



# **BOARD OF DIRECTORS**

## **AUDIT COMMITTEE CHARTER**

**Effective FEBRUARY 2, 2023**

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### **I. PURPOSE**

The Committee is a standing committee of the Board. The purpose of the Committee is to assist the Board in its oversight responsibilities relating to: (1) the integrity of Carrier's financial statements; (2) the independence, qualifications, and performance of Carrier's independent auditors and internal audit function; (3) Carrier's compliance with its policies and procedures, internal controls, code of business conduct and ethics for directors, officers, and employees ("Code of Ethics"), and applicable laws and regulations; (4) Carrier's Enterprise Risk Management ("ERM") program; and (5) such other responsibilities as delegated by the Board from time to time.

The Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "SEC") that is included in Carrier's annual proxy statement.

The Committee also shall assist the Board by reviewing and monitoring the management of the financial resources and financial risks of Carrier, including policies with respect to investments and uses of cash and other significant financial actions proposed by management.

### **II. COMPOSITION**

The Board shall appoint members of the Committee, based upon the recommendations of the Governance Committee of the Board, at the Board's annual organizational meeting or as necessary to fill vacancies in the interim, and the Committee shall consist of at least three directors. The members of the Committee shall meet the independence and financial literacy requirements of the New York Stock Exchange and the rules of the SEC as well as Carrier's Director Independence Policy. At least one member of the Committee



shall qualify as an “audit committee financial expert” as that term is defined in the SEC’s rules. Members of the Committee may be removed from the Committee by the Board at any time, with or without cause. One member of the Committee shall be appointed by the Board as the Chair of the Committee.

### **III. MEETINGS**

The Committee shall meet following the end of each fiscal quarter prior to the release of quarterly or annual earnings to review Carrier’s financial results for the preceding fiscal quarter or the preceding fiscal year (as applicable), and at such other times as necessary to discharge its responsibilities. The Committee shall meet periodically with management (including the chief financial officer (the “CFO”), the principal accounting officer, and the senior compliance officer), the internal auditor and the independent auditor in separate executive sessions and may meet privately with such other persons as the Committee may require in fulfilling its responsibilities, or invite such persons to meetings.

The Committee Chair shall preside at each meeting. If the Committee Chair is not present at a meeting, then the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting. Committee meetings shall be called, and the Committee shall act, only in accordance with Carrier’s Bylaws.

### **IV. RESPONSIBILITIES**

The Committee shall have the sole authority and responsibility annually, in its capacity as a committee of the Board, to recommend to the Board the nomination of the independent auditor for approval by the shareowners. The Committee shall be directly responsible for the appointment, retention, termination, compensation, evaluation, and oversight of the work of the independent auditor (including resolution of any disagreements with management) for the purpose of preparing or issuing an audit report and related work. The independent auditor shall report directly to the Committee.

The Committee shall pre-approve all auditing services and permitted non-audit services to be performed for Carrier by its independent auditor. The Committee may establish policies and procedures for pre-approval of audit and permitted non-audit services, including delegation of authority to one or more members of the Committee to grant pre-approvals of those services, provided that such policies and procedures conform to applicable legal requirements and that the Committee is informed of each such service at its next scheduled meeting.

The Committee shall make regular reports to the Board on significant matters reviewed or considered by the Committee, including any issues that arise with respect to the quality or integrity of Carrier’s financial statements, Carrier’s compliance with legal or regulatory requirements, the performance and independence of the independent auditors, or the



performance of the internal audit function. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall report annually to the Board its self-evaluation of the Committee's performance.

The responsibilities of the Committee shall include:

**A. Financial Statements and Disclosure Matters**

1. Meet to review and discuss with management and the independent auditor Carrier's annual audited financial statements, including review of Carrier's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and climate- and cybersecurity-related disclosures. The Committee shall also recommend to the Board whether the audited financial statements should be included in Carrier's Report on Form 10-K;
2. Meet to review and discuss with management and the independent auditor Carrier's quarterly financial statements prior to the filing of its Report on Form 10-Q, including review of Carrier's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and climate- and cybersecurity-related disclosures. The Committee shall also review the results of the independent auditor's review of the quarterly financial statements;
3. Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of Carrier's financial statements;
4. Review and discuss on a timely basis with the independent auditor:
  - (a) Critical accounting policies and practices used, including any significant changes;
  - (b) Alternative treatments of financial information within U.S. generally accepted accounting principles ("GAAP") that have been discussed with management, including the effects of alternatives and the preferred method of the independent auditor;
  - (c) Other significant communications between the independent auditor and management, including any unusual transactions, management letters, or accounting adjustments proposed by the independent auditor that were waived by management as immaterial or otherwise;



5. Review and discuss with management Carrier's earnings press releases as well as financial information and earnings expectations provided to analysts and rating agencies, including the use of "pro forma" or "adjusted" non-GAAP information;
6. Review management's use of non-GAAP measures and metrics, and in particular how these measures are used to evaluate performance, whether they are consistently prepared and presented, and Carrier's disclosure controls and procedures relating to these metrics;
7. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on Carrier's financial statements;
8. Review and approve Carrier's decision to enter into swaps and other derivatives transactions that are exempt from exchange-execution and clearing under "end-user exception" regulations established by the Commodity Futures Trading Commission; and review and approve Carrier's policies governing Carrier's use of swaps and other derivatives transactions subject to the end-user exception; and
9. Discuss with the independent auditor the matters required to be communicated by the Public Company Accounting Oversight Board's (the "PCAOB") Auditing Standard No. 1301, *Communications with Audit Committees*, including any problems or difficulties encountered during the audit and management's response.

**B. Oversight of Carrier's Relationship with the Independent Auditor**

1. Obtain and review a report from the independent auditor at least annually describing: (a) the independent auditor's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
2. Obtain periodically, but no less frequently than annually, a formal written statement from the independent auditor delineating all relationships between the audit firm and Carrier, including each non-audit service provided to Carrier and at least the matters set forth in PCAOB Rule 3526, and an affirmation in writing to the Committee that the auditor is independent;



3. Review and evaluate the independent auditor's qualifications, performance and independence, including a review and evaluation of the lead partner, taking into account the opinions of management and the internal auditor. Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether it is appropriate to rotate the independent audit firm itself on a regular basis in order to assure continuing auditor independence. The Committee shall present the results of its review to the full Board;
4. Establish policies for Carrier's hiring of employees or former employees of the independent auditor;
5. Discuss with the independent auditor significant issues reviewed with the auditor's national office regarding auditing or accounting issues identified during the engagement; and
6. Meet with the independent auditor annually to discuss the planning and staffing of the audit.

**C. Oversight of Carrier's Internal Audit Function**

1. Review and approve the Internal Audit Department Charter;
2. Review and approve the appointment and replacement of the senior internal audit executive;
3. Review and approve the annual audit plan and any significant changes to the plan together with the annual operating budget and resource plan;
4. Review significant findings and key trends related to Carrier's internal controls, risk management, and governance processes; and
5. Discuss with the independent auditor and management the internal audit department responsibilities, audit plan, budget, and staffing.

**D. Compliance Oversight Responsibilities**

1. Oversee and review Carrier's legal, ethical, and regulatory compliance program, including Carrier's business conduct guidelines, and review at least annually the implementation and effectiveness of the program;



2. Discuss any illegal acts discovered by the independent auditor during the course of its work and its conclusions with respect to such illegal acts or obtain assurance from the independent auditor that none were discovered;
3. Obtain reports from management, the senior compliance officer and Carrier's internal auditor on any significant issues regarding compliance with applicable laws and regulations and with the Code of Ethics. Receive periodic updates by the Chief Legal Officer and senior compliance officer on any pending investigations of potentially significant alleged violations of laws, regulations, or company policies;
4. Establish procedures for and oversee: (a) the receipt, retention and treatment of complaints received by Carrier regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by Carrier employees, shareowners and other interested persons of concerns regarding questionable accounting or auditing matters and business practices;
5. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise potentially material issues regarding Carrier's financial statements or accounting policies; and
6. Discuss with Carrier's Chief Legal Officer legal matters that may have a material impact on the financial statements or Carrier's compliance policies.

#### **E. Enterprise Risk Management**

Review overall policies and practices for Carrier's ERM program, including delegation by the Board of oversight for particular areas of risk to the appropriate Board committees. Discuss with management Carrier's major financial risk exposures as well as significant compliance-, cybersecurity-, operational-, and privacy-related risks, and the steps management has taken to monitor and manage such exposures to be within Carrier's risk tolerance.

#### **F. Internal Controls**

Discuss with management the independent auditor, the senior internal audit executive, and senior compliance officer, as applicable, any major issues as to the adequacy and effectiveness of Carrier's internal controls, any special steps adopted in light of material control deficiencies, and the adequacy of disclosures about changes in internal control over financial reporting. Review and discuss with management (including the senior internal audit executive) and the independent auditor Carrier's internal controls report and the independent auditor's attestation reports prior to the filing of Carrier's Report on Form



10-K. Review disclosures by Carrier's Chief Executive Officer and CFO certification process for the Reports on Form 10-K and Form 10-Q, including any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting and any fraud involving management or other employees who have a significant role in Carrier's internal controls and additional management procedures and audit steps performed in light of any material control deficiencies.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that Carrier's financial statements are complete and accurate or to determine that such statements are in accordance with GAAP. It is also not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and Carrier's policies and procedures. These are the responsibilities of management, the independent auditor or others retained by the Committee.

**G. Investments, Uses of Cash and Other Significant Financial Actions**

1. Review regular reports concerning strategies and plans for significant acquisitions and divestitures by Carrier, including discussion of possible transactions and their financial impact and progress reports on pending and completed transactions;
2. Review significant financing programs to be offered by Carrier in support of its business objectives, including secured and unsecured financing, equity investments, letters of credit, guarantees or other forms of financial accommodation;
3. Review significant capital appropriations;
4. Review proposed dividend policies and programs for the repurchase of capital stock of Carrier;
5. Review Carrier's financial outlook and plans for financing its working and long-term capital requirements;
6. Review Carrier's policies and strategies for managing exposure with respect to foreign exchange, interest rates and raw materials prices;
7. Review Carrier's policies and strategies with respect to insurance and risk management; and
8. Review Carrier's policies, strategies and performance with regard to the investment of pension assets.



**V. AUTHORITY**

1. The Committee shall have the authority to retain and compensate independent legal, accounting or other advisors as deemed necessary or appropriate to assist in the performance of its duties. Carrier must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any advisor retained by the Committee, as well as funding for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties;
2. The Committee shall have full access to management, as well as access to internal and independent accountants, internal and external lawyers and other internal staff members; and
3. The Committee shall have the authority to form and delegate authority to subcommittees.