CORPORATE POLICY MANUAL

SECTION 16

Enterprise Risk Management

SUMMARY

Carrier will identify, understand, and appropriately manage the risks of its businesses

POLICY

Carrier faces a wide range of risks, including those associated with legal and regulatory requirements, financial exposures, operational challenges, corporate strategy, and protection of its reputation. Among these broad categories, specific risks include the adequacy of tangible and intangible assets; the adequacy of human resources; arrangements with customers, suppliers, joint venture partners and other third parties; product and IT cybersecurity; market conditions; the overall economic and political climate; and the impact of disruptive events, such as natural disasters, pandemics or political upheaval.

In managing risk, Carrier is conservative and data-driven. Carrier complies with applicable laws and regulations, up-holds its Code of Ethics, relentlessly pursues safety for persons and products, protects the natural environment and reduces its environmental footprint, hires competent and ethical people, works with reputable and reliable partners, accepts only those business risks that are compatible with its risk tolerance, employs conservative accounting practices, and communicates honestly with its stakeholders. It maintains rigorous systems of internal controls, uses metrics to monitor its controls and operations, approaches ventures and contracts based on verifiable data and standards, does not use derivatives except to hedge identifiable exposures, limits contractual exposures, secures adequate insurance, adequately staffs central control functions such as Finance and Legal, deploys adequate resources to prevent and detect compliance lapses, and applies the Carrier Operating System (including Passport) for continuous improvement and risk reduction.

Enterprise risk management ("ERM") consists of the culture, capabilities and practices that Carrier integrates with its strategy-setting process and applies in carrying out that strategy in order to manage risk in creating, preserving and realizing value. When integrated with strategy, active risk management practices help to manage outcomes and accelerate growth and performance. Carrier's ERM practices will be led by Reporting Unit management and by the functional departments at Corporate.

Carrier's ERM activities shall be conducted in accordance with the 2017 "Enterprise Risk Management–Integrated Framework", by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), https://www.COSO.org.

Risks associated with legal and regulatory compliance objectives ("Compliance Risks") will be identified and managed as provided in CPM 4: Ethics & Compliance Program. Under CPM 4, the Carrier Risk and Compliance Council ("CRCC") and the CEO are ultimately responsible for Compliance Risks, with oversight from the Board. The CRCC is responsible for programatic oversight of Compliance Risks while day-to-day management of such Risks is distributed among the chief executives of the Reporting Units and senior executive leadership of Corporate functional departments

Risks associated with strategic, operational, financial, reputational, or other business objectives ("Business Risks") will generally be identified and managed by the chief executive and senior management of the Reporting Units. Additionally, Business Risks associated with specific functional areas will be identified and managed by the senior executive leadership of Corporate's functional departments.

Risk identification, risk assessment and risk mitigation plans will be organized and documented by using the tools jointly distributed by Carrier Internal Audit and Global Ethics and Compliance. Annual ERM risk assessments and mitigation plans for the Reporting Units and Corporate functional departments will be reviewed by the CRCC, CEO, and, ultimately, the Board. Additionally, risk monitoring and mitigation will be reviewed throughout the year during Business Reviews, Compliance reviews, various functional council and other management meetings.

DEFINITIONS

All capitalized terms not defined in this policy are defined in CPM 1: Governance and Definitions including Exhibit 1: Compliance Glossary

REFERENCES

All referenced CPM and CPSW can be retrieved from ePolicy

CPM 1: Governance & Definitions

CPM 4: Global Ethics & Compliance Program