



Modern slavery statement for financial year 2022

Introduction

This document was approved by the Board of Directors of CAREL UK Limited (hereafter the “**Company**” or “**CAREL UK**”) on 20 January 2023 and describes the measures taken to ensure that no form of modern slavery, forced labour or human trafficking exists within the Company or at any point on its supply chain, as required by Section 54 of the UK Modern Slavery Act 2015. The contents of this statement refer to the financial year ended 31 December 2022 and details the measures taken by the Company and by its parent company CAREL Industries S.p.A. in respect of the wider CAREL Group (as defined below).

CAREL UK is a subsidiary of CAREL Industries S.p.A., the parent company of the CAREL Group (hereinafter referred to as “**CAREL**”, the “**Group**” or “**CAREL Group**”) which has always been committed to conducting its business with professionalism, adopting ethical and virtuous conduct and totally condemning any form of human rights abuse. In particular, the CAREL Group is committed to fighting modern slavery in all its manifestations, both within its organisation and along its supply chain, in line with the principles set out in the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.

The CAREL Group is committed to a supply chain that pays attention to and respects the rights of workers. The Group believes in the value of stable relationships, based on trust and cooperation, and prefers long-term relationships with suppliers that are reliable producers and share CAREL Group’s values.

Company profile

Founded in Brugine (PD), Italy, in 1973, CAREL is one of the world leaders in solutions for controlling air conditioning, refrigeration and heating, and systems for humidification and evaporative cooling. CAREL designs its 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.

Continual improvement is CAREL’s *modus operandi*, the method that allows 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 CAREL’s success: for almost fifty years it has put its customer’s needs at the centre of its development to ensure standout functions and aesthetics.

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

In a period of continuous success and growth on a constantly changing market, CAREL has formalised its corporate Vision, supported by the launch of the “CAREL Culture Code” project.

The result is a cultural manifesto to be applied at all levels across the Group and

involving all roles at the company, based on five main pillars: Be Open, Experiment, Care, Think Customer First and Make the Difference. Specifically, it is a set of practices and behaviours that have the aim of on one hand staying successful over the long term, and on the other communicating, day-to-day, both inside and outside of CAREL, the values that all company personnel identify with and are committed to consolidating through their work.

The CAREL Culture Code was announced globally on 12 November 2021.

The Group's policies for the protection of 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.

Furthermore, the CAREL Group, in order to guarantee and safeguard transparency and responsibility throughout its value chain, has adopted:

- a. the Code of Ethics adopted in 2017 and extended to the subsidiaries sets out all the values the Group identifies with, shares, promotes and demands respect for, in the belief that behaviour inspired by principles of diligence, honesty and loyalty can be a major driver of economic and social growth. The Code of Ethics reflects the main regulations in force in Italy and internationally on corporate social responsibility and human rights. Above all, the Codes state that all suppliers are contractually obliged to respect, and compel their subcontractors to respect, the principles and rules of behaviour within it. Violating the Codes constitutes a breach of contract and can lead to specific sanctions, including termination of the contract, depending on the severity of the violation;
- b. the Supplier Code of Conduct, adopted in 2022 and extended to the subsidiaries sets out CAREL Group's requirements in the main fields of the responsible supply process. It is made up of three sections that set out binding rules on: Ethical and responsible business conduct, Protection of workers and human rights and Concern for the Environment and Communities. The Group requires its suppliers and their subcontractors to adhere to the principles set forth in the Code of Conduct as binding.

Supply chain risk assessment and due diligence processes

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

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.

Risk assessment is at the base of CAREL Group's due diligence process on human rights.

This activity covers all the actors involved in the CAREL Group's value chain, not limiting itself only to the company's own activities, operations and existing and new business relations (e.g. acquisitions, mergers), but extending also to its entire supply chain. The process of identification of potential risks is performed and reviewed periodically, in order to guarantee continuous compliance and if necessary, intervention, ensuring that all potential new risks are identified. This allows the Group to effectively supervise the value chain over actual and potential fundamental human rights violations, such as forced and child labor, human trafficking, unfair and unhealthy working conditions.

The CAREL Group is developing a new risk assessment and due diligence process covering its employees and staff through different tools (e.g. including internal surveys).

The CAREL Group actively and continuously shares best practices, so as to ensure responsible and sustainable business growth.

The attention to ethical, social and environmental aspects along the supply chain starts from the supplier selection phase and continues through systematic training and on-site audits. Knowledge, sharing of best practices and monitoring are fundamental not only to limit risk situations, but also and above all to generate and promote a culture of responsible and sustainable business development, to the benefit of the entire supply chain.

The Group procedure that governs the selection of new suppliers requires the completion of an environmental and social evaluation questionnaire. Moreover, all

suppliers are asked to bind themselves contractually to respecting – and compelling any third parties authorised by the CAREL Group to respect – the Code of Ethics and the Supplier Code of Conduct the Company has set out and shared. Any violation of the principles set out in these documents constitutes a breach of contract, which entitles the CAREL Group to terminate the contract as of right.

Furthermore, CAREL is also updating its **vendor rating system** by including new social and environmental indicators with the aim of providing an overall assessment of the supplier that takes due account of sustainability aspects. Each indicator will be weighted, contributing to the assessment of each supplier based on scores achieved in five different macro-areas: sustainability and compliance, quality, deliveries and service level, cost, and innovation.

Moreover, a **whistleblowing** system is in place at the Group level, with the aim of managing properly and verify timely any illegal and disrespectful conduct – reported by employees or external parties – not in compliance with internal rules, regulations, procedures and values, and taking appropriate steps, while ensuring the anonymity of the whistleblower. The whistleblowing system can be used by suppliers and their employees to report any unlawful behaviour or failure to respect regulations or the principles in the Codes of Ethics of the Group.

Training on human rights

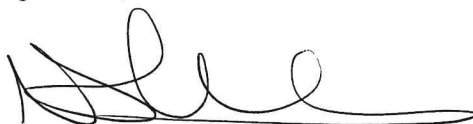
CAREL made and continues to make training available to company management and employees on recognising and mitigating the risk of human trafficking and slavery in supply chains.

In particular, a massive training aimed at all group employees is being provided on these topics from March 2021, via the group e-learning platform, and is mandatory for every new employee. Locally, training courses are then implemented to 'renew' the focus on the importance of behaviour consistent with the Code of Ethics and Policy in place

Commitments for the future.

The CAREL Group is committed at all times to running its business responsibly and condemns all forms of modern slavery. The Group will continue to work pro-actively to find new ways and tools to encourage respect for human rights, even outside the company, by sharing its values and principles throughout its supply chain.

Approved by the Board of Directors of CAREL UK Limited on 20 January 2023 and signed on its behalf by: Nigel Hillier (Chairman of the Board of Directors).



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