

# SUPPLIER CODE OF CONDUCT

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WATSCO, INC. and our respective affiliates, subsidiaries and business units (“Watsco”) are committed to adhering to the highest standards of ethics and integrity in the conduct of our business. It is the policy of Watsco to do business in accordance with both the letter and the spirit of all applicable laws, rules and regulations. Watsco prides itself on doing business honestly and transparently, avoiding even the appearance of impropriety. In an effort to create a responsible supply chain, Watsco seeks business partners who share our commitment to the highest moral and ethical standards with regard to legal compliance, corporate governance, human rights, employment standards, health, safety and environmental stewardship. Watsco’s suppliers are critical to its success and, therefore, we expect our business partners to adhere to this Supplier Code of Conduct (“Code”). This Code sets forth Watsco’s expectations for each of its product and service suppliers and aligns with the expectations we maintain for our own directors, officers and employees.

The purpose of this Code is to provide general principals to follow to ensure that each of Watsco’s suppliers acts responsibly and ethically. Suppliers are responsible for ensuring that their directors, officers, employees, representatives, agents and business partners comply with the expectations set forth in this Code.

## **Legal Compliance**

It is each supplier’s responsibility to know and comply with all laws, rules and regulations applicable to their business in the respective countries, states, provinces and localities where they operate.

## **Antitrust & Competition Laws**

Suppliers must strictly comply with state and federal anti-trust laws. These laws prohibit agreements or understandings among competitors to fix or control prices, to boycott specified suppliers or customers, to allocate products, territories or markets, or to limit the sale of products or product lines. Such agreements are against public policy and against Watsco policy.

## **Anti-Corruption**

Suppliers shall not engage in any form of corrupt practices including, without limitation, bribery, extortion, money laundering or the funding of terrorist or criminal activities. Suppliers shall not give or take bribes, kickbacks, gratuities, or any other illegal payments or inducements in exchange for favorable treatment or other improper advantage. Suppliers must comply with the United States Foreign Corrupt Practices Act (FCPA), the Bank Secrecy Act (BSA) and their implementing regulations, as well as anti-corruption laws applicable in the countries where they do business.

## International Trade Compliance

Suppliers shall comply fully with all applicable United States trade laws and customs regulations as well as those laws applicable in the countries where they do business. Applicable United States trade laws and customs regulations include country of origin labeling, U.S. embargoes, sanctions, export controls, and restrictions on doing business with “specially designated nationals” and “blocked persons.” The U.S. government maintains and updates lists of such “specially designated nationals” and “blocked persons” with whom business dealings may be prohibited or severely restricted under U.S. law. A copy of this list is available at <http://www.treas.gov>.

## Conflicts of Interest, Gifts & Entertainment

Suppliers must avoid all conflicts of interest or situations giving the appearance of a conflict of interest in their dealings with Watsco.

Watsco understands that, in certain settings, it may be customary or appropriate to provide business courtesies such as reasonable meals and entertainment, and promotional or modest gifts to Watsco directors, officers, or employees in the normal course of business. Any such gifts should be infrequent in nature, reasonable in value, appropriate under the circumstances, legal, accurately documented, and not intended to secure an improper advantage or otherwise influence the employee inappropriately.

Suppliers should never offer bribes or kickbacks.

Watsco considers a gift to a spouse or other family member to be a business gift if motivated by or related to a business relationship. Such gifts are subject to this Code in the same manner as other business gifts.

Suppliers are encouraged to notify Watsco’s Corporate Assurance Team at [confidentialemail@watsco.com](mailto:confidentialemail@watsco.com) if a Watsco director, officer, or employee is seeking a kickback, bribe, or any other gift from them to be awarded any type of business relationship.

## Human Rights

Watsco is committed to the protection and advancement of human rights guided by values that inspire how we conduct our business. These values capture our responsibilities to our employees, customers, communities and shareholders. They also bond us with a shared principle that an individual’s basic rights and dignity must be provided and respected. While it is the duty of governments to protect the rights of their citizens, we recognize that our business can play a critical role. As the leader in our industry, Watsco believes we have an opportunity to positively impact the protection of human rights throughout our marketplace. To this end, we encourage and support our suppliers and other business partners in their efforts to act in accordance with recognized human rights standards.

In furtherance of Watsco's commitment to human rights, suppliers shall not engage in human trafficking, slavery, bonded (including debt bondage) or indentured labor, forced labor, child labor or prison labor. Suppliers shall adhere to the minimum employment age limit defined by the applicable national law or regulation and comply with relevant International Labor Organization standards. Suppliers shall comply with all applicable laws and industry practices on working hour schedules, payment of minimum wages, overtime pay, rest periods, holidays, and freedom of association.

## **Employment Standards**

Suppliers are expected to employ, retain, promote, terminate, and otherwise treat all employees and job applicants on the basis of merit, qualifications, and competence. Suppliers shall not illegally discriminate against anyone with respect to the terms of employment, due to age, color, race, religion, disability, sex or national origin. Watsco values the benefit of different races, ethnicities, genders, ages, sexual orientations, origins, religions, backgrounds and perspectives. Watsco is committed to maintaining a workplace where different perspectives are welcome, and everyone feels respected. Accordingly, suppliers are expected to foster a diverse and inclusive work environment. Suppliers must provide a work environment free from harassment of any kind which includes sexual harassment, bullying, violence, or threats of violence. Suppliers should have mechanisms in place for employee grievances, resolution of disputes, and complaints of discrimination made in good faith that protects the employee's privacy, allows for anonymous reporting and protects the employee against retaliation.

## **Health & Safety**

Suppliers must comply with all applicable workplace health and safety laws, regulations and legal requirements in the respective countries, states, provinces, and localities where they operate. Suppliers are expected to provide their employees with a safe, clean, and healthy work environment and living environment (if employees are provided accommodation). Suppliers shall minimize the incidence of work-related injury and illness by implementing plans and procedures to identify and eliminate potential hazards and provide safety training to employees. Suppliers shall have policies and procedures in place regarding occupational safety and health, emergency preparedness, security, industrial chemical and biological control and protection, and safeguarding machinery use.

## **Environmental Stewardship**

Protecting the environment and using resources responsibly, while maintaining compliance with all applicable laws and regulations, is a foremost concern of Watsco. Suppliers shall comply with all federal, state, and local laws and regulations relating to the storage, handling, transportation, and release of hazardous materials into the environment. Suppliers are expected to establish goals and monitor the reduction of their environmental footprint by providing products that are safe and environmentally sound to

use and dispose of, optimizing energy consumption with a view to carbon minimization, reducing greenhouse gas emissions and other harmful air emissions, minimizing consumption of natural resources, responsible management of water use, reduction of discharges of waste and other sources of pollution, development of reclamation and recycling solutions, and environmental incident reporting.

## **Government Contracts**

Suppliers must take special care to comply with the unique and special rules that apply to contracting with the U.S. Government. Suppliers that support a Watsco contract with the U.S. Government must, at all times, follow the U.S. Government's rules for competing fairly, honor restrictions applying to U.S. Government employees (e.g., receipt of gifts and employment), deliver products and services that conform to specifications, laws and regulations, adhere to government accounting and pricing requirements, claim only allowable costs, ensure the accuracy of data submitted, and comply with all other applicable U.S. Government requirements.

## **Information Security**

Suppliers must take proper care to protect sensitive information, including confidential, proprietary, protected, and personal information. Suppliers should not use such information for any purpose other than the business purpose for which it was provided unless the owner of the information provided prior authorization. Suppliers must immediately notify Watsco in the event such information has been exposed to an unauthorized person.

## **Business Partners**

If the agreement with Watsco prohibits the supplier from assigning, delegating, or subcontracting its obligations, Watsco expects the supplier to strictly comply with this prohibition.

If the agreement with Watsco permits the supplier to assign, delegate, or subcontract its obligations or procure products or services from others that will be incorporated in products or services acquired by Watsco from the supplier, Watsco expects the supplier to carefully select its business partners, and perform due diligence, audit, and oversight to prevent and detect misconduct. The supplier must flow down the principles set forth in this Code to these business partners and Watsco will hold the supplier responsible for ensuring compliance by the business partners.

## **Supply Chain Security and Transparency**

Supplier must have in place security measures, such as procedures for container inspection, seal security, and physical security, to prevent unauthorized items from being introduced into shipments destined for Watsco or its customers.



Supplier must ensure that all merchandise is accurately marked or labeled with the country of origin in compliance with the laws of the country of manufacture and in compliance with the laws of the country of import for all Watsco orders exported from the country of manufacture. Supplier must respond promptly to Watsco requests for country-of-origin certifications or declarations and ensure that any such documents are accurate and complete, and that all records substantiating the origins are maintained and available.

## Code Compliance

Watsco does not assume any duty to monitor or ensure compliance with this Code. Suppliers are solely responsible for full compliance with this Code by their directors, officers, employees, representatives, agents and business partners. Watsco maintains the right to take actions, including on-site inspections of the supplier's facilities and review of any applicable books, records, certifications and other documentation in order to assess compliance with this Code. It is the expectation of Watsco that our Suppliers will take timely corrective actions to remedy any identified noncompliance. Suppliers must provide employees and their business partners with access to adequate reporting channels to raise legal or ethical issues or concerns, including reports of a violation of this Code, without fear of retaliation, including opportunities for anonymous reporting. In the event that a supplier becomes aware of misconduct related to Watsco's business, suppliers are expected to promptly notify Watsco's Corporate Assurance Team at [confidentialemail@watsco.com](mailto:confidentialemail@watsco.com), call (866) 492-6800, or fax (305) 714-4136. Any claim of a possible violation may be made anonymously if a claimant so desires. Watsco reserves the right to discontinue doing business with any supplier who fails to adhere to this Code.