

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



CAREL INDUSTRIES S.p.A.

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS  
ON ITEM 5 ON THE AGENDA FOR THE ORDINARY SHAREHOLDERS' MEETING**

*Drawn up in accordance with article 125-ter and article 114-bis of Legislative decree no. 58 of 24 February 1998 (the **Consolidated Finance Act, "CFA"**) and article 84-ter 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 ordinary 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* and article 114-*bis* 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 proposal the board of directors of Carel Industries S.p.A. (“Carel” or the “company”) intends submitting for your approval as regards item 5 on the agenda of the ordinary 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. 5 on the agenda:**

**5. Proposal for the approval of a share-based plan in accordance with article 114-bis of Legislative decree no. 58 of 24 February 1998 as subsequently amended and integrated; related and ensuing resolutions.**

Dear shareholders,

With regard to the fifth item on the agenda, the board of directors intends to ask you to approve a share-based incentive plan involving the free allocation of ordinary Carel shares (the “shares”), the 2021-2025 share-based performance plan (the “plan”), to beneficiaries who play a key role in achieving the Carel Group’s objectives and who will be identified, including on more than one occasion, by the board of directors as proposed by the chief executive officer and after consulting the remuneration committee. They may include the executive directors, key management personnel and the employees of the company and its subsidiaries depending on the strategic importance of their positions (the “beneficiaries”).

The plan is, therefore, “of particular significance” as per article 84-*bis*.2 of the Issuers’ Regulation. The proposal considers that the plan is long-term and is split into 3 (three) three-year rolling cycles (the “vesting periods”), after which the shares will be assigned free of charge once the board of directors has checked that the following conditions have been met: (i) at the assignment date, the individual beneficiary has an ongoing employment and/or management relationship with Carel or one of its subsidiaries and that their qualification as beneficiary of the company, one of its relevant subsidiaries or the group is still valid; (ii) the set performance objectives have been met, calculated using the following indicators: a) consolidated cumulated adjusted EBITDA for each

vesting period, (weight 50% (fifty percent)); b) cash conversion (average value for each vesting period) (weight 30% (thirty percent); c) ESG target, average achievement of a number of sustainability indicators (weight 20% (twenty percent)), as defined in the plan regulation, although the board of directors may identify other and/or additional performance objectives, which do not have to be pegged to financial indicators, and the related percentage weights for the 2022–2024 and 2023–2025 vesting periods after consulting the remuneration committee.

Without prejudice to the definitions included in this report, the capitalised terms used in the Prospectus prepared in accordance with article 114–*bis* of the CFA and article 84–*bis* of the Issuer Regulation (the “**Information Memorandum**”) have the same significance herein.

More comprehensive information on this item is available in the Information Memorandum on the 2021–2025 share–based performance plan and the additional documentation that will be made available to the public, using the methods and within the timeframes prescribed by law, at the company’s registered office and at 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 in its regulations.

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Based on the above, we set out below the proposed resolution for the approval of a share–based performance plan as per article 114–*bis* of the CFA.

With respect to the approval of the 2021–2025 share–based performance plan, we ask you to pass the following resolution if you agree with the proposal:

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

*– having reviewed the information memorandum drawn up in accordance with article 114–bis of Legislative decree no. 58 of 24 February 1998 and article 84–bis of Consob regulation no. 11791 of 14 May 1999; –having reviewed the illustrative report of the board of directors prepared in accordance with article 114–bis and article 125–ter of the CFA;*

***resolve***

- to approve in accordance with article 114–bis of the CFA the adoption of a share–based plan, the 2021–2025 share–based performance plan, in accordance with that set out in the illustrative report and the related information memorandum;*
- to give the board of directors, and allow them to sub–delegate, any and all powers necessary and appropriate to allow it to a) manage, administer and completely and fully implement the plan; b) prepare and/or finalise all necessary and suitable documents for the plan’s purposes; c) make any amendments and/or integrations to the plan and related documentation deemed necessary and/or appropriate to ensure the plan is performed as best as possible, including to reflect changes in the application regulations; and d) take all measures, steps and formal actions*

*necessary and appropriate to manage and/or implement the plan, including providing information to the market in accordance with the applicable legislative and regulatory rules, and to execute this resolution”.*

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Brugine, 4 March 2021

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Chairperson of the Board of directors

Luigi Rossi Luciani