimbursement of expenses, requests for employment, investment opportunities, discounts, vouchers and other personal benefits or advantages. The same applies to Agents, Distributors and Intermediaries in the exercise of their activities.

The responsible Manager shall determine, in consultation with the Legal Affairs Unit, appropriate instructions and guidelines, in accordance with applicable Anti-Corruption Laws and this Procedure. In the event that the request is received from a Supplier or Business Partner, the remedies, including resolvers and compensators, provided for in the contract will be implemented.

8.2 Breach reporting system

CAREL and its Subsidiaries encourage the maximum collaboration of Employees and Collaborators in reporting suspected or implemented corrupt conduct by the personnel of CAREL or its Subsidiaries, in compliance with the provisions of the Code of Ethics and Model 231 of the Company, where applicable.

To this end, as soon as a report is received or a suspicion of a violation of the Anti-Corruption Laws or of this Procedure has arisen, the whistleblower must immediately report this information, together with the specification of the facts and circumstances learned, to his or her direct superior.

Alternatively, the whistleblower may contact the Legal Affairs Unit or the Supervisory Body, through communication channels, including telematic ones, published on the intranet of the Company and its Subsidiaries.

CAREL and its subsidiaries guarantee the full confidentiality of the identity of the whistleblower, in accordance with and within the limits provided for by the legislation in force in the country to which he/she belongs, and prohibit any retaliatory measure against him/her even if the whistleblower is found to be unfounded, provided that it is made in good faith: in particular, whistleblowers may not be dismissed, suspended, transferred, demoted, subjected to mobbing or otherwise discriminated against for having reported in good faith a fact prohibited by this Procedure or by Anti-Corruption laws.

CAREL and its subsidiaries also consider anonymous reports.
9. Training of staff and dissemination of the procedure

All employees and collaborators of CAREL and its subsidiaries must be informed of the contents of this procedure and of the Anti-Corruption Laws applicable in the country in which they operate, with particular regard, in this case, to the offences that may arise in the exercise of their activities, risks and personal and administrative responsibilities for the company. They must also be informed of measures to prevent and combat corruption and sanctions resulting from violations of this Procedure and the Anti-Corruption Laws.

To this end, CAREL and its Subsidiaries shall provide all their Employees and Collaborators with a copy of this Procedure through computerised communication channels. They also provide training in Anti-Corruption, also based on practical situations, in the form and at the appropriate time in relation to the individual company.

CAREL and its subsidiaries guarantee the updating of training in the field of Anti-Corruption.

To this end, CAREL and its subsidiaries organise compulsory training courses and events, the frequency of which constitutes a contractual obligation and the failure to comply with which constitutes a disciplinary violation. The responsible Managers and Key Officers shall ensure that the persons under their management take part in the initiatives and complete the compulsory training.

The Legal Affairs Unit and the HR Department are responsible for defining the training programme, implementing it and identifying its contents, duration and delivery methods, including those individualised by type of Employee or Collaborator. The latter department is also responsible for certifying learning and monitoring actual course attendance, in compliance with current laws on privacy and personal data protection, by compiling a report on the training activities carried out following the training processes, which it shares with the Legal Affairs Unit, the Corporate Bodies and the Supervisory Body.
10. Disciplinary measures

Violation of this Anti-Corruption Procedure constitutes a disciplinary offence and is punishable in accordance with the provisions of the employment relationship and, where applicable, of Model 231.

The sanction is the result of an internal investigation that has ascertained, even alternately: (i) violation of the Anti-Corruption Policy or Laws, (ii) failure to participate in training and education, (iii) failure to detect and report violations of which you are aware or of which you should have been reasonably aware, or (iv) retaliatory or discriminatory conduct against those who have reported possible violations of this Policy or Anti-Corruption Laws.

Measures taken may include and include termination of employment or contract if a breach committed by a Business Partner, Agent or Distributor is discovered.

In this regard, contracts entered into by CAREL or its Subsidiaries with such parties contain standard and specific clauses designed to ensure compliance with this Procedure and the Anti-Corruption Laws and to allow, in the event of a breach being discovered, the activation of appropriate remedial mechanisms, including the suspension of execution or termination of the contract for essential breach and the prohibition of future business relations.
11. Monitoring

Monitoring activities on the effective application of the CAREL Group Anti-Corruption Procedure are entrusted to the Internal Audit Department, the Legal Affairs Unit and the Supervisory Body, each according to its own powers and responsibilities.

In particular, the Internal Audit Department, on the basis of the intervention programme approved by the Board of Directors, carries out sample checks on commercial partners and internal functions operating in the main risk areas, acting independently and assessing the concrete effectiveness of the planned controls. It informs the Corporate Bodies, the Legal Affairs Unit and the Supervisory Body of the results of these assessments.

The Legal Affairs Unit monitors the effective and efficient adoption of this Procedure and is responsible for coordinating and supervising the training activities governed by point 9 above, gathering written evidence of its assessments. On a six-monthly basis, the Legal Affairs Unit prepares a written report that submits to the Corporate Bodies and to the Supervisory Body, reporting any shortcomings or critical points in the control system, any identified violations and the preventive instruments adopted or suggested to be adopted, in order to avoid new breaches of the Procedure.

As part of the coordination and management activities of the CAREL Group, the Legal Affairs Unit also receives reports from the contact points of the Subsidiaries and collects in a specific document the half-yearly reports on the monitoring activities received from them, which it submits to the Corporate Bodies and to the Supervisory Body with its evaluations.

The Supervisory Body performs its control functions in accordance with the provisions of the Company’s Model 231.