



SECTION 16:

Enterprise Risk Management

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A. SUMMARY

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

B. 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 and suppliers, market conditions, the overall economic and political climate, and the impact of disruptive events, such as natural disasters 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”) is a continuous process conducted across Carrier designed to identify risks that may affect achievement of its objectives and to manage those risks within its risk tolerance. Enterprise risks will be identified and managed by Reporting Unit and Sub-Reporting Unit management and by the functional departments at Corporate.

C. DEFINITIONS

All capitalized terms not defined in this policy are defined in [CPM 1: Governance and Definitions](#) including [Exhibit 1: Compliance Glossary](#)

D. REFERENCES

All referenced CPM and CPSW can be retrieved from [ePolicy](#)



CORPORATE POLICY MANUAL

CPM 1: Governance & Definitions

CPM 4: Global Ethics & Compliance Program