REMUNERATION REPORT

2022

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Remuneration report

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CONTENT

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CHAIRPERSON'S LETTER

Dear shareholders,

As chairperson of the remuneration committee and on its behalf, I am very pleased to present the remuneration report of Carel (the "report").

Carel's remuneration and incentive policy is compliant with the company's governance model, ruling legislation, and the recommendations of Borsa Italiana's Code of Corporate Governance, which the company endorses.

2021 presented new challenges, triggered or intensified by the pandemic, and these had a significant impact on Carel's business and the communities in which it operates. Thanks to the efforts and contribution of all employees, Carel continued to prove resilient and was able to take steps to protect business continuity and pursue growth and innovation over the medium to long term.

We have projects and investments underway to bolster the green transition and fast-track the transition to digital. Carel pursues growth in employment and intelligent, sustainable and inclusive development, and the health and safety of our people and the areas in which we operate is central to this. Sustainability – social, governance as well as environmental – is key to being competitive and thus to ensuring profitability.

Our commitment to sustainable growth is shown by our long-term sustainability plan – "Driven by the Future" – presented to the market in 2021 and integrated with our business plan. The purpose is to pursue sustainable success in line with the new Code of Corporate Governance and to continue the company's long-standing commitment to these issues. In this vein, the group took out its first sustainability-linked loan in 2021, representing the first step in creating a portfolio of sustainable finance tools. Carel also continued to successfully grow externally, acquiring another two major companies in 2021 (one in Italy and one in Turkey), which is crucial for continued growth and to be able to offer high performance and energy efficient solutions in the HVAC (Heating, Ventilation and Air Conditioning) and Refrigeration markets.

In this new and complex context, exacerbated by the recent tensions in international politics, Carel's remuneration policy plays an increasingly central role in the pursuit of its medium and long-term goals, ensuring that business and sustainability targets are aligned and attracting, motivating and retaining resources with outstanding professional expertise for the group's successful management and enhancement. The remuneration policy offers remuneration levers that help the beneficiaries focus on the strategic goals and achieving the company's milestones in terms of sustainable development and integration, in line with its steady market growth and strong geographical and socio-cultural diversity.

Specifically, one of the first steps of the remuneration committee was to undertake an in-depth analysis of market practices in order to assess the adequacy of the current remuneration structure for key management personnel and those members of the boards that will take on ambitious goals in the coming years. Accordingly, with the support of a leading independent consulting company, the committee decided to update the panel used for the comparative analysis which underpins the policies.

2022 guidelines of the remuneration policy

Like for the 2021 policy, which received a large percentage of favourable votes (98.184%), the guiding principles of 2022 remuneration policy are:

- ***Equity, diversity and inclusion**: enhance expertise and merit as well as also diversity as an opportunity to create value; focus on the pay-ratio and achievement of a better gender balance as drivers of a fairer and more balanced policy;*
- ***Sustainability**: focus on the generation of value for the company, its sustainability over time and vis-a-vis stakeholders;*
- ***Competitiveness**: focus on balance and consistency with market practices for comparable positions and roles with similar levels of responsibility and complexity using benchmark analysis of a panel of comparables in terms of their size and sector; correlation between remuneration and performance through the proper weighting of the fixed and variable remuneration components in order to reconcile the interests of shareholders and management, while also attracting the most highly skilled professional figures;*
- ***Transparency**: ongoing improvement of the information and transparency of the remuneration policy and related report; measurement and disclosure of the incentives linked to variable remuneration after a careful analysis of the results actually achieved and clear malus, clawback and lock-up clauses.*

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Inspired by these principles, this policy introduces a number of developments as part of Carel's pursuit of sustainable success, as follows:

- *precise, measurable ESG KPIs in both the MBO and LTI plans in line with the company's mission, strategy and business objectives, to supplement and bolster the economic and financial KPIs;*
- *the review of the governance structure, with specific proxies on sustainability assigned to the executive director, Carlotta Rossi Luciani;*
- *a refreshed long-term incentive system with a greater focus on key ESG issues in the business plan, the reduction in CO2 emissions, and gender balance;*
- *the extension of the new long-term incentive plan to more beneficiaries with a view to ever greater employee engagement;*
- *a longer lock-up period (24 months) in the LTI plans assigned for the 2021 – 2023 period in line with the guidance contained in the new Code of Corporate Governance;*
- *more effective communication thanks to the engagement with the proxy advisors and the revision of the executive summary and the report as a whole, prioritising those aspects that make it easier to read.*

The report continues to have two main sections and an executive summary providing key information for a better understanding of the proposed and implemented policies.

Section I *focuses mainly on describing the link between the company's strategies and the policy proposed for the directors' and key management personnel's remuneration. Similarly, in* ***Section II****, the transparency of information about how the current policy has been implemented and the description of the results achieved as part of each plan with the related remuneration paid during the year has been further enhanced.*

Section I *of the report describes the policy for 2022, both in terms of its structure, which will continue to comprise a short-term and long-term plan, and in relation to remuneration and incentive levels. We have maintained a well-defined and balanced structure of annual objectives, which are interrelated and designed to ensure the company's profitability and operating efficiency in its traditional business sectors while concurrently promoting the importance placed by the company on protecting the environment and focusing on social aspects. Carel's primary objective is to encourage energy transition with the adoption of concrete solutions to protect the environment by reducing CO2 emissions as well as policies to foster diversity and inclusion starting from gender balance and equality.*

Section II *provides details of the remuneration paid in 2021 to each director and statutory auditor, the general manager and, collectively, the key management personnel in line with the approved remuneration policy.*

During 2021, company management worked hard to continue the sustainable development and growth plan presented to the market despite the prolonged Covid-19-induced crisis. The 2021 results again confirm the excellent targets achieved with respect to the financial and operating goals the company has set itself, with a +26.8% reported growth rate (+21.9% using the old measurement) for the group and a reported profitability margin (EBITDA/revenue) up by 20.3% (21% adjusted) on the previous year.

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Specifically, with respect to the remuneration policy, in 2021, it achieved the following key results:

- *assignment of the first part of the new 2021 – 2023 long-term incentive plan, with a significant increase in the number of beneficiaries and a close link between the incentive amount and the key business sustainability objectives;*
- *further alignment of the remuneration of the chief executive officer, the general manager and key management personnel with the peers benchmark, both in terms of total value and the pay mix;*
- *identification of a set of indicators for the short-term incentive (MBO), adapting the parameters to both the economic and financial performance and ESG targets set out in the company's long-term sustainability plan;*

I would also like to emphasise how Carel has always given great importance to dialogue and ongoing engagement with the main recipients and beneficiaries of its remuneration policy. It intends to continuously adopt market best practices and implement insights provided by its shareholders and proxy advisors in particular.

I would like to thank you all for your constructive approach to dialogue with the company, aimed at understanding and meeting everyone's requirements.

The high percentage of favourable votes that both sections of our remuneration report have always obtained confirms our efforts to propose amendments to the board of directors that are best suited to ensuring that the company's remuneration model is aligned with national and international best practices and to implementing recommendations from stakeholders.

I hope that our report presented for your review once again shows our ongoing commitment and, also on behalf of the other committee members, I would like to thank you in advance for your acceptance and support of the remuneration policy proposed for 2022.

Finally, I would like to thank the other members of the remuneration committee and the board of statutory auditors for their valuable contribution to our activities during the year as well as all the staff of the HR & organisation department with whom we have always worked in a constructive and friendly manner to find balanced and shared solutions.

Cinzia Donalisio

Chairperson of the remuneration committee

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INTRODUCTION

The board of directors of Carel Industries S.p.A. ("**Carel**" or the "**company**") approved this report on the remuneration policy for 2022 (Section I) and the remuneration paid to the directors, statutory auditors, chief executive officer, general manager and key management personnel in 2021 (Section II) (the "**report**") on 3 March 2022. It was prepared in accordance with article 123-ter of Legislative decree no. 58/1998 (the "**Consolidated Finance Act**" or "**CFA**"), as amended by Legislative decree no. 49/2019 which implemented Directive (EU) no. 2017/828 (the "Shareholder Rights Directive II") of the European Parliament and of the Council, and in accordance with article 84-quater of the Issuers' Regulation and the Code of Corporate Governance of Borsa Italiana S.p.A. ("**Borsa Italiana**").

The report highlights that, like in previous years, the focus in 2022 continues to be on creating a robust, coherent link between the remuneration policies adopted - including the short and long-term incentive systems in place for management – and business growth strategies, as part of an increasingly strong focus on innovation and sustainability. The results of operations for 2021 saw spiking sales performances and, despite the major challenges faced on the electronic components markets, show that the company is on the right track. Despite some enduring supply chain uncertainties, business growth prospects are again shaping up to be strong and encouraging for 2022.

The strategic development goals pursued in 2021 are summarised below:

- fostering a new business culture – the "Carel Culture Code" – underpinned by more inclusive principles and values, with a greater focus on merit and pathways for individual growth;
- defining a long-term sustainability plan – "Driven by the Future" – which concretely and consistently reflects the company's commitment to sustainable development throughout its business;
- sustaining sales growth via the careful monitoring of supply chains, to ensure satisfactory service for our customers;
- ensuring the diversification of electronic component suppliers by using alternative second sources, thanks to constant liaising between R&D and Operations;
- developing IOT and advanced monitoring solutions services (both field services and digital);
- constantly improving Carel's operating performances (delivery, quality, etc.);
- keeping an eye on strategic M&A opportunities with a view to increasing market share or developing business niches adjacent to the core businesses;
- bringing together traditional technical development models and the Business Model Generation (BMG) approach, i.e., by developing business models that promote both incremental (short-term) and disruptive (medium- to long-term) innovation.

Despite the anticipated rebound following the slow-downs experienced during the worst of the pandemic, uncertainties persist in relation to the oft-mentioned supply market problems and generally higher costs throughout the supply chain. The application of these strategic development goals, together with the ability to create an organic and sustainable view of the business in the medium and long-term, enabled outstanding operational and management performances in 2021.

The 2022 remuneration policy will therefore continue along the path approved, with a broad consensus, by the shareholders on 20 April 2021 with the same key elements and basis of previous years.

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Executive summary


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50 YEARS OF EXPERIENCE
IN HVAC/R
REFRIGERATION
AIR CONDITIONING
HUMIDIFICATION
HEATING
IOT

CAREL'S REMUNERATION POLICY DRIVERS: INTEGRATING BUSINESS AND SUSTAINABILITY

With almost 50 years of experience, our vision of the HVAC/R sector goes beyond our products and the individual components: how we see and interpret the system as a whole means we are not only able to provide our customers with innovative and efficient solutions but also complement our offer with the greatest respect and care for the planet.

Our goal is ambitious: **to make sustainability our business model**.

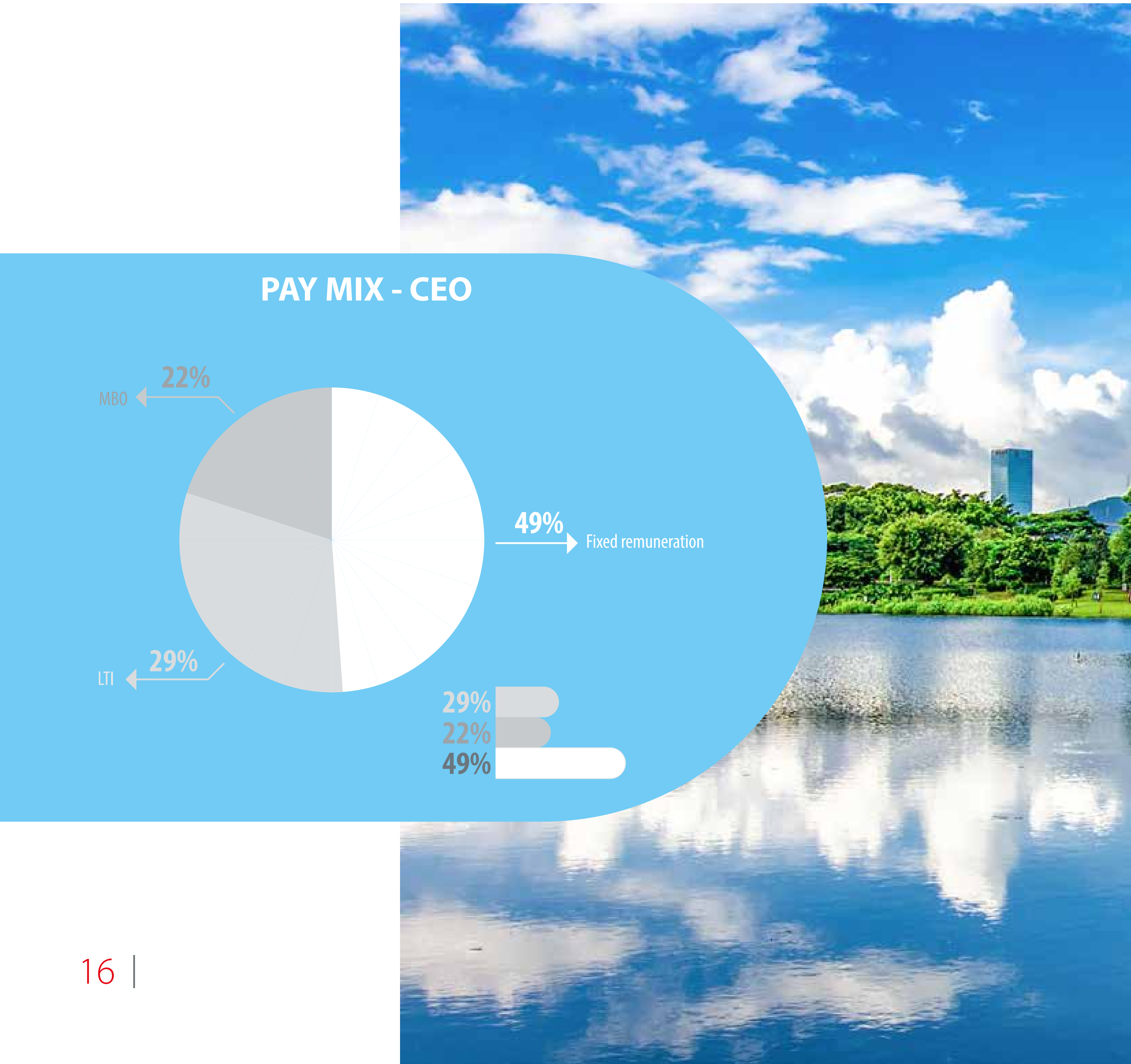
We have a new concept of the future and we want to help realise it through concrete initiatives that respond to the demand for sustainable development which cannot wait any longer.

Promoted by the upper echelons and supported by all the internal departments, sustainability is the company's built-in growth driver with objectives that cover the environment, social aspects and the group's strategic and operational governance.

For us, integrating "business and sustainability" therefore means creating long-term value for all stakeholders via an increasingly robust and direct correlation between the objectives and management's remuneration and incentive systems..

KEY EVIDENCE

- At least 20% of the annual variable incentive (MBO) of key management personnel is tied to the ESG targets
- 20% of the long-term three-year incentives is tied to the sustainability targets.
- Over 50% of the CEO's total remuneration consists of both short and medium to long-term monetary incentives (3-5 years) tied to the sustainability of the company's actual financial performance.



OUR SUSTAINABILITY MODEL: «DRIVEN BY THE FUTURE»

In 2021:

We formed an ESG team and allocated powers to a board member to ensure active supervision of all the company's sustainability issues.

ESG governance therefore encompasses all levels:

Strategic – board of directors;

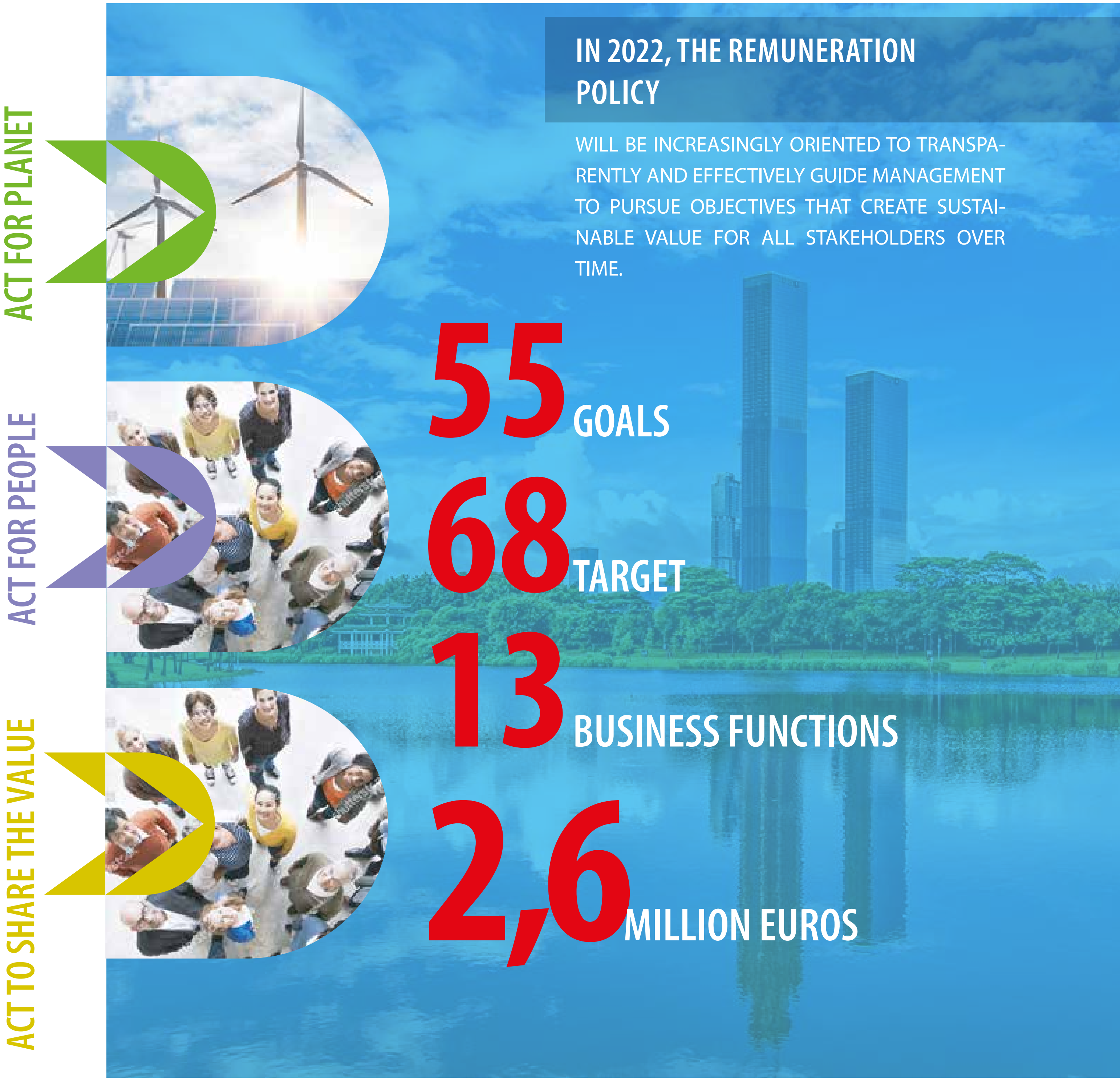
Advisory – control, risks and sustainability committee

Operational - ESG team.

We developed and approved the group's first long-term sustainability plan, entitled "DRIVEN BY THE FUTURE": 55 objectives, 68 targets, 13 company departments involved and €2.6 million invested in the pursuit of the sustainable success set out in Carel's Code of Corporate Governance.

We took out our first sustainability linked-loan, a loan whereby the interest rate decreases on reaching certain ESG objectives (particularly as relates to gender balance).

We adopted the EU taxonomy framework, establishing the percentage of revenue, operating costs and investments qualifying as environmentally sustainable under the taxonomy a year earlier than required by the regulation itself.

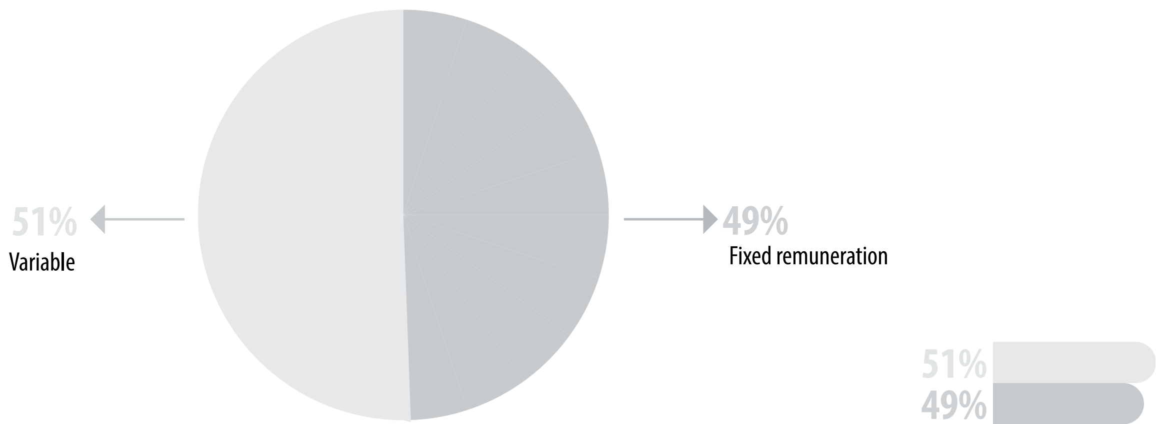


THE PERFORMANCE-REMUNERATION LINK

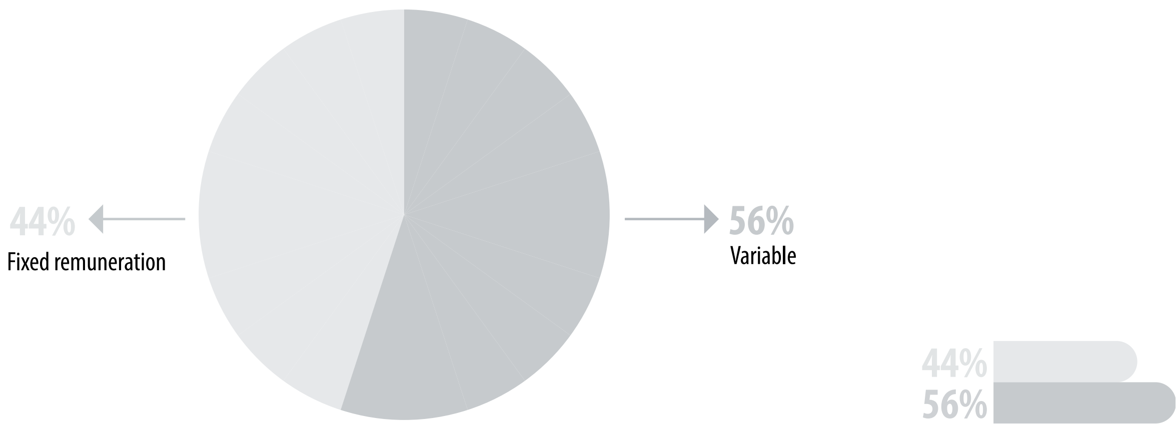
The remuneration of the CEO and key management personnel is closely tied to the company's actual short-term (MBOs) and medium to long-term performances (LTIs).

The proportion of variable remuneration ranges from 51% for the CEO to 44% for key management personnel.

PAY MIX - CEO



PAY MIX - KMP



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MBO 2022 | CEO EX-ANTE DISCLOSURE OF THE TARGETS

ON/OFF ACCESS GATE

TARGET	WEIGHT	MIN	TARGET	MAX
Group Adjusted EBITDA	45%	0	94K	141K
Group Consolidated Turnover	20%	0	42K	63K
Individual integrated "ESG&Business" targets (2)	35%	0	73K	110K
			210K	**315K**

The CEO's incentive is capped if the maximum threshold is achieved for all targets simultaneously. Other results above the minimum thresholds are calculated using the linear interpolation method.

If the CEO does not achieve the access gate (EBIT >0), the incentive system is not triggered and no incentives are paid.

ASSIGNMENT OF THE SECOND PART - 2022 – 2024 LTIS FOR THE CEO, EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The second part of the LTI plan related to the 2022 - 2024 vesting period will be assigned in 2022. Approved by the shareholders in their meeting of 20 April 2021, the LTI plan is a pillar of the remuneration policy not only because its goal is to foster engagement and retention among senior management of the group but, particularly, because it inextricably links variable remuneration with the achievement of the company's long-term business and sustainability objectives.

The system has two plans:

CASH-SETTLED PERFORMANCE PLAN	EQUITY-SETTLED PERFORMANCE PLAN
Award of a monetary incentive if performance objectives are met over three years (2022 – 2024).	Free award of shares if performance objectives are met over three years (2022 – 2024).

Both plans have the same vesting characteristics and terms and either may be offered to the executive directors and the CEO, as well as to the company's key management personnel.

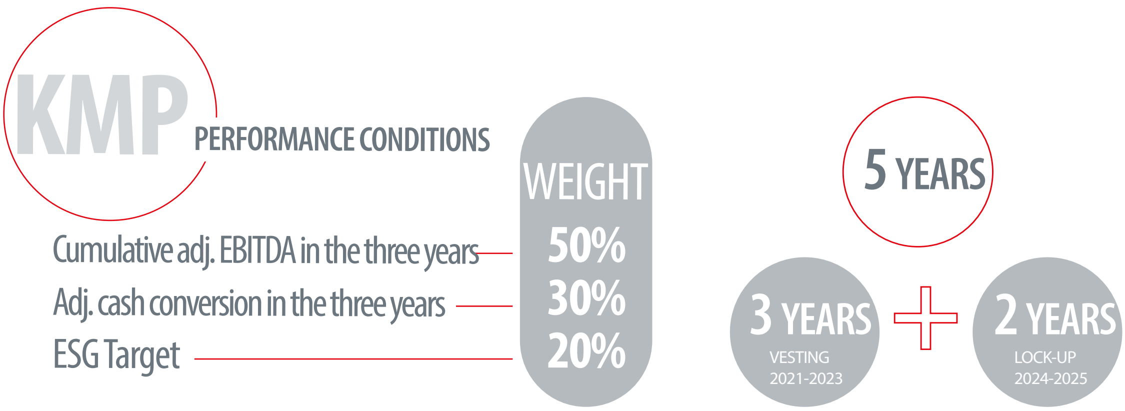
THE 2021 – 2025 LTI PLANS

The equity-settled and cash-settled performance plans comprise three rolling three-year vesting periods as follows:

- First vesting period: 2021 – 2023: assigned in 2021.
- **Second vesting period: 2022 – 2024: to be assigned in 2022**
- Third vesting period: 2023 – 2025: to be assigned in 2023

Each three-year vesting period is extended by a 24-month lock-up period even when the objectives are only partly met, as follows:

IN THE CASH-SETTLED PLAN	IN THE EQUITY-SETTLED PLAN
For the CEO and executive directors:	**For the key management personnel:**
40% of the awarded amount.	20% of the awarded shares.
For the other beneficiaries:	**For the other beneficiaries:**
20% of the awarded amount.	10% of the awarded shares.



THE 2022 – 2024 LTI PLANS FOR THE CEO AND KEY MANAGEMENT PERSONNEL

KMP

PERFORMANCE CONDITIONS
2022 – 2024 LTI plan

Performance conditions	WEIGHT
Cumulative adj. EBITDA in the three years	50%
Adj. cash conversion in the three years	30%
ESG Target	20%

5 YEARS

3 YEARS
VESTING
2021-2023

+

2 YEARS
LOCK-UP
2024-2025

CEO

60% of the award accrued for the performance achieved in the three-year vesting period (X) is disbursed in cash in year X+1

40% of the award accrued for the performance achieved in the three-year vesting period (X) is disbursed in cash in year X+3, i.e., after a 24-month lock-up period.

KEY MANAGEMENT PERSONNEL

80% of the award accrued for the performance achieved in the three-year vesting period (X) is assigned in shares in year X+1.

20% of the award accrued for the performance achieved in the three-year period (X) is assigned in shares in year X+3, i.e., after a 24-month lock-up period.

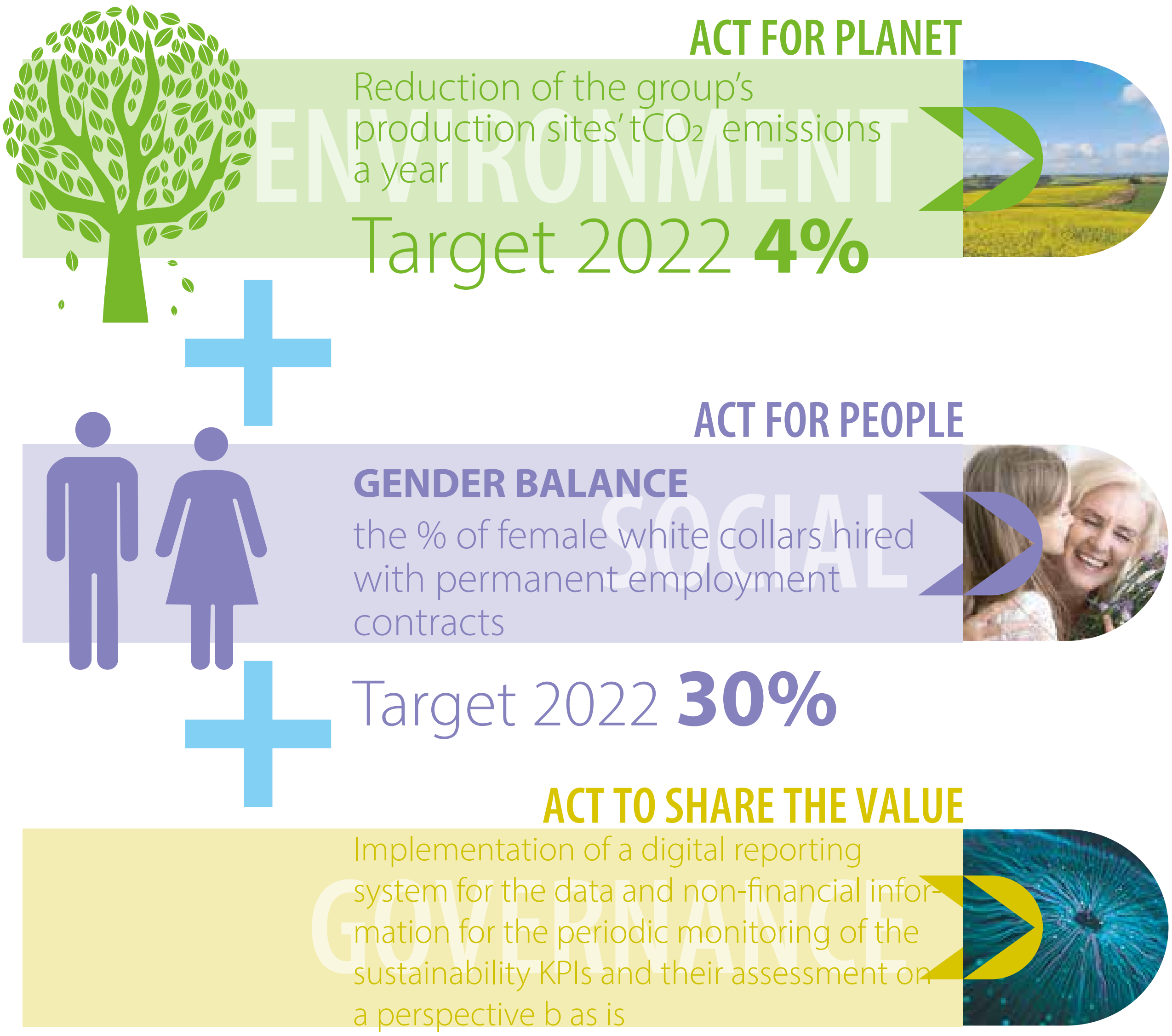
OUR COMMITMENT TO «SUSTAINABILITY» | ESG

Carel approved its first long-term sustainability plan in 2021. This is the output of a dedicated cross-departmental team (the ESG Team), pinpointing the main action areas, sustainability objectives and key performance indicators (KPIs) to be used to measure the company's progress over the next few years.

The plan commits to supporting a raft of initiatives that supplement the non-financial indicators with business objectives, which have already been agreed and included in both the short-term (MBO) and medium to long-term (LTI) incentive systems for the CEO and key management personnel.

Two indicators are:

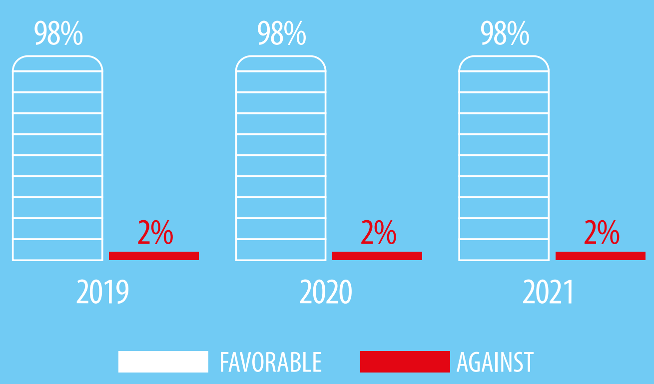
- Gender balance: the % of female white collars hired with permanent employment contracts - 2022 target: 30%.
- Environment: reduction of the group's production sites' tCO2 emissions a year - 2022 target: 4%.
- the increase of Taxonomy-aligned investments as a % of capex.
- Implementation of a digital reporting system for the data and non-financial information for the periodic monitoring of the sustainability KPIs and their assessment on a perspective b as is.



STAKEHOLDER ENGAGEMENT AND TRANSPARENCY

Carel's objective is to ensure ever higher levels of transparency and engagement to align its shareholders' interests with those of its stakeholders.

Again in the 2022 remuneration policy, we have worked to act on the opinion expressed by the shareholders and proxy advisors who made suggestions during the vote for the approval of the 2021 and 2021 remuneration policies. Specifically, when we presented the second vesting period of the 2022 – 2024 LTI plans, we highlighted how the overall value of the long-term incentive system offered to the CEO and the executive directors is such to avoid a further increase in their shareholdings and eliminates the risk that they may act to cause a short-term increase in the market value of the shares at the expense of the creation of long-term value.



REMUNERATION POLICY AND SHAREHOLDERS' VOTES

TRADITIONALLY, THE REMUNERATION POLICIES HAVE RECEIVED VERY POSITIVE ENDORSEMENT WITH VOTES CAST IN FAVOUR OF THEIR APPROVAL EXCEEDING 98% IN THE LAST THREE YEARS.

CEO PAY RATIO

In order to clearly and transparently present senior management's remuneration policies, this table shows the ratio of total remuneration received by the CEO in 2019, 2020 and 2021 and the average remuneration received by the group's Italian employees in the same period.

CEO PAY RATIO

	CEO	Italian employees	Ratio
2019	300,000 €	35,687 €	8:1
2020	340,327 €	36,729 €	9:1
2021	**450,000 €**	**37,673 €**	**12:1**

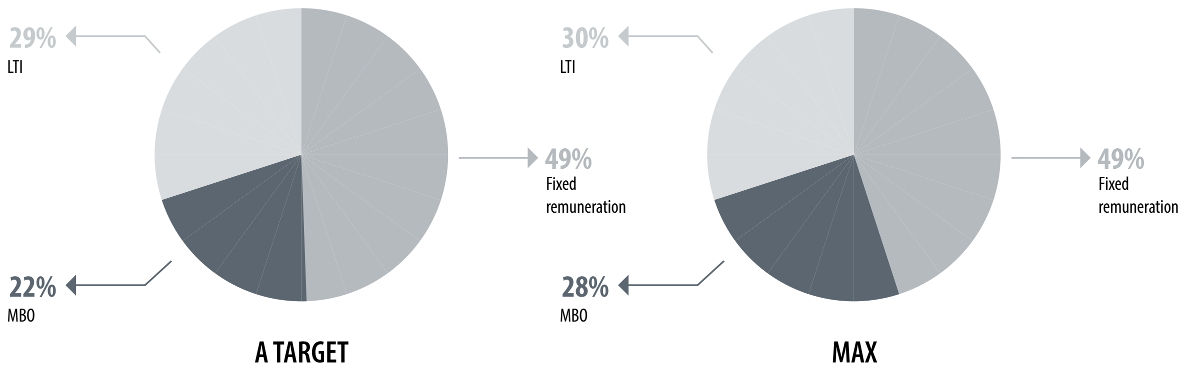
NOTE
1. calculated only on fixed remuneration
2. refer to Section II of this report for the calculation of the pay ratio to total remuneration

PAY FOR PERFORMANCE

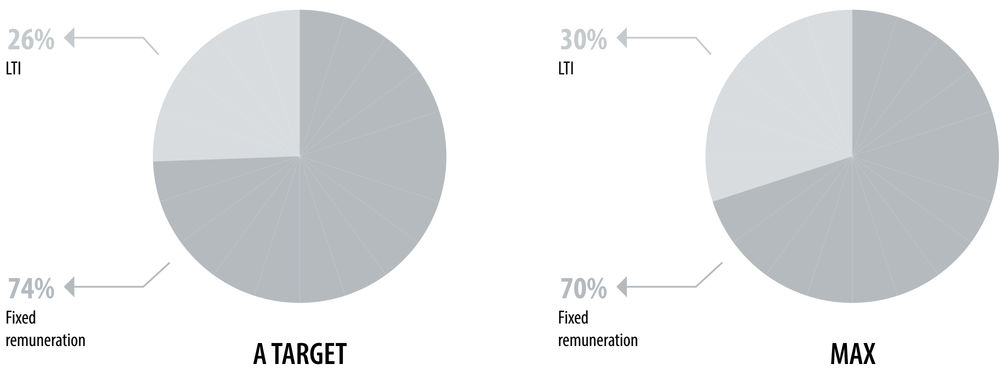
The remuneration package of the CEO, executive directors with special duties and key management personnel comprises:

- a large part tied to achievement of results defined in advance;
- a short-term variable component paid in cash;
- a medium to long-term variable component consisting of shares for the key management personnel or cash for the CEO and executive directors. In both cases, part of the award due is subject to lock-up clauses.

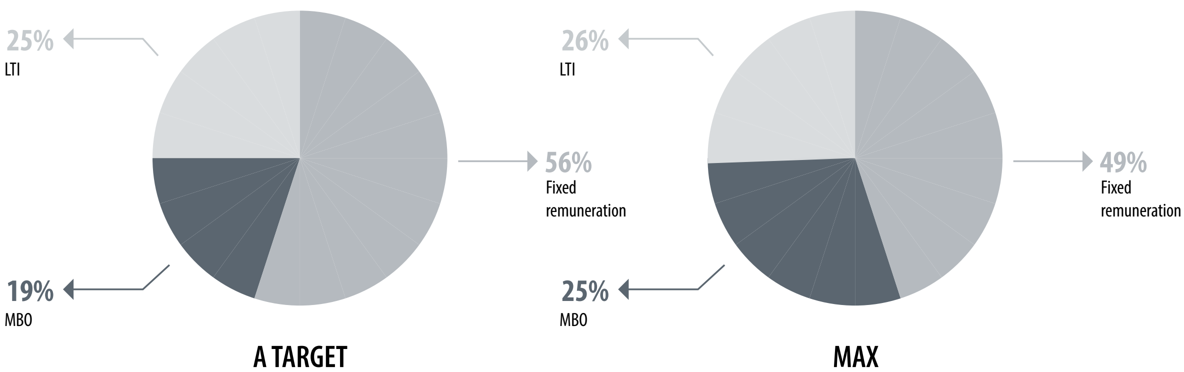
TARGET AND MAXIMUM PERFORMANCE - CEO



TARGET AND MAXIMUM PERFORMANCE – Executive directors



TARGET AND MAXIMUM PERFORMANCE – KEY MANAGEMENT PERSONNEL (average combined figure)



CAREL'S 2022 REMUNERATION POLICY TAKEAWAYS

FIXED REMUNERATION

Defined considering the role's difficulties, effective responsibilities and experience needed

Monitoring the external reference remuneration market

Considering individual performance achievements.

SCOPE

Able to attract, motivate and retain the best resources.

CHAIRPERSON	250,000 €
DEPUTY CHAIRPERSON	180,000 €
EXECUTIVE DIRECTOR	100,000 €
CEO	390,000 €**
GENERAL MANAGER	250,000 €**
KEY MANAGEMENT PERSONNEL*	166,000 € **

*(average combined figure)

** (fees excluded)

SHORT-TERM VARIABLE BONUS (MBO)

Tied to financial, operating and sustainability performance targets defined in advance:

- Group EBITDA - 45%
- Group turnover - 20%
- Integrated and individual ESG&Business target - 35%

Bonus CAP: for everyone at 150% of the nominal amount.

SCOPE

Tie remuneration to performance in a clear and direct manner, linking behaviour and actions to the company's short-term strategic objectives.

CEO	210.000 €
GENERAL MANAGER	100.000 €
KEY MANAGEMENT PERSONNEL*	61.250 €

*(average combined figure)

LONG-TERM VARIABLE AWARD (LTI)

Carel's LTI system has two separate plans:

- Equity-settled performance plan
- Cash-settled performance plan

The two plans are very similar and differ solely with respect to payment of the award if all the objectives are met.

Award cap: 120% of the number of shares or cash granted when the award was defined.

Vesting: three rolling three-year cycles (2021-2023, 2022-2024, 2023-2025).

SCOPE

Ensure behaviour aimed at ensuring sustainable performance in the medium to long-term.

PERFORMANCE CONDITIONS:

- Cumulative adjusted EBITDA in the three years - 50%
- Adj. cash conversion/region-country turnover- 30%
- ESG target – 20%

Lock-up: two years for part of the shares or monetary incentive awarded at the end of the three-year vesting period.

OTHER ELEMENTS

BENEFIT

As part of our Total Rewards model, we offer additional social security, healthcare and mobility benefits

SCOPE

Integrano i salary package in ottica di miglior attrattività e retention preventive.

NON-COMPETE AGREEMENTS

Individual agreements that vary depending on the term and range of the ban against payment of a monetary fee calculated as a percentage of gross annual remuneration.

SCOPE

Proteggere gli interessi della società verso forme di competizione sleale.

RETENTION/DISCRETIONARY BONUS

The CEO, executive directors and key management personnel do not receive discretionary remuneration, which can only be offered to the rest of the company's workforce.

SCOPE

Premiare attraverso bonus "una tantum" di natura discrezionale i dipendenti che ottengono risultati particolarmente brillanti nel perseguire gli obiettivi di business aziendali.

SEVERANCE PAYMENT

Ex-ante individual agreements regulating payments in case of termination of employment relationships or departure of a director do not exist.

SCOPE

Muoversi sempre in linea con quanto raccomandato dal Codice di Autodisciplina e nel rispetto di leggi e contratti collettivi ove applicati.

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SECTION I

2022 Remuneration policy

THE POLICY'S PRINCIPLES AND BENEFICIARIES

The group's 2022 remuneration policy (the "**remuneration policy**") continues to hinge on its responsible approach underpinned by its **expertise, performance and sustainability**. Specifically, the company's unceasing commitment to these goals can be seen in its remuneration policy where the greatest weight is given to targets tied to its impact on the environmental, governance and social aspects, as well as the traditional financial performance aspects.

The remuneration policy is thus fully oriented towards the company's continued sustainable success and, like in the past, reflects the need to recruit, retain and motivate people with the expertise and professionalism required by their position.

The group's remuneration policy also aims to encourage management to work towards operating performance goals that reflect the company's culture and values in an ongoing and sustainable manner. In a highly competitive market, it is designed to attract and retain talents who can contribute significantly to achievement of its business objectives.

As a result of the close and tangible link between the variable remuneration component and the individual beneficiary's and the group's operational performance, the remuneration policy is based on the following principles:

- **Equality, diversity and inclusion**
  Management's remuneration levels are defined to reward their expertise and merit as well as diversity as a significant opportunity to create value, which is why the pay ratio continues to be very important (i.e., maintaining a correct and balanced ratio between the remuneration of personnel at different levels of the organisation) and the pursuit of greater gender balance (more balanced presence of women in senior roles), as drivers of a fairer and more sustainable policy.
- **Sustainability**
  The (financial and non-financial) performance targets (which Carel's award systems are tied to) are defined in line with the company's strategic objectives and pursuit of sustainability. These award systems (both cash-settled and equity-settled) vest over time and reflect the company's risk profile and intention to increase value over time for the group's investors and all its stakeholders.
- **Competitiveness**
  The remuneration policy is designed to attract, retain and motivate key resources, given that the role of people is fundamental to achieving the company's strategic objectives in both the short and long-term. Accordingly, the company pays close attention to the pay mix, i.e., the distribution of managers' total remuneration (both fixed and variable). The aim is to align remuneration not only with best market practices, but also to take into account the resources' experience and know-how, comparing them with positions of similar levels of responsibility and complexity, as well as their performance over time.
- **Transparency**
  The company has a clear and transparent governance system able to provide information about managers' remuneration in the most transparent manner possible.
- **Beneficiaries**
  The remuneration policy covers the group's executive, non-executive and independent directors, statutory auditors and key management personnel.

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RESULTS OF THE SHAREHOLDERS' VOTES, IMPROVEMENT ACTIONS TAKEN AND NEW CONCEPTS INTRODUCED INTO THE 2022 REMUNERATION POLICY

On 20 April 2021, in line with the ruling regulations, the shareholders approved the 2021 remuneration policy described in Section I of the remuneration report published in 2021 with a favourable vote of **98.184%,** which is substantially in line with that of previous votes.

The large majority thus showed the shareholders' approval of the 2021 remuneration policy.

As the 2022 remuneration policy will be presented to the shareholders for their approval in the meeting to be held on 22 April 2022, in line with the procedure adopted in previous years, the company revised the remuneration policy. Without prejudice to the information provided in the following paragraphs of Section I of this report, the purpose of the revision was to best align remuneration to the company's actual performance, further balance the pay mix, address sustainability over the long term, including an increase in the weight and quantitative definition of the ESG indicators both for short and long-term incentives (STIs and LTIs, respectively), in line with the long-term sustainability plan approved by the company on 30 September 2021.

Specifically, with a view to acting on the opinion expressed by the shareholders that voted against approving the remuneration policy in previous years, close attention was paid to the observations of some proxy advisors in relation to the possibility of using alternative instruments to the equity-settled plans for the remuneration of individuals that also formed part of the company's shareholding structure. Accordingly, in line with the previous year, the executive directors belonging to families linked to the owners of the parent may only take part in cash-settled LTI plans. The conditions contained in the relevant regulation and the economic value thereof are such to avoid a further increase in the shareholdings of such executive directors and avoid actions to cause a short-term increase in the market value of the shares at the expense of the creation of long-term value.

As described in Section I, the 2022 remuneration policy:

i. incorporates the main new requirements introduced by Consob about remuneration transparency with its amendments to the Issuers' Regulation. Its resolution no. 21623 of 10 December 2020 was designed to align the secondary regulations with the provisions of the Shareholder Rights Directive II and to revisit the disclosure tables to comply with changes in market practices for remuneration transparency;
ii. reflects the instructions of Borsa Italiana's new Code of Corporate Governance.

SALARIES AND EMPLOYMENT CONDITIONS OF EMPLOYEES AND REMUNERATION POLICY

In line with the pay design and modelling project commenced in 2021, 2022 will again see remuneration policies managed by benchmarking the remuneration of the various positions/roles, both as regards the external labour market and the overall salary structure within the company. Benchmarking offers a swift, streamlined measurement of the differences for each role compared to the internal and external benchmarks analysed, and will help in the identification of specific actions to be undertaken to close any gaps.

As usual, the analyses limited to the remuneration paid will be accompanied by assessments of the individual contribution to achievement of the business objectives using the KPS (Key People Score) indicator. Their skills and know-how are assessed and the group estimates the potential difficulty in recruiting equally-valid resources on the market should they leave the group.

The KPS assessment contributes to determining the remuneration policies applied, both in terms of an employee's role and operating responsibilities (fixed remuneration) and their achievement of their personal goals (variable remuneration).

For high performers and talents, the analyses of the remuneration paid are flanked by assessments of employees' potential, after which the company will define career paths and individual development programmes and, not least, participation in succession plans for the senior positions.

Therefore, when drawing up the 2022 remuneration policy, the company considered its employees' salaries and employment conditions and the remuneration assessments for employees described above. For senior management (including the CEO and key management personnel) the overall remuneration structure is commensurate with the positions and duties (for the fixed component), while their contribution to the company based on their meeting the set short and long-term targets assigned to them is considered for the variable part.

GOVERNANCE

Definition of the company's remuneration policy is the result of a transparent and structured governance process that, in line with the guidance and recommendations of Borsa Italiana's Code of Corporate Governance, involves the proactive involvement of the following parties:

- the remuneration committee;
- the board of directors;
- the board of statutory auditors;
- shareholders;
- the HR department;
- independent experts.

These parties also contribute to any revisions to the remuneration policy.

The remuneration policy is developed following the process described below. Briefly and in general, with the assistance of the HR department, the board of directors, the remuneration committee and the board of statutory auditors oversee the application of the policy once it has been approved and are responsible for its correct implementation.

The remuneration committee prepares a number of proposals for the board of directors about the form and content of the remuneration policy in line with its advisory and guidance duties and using the analyses and contribution provided by the HR department and leading sector consulting companies. Together with the board of directors, the committee oversees the policy's correct roll-out, involving the competent internal units if necessary, also in order to review it.

The board of statutory auditors in turn checks that the proposals are in line with the company's general remuneration practices and expresses an opinion on them, especially with respect to remuneration paid to the directors with special duties (as per article 2389 of the Italian Civil Code).

After reviewing and approving the remuneration policy, the board of directors presents it to the shareholders that, starting from 2020 with the enactment of Legislative decree no. 49/2019 (which implements the Shareholder Rights Directive II), express an opinion on the policy with their binding vote on Section I (remuneration policy) and advisory vote on Section II (the remuneration paid in the previous year).

The remuneration policy is drafted using analyses and regular monitoring of market remuneration practices as well as monitoring of the effects of the remuneration policies approved in previous years.

REMUNERATION COMMITTEE

The remuneration committee plays a pivotal role in assisting the board of directors to draft, oversee and possibly revise the group's remuneration policy and design short and medium to long-term equity-settled and cash-settled incentive plans, in line with the company's business and sustainability objectives.

As provided for by Borsa Italiana's recommendations in the Code of Corporate Governance, the committee advises and guides the board of directors specifically for the remuneration of the executive directors, the directors with special duties and the group's key management personnel.

The committee's duties include:

- the review and presentation of proposals about the remuneration policy for the executive directors, the directors with special duties, the statutory auditors and the key management personnel to the board of directors;
- the regular assessment of the adequacy, overall compliance, economic sustainability and actual application of the adopted remuneration policy;
- assistance in setting and checking that performance goals underpinning the short and long-term incentive systems are met for the executive directors, directors with special duties and key management personnel;
- the assessment and presentation of proposals about equity-settled incentive plans and stock option or similar plans to both engage and retain management over the long-term to the board of directors.

Since its inception, the committee has had its own regulation, based on which it meets whenever necessary to carry out its duties and whenever deemed necessary by its chairperson or when at least one committee member or the chairperson of the board of statutory auditors presents a reasoned request. The committee meets at least once a year and when the board of directors meets to resolve on the remuneration of the chief executive officer, the general manager and key management personnel, or to discuss stock option plans or the granting of shares.

Moreover, the board of statutory auditors is always invited to attend committee meetings.

As provided for by recommendation 26 of the Code of Corporate Governance, none of the directors (or, more generally, no potential beneficiaries) attend committee meetings when proposals are made about their remuneration.

COMPOSITION

Following the renewal of the board of directors by the shareholders with a resolution taken in their ordinary meeting of 20 April 2021, at the date of this report, the remuneration committee that provided the board of directors with the proposed draft 2022 policy for approval, comprised the following non-executive independent directors:

- **Cinzia Donalisio**, chairperson;
- **Marina Manna**, member;
- **Maria Grazia Filippini**, member.

Each committee member has extensive and well-honed experience as well as specific expertise in economic and financial subjects and, in particular, remuneration policies, as assessed by the board of directors at the time of their appointment.

ACTIVITIES

In 2021, the remuneration committee met ten times, once each month with the sole exclusion of April and July: due to the restrictions imposed to limit infection risks related to the Covid-19 pandemic, participants were free to choose whether to attend in person or via video conference. The committee members participated at all the scheduled meetings while none of the executive directors were invited to participate at meetings where their remuneration was being discussed.

The members of the board of statutory auditors, which have a standing invitation, always attended, with the sole exception of the meeting held on 7 June 2021.

As per usual, the group's HR manager attended all the committee meetings as secretary, sending out notices of the meetings and writing up the minutes afterwards.

The issues dealt with and discussed by the committee, assisted and supported by the group's HR manager, covered in particular:

Activities of the remuneration committee	Date
Analysis and preparation of proposals to adjust the remuneration of the general manager and the key management personnel, definition of the 2021 MBOs plans, setting the weights of the individual targets and the measurement parameters, adjustment of the new LTI plans (2021 – 2025) to bring them more into alignment with market benchmarks.	29 January 2021
Assessment of the qualitative objectives of the 2020 MBO for the CEO and the internal auditor, identification of the ESG objectives to be included in the 2021 MBOs for the CEO and key management personnel, definition of the 2021 MBOs for the internal auditor and allocation of new powers and related remuneration to the executive director, Carlotta Rossi Luciani.	17 February 2021
Presentation of the annual report on the activities carried out by the remuneration committee in 2020 and presentation of the draft 2021 remuneration report.	3 March 2021
Commencement of the new remuneration benchmarking project for the CEO and key management personnel, with the identification of the related group of peers.	5 May 2021
Analysis and discussion of the revision to the regulation proposed by the remuneration committee.	7 June 2021
Definition of the analysis and comparability criteria for a correct identification of the peers to be used in remuneration benchmarking for the CEO, key management personnel and independent members of the board committees, including the board of statutory auditors.	3 August 2020
First update and progress on the remuneration benchmarking.	29 September 2021
Presentation, analysis and approval of the peer companies used in the benchmarking.	27 October 2021
Proposals regarding the 2021 – 2023 LTI plan beneficiaries and type of plan selected. Analysis of the CEO's remuneration positioning following the benchmarking.	4 November 2021
Proposed 2022 salary review for the CEO, analysis of remuneration benchmarking for key management personnel and analysis of remuneration benchmarking for non-executive and independent and other members of the board of directors.	15 December 2021

BOARD OF DIRECTORS

In their ordinary meeting of 20 April 2021, the shareholders appointed Carel's new board of directors using the list-voting mechanism, confirming the number of directors at seven and setting the term of office at three years, i.e., until the date of the shareholders' meeting called to approve the financial statements at 31 December 2023.

At the date of this report, the board of directors comprised:

- Executive chairperson: **Luigi Rossi Luciani**;
- Executive deputy chairperson: **Luigi Nalini**;
- Chief executive officer: **Francesco Nalini**;
- Executive director: **Carlotta Rossi Luciani**;
- Non-executive independent director: **Cinzia Donalisio**;
- Non-executive independent director: **Marina Manna**;
- Non-executive independent director: **Maria Grazia Filippini**.

As the company's main administrative body, the board of directors is entrusted with the responsibility for approving the remuneration policy once a year based on the recommendations made by the remuneration committee. This is the outcome of a transparent procedure.

Once a year, the board of directors also approves the remuneration report and presents it to the shareholders in accordance with and to the extent of the limitations of article 123-ter of the CFA. It ensures the policy is implemented consistent with that approved by the shareholders.

The board of directors also approves remuneration in the form of medium to long-term equity-settled incentive plans as recommended by the remuneration committee and proposes it be approved by the shareholders, ensuring it is implemented.

Lastly, it checks that the remuneration accrued and paid is consistent with the principles and criteria set out in the policy, based on the results achieved and other relevant factors.

BOARD OF STATUTORY AUDITORS

In their ordinary meeting of 20 April 2021, again using the list-voting mechanism, the shareholders also appointed Carel's new board of statutory auditors, which will remain in office for the 2021 - 2023 three-year period, i.e., until the date of the shareholders' meeting called to approve the financial statements at 31 December 2023.

At the date of this report, the board of statutory auditors comprised:

- Chairperson: **Paolo Prandi**;
- Standing statutory auditor: **Claudia Civolani**;
- Standing statutory auditor: **Saverio Bozzolan**;
- Alternate statutory auditor: **Alessandra Pederzoli**;
- Alternate statutory auditor: **Fabio Gallio**.

The board of statutory auditors plays an important role in drawing up the remuneration policy. It provides its comments and opinions on the directors' remuneration, particularly that of the directors with special duties, in accordance with article 2389 of the Italian Civil Code.

The board of statutory auditors also expresses an opinion on whether the salaries and fees paid are in line with the company's remuneration practices.

SHAREHOLDERS

As regards remuneration, the shareholders also approve the directors' remuneration (pursuant to articles 2364.1.3 and 2389.3 of the Italian Civil Code) during their ordinary meeting and vote on additional remuneration based on financial instruments for the directors, general managers, employees, consultants or other key management personnel in accordance with article 114-bis of the CFA).

As described in Section I and in accordance with article 123-ter.3-bis/3-ter of the CFA, introduced by Legislative decree no. 49/2019, the remuneration policy requires the binding vote of the shareholders in their ordinary meeting called to approve the financial statements as per article 2364.2 of the Italian Civil Code.

As required by article 123-ter.6 of the CFA, introduced by Legislative decree no. 49/2019, Section II requires the advisory vote rather than the binding vote of the shareholders that are required to vote for or against the section at their ordinary meetings.

The shareholders also vote on the remuneration policy at least every three years or whenever the policy is amended.

The Italian legislator indicated in the report accompanying Legislative decree no. 49/2019 that amendments to the remuneration policy of a formal or presentation nature need not be submitted for the shareholders' vote as this is only required for amendments to the policy's content. Moreover, in order to need a new vote, Consob clarified that the amendment to the policy's content must relate to aspects already presented in the previously approved policy or introduce new aspects with the result that the previously approved policy is no longer representative of the amended policy, which is why the shareholders are required to re-approve it.

Lastly, should the shareholders not approve the remuneration report presented for their vote, the company shall continue to pay remuneration in line with the most recent report approved by the shareholders or, this is not possible, it may continue to pay remuneration in accordance with its existing practices. In this case, the company is required to present a revised remuneration report for approval to the shareholders at the next shareholders' meeting called in accordance with article 2364.2 of the Italian Civil Code at the latest.

INDEPENDENT EXPERTS

The remuneration committee examines market remuneration analyses prepared by independent experts, to perform its consulting and advisory duties. The experts provide information and research, in aggregate and mainly statistical form, on remuneration trends, practices and levels on a benchmark basis using peer groups to monitor the adequacy and consistency of senior management's remuneration in relation to the average offered by the market for comparable roles/positions.

REMUNERATION AND FEES PAID

Article 22 of the by-laws provides that:

i. all the directors shall receive a fixed annual fee for their services, defined by the shareholders as a total amount and divided up by the board among its members, including by considering their involvement in board committees;

ii. in addition to an annual fee for their position, the board of directors may allocate a fee to the directors with special duties as provided for by article 2389.3 of the Italian Civil Code and after consulting the board of statutory auditors, within the maximum amount defined in advance by the shareholders;

iii. the directors shall also receive reimbursement for their expenses incurred to carry out their duties, in line with the methods and criteria set by the board of directors.

Consistent with the those of previous years, the company's 2022 remuneration policy comprises the following elements:

- fees for the position of director (for the parent or associates);
- fixed remuneration;
- short-term variable remuneration (MBO);
- long-term variable remuneration (LTI);
- benefits.

These individual elements are combined in different formats to make up the remuneration packages of the executive and independent directors, the chief executive officer, the general manager and key management personnel.

The various elements making up the remuneration packages of the above-mentioned beneficiaries are summarised below:

	REMUNERATION PACKAGE ITEMS				
	Fee	GAR	MBO	LTI	BenefitS
Luigi Rossi Luciani, *executive chairparson*	●			●	●
Luigi Nalini, *executive deputy chairparson*	●			●	●
Francesco Nalini, *chief executive oficer*	●	●	●	●	●
Carlotta Rossi Luciani, *executive director*	●			●	●
Cinzia Donalisio, *indipendent director*	●				

	REMUNERATION PACKAGE ITEMS				
	Fee	GAR	MBO	LTI	BenefitS
Maria Grazia Filippini, *indipendent director*	●				
Marina Manna, *indipendent director*	●				
General manager	●	●	●	●	●
Key management personnel	●	●	●	●	●

As noted in the introduction, the group's remuneration policy as a whole is designed to achieve the following objectives:

- **align the interests of shareholders and senior management** by closely correlating the remuneration policy and the business results;
- **attract, retain and motivate the resources deemed most important** to achieve the company's growth and development objectives through compensation via highly competitive short and long-term remuneration models;
- **pursue the company's long-term and sustainability interests** considering the total remuneration paid and employment conditions offered to all company employees.

The remuneration policy is proposed for 2022 and lasts one year.

As stated above, the shareholders' meeting called for 20 April 2021 to approve the separate financial statements at 31 December 2020 was also asked to renew the board of directors and, therefore, to approve the total annual fixed fee of its members pursuant to article 22 of the by-laws.

This fee is proposed by the outgoing board of directors considering the guidance and recommendations made by the remuneration committee. The fee of an annual gross €850,000 approved by the shareholders in their meeting of 29 March 2018 was confirmed (inclusive of the fees of the directors on board committees), while the fixed and variable fees of the individual directors and those with special duties were decided by the newly-appointed board of directors after consulting the remuneration committee and the board of statutory auditors in accordance with the criteria set out in the company's remuneration policy.

COMMITMENT TO SUSTAINABILITY

Following on from previous years, the remuneration policy adopted for senior management and key management personnel strengthens the tie between a significant part of their remuneration to both operating performance targets and ESG sustainability goals using short-term (MBO) and long-term (LTI) incentive systems.

In this regard, the company created a multi-level governance structure in 2021, comprised of the ESG team, the control, risks and sustainability committee and a member of the board of directors to whom special powers have been assigned. The interaction between these various bodies and the group's determination to further enhance its medium to long-term vision gave rise to the first long-term sustainability plan.

With the formal approval of this plan, entitled "Driven by the Future", the company therefore identified six main areas of engagement:

- sustainable strategy and governance;
- environmental policies;

- innovation and technology;
- people;
- communication;
- sustainable development of local communities.

The plan also sets out 55 long-term ESG sustainability objectives (22 environmental, 22 social and 11 governance objectives). As well as a significant financial commitment, achieving these objectives will require the involvement and active collaboration of 13 different company departments.

The "social" objectives include:

- narrowing the gender gap via policies that steadily encourage greater diversity and inclusion within the group;
- ensuring adequate training for all personnel;
- participating in the UN – Global Compact, driving awareness of human rights throughout the group;
- improving health and safety in the workplace;
- increasing the ability to offer all employees professional development opportunities, also with a view to employee retention;
- designing hybrid workplaces that offer areas for both individual and teamwork, either in-person and/or remote, in order to effectively supplement the work carried out remotely;
- consolidating the welfare policies of previous years (scholarships, education grants, assistance with childcare, etc.) to provide additional assistance to employees and their families.

The link between both short and long-term incentive plans and the objectives of the sustainability plan is designed as follows:

- In the case of the MBO plans (short-term incentives), 20% of the nominal amount of the total bonus is tied to achievement of specific internal sustainability indicators related to safety, the environment and gender diversity. The remuneration committee, assisted by the HR department, assesses the performance in relation to these indicators;
- Similarly, the 2021 – 2025 LTI plans (long-term incentives) provide that 20% of the nominal amount of the awards (both for equity-settled and cash-settled plans) is tied to a sustainability target, which is the mathematical average of two indicators used to measure the company's environmental, social and governance commitments.

The remuneration policy complies with both the recommendations of Borsa Italiana's Code of Corporate Governance and market best practices in terms of the competitiveness of the group's remuneration policies and alignment with the typical issues of sustainability and corporate governanc.

REMUNERATION OF THE NON-EXECUTIVE INDEPENDENT DIRECTORS

In their meeting of 20 April 2021, the shareholders set the total fixed component of the directors' remuneration as gross annual €850,000, confirming the amount approved by the shareholders which had appointed the previous board of directors on 29 March 2018. The different amounts of the €820,000 allocated to the various directors was determined on a pro rata temporis basis.

The fees of the non-executive independent directors are as follows:

- **Cinzia Donalisio** – €75.000 a year, broken down as follows:
  - €50,000 as non-executive director.
  - €15,000 as chairperson of the remuneration committee.
  - €10,000 as member of the control, risks and sustainability committee.
- **Marina Manna** – €75,000 a year, broken down as follows:
  - €50,000 as non-executive director.
  - €15,000 as chairperson of the control, risks and sustainability committee.
  - €10,000 as member of the remuneration committee.
- **Maria Grazia Filippini** – €70,000 a year, broken down as follows:
  - €50,000 as non-executive director.
  - €10,000 as member of the control, risks and sustainability committee.
  - €10,000 as member of the remuneration committee.

The remuneration policy adopted for non-executive and independent directors was subject to an analysis and benchmarking by a leading consulting company, Mercer Italia, a market leader on human capital issues, actuarial and pension services and investments of institutional investors.

Carried out during 2021, the benchmarking showed the remuneration of the independent directors is highly competitive among peers and consistent with the relevant best practices. Mercer's analysis also confirmed that the fees paid to the executive directors are commensurate with the expertise, professionalism and commitment required to carry out their duties as directors and board committee members.

Moreover, the annual gross remuneration of the non-executive and independent directors is not linked to the achievement of results by the company and/or the group but solely to their commitment to carrying out their different roles.

Lastly, it is hereby noted that, like for the executive directors, at the date of this report, additional agreements have not been entered into other than that for the end of office entitlements for the payment of special fees or compensation in the case of dismissal or revocation without just cause or termination of the employment relationship for whatsoever reason.

REMUNERATION OF THE BOARD OF STATUTORY AUDITORS

The shareholders elected the board of statutory auditors in office at the date of this report in their ordinary meeting of 20 April 2021 for a three-year period until approval of the financial statements at 31 December 2023.

Pursuant to article 2402 of the Italian Civil Code, the statutory auditors' remuneration is set by the shareholders when they are elected for their entire term of office.

In an ordinary meeting, the shareholders established the annual gross remuneration of the board of statutory auditors as €90,000 a year, including €40,000 for the chairperson and €25,000 for each standing statutory auditor, maintaining the amounts paid to the members of the previous board of statutory auditors.

The remuneration for the members of the board of statutory auditors is as follows:

- **Paolo Prandi**, Chairperson: €40,000.
- **Claudia Civolani**, standing statutory auditor: €25,000.
- **Saverio Bozzolan**, standing statutory auditor: €25,000.

The remuneration established for each member of the board of statutory members solely comprises a fixed component and is not linked to the company's results.

Like for the non-executive and independent directors, the remuneration policy adopted for the members of the board of statutory auditors was subject to an analysis and benchmarking against market best practices by Mercer Italia in 2021. This analysis showed that the remuneration paid to the members of the board of directors is commensurate with the commitment required and responsibilities assigned and is in line with that of its peers.

REMUNERATION OF THE EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL - REMUNERATION COMPONENTS

As already discussed and in line with the remuneration policies of previous years, a significant part of the remuneration package of the group's executive directors and the key management personnel is tied to the achievement of business and sustainability targets (both short and long-term) defined in advance and paid over time.

Moreover, the long-term incentive (LTI) plans' variable component may be settled in cash or, alternatively, in company shares and is also partly subject to both lock-up and clawback clauses.

When deciding the pay mix and targets for the variable remuneration component for 2022, remuneration benchmarking plays an important role. These analyses provide benchmarks vis-a-vis a selected group of peers.

The reference market for senior management (CEO and key management personnel) is a panel of 17 companies that can be considered significant peers in the labour market given their business sector, size, group organisation and international footprint. The panel was reviewed in 2021 to verify its comparability, given the group's growth in recent years and its market capitalisation.

The selected highly-comparable companies are:

Ariston Thermo	Danieli &C. Officine Meccaniche
Bosch Rexroth	Danfoss
Dè Longhi	Elecrolux
Askoll Group	FAAC
Elica	Siemens
Modine Pontevico	Eldor Corporation
UMBRAGROUP	Salvagnini
Samsung Electronics Italy	Safilo
Renesas Electronics Europe	

All market figures and the benchmarks for each role analysed were provided by Mercer Italia which, as stated, also carried out similar analyses for non-executive and independent directors and the members of the board of statutory auditors.

FIXED REMUNERATION

Carel defines the fixed remuneration of the executive directors and those with special duties and key management personnel considering:

- the complexity, actual responsibility and experience required for their role and duties;
- the external reference remuneration market to ensure competitiveness;
- individual performances.

The fixed component accounts for between 49% and 58% of the total remuneration packages of the senior managers.

Even if the variable component (short and long-term) is not paid due to non-achievement of the related performance targets, the fixed component is set so as to reduce opportunistic or excessively risk-orientated behaviour and to prevent managers from focussing exclusively on short-term results.

The remuneration committee's policy is to prepare salary updates for the senior positions (especially the CEO and the general manager), generally once a year, which are then presented to the board of directors for approval. These proposals may include an adjustment to the fixed component, the short-term variable component or both. The remuneration committee considers various factors organically, such as:

- how competitive the remuneration is compared to the reference market;
- internal equity, both at the same level and compared to other organisational levels.
- how important the manager is within the organisation;
- the manager's individual performance;
- sustainability.

VARIABLE COMPONENT

The variable component of the remuneration packages offered by Carel to its executive directors with special duties and key management personnel comprises two key elements:

- an annual bonus system (**MBO** - management by objectives);
- long-term incentives (**LTI**) which may comprise **equity-settled** or **cash-settled** performance plans.

The remuneration policy as a whole pursues the right balance between the fixed and variable component, consistent with the company's strategies and risk management policies.

The policy therefore also considers the nature of Carel's business and its business sector. The variable component always makes up a large part of the overall remuneration.

Annual incentive system – MBO

Scope and characteristics

Carel's annual variable incentive system (MBO) is based on a general model adopted for the first time in 2007 which, following a series of minor adjustments and small amendments over the years, has the current format approved by the board of directors on 14 May 2019 as proposed by the remuneration committee and after consulting the board of statutory auditors. The remuneration committee reviews the parameters and targets each year and proposes them to the board of directors for their final approval as regards the roles of CEO and key management personnel.

Like in previous years, the short-term variable incentive system is designed to align the beneficiaries' efforts with the one-year strategic targets, with payment of a bonus in proportion to the actual results. The format is based on the achievement of measurable economic and financial performance targets that are defined at individual company and group level, as well as individual performance in relation to ESG sustainability goals, the achievement of which depends on performance and the responsibility level of the beneficiaries.

The targets are generally linked to indicators that are usually **quantitative**, representing the company's strategic and industrial priorities. They **are measured using objective and pre-defined parameters**.

It is important to note that the incentive plan communicated to each beneficiary is based on a clear and transparent procedure where the objectives are firstly shared and then assigned to all beneficiaries.

The plan's standard formulation has four targets for each senior position as follows:

- • **two group financial performance targets** equal to 65% of the total:
  - group EBITDA (45%)
  - group revenue (20%).
- **Two integrated ESG&Business individual performance targets** iequal to 35% of the total. These may be either business-related or related to ESG targets in the sustainability plan approved by the company, and are assigned in relation to a beneficiary's role, responsibilities and/or specific strategic projects/activities.

  The individual performance targets assigned to the CEO and key management personnel for 2022 are:
  - **Chief executive officer**:
    - Finalisation, with the signing of binding agreements, of M&A transactions to bolster the group's growth externally – (15% weight)
    - Percentage of taxonomy-aligned investments (capex) – (20% weight)
  - **General manager**:
    - Finalisation, with the signing of binding agreements, of M&A transactions to bolster the group's growth externally – (15% weight)
    - Percentage of taxonomy-aligned investments (capex) – (20% weight)
- ***Chief Financial Officer***:
  - Finalisation, with the signing of binding agreements, of M&A transactions to bolster the group's growth externally – (15% weight)
  - Commence the development and roll-out of an integrated ERM system – (20% weight%)
- ***Chief HR&Org. Officer***:
  - Draw up development and retention plans, implementing tailored programmes for priority employee clusters – (20% weight)
  - Develop appropriate training plans for Carel Industries employees, to bolster know-how and expertise – (15% weight)
- ***Chief R&D Officer*:**
  - Assessment of progress on the second part of the PLM project, using established parameters – (15% weight)

- Percentage of taxonomy-aligned investments (capex) – (20% weight)

- ***Chief Operation Officer*:**
  - Assessment of progress on the second part of the PLM project, using established parameters – (15% weight)
  - Reduce indirect energy consumption by installing photovoltaic systems at the production site/office buildings (20% weight)

Performance conditions

The incentive system described previously is designed to focus management's attention on achieving value drivers for the group. As is customary, it provides for the maintenance of clauses to protect the company's ability to pay by establishing gates.

The conditions are as follows:

- an ON/OFF access gate tied to the group's EBIT. If the EBIT is negative, pay out of the MBO does not take place regardless of the results achieved for the individual targets;
- a minimum threshold (0) for achievement of each target, which if not reached, implies that the percentage of the bonus assigned to that target is zero;
- a "target" threshold (100%) which if reached implies that 100% of the bonus is paid for that target;
- a maximum threshold (150%) which if reached implies payment of a bonus of 150% for that target.

	Minimum threshold (0%)	Target threshold (100%)	Maximum threshold (150%)
Chief executive officer	0	210,000€	315,000€
General manager	0	100,000€	150,000€
Key management personnel (average)	0	61,250€	91,875€

Nota: These are possible pay-outs calculated using the total nominal amounts granted to each beneficiary.

It is the company's general practice that all the targets (and especially the financial ones) are defined to ensure ongoing sustainable growth over time. They are established strictly in line with that approved by the board of directors at the time the budget is approved.

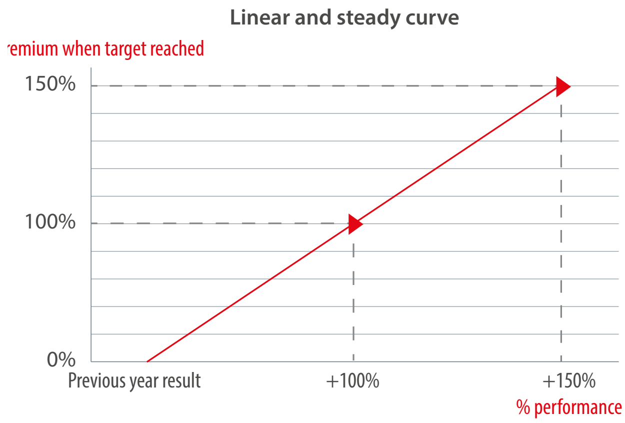
The performance curves and related pay-out are measured on a linear basis starting from the minimum threshold (0%) and arriving at the target threshold (target met = 100%) or, in the case of particularly outstanding or significant performances, a maximum threshold of 150 (cap).

Bonuses are paid on the basis of the months effectively worked with the group. Usually, a minimum period of six months of service is required to receive part of the bonus for the year.

Moreover, the bonus is only paid if the beneficiary is still an employee at the time the bonuses are paid out.

The pay-outs are calculated considering the results achieved in the reference year (X) and paid in February of the following year (X+1), usually after the board of directors has approved the draft consolidated financial statements and on the condition that the ON/OFF access gate has been reached.

MBO



Working: the minimum performance gateway is the previous year result Linear correlation used to calculate the payout.

Performance range: 0% - 150%

% Payout: 0% - 150% of the target

LONG-TERM INCENTIVE SYSTEM – LTI

Scope and characteristics

This system has two types of plan:

- ***equity-settled performance plans***, where the pay-out is in the form of shares if the business and sustainability (ESG) targets set by the company are met;
- ***cash-settled performance plans***, with a cash pay-out if the targets are met, similar to for the equity-settled plans.

The beneficiaries of the LTI plans are the executive directors, the chief executive officer, the general manager, key management personnel and another group of managers held to be extremely important for achievement of the business targets. These targets are defined in line with the business plan and, for the ESG issues, with the long-term sustainability plan (integrated with the business plan) approved by the company on 30 September 2021.

The 2018 – 2022 equity-settled performance plan and the 2018 – 2022 cash-settled performance plan (described in more detail in the remuneration report published in 2021 to which reference is made - Section I) are still in place for the 2020 – 2022 vesting period only. Both plans qualify as incentive plans as they are valid for more than one year and involve the free award of ordinary Carel shares and a cash-based plan. They comprise 3 (three) rolling vesting periods, each of three years, after which the shares are assigned or the cash award disbursed after checking that the specific performance targets (adjusted consolidated EBITDA for each vesting period and the cash conversion ratio) have been met.

The 2018 – 2022 equity-settled performance plans are detailed in the illustrative report of the board of directors prepared for the shareholders' meeting of 7 September 2018 and in the information memorandum as per article 84-bis of the Issuers' Regulation, available on the company's website (www.carel.com) in the Investors Relations/Shareholders' Meetings section and in the storage system eMarket STORAGE (www.emarketstorage.com).

Moreover, the shareholders approved the new 2021 – 2025 LTI plan (for the equity-settled plan) in its meeting of 20 April 2021, which has three-year rolling vesting periods like the previous 2018 – 2022 plan.

The 2021 – 2025 equity-settled performance plans are presented in the illustrative report of the board of directors prepared for the shareholders' meeting of 20 April 2021 and in the information memorandum as per article 84-bis of the Issuers' Regulation, available on the company's website (www.carel.com) in the Investors Relations/Shareholders' Meetings section and in the storage system eMarket STORAGE (www.emarketstorage.com).

It has three vesting periods during which the performance targets assigned to the beneficiaries will be checked. The periods are as follows:

- First vesting period: January 2021 – December 2023 (the 2021 – 2023 vesting period), assigned on 4 November 2021;
- Second vesting period: January 2022 – December 2024 (the 2022 – 2024 vesting period), to be assigned during 2022;
- Third vesting period: January 2023 – December 2025 (the 2023 – 2025 vesting period), to be assigned in 2023.

As can be seen above, the board of directors assigned the first vesting period (for the 2021 – 2023 three-year period) on 4 November 2021, at the suggestion of the CEO. For all beneficiaries, including the executive directors, the key management personnel and the CEO, only the cash-settled performance plan was used. The aim of using solely the cash-settled plan is to:

- align the type of incentive plan assigned to the Italian beneficiaries with those of beneficiaries resident abroad, who are only offered cash-settled monetary plans;
- simplify the tax treatment and administration for beneficiaries compared to that required for equity-settled plans;
- reduce the risk that excessive share-price fluctuations could negatively impact the value of the awards, irrespective of whether the business objectives underpinning the incentive system are met.

Specifically, as recommended by numerous analysis and proxy advisors, the overall amount of the LTI granted to the executive directors belonging to families linked to the owners of the parent is immaterial vis-a-vis their shares held and could in no way affect their ownership position.

Moreover, as in the past, the company pursues the following objectives with the granting of LTI plans:

- significantly link the long-term variable remuneration component of senior management to the group's strategic objectives, defined in terms of economic and financial and sustainability (ESG) targets;
- better align the remuneration package offered to the LTI plan beneficiaries with market practices and, in particular, with the company's peers (identified by type and size of business);
- strengthen the retention rate of key resources for the group and concurrently increase the company's ability to attract highly qualified resources for its more critical positions;
- direct senior management's adoption of practices designed to ensure a sustainable performance over the medium and long term.

The targets assigned for each year of each three-year rolling vesting period, including for the second vesting period (2022 – 2024) and like that already assigned for the first vesting period (2021 – 2023), are:

- *Equity-settled performance plans*:
  - Cumulative group EBITDA[1]: 50%
  - Adjusted cash conversion [2]: 30%
  - ESG target: 20%.
- *Cash-settled performance plan*:
  - Adjusted cumulative group EBITDA[1]: 50%
  - Adjusted cash conversion[2] or the regional/country turnover: 30
  - ESG target: 20%.

Specifically, like for the first vesting period assigned in 2021, achievement of the ESG target is measured considering two indicators, calculating the mathematical average of the results achieved by each one which have the same weight (50%).

The indicators for the second vesting period (2022 – 2024) will therefore again be the following:

- % of female white collars hired with permanent employment contracts;
- % of reduction of the production sites' CO_2 emissions (tCO_2/y.

This target may be supplemented with other indicators for the vesting period starting in 2023 (third and last LTI plan vesting period, 2021 – 2025) depending on the long-term sustainability plan approved by the board of directors on 30 September 2021.

Performance conditions

The award under both the equity-settled and cash-settled plans is tied to the degree of achievement of each individual target (as a percentage).

In addition, a minimum threshold (min=80%), target threshold (100%) and maximum threshold (MAX=120%) is set for each target and used to measure its effective achievement.

	Minimum threshold (80%)	Target threshold (100%)	Maximum threshold (120%)
Chief executive officer	220,800€	276,000€	331,200€
General manager	90,000€	113,000€	136,000€
Key management personnel (average)	55,000€	69,000€	83,000€

Note: These are possible pay-outs calculated using the total nominal amounts granted to each beneficiary for the second vesting period (2022 – 2024.

1 Adjusted EBITDA: calculated as the sum of the profit before tax, the gain or loss on equity-accounted investments, exchange differences, net financial income (expense), amortisation, depreciation and impairment losses and costs of non-recurring transactions. The financial effects of non-recurring transactions (M&A) will be included in the actual adjusted EBITDA of the years after that in which the transaction took place, even when not included in the plan EBITDA. The actual adjusted EBITDA will also include any "non-plan" transactions as long as the board of directors has formally approved them. In this case, the plan EBITDA ratio that did not include this "non-plan" transaction will be recalculated to be consistent with the actual figure.

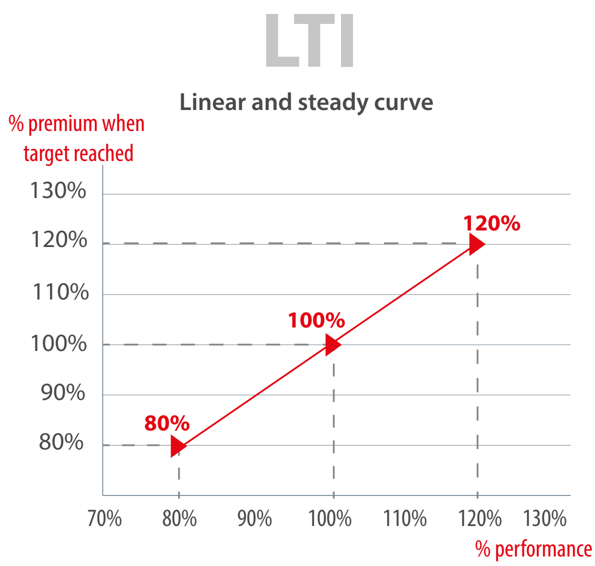
2 CASH CONVERSION: the calculation of the actual cash conversion in the year in which M&A transactions take place excludes the investments and net working capital related to the transaction. The cash conversion calculation will only include any "non-plan" transactions if they have been approved by the board of directors. In this case, the plan cash conversion ratio that did not include this "non-plan" transaction will be recalculated to be consistent with the actual figure

The actual award for each beneficiary (either shares or cash) should they reach their individual performance targets will be calculated as follows:

Achievement of individual indicator (as a % of the individual performance targets for each vesting period)	Award for each performance target as a % of the nominal amount of the shares/cash (for each vesting period)
< 80%	0%
= 80%	80%
> 80% and ≤ 120%	80%-120% pro rata
> 120% (over performance)	120%

As usual, the pay-outs are calculated using the actual results achieved at the end of each three-year vesting period and are awarded during the 60 calendar days after approval of the consolidated financial statements for the last year of the vesting period when the plan regulation's conditions are met.

The next table shows the percentage of shares/cash to be assigned to each beneficiary should they achieve their individual performance targets (within the limitations set out above, each 1% increase in the achievement rate is matched by a 1% increase in the actual number of shares or cash assigned).



Working: between minimum and target, assuming that each 1% marginal increase in the performance is equal to a 1% increase in the payout.

Performance range: 8% - 120%

% Payout: 80% - 120% (±10%) of the target

Lock-up

The variable component of the LTI plan accrues and is assigned at the relevant vesting date, after checking that the minimum threshold has been met. It is subject to a lock-up clause for a variable percentage depending on the plan beneficiary.

Specifically:

- The lock-up clause is applied to 40% of the assigned shares or cash bonus for a period of 24 months in the case of the chief executive officer and the executive directors.
- It is applied to 20% of the assigned shares or cash for a period of 24 months (12 months for the 2018 – 2022 LTI plans) in the case of the key management personnel.
- The lock-up clause for the other beneficiaries is applied to 10% of the shares for the equity-settled plans or 20% of the cash award for the cash-settled plans, again for 24 months. With respect to the 2019 – 2021 and the 2020 – 2022 LTI plans, the lock-up clause is applied to 20% of the assigned shares or cash for 12 months.

Considering that the vesting period is three years, the lock-up period has been set at 24 months in line with best practices and article 5, Recommendation no. 28 of the Code of Corporate Governance, which states that equity-settled remuneration plans for executive directors and key management personnel should encourage alignment with the shareholders' interests over the long term. It also establishes that most of the plan should have a vesting period of at least five years for the vesting of the rights and holding of the assigned shares.

During the lock-up period, the beneficiaries may not sell their shares or transfer the cash award received, except to cover tax liabilities and/or social security contributions if applicable.

Clawback and malus clauses

Carel's long-term incentive plan has three-year malus and clawback clauses for the partial or complete recovery of the award (cash or shares), which are activated in certain objectively proven circumstances. Specifically:

- objective circumstances that lead to the restatement of the company's financial results that would have a significant impact on the award under the plan;
- conduct that is contradictory to the company's practices (especially its Code of Ethics, the organisational model as per Legislative decree no. 231/01 and the anti-corruption model), the employment contract or the law or in the case of wilful or grossly negligent conduct committed to the detriment of the company.

In the above cases, the company may withhold the shares still to be assigned or an amount equal to their value or the cash award still to be disbursed from any amount due to the beneficiary.

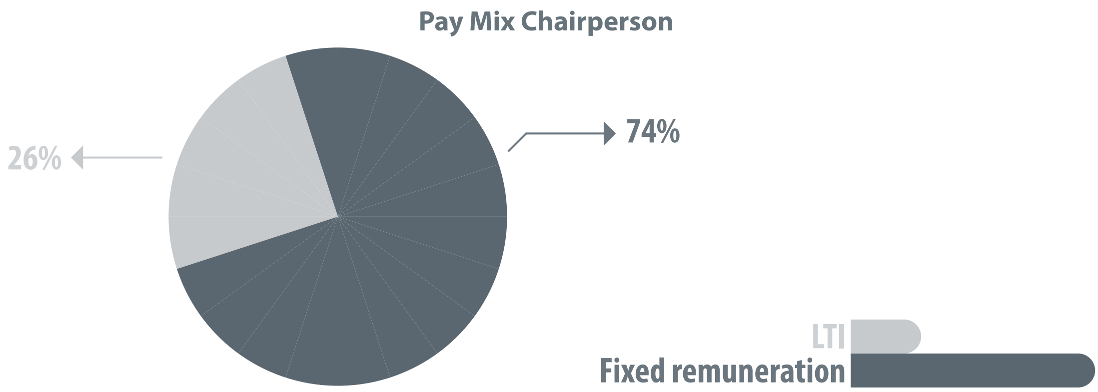
By way of example and not limited to, the amount may be withheld from remuneration, fees/salary, bonuses or end of office entitlement. The beneficiary shall be obliged to specifically authorise this withholding to cover the amounts not due.

Lastly, the company may include other contractual clauses that allow it to request the return of all or part of the variable components of the remuneration paid (or to withhold amounts that have been deferred) that had been based on figures subsequently found to be incorrect or other circumstances identified by the company.

2022 REMUNERATION POLICY

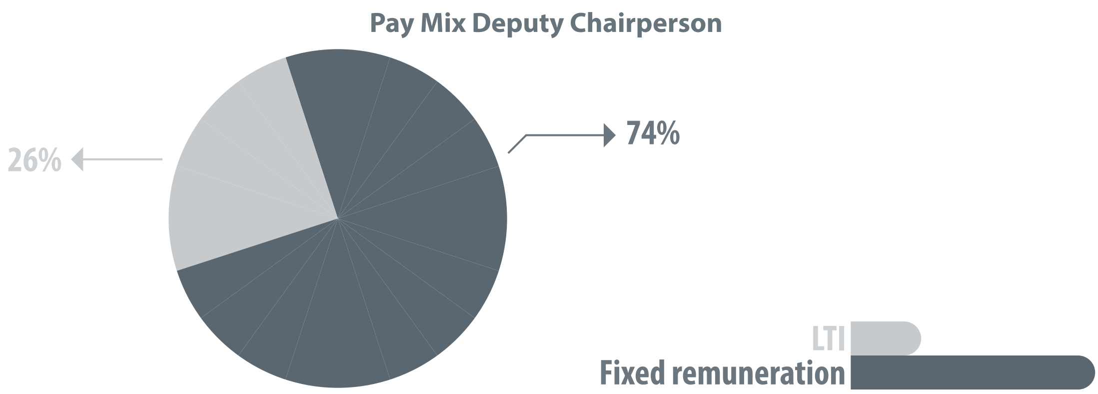
The 2022 remuneration policy for the executive directors is as follows:

- ***Luigi Rossi Luciani*** – chairperson:
  - Fixed fee for his duties assigned by the board of directors: €250,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €87,500.
  - Non-monetary benefits.



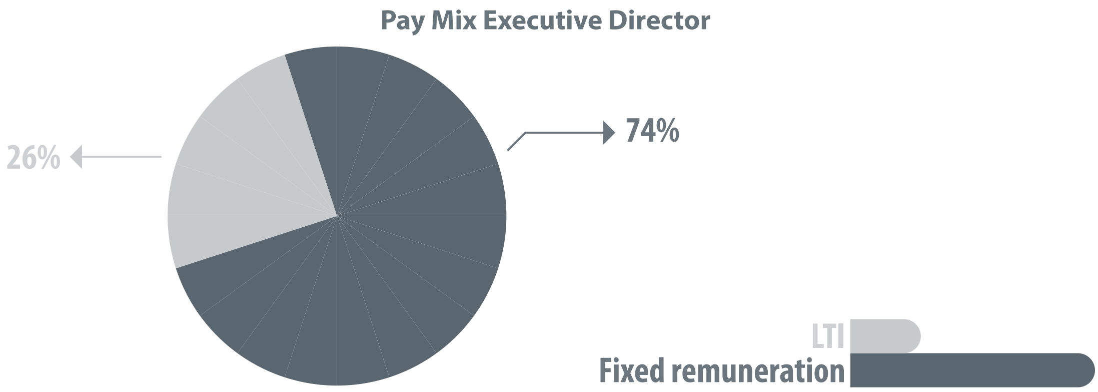
Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2022 award

- **Luigi Nalini** – executive deputy chairperson:
  - Fixed fee for his duties assigned by the board of directors: €180,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €63,000.
  - Non-monetary benefits.



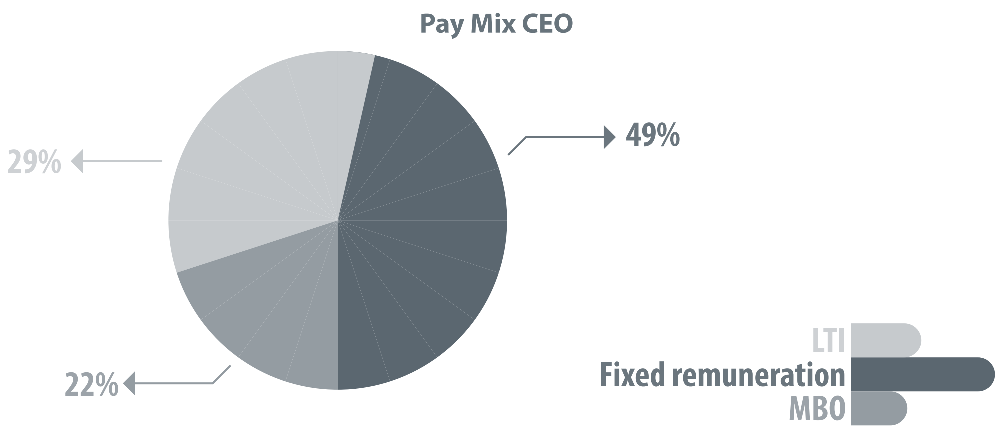
Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2022 award

- **Carlotta Rossi Luciani** – executive director with special powers:
  - Fixed fee for her duties assigned by the board of directors: €100,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €35,000.
  - Non-monetary benefits.



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2022 award

- **Francesco Nalini** – chief executive officer:
  - Fixed fee for his duties assigned by the board of directors: €70,000.
  - Fixed remuneration for his employee position as the CEO: €390,000.
  - Variable short-term component (MBO) with a nominal amount of €210,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €276,000.
  - Non-monetary benefits.



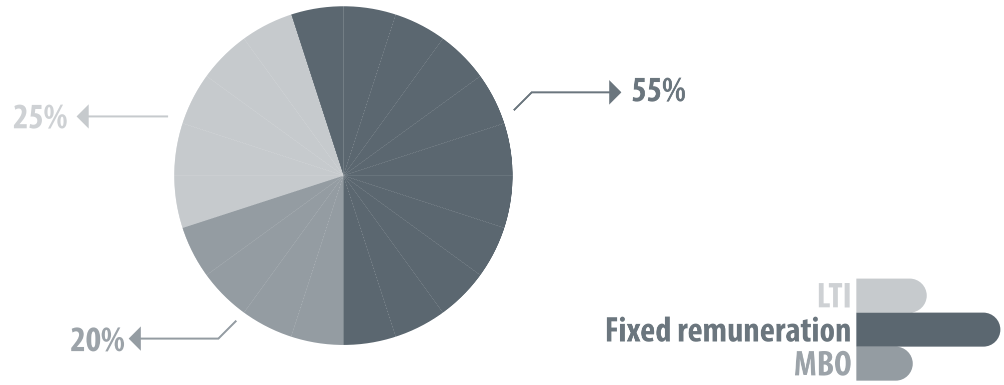
Note: the 2022 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2022 award

GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The remuneration policy for key management personnel (excluding the executive directors) is as follows:

- **Giandomenico Lombello** – General manager:
  - Fixed remuneration for his employee position as general manager: €250,000.
  - Fixed fee to remunerate other positions held with group companies: €32,000.
  - Variable short-term component (MBO) with a nominal amount of €100,000.
  - Variable medium to long-term component (LTI) as part of the cash-settled or equity-based performance plans with a nominal amount of €126,900.

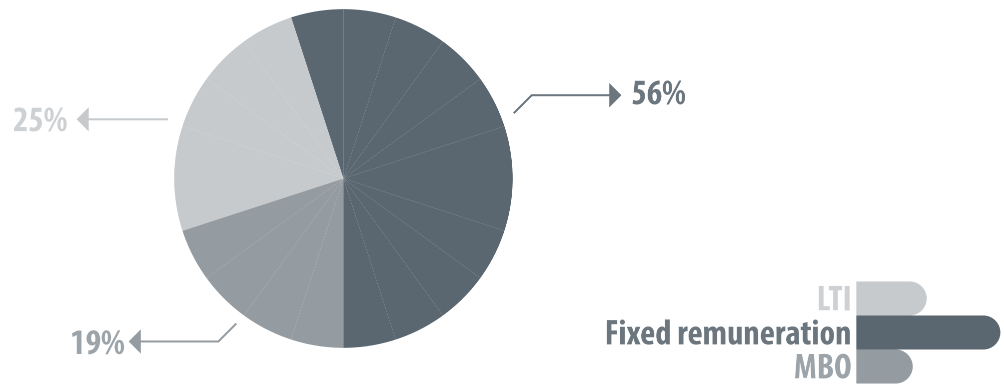
Pay Mix General manager



Note: the 2022 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2022 award.

- Other members of key management personnel (four senior managers as identified in point 2 of this report) - combined figures:
  - Fixed remuneration as manager of Carel Group: €665,000.
  - Fixed fee for positions held as directors or other positions held in other group companies (excluding the parent): €60,000.
  - Variable short-term component (MBO) with a nominal amount of €245,000.
  - Variable medium to long-term component (LTI) as part of the cash-settled or equity-settled performance plans with a nominal amount of €324,000.

Pay Mix KMP



Note: the 2022 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2022 award.

The 2022 remuneration policy for both the executive directors and key management personnel is drafted using both the comparison and structured analysis of market remuneration practices (carried out by Mercer Italia) and monitoring of the effects, in terms of adequacy and reciprocal satisfaction, that the remuneration policies approved in previous years have had for all beneficiaries.

BENEFITS

The Total Rewards model applied for executive directors and senior management supplements the remuneration with a series of additional non-monetary benefits.

Specifically:

- supplementary social security benefits;
- extra professional accident or term life insurance policy;
- additional healthcare benefits, which also apply to the beneficiary's immediate family;
- company car under the mixed use full cost method;
- accommodation service (if necessary).

The company also has a D&O liability insurance policy for the directors and key management personnel to insure against claims for compensation for damage related to their professional activities.

As stated previously, these benefits are supplementary to those already provided for in the national employment contract and any other supplementary internal agreements applicable to managers.

They have also been adapted to the foreign countries in which the beneficiary managers work and live to be consistent with the local market conditions and national regulations of each country.

Other than that set out above, the company does not provide any non-mandatory social security or pension benefits.

OTHER ELEMENTS

NON-COMPETE AGREEMENTS

Carel may enter into non-compete agreements with its executive directors, key management personnel and other resources who hold particularly important positions in the organisation.

In accordance with the regulations applicable in each country, these agreements include payment of a fee equal to a percentage of the annual gross remuneration which is disbursed considering the agreement's term and geographical coverage.

The agreement refers to the sector in which the group operates and a geographical area and timeframe that varies depending on the roles and responsibilities of each beneficiary.

Any fee is only paid upon termination of the employment relationship and only if the company activates the agreement.

RETENTION/DISCRETIONARY BONUS

The executive directors, the chief executive officer and the key management personnel do not receive any discretionary remuneration.

The other employees may receive one-off monetary bonuses which, in addition to the MBO, reward particularly outstanding or important results that contribute to achievement of the company's business objectives.

As well as these one-off bonuses, the company may grant retention bonuses to resources whose contribution to the group's growth and development is particularly important and strategic.

TREATMENT IN THE CASE OF DEPARTURE FROM OFFICE OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP

In accordance with the remuneration policy described in this Section I, the company may decide to enter into agreements that regulate the economic treatment to be provided in the case of departure from office or termination of the employment relationship in line with the recommendations of the Code of Corporate Governance and the local laws and employment contracts, when applied. However, this treatment will not exceed 24 months of gross remuneration.

This entitlement is not paid if termination of the relationship is due to the objective non-achievement of results. Should the requirements for payment of fees for any reason and in any form arising from these contracts be met, the beneficiary may waive their right thereto.

Given the above, at the date of this report, the company does not have ex-ante agreements for its executive directors and key management personnel that regulate their economic treatment should they leave office or terminate their employment relationship other than the end of office entitlement approved by the board of directors on 6 May 2021.

As provided for in the remuneration policy described in this Section I, the company may enter into agreements which provide for the continuation or award of non-monetary benefits to parties and/or employees who have left the company and consultancy agreements for the period after their departure in line with that set out in the Code of Corporate Governance as long as this complies with the local laws and employment agreements, when applied. Should the requirements for payment of fees for any reason and in any form arising from these contracts be met, the beneficiary may waive their right thereto.

At the date of this report, the company does not have agreements for the continuation or award of non-monetary benefits to parties and/or employees who have left the company, nor does it have consultancy agreements with these persons for the period after termination of the employment relationship.

Finally, with respect to the effects of termination of the employment relationship on the LTI plans approved by the shareholders, their regulations define the various effects of such termination depending on the underlying reasons and when it takes place.

DEROGATION

Pursuant to article 123-ter.3-bis of the CFA and article 84-quater.2-bis.c) of the Issuers' Regulation, Carel may temporarily derogate from the remuneration policy described in this Section I should exceptional circumstances arise which make this derogation necessary to allow the company to pursue its long-term interests and sustainability or to ensure it can continue as a going concern.

Temporary derogation from the following elements of the remuneration policy is allowed in exceptional circumstances:

- the fixed and variable (short and long-term) components of remuneration and specifically:
  - the weight assigned to each component as part of the remuneration;
  - the financial and non-financial performance targets, which the variable components are tied to (in terms of their achievement);
  - the criteria used to assess achievement of the performance targets and the assignment of shares, rights, other financial instruments or other variable remuneration components, and to measure the variable component to be paid depending on the level of achievement of the objectives;
  - the vesting conditions of the variable components (both MBO and LTI);
  - the possible allocation of equity-settled remuneration components, rights, other financial instruments or other variable remuneration components;
  - the introduction of deferred payments systems and clauses for the holding of financial instruments in the portfolio after their acquisition;
  - ex-post adjustment mechanisms for the variable component (malus or clawback);
- any bonuses (including onboarding bonuses), non-monetary benefits, incentive plans (cash-settled or equity-based), insurance, social security or pension benefits or non-recurring fees;
- termination benefits should the recipient leave office or terminate the employment relationship;
- the remuneration of the independent directors, directors who are members of committees and those with special duties (chairperson, deputy chairperson, etc).

The exceptional circumstances described above, which can be identified in the remuneration policy, could include for example:

- the need to attract resources on the market who would make a significant contribution to the company's growth and business development;
- the need to retain particularly strategic resources by offering competitive remuneration;
- substantial modifications to the company's business organisation that can be either objective (non-recurring transactions, mergers, sales, including of business units, etc.) or subjective (changes in senior management);
- the acknowledgement of individual and/or collective results deemed to be particularly important for the company;
- significant changes in the socio-economic context such to modify the competition on the labour market, both in terms of the expertise required and the remuneration offered to high performers;
- the occurrence of non-recurring and unforeseeable events at national or international level (such as conflicts, pandemics, etc.) that affect the group or its sectors/markets and its results and that could drastically change the context of its reference market in individual countries and/or regions or the entire global market.

With respect to the procedural conditions under which the derogation can be applied, any temporary derogation of the remuneration policy shall be approved by the board of directors after consulting the remuneration committee and the human resources department as well as possible independent experts, without prejudice to Consob regulation no. 17221 of 12 March 2010 on related party transactions and the company's related party procedure, when applicable.

The board of directors decides the length of the derogation period and the specific policy elements to be derogated from in line with that set out above.

E-MARKET
SDIR
CERTIFIED

E-MARKET SDIR
CERTIFIED

SECTION II

Remuneration paid in 2021

to the directors, statutory auditors, general managers and key management personnel

E-MARKET
SDIR
CERTIFIED

This section provides a clear, fair and understandable picture of the remuneration paid in 2021 to the individual directors, statutory auditors, the general manager and collectively to the key management personnel. It shows the company's compliance with the policies described in Section I of the remuneration report published in 2021 and how such remuneration contributes to the company's long-term results.

Following a year dominated by the pandemic and the related effects and restrictions which continued into the following year, the remuneration policies of 2021 supported business continuity while also encouraging the achievement of growth objectives and the development of technological innovation in line with the company's strategies for the medium to long term.

The policies drove the achievement of very positive results despite the highly uncertain context and global supply chain difficulties for electronic components.

Both the short-term (MBO) and long-term (LTI) incentive systems guided key corporate strategies, particularly business growth linked to M&A transactions and the achievement of the objectives identified in the company's long-term sustainability plan.

The sustainability plan (2022 –2024) was published in 2021, setting out 55 objectives grouped into six major areas, 22 of which are aimed at improving the group's relations with and care for people, be they employees, customers or the community at large.

Identifying and fostering a new normal in the value proposition offered to all employees while bolstering business resilience, together with the remuneration policies, culminated in a raft of employee management policies which also affected labour organisation models. Hybrid policies balancing in-person and remote work have thus been rolled out across the group and guidelines disseminated on the right to disconnect – conceived to foster efficient and effective collaboration among colleagues – avoiding an "always on" approach and establishing a common standard among all employees.

Senior management was also heavily involved in establishing the new vision and the Carel Culture Code, the product of a long-term project involving employees not only from the Italian headquarters but all regions of the globe where the company operates. Guiding principles for the group's culture were identified with a view to developing a strong, shared corporate identity fostering cohesion among employees and in line with the achievement of the strategic objectives.

As required by article 123-ter.6 of the CFA, introduced by Legislative decree no. 49/2019, this section requires the advisory vote rather than the binding vote of the shareholders that are required to vote for or against the section at their ordinary meetings.

The audit company checked that the directors had prepared Section II of the report in line with the provisions of article 123-ter.8-bis of the CFA. It did not issue any attestation, nor did it perform any engagement designed to check the content of this Section II.

More information about the equity-settled incentive plans is available in the information memoranda as per article 114-bis of the CFA and article 84-bis of the Issuers' Regulation published by the company on its website (www.carel.com) and through the other methods stipulated by the applicable legislation and regulations.

FIRST PART - REMUNERATION ITEMS

BOARD OF DIRECTORS

The 2021 remuneration policy for the board of directors was implemented, as described in Section I of the remuneration report published in 2021, through the payment of the following items:

- a fee for the directorship;
- a fee for the position as a director with specific duties;
- gross annual remuneration;
- a fee for participation in committee meetings;
- an annual variable component paid when set targets are met (MBO);
- a variable medium to long-term component (LTI);
- benefits provided for by the national employment contract and internal practices.

No disclosure is provided about the targets reached for the variable remuneration component in order to protect information which is sensitive for commercial purposes and/or forecasts that have not been published.

With a view to acting on the opinion expressed by the shareholders that voted against approving the remuneration policy in 2021, close attention was paid to the observations of some proxy advisors in relation to the possibility of using alternative instruments to the equity-settled plans for the remuneration of individuals that also formed part of the company's shareholding structure. Accordingly, starting from the plans assigned in 2021, the executive directors belonging to families linked to the owners of the parent may only take part in cash-settled LTI plans. Moreover, due to the conditions contained in the relevant regulation, the economic value of equity-settled plans assigned in previous years is immaterial and such to avoid a further increase in the shareholdings of such executive directors.

CHAIRPERSON, DEPUTY CHAIRPERSON AND EXECUTIVE DIRECTORS

Chairperson

Luigi Rossi Luciani, chairperson of the board of directors, received:

- **Fixed remuneration:** €250,000 gross as his fee for 2021.

On 6 May 2021, the board of directors resolved to confirm the CEO's annual gross remuneration of €250,000.

- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 3 March 2022 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the chairperson 6,643 shares for his rights that had vested in line with his achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 40% of these shares are locked up for two years

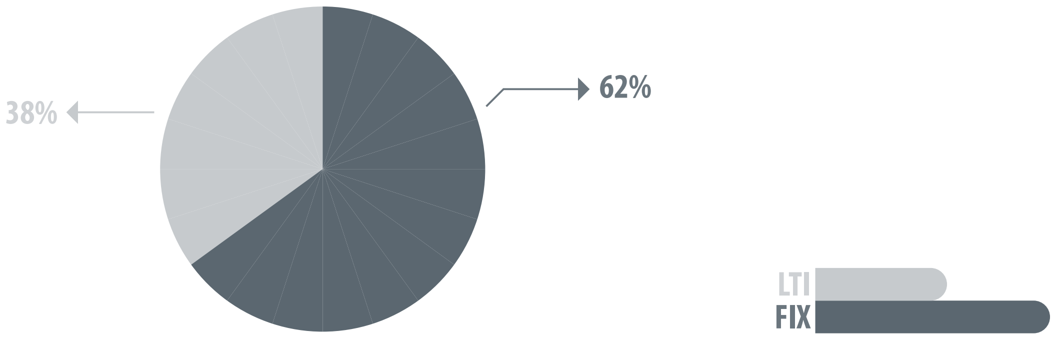
PERFORMANCE CONDITIONS	80% threshold	100% threshold On target	120% threshold	Results
60% consolidated adjusted EBITDA in the 3 years				Over 120%
40% adjusted cash conversion in the 3 years				Over 120%

The graph shows achievement of the targets, confirming the excellent performance of the three-year period and the positive share price trends to the date of preparation of this report, notwithstanding the difficulties caused by the pandemic and global electronic material supply chain difficulties

- **Non-monetary benefits:** company car under the mixed use full cost method.

The pay mix for 2021 is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022)

Pay Mix Chairperson



Deputy chairperson

Luigi Nalini, executive deputy chairperson of the board of directors, received:

- **Fixed remuneration:** €180,000 gross as his fee for 2021.

On 6 May 2021, the board of directors resolved to confirm the remuneration for this role.

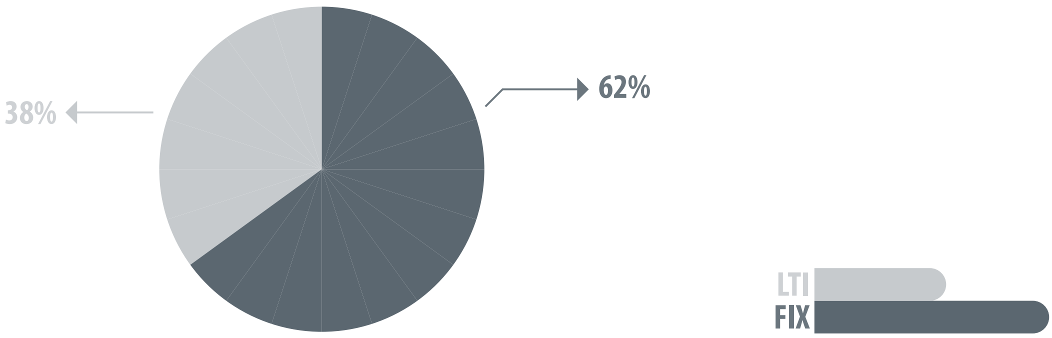
- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 3 March 2022 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the deputy chairperson 4,783 shares for his rights that had vested in line with his achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 40% of these shares are locked up for two years.

As described above, the vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** company car under the mixed use full cost method.

The pay mix for 2021 is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022)

Pay Mix Deputy chairperson



Executive director

Carlotta Rossi Luciani, executive director of the board of directors, received:

- **Compensi fissi:** €93,333 gross as her fee for 2021

On 6 May 2021, the board of directors resolved to adjust the executive director's annual gross remuneration from €60,000 to €100,000 to reflect the new powers allocated.

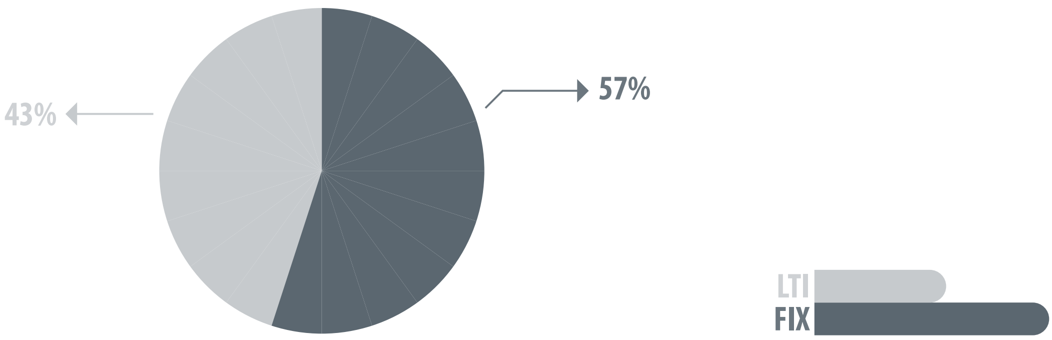
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 3 March 2022 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the executive director 3,348 shares for her rights that had vested in line with her achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 40% of these shares are locked up for two years.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** injury policy, healthcare, car while she was an employee.

The pay mix for 2021 is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022)

Pay Mix Executive director



Chief executive officer

Francesco Nalini, chief executive officer, received:

- **Fixed remuneration:** 7€70,000 gross as his fee for 2021 (on 6 May 2021, the board of directors resolved to confirm the CEO's remuneration) and €380,000 gross as a salary for his employment contract as senior manager, in line with the remuneration set out in the remuneration policy for 2021 and as proposed by the remuneration committee to the board of directors, which approved it in its meeting of 6 May 2021 with the favourable opinion of the board of statutory auditors.

- **Short Term Incentive:** The MBO for 2021 will be paid in 2021.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 3 March 2022, led to the board's approval of a pay-out of €265,000 gross as shown below.

As described at the start of this section, the pay-out for the short-term incentive plans (MBO) (see following graph) was made to reward management's actions. Thanks to the adoption of guidelines and concrete steps to protect the group's business and continue to assist its customers around the world in a year still buffeted by the Covid-19 emergency, overall performance was very positive.

Access gate (EBIT>0) Reached - Performance achieved: €64,457,000

PERFORMANCE CONDITIONS

	0% threshold	100% threshold On target	150% threshold	Target	Result	Payout
45% Consolidated EBITDA				66.193.000	88.222.012	150%
20% - Core business consolidated turnover				354.006.000	415.620.109	150%
15% - Finalisation, with the signing of at least two binding agreements, of M&A transactions (target 100%) in accordance with the parameters and terms of the transaction approved (for each transaction) by the board of directors.				Satisfactory result in line with expectations related to analysis of the background, actions, timeliness, costs and terms of finalisation): 100% valuation		100%
20% - level of integration of the ESG targets included in the sustainability plan with Carel Group's business objectives (**)				Satisfactory result in line with expectations related to analysis of the background, actions, timeliness, costs and terms of finalisation): 100% valuation		100%

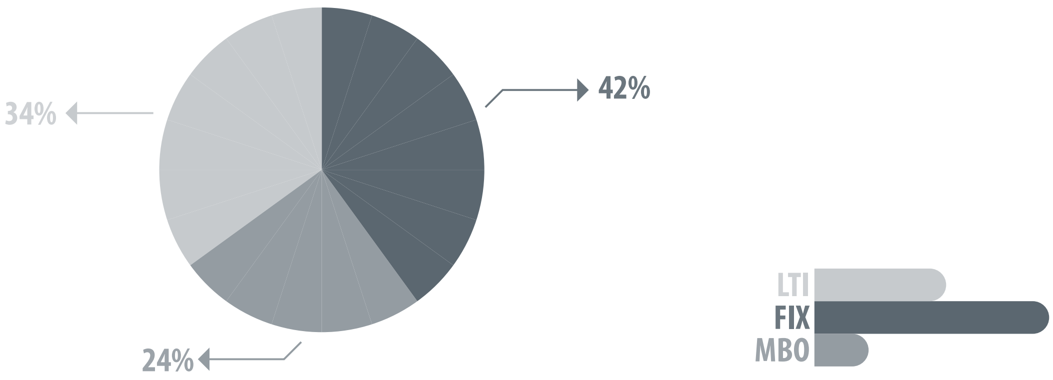
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 3 March 2021 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the chief executive officer 15,942 shares for his rights that had vested in line with his achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 40% of these shares are locked up for two years.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** Polinjury policy, healthcare, car, scholarship for eligible children of emp.

IThe pay mix for 2021 is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022)

Pay Mix Chief executive officer



Independent directors

The independent directors received their fees in line with that established by the remuneration policy for 2021:

- **Cinzia Donalisio:** €75,000, including a gross annual fee of €50,000 for her position as director, €15,000 for her position as chairperson of the remuneration committee and €10,000 gross for her position as member of the control, risks and sustainability committee;
- **Marina Manna:** €75,000, including a gross annual fee of €50,000 for her position as director, €15,000 for her position as chairperson of the control, risks and sustainability committee and €10,000 gross for her position as member of the remuneration committee;
- **Maria Grazia Filippini:** €46,667, corresponding to the pro-rata amount of the annual remuneration due for the months in office (appointed by the shareholders on 20 April 2021): including a gross annual fee of €50,000 for her position as director, €10,000 for her position as member of the control, risks and sustainability committee and €10,000 gross for her position as member of the remuneration committee.

Giovanni Costa, in office from 1 January 2021 to 20 April 2021, received a fee of €23,333, corresponding to the pro-rata amount of the annual fee of €70,000 due as a member of the board of directors and of committees. He is no longer in office as the term of office ended.

BOARD OF STATUTORY AUDITORS

In 2021, the members of the board of statutory auditors, elected by the shareholders on 20 April 2021, received the following fees for that year:

- **Paolo Prandi (Chairperson):** €26,666, corresponding to the pro-rata portion of the annual fee of €40,000 Euro, as he is newly appointed.
- **Saverio Bozzolan:** €30,000;
- **Claudia Civolani:** €25,000;

Paolo Ferrin, in office from 1 January 2021 to 20 April 2021. He received a fee of €8,333, corresponding to the pro-rata portion of the annual fee of €25,000. He is no longer in office as the term of office ended.

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GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The 2021 remuneration policy for the general manager and key management personnel comprised the items stated below.

No disclosure is provided about the targets reached for the variable remuneration component in order to protect information which is sensitive for commercial purposes and/or forecasts that have not been published.

General manager

Giandomenico Lombello, general manager, received:

- **Fixed remuneration:** a fee to remunerate his various duties carried out within the group and a fixed remuneration as senior manager for a total of €280,465 in line with that set out in the 2021 remuneration policy.
- **Short Term Incentive:** The MBO for 2021 will be paid in 2022.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 3 March 2022, led to the board's approval of a pay-out of a €128,700 gross as shown below.

Access gate (EBIT>0) Reached - Performance achieved: €64,457,000

PERFORMANCE CONDITIONS				
	0% threshold	100% threshold On target	150% threshold	Result
45% consolidated adjusted EBITDA				150%
20% core business consolidated turnover				150%
15% individual performance target				100%
20% ESG Target				81%

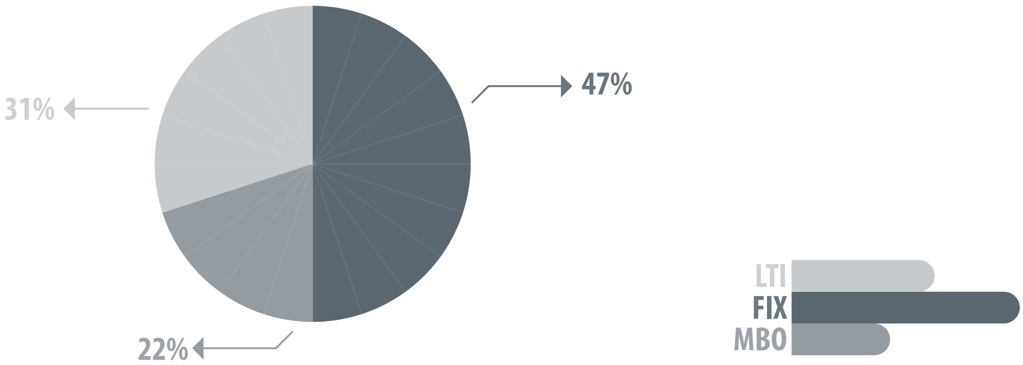
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 3 March 2022 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the general manager 8,221 shares for his rights that had vested in line with his achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 20% of these shares are locked up for one year.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** injury policy, healthcare, car.

The pay mix for 2021 is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022.

Pay Mix General manager



Key management personnel

- **Fixed remuneration:** a fee to remunerate the different positions held by some key managers in other group companies and a fixed remuneration for a total of €692,554 gross.
- **Short Term Incentive:** The MBO for 2021 will be paid in 2022.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 3 March 2022, led to the board's approval of a total pay-out of €332,590 gross, based on the average performances described below.

Access gate (EBIT>0) Reached - Performance achieved: €64,457,000

PERFORMANCE CONDITIONS

	0% threshold	100% threshold On target	150% threshold	Result
45% consolidated adjusted EBITDA				150%
20% core business consolidated turnover				150%
15% individual performance target				109,5%
20% ESG Target				107.75%

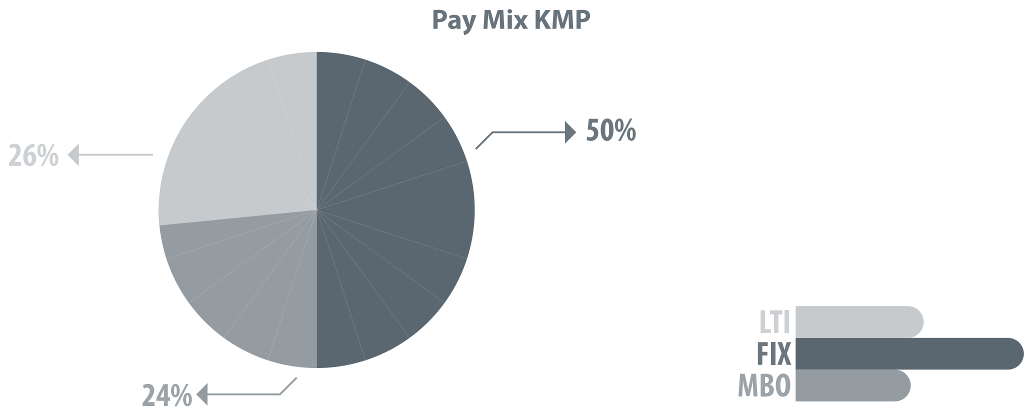
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 3 March 2022 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the key management personnel 15,767 shares for their rights that had vested in line with their achievement of the targets for the 2019 – 2021 vesting period of the LTI plan. 20% of these shares are locked up for one year.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

Since the CFO was replaced during 2020, only three of the four key managers vested rights.

- **Non-monetary benefits:** injury policy, healthcare, car, scholarship for eligible children of employees.

The pay mix for 2021, whose fixed remuneration component was affected by partially vested rights for the 2019 – 2021 vesting period of the LTI plan, given the CFO turnover in 2020 as already noted above, is as follows (estimated value of the shares using the average price in the period from 18 January 2022 to 17 February 2022.



END OF OFFICE ENTITLEMENT AND/OR OTHER BENEFITS FOR THE DISCONTINUATION OF THE POSITION OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP DURING THE YEAR

Without prejudice to that described below, no end of office entitlement and/or other benefits were paid in 2021 for the discontinuation of positions or termination of employment relationships.

The non-executive independent director, Giovanni Costa, received €23,635 in 2021 as end of office entitlement, as the term of office ended.

At the date of this report, the company does not have agreements for the payment of end of office entitlement for the discontinuation of a position or early termination of an employment relationship.

PAY RATIO

The following tables provide information for 2019, 2020 and 2021 and changes between the years of:

a. the total remuneration paid to the company's directors, statutory auditors and general manager;
b. the company's results;
c. the average total annual gross remuneration of the Carel Group's full-time Italian employees and employees other than those set out in point a) above.

For transparency purposes, the ratio of the fixed portion of the remuneration of the

- company's chairperson, deputy chairperson, executive director and chief executive officer (fixed remuneration received in 2021) to the average fixed remuneration of the employees of the Italian Carel Group companies, with the exclusion of Enginia S.r.l. acquired in 2021 and whose remuneration policies are currently being aligned with those of the group, and
- the ratio of the remuneration of the company's chairperson, deputy chairperson, executive director and chief executive officer (including the fixed remuneration received in 2021, the MBO and LTI) to the average total remuneration of the employees of the Italian Carel Group companies, with the exclusion of Enginia S.r.l. acquired in 2021 and whose remuneration policies are currently being aligned with those of the group, are provided below.

The calculation scope of the total average remuneration of the employees includes the short-term and long-term fixed and variable remuneration of the employees of the Italian group companies, as specified above, as this is deemed to be comparable for remuneration purposes.

	2019 fixed remuneration	2019 total remuneration	2019 total / 2018 total
Group turnover		327,400,000	16.8%
Group adjusted EBITDA		63,900,000	15.8%
CHAIRPERSON Luigi Rossi Luciani	250,000	250,000	5%
DEPUTY CHAIRPERSON Luigi Nalini	180,000	180,000	7%
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	94,375	94,375	72%
CHIEF EXECUTIVE OFFICER Francesco Nalini	300,000	348,534	24%
GENERAL MANAGER Giandomenico Lombello	232,000	267,517	NA
Standing statutory auditor Paolo Prandi (Chairperson)		NA	NA
Standing statutory auditor Claudia Civolani	25,000	25,000	33%
Standing statutory auditor Saverio Bozzolan	40,000	40,000	33%
Italian employees	35,687	40,066	3%

PAY RATIO / ITALIAN EMPLOYEES	2019	2019
CHAIRPERSON Luigi Rossi Luciani	7	6
DEPUTY CHAIRPERSON Luigi Nalini	5	4
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	3	2
CHIEF EXECUTIVE OFFICER Francesco Nalini	8	9
GENERAL MANAGER Giandomenico Lombello	7	7
Standing statutory auditor Paolo Prandi (Chairperson)	NA	NA
Standing statutory auditor Claudia Civolani	0.7	0.6
Standing statutory auditor Saverio Bozzolan	1.1	1

LTI : estimated share value based on the average price in the period from 18 January 2022 to 17 February 2022

SHAREHOLDERS' VOTE ON SECTION II OF THE REMUNERATION POLICY FOR THE PREVIOUS YEAR

On 20 April 2021, as required by the ruling legislation, the shareholders cast their favourable vote on Section II of the remuneration report for the remuneration and fees paid in 2021 (98.174% of the participants).

This large majority in favour of Section II illustrates the shareholders' satisfaction with the same section for the previous year.

Nonetheless, the company decided to revisit the policy in order to provide stakeholders with greater and more transparent disclosures in line with its related principles and ensure more engagement with its stakeholders that are at the heart of the company.

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2020 fixed remuneration	2020 total remuneration	2020 total / 2019 total	2021 fixed remuneration	2021 total remuneration	2021 total / 2020 total
	331,610,000	1.3%		415,620,109	25.3%
	65,366,000	2.3%		88,222,012	35.0%
229,166	394,596	58%	250,000	337,500	-14%
165,000	284,107	58%	180,000	243,000	-14%
85,385	125,087	33%	93,333	135,000	8%
340,327	846,960	143%	450,000	985,000	16%
259,700	527,105	97%	280,465	537,600	2%
	NA	NA	26,667	26,667	NA
25,000	25,000	0%	25,000	25,000	0%
40,000	40,000	0%	30,000	30,000	-25%
36,729	42,618	6%	37,673	44,764	5%

2020	2020	2021	2021
6	9	7	8
4	7	5	5
2	3	2	3
9	20	12	22
7	12	7	12
NA	NA	0.7	0.6
0.7	0.6	1	0.6
1.1	0.9	1	0.7

REVOCATIONS FROM THE REMUNERATION POLICY AND POSSIBLE APPLICATION OF EX-POST ADJUSTMENT MECHANISMS TO THE VARIABLE COMPONENT (MALUS AND CLAWBACK)

No exceptional circumstances arose in 2021 that would have made derogation from the remuneration policy for that year as approved by the shareholders on 20 April 2021 necessary.

No ex-post adjustment mechanisms were applied to the variable component of the remuneration (malus or clawback) during the year.

SECOND PART - TABLES

The following tables show: (i) in Table 1, the remuneration of the individual directors, statutory auditors and general manager and collectively of the key management personnel paid for any reason and in any form by the company and its subsidiaries and associates for 2021; (ii) in Table 3A, the equity-settled incentive plans (other than stock option plans) for the directors, general managers and other key management personnel; and (iii) in Table 3B, the cash-settled incentive plans for the directors, general managers and other key management personnel.

Table 1: Remuneration paid to the directors, statutory auditors, general managers and other key management personnel

Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Luigi Rossi Luciani	Executive chairperson	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				250,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				250,000	
Luigi Nalini	Deputy chairperson (with acting role)	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				180,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				180,000	
Francesco Nalini	Chief executive officer	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				450,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				450,000	
Carlotta Rossi Luciani	Executive director	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				93,333	
(II) Remuneration from subsidiaries and associates					
(III) Total				93,333	

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
		4,135		254,135		
		4,135		254,135		
		10,710		190,710		
		10,710		190,710		
265,000		5,578		720,578		
265,000		5,578		720,578		
		2,616		95,950		
		2,616		95,950		

Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Cinzia Donalisio	Independent director	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				50,000	25,000
(II) Remuneration from subsidiaries and associates					
(III) Total				50,000	25,000
Marina Manna	Independent director	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				50,000	25,000
(II) Remuneration from subsidiaries and associates					
(III) Total				50,000	25,000
Giovanni Costa	Independent director	01.01.2021 20.04.2021			
(I) Remuneration from the company preparing the financial statements				16,667	6,667
(II) Remuneration from subsidiaries and associates					
(III) Total				16,667	6,667
Maria Grazia Filippini	Independent director	21.04.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				33,333	13,333
(II) Remuneration from subsidiaries and associates					
(III) Total				33,333	13,333
Paolo Prandi	Chairperson of the board of statutory auditors	21.04.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				26,667	
(II) Remuneration from subsidiaries and associates					
(III) Total				26,667	
Saverio Bozzolan	Chairperson of the board of statutory auditors	01.01.2021 31/12/2021			
(I) Remuneration from the company preparing the financial statements				30,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				30,000	
Paolo Ferrin	Standing statutory auditor	01.01.2021 20.04.2021			
(I) Remuneration from the company preparing the financial statements				8,333	
(II) Remuneration from subsidiaries and associates					
(III) Total				8,333	

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
				75,000		
				75,000		
				75,000		
				75,000		
				23,333		23,625
				23,333		23,625
				46,667		
				46,667		
				26,667		
				26,667		
				30,000		
				30,000		
				8,333		
				8,333		

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Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Claudia Civolani	Standing statutory auditor	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				25,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				25,000	
Giovanni Fonte	Alternate statutory auditor	01.01.2021 21.04.2021			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates				5,000	
(III) Total				5,000	
Fabio Gallio	Alternate statutory auditor	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates				9,144	
(III) Total				9,144	
Alessandra Pederzoli	Alternate statutory auditor	21.04.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates					
(III) Total					
Giandomenico Lombello	General manager	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				248,465	
(II) Remuneration from subsidiaries and associates				32,000	
(III) Total				280,465	
Key management personnel	Key management personnel	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				660,054	
(II) Remuneration from subsidiaries and associates				32500	
(III) Total				692554	

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
				25,000		
				25,000		
				5,000		
				5,000		
				9,144		
				9,144		
128,700		5,112		382,277		
				32,000		
128,700		5,112		414,277		
332,590		16,151		1,008,795		
				32,500		
332,590		16,151		1,041,295		

Table 3A: Equity-settled incentive plans (other than stock option plans) for the directors, general managers and other key management personnel

			Rights granted in previous years not vested during the year		
A	B	1	2	3	4
Name	**Position**	**Plan**	**Number and type of financial instrument**	**Vesting period**	**Number and type of financial instrument**
Luigi Rossi Luciani	Executive chairperson				
(I) Remuneration from the company preparing the financial statements		07/09/2018			8,446
		11/11/2019			5,536
		06/11/2020			4,366
(II) Remuneration from subsidiaries and associates					
(III) Total					18,348
Luigi Nalini	Deputy chairperson (with acting role)				
(I) Remuneration from the company preparing the financial statements		07/09/2018			6,081
		11/11/2019			3,986
		06/11/2020			3,144
(II) Remuneration from subsidiaries and associates					
(III) Total					13,211
Francesco Nalini	Chief executive officer				
(I) Compensi nella società che redige il bilancio		07/09/2018			15,068
		11/11/2019			13,285
		06/11/2020			12,224
(II) Compensi da controllate e collegate					
(III) Total					40,577
Carlotta Rossi Luciani	Executive director				
(I) Remuneration from the company preparing the financial statements		07/09/2018			2,027
		11/11/2019			2,790
		06/11/2020			1,048
(II) Remuneration from subsidiaries and associates					
(III) Total					5,865

Rights granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
5	6	7	8	9	10	11	12
Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
81,276	three-year	1-oct-18	8.88		9,365	174,544	
75,192	three-year	1-dec-19	13.55				36,092
75,997	three-year	19-nov-20	17.18				36,475
232,465					9,365	174,544	72,571
58,517	three-year	1-oct-18	8.88		6,743	125,669	
54,139	three-year	1-dec-19	13.55				25,987
54,726	three-year	19-nov-20	17.18				26,269
167,383							52,255
144,999	three-year	1-oct-18	8.88		16,708	311,405	
180,441	three-year	1-dec-19	13.55				80,196
212,778	three-year	19-nov-20	17.18				102,134
538,218							182,330
19,506	three-year	1-oct-18	8.88		2,248	41,898	
37,895	three-year	1-dec-19	13.55				18,189
18,242	three-year	19-nov-20	17.18				8,756
75,643							26,946

Rights granted in previous years not vested during the year

A	B	1	2	3	4
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument
Giandomenico Lombello	General manager				
(I) Remuneration from the company preparing the financial statements		07/09/2018			7,975
		11/11/2019			6,851
		06/11/2020			6,101
(I) Remuneration from the company preparing the financial statements					
(III) Total					20,927
Key management personnel	Key management personnel (4)				
(I) Remuneration from the company preparing the financial statements		07/09/2018			24,017
		11/11/2019			18,663
		06/11/2020			15,718
(I) Remuneration from the company preparing the financial statements					
(III) Total					58,398

Rights granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
5	6	7	8	9	10	11	12
Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
76,743	three-year	1-oct-18	8.88		8,843	164,817	
93,052	three-year	1-dec-19	13.55				44,665
106,198	three-year	19-nov-20	17.18				50,975
275,993							95,640
231,116	three-year	1-oct-18	8.88		18,034	336,111	
253,486	three-year	1-dec-19	13.55				121,674
273,597	three-year	19-nov-20	17.18				131,327
758,199					18,034	336,111	253,000

Tabella 3B: Cash-settled incentive plans for the directors, general managers and other key management personnel

A	B	1	2A
Name	Name	Plan resolution	To be paid/paid
Luigi Rossi Luciani	Chairperson		
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(III) Total			
Luigi Nalini	Deputy chairperson		
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(III) Total			
Francesco Nalini	Chief executive officer		
(I) Compensi nella società che redige il bilancio		MBO 2021	265,000
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(III) Totale			265,000
Carlotta Rossi Luciani	Executive director		
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021	
(II) Compensi da controllate e collegate			
(III) Total			
Giandomenico Lombello	General manager		
(I) Remuneration from the company preparing the financial statements		MBO 2021	116,700
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(III) Total			116,700
Key Management Personnel	Key management personnel (4)		
(I) Remuneration from the company preparing the financial statements		MBO 2021	332,590
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(III) Total			332,590

2B	2C	3A	3B	3C	4
Award for the year		Previous year award			Still deferred
Deferred	Deferral period	No longer available	No longer available	Still deferred	
87,000	2024				
87,000					
63,000	2024				
63,000					
270,000	2024				
270,000					
35,000	2024				
35,000					
126,900	2024				
126,900					
310,500	2024				
310,500					

Tabella 7: Equity investments held by the directors, statutory auditors, general managers and other key management personnel

The individuals above have title to the equity investments.

Name	Position	Investee	Number of shares held at the end of the previous year
Luigi Nalini	Deputy chairperson	CAREL Industries S.p.A.	
Luigi Rossi Luciani	Chairperson	CAREL Industries S.p.A.	
Francesco Nalini	Chief executive officer	CAREL Industries S.p.A.	
Carlotta Rossi Luciani	Directorship	CAREL Industries S.p.A.	
Fabio Gallio	Alternate statutory auditor	CAREL Industries S.p.A.	300
Giandomenico Lombello	General manager	CAREL Industries S.p.A.	
Dirigenti con Resposabilità Strategiche		CAREL Industries S.p.A.	

*acquired free of charge under the LTI plan

Number of shares purchased	Number of shares sold	Number of shares held at year end
6,743*		6,743
9,365*		9,365
16,707*	10,000	6,707
2,248*		2,248
	300	
8,843*	3,550	5,293
18,034*	14,000	4,034

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Headquarters ITALY

CAREL INDUSTRIES HQs
Via dell'Industria, 11
35020 Brugine - Padova (Italy)
Tel. (+39) 0499 716611
Fax (+39) 0499 716600
CAREL@CAREL.com

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