



CAREL INDUSTRIES S.p.A.

**(Translation from the Italian original which remains the definitive version)**

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS  
ON ITEMS 1 AND 2 ON THE AGENDA**

Drawn up in accordance with article 125-ter of Legislative decree no. 58 of 24 February 1998 (the Consolidated Finance Act, "CFA", ) and article 84 of the regulation adopted by Consob with resolution no. 11971/99 (the "Issuers' Regulation"), as subsequently amended, for the ordinary shareholders' meeting of Carel Industries S.p.A. ("Carel" or the "company") scheduled on single call for 20 April 2020.

*Updated version at 5 April 2020*

**Illustrative report of the board of directors of Carel Industries S.p.A., drawn up under article 125-ter of Legislative decree no. 58 of 24 February 1998, as amended and integrated (“CFA”), and article 84-ter of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as subsequently amended and integrated (the “Issuers’ Regulation”).**

Dear shareholders,

This report describes the proposals the board of directors of Carel Industries S.p.A. (“**Carel**” or the “**company**”) intends submitting for your approval as regards items 1 and 2 on the agenda of the ordinary shareholders’ meeting that will be held on single call on 20 April 2020, at 11:00 a.m., at the company’s registered office in Brugine (PD), Via dell’Industria, 11.

**Item no. 1 on the agenda – Approval of the separate financial statements as at and for the year ended 31 December 2019 and presentation of the consolidated financial statements as at and for the year ended 31 December 2019. Allocation of the profit for the year. Related and ensuing resolutions**

Dear shareholders,

With regard to the first item on the agenda of the shareholders’ meeting called for 20 April 2020, we invite you to read the Annual Financial Report of Carel Industries S.p.A. (“**Carel**” or the “**company**”) as at and for the year ended 31 December 2019, approved by the company’s board of directors on 5 March 2020, which includes the company’s draft separate financial statements and consolidated financial statements, together with the directors’ report and the statement pursuant to article 154-bis.5 of the CFA.

On 5 March 2020, the board of directors also approved the Consolidated Non-Financial Statement prepared in accordance with Legislative decree no. 254/2016 presented separately from the directors’ report.

The directors’ report will be made available to the public, along with the draft separate financial statements of Carel as at and for the year ended 31 December 2019, the consolidated financial statements of the Carel Group at the same date, the statement of the manager in charge of financial reporting, the report of the board of statutory auditors, and the independent auditors’ report, at the company’s

registered office and at the premises of Borsa Italiana S.p.A. (“**Borsa Italiana**”), as well as on the company’s website ([www.carel.com](http://www.carel.com)) and through the other methods stipulated by Consob regulations, within the timeframes laid down by the legislation in force.

The company’s consolidated financial statements at 31 December 2019 as well as the Consolidated Non-financial Statement drawn up in accordance with Legislative decree no. 254/2016 do not require your approval.

With reference to these documents, we accordingly invite you to approve Carel’s separate financial statements at 31 December 2019, which show a profit of approximately €22.708.460, and to allocate part of such profit as a distribution of dividends to the shareholders in compliance with the dividend distribution policy adopted by the company’s board of directors on 11 May 2018 and communicated to the market as part of the listing prospectus.

To that end, we propose you resolve on the allocation of the profit for 2019 as follows:

- to distribute to the shareholders a dividend of the amount of 0.12 Euro per each share that will be in circulation at the ex-dividend date, excluding treasury shares owned by the Company on that date. The total value of the dividend amount, taking into account the shares in circulation on March 05, 2020 (n. 99,916,665 shares) is therefore estimated in 11,989,999.80 Euros;
- to pay, gross of legal withholding, the dividend of 0.12 Euro per share with ex-dividend date on June 24th, 2020, date of record, pursuant to art. 83-*terdecies* of the CFA, set for June 25th, 2020 and with date of payment for June 26th, 2020;
- to allocate the balance to an extraordinary reserve,

on the understanding that, if the above distribution is not approved, the net operating profit will be fully allocated to extraordinary reserve.

More comprehensive information on this item is available in the Annual Financial Report, the directors’ report and the additional documentation that has been made available to the public, using the methods and within the timeframes prescribed by law, at the company’s registered office and at the premises of Borsa Italiana S.p.A., as well as on the company’s website ([www.carel.com](http://www.carel.com)) and through the other methods stipulated by Consob regulations.

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In the light of the above, below the proposals of the resolutions of the Shareholders' Meeting concerning the approval of the Financial Statements as at and for 31 December 2019 and the allocation of the profit for the year.

With regard to the approval of the Financial Statements as at and for 31 December 2019, we accordingly invite you, should you agree with the proposal submitted to you as per the above, to adopt the following resolution:

*“At their ordinary meeting, the shareholders of Carel Industries S.p.A.:*

- having reviewed the directors' report;*
- having acknowledged the reports of the board of statutory auditors and the independent auditors;*
- having acknowledged the Consolidated Non-financial Statement prepared in accordance with Legislative decree no. 254/2016;*
- having reviewed the draft separate financial statements of Carel Industries S.p.A. at 31 December 2019, which show a profit for the year of Euro 22.708.460;*

***resolve***

- 1. to approve the separate financial statements of Carel Industries S.p.A. at 31 December 2019;*
- 2. to confer on the chairperson of the board of directors and on the chief executive officer, severally and with the right to sub-delegate to other parties, a mandate for the performance of all the activities pertaining to, resulting from or associated with, implementation of this resolution”;*

With regard to the allocation of the profit for the year, we therefore invite you, if you agree with this proposal, to adopt the following resolution:

*“At their ordinary meeting, the shareholders of Carel Industries S.p.A.:*

- having reviewed the directors’ report;*
- having acknowledged the reports of the board of statutory auditors and the independent auditors;*
- having acknowledged the Consolidated Non-financial Statement prepared in accordance with Legislative decree no. 254/2016;*
- having reviewed the draft separate financial statements of Carel Industries S.p.A. at 31 December 2019, which show a profit for the year of Euro 22.708.460;*

***resolved***

- to distribute to the shareholders a dividend of the amount of 0.12 Euro per each share that will be in circulation at the ex-dividend date, excluding treasury shares owned by the Company on that date. The total value of the dividend amount, taking into account the shares in circulation on March 5, 2020 (n. 99,916,665 shares) is therefore estimated in 11,989,999.80 Euros;*
  - to pay, gross of legal withholding, the dividend of 0.12 Euro per share with ex-dividend date on June 22nd, 2020, date of record, pursuant to art. 83-terdecies of the CFA, set for June 23rd, 2020 and with date of payment for June 24th, 2020;*
  - to allocate the balance to an extraordinary reserve.*
- 2. to confer on the chairperson of the board of directors and on the chief executive officer, severally and with the right to sub-delegate to other parties, a mandate for the performance of all the activities pertaining to, resulting from or associated with implementation of this resolution.*

As reported, in the event that, on the basis of the outcome of the votes, the abovementioned proposal resolution is not approved, the net operating profit will be fully allocated to extraordinary reserve.

**Item no. 2 on the agenda – Resolutions about the remuneration report prepared in accordance with article 123-ter of Legislative Decree no. 58/1998 and article 84-quater of Consob regulation no. 11971/1999.**

- 2.1 Binding vote on the 2020 remuneration policy presented in the first section of the report; related and ensuing resolutions;**
- 2.2 Discussion about the second section of the report about the remuneration paid in 2019 or related to 2019; related and ensuing resolutions.**

Dear shareholders,

With respect to the second item on the agenda, we present the report on remuneration and fees paid to the directors and statutory auditors, general managers and key management personnel (the “**remuneration report**”). We prepared this report in accordance with articles 123-ter of the CFA and article 84-quater of the Issuers’ Regulation, as well as article 6 of the Code of Conduct (July 2018 version) and Annex 3A, Forms 7-bis and 7-ter of the Issuers’ Regulation.

In accordance with article 123-ter of the CFA (recently amended by Legislative decree no. 49 of 10 June 2019 which transposes Directive (EU) 2017/828 (the Shareholders’ rights Directive II) of the European Parliament and of the Council of 17 May 2017 which amends Directive 2007/36/EC (the Shareholders’ rights Directive I) as regards the encouragement of long-term shareholder engagement), this remuneration report has two sections.

The first section of the remuneration report provides a clear and comprehensive overview of the company’s remuneration policy for its directors and statutory auditors, general managers and key management personnel for at least the next year as well as the procedures used to adopt and implement this policy. In accordance with article 123-ter.3-bis and 3-ter of the CFA, introduced by Legislative decree no. 49/2019, the policy set out in this section requires the shareholders’ binding vote in their ordinary meeting.

The second section (i) provides an adequate description of each of the items making up the remuneration, including payments envisaged in the event of termination of office or of the employment relationship, highlighting their consistency with the company’s policy on remuneration approved in 2019; (ii) sets out in detail the remuneration paid in 2019 in any manner and form by the company or its subsidiaries or associates, specifying any components of such remuneration that relate to activities performed in previous years as well as the remuneration to be paid in one or more subsequent years for services provided in 2019; (iii) shows that

the company has considered the shareholders' vote on the second section of the report in the previous year. This information shall be provided in a transparent and comprehensible manner, individually for each director, statutory auditor and general manager, and collectively for key management personnel. In accordance with the new point 6 of article 123-ter of the CFA, introduced by Legislative decree no. 49/2019, the shareholders are called upon to express themselves in favour or against this section, by means of a non-binding resolution.

The report also indicates any investments held by the above persons in the company or its subsidiaries.

Complete information on the matter in question is available in the report drawn up by the board of directors in accordance with article 123-ter of the CFA and article 84-quater of the Issuers' Regulation, as well as article 6 of the Code of Conduct (the July 2018 version), which has been made available to the public, within the manner and the timeframes prescribed by law, at the company's registered office and at the premises of Borsa Italiana S.p.A., as well as on the company's website ([www.carel.com](http://www.carel.com)) and through the other methods stipulated by Consob regulations.

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Based on the foregoing, with respect to this item on the agenda, two separate votes will be taken based on the proposals set out below.

### ***2.1 Binding vote on the 2020 remuneration policy presented in the first section of the report; related and ensuing resolutions.***

That being said, we present the following proposal for the first section of the report for your approval:

*“At their ordinary meeting, the shareholders of Carel Industries S.p.A.:*

- having examined the first section of the remuneration report required by article 123-ter.3 of Legislative decree no. 58 of 24 February 1998 prepared by the board of directors in line with the proposals made by the remuneration committee, which presents the company's remuneration policy for its directors, statutory auditors, general managers and key management personnel for 2020 and the procedures used to adopt and implement this policy;*
- given that the first section of the remuneration report and the remuneration policy described therein complies with the law and regulations applicable to the remuneration of directors, statutory auditors, general managers and key management personnel; and*



- *given that the remuneration report has been made available to the public using the methods and within the timeframes required by the regulations in force;*

**resolve**

*to approve in accordance with article 123-ter.3-bis and 3-ter of the CFA the remuneration policy described in the first section of the remuneration report prepared by the company's board of directors on 5 March 2020."*

**2.2 Discussion about the second section of the report about the remuneration paid in 2019 or related to 2019; related and ensuing resolutions.**

With respect to the second section of the report, we present the following proposal for your approval:

*"At their ordinary meeting, the shareholders of Carel Industries S.p.A.:*

- *having examined the second section of the remuneration report required by article 123-ter.4 of Legislative decree no. 58 of 24 February 1998 prepared by the board of directors in line with the proposals made by the remuneration committee, which presents the remuneration paid to directors, statutory auditors, general managers and key management personnel in 2019 or related to that year;*
- *given that the second section of the remuneration report and the remuneration described therein complies with the law and regulations applicable to the remuneration of directors, statutory auditors, general managers and key management personnel; and*
- *given that the remuneration report has been made available to the public using the methods and within the timeframes required by the regulations in force;*

**resolve**

*in favour of the second section of the remuneration report prepared by the company's board of directors on 5 March 2020 in accordance with article 123-ter-6 of the CFA."*

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Brugine, 5 March 2020

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Chairperson of the Board of directors

Luigi Rossi Luciani