



CAREL INDUSTRIES S.p.A.

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

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS
ON THE FIRST AND ONLY ITEM ON THE AGENDA FOR THE EXTRAORDINARY
SHAREHOLDERS' MEETING**

*Drawn up in accordance with article 125-ter of Legislative decree no. 58 of 24 February 1998 (the **Consolidated Finance Act, "CFA"**) and article 72 of the regulation adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 11971/99 (the **"Issuers' Regulation"**), as subsequently amended and integrated, for the extraordinary shareholders' meeting of Carel Industries S.p.A. ("**Carel**" or the "**company**") scheduled on single call for 20 April 2021*

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 72-*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 the first and only point on the agenda of the extraordinary shareholders’ meeting that will be held on single call on 20 April 2021, at 11.00 am at the company’s registered office in Brugine (PD), Via dell’Industria, 11.

Item no. 1 on the agenda:

- 1. Proposal to amend articles 17 and 23 of the by-laws to comply with the Law no. 160/2019 on gender balance in corporate bodies of listed companies; related and ensuing resolutions.**

1. REASONS FOR THE PROPOSED AMENDMENTS

Law no. 120 of 12 July 2011 (the “**Golfo-Mosca Law**”) enshrined the principle whereby the corporate bodies of listed companies (and companies under public control) shall comply with a criterion guaranteeing gender balance. Specifically, article 147-*ter.1-ter/1-bis* of the Consolidated Finance Act (“CFA”) required listed companies to ensure that at least one third of their boards of directors and statutory auditors be made up of the less represented gender. This criterion was applicable for three consecutive mandates (the sunset clause).

Law no. 160 of 27 December 2019 (the “**2020 budget law**”) became effective on 1 January 2020 and amended the rules about gender balance in corporate bodies of listed companies, as provided for by the above-mentioned article 147-*ter* and article 148 of the CFA.

It required, inter alia, (i) an increase in the percentage of seats to be reserved to the less represented gender from one third (as originally provided for) to at least two fifths for both the board of directors and board of statutory auditors; and (ii) the extension of the period of validity of this new criterion of at least two fifths

representation to six consecutive mandates rather than the original three.

Accordingly, Consob approved amendments to article 144-*undecies*.1 of the Issuers' Regulation with defines the application criteria of the new gender balance requirements introduced by the 2020 budget law with its resolution no. 21359/2020.

Consob confirmed the content of communication no. 1/2020 of 30 January 2020 and reiterated that the criterion for the determination of the number of places on the corporate bodies to be reserved to the less represented gender is that of rounding upwards as a general rule and in line with the previous requirements. Rounding downwards is only allowed when the corporate body has three members given the mathematical impossibility of ensuring gender balance by rounding upwards in this case.

Consob concurrently clarified that the greater safeguards introduced by law to protect the less represented gender hold true for six consecutive mandates beginning from the first time the corporate bodies are re-elected after the 2020 budget law becomes effective, i.e., after 1 January 2020.

That being said, we present the new text of articles 17 and 23 of the by-laws for your approval to be adopted to comply with the instructions set out in the 2020 budget law about gender balance in the corporate bodies of listed companies.

2. BY-LAWS AMENDMENTS

The alignment with the new gender balance legal requirements for corporate bodies of listed companies entails the amendment of articles 17 and 23 of the by-laws, related to the board of directors and the board of statutory auditors, respectively.

The current text of articles 17 and 23 of Carel's by-laws compared to the proposed text that will become effective should the amendments be approved is provided below.

Current text	Proposed text
<p style="text-align: center;">BOARD OF DIRECTORS</p> <p>ARTICLE 17 – COMPOSITION, TERM, REQUIREMENTS AND ELECTION</p>	<p style="text-align: center;">BOARD OF DIRECTORS</p> <p>ARTICLE 17 – COMPOSITION, TERM, REQUIREMENTS AND ELECTION</p>

<p style="text-align: center;">[...omissis...]</p> <p>Each list:</p> <ul style="list-style-type: none"> • shall include no more than 13 (thirteen) candidates, listed in consecutive order; • shall include and specifically state that at least one director meets the independence requirements; if the list has more than 7 (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 3 (three) or more candidates, but shall have a number of the less represented gender to ensure the presence of directors of the less represented gender equal to at least one third of the total number of directors, without prejudice to the fact that if this is not a whole number, it shall be rounded upwards; <p style="text-align: center;">[...omissis...]</p>	<p style="text-align: center;">[...omissis...]</p> <p>Each list:</p> <ul style="list-style-type: none"> • shall include no more than 13 (thirteen) candidates, listed in consecutive order; • shall include and specifically state that at least one director meets the independence requirements; if the list has more than 7 (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 3 (three) or more candidates, but shall have a number of the less represented gender to ensure the presence of directors of the less represented gender <u>equal to at least one third of the total number of directors in accordance with the laws and regulations in force from time to time about gender balance</u>, without prejudice to the fact that if this is not a whole number, it shall be rounded upwards <u>to the next whole number as provided for by the laws and regulations applicable from time to time</u>; <p style="text-align: center;">[...omissis...]</p>
<p style="text-align: center;">BOARD OF STATUTORY AUDITORS ARTICLE 23 – COMPOSITION, TERM, ELECTION AND REPLACEMENT</p>	<p style="text-align: center;">BOARD OF STATUTORY AUDITORS ARTICLE 23 – COMPOSITION, TERM, ELECTION AND REPLACEMENT</p>

<p style="text-align: center;">[...omissis...]</p> <p>Each list:</p> <ul style="list-style-type: none"> • 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 3 (three), a list of candidates in both sections sufficient to ensure the composition of the board of statutory auditors, both for the standing and alternate statutory auditors, that complies with the laws and regulations in force from time to time about the gender balance requirement (should allocation of this requirement not give rise to a whole number, it shall be rounded upwards); <p style="text-align: center;">[...omissis...]</p> <p>When two or more lists are presented, the candidates are voted for and the statutory auditors appointed using the following methods:</p> <ul style="list-style-type: none"> • candidates from the two lists with the most votes are elected by applying the following criteria: i. 2 (two) standing statutory auditors and 1 (one) alternate 	<p style="text-align: center;">[...omissis...]</p> <p>Each list:</p> <ul style="list-style-type: none"> • 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 3 (three), a list of candidates in both sections sufficient to ensure the composition of the board of statutory auditors, both for the standing and alternate statutory auditors, that complies with the laws and regulations in force from time to time about the gender balance requirement (should allocation of this requirement not give rise to a whole number, it shall be rounded upwards to the next whole number <u>as provided for by the laws and regulations applicable from time to time</u>); <p style="text-align: center;">[...omissis...]</p> <p>When two or more lists are presented, the candidates are voted for and the statutory auditors appointed using the following methods:</p> <ul style="list-style-type: none"> • candidates from the two lists with the
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<p>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;</p> <ul style="list-style-type: none"> • 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 requirements about gender balance established by the laws and regulations in force from time to time, including the rounding upwards to the next 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; <p>B. When just one list is presented, the shareholders vote for this list and if it obtains a majority, three standing</p>	<p>most votes are elected by applying the following criteria: (i) 2 (two) standing statutory auditors and 1 (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;</p> <ul style="list-style-type: none"> • 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 requirements about gender balance established by the laws and regulations in force from time to time, including the rounding upwards to the next whole number <u>as provided for by the laws and regulations applicable from time to time</u> 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
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<p>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 the next whole number if application of the gender balance criteria does not result in a whole number.</p> <p>C. If no lists are presented, or it is not possible to elect the board of statutory auditors using the methods set out in this article 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 upwards to the next whole number if application of the gender balance criteria does not result in a whole number.</p> <p style="text-align: center;">[...omissis...]</p>	<p>candidate on the same list of the other gender;</p> <p>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 the next whole number <u>as provided for by the laws and regulations applicable from time to time</u> if application of the gender balance criteria does not result in a whole number.</p> <p>C. If no lists are presented, or it is not possible to elect the board of statutory auditors using the methods set out in this article 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 upwards to the next whole number <u>as provided for by the laws and regulations applicable from time to time</u> if application of the gender balance criteria does not result in a whole number.</p> <p style="text-align: center;">[...omissis...]</p>
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3. WITHDRAWAL RIGHT

As the proposed by-laws amendments are mandatory to ensure the by-laws comply with the law, they do not give shareholders that do not agree with the proposal the right to withdraw.

4. PROPOSED RESOLUTION

Dear shareholders,

Based on the above, we submit for your approval the following proposed resolution:

“At their extraordinary meeting, the shareholders of Carel Industries S.p.A., having reviewed the illustrative report of the board of directors on the first and only item on the agenda and acknowledged the reasons for the proposals made therein,

resolve

- to amend the text of articles 17 and 23 of the by-laws and to approve the new text as presented in the illustrative report of the board of directors, attached to this resolution and an integral and substantial part thereof;*
- to give the board of directors and, therefore, the chairperson and chief executive officer and/or the executive directors, including by means of special proxies, any and all powers, none excluded, necessary or suitable to allow them to perform the resolutions set out above and exercise their powers, and to carry out the formal procedures necessary so that all the resolutions passed today obtain legal and regulatory approval, including any and all powers to make all (not substantial) changes, additions or cancellations to the shareholders’ resolutions, the text of these minutes and the attached by-laws that may be necessary if so requested by any competent authority or during their inclusion in the company register on behalf of the company.”*

Brugine, 4 March 2021

Chairperson of the Board of directors

Luigi Rossi Luciani