

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE



CAREL



2021







Report on corporate governance And the ownership structure at 31 December 2021

The board of directors approved this report on corporate governance and the ownership structure of CAREL Industries S.p.A. on 3 March 2022.

in accordance with article 123-bis of Legislative decree no. 58 of 24 February 1998
(traditional administration and control model)



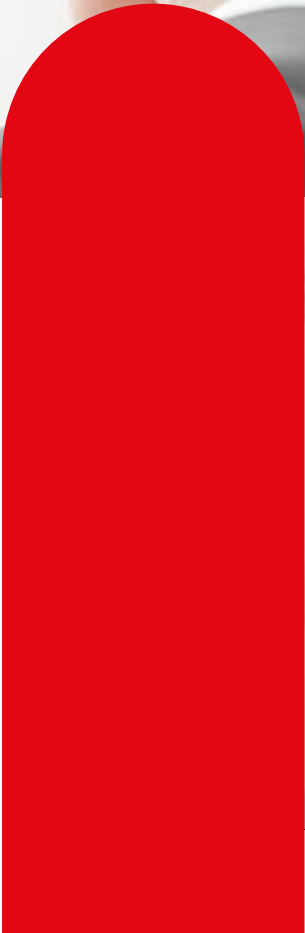
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GLOSSARY

Borsa Italiana	Borsa Italiana S.p.A., registered office in Piazza Affari 6, Milan
Carel, issuer or company	CAREL Industries S.p.A., registered office in Via dell'Industria, 11, Brugine (PD), VAT no., tax code and Padua company registration no. 04359090281.
Code /Code of Corporate Governance	The Code of Corporate Governance of Listed Companies approved in January 2020 by the Corporate Governance Committee.
Cod. civ. / c.c.	The Italian civil code
Corporate Governance Committee	The Italian Corporate Governance Committee of Listed Companies, promoted by Borsa Italiana, as well as ABI (the Italian Bankers Association), ANIA (the Italian Insurance Association), Assogestioni (the Italian Investment Management Association), Assonime (the Association of Italian Joint Stock Companies) and Confindustria (General Confederation of Italian Industry).
Consob	The national commission for listed companies and the stock exchange, registered office in Via Martini 3, Rome.
Board of directors or board	The company's board of directors.
Report date	3 March 2022, the date on which this report was approved by the company's board of directors.
231 decree	Legislative decree no. 231 of 8 June 2001.
Year	The year ended 31 December 2021 to which this report refers.
Euronext Milan	Stock exchange organised and managed by Borsa Italiana.
Group or Carel Group	Collectively CAREL Industries S.p.A. and the companies it controls as per article 2359 of the Italian Civil Code and article 93 of the CFA.
Related party procedure	This has the meaning set out in section 10 of this report, as defined below.
Issuers' Regulation	The regulation issued by Consob with resolution no. 11971 of 14 May 1999 for issuers, as subsequently amended and integrated.
Related party regulation	The regulation issued by Consob with resolution no. 17221 of 12 March 2010 for issuers, as subsequently amended and integrated.
Report	This corporate governance report prepared in accordance with article 123-bis of the CFA and article 89-bis of the Issuers' Regulation.
By-laws	The company's by-laws in force at the report date.
CFA or Consolidated Finance Act	Legislative decree no. 58 of 24 February 1998, as subsequently amended and integrated.

Unless specified otherwise, reference should be made to the definitions contained in the Code of Corporate Governance for: **directors, executive directors, independent directors, significant shareholders, chief executive officer (CEO), board of directors, board of statutory auditors, business plan, companies with concentrated ownership, large companies, sustainable success and senior management.**



INTRODUCTION

As required by the legislation and regulations applicable to companies listed on Euronext Milan and to ensure the correctness and transparency of corporate disclosures, this report presents CAREL's corporate governance system.

Its format complies with that made available to issuers by Borsa Italiana in January 2022.

CAREL has been listed on the STAR segment of Euronext Milan since 23 May 2018.

In its meeting of 18 February 2021, CAREL's board of directors resolved on the adoption of the new Code of Corporate Governance, which guarantees compliance with international best practices. Carel informs the market on how it intends to apply this new Code in this report.

The report has been published in the Investor Relations/Shareholders' Meetings/Shareholders' Meeting 22 April 2022 section of the company's website www.carel.com.

1. COMPANY PROFILE

CAREL's corporate governance structure, based on the traditional administration and control system, comprises the following bodies:

- i. the **board of directors**, which oversees the company's running;
- ii. the **board of statutory auditors**, whose tasks comprise monitoring (i) compliance with the law and by-laws and correct administration principles, (ii) the internal controls and administrative-accounting system, and the latter's reliability in properly presenting the company's operations, (iii) the proper implementation of the corporate governance rules established by the codes of conduct issued by the managers of regulated stock markets or sector associations that the company confirms it complies with in a public statement, (iv) the adequacy of the instructions given to the subsidiaries about the disclosure of inside information, and (v) the financial reporting process, the efficiency of internal controls, internal audit and risk management systems, the statutory audit of separate and consolidated financial statements and the independence of the audit company;
- iii. the **shareholders**, authorised to resolve on all matters reserved to them by the law or by-laws.

The board of directors has two committees:

- iv. the **audit, risk and sustainability committee**, which supports the board of directors' assessments and decisions on the internal control and risk management system by performing appropriate checks, as well as the board of director's approval of the company's financial reports and sustainability reports;
- v. the **remuneration committee**, which mainly advises and makes recommendations to the board of directors on remuneration issues and oversees the preparation of the documentation to be presented to the board of directors to support the relevant decisions.

Each committee has three non-executive, independent directors as its members. They have an internal regulation which establishes their role and duties.

The statutory audit is performed by an **audit company**, included in the register of independent auditors, appointed by the shareholders on the basis of a reasoned proposal made by the board of statutory auditors.

In addition and in accordance with the Code of Corporate Governance and regulations in force, the company has also:

- a. elected three independent directors out of a total of the seven members of the board of directors;
- b. defined the guidelines for the internal control and risk management system, appointing the managers in charge;
- c. adopted an inside information procedure, an insider register and an internal dealing procedure;
- d. adopted the related party procedure required by article 4 of the Related party regulation;
- e. appointed an Investor Relator to liaise with the shareholders;
- f. adopted a shareholders' meeting regulation;
- g. adopted a regulation governing the working of the board of directors and its committees;
- h. set quantitative and qualitative criteria to evaluate the significance of circumstances relevant under the Code, when assessing the independence of directors and statutory auditors;
- i. adopted a shareholder dialogue policy;
- j. adopted a Code of Ethics;
- k. adopted an organisational, management and control model as per the 231 decree and a supervisory body.

The board of directors steers the company in complying with the Code's principles and recommendations in the pursuit of sustainable success, which translates into the creation of long-term value for shareholders, taking into account the interests of the other key stakeholders. Reference should be made to the sections of

this report that describe: (i) how this objective is integrated into the strategies (section 4.1), the remuneration policies (section 8) and the internal control and risk management system (section 9); (ii) the specific corporate governance measures taken (sections 6 and 9, in relation to the set up of the audit, risk and sustainability committee, whose role is to support the board in analysing those issues important for the generation of long-term value).

CAREL Group is committed to adopting strategic choices that also focus on sustainability. The group falls within the scope of application of Legislative decree no. 254/2016 (which implemented Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014), which requires some companies and certain large groups to report non-financial information and on diversity. Accordingly, the company is required to publish a consolidated non-financial statement, as a separate document to the annual report, on its website www.carel.com, under Investor Relations/Sustainability.

At the report date, the company qualified as an SME in accordance with article 1.1.w-quater.1) of the CFA and article 2-ter of the Issuers' Regulation as per the list of SMEs published by Consob on its website pursuant to article 2-ter.2 of the Issuers' Regulation. This list shows that CAREL qualifies solely due to its turnover in accordance with the transitional regime provided for by article 44-bis.2 of Decree law no. 76 of 16 July 2020, coordinated with the Conversion law no. 120 of 11 September 2020. The company's capitalisation at the report date approximated €2.660 billion. The company's capitalisation at 31 December 2021 approximated €1.938 billion. The company's turnover for 2021 was €215,424,960.

For the purposes of Code's flexible application options, the company meets the definitions of a "company with concentrated ownership" and a "large company" at the report date.

2. THE OWNERSHIP STRUCTURE (ARTICLE 123-BIS.1 OF THE CFA) AT THE REPORT DATE

a) Share capital (article 123-bis.1.a) of the CFA)

At the report date, CAREL's subscribed and paid-up share capital amounted to €10,000,000.00, split into 100,000,000 ordinary shares without a nominal amount.

The shares are dematerialised in accordance with article 83-bis and following articles of the CFA. They can be transferred and have the same dividend and voting rights established by the law and the by-laws, except for that provided for by article 13 of the by-laws.

At the report date, the company has not issued other share categories, convertible financial instruments or financial instruments that can be exchanged with shares.

Table 1 attached to this report provides more information about the ownership structure.

On 7 September 2018, the shareholders approved an incentive plan involving the free award of ordinary CAREL shares, the "2018-2022 equity-settled performance plan", to beneficiaries to be identified, including on more than one occasion, from among the executive directors, key management personnel and employees of the company or its subsidiaries depending on the strategic importance of their positions.

Moreover, in their meeting of 22 April 2022, the shareholders approved the adoption, in accordance with article 114-bis of the CFA, of another incentive plan involving the free award of ordinary CAREL shares, the "2021-2025 equity-settled performance plan", to beneficiaries to be identified, including on more than one occasion, from among the executive directors, key management personnel and employees of the company or its subsidiaries depending on the strategic importance of their positions.

The shares earmarked for the above equity-settled incentive plans are comprised exclusively of treasury shares. At the report date, there are no equity-settled incentive plans that entail capital increases, including bonus capital increases.

More information about the plans is available in the document prepared in accordance with article 114-bis of the CFA and article 84-bis of the Issuers' Regulation, which is available for consultation at the company's registered office, at Borsa Italiana and on the company's website (www.carel.com) in the Investor Relations/ Shareholders' Meetings section. Information is also available in the remuneration report drawn up in accordance with article 123-ter of the CFA and article 84-quater of the Issuers' Regulation, available on the company's website www.carel.com and as provided for by the ruling regulations.

b) Restrictions to the transfer of shares (article 123-bis.1.b) of the CFA)

At the report date, there were no restrictions to the transfer of shares, such as limitations on the number of shares that may be held or the need to obtain the approval of the company or other shareholders.

c) Significant investments in share capital (article 123-bis.1.c) of the CFA)

At the report date, the company qualified as an SME in accordance with article 1.1.w- quater.1) of the CFA and article 2-ter of the Issuers' Regulation as per the list of SMEs published by Consob on its website pursuant to article 2-ter.44 of the Issuers' Regulation. This list shows that CAREL qualifies solely due to its turnover in accordance with the transitional regime provided for by article 44-bis.2 of Decree law no. 76 of 16 July 2020, coordinated with the Conversion law no. 120 of 11 September 2020.

Therefore, the minimum investment percentage that requires disclosure in accordance with article 120 of the CFA is 5% rather than 3%.

At the report date, based on the shareholder register, communications received pursuant to article 120 of the CFA and other information available to the company, the parties indicated in Table 1 attached hereto hold company shares equal to or greater than 5% of its share capital directly or indirectly. Specifically, they are:

- **Luigi Rossi Luciani S.a.p.a.**, which directly holds shares equal to 36.17% of the share capital, with voting rights of 45.05% due to the shareholder's inclusion in the list of loyalty shares;
- **Luigi Nalini S.a.p.a.**, which directly holds shares equal to 20.00% of the share capital, with voting rights of 24.91% due to the shareholder's inclusion in the list of loyalty shares;
- **7 Industries B.V.**, which directly holds shares equal to 4.93% of the share capital, with voting rights of 5.81% due to the shareholder's inclusion in the list of loyalty shares.

d) Shares with special rights (article 123-bis.1.d) of the CFA)

At the report date, the company has not issued shares that give special controlling rights, nor do the by-laws provide for special powers for certain shareholders or holders of specific categories of shares.

In accordance with article 127-quinquies of the CFA, article 13 of the by-laws establishes that each share held by the same party for at least 24 consecutive months from the date of its inclusion in the relevant register kept by the company has two votes. The holder of the voting rights may irrevocably waive its right, in whole or in part, to the second vote.

The company keeps a loyalty share list which it updates every three months (31 March, 30 June, 30 September and 31 December) or at other dates as provided for by the sector regulations and, moreover, before the record date.

Loyalty shares are considered in the calculation of the constitutive and deliberative quorums. They do not affect rights other than voting rights attributable to holders of specific investment percentages.

The by-laws and loyalty shares regulation provide more information about this and are available on the company's website www.carel.com. In accordance with article 143-quater of the Issuers' Regulation, identifying data of the shareholders that have requested inclusion in the special list and details of their investments (which are higher than the ceilings indicated in article 120.2 of the CFA) and the date of their inclusion are also available on the website.

e) Shares held by employees: voting right exercise mechanism (article 123-bis.1.e) of the CFA)

At the report date, the company has not adopted specific equity-settled plans for its employees that would give them voting rights. Information about the 2018-2022 and 2021-2025 equity-settled performance plans is available in the remuneration report and the document on the plans published in accordance with the ruling regulations and posted on the company's website www.carel.com.

f) Restrictions to voting rights (article 123-bis.1.f) of the CFA)

The by-laws do not contain specific restrictions to the voting rights, such as limitations on voting rights to a set percentage or number of votes or conditions for the exercise of voting rights or systems whereby, with the cooperation of the company, dividend rights tied to the shares are separate to ownership of the shares.

g) Shareholder agreements (article 123-bis.1.g) of the CFA)

At the report date, the company was aware of two shareholder agreements.

On 10 June 2018, Luigi Rossi Luciani S.a.p.a. and Luigi Nalini S.a.p.a. entered into a shareholder agreement, renewed until 10 June 2024, for the appointment of members to CAREL's corporate bodies (the "**agreement**"). At the report date, the total number of Carel shares transferred as part of the agreement is 56,167,440, equal to 56.17% of the company's share capital and 112,334,880 voting rights or roughly 69.6% of the share capital with voting rights. The agreement was entered into to create a voting syndicate for the appointment of the members of the company's corporate bodies in accordance with article 122.1 of the CFA.

On 27 July 2015, Cecilia Rossi Luciani, Carlotta Rossi Luciani and Vittorio Rossi Luciani, who have investments equal to 99.99% of Luigi Rossi Luciani S.a.p.a. as bare ownership with voting rights shared in an undivided co-ownership regime, agreed a regulation to govern this undivided co-ownership (the "**regulation**"). The regulation includes, inter alia, shareholder agreements for voting and blocking syndicates pursuant to article 122.1/5.b) of the CFA. In turn, Luigi Rossi Luciani S.a.p.a. holds 45.05% of CAREL's shares carrying voting rights.

The complete versions of the agreement and the regulation were sent to Consob and filed with the Padua Company Registrar on 14 June 2018. The key information taken from these documents was published on the company's website www.carel.com in the Corporate Governance/Shareholders' Agreements section.

h) Change of control clauses (article 123-bis.1.h) of the CFA) and by-laws provisions for takeover bids (articles 104.1-ter and 104-bis.1 of the CFA)

At the report date, the company has not entered into significant agreements that become effective, can be amended or voided in the case of a change of control over the company or its subsidiaries.

Its by-laws do not provide for waivers from the passivity rule as per article 104.1/1-bis of the CFA or the application of the neutralisation rules as per article 104-bis.2/3 of the CFA.

i) Proxies to increase share capital and authorise the repurchase of treasury shares (article 123-bis.1.m) of the CFA)

The board of directors has not been given proxies to increase share capital as per article 2443 of the Italian Civil Code. The by-laws do not provide for the possibility of issuing participating financial instruments.

Pursuant to article 6 of the by-laws, the shareholders may authorise the board of directors to increase share capital or issue convertible bonds up to a set amount and for a maximum period of five years from the date on which they pass the related resolution.

In accordance with article 2441.4.2 of the Italian Civil Code, the company may resolve to increase share capital with the rights of first option for up to 10% of its existing capital, as long as the issue price matches the shares' market price and this is confirmed by the audit company in a specific report.

On 20 April 2021, the shareholders revoked the authorisation to repurchase and allocate treasury shares, for the part not yet performed, which it had given the company's board of directors on 20 April 2020.

The shareholders concurrently authorised the board of directors to repurchase treasury shares in one or more instalments up to a maximum of 5,000,000 shares (considering the treasury shares already held by the company and its subsidiaries from time to time), equal to 5% of the company's share capital. The authorisation had the following purposes: (i) to comply with obligations arising from equity-settled performance plans or other share plans for the employees, directors and statutory auditors of the company, its subsidiaries or associates; (ii) to purchase treasury shares held by employees of the company or its subsidiaries and assigned or subscribed pursuant to articles 2349 and 2441.8 of the Italian Civil Code, or as a result of remuneration plans approved pursuant to article 114-bis of the CFA; (iii) to carry out transactions to support market liquidity to thereby facilitate regular trading and avoid price fluctuations that are not in line with market trends; and (iv) to undertake sale, exchange, trade-in, contribution transactions or other acts of disposal of treasury shares to acquire equity stakes and/or real estate and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within

the development goals of the company and of the CAREL Group.

The authorisation to repurchase treasury shares was requested for the maximum period of time envisaged by article 2357.2 of the Italian Civil Code, i.e., 18 months from the date of shareholder approval. The repurchases shall take place within the limits of the distributable profits and available reserves shown in the most recent regularly approved financial statements at the date of each transaction (i) at a price that does not deviate, by excess or defect, by more than 20% from the reference price recorded by the share at the stock exchange session of the day preceding each individual transaction, and in any event (ii) at a price that does not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase offer made at the trading venue where the repurchase is made.

The shareholders also authorised the company's board of directors to sell (in whole or in part, or in more than one instalment), for the same purposes as those set out above, treasury shares in portfolio pursuant to article 2357 of the Italian Civil Code without any time constraint, including before the maximum number of treasury shares has been repurchased and possibly when they are repurchased so that the treasury shares held by the company and, if necessary, by its subsidiaries, do not exceed the authorised number. The resolution was passed with the favourable vote of the majority of the company's shareholders attending the meeting, other than the shareholders who hold, including jointly, the majority stake, including a relative majority, provided that it exceeds 10% (ten) (i.e., Luigi Rossi Luciani S.p.a. and Luigi Nalini S.p.a.). The exemption under the combined provisions of article 106.1/1-bis/1-ter, to the extent applicable, and article 3 of the CFA and article 44-bis.2 of the Issuers' Regulations, shall apply to such shareholders.

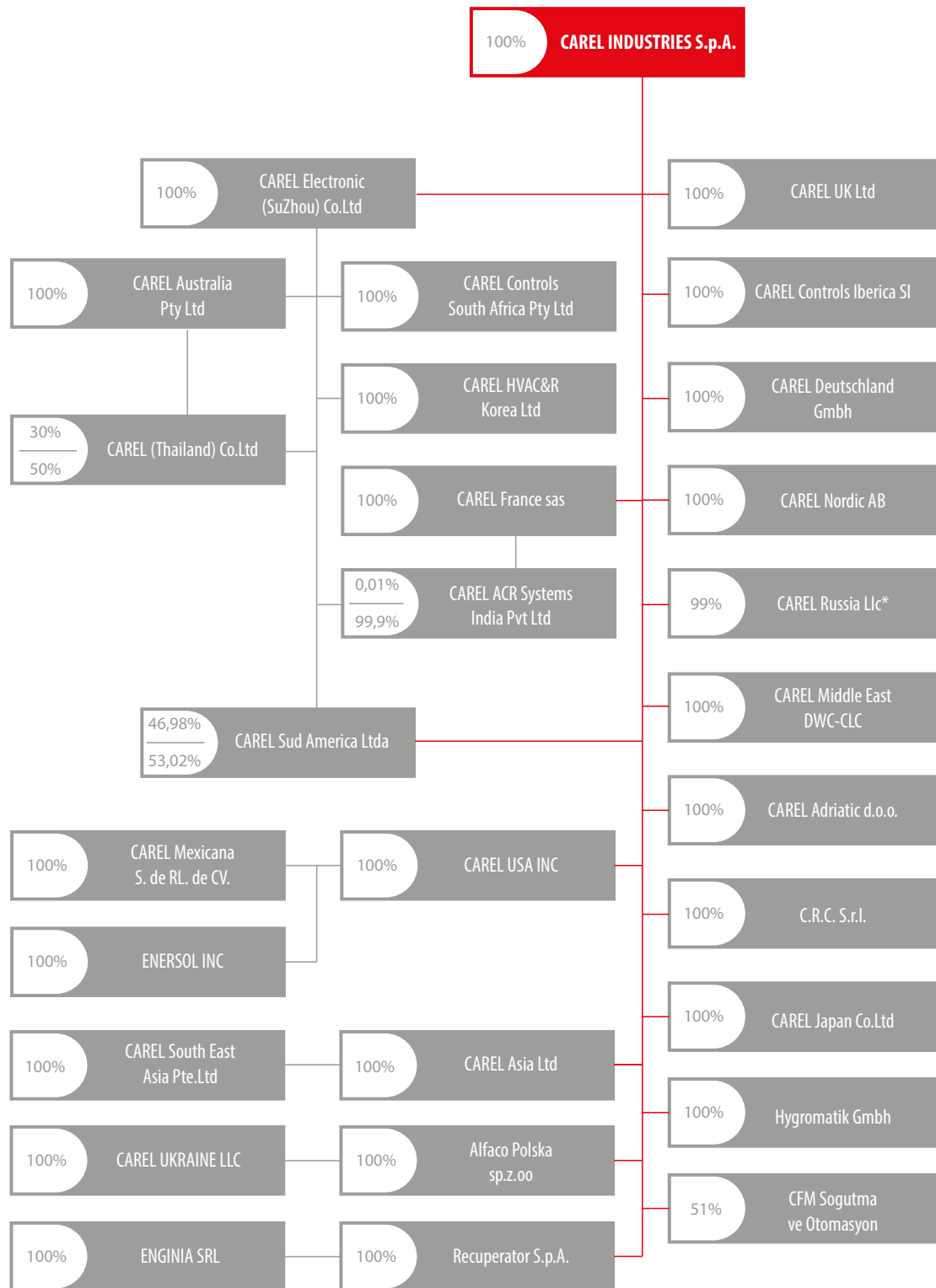
At the reporting date of 31 December 2021, the company held 100,521 treasury shares; at the report date the company holds 100,521 treasury shares.

I) Management and coordination (article 2497 and following articles of the Italian Civil Code)

The company is not managed and coordinated by another party as per the provisions of article 2497 and following articles of the Italian Civil Code. After reviewing its situation, the company deems that it does not perform any of the activities that would require management and coordination in accordance with article 2497 and following articles of the Italian Civil Code. Specifically, although it is controlled by another company, CAREL does not deem that it is required to comply with the disclosure requirements of article 16.1.a) of the Market Rules, as none of its shareholders, including Luigi Rossi Luciani S.p.a., which holds 45.05% of its share capital with voting rights, manages and coordinates it as per the provisions of article 2497 and following articles of the Italian Civil Code, as per the communication received by the company on 9 November 2015 and duly notified to the competent Company Registrar on 10 November 2015. In addition, the company is included in the consolidated financial statements of Luigi Rossi Luciani S.p.a.

* * *

The following graph shows the group companies and the company's investments therein at the report date.



*= 1% held by CAREL FRANCE SAS

Specifically:

- a. The information required by article 123-bis.1.i) of the CFA (agreements between the company and the directors [...] that provide for term of office entitlement in the case of their resignation, dismissal without just cause or termination of the relationship due to a takeover bid) are presented in the remuneration report published in accordance with article 123-ter of the CFA on the company's website (www.carel.com) and with the other legally-required methods;
- b. the information required by article 123-bis.1.l.i), part 1, of the CFA (regulations governing the appointment and replacement of directors [...], where they are different from applicable supplementary legislative and regulatory provisions) is presented in the section of this report on the board of directors (see section 4.2);
- c. the information required by article 123-bis.1.l.), part 2, of the CFA (regulations governing [...] the amendment of the by-laws, where different from applicable supplementary legislative and regulatory provisions) is presented in the section of this report on the shareholders' meeting (see section 13).

3. COMPLIANCE (ARTICLE 123-BIS.2.A) OF THE CFA)

The company complies with the provisions of the Code of Corporate Governance.

The Code of Corporate Governance is available on the committee's website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.eng.en.pdf>.

Neither the company nor its subsidiaries (including key subsidiaries) are required to comply with non-Italian laws that would affect its corporate governance structure.

The company's main corporate governance tools are set out below (they comply with the most recent regulatory and legislative requirements, the Code of Corporate Governance and national and international best practices:

- By-laws;
- Shareholders' meeting regulations;
- Organisational, management and control model as per the 231 decree and a supervisory body;
- Code of Ethics;
- Company departments for internal control and the investor relations manager;
- Regulation of the board of directors;
- Regulation of the audit, risk and sustainability committee;
- Regulation of the remuneration committee;
- Shareholder dialogue policy;
- Related party procedure adopted in accordance with article 4 of the Related party regulation;
- Inside information procedure and register of people with access to inside information;
- Internal dealing procedure.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The board of directors steers the company in the pursuit of sustainable success, which translates into the creation of long-term value for shareholders, taking into account the interests of the other key stakeholders.

To this end, the board defines the strategies of the company and the group it heads in line with the pursuit of sustainable success and monitors their implementation. It also establishes the most appropriate corporate governance system for the company's business and the pursuit of its strategies, taking into account the degree of autonomy offered by the regulation. If necessary, it assesses and promotes the appropriate amendments, submitting them to the approval of the shareholders when they fall under their remit.

Moreover, the board of directors fosters dialogue with shareholders and other key stakeholders in the most appropriate manner.

To enable the pursuit of the above objectives, it is the company's consolidated practice that the board of directors:

- reviews and approves the business plan of the company and its group, including an analysis of issues relevant for the generation of long-term value;
- monitors the implementation of the business plan and assesses general performance by regularly checking results against the budget;
- defines the nature and level of risk in line with the company's strategic objectives, considering all aspects relevant to the company's sustainable success;
- defines the corporate governance system of the company and the structure of its group;
- assesses the adequacy of the organisational, administrative and accounting structure of the company and its key subsidiaries, especially as regards their internal control and risk management system (see section 9);
- approves transactions of the company and its subsidiaries that are of strategic, economic, financial or capital importance, defining general criteria to identify these transactions;
- upon the proposal of the chairperson in agreement with the chief executive officer, adopts a procedure for the internal and external management of company documents and information, with particular reference to inside information (see section 5).

The main activities carried out by the board of directors in relation to the above areas during the year and up to the report date are presented below.

The company's board of directors reviewed and approved the annual budget, including an analysis of issues that are relevant for the generation of long-term value. In identifying the nature and level of risk in line with the company's strategic objectives, the group included a consideration of aspects that may be significant for sustainability purposes. During the year, the board of directors monitored the implementation of the business plan and assessed the company's performance based on the regular, detailed information received from the competent bodies at each board meeting and by regularly checking results against the budget.

On 21 February 2022, also based on that reported by the chairperson of the audit, risk and sustainability committee and the assessments of the chief executive officer, the board of directors deemed the organisational, administrative and accounting structure of the company and its group (including key subsidiaries) to be adequate, including in relation to the internal control and risk management system.

Moreover, on the same date, the board of directors did not deem it necessary to define general criteria to identify transactions that are of strategic, economic, financial or capital importance to the company and its

subsidiaries, as it prefers to assess each situation individually based on the information received from the executive directors.

Again on 21 February 2022, the board did not deem it necessary or opportune to prepare reasoned proposals to be submitted to the shareholders for the definition of a different corporate governance system, deeming the current corporate governance system of the company and the group it heads to be adequate and functional (see section 13).

Lastly, the company adopted a procedure for the internal management and external communication of documents and information about the company (see section 5) and a shareholder dialogue policy (see section 12).

Reference should be made to the other paragraphs of section 4, as well as sections 7, 8 and 9 of this report, respectively, for further information on the board in terms of its composition, role, appointment and self-assessment, remuneration policy, internal control and risk management system.

4.2 APPOINTMENT AND REPLACEMENT (ARTICLE 123.BIS.1.L OF THE CFA)

In accordance with article 17 of the by-laws, the company is managed by a board of directors which has between 5 (five) and 13 (thirteen) members, decided by the shareholders in an ordinary meeting when they appointed the directors or changed in a subsequent resolution.

The directors have a term of office of not more than three years, as decided by the shareholders. Their term of office expires when the shareholders meet to approve the financial statements related to their last year of office.

On 20 April 2021, the shareholders set the number of directors as seven and their term of office as three years, until approval of the financial statements at 31 December 2023.

The shareholders appoint the directors in an ordinary meeting using the lists system, except when decided otherwise or provided for by mandatory laws or regulations.

Shareholders that, when the list is presented, either individually or jointly hold a number of shares equal to the percentage established by Consob pursuant to the applicable legislation and regulations, may present lists of candidate directors. In accordance with the applicable legal, regulatory and by-laws provisions and Consob management decision no. 60 of 28 January 2022, the lists of candidates may be presented by shareholders that either individually or jointly hold a number of shares equal to at least 1% of the shares with voting rights in ordinary shareholders' meetings.

The lists are lodged at the company's registered office using the methods established by the ruling regulations at least 25 days before the meeting called to resolve on the appointment of directors. The company shall make the lists available to the public at least 21 days before the meeting date using the methods established by the ruling regulations.

Shareholders, including those belonging to the same group of companies or that have entered into a significant shareholder agreement as per article 122 of the CFA, may not present or jointly present more than one list, nor may they vote for more than one list, including via trustees or nominees.

Each candidate may be presented in just one list in order to be eligible.

Each list:

- shall include no more than 13 candidates, listed in consecutive order;
- shall include and specifically state that at least one director meets the independence requirements established by the by-laws (the “**independence requirements**”); if the list has more than seven candidates, it shall include and specify at least two candidates with these requirements;
- may not be comprised solely of candidates of the same gender (male or female), if it has three or more candidates, but rather shall have a number of the less represented gender that ensures the presence of directors of the less represented gender in accordance with the laws and regulations in force from time to time about gender balance, without prejudice to the fact that if this is not a whole number, it shall be rounded as provided for by the laws and regulations applicable from time to time;
- shall have the documentation required by the by-laws and all other statements, information and/or documents required by law and the application regulations attached as an annex thereto.

A) When two or more lists are presented, the candidates are voted for and the directors appointed using the following methods:

- candidates from the two lists with the most votes are elected by applying the following criteria: (i) a number of candidates equal to the total number of directors to be elected less one is taken from the list that obtained the most votes (the “**majority list**”) in consecutive order of presentation; (ii) one director, the first on the list, is taken from the list that received the second most votes and is not linked (including indirectly) to the shareholders that presented or voted for the majority list (the “**minority list**”);
- the lists that have not received a number of votes at least equal to half the number of shares required to present a list are not considered;
- should lists receive the same number of votes, the shareholders re-vote solely for these lists and the winning list is that which receives the most votes;
- should the independence requirements not be met using the above methods, the following approach is taken: the candidate who does not meet the independence requirements established by the law for directors of listed companies and who has been elected last in consecutive order from the list that received the most votes is replaced by the first candidate with the independence requirements established by the law for directors of listed companies not elected from the same list, in consecutive order. If this approach does not lead to a sufficient number of independent directors as established by the law for directors of listed companies, the elected non-independent director is replaced by means of a resolution taken by the shareholders by majority vote, after presentation of candidates with the independence requirements established by the law for directors of listed companies;
- if the regulations about gender balance are not complied with using the above methods, the candidates of the most represented gender elected last in consecutive order from the majority list are replaced with the first unelected candidates on the same list of the other gender; if this is not possible, in order to comply with the above regulations about gender balance, the shareholders shall appoint directors using the ordinary methods and majority vote, without using the list voting mechanism.

B) When just one list is presented, the shareholders vote for this list and if it obtains a relative majority, all the directors are taken from that list in accordance with the legal and regulatory provisions applicable from time to time and the gender balance regulations set out above.

C) If no list is presented or just one list is presented but does not obtain the relative majority of votes or if the number of elected directors is lower than the number to be elected or if the entire board of directors does not have to be replaced or if it is not possible to elect directors using the above methods for any reason whatsoever, the shareholders shall appoint the directors using the ordinary methods and majority vote, without using the list voting mechanism, as long as the minimum number of independent directors and gender balance requirements are met.

Should directors leave office, the legal provisions apply without the obligation to use the list voting mechanism, as long as the minimum number of independent directors and gender balance requirements are met.

The loss of independence by a director entails their resignation pursuant to article 147-ter.4 of the CFA solely if the minimum number of independent directors established by the CFA is no longer met.

The company does not have to comply with any other regulations covering the composition of its board of directors.

Reference should be made to section 7 for information on the role of the board of directors and its committees in the self-assessment, appointment and succession processes for directors.

4.3 COMPOSITION (ARTICLE 123-BIS.2.D)/D-BIS OF THE CFA)

The board of directors in office at 31 December 2021 was appointed by the shareholders in their ordinary meeting of 20 April 2021 for a three-year term, i.e., until approval of the financial statements at 31 December 2023. It is comprised of seven members: Luigi Rossi Luciani (executive chairperson), Luigi Nalini (executive deputy chairperson), Francesco Nalini (chief executive officer), Carlotta Rossi Luciani (executive director), Cinzia Donalizio, Maria Grazia Filippini and Marina Manna (non-executive independent directors).

Two lists were presented within the timeframes established by law and the by-laws for the renewal of the board of directors:

- List 1, presented jointly by the shareholders Luigi Rossi Luciani S.a.p.a. and Luigi Nalini S.a.p.a., owners of a total of 56,167,440 shares of the company, accounting for 56.17% of its share capital. The list of candidates in List 1 was as follows: Luigi Rossi Luciani (chairperson), Luigi Nalini (deputy chairperson), Francesco Nalini, Carlotta Rossi Luciani, Marina Manna, Cinzia Donalizio and Giovanni Costa;
- List 2, presented by Amundi Asset Management SGR S.p.A., manager of the following funds: Amundi Sviluppo Italia, Amundi Accumulazione Italia PIR 2023, Amundi Valore Italia PIR and Amundi Dividendo Italia; Arca Fondi SGR S.p.A., manager of the following funds: Fondo Arca Economia Reale Equity Italia, Fondo Arca Economia Reale Bilanciato Italia 30, Fondo Arca Azioni Italia and Fondo Arca Economia Reale Bilanciato Italia 55; Eurizon Capital S.A., manager of the Eurizon Fund sector: Equity Italy Smart Volatility; Eurizon Capital SGR S.p.A., manager of the following funds: Eurizon PIR Italia 30, Eurizon Progetto Italia 20, Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Azioni Pmi Italia, Eurizon Progetto Italia 40 and Eurizon PIR Italia Azioni; Kairos Partners SGR S.p.A. in its role as manager of Kairos International Sicav – Italian segment; Mediolanum International Funds Limited – Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A., manager of the following funds: Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia; Pramerica SGR S.p.A., manager of the following funds: MITO 25 and MITO 50, holders of a total of 2,150,720 shares of the company, accounting for 2.15072% of its share capital. The list of candidates in List 2 was as follows: Maria Grazia Filippini.

The directors, Luigi Rossi Luciani (executive chairperson), Luigi Nalini (executive deputy chairperson), Francesco Nalini (chief executive officer), Carlotta Rossi Luciani (executive director), Cinzia Donalisio and Maria Grazia Filippini (non-executive independent directors), were taken from List 1, which obtained 83.80% of the total votes represented at the shareholders' meeting;

The director Maria Grazia Filippini (non-executive independent director) was taken from List 2, which obtained 16.08% of the total votes represented at the shareholders' meeting.

No changes were made to the board of directors between 31 December 2021 and the report date.

Accordingly, the board of directors is comprised of executive and non-executive directors with the professional experience and expertise necessary for the tasks entrusted to them. The number and the expertise of the non-executive directors are such to ensure their decision-making power is significant during the adoption of board resolutions and to ensure they can effectively monitor operations; a significant number of the non-executive directors are independent, since all the non-executive directors are independent.

The directors' personal and professional expertise and characteristics are summarised below.

Luigi Rossi Luciani, after earning a high school diploma in accounting, he commenced his business career in 1966, founding Nastrificio Victor S.p.A. in Piove di Sacco (Padua) of which he is the chairperson at the report date. Since the 1990s, he has been involved in various business associations; in particular, from 2000 to 2005, he was chairperson of Confindustria (General Confederation of Italian Industry) for the Veneto region and a member of Confindustria's executive board. He is one of the company's founders and serves as its chairperson, including at the report date.

Luigi Nalini, obtained a degree in Mechanical Engineering from "La Sapienza" University of Rome in 1970. He began his career with Hiross Group, initially as R&D Manager and then as Technical Director. From 1988 to 1997, as co-founding shareholder, he served as Technical Director and General Manager of Uniflair S.p.A.. He is one of the company's founders and was chief executive officer from 1997 to 2018. He is CAREL's executive deputy chairperson, including at the report date.

Francesco Nalini, obtained a degree in Engineering Management from the University of Padua in 1997, worked at McKinsey from 2001 to 2002 and, from 2002 to 2005, was ICT Manager at Errennegi S.r.l.. Since November 2017, he has been a member of the board of directors of Università degli Studi in Padua. He joined the company in 2005, where he served as Director of Operations before becoming general manager of the company from 2005 to 2018. Since March 2018, he has been the company's chief executive officer, including at the report date.

Carlotta Rossi Luciani, holds a degree in Industrial Design from the Italian Design School of Padua, and a Master's Degree in Lean Management from the University Corporate Organization Center of Altavilla Vicentina (province of Vicenza). From 2009 to 2012 she was a graphic designer for a number of companies and joined CAREL in 2013, specialising in the "lean" sector. Since January 2017, she has been Lean Development Office Manager for CAREL Adriatic. Since March 2018, she has been a director of CAREL, including at the report date.

Cinzia Donalisio, obtained a degree in Computer Science from the University of Pisa in 1984. She has held a number of managerial positions, mostly in financing and insurance related roles, in companies such as Olivetti S.p.A., Ericsson Telecomunicazioni S.p.A., SIA S.p.A. and Thesia S.p.A.. From 2011 and 2012, she was the Head of Banking Division of Wincor-Nixdorf S.p.A.. Since 2013, she has been a founding shareholder and she is also managing partner and CEO of Governance Advisory S.r.l., including at the report date. At such date, she also holds the position of sole director of Innovation&Governance and is chairperson of the board of directors of V&M family partners S.p.A.. At the report date, she is a director of CAREL.

Marina Manna obtained a degree in Economics and Business from the Ca' Foscari University of Venice in 1984. She is included in the register of chartered accountants of the Padua Court and the register of independent auditors since 1989. She has worked as a chartered accountant since 1989 mostly providing tax consulting services and technical services for civil and criminal proceedings. She is a lecturer at the Scuola di Alta Formazione of the Italian Association of Chartered Accountants. She has held positions at the Padua branch

of the Italian Association of Chartered Accountants. She was a director of Banco di Napoli S.p.A. and she is currently a director of Alta Vita – Istituzioni Riunite di Assistenza e Università degli Studi di Padova, chairperson of the board of statutory auditors of SINLOC S.p.A. – SISTEMI INIZIATIVE LOCALI and BLM S.p.A., as well as statutory auditor for certain medium and large companies (including Carraro S.p.A., Nice Group S.p.A. and Pandolfo Alluminio S.p.A.). At the report date, she is a director of CAREL.

Maria Grazia Filippini, with a degree in information science from the University of Milan, she has three decades of experience in the information technology field in services and products companies. She has taken on roles with increasing levels of responsibility, including as general manager and CEO of public and private companies, organising and managing international teams. At the report date, she is an independent director of Eurotech S.p.A.. At the date of report, she is a director of CAREL.

More information about the company's board of directors is provided in Table 2 (attached).

This report also includes an attached list of all the positions held by the directors in other companies at the report date, using the criteria established herein.

Diversity criteria and policies for the board of directors and the company's organisation

Carel has applied diversity criteria (including for gender) in the composition of its board of directors, with due regard for the key objective of ensuring adequate expertise and professionalism among its members.

Given the company's structure and size, as well as its ownership structure and list voting mechanism provided for by the by-laws, which guarantees transparent elections and a balanced composition of the board of directors, in its meeting of 21 February 2022, the board of directors did not deem it necessary to adopt specific diversity policies and/or practices with respect to the composition of the boards of directors and statutory auditors and the age, gender and educational and professional background of the various members.

In their extraordinary meeting of 20 April 2021, the shareholders of CAREL approved the proposals to amend articles 17 and 23 of the by-laws, in compliance with the budget law no. 160/2019 containing provisions on gender quotas for the boards of directors and statutory auditors of listed companies.

The composition of the board of directors complies with the provisions on gender quotas for the company bodies of listed companies. Specifically, at least two fifths of the board of directors is comprised of directors of the less represented gender, in compliance with the provisions on gender balance in the company bodies of listed companies.

The board of directors was appointed on 20 April 2021, taking into account the guidance on the composition of the new board of directors expressed by the outgoing board of directors on 4 March 2021 as part of its annual self-assessment process. The guidance included the hope that, in presenting the lists, the shareholders would maintain a similar quality level of the board in terms of expertise and experience, taking into account the characteristics, including gender, of the candidates. It also highlighted the opportunity for the shareholders to assess the potential inclusion of individuals with management experience in listed companies or companies comparable to CAREL in terms of size, complexity, internationalism and/or business, with a view to further enriching the board member's backgrounds, professionalism and expertise.

Accordingly, CAREL has applied diversity criteria (including for gender) in the composition of its board of directors, with due regard for the key objective of ensuring adequate expertise and professionalism among its members.

For more information on the measures adopted by the company to promote gender equality across the entire organisation, please refer to the consolidated non-financial statement available under in the Investor Relation/ Sustainability section of the company's website www.carel.com and via the other methods envisaged by current legislation.

Maximum number of positions held in other companies

On 21 February 2022, the board of directors agreed not to define general criteria about the maximum number of positions that can be held in other listed or large companies as director or statutory auditor considered acceptable for the effective performance of duties as a director of the company, without prejudice to each director's obligation to assess the compatibility of their positions as director and statutory auditor in other listed or large companies with their diligent performance of their duties taken on as a director of CAREL, also considering their involvement in board committees.

Considering their positions held in other companies, the company's board of directors deemed that the number and nature of such positions did not interfere with and are, therefore, compatible with their efficient performance of their duties as director of CAREL on the same date.

4.4 ROLE OF THE BOARD OF DIRECTORS (ARTICLE 123-BIS.2.D) OF THE CFA

The board of directors plays a pivotal role in guiding and managing the company. In accordance with article 20 of the ruling by-laws, it has exclusive powers for the company's management. It has the most wide-ranging powers to carry out all those transactions deemed necessary or suitable to achieve the company's business object, except for those reserved to the shareholders by law or the by-laws.

Again as provided for by the by-laws, in accordance with article 2365.2 of the Italian Civil Code, the board of directors is responsible for taking the following decisions, without prejudice to the shareholders' powers: (i) mergers and demergers in the instances covered by articles 2505 and 2505-bis of the Italian Civil Code; (ii) the opening or closing of branches; (iii) the reduction of share capital should one or more shareholders withdraw; (iv) the alignment of the by-laws with regulations; and (v) the transfer of the registered offices within Italy.

The board of directors has adopted a regulation establishing the rules and procedures for its working, also to ensure the effective management of the information to be provided to the directors (the "**regulation**" for the purposes of this section).

One of the areas covered by the regulation is the minutes taking method (by the board secretary or, if a different person, by the secretary of the meeting) and the procedures to manage information to be provided to the directors, specifying the timeline for the timely transmission of information (sufficiently in advance, usually after the meeting has been called) and the methods to protect data and information provided so as not to jeopardise the timeliness and completeness of information streams.

The complete text of the regulation is available in the Corporate Governance/Procedures and Regulations section of the company's website www.carel.com.

During the year, the board of directors met nine times with the following attendance percentages of each director.

Luigi Rossi Luciani	9/9	100%
Luigi Nalini	9/9	100%
Francesco Nalini	9/9	100%
Carlotta Rossi Luciani	9/9	100%

Cinzia Donalisio	9/9	100%
Marina Manna	9/9	100%
Giovanni Costa (*)	2/2	100%
Maria Grazia Filippini (**)	6/7	85,71%

(*) Giovanni Costa was present at both of the two meetings held during the period of the year in which he was director.

(**) Maria Grazia Filippini was present at six of the seven meetings held during the period of the year in which she was director.

The board meetings lasted for an average of around two hours and were conducted in compliance with the regulation.

Nine meetings have been scheduled for 2022, of which three have already been held at the report date.

More information is provided in Table 2 (attached).

The chairperson of the board of directors ensures that all the information and documents necessary to allow the directors to take decisions are made available to them in due time and using the appropriate methods. During the year, documentation about the meeting agendas was sent to the directors and statutory auditors roughly three days before the meeting date.

When the documentation was large or bulky, the information was provided in brief presentations accompanied by tables and charts.

As provided for by the by-laws, the chairperson calls a board meeting whenever they deem it opportune or when at least two directors request it be called. If the chairperson is absent or unable to do so, the board meeting is called by the deputy chairperson, when appointed, or the longest-serving delegated director.

The board of statutory auditors or just one standing statutory auditor may also call a board meeting in accordance with article 151 of the CFA.

Board meetings are called by a notice sent by letter, telegram, telefax or e-mail with notice of receipt to the address of each director or standing statutory auditor at least three days before the date set for the meeting. Urgent meetings can be called with notice sent one day beforehand. Board meetings and their resolutions are valid, even when the meeting has not been formally called, when all the directors and standing statutory auditors in office are present. Should the chairperson be absent or unable to attend, meetings are chaired by the deputy chairperson, if appointed, or in their absence or impediment, by the longest-serving delegated director present at the meeting or, in their absence or impediment, the longest-serving director present.

Board meetings can be held by audio or video conference as long as: (i) the meeting chair and meeting secretary are present in the same place and write and sign the minutes given that the meeting is deemed to have been held in that location; (ii) the meeting chair can check the identity of the participants, direct the meeting and check and announce the results of any votes; (iii) the meeting secretary can adequately follow the meeting for which they are taking the minutes; and (iv) the participants can participate in the discussions and simultaneous voting on the matters on the agenda and can view, receive and send documents.

Moreover, due to the measures brought in by the Italian government to contain and manage the Covid-19 epidemiological emergency (decrees of the Prime Minister applicable to all of Italy), all of the nine meetings could be attended via video conference. The company provided all the participants with the related credentials and access methods each time.

Board resolutions can be taken when the majority of the directors in office are present and by majority vote. In the case of a tie, the vote of the meeting chair prevails.

During the year, the board of directors:

- gave a positive assessment of the adequacy of the organisational, administrative and accounting structure of the company and its group (including key subsidiaries), especially as regards their internal control and risk management system;
- assessed the company's general performance based on the regular, detailed information received from the competent bodies at each board meeting and by regularly checking results against the budget;
- assessed the independence of the directors Marina Manna, Cinzia Donalisio and Maria Grazia Filippini;
- approved the audit plan prepared by the internal audit manager for 2021 after consulting the audit, risk and sustainability committee, the board of statutory auditors and the chief executive officer;
- on 18 February 2021, in accordance with article 3, recommendation 11 of the Code of Corporate Governance, the board of directors adopted a regulation defining the rules for its working, including the minutes-taking method and the procedures to manage information to be provided to the directors. These procedures specify the timeline for the timely transmission of information and the methods to protect data and information provided so as not to jeopardise the timeliness and completeness of information streams. The regulation is available on the company's website www.carel.com in the Corporate Governance/Procedures and Regulations section, to which reference should be made for more information;
- on 4 March 2021, in accordance with article 1, recommendation 3 of the Code of Corporate Governance, the board of directors adopted a shareholder dialogue policy as proposed by the chairperson and agreed with the chief executive officer. This policy is available on the company's website www.carel.com in the Corporate Governance/Procedures and Regulations section, to which reference should be made for more information.

The shareholders have not authorised departures from the competition ban as per article 2390 of the Italian Civil Code.

In addition, during 2022, the board of directors:

- assessed the board itself and its committees, the working, size and composition of the board and the committees using the questionnaires completed by the directors which included (i) assessments on the compliance of the company's corporate governance system with the recommendations of the Code of Corporate Governance; and (ii) recommendations for their better application. The directors sent the questionnaires anonymously through the company secretary to the lead independent director and the board reviewed them on 21 February 2022;
- gave a positive assessment of the adequacy of the organisational, administrative and accounting structure of the company and its group (including key subsidiaries), especially as regards their internal control and risk management system on 21 February 2022;
- checked that the directors Marina Manna, Cinzia Donalisio and Maria Grazia Filippini continued to meet the independence requirements on 21 February 2022.

Reference should be made to section 4.1 for more information on the activities carried out by the board of directors during the year and up to the report date.

4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

On 20 April 2021, the shareholders resolved, inter alia, to appoint Luigi Rossi Luciani as chairperson of the board of directors.

The chairperson of the board of directors acts as an intermediary between the executive directors and the non-executive directors and ensures the effective functioning of the board.

Specifically, during the year, the chairman of the board ensured that:

- the pre-meeting information and additional information provided during the meeting is suitable to allow directors to carry out their duties in an informed manner, ensuring that adequate time is given to each of the matters on the agenda of the respective board meetings to allow a constructive and comprehensive debate and the contribution and exchange of ideas;
- the activities of the board committees (with preliminary, propositional and consultative duties) are coordinated with the those of the board of directors;
- in agreement with the chief executive officer, the managers of the company and its group companies, who are competent on the issues concerned, attend the relevant board meetings to provide insights on the items on the agenda, including at the request of one or more directors. During the year, non-members are often invited to take part in the board meetings, mainly the company's managers and area managers depending on the matters to be discussed, to ensure the directors and statutory auditors are provided with sufficient details thereon;
- all members of the board of directors and board of statutory auditors can take part in initiatives designed to provide them with adequate knowledge of the company's industry and company dynamics and their development, including in relation to the company's sustainable success, after their appointment and during their mandate. Such initiatives also cover risk management issues as well as any relevant part of the regulatory and self-regulatory framework. The company deems that the directors and, especially the executive directors, have sufficient knowledge in this respect. To this end, with respect to the type and organisation of the projects designed to provide the directors, and specifically the independent directors, with a suitable understanding of the above matters during the year, the chairperson of the board of directors habitually organises board induction sessions to provide its members with a suitable understanding of the business sectors, also in the light of the company's performance and changes in its ownership structure. These sessions provided an overview and in-depth look at the company's various business segments through reports and presentations prepared by senior management in the areas of R&D, marketing and sales, HR and organisation, operations and administration and finance and control. Thanks to these meetings, the directors obtained an understanding of the group's business model and products/markets, its competitive leverage, its typical activities and R&D, HRM strategies and the working of the administration, finance and control unit, especially as regards critical issues and risks. During board meetings, the chief executive officer regularly reports on the business sectors in which the company operates, providing updates on its performance and future trends, also in respect of the company's sustainable success, as well as the principles of sound risk management and the legislative framework and internal regulations;
- the adequacy and transparency of the board's self-assessment process.

The chairperson of the board also made sure that the board was kept abreast of the progress and main content of the dialogue with shareholders.

Board secretary

The board of directors adopted the board regulation and appointed a board secretary on 18 February 2021.

At the report date, Arianna Giglio, the company's legal affairs and compliance manager, holds the role of board secretary.

The board has responsibility for appointing and removing, at the chairperson's proposal, the secretary and for the definition of their related requirements (professional experience in particular) and powers. Requirements and powers of the secretary are defined in the board regulation, which requires the secretary to have suitable expertise in the area of company law and corporate governance.

During the year, the secretary assisted the chairperson of the board (particularly as relates to the aspects set out in the previous section 4.5 "Role of the chairman of the board of directors") and provided the board with impartial assistance and advice on all aspects relevant to the proper functioning of the corporate governance system.

The secretary receives suitable support when carrying out their duties, including in the event the board secretary also acts as the secretary of one or more board committees.

4.6 EXECUTIVE DIRECTORS

The board of directors comprises executive and non-executive directors.

As provided for by the by-laws, the board of directors appoints one or more delegated directors, establishing their operating and representation powers within the limits of the law and the by-laws. These powers, limited to certain transactions or categories of transactions or duties, may also be delegated to other members of the board of directors.

On 20 April 2021, the shareholders appointed Luigi Rossi Luciani as chairperson of the board of directors and Luigi Nalini as deputy chairperson of the board of directors.

On 28 April 2021, the board of directors appointed Francesco Nalini chief executive officer, also for the purposes of the Code of Corporate Governance, like in the previous set-up. The chief executive officer, Francesco Nalini, was also confirmed as the director in charge of the internal control and risk management system in compliance with the recommendations of the Code of Corporate Governance.

On the same date, the board of directors also assigned strategic powers to the chairperson, Luigi Rossi Luciani, and to the deputy chairperson, Luigi Nalini (who was also assigned the same powers as those assigned to the chief executive officer if the latter is absent or unable to attend), as well as operating powers and for sustainability matters to the director, Carlotta Rossi Luciani, again like the previous set-up.

Delegated directors

On 28 April 2021, the chief executive officer was given the following operating powers by the board of directors: (i) all ordinary administration powers not reserved by law or the by-laws solely to the board of directors and/or the shareholders to be exercised by single and joint signature up to the threshold of €1,000,000.00 (one million) or its equivalent in another currency or up to the threshold of €5,000,000.00 (five million) or its equivalent in another currency to agree framework supply or sale agreements for each individual transaction; and (ii) all extraordinary administration powers not reserved by law or the by-laws solely to the directors and/or the shareholders to be exercised by single or joint signature up to the threshold of €5,000,000.00 (five million) or its equivalent in another currency for each individual transaction and for a total of €15,000,000 (fifteen

million) or its equivalent in another currency on an annual basis; and (iii) to agree, amend and terminate loan and financing agreements of all types for up to €20,000,000 (twenty million) or its equivalent in another currency per transaction; and (iv) to formulate non-binding offers and sign the non-binding pre-contractual documentation for the acquisition of companies, the set-up of joint ventures and for the completion of non-recurring transactions in general; and (v) the specific power to sub-delegate and/or give proxies within the limits of the powers received.

The chief executive officer has principal responsibility for the company's operations.

Chairperson of the board of directors

On 28 April 2021, the board of directors gave the chairperson of the board of directors the following powers with individual signatory powers and the option to sub-delegate: (i) to explore and assess the strategies and opportunities for business combination (for example and not limited to, mergers, acquisitions, joint ventures) or business development; (ii) to maintain and enter into transactions with banks and credit institutions to agree, amend and terminate loan and financing agreements of all types within the threshold of €5,000,000 (or its equivalent in another currency) per transaction and for a total of €15,000,000 (or its equivalent in another currency) per year; (iii) to maintain relations and manage communications within the group; and (iv) to assign mandates to management consultants up to a threshold of €500,000 (or its equivalent in another currency).

The chairperson of the board of directors was selected from the list presented by the company's majority shareholder and is a separate person to the chief executive officer, who has principal responsibility for the company's operations.

The allocation of powers to the chairperson is in line with the company's traditional structure for its board of directors and is balanced by the appointment of a lead independent director (Maria Grazia Filippini since 28 April 2021).

On 28 April 2021, the board of directors also assigned the deputy chairperson of the board of directors, Luigi Nalini, the powers, to be exercised with single signature and that can be sub-delegated, to define, explore, assess and propose commercial strategic projects for the company and the group as well as responsibility for the new products and technologies sector. He was also given the same powers assigned to the chief executive officer Francesco Nalini to be exercised with single signature and that can be sub-delegated in the case of the chief executive officer's absence or impediment.

Executive committee (article 123-bis.2.d) of the CFA)

As provided for by the by-laws, the board may delegate part of its duties to an executive committee, comprised of between 3 (three) and 5 (five) directors, setting their powers, the number of members and the committee's modus operandi.

At the report date, the company does not have an executive committee.

Information provided to the board by delegated directors/bodies

At the first possible board meeting, the delegated bodies report on their activities carried out in the exercise of their proxies and, in particular, on any atypical, unusual or related party transactions and those of economic, financial or capital significance performed by the company and its subsidiaries.

In addition and pursuant to the by-laws, the directors promptly report to the board of directors at the board meeting or send a written report to the board of statutory auditors at least once a quarter on the activities

and transactions of economic, financial or capital significance performed by the company and its subsidiaries. Specifically, they report on transactions in which they have a direct interest or an interest on behalf of third parties or transactions that are affected by the party that carries out management and coordination activities.

Other executive directors

On 28 April 2021, the board of directors resolved to assign Carlotta Rossi Lucini the following operating powers to:

- define policies for the group's sustainability vision and strategy with the chief executive officer;
- design a sustainability governance system with the chief executive officer;
- establish the periodic improvement objectives with the chief executive officer and check regularly that they are met;
- support the integration of the sustainability activities into the business plan in accordance with the company's Code of Ethics and the Code of Corporate Governance together with the chief executive officer and the dedicated internal units (such as the ESG team and the legal affairs and compliance office);
- identify tools and methods to measure the creation of value over the medium to long term once the sustainability plan has been implemented;
- periodically check the company's sustainability status;
- provide regular reports to the board of directors on sustainability issues;
- participate in the meetings of the audit, risk and sustainability committee, when invited to do so, to report on the progress of the activities underway and programmed, the sustainability risks and related organisational structure;
- participate in the meetings of the remuneration committee, when invited to do so, to define the ESG objectives in the remuneration policies;
- monitor compliance with the relevant regulations, changes in such regulations and national and international best practices;
- supervise the preparation of the sustainability report/non-financial statement;
- define and coordinate the stakeholder engagement policies and channels (including the company website) in terms of their sustainability in compliance with the defined strategy;
- manage the group's reputation as seen by the stakeholders in terms of its sustainability policies.

No other directors can be considered executive directors in that they: (i) hold management positions in the company; (ii) are chairperson of a key subsidiary of the company at the time they have operating powers or powers for the preparation of company strategies; or (iii) hold the role of chief executive officer, or management positions, in a key subsidiary of the company or in the company's parent when the position also covers the company.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent directors

At the report date, three of the directors qualify as independent pursuant to the CFA and the Corporate Governance Code: Cinzia Donalizio, Maria Grazia Filippini and Marina Manna.

Their number and expertise are suitable to the needs of the company and the working of the board, as well as the set up of board committees.

The chairperson of the board of directors did not qualify as independent.

The board of directors:

- immediately after its appointment, checked the existence of the independence requirements for each of the non-executive directors classified as independent;
- in situations relevant for independence purposes and at least once a year, checked the existence of the independence requirements for each of the non-executive directors classified as independent;
- in carrying out the above assessments, considered all available information (particularly that supplied by the directors subject to assessment), evaluating all circumstances that could compromise independence as defined by the CFA and the Code, applying (inter alia) all criteria provided for by the code with reference to the independence of directors.

On 28 April 2021, at the beginning of its term of office, the board of directors set quantitative and qualitative criteria for the assessment of the significance of circumstances relevant under the Code, for the purposes of assessing the independence of directors and statutory auditors.

The independence of the company's directors pursuant to the Code is assessed based on the substance over form principle. The circumstances that compromise, or could compromise, the independence of a director are usually the following:

- a. the director is a significant shareholder of the company, where a "significant shareholder" is a person who, directly or indirectly (through subsidiaries, trustees or nominees), controls the company or is able to exercise significant influence over it or who participates, directly or indirectly, in a shareholders' agreement whereby one or more parties exercise control or significant influence over the company;
- b. the director is, or was in the previous three years, an executive director or employee:
 - of the company or a key subsidiary of the company or a company under common control; key subsidiaries are those whose turnover accounts for more than 25% of the consolidated turnover of the group to which the company belongs;
 - of a significant shareholder of the company (as per the definition of "significant shareholder" in point a) above;
- c. the director has, or had in the previous three years, directly or indirectly (e.g., through subsidiaries or through companies of which the director is executive director, or as partner of a professional or consulting company), a significant commercial, financial or professional relationship:
 - (i) with the company or its subsidiaries or their executive directors or senior management. Senior management personnel refers to the senior managers who are not members of the board of directors of the company and have the power and responsibility for planning, directing and controlling the activities of the company and its group; such directors are the key management personnel identified as such in the remuneration report published by the company pursuant to article 123-ter of the CFA;
 - (ii) with a party that, including with other parties via a shareholders' agreement, controls the company or, if the control is exercised by a company or entity, with its executive directors or senior management.

Except in the case of specific circumstances that are assessed individually, commercial, financial or professional relationships are generally deemed significant where, even in just one of the relevant years, the remuneration exceeds at least one of the following parameters:

- 5% of the director's net income, as shown in the latest tax return, in the event of a direct commercial, financial and/or professional relationship between the director and one or more of the parties referred to in points (i) and (ii) above;
- 5% of the annual turnover of the group to which the company or entity belongs, over which the director has control, or in which the director is executive director, or of the professional or consulting company in which the director is partner.

Without prejudice to the above, if the director is also a partner of a professional or consulting company, the board assesses the significance of the professional relationships that could affect the director's position and role within the professional or consulting company or that, in any case, relate to significant transactions of the company, its parent and/or subsidiaries, including independently of the quantitative parameters;

- d. the director receives, or has received in the last three years, from the company or one of its subsidiaries or parent, significant additional remuneration compared to the fixed remuneration for the position and for participation in meetings of the committees recommended by the Code or provided for by ruling regulations.

For the purposes of the above, "fixed remuneration for the position" means:

- the remuneration set by the shareholders for all directors, or established by the board of directors for all non-executive directors as part of the overall amount that may be approved by the shareholders for the board of directors as a whole;
- any remuneration allocated for specific roles taken on by the non-executive director within the board (chairperson, deputy chairperson, lead independent director), defined according to remuneration policies widely used in the company's industries and for companies of similar size and international reach as the company.

The "fee for participation in meetings of the committees recommended by the Code" refers to the remuneration that the director receives for participation in board committees with duties relevant to the application of the Code, including any committee set up pursuant to recommendation 1a) of the Code, as long as it is not an executive committee. Fees for participation in the committees and bodies provided for by ruling regulations, such as the related party transactions committee and the supervisory body, with the exception of any executive committees, are treated in the same way as the fee for participation in meetings of "committees recommended by the code" and therefore form part of "fixed remuneration for the position".

Conversely, the remuneration received by the director for positions in the parent or in the subsidiaries is considered "additional remuneration" and its "significance" is therefore assessed.

Specifically, the additional remuneration paid to the director by the company, one of its subsidiaries or its parent that exceeds 30% of the "fixed remuneration for the position" due to the director, calculated as set out above, is deemed significant;

- e. the director has served on the company's board of directors for more than nine of the last twelve years, including non-consecutively;
- f. the director is an executive director of another company of which the company's executive director is a director;
- g. the director is a shareholder or director of a company or entity of the network of the company's audit company;

- h. the director is a close relative of a person who falls under any of the circumstances referred to in the previous points. For the purposes of the above, “close relatives” are spouses not legally separated, relatives and similar up to the fourth degree of kinship (for executive directors and/or significant shareholders) and within the second degree for other parties and co-habitants.

The above criteria also apply, with the appropriate distinctions, to the assessment of the independence of the members of the board of statutory auditors, which they are required to carry out.

For the purposes of assessing the independence of the directors, on 21 February 2022, the board of directors checked that the non-executive directors Cinzia Donalisio, Marina Manna and Maria Grazia Filippini met the independence requirements of article 147-ter.4 of the Consolidated Finance Act (which refers to article 148.3 of the Consolidated Finance Act) and the independence requirements of article 2, recommendation 9 of the Code, also considering the above-mentioned quantitative and qualitative criteria for the assessment of the significance of the circumstances relevant under the Code, using the documents provided by each director. Each non-executive director provided the board of directors with all the information necessary for or relevant to the assessment.

On the same date, the board of statutory auditors checked that the assessment criteria and procedures applied by the board of directors to assess its members’ independence had been applied correctly.

At the report date, the independent directors had met once without the other directors on 21 February 2022, at the invitation of the lead independent director. During this meeting, coordinated by the director Maria Grazia Filippini as lead independent director, the independent directors discussed the working of the board of directors and its committees, the powers assigned to the directors and the information provided by the executive directors to the independent directors.

Lead independent director

In its meeting of 28 April 2021, CAREL’s board of directors resolved to appoint the independent director, Maria Grazia Filippini, as lead independent director of the company.

The lead independent director acts as a reference point and coordinates the requests and contributions of the non-executive directors, particularly the independent directors, and coordinates the meetings of the independent directors.

5. MANAGEMENT OF CORPORATE INFORMATION

Procedures for the management of inside information and the insider register

On 29 March 2018, the company's board of directors introduced a procedure, subsequently updated on 4 August 2021, for the management of inside information and the insider register of the people who have regular or infrequent access to inside information due to their professional or business activities or duties with effect from the date of presentation of its IPO to Borsa Italiana.

Reference should be made to the procedure available in the Corporate Governance/Procedures and Regulations section of the company's website www.carel.com.

Internal dealing procedure

On 29 March 2018, effective from the stock market listing date, the company's board of directors adopted a procedure to manage the disclosure requirements for internal dealing as per article 19 of the MAR (market abuse regulation), article 114.7 of the CFA and article 152-quinquies and following articles of the Issuers' Regulation, subsequently updated on 4 August 2021.

More information is available in the internal dealing procedure in the Corporate Governance/Procedures and Regulations section of the company's website www.carel.com.

6. BOARD COMMITTEES (ARTICLE 123-BIS.2.D) OF THE CFA)

On 28 April 2021, in order to ensure the effective performance of its duties in line with article 18 of the by-laws and article 3, recommendation 16 of the Code, the board of directors set up an audit, risk and sustainability committee. This committee was given the duties of the related party transactions committee (see section 10) and the remuneration committee.

The committees report on their activities regularly to the board of directors.

The audit, risk and sustainability committee is comprised of three non-executive and independent members:

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

The remuneration committee is comprised of three non-executive and independent members:

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

The board of directors adopted a regulation for each committee, defining the rules for its working, including the minutes taking method (by the secretary of the meeting) and the procedures to manage information to be provided to the members.

The complete texts are available in the Corporate Governance/Procedures and Regulations section of the company's website www.carel.com for more information on the key contents of the committee regulations.

During the year, documentation about the meeting agendas was sent to the committee members roughly three days before the meeting date.

The committee members were appointed by the board on the basis of their experience and expertise.

Given the structure and size of the company, the fact it is a "company with concentrated ownership", and the list voting mechanism provided for in its by-laws, which ensures the transparent election and balanced composition of the board of directors, including with respect to a sufficient number of independent directors, the board of directors has not deemed it necessary to set up an appointments committee. The related duties are therefore carried out by the board of directors pursuant to article 3, recommendation 16 of the Code for companies with concentrated ownership, including large ones, such as the company. The board of directors allocates adequate time for the performance of the duties typically assigned to the appointments committee in its meetings.

Other committees (other than those required by ruling regulations or recommended by the Code)

No other committees have been set up other than the related party transactions committee and those recommended by the Code.

On 28 February 2019 (confirmed on 28 April 2021), the board of directors also gave the control and risks committee responsibility for sustainability issues, renaming it the audit, risk and sustainability committee. Its role is to support the board of directors in analysing issues relevant to the long-term generation of value.

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

7.1 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS

The board of directors periodically assesses the effectiveness of its activities and the contribution of its individual members, via formalised procedures supervised by the board.

Specifically, adopting a consistent approach throughout the three years of its term of office, the board conducts a self-assessment of itself and its committees, covering size, composition and its working (also considering the board's role in the definition of strategies and in monitoring performance and the adequacy of the internal control and risk management system).

During 2022, the board assessed itself and its committees, the working, size and composition of the board and the committees using the questionnaires completed anonymously by the directors which included (i) assessments on the compliance of the company's corporate governance system with the recommendations of the Code of Corporate Governance; and (ii) recommendations for their better application. The directors sent the questionnaires anonymously through the company secretary to the lead independent director and the board reviewed them on 21 February 2022.

To the extent of its duties, the board ensures that the directors' appointments and succession process is transparent and effective in achieving an optimal composition of the board of directors.

Article 4, recommendation 23 of the Code, which recommends outgoing boards of directors, before their renewal, adopt guidelines for the board's optimal quantitative and qualitative composition, is not applicable to the company as it does not fall into the "companies other than those with concentrated ownership" category.

Nevertheless, the board:

- issued guidelines for the board's optimal quantitative and qualitative composition, before its imminent renewal during the shareholders' meeting of 20 April 2021, taking into account the findings of its self-assessment;
- requested that parties presenting lists containing a number of candidates greater than half of the members to be elected provide adequate disclosure, in the documentation accompanying the presentation of the list, on the list's compliance with the guidelines issued by the board (including in relation to the company's diversity criteria), and indicate their candidate for the position of chairperson of the board of directors.

The board of directors has not deemed it necessary to adopt a succession plan for its chief executive officer and executive directors given its duties and the size and ownership structure of the company and the group and the practice of appointing people with significant experience with the company as its chief executive officer and executive directors. As a result, CAREL does not have a succession plan for its chief executive officer and executive directors at the report date. Given its ownership structure, its board of directors can promptly take the necessary resolutions.

7.2 APPOINTMENTS COMMITTEE

Given the structure and size of the company, the fact it is a “company with concentrated ownership”, and the list voting mechanism provided for in its by-laws, which ensures the transparent election and balanced composition of the board of directors, including with respect to a sufficient number of independent directors, the board of directors has not deemed it necessary to set up an appointments committee. The related duties are therefore carried out by the board of directors pursuant to article 3, recommendation 16 of the Code for companies with concentrated ownership, including large ones, such as the company. The board of directors allocates adequate time for the performance of the duties typically assigned to the appointments committee in its meetings.

8. DIRECTORS’ REMUNERATION – REMUNERATION COMMITTEE

8.1 DIRECTORS’ REMUNERATION

Information about the directors’ remuneration is available in the remuneration report, to which reference should be made, prepared in accordance with article 123-ter of the CFA and article 84-quater of the Issuers’ Regulation, and in compliance with the recommendations of article 5 of the Code which can be found on the company’s website (www.carel.com) or consulted using the other methods provided for by the ruling regulations.

8.2 REMUNERATION COMMITTEE

Except for that set out below, reference should be made to the relevant sections of the remuneration report published in accordance with article 123-ter of the CFA for information about this committee.

The board of directors has set up a remuneration committee.

Composition and working of the remuneration committee (pursuant to article 123-bis.2.d) of the CFA)

The remuneration committee appointed by the board of directors on 28 April 2021 comprises three non-executive, independent directors, Cinzia Donalisio (chairperson), Maria Grazia Filippini and Marina Manna. On the same date, the board of directors checked that all the committee members had experience and familiarity with financial or remuneration policies deemed adequate by the board at the time of appointment.

The remuneration committee meets when called by its chairperson who coordinates the meetings. Minutes are duly drawn up and the chairperson reports on the meeting at the next meeting of the board of directors; During the year, the remuneration committee met ten times, with the participation of all the independent directors and the board of statutory auditors. The HR manager also attended all the meetings upon the invitation of the committee’s chairperson and informing the chief executive officer.

The average length of the committee meetings was one and a quarter hours.

The committee has scheduled at least eight meetings for 2022, of which three have already been held at the report date.

More information is provided in Table 3 (attached).

During the year, the remuneration committee was comprised of non-executive, independent directors (other than the chairperson of the board of directors) and its chairperson was chosen from among the independent members (other than the chairperson of the board of directors).

In accordance with the remuneration committee's regulation, directors do not attend committee meetings at which their fees to be proposed to the board of directors are being discussed.

The remuneration committee's duties

The remuneration committee provides input, makes recommendations and performs supervisory activities to ensure that the group defines and applies remuneration policies designed to motivate and retain resources with the professional skills required to achieve the group's objectives and that also align management's interests with those of the shareholders.

Specifically, the committee:

- supports the board of directors in developing the remuneration policy for directors and key management personnel;
- provides non-binding opinions and proposals about how to calculate the remuneration packages for the chairperson of the board of directors, the deputy chairperson, the chief executive officer and the executive director, as well as on the performance objectives to which the variable part of their remuneration is pegged;
- provides non-binding opinions and proposals about how to calculate the remuneration packages for those parties whose remuneration and incentives are decided by the board of directors, in line with any incentive plans adopted by the company, as well as on the performance objectives to which the variable part of their remuneration is pegged. In this case, the criteria for the definition of the remuneration amounts will be established from year to year in relation to the strategic objectives identified by the board of directors from time to time;
- monitors the actual application of the remuneration policy, checking that the performance objectives are met and providing the board of directors with general recommendations;
- regularly assesses, including with the assistance of the control and/or internal units, the adequacy and overall consistency of the remuneration policy for the directors, key management personnel and other persons whose remuneration and incentives are decided by the board of directors, in accordance with the company's incentive plans (if it has any);
- formulates opinions in relation to benefits in the case of the early termination of the relationship (golden parachutes);
- evaluates how the termination may impact the rights granted as part of equity-settled incentive plans;
- prepares non-binding opinions and proposals about stock option plans, equity-settled plans or other share-based incentive systems and recommends the goals to which these benefits should be pegged and the criteria to assess their achievement;
- monitors the development and application over time of any plans approved by the shareholders upon the proposal of the board of directors;
- expresses an opinion to the board of directors on the proposed remuneration for directors with special duties at the key subsidiaries, pursuant to article 2389 of the Italian Civil Code, as well as for the general managers and key management personnel of such subsidiaries;
- provides adequate feedback on the activity carried out by the company bodies, including the shareholders' meeting, in due time for the preparation of the meetings called to discuss remuneration;

- ensures the chairperson or another committee member attends the shareholders' meeting to report to the shareholders on how the committee carries out its duties;
- ensures efficient and operating connections with the company departments responsible for preparing and checking the remuneration and incentive policies and practices;
- carries out any other duties the board of directors may allocate the committee with specific resolutions, including but not limited to, supporting the board of directors in the preparation of the remuneration report.

The main activities performed by the remuneration committee during the year and up to the report date consisted of assessing and providing an opinion on the approval of the remuneration policy.

When carrying out its duties, the committee has access to information and the company units necessary to perform its duties as well as to financial resources and external experts, within the budget approved by the board of directors (€35,000 for 2021).

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM – AUDIT, RISK AND SUSTAINABILITY COMMITTEE

The board of directors has defined guidelines for the internal control and risk management system. These consist of a set of rules, procedures and organisational structures for the effective and efficient identification, measurement, management and monitoring of the key risks, in order to contribute to the company's sustainable success, in line with the company's strategies.

An effective internal control and risk management system helps ensure the protection of the company's assets, the efficiency and effectiveness of company transactions, the reliability, accuracy and timeliness of financial information and compliance with laws and regulations.

The board of directors also ensures that its assessments and decisions related to the internal control system, the approval of the annual and interim financial statements and the relationship between the company and the independent auditor are supported by adequate preliminary investigations and defines the nature and level of risk in line with the company's strategic objectives, considering all risks relevant to the company's sustainable success.

The company's internal control and risk management system is designed to contribute to the company's management in line with the objectives set by the board of directors through a process to identify, manage and monitor the key risks.

The system allows the identification, measurement, management and monitoring of the key risks and ensures the reliability, accuracy and timeliness of the financial reporting.

The system allows the mapping, monitoring and management of risks that could compromise the internal processes' adequacy in terms of their efficiency and effectiveness, the reliability of the information provided to the corporate bodies and the market, the protection of the company's assets and compliance with external regulations, the by-laws and internal procedures. Specifically, the latter are tied to the sector and market

context as well as all the stakeholders' perception of the group's operations.

CAREL's risk management procedures are based on the Italian and international best practices, such as, for example, the Code.

The following bodies monitor the internal control and risk management system, to the extent of their responsibilities:

- board of directors;
- audit, risk and sustainability committee;
- remuneration committee;
- chief executive officer;
- board of statutory auditors;
- supervisory body;
- internal audit unit;
- manager in charge as per article 154-bis of the Consolidated Finance Act.

Responsibility for the introduction of an adequate internal control and risk management system lies with the board of directors. Assisted by the audit, risk and sustainability committee, the board of directors carries out its duties as assigned by the Code, including:

- a. the definition of guidelines for the internal control and risk management system so that the main risks to which the company and its subsidiaries are exposed (including risks that may become significant for sustainability purposes in the long term) are correctly identified and properly measured, managed and monitored, also setting the degree of compatibility of these risks with the company's management in line with the strategies identified;
- b. the assessment, at least once a year and unless unforeseen events occur that would require exceptional analysis to check the effectiveness of the controls for specific situations, of the adequacy of the internal control and risk management system considering the company's characteristics and its risk profile and its effectiveness;
- c. the approval, at least once a year, of the audit plan prepared by the internal audit manager after consulting the board of statutory auditors and the chief executive officer;
- d. the description of the main characteristics of the internal control and risk management system in the report on corporate governance and how the various parties involved coordinate their work, with the inclusion of an opinion on the system's adequacy.

During the year, the board gave a positive assessment of the adequacy of the internal control and risk management system considering the company's characteristics and its risk profile and its effectiveness.

9.1 CHIEF EXECUTIVE OFFICER

On 28 April 2021, the board of directors appointed the chief executive officer to set up and maintain the internal control and risk management system.

During the year, the chief executive officer:

- ensured the identification of the main business risks, considering the company's activities and those of its subsidiaries, and periodically reports thereon to the board of directors;
- implemented the guidelines defined by the board of directors, which involved the design, drafting and management of the internal control and risk management system, and monitored the system's adequacy and effectiveness and ensured that the system reflects the company's operating conditions and the legislative and regulatory framework;
- entrusted the internal audit unit to carry out checks of specific operating areas and of compliance with internal rules and procedures in company transactions, simultaneously reporting thereon to the chairperson of the board of directors, the chairperson of the audit, risk and sustainability committee and the chairperson of the board of statutory auditors;
- reported promptly to the audit, risk and sustainability committee on the issues and critical matters that were identified during his activities or that he was informed of so that the committee could take appropriate actions.

9.2 AUDIT, RISK AND SUSTAINABILITY COMMITTEE

The board of directors has set up an audit, risk and sustainability committee.

Composition and working of the audit, risk and sustainability committee (pursuant to article 123-bis.2.d) of the CFA)

The audit, risk and sustainability committee appointed by the board of directors on 28 April 2021 comprises three non-executive, independent directors, Marina Manna (chairperson), Maria Grazia Filippini and Cinzia Donalizio. On the same date, the board of directors checked that all the committee members had suitable expertise in the company's operating sector, such to assess the related risks. Specifically, the board of directors checked that all the committee members had experience and familiarity with accounting and financial and/or risk management, deemed adequate by the board at the time of appointment.

The audit, risk and sustainability committee meets when called by its chairperson, Marina Manna, who coordinates the meetings. Minutes are duly drawn up and the chairperson reports on the meeting at the next meeting of the board of directors.

During the year, the committee met 10 times, with the participation of all the independent directors, the chief executive officer, the internal audit manager and the board of statutory auditors, also in its role as the internal audit committee in accordance with Legislative decree no. 39 of 27 January 2010.

Directors or representatives of company departments that are not members of the committee participated in meetings of the audit, risk and sustainability committee at the invitation of the chairperson of the committee. The chief executive officer was informed of the participation of the representatives of the relevant company departments.

The average length of the committee meetings was two hours.

The committee has scheduled nine meetings for 2021, of which three have already been held at the report date.

More information is provided in Table 3 (attached).

During the year, the audit, risk and sustainability committee was comprised of non-executive, independent directors (other than the chairperson of the board of directors) and its chairperson was chosen from among the independent members (other than the chairperson of the board of directors).

The audit, risk and sustainability committee's duties

The committee supports the board of directors' assessments and decisions on the internal control and risk management system as well as the board's approval of the company's financial reports.

Specifically, the audit, risk and sustainability committee's duties include:

- assessing, together with the manager in charge of financial reporting and after consulting the audit company and the board of statutory auditors, the correct application of the accounting policies and, in the case of groups, their suitability for the preparation of consolidated financial statements;
- preparing opinions on specific aspects to identify the company's main risks;
- reviewing the regularly-prepared reports on the internal control and risk management system and special reports prepared by the internal audit unit and other units with specific responsibilities for ensuring compliance with regulations;
- monitoring the independence, adequacy, efficiency and effectiveness of the internal audit unit and other units with specific responsibilities for ensuring compliance with regulations;
- asking the internal audit unit to perform checks of specific operating areas and concurrently informing the chairperson of the board of statutory auditors;
- reporting to the board of directors on its activities at the board meetings held to approve the draft financial statements and the interim financial statements;
- assisting the board of directors in defining strategies, guidelines and the adequacy of the internal control and risk management system, based on the company's characteristics and risk profile, and its effectiveness by focusing on all the related and necessary activities so that the board of directors can prepare a correct and efficient risk governance policy;
- assisting the board of directors by providing supporting documentation, in assessing and taking decisions about risks arising from events or circumstances that the board of directors has become aware of.

In addition, pursuant to its regulation, the committee:

- assists the board of directors in approving, at least once a year, the action plans prepared by the internal audit unit and other units with specific responsibilities for ensuring compliance with regulations;
- assists the board of directors in preparing the report on corporate governance for the matters pertinent to it, such as, for example and not limited to, the main characteristics of the internal control and risk management system, the methods used to coordinate the various parties involved in the system and the committee's assessment of the system's overall adequacy;
- after consulting the board of statutory auditors, assists the board of directors in assessing the recommendations of the audit company in their management letter and any report on key audit matters identified during their audit work; and
- expresses its opinion to the board of directors on the appointment and removal of the internal audit manager and whether this manager's remuneration has been defined in line with the company policies.

When carrying out its duties, the committee has access to information and the company units necessary to perform its duties as well as to financial resources and external experts, within the budget approved by the board of directors (€35,000 for 2021).

In addition, the board of directors gave the audit, risk and sustainability committee, comprising non-executive, independent directors, the duties of the related party transactions committee as well as the duties and responsibilities that, pursuant to the related party regulation, are attributed to committees whose members are all or mostly independent.

Lastly, in relation to its duties and responsibilities for sustainability, the control and risks committee, inter alia:

- assists the board of directors by making proposals and offering recommendations with assessments and decisions related to sustainability issues;
- defines and provides the board of directors with guidelines about sustainability and monitors compliance with the relevant norms of behaviour adopted by the company and its subsidiaries;
- provides the board of directors with assessments and opinions on sustainability policies defined to ensure the creation of value over time for the shareholders and all the other stakeholders in the medium to long term in compliance with sustainable development principles;
- provides the board of directors with assessments and opinions on sustainability guidelines, objectives and related processes and the sustainability report provided to the board of directors once a year;
- assists the board of directors in assessing and approving the non-financial information as per Legislative decree no. 254/2016;
- assists the board of directors in ensuring that the company properly implements, understands and assesses the impact of sustainability regulations and legislation on its business, allocating specific duties and functions to the competent internal units to ensure this.

The main activities performed by the audit, risk and sustainability committee during the year and up to the report date consisted of:

- periodic meetings with the manager in charge of financial reporting and the independent auditors to share the accounting policies used and to monitor the audit process;
- periodic meetings with the board of statutory auditors;
- reviewing the related party procedure and the related transactions;
- reviewing the annual corporate governance report for 2021;
- reviewing the key subsidiaries;
- supervising the organisational, management and control model adopted by the company and periodic meetings with the supervisory body;
- periodic meetings with the internal audit manager and approval of the audit plan;
- support and consultation with the board of directors in relation to sustainability issues.

9.3 INTERNAL AUDIT MANAGER

Also in support of the company's internal control and risk management system, in compliance with the provisions of the Code, on 5 March 2020, upon the proposal of the chief executive officer and the human resources manager, after obtaining the favourable opinion of the audit, risk and sustainability committee and after consulting the board of statutory auditors, the board of directors appointed Fabio Boeri internal audit manager. He is responsible for checking that the internal control and risk management system is functioning, adequate and consistent with the guidelines defined by the board of directors.

Although an employee of the company, Fabio Boeri, however, pursuant to recommendation 36 of the Code, is not in charge of any operating area as he reports to the board and has direct access to all information necessary to perform his duties.

The board has ensured that this person meets the professionalism, independence and organisational requirements and has defined his remuneration in line with company policies and has ensured that he has been provided with adequate resources to carry out his duties.

On 3 March 2022, the board of directors set the internal audit manager's remuneration, as proposed by the chief executive officer, approved by the audit, risk and sustainability committee and after consulting the board of statutory auditors. It gave the internal audit manager spending autonomy and sufficient resources to carry out his activities, although the manager has to respect the annual budget for the internal audit unit, unless this is amended and/or integrated should this be necessary.

On 24 January 2022, the board of directors approved the audit plan and the related investment plan prepared by the internal audit manager for 2022 after obtaining the favourable opinion of the audit, risk and sustainability committee and consulting the board of statutory auditors and chief executive officer.

The audit plan covered the audit activities to assist the board of directors, to provide operating assistance to the supervisory body and to coordinate with the audit, risk and sustainability committee and the board of statutory auditors.

The internal audit manager is assisted in the performance of the audit by external experts from an audit company with the appropriate professional, independence and organisational requirements.

Upon completion of the audit, the existing procedures are updated and fine-tuned to strengthen and improve the most significant aspects of the internal control system.

During the year, the internal audit manager:

- checked the functioning and suitability of the internal control and risk management system on an ongoing basis and in line with the company's specific requirements and compliance with international standards, using the audit plan approved by the board of directors based on a structured process of analyses and prioritisation of the main risks;
- prepared regular reports containing suitable details of his activities, the methods used to manage risks, compliance with the plans defined to contain the risks and an assessment of the suitability of the internal control and risk management system, which are sent to the chairpersons of the board of statutory auditors, the audit, risk and sustainability committee and the board of directors and the chief executive officer;
- prepared timely reports on particularly important events and sent them to the chairpersons of the board of statutory auditors, the audit, risk and sustainability committee and the board of directors and the chief executive officer;
- checked the reliability of the information systems, including the accounting systems, as part of the audit plan.

9.4 ORGANISATIONAL MODEL AS PER DECREE NO. 231/2001

The company adopted an organisational, management and control model pursuant to Legislative decree no. 231/01 (the “**231 model**”) as resolved by the board of directors on 30 March 2017. This Legislative decree is the Italian reference framework for companies’ administrative liability. The company also adopted a Code of Ethics that is designed to regulate the activities and conduct of all those parties that operate on behalf of the company and the group through norms of behaviour in line with the company’s principles of correctness, loyalty and honesty.

CAREL’s 231 model has been prepared on the basis of an analysis of the areas at risk to crime. Specifically, it mapped the risks and assessed the various internal processes assisted by a leading consultancy company. Following this risk self-assessment, performed by interviewing the company’s key management personnel about the risks to which the company is exposed, especially with respect to corruption, the company updated the model to reflect changes to the relevant regulations during 2018. Specifically, as resolved by the board of directors on 12 November 2018, the model: integrated with the regulations about the protection of whistleblowers in line with the provisions of Law no. 179/2017, was amended to include (i) the crimes provided for by article 2622 of the Italian Civil Code (“False corporate communications of listed companies”) and article 2638 of the Italian Civil Code (“Hindering the work of public supervisory authorities”); and (ii) the reformulation of private to private corruption as per article 2635 of the Italian Civil Code; and (iii) the instigation to private to private corruption as per article 2635-bis of the Italian Civil Code; introduced the special sections on the crimes (and administrative offences) of the abuse of inside information and market manipulation by the CFA (market abuse) and the crimes of racism and xenophobia, the latter introduced in the list of predicate crimes of Legislative decree no. 231/2001 as per Law no. 167 of 20 November 2017.

Subsequently, the board of directors resolved on 18 February 2021 that the model was to be integrated both to reflect the organisational changes and with the provisions of Law no. 3/2019 (the “Spazzacorrotti Law”), which became effective on 31 January 2019 and set out measures to combat crimes against the public administration, the time barring of this crime and the transparency of political parties and movements. It amended article 322-bis of the Criminal Code and articles 2635 and 2635-bis of the Italian Civil Code which already covered the liability of bodies and included the crime of influence peddling (article 346-bis of the Criminal Code) in the list of predicate crimes again. It also increased the ban for crimes committed against the public administration provided for by article 25 of Legislative decree no. 231/01. The model was integrated by Law no. 39/2019, which became effective on 17 May 2019, ratifying and transposing the European Council’s convention on the manipulation of sports competitions. This law included article 25-quaterdecies in Legislative decree no. 231/01 on fraud in sports competitions, abusive gambling or betting and gambling using banned devices. It was also integrated by Law no. 43/2019, which became effective on 11 June 2019, amending article 416-ter of the Criminal Code on mafia clientelism, already included in article 24-ter of Legislative decree no. 231/01; Law no. 133/2019, which became applicable on 21 November 2019, converting Decree law no. 105 of 21 September 2019 with amendments on the set up of a national cyber security perimeter, introducing a new type of crime to be included in the list of predicate crimes of Legislative decree no. 231/01 to be punished with fines of up to 400 units and bans; Law no. 157/2019, which became applicable on 25 December 2019 and converted Decree law no. 124 of 26 October 2019 with amendments (the “Fiscal decree”), introducing the new article 25-quinquiesdecies of Legislative decree no. 231/01 as required by Directive (EU) no. 2017/1371 (the PIF Directive). This included tax crimes in the list of predicate crimes covering the administrative liability of bodies. The model was also integrated by the crimes introduced by Legislative decree no. 75/2020 implementing Delegated law no. 117/2019 which, in turn, followed the PIF Directive and became effective on 30 July 2020, especially covering crimes against the public administration, the new tax crimes committed by fraudulent cross border systems and smuggling. Finally, the board of directors made the related changes to the general part, special part A - Crimes against the public administration and special part B - Corporate crimes, updating them to include the new crimes and the tax crimes (with the introduction of special part R on tax crimes).

The company has general and specific controls and measures to mitigate the risk of unlawful behaviour.

The general section of the 231 model and the Code of Ethics are published in the “Legal & Compliance” section of the company’s website www.carel.com.

On 28 February 2019, the board of directors also approved the group’s anti-corruption procedure to combat unlawful practices and corruption in the public and private sectors. The procedure is based on the principles and norms of behaviour set out in the company’s Code of Ethics. Its aim is to achieve the objectives of preventing and combating corruption provided for in the 231 model. It describes the conduct policies and principles about anti-corruption, including in accordance with the requirements of Legislative decree no. 254/2016.

The supervisory body, specifically set up for this purpose, appointed by the company’s board of directors on 30 March 2017 pursuant to article 6 of Legislative decree no. 231/2001, is responsible for supervising the implementation of the model. It also monitors the model’s effectiveness and efficiency and proposes updates or amendments to align it with changes in the company’s structure or in legislation, including through periodic checks of the areas at risk. The supervisory body also ensures compliance with, and the correct functioning and application of the model and the Code of Ethics. It receives any requests for information or reports of violations of either the 231 model or the Code of Ethics.

The board of directors evaluated whether to appoint the company’s legal affairs and compliance manager to the supervisory body in order to ensure coordination between the various parties involved in the internal control and risk management system.

At the report date, the supervisory body comprises Fabio Pinelli (external member, chairperson), Alessandro Grassetto (external member) and Arianna Giglio (internal member). The latter heads up the company’s legal affairs and compliance office.

9.5 AUDIT COMPANY

The company engaged to perform the statutory auditor of the company’s accounts is Deloitte & Touche S.p.A. (“**Deloitte**” or the “**audit company**”), registered and administrative office in Via Tortona 25, Milan, included in the register of statutory auditors as per article 6 and following articles of Legislative decree no. 39/2010 as amended by Legislative decree no. 135 of 17 July 2016.

On 13 April 2018, the company’s shareholders engaged the audit company, with effect from the first day of the listing of the company’s shares, to perform: (i) the statutory audit of the company’s accounts (including checks of the regular keeping of the accounting records and the related checks of the facts included therein) pursuant to articles 13 and 17 of Legislative decree no. 39/2010 for the years from 2018 to 2026 in relation to the separate and consolidated financial statements and all additional related audit work; and (ii) the review of the condensed interim consolidated financial statements at 30 June of the years from 2019 to 2027.

Deloitte & Touche S.p.A. was engaged to review the consolidated non-financial statement pursuant to Legislative decree no. 254/2016, for the years from 2020 to 2026.

During 2021, the board of statutory auditors assessed the findings of the independent auditors contained in their additional report. Following the appropriate investigations on 26 March 2021, on 29 March 2021 the board of statutory auditors transferred this report together with its observations to the chairman of the board of directors.

The board of statutory auditors also acquired, discussed and investigated the letter of the 2020 suggestions

referring to both the consolidated financial statements and the consolidated non-financial statement. Afterwards, the board of statutory auditors monitored the implementation of the suggestions made during subsequent meetings with company management and the independent auditors.

9.6 MANAGER IN CHARGE OF FINANCIAL REPORTING

On 8 May 2020, after obtaining the positive opinion of the board of statutory auditors and considering the professional and reputation requirements as per the regulations in force and the by-laws, the board of directors appointed Nicola Biondo as the manager in charge of financial reporting.

The board of directors acknowledged Nicola Biondo's eligibility to hold this position, considering also the professional and reputation requirements as per article 25 of the by-laws, whereby the manager in charge of financial reporting shall have at least three years' experience in administration and control or management and consultancy with a listed company and/or group or a company or body of significant size and importance, including with respect to the preparation and checking of accounting and corporate documents.

In accordance with article 154-bis of the CFA, the manager in charge of financial reporting: (a) prepares written statements to accompany the company's communications to the market and for financial reports (including interim ones); (b) performs adequate administrative and accounting procedures for the preparation of the annual financial statements (and the consolidated financial statements if these are prepared) and all other financial reports; and (c) confirms in a specific report on the annual financial statements, the condensed interim financial statements and, if prepared, the consolidated financial statements (i) the adequacy and effective application of the administrative and accounting procedures for the preparation of the financial statements; (ii) that the financial statements have been prepared in accordance with the applicable IFRS endorsed by the European Community in accordance with Regulation (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002; (iii) that the financial statements are consistent with the accounting ledgers and records; (iv) that the financial statements are suitable to give a true and fair view of the financial position, financial performance and cash flows of the company and the companies included in the consolidation scope; (v) that, with respect to the annual and consolidated financial statements, the directors' report contains a reliable analysis of the performance and results, the position of the company and the group companies included in the consolidation scope and a description of the main risks and uncertainties to which they are exposed; and (vi) with respect to the condensed interim financial statements, that the directors' report includes a reliable analysis of the information as per article 154-ter.4 of the CFA.

On 3 March 2022, the board of directors checked that: (i) the manager in charge of financial reporting had suitable powers and means to carry out the duties assigned to him in accordance with article 154-bis of the CFA; and (ii) the administrative and accounting procedures were effectively complied with.

Nicola Biondo is also CAREL Group's chief financial officer.

9.7 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The parties involved in the internal control and risk management system carry out their duties in the manner envisaged by the company to maximise the system's efficiency, to avoid the duplication of procedures and to ensure the effective performance of their duties by the board of statutory auditors.

Specifically, the board of statutory auditors and the audit, risk and sustainability committee exchange information relevant for the performance of their respective duties in a timely manner. The board of statutory auditors, the chief executive officer and the internal audit manager are involved in the work performed by the audit, risk and sustainability committee, as are the legal affairs and compliance manager and the manager in charge of financial reporting when matters of interest to them are discussed. The committee chairperson, who is also invited to attend the meetings of the board of statutory auditors, ensures that ongoing and comprehensive information about the committee's work is provided to the board of directors.

10. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In order to align the company's corporate governance system with the laws and regulations applicable to listed companies and given the guidelines set out in Consob communication no. DEM/10078683 of 24 September 2010, on 29 March 2018, the board of directors resolved to adopt the related party procedure effective from the stock market listing date. The role of related party transactions committee was assigned to the audit, risk and sustainability committee. Pursuant to article 4 of the related party regulation, after obtaining the favourable opinion of the audit, risk and sustainability committee, in its role as the related party transactions committee, the board of directors definitively approved the related party procedure on 18 June 2018, most recently updated on 8 June 2021.

The procedure regulates, *inter alia*, how to structure and approve more relevant related party transactions, using the criteria set out in the regulation, and less relevant related party transactions.

As provided for by the related party regulation, the procedure establishes that more relevant related party transactions are those in which at least one of the relevance parameters in Annex 3 to the regulation is higher than 5%. In this case, the company's finance unit checks whether the procedure needs to be applied to the specific transaction, be it either a more or less relevant related party transaction.

The board of directors instructed the finance unit to identify and develop operating solutions for the timely identification of parties that classify as "related" and an efficient system to monitor transactions carried out with these parties.

The full version of the related party procedure is available in the Corporate Governance/Procedures and Regulations section of the company's website www.carel.com.

Unless provided for by the applicable instructions, the directors are not subject to specific obligations when they have interests in a certain transaction either directly or on behalf of third parties. Before the related resolution is passed, the board of directors asks its members whether they have an interest in the transaction to be resolved on either directly or on behalf of a third party.

11. BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT

The board of statutory auditors comprises 3 (three) standing statutory auditors and 2 (two) alternate statutory auditors.

The statutory auditors shall meet the reputation, professional and independence requirements and the limit to the number of positions they may hold established by the law and regulations in force from time to time. In accordance with article 1.2.b)/c) of the Ministry of Justice's decree no. 162 of 30 March 2000, subjects related to commercial law, company law, tax law, economics, finance and similar or identical subjects are those considered to be closely related to the company's activities as are the subjects and sectors related to the company's business sector.

The statutory auditors have a term of office of three years, can be re-elected and fall from office at the shareholders' meeting held to approve the financial statements for the third year of their office.

As provided for by article 23 of the by-laws, the statutory auditors are elected by the shareholders using lists presented by them.

Shareholders that, when the list is presented, either individually or jointly hold a number of shares equal to the percentage established by Consob pursuant to the applicable legislation and regulations for the presentation of lists of candidate directors may present lists of candidate statutory auditors. In accordance with the applicable legal, regulatory and by-laws provisions and Consob management decision no. 60 of 28 January 2022, the lists of candidates may be presented by shareholders that either individually or jointly hold a number of shares equal to at least 1% of the shares with voting rights in ordinary shareholders' meetings.

The lists are lodged at the company's registered office using the methods established by the ruling regulations at least 25 days before the meeting called to resolve on the appointment of directors. The company shall make the lists available to the public at least 21 days before the meeting date using the methods established by the ruling regulations.

If just one list has been lodged by the deadline for the presentation of the lists, additional lists may be presented up to the third day after the deadline by shareholders that, when the list is presented, either individually or jointly hold a number of shares equal to at least half the minimum number required by the above regulations.

Each list:

- shall set out the names of one or more candidates for the position of standing statutory auditor and one or more candidates for the position of alternate statutory auditor in the relevant section ("standing statutory auditors" section, "alternate statutory auditors" section) in consecutive numbered order for a number of candidates that do not exceed the number of positions to be held;
- shall indicate, if it includes a number of candidates equal to or more than three, a list of candidates in both sections sufficient to ensure that the composition of the board of statutory auditors, both for the standing and alternate statutory auditors, complies with the laws and regulations in force from time to time, about gender balance (should allocation of this requirement not give rise to a whole number, it shall be rounded as provided for by the laws and regulations applicable from time to time);
- shall have the documentation required by the by-laws and all other statements, information and/or documents required by law and the application regulations attached as an annex thereto.

Shareholders, including those belonging to the same group of companies or that have entered into a significant shareholder agreement as per article 122 of the CFA, may not present or jointly present more than one list, nor may they vote for more than one list, including via trustees or nominees.

Each candidate may be presented in just one list in order to be eligible.

A) When two or more lists are presented, the candidates are voted for and the statutory auditors appointed using the following methods:

- candidates from the two lists with the most votes are elected by applying the following criteria: (i) two standing statutory auditors and one alternate statutory auditor are taken from the list that obtained the most votes (the “**majority list**”) in consecutive order of presentation; (ii) the third standing statutory auditor (the “**minority statutory auditor**”), who will act as the chairperson, and the second alternate auditor (the “**minority alternate statutory auditor**”) are taken from the list that received the second most votes and is not linked (including indirectly) to the shareholders that presented or voted for the majority list in accordance with the applicable instructions;
- should lists receive the same number of votes, the shareholders re-vote solely for these lists and the winning list is that which receives the most votes;
- if the regulations about gender balance established by the laws and regulations in force from time to time, including the upwards rounding to a whole number if application of the gender balance criteria does not result in a whole number, are not complied with using the above methods, the candidate for the position of standing statutory auditor or alternate statutory auditor of the most represented gender elected last in consecutive order from the majority list is excluded and is replaced with the first unelected candidate on the same list of the other gender.

B) When just one list is presented, the shareholders vote for this list and, if it obtains a majority, three standing statutory auditors and two alternate statutory auditors indicated as such in that list are elected in line with the laws and regulations in force from time to time, including with respect to gender balance, and the rounding upwards to a whole number if application of the gender balance criteria does not result in a whole number.

C) If no lists are presented, or it is not possible to elect the board of statutory auditors using the methods set out in article 23 of the by-laws for any reason whatsoever, the shareholders elect the three standing statutory auditors and the two alternate statutory auditors by ordinary majority vote as established by law, in accordance with the laws and regulations in force from time to time, including with respect to gender balance, and the rounding as provided for by the laws and regulations applicable from time to time if application of the gender balance criteria does not result in a whole number.

Should a standing statutory auditor leave office for any reason, without prejudice to the requirements about gender balance established by the laws and regulations in force from time to time, the following procedure is adopted: (i) should a standing statutory auditor elected from the majority list leave office, they are replaced by the alternate statutory auditor elected from the same majority list; (ii) should the minority statutory auditor, who is also the chairperson, leave office, they are replaced by the minority alternate statutory auditor, who becomes the chairperson. If, for any reason, it is not possible to adopt this procedure, a shareholders’ meeting is called so that the shareholders can elect a new statutory auditor using the ordinary majority vote system and without using the list voting mechanism, as long as the requirements about gender balance established by the laws and regulations in force from time to time are met.

The statutory auditors are independent of the shareholders, including those that elected them.

11.2 COMPOSITION AND WORKING OF THE BOARD OF STATUTORY AUDITORS (ARTICLE 123-BIS.2.D)/D-BIS OF THE CFA)

The board of statutory auditors in office at 31 December 2021 was elected by the shareholders in their ordinary meeting of 20 April 2021 for a three-year term, i.e., until approval of the financial statements at 31 December 2023. It comprises Paolo Prandi, as chairperson, Saverio Bozzolan and Claudia Civolani as standing statutory auditors and Fabio Gallio and Alessandra Pederzoli as the alternate statutory auditors.

Two lists were presented within the timeframes established by law and the by-laws for the renewal of the board of statutory auditors:

- List 1, presented jointly by the shareholders Luigi Rossi Luciani S.p.a. and Luigi Nalini S.p.a., owners of a total of 56,167,440 shares of the company, accounting for 56.17% of its share capital. The list of candidates in List 1 was as follows: Saverio Bozzolan (chairperson), Claudia Civolani (standing statutory auditor), Paolo Ferrin (standing statutory auditor), Fabio Gallio (alternate statutory auditor) and Camilla Menini (alternate statutory auditor);
- List 2, presented by Amundi Asset Management SGR S.p.A., manager of the following funds: Amundi Sviluppo Italia, Amundi Accumulazione Italia PIR 2023, Amundi Valore Italia PIR and Amundi Dividendo Italia; Arca Fondi SGR S.p.A., manager of the following funds: Fondo Arca Economia Reale Equity Italia, Fondo Arca Economia Reale Bilanciato Italia 30, Fondo Arca Azioni Italia and Fondo Arca Economia Reale Bilanciato Italia 55; Eurizon Capital S.A., manager of the Eurizon Fund sector: Equity Italy Smart Volatility; Eurizon Capital SGR S.p.A., manager of the following funds: Eurizon PIR Italia 30, Eurizon Progetto Italia 20, Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon Azioni Pmi Italia, Eurizon Progetto Italia 40 and Eurizon PIR Italia Azioni; Kairos Partners SGR S.p.A. in its role as manager of Kairos International Sicav – Italian segment; Mediolanum International Funds Limited – Challenge Funds – Challenge Italian Equity; Mediolanum Gestione Fondi SGR S.p.A., manager of the following funds: Mediolanum Flessibile Futuro Italia and Mediolanum Flessibile Sviluppo Italia; Pramerica SGR S.p.A., manager of the following funds: MITO 25 and MITO 50, owners of a total of 2,150,720 shares of the company, accounting for 2.15072% of its share capital. The list of candidates in List 2 was as follows: Paolo Prandi (standing statutory auditor) and Alessandra Pederzoli (alternate statutory auditor).

The standing statutory auditors, Saverio Bozzolan and Claudia Civolani, and the alternate statutory auditor, Fabio Gallio, were taken from List 1, which obtained 85.73% of the total votes represented at the shareholders' meeting.

The chairperson of the board of statutory auditors, Paolo Prandi, and the alternate statutory auditor, Alessandra Pederzoli, were taken from List 2, which obtained 13.98% of the total votes represented at the shareholders' meeting.

The statutory auditors' personal and professional characteristics are summarised below.

Paolo Prandi, obtained a degree in Economics and Commerce from Brescia University in 1985 and is adjunct professor at Teramo University. After two decades of international experience as a consultant (McKinsey), manager (Pepsi Cola) and entrepreneur, since 2005, he has worked on extraordinary finance transactions, corporate restructurings, internationalisation, marketing and acts as an advisor to private equity funds. He has taught risk management at the Università Cattolica del Sacro Cuore in Brescia and services marketing at Brescia University. He holds the role of director and statutory auditor in manufacturing and financial companies, both listed and otherwise. He has penned publications on insurance issues, company management and risk management. Paolo is deputy chairperson of Fondazione Nazionale Cinzia Dabrassi. At the report date, he is chairperson of the company's board of statutory auditors.

Saverio Bozzolan, after obtaining a degree in Statistics and Economics (business specialisation) from Padua University, he earned a PhD in Economics from the "Ca' Foscari" University of Venice. He is a full professor of Financial Statement Analysis and Compliance Management and Internal Auditing at the LUISS Guido Carli

University and director of the master's degree programme in accounting, finance and control and coordinator of the executive programmes in compliance management of the LUISS Business School. His experience studying and working abroad includes time with the Bank of England's Industrial and Finance Division (London), the London School of Economics (London), the Cass Business School (London) and Seville University. Saverio has written over 60 Italian and international publications on corporate governance, risk analysis and assessment, internal controls/company compliance and economic and financial reporting. He holds positions as statutory auditor in listed and unlisted companies. At the report date, he is a standing statutory auditor.

Claudia Civolani, obtained a degree in Economics and Commerce from the "Ca' Foscari" University of Venice in 1993 and is included in the register of chartered accountants. She is an associate of Studio Ferrin and provides tax, corporate and financial consultancy services. She also acts as statutory auditor for companies. At the report date, she is a standing statutory auditor of the company.

Fabio Gallio, obtained a degree in Economics from the "Ca' Foscari" University of Venice in 1995 and in Law from Parma University in 1997. He worked with the legal companies of the Ernst & Young and Deloitte & Touche networks in the period from 1998 to 2004. Since 2005, he has been an associate of Studio Terrin, based in Padua and Milan. He was a standing statutory auditor for the company for the 2014-2016 three-year period. In 2017, he became an alternate statutory auditor for the company, as he still is at the date of this report.

Alessandra Pederzoli, with a degree in Economics and Commerce from Modena University in 1998, she is adjunct professor at the University of Modena and Reggio Emilia. She is included in the register of chartered accountants and is a freelance journalist. Alessandra is the owner of Studio Pederzoli in Modena, providing tax consultancy, audit and statutory auditor services to a number of companies. At the report date, she is an alternate statutory auditor.

During the year, the board of statutory auditors met 21 times, with the following attendance percentage of each standing statutory auditor. The average length of the meetings was three hours.

Paolo Prandi (*)	11/11	100%
Saverio Bozzolan	21/21	100%
Paolo Ferrin (**)	10/10	100%
Claudia Civolani	20/21	95%

(*) Paolo Prandi was present at all of the 11 meetings held during the period of the year in which he was chairperson of the board of statutory auditors.

(**) Paolo Ferrin was present at all of the 10 meetings held during the period of the year in which he was standing statutory auditor.

Seventeen meetings have been scheduled for 2022, of which six have already been held at the report date.

A board of statutory auditors' meeting can be called by any of the statutory auditors. It is deemed to be validly constituted when the majority of its members are present and it passes resolutions by absolute majority vote.

During the year, notwithstanding the renewal of the board of statutory auditors on 20 April 2021, none of the statutory auditors left office nor were changes made to the board of statutory auditors either at 31 December 2021 or the report date.

More information about the company's board of statutory auditors is provided in Table 4 (attached).

In order to carry out their duties, the statutory auditors may, also individually, ask the directors for updates and clarifications about the information sent to them and, more generally, about the company's operations or specific transactions. They may perform inspections or checks of such information at any time. The board of statutory auditors, the audit company and the audit, risk and sustainability committee exchange information and data useful for carrying out their respective duties.

In order to have both timely, regular and effective information flows and a valid support for the relevant activities, the board of statutory auditors has requested that the internal audit manager attends all its meetings.

The board of statutory auditors has also invited the chairperson of the audit, risk and sustainability committee to attend its meetings.

The board of statutory auditors met 21 times with an average meeting length of 3 hours and 15 minutes and carried out its control activities in compliance with the plan, which also takes into account the company's financial reporting schedule. In this context, the board of statutory auditors met with company management, including the chief executive officer, the general manager and the manager in charge of financial reporting.

With respect to the projects designed to provide the statutory auditors with a suitable understanding of the business sectors in which CAREL operates, the chairperson of the board of directors habitually organises board induction sessions to provide the statutory auditors with a suitable understanding of the business sectors, also in the light of the company's performance and changes in its ownership structure.

These sessions provided an overview and in-depth look at the company's various business segments through reports and presentations prepared by senior management in the areas of R&D, marketing and sales, HR and organisation, operations and administration and finance and control. Thanks to these meetings, the statutory auditors obtained an understanding of the group's business model and products/markets, its competitive leverage, its typical activities and R&D, HRM strategies and the working of the administration, finance and control unit, especially as regards critical issues and risks.

Diversity criteria and policies

Carel has applied diversity criteria (including for gender) in the composition of its board of statutory auditors, with due regard for the key objective of ensuring adequate expertise and professionalism among its members.

Given the company's structure and size, as well as its ownership structure and list voting mechanism provided for by the by-laws, which guarantees transparent elections and a balanced composition of the board of directors, in its meeting of 21 February 2022, the board of directors did not deem it necessary to adopt specific diversity policies and/or practices with respect to the composition of the boards of directors and statutory auditors and the age, gender and educational and professional background of the various members.

In their extraordinary meeting of 20 April 2021, the shareholders of CAREL approved the proposals to amend articles 17 and 23 of the by-laws, in compliance with the budget law no. 160/2019 containing provisions on gender quotas for the boards of directors and statutory auditors of listed companies.

The composition of the board of statutory auditors complies with the provisions on gender quotas for the company bodies of listed companies.

Independence

The board of statutory auditors:

- assessed the independence of its members just after their appointment;
- in situations relevant for independence purposes and at least once a year, checked the existence of the independence requirements for each of its members;
- in carrying out the above assessments, considered all available information supplied by each member of the board of statutory auditors, evaluating all circumstances that could compromise independence as defined by the CFA and the Code, applying (inter alia) all criteria provided for by the code with reference to

the independence of directors.

On 28 April 2021, at the beginning of its term of office, the board of directors set quantitative and qualitative criteria for the assessment of the significance of circumstances relevant under the Code, for the purposes of assessing the independence of directors and statutory auditors (see section 4.7).

The board of statutory auditors checked that the assessment criteria and procedures applied by the board of directors to assess its members' independence had been applied correctly.

The composition of the board of statutory auditors is adequate to ensure its independence and professionalism. On 28 April 2018, the board of statutory auditors found that its elected members met the independence requirement. On 22 December 2021, it carried out its annual check that they continued to do so and found that, in accordance with Recommendation 9 of the Code, based on the information provided by its members and that available to the company, there were no situations that would compromise the independence or independent judgement of the board members. It applied all the criteria set out in the Code applicable to the independence of directors in carrying out this check, also considering the quantitative and qualitative criteria for the assessment of the significance of circumstances relevant under the Code for the purposes of assessing independence, adopted by the board of directors on 28 April 2021 (see section 4.7). The board of statutory auditors informed the board of directors of the results of the check.

On 22 December 2021, the board of statutory auditors also performed a self-assessment exercise as per the code of conduct of statutory auditors of listed companies (Rule Q.1.1) and informed the board of directors of its findings. On 21 February 2022, the board of directors acknowledged the board of statutory auditors' self-assessment report, in accordance with Rule Q.1.1 of the code of conduct for boards of statutory auditors of listed companies issued by the Italian Accounting Profession. It assess:

- its professionalism, expertise and experience in accordance with the regulations and by-laws;
- the availability given by its members to carry out their duties as planned;
- the number of positions held in line with the regulations and by-laws;
- the correct composition of the board in terms of gender and age;
- the proper composition of the board considering its planned supervisory activities and methods applied to perform them;
- its action plan's compliance with the company's requirements;
- the adequacy and timeliness of the information provided.

Remuneration

Information about the statutory auditors' remuneration is available in the remuneration report, to which reference should be made, prepared in accordance with article 123-ter of the CFA and article 84-quater of the Issuers' Regulation, and in compliance with the recommendations of article 5 of the Code which can be found on the company's website (www.carel.com) or consulted using the other methods provided for by the ruling regulations.

Management of interests

The statutory auditors are not subject to specific obligations when they have interests in a certain transaction either directly or on behalf of third parties. Before the related resolution is passed, the board of directors asks the members of the board of statutory auditors whether they have an interest in the transaction to be resolved on. If a statutory auditor has an interest in the transaction, either directly or on behalf of third parties, he or she shall promptly and thoroughly inform the other statutory auditors and the chairperson of the board of directors of the nature, terms, origin and scope of the interest.

12. ENGAGEMENT WITH SHAREHOLDERS

Access to information

An easy-to find, easy-to-use section of the company's website provides company information that is particularly important to its shareholders, so that they may exercise their rights in an informed manner.

On 29 March 2018, the board of directors set up an investor relations unit and appointed Francesco Nalini as the investor relations manager, effective from the stock market listing date, to manage relations with the shareholders. He was replaced by Giampiero Grosso on 27 August 2018.

More information about the unit is available in the Investor Relations/Corporate Governance section of the company's website www.carel.com.

Dialogue with shareholders

The board of directors fosters ongoing dialogue with the shareholders, underpinned by an understanding of their reciprocal roles.

On 4 March 2021, in accordance with article 1, recommendation 3 of the Code of Corporate Governance, the board of directors adopted a shareholder dialogue policy as proposed by the chairperson and agreed with the chief executive officer. This policy is available on the company's website www.carel.com in the Corporate Governance/Procedures and Regulations section, to which reference should be made for more information.

13. SHAREHOLDERS' MEETINGS

All the directors attend the shareholders' meetings as a rule. The directors foster the broadest participation of the shareholders in the meetings and facilitate the exercise of their rights.

Shareholders' meetings are also occasions to convey company information to the shareholders, in accordance with the rules on inside information. Specifically, the board of directors reports to the shareholders on the activities performed and planned and ensures that the shareholders have adequate disclosure on the necessary information so that they can knowledgeably take the relevant resolutions in their meeting. The chairperson of each board committee reports to the shareholders on the manner in which the committee carried out its duties. Ordinary and extraordinary meetings of the shareholders are held on single call in accordance with article 2369.1 of the Italian Civil Code. However, the board of directors may provide that a meeting (either ordinary or extraordinary) can be held on more than one call if this is necessary and specifically stated in the notice of the meeting. In this case, the majority votes established by law for meetings that take place on more than one call for listed companies are applied.

The board of directors has the authority to call meetings of the shareholders, while the board of statutory auditors or at least two of its members may also call a meeting as provided for by article 151 of the CFA and other applicable laws and regulations.

In accordance with article 10 of the by-laws, the legitimate participation in a meeting is confirmed by a communication sent to the company by the broker authorised to do so by law, based on the information in its accounts at the end of the accounting day of the seventh open market day before that set for the meeting on single call, as legally provided for.

Shareholders that may legitimately participate in a meeting may be represented by proxy as provided for by law. Electronic notification of the proxy may be made using the methods specified in the notice calling the meeting either by email to the company's certified email address specified in the notice or using the specific section on the company's website.

For each meeting and as specified in the notice calling the meeting, the company may designate a party to which the shareholders can give their proxy with voting instructions on all or some of the matters on the agenda using the methods and timeframe established by law.

Shareholders' meetings can take place in more than one location, near or far apart, by audio or video conference, as long as the collegial method and principles of good faith and equal treatment of the shareholders are respected as well as any other conditions established by the by-laws. The shareholders pass resolutions on matters reserved to them by law or the by-laws in ordinary and extraordinary meetings using the majority votes established by law.

Each share has one voting right to be exercised at meetings, unless provided for otherwise by article 13 of the by-laws about the loyalty shares.

Meetings are chaired by the chairperson of the board of directors. Should they be absent or unable to attend, the meeting is chaired by the deputy chairperson, if appointed, or if they are absent or unable to attend, by the person designated by the shareholders.

The meeting chair's duties, powers and functions are regulated by law.

As provided for by article 16 of the by-laws, the chair is assisted by a secretary appointed by the shareholders and proposed by the chair. The secretary takes minutes.

In the case of extraordinary meetings or when deemed opportune by the chair, a notary public is elected secretary, upon the chair's recommendation and in accordance with the law.

Meeting minutes are written up as per article 2375 of the Italian Civil Code and other ruling laws and regulations.

In addition to the law and the by-laws, the meeting proceedings are regulated by the shareholders' meeting regulation approved by the shareholders on 29 March 2018. This regulation can be consulted on the company's website www.carel.com in the Corporate Governance/Procedures and Regulations section.

In accordance with the meeting resolution, parties that intend to speak at meetings must request the permission of the meeting chair or the secretary, specifying the matter on the agenda they wish to speak on. Requests may be made until the meeting chair states that the discussions on the relevant matter have ended.

Participants may request to speak for a second time during the same discussion for not more than five minutes solely to respond to another party or to communicate how they intend to vote.

The shareholders met once during the year.

All the directors were present at this meeting.

The board did not deem it necessary or opportune on 21 February 2022 to prepare reasoned proposals to be submitted to the shareholders for the definition of a different corporate governance system, deeming the current corporate governance system of the company and the group it heads to be adequate and functional.

14. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ARTICLE 123-BIS.2.A) OF THE CFA)

At the report date, the company has not adopted any additional corporate governance practices to those indicated herein.

15. CHANGES SINCE 31 DECEMBER 2021

Except for that set out herein, no changes in the company's corporate governance structure have taken place in the period from 31 December 2021 to the report date.

16. CONSIDERATIONS ON THE LETTER OF THE CORPORATE GOVERNANCE COMMITTEE CHAIRPERSON

The recommendations of the letter sent by the chairperson of Borsa Italiana's Corporate Governance Committee dated 3 December 2021 have been brought to the attention of the board of directors and its committees on 21 February 2022. These were considered, also at the time of the self-assessment, in order to identify any developments in corporate governance or to close any gaps in the application or explanations provided.

The recommendations for 2022 are designed to support companies in their process of adopting the new Code and also to highlight the opportunities offered by an effective adoption process.

The considerations of the company and the initiatives planned and/or undertaken in relation to these recommendations are described below.

With reference to the recommendation to ensure adequate and concise information in the corporate governance report on the procedures adopted to pursue sustainable success and the approach taken to promote the dialogue with major stakeholders: (i) as reported in Section 1 of this report, CAREL Group is committed to adopting strategic choices that also focus on sustainability, as described in greater detail in the consolidated non-financial statement published pursuant to Legislative decree no. 254/2016, to which reference should be made for further information. To this end, the company is required to publish a consolidated non-financial statement, as a separate document to the annual report, on its website www.carel.com, under Investor Relations/Sustainability. On 28 February 2019 (confirmed on 28 April 2021), the board of directors gave the control and risks committee responsibility for sustainability issues, renaming it the audit, risk and sustainability committee. Its role is to support the board of directors in analysing issues relevant to the long-term generation of value (see section 9.2); and (ii) as reported in Section 12 of this report, on 4 March 2021, in accordance with article 1, recommendation 3 of the Code of Corporate Governance, the board of directors adopted a shareholder engagement policy as proposed by the chairperson and agreed with the chief executive officer. This policy is available on the company's website www.carel.com in the Corporate Governance/Procedures and Regulations section, to which reference should be made for more information.

With reference to the recommendation to assess the classification of the company vis-a-vis the categories of the Code and the simplified application available to companies other than "large" and/or "concentrated" ones, and to adequately describe the choices adopted, as reported in Section 1 of this report, the company meets the definitions of a "company with concentrated ownership" and a "large company" at the report date. Nevertheless, to ensure it is in line with governance best practices, the company has also duly considered the recommendations of the Code aimed at categories of companies that the company does not fall into (see section 7.1).

With reference to the recommendation to specify the criteria used to assess the significance of the professional, commercial or financial relationships and of additional remuneration in the corporate governance report, on 28 April 2021, at the beginning of its term of office, the board of directors set quantitative and qualitative criteria for the assessment of the significance of circumstances relevant under the Code, for the purposes of assessing the independence of directors and statutory auditors (see section 4.7 for further information).

With reference to the recommendation to prepare board and committee regulations, specifying the prior notice for the submission of documentation and the exclusion of generic confidentiality as a possible exemption from compliance with such terms, as stated in section 4.4 and section 6, the board of directors has adopted regulations defining the rules for its working, including the minutes taking method (by the secretary of the meeting) and the procedures to manage information to be provided to the members. The chairperson of the board of directors ensures that all the information and documents necessary to allow the directors



to take decisions are made available to them in due time and using the appropriate methods. During the year, documentation about the meeting agendas was sent to the board and committee members roughly two to three days before the meeting date. The complete texts are available in the Corporate Governance/ Procedures and Regulations section of the company's website www.carel.com for more information on the key contents of the board and committee regulations.

With reference to the recommendation to ensure adequate disclosure in the corporate governance report on the identification and application of measures to promote gender equality throughout the entire organisation, reference should be made to the matters indicated in this regard in the consolidated non-financial statement available under the Investor Relation/Sustainability section of the company's website www.carel.com, and via the other methods envisaged by current legislation.

With reference to the recommendations regarding the opportunity to improve the remuneration policies with the definition of clear and measurable rules for the disbursement of the variable component and any end-of-mandate entitlements and a consideration of the alignment of the parameters identified for the variable remuneration with the company's strategic objectives and the pursuit of sustainable success, evaluating, if necessary, the inclusion of non-financial parameters, reference should be made to the remuneration report prepared in accordance with article 123-ter of the CFA and article 84-quater of the Issuers' Regulation, and in compliance with the recommendations of article 5 of the Code which can be found on the company's website (www.carel.com) or consulted using the other methods provided for by the ruling regulations.

* * *

Brugine, 3 March 2022

CAREL Industries S.p.A.
Chairperson of the Board of directors
Luigi Rossi Luciani

TABLE 1: THE OWNERSHIP STRUCTURE AT THE REPORT DATE

SHARE CAPITAL				
	No. of shares	No. of voting rights	Listed (indicate market) / unlisted	Rights and obligations
Ordinary shares (of which loyalty shares)	100,000,000 (of which, 60,567,440 loyalty shares)	160,567,440	Listed (STAR segment of Euronext Milan organised by Borsa Italiana)	Dematerialised shares in accordance with article 83-bis and following articles of the CFA. They can be transferred and have the same dividend and voting rights established by the law and the by-laws, except for that provided for by article 13 of the by-laws.
Preference shares	-	-	-	-
Shares with multiple voting rights	-	-	-	-
Other shares with voting rights	-	-	-	-
Saving shares	-	-	-	-
Convertible saving shares	-	-	-	-
Other shares without voting rights	-	-	-	-
Other	-	-	-	-

OTHER FINANCIAL INSTRUMENTS

(giving the right to subscribe new shares)

	Listed (indicate market) / unlisted	No. of instruments outstanding	Category of shares to serve conversion/exercise	No. of shares to serve conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

SIGNIFICANT INVESTMENTS

Declarant	Direct shareholder	% of ordinary shares	% of shares with voting rights
Carlotta Rossi Luciani (as joint representative of the undivided co-ownership of shares with Cecilia Rossi Luciani and Vittorio Rossi Luciani)	Luigi Rossi Luciani S.A.P.A.	36.17%	45.05%
Valerio Nalini (as joint representative of the undivided co-ownership of shares with Francesco and Chiara Nalini)	Luigi Nalini S.A.P.A.	20.00%	24.91%
Ruth Wertheimer	7 Industries Holding B.V.	4.93%	5.81%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE REPORTING DATE

						BOARD OF DIRECTORS
Position	Members	Year of birth	Date of first appointment (*)	In office since	In office until	
Chairperson	Luigi Rossi Luciani	1945	23/01/2009	20/04/2021	Approval of financial statements at 31/12/2023	
Deputy chairperson	Luigi Nalini	1942	23/01/2009	20/04/2021	Approval of financial statements at 31/12/2023	
CEO ●◆	Francesco Nalini	1973	23/01/2009	20/04/2021	Approval of financial statements at 31/12/2023	
Director	Carlotta Rossi Luciani	1982	29/03/2018	20/04/2021	Approval of financial statements at 31/12/2023	
Director	Cinzia Donalizio	1960	29/03/2018	20/04/2021	Approval of financial statements at 31/12/2023	
Director	Marina Manna	1960	29/03/2018	20/04/2021	Approval of financial statements at 31/12/2023	
Director ○	Maria Grazia Filippini	1964	20/04/2021	20/04/2021	Approval of financial statements at 31/12/2023	
						DIRECTORS WHO LEFT OFFICE DURING THE YEAR
Director ○	Giovanni Costa	1942	25/01/2019	15/04/2019	Approval of financial statements at 31/12/2020	

(+) Giovanni Costa was present at both of the two meetings held during the period of the year in which he was director.

(++) Maria Grazia Filippini was present at six of the seven meetings held during the period of the year in which she was director.

Number of meetings held in 2021: 9

Quorum necessary to present lists by non-controlling interests to elect one or more members (article 147-ter of the CFA): 1%

NOTE

The following symbols shall be included in the "Position" column:

- Indicates the director in charge of the internal control and risk management system.
- ◆ Indicates the company's key decision-maker (chief executive officer or CEO).
- Indicates the lead independent director (LID).

(*) The date of first appointment of each director is the date on which they were elected for the first time as a member of the company's board of directors.

(**) This column shows whether the list from which each director has been selected was presented by the shareholders ("shareholders") or the board of directors ("BoD").

(***) This column shows whether the list from which each director has been selected was a majority ("M") or minority ("m") list.

(****) This column shows the number of positions as director or statutory auditor held by the person in other listed companies or large companies. These positions are detailed in the report on corporate governance.

(*****) This column shows the directors' attendance at board meetings (indicate the number of meetings attended compared to the total number, e.g., 6/8, 8/8, etc.).

List (presented by) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. as per Code	Indep. as per CFA	No. of other positions (****)	Attendance (*****)
Shareholders	M	YES	NO	NO	NO	13	9/9
Shareholders	M	YES	NO	NO	NO	4	9/9
Shareholders	M	YES	NO	NO	NO	5	9/9
Shareholders	M	YES	NO	NO	NO	0	9/9
Shareholders	M	NO	YES	YES	YES	0	9/9
Shareholders	M	NO	YES	YES	YES	15	9/9
Shareholders	M	NO	YES	YES	YES	3	6/7 (++)
n.a.	n.a.	NO	YES	YES	YES	3	2/2 (+)

TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT THE REPORTING DATE

Position/Role	Board of directors Members	Executive committee		Related party transactions committee	
		(*)	(**)	(*)	(**)
Non-executive independent director as per the CFA and the Code	Cinzia Donalizio	-	-	2/2	M
Non-executive independent director as per the CFA and the Code	Marina Manna	-	-	2/2	C
Non-executive independent director as per the CFA and the Code	Maria Grazia Filippini	-	-	2/2	M
DIRECTORS WHO LEFT OFFICE DURING THE YEAR					
Non-executive independent director as per the CFA and the Code	Giovanni Costa	-	-		
MEMBERS WHO ARE NOT DIRECTORS					
Manager of the company/Other	-				
Number of meetings held in 2021:			-		2

NOTE

(*) This column shows the directors' attendance at committee meetings (indicate the number of meetings attended compared to the total number, e.g., 6/8, 8/8, etc.).

(**) This column shows the position of the director in the committee: "C": chairperson; "M": member.

Audit, risk and sustainability committee		Remuneration committee		Appointments committee		Other committee		Other committee	
(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
10/10	M	10/10	C	-	-	-	-	-	-
10/10	C	10/10	M	-	-	-	-	-	-
7/10	M	6/7	M	-	-	-	-	-	-
2/2	M	3/3	M	-	-	-	-	-	-
-						-	-	-	-
	10		10		-		-		-

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE REPORTING DATE

BOARD OF STATUTORY AUDITORS									
Position	Members	Year of birth	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Indep. as per Code	Attendance of meetings (***)	No. of other positions (****)
Chairperson	Paolo Prandi	1961	20/04/2021	20/04/2021	Approval of financial statements at 31/12/2023	m	YES	11/11	5
Standing statutory auditor	Saverio Bozzolan	1967	29/03/2018	20/04/2021	Approval of financial statements at 31/12/2023	M	YES	21/21	8
Standing statutory auditor	Claudia Civolani	1966	29/03/2018	20/04/2021	Approval of financial statements at 31/12/2023	M	YES	20/21	9
Alternate statutory auditor	Fabio Gallio	1970	16/05/2011	29/03/2018	Approval of financial statements at 31/12/2023	M	YES	-	51
Alternate statutory auditor	Alessandra Pederzoli	1974	20/04/2021	20/04/2021	Approval of financial statements at 31/12/2023	m	YES	-	20
STATUTORY AUDITORS WHO LEFT OFFICE DURING THE YEAR									
Standing statutory auditor	Paolo Ferrin	1955	08/05/2017	29/03/2018	Approval of financial statements at 31/12/2020	n.a.	YES	10/10	17
Alternate statutory auditor	Giovanni Fonte	1973	16/05/2011	29/03/2018	Approval of financial statements at 31/12/2020	n.a.	YES	-	0

Number of meetings held in 2021: 21**Quorum necessary to present lists by non-controlling interests to elect one or more members (article 147-ter of the CFA): 1%****NOTE**

(*) The date of first appointment of each statutory auditor is the date on which they were elected for the first time as a member of the company's board of statutory auditors.

(**) This column shows whether the list from which each statutory auditor has been selected was a majority ("M") or minority ("m") list.

(***) This column shows the statutory auditors' attendance at board meetings (indicate the number of meetings attended compared to the total number, e.g., 6/8, 8/8, etc.).

(****) This column shows the number of positions as director or statutory auditor held by the statutory auditors as per article 148-bis of the CFA and related implementation guidelines set out in the Issuers' Regulation. A complete list of the positions is published by Consob on its website in accordance with article 144-quinquiesdecies of the Issuers' Regulation.

List of positions held by the directors in office at the report date

List of positions held by **Luigi Rossi Luciani**

Company	Position
Carel Industries Spa	Chairperson of the board of directors
Luigi Rossi Luciani Sapa *	Chairperson of the board of directors and general partner
Nastrificio Victor Spa *	Chairperson of the board of directors
Eurotest Laboratori Srl *	Chairperson of the board of directors
Panther Srl *	Chairperson of the board of directors
Ots srl *	Chairperson of the board of directors
Rn Real Estate srl *	Chairperson of the board of directors
New Frontier srl *	Director
Fondazione Its Meccatronico di Vicenza *	Chairperson of the board of directors
Soc. Agricola Monte Fasolo srl *	Chairperson of the board of directors
Carel Acr Systems India Pvt Ltd.	Chairperson of the board of directors
Carel Middle East dwc	Director
Garmont International srl *	Director
Femogas S.p.A. *	Chairperson of the board of directors
JVP S.r.l. *	Director
Tre Valli Società Agricola S.r.l. *	Sole director

* The company is not part of the group headed by the company.

List of positions held by **Luigi Nalini**

Company	Position
CAREL Industries SpA	Deputy chairperson of the board of directors
Luigi Nalini sapa *	Chairperson of the board of directors - general partner
Crc srl	Director
Eurotest Laboratori srl *	Chief executive officer
Rn Real Estate srl *	Chief executive officer

* The company is not part of the group headed by the company.

List of positions held by **Francesco Nalini**

Company	Position
Carel Industries S.p.A.	Chief executive officer
Università degli Studi di Padova *	External director
Assindustria Venetocentro*	Deputy chairperson
RN Real Estate Srl *	Director
RN Real Estate Adriatic doo *	Director
Associazione Amici Università di Padova *	Member of the management board

* The company is not part of the group headed by the company.

List of positions held by **Carlotta Rossi Luciani**

Company	Position
Carel Industries S.p.A.	Director

List of positions held by **Marina Manna**

Company	Position
BLM S.p.A. *	Chairperson of the board of statutory auditors
Celenit S.p.A. *	Standing statutory auditor
Clodia – Soc. Imm. S.p.A. *	Standing statutory auditor
Pagnan Finanziaria S.p.A. *	Standing statutory auditor
FPT Industrie S.p.A. *	Standing statutory auditor
Nice Group S.p.A. (ora BeNice Holding S.p.A.) *	Standing statutory auditor
Fonderie Pandolfo S.p.A. *	Standing statutory auditor
Veneto Logistica S.r.l. *	Sole statutory auditor
Fond. Ist. Ricerca Pediatrica Città della Speranza *	Chairperson of the audit body
Carraro S.p.A. *	Standing statutory auditor
Carel Industries S.p.A.	Director
Cavour srl *	Sole director
Università degli Studi di Padova *	Director
Alta Vita – Istituzioni Riunite di Assistenza *	Director
SINLOC S.p.A. – SISTEMI INIZIATIVE LOCALI *	Chairperson of the board of statutory auditors
Slowear Spa *	Standing statutory auditor

* The company is not part of the group headed by the company.

List of positions held by **Cinzia Donalisio**

Company	Position
Carel Industries S.p.A.	Director
Innovation&Governance *	Sole director
Governance Advisory *	Chief executive officer
V&M family partners spa *	Chairperson of the board of directors

* The company is not part of the group headed by the company.

List of positions held by **Maria Grazia Filippini**

Company	Position
Carel Industries S.p.A.	Director
Eurotech S.p.A. *	Independent director

* The company is not part of the group headed by the company.

List of positions held by **Giovanni Costa**

Company	Position
Carel Industries S.p.A.	Director
Gibus S.p.A. *	Director

* The company is not part of the group headed by the company.



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