

# CAREL

---

Procedure for the Management of Transactions with Related Parties



# Contents

PRELIMINARY PROVISIONS .....	7
1. Scope of application .....	7
2. Recipients .....	7
3. Identification of Related Parties .....	8
4. Identification of Transactions with Related Parties .....	8
RULES GOVERNING TRANSACTIONS WITH RELATED PARTIES .....	10
5. Transactions of Lesser Significance .....	10
5.1 Review of the transaction .....	10
5.2 Approval of the transaction .....	11
6. Transactions of Greater Significance .....	11
6.1 Review of the transaction .....	11
6.2 Approval of the transaction .....	12
6-bis Flows of information to verify the correct application of exemption cases	12
7. Transactions with related parties through Subsidiaries .....	12
8. Urgent transactions .....	13
9. Framework resolutions .....	13
10. Transactions within the competence of the Shareholders' Meeting .....	14
10.1 Transactions of Lesser Significance .....	14
10.2 Transactions of Greater Significance .....	14
11. Committee .....	14
12. Equivalent measures .....	15
13. Cases of exclusion .....	15
13.1 Ordinary transactions .....	17
13.2 Transactions of limited value .....	17
13.3 Ordinary conditions .....	18
14. Transactions with or between Subsidiaries and with Associated Companies .....	18
DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES .....	19
15. Internal disclosure on Transactions with Related Parties .....	19
16. Disclosure on transactions of Lesser Significance .....	19
17. Disclosure on transactions of Greater Significance .....	19
18. Transactions not subject to disclosure transparency .....	20
19. Periodic disclosure .....	20
20. Public disclosure obligations .....	20
IMPLEMENTING PROVISIONS AND ENTRY INTO FORCE .....	22
21. Implementing provisions .....	22
22. Transitional arrangements .....	22
23. Approval of the Procedure and amendments thereto .....	22
ANNEX 1 - Definitions of related parties and transactions with related parties and related definitions in accordance with international accounting standards .....	23
Definitions of Related Parties and Transactions with Related Parties according to international accounting standards .....	23
Definitions functional to those of Related Parties and Transactions with Related Parties according to international accounting standards .....	24
Principles for the interpretation of definitions .....	24
ANNEX 2 - Identification of transactions of greater significance with related parties .....	25



<b>Directors Involved in the Transaction</b>	the directors of Carel Industries S.p.A. who have in the Transaction an interest, on their own behalf or on behalf of third parties, in conflict with that of the Company.
<b>Independent Directors</b>	the Directors of Carel Industries S.p.A. in possession of the independence requirements provided for by the Consolidated Law on Finance (articles 147-ter, paragraph 4 and 148, paragraph 3) and by the Corporate Governance Code. The existence of the independence requirement is verified by the Board of Directors, taking into consideration, in particular, any economic, equity and financial relations with: <ol style="list-style-type: none"><li>i. the Company;</li><li>ii. the Parent Company,</li><li>iii. the Subsidiaries or Associated Companies of Carel Industries S.p.A.;</li><li>iv. the directors of the entities referred to in (i) and (ii) above.</li></ol>
<b>Board of Directors (BoD)</b>	The Board of Directors of Carel Industries S.p.A.
<b>Committee</b>	the Company's Related Parties Committee, as defined in paragraph 11 of this Procedure.
<b>Key Management Personnel</b>	the directors (executive or otherwise) and statutory auditors of the Company, the General Manager and, in general, persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Company
<b>Transaction with Related Parties</b>	transactions with related parties defined as such by the international accounting standards in force at the time, adopted according to the procedure set forth in article 6 of Regulation (EC) 1606/2002.
<b>Related Party</b>	subjects qualified as such pursuant to art. 3 of this Procedure.
<b>Issuers' Regulation</b>	the Regulation implementing Legislative Decree No. 58 of 24 February 1998 concerning the regulation of issuers, adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.
<b>RPT Regulation</b>	The regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented.
<b>Company</b>	CAREL INDUSTRIES S.p.A.
<b>Associated Company</b>	The entities qualified as Associated Companies by the international accounting standards in force at the time, adopted according to the procedure set forth in article 6 of Regulation (EC) No. 1606/2002.
<b>Subsidiary</b>	The entities qualified as Subsidiaries by the international accounting standards in force at the time adopted in accordance with the procedure set forth in article 6 of Regulation (EC) No. 1606/2002.
<b>Parent Company</b>	The entity that directly or indirectly controls the Company pursuant to the international accounting standards in force at the time, adopted according to the procedure set forth in article 6 of Regulation (EC) No. 1606/2002.

Family members who are expected to influence, or be influenced by, the interested party in their relations with the Company, in accordance with the international accounting standards in force at the time, adopted according to the procedure set forth in article 6 of Regulation (EC) No. 1606/2002. May qualify as a close family member:

- the children and the spouse or partner of that person;
- the children of that person's spouse or partner;
- the dependants of that person or of his or her spouse or partner;

Legislative Decree No. 58 of 24 February 1998 on financial intermediation or Consolidated Law on Finance, as subsequently amended and supplemented.

### **Close family**

### **Consolidated Law on Finance**

## PRELIMINARY PROVISIONS

### 1. Scope of application

The Procedure for the Management of Transactions with Related Parties was prepared and approved pursuant to the regulation adopted by Consob with resolution no. 17221 of 12 March 2010 (the "RPT Regulation"), also taking into account Consob communication no. DEM/10078683 of 24 September 2010 and the Corporate Governance Code.

The purpose of the Procedure is to define the rules relating to the identification, preparation, approval and execution of Transactions with Related Parties entered into by the Company directly or through Subsidiaries.

Transactions with Related Parties must be carried out in the interest of the Company and of the individual companies of the Group in compliance with the provisions of the Procedure.

With reference to the Subsidiaries of the Company, an adequate and timely information flow must be ensured between the top management of each Subsidiary and the Company itself; in particular, the top management of each Subsidiary shall be required to inform the Company in a timely manner, in relation to the identification, completion or approval of any Transactions with Related Parties by the Subsidiary and to communicate any updates in a timely manner.

The purpose of the Procedure is to:

- identify the categories of related parties and transactions of significant strategic, economic, equity or financial importance, for which special authorisation and/or disclosure mechanisms are envisaged;
- represent a useful reference guide for the departments involved in this process, each within its own sphere of competence;
- constitute an instrument for the protection of assets and business continuity.

The Procedure fulfils the task of facilitating the monitoring of the process of managing Transactions with Related Parties as a whole by the bodies and departments of control, each to the extent of its competence.

### 2. Recipients

The Procedure establishes rules and principles to be followed by the Company in Transactions with Related Parties.

The provisions of the Procedure apply, without distinction, to all company departments and are valid for all directors, employees and/or collaborators with a subordinate or para-subordinate work contract.

The Procedure is transmitted by the Finance Department of the Company to the recipients so that they may read it and acknowledge it and, consequently, as far as they are concerned, observe it.

### 3. Identification of Related Parties

Related Parties are defined as parties that are included in the definitions provided by the international accounting standards in force at the time, adopted according to the procedure set out in article 6 of 5 Regulation (EC) 1606/2002.

Annex 1 contains an extract of the definitions of related parties and transactions with related parties pursuant to IAS 24, as well as a reference to the additional functional definitions provided by the international accounting standards, as in force at the date of entry into force of this Procedure.

The Finance Department is responsible for drawing up and keeping updated the list of Related Parties (i.e., the Register of Related Parties), also on the basis of any updates that they may provide.

In order to allow the list to be drawn up correctly, Key Managers shall inform the Finance Department, which is responsible for keeping the list, of the persons with whom they have related party relationships in accordance with Annex 1, for the purpose of including them in the Register of Related Parties, and promptly notify the Department of any updates.

In communicating the list of close family members, Key Managers shall comply with the provisions of this Procedure and the relative definition of "close family members" according to the international accounting standards in force at the time, adopted in compliance with the procedure as per article 6 of Regulation (EC) No. 1606/2002. The same Key Managers shall promptly communicate any changes that occur with respect to the information already provided.

### 4. Identification of Transactions with Related Parties

The *Finance* Department is responsible for creating and keeping updated the list of Transactions with Related Parties (i.e. Register of Transactions with Related Parties).

The Directors and the other Key Managers shall promptly notify the Finance Department of the occurrence of acts or facts that may lead to the completion of transactions to which they, or some of the other Related Parties referred to in Annex 1 - Definitions of Related Parties and Transactions with Related Parties and related definitions, are party, in accordance with international accounting standards.

Before carrying out any transaction, the Finance Department checks whether the counterparty is a Related Party and, if so, whether it is a Transaction of Limited Value, pursuant to the Procedure.

If the transaction is a Related Party Transaction and is not a Transaction of Limited Value, the Finance Department, with the support of the departments concerned, checks:

- i. whether the transaction falls within the cases of exclusion referred to in paragraph 13 of the Procedure;
- ii. whether the transaction falls within the category of Ordinary Transactions as per paragraph 13.1 of the Procedure;
- iii. whether the transaction is in implementation of a framework resolution adopted pursuant to paragraph 9 of the Procedure; and



- iv. whether the transaction falls within the category of Transactions of Greater Significance or Transactions of Lesser Significance pursuant to the Procedure.

If the transaction falls within one of the cases of exclusion referred to in paragraph 13, or if it is in implementation of a framework resolution, the Finance Department shall record the transaction in the Register of Transactions with Related Parties.

If the transaction does not fall under one of the cases of exclusion referred to in paragraph 13 or is not in implementation of a framework resolution, the Finance Department shall promptly bring the transaction to the attention of the Committee referred to in paragraph 11, providing the necessary information. In this case, the provisions of the following regulations on Transactions with Related Parties will apply. In the event that, even following the above verification, the Finance Department is not certain (i) whether the transaction falls within the cases of exclusion referred to in paragraph 13, (ii) whether the transaction falls within the category of Ordinary Transactions or (iii) of the value of the transaction in order to determine whether it is a Transaction of Limited Value or whether the transaction falls within the category of Transactions of Greater Significance or Transactions of Lesser Significance pursuant to the Procedure, the assessment is referred to the Committee referred to in paragraph 11.

In order to carry out its assessment, the Committee, if it deems it necessary, may (i) ask the Finance Department or the corporate structure that may be involved for further information and formulate observations and (ii) be assisted by one or more independent experts in accordance with the provisions of paragraph 5.1.

## RULES GOVERNING TRANSACTIONS WITH RELATED PARTIES

### 5. Transactions of Lesser Significance

#### 5.1 Review of the transaction

The following Procedure applies to Transactions with Related Parties that, considered individually, have a total value that exceeds the thresholds of exiguity established by art. 13.2 of this Procedure (the "Threshold of Insignificance").

These thresholds also apply in the case of homogeneous transactions or transactions carried out in execution of a unitary design which, although individually of a value lower than the amount referred to above, exceed, when considered cumulatively, the threshold of insignificance.

Transactions of Lesser Significance are prepared in such a way as to illustrate in a thorough and documented manner the Company's interest in carrying out the transaction, the reasons for the transaction itself as well as the convenience and substantial correctness of its conditions <sup>1</sup>.

The preparatory documentation, summarised in a special report prepared by the Finance Department (the "Transaction Report") which fully describes the Transaction and also indicates the date on which the Transaction must be approved, must be made available to the Committee and the Board of Directors or the delegated body responsible for approving the Transaction sufficiently in advance of the date on which they are called upon to express their opinion <sup>2</sup>.

Except in the case of Ordinary Transactions, as defined below, for which it is not necessary for the Committee to issue an opinion, the Committee must, in good time before approval of the Transaction, issue a non-binding reasoned opinion on the Company's interest in carrying out the Transaction and on the convenience and substantial correctness of the related terms and conditions. This opinion shall be annexed to the minutes of the Committee meeting.

The Committee may request the assistance, at the Company's expense, of one or more independent experts of its choice with proven professionalism and competence in the matters of interest. If the Board of Directors or the Delegated Body responsible for resolutions deems it necessary to appoint independent experts, the Committee - subject to independent assessment of the existence of the independence requirement, taking into account the reports indicated in point 2.4 of Annex 4 to the Regulations - shall preferably be assisted by the latter. In this case, the assignment will expressly provide that the expert will also and specifically assist the Committee in carrying out the tasks provided for in the Procedures <sup>3</sup>.

Without prejudice to the disclosure requirements under article 5 of the RPT Regulation and the reservation of competence to the Board of Directors under article 8, paragraph 1, letter a) of the RPT Regulation, the Company intends to make use of the waiver granted by article 10 of the RPT Regulation, as long as the relevant conditions are met, as it is a smaller company and, therefore, the approval of Transactions of Greater Significance with

<sup>1</sup> *Applicable also for Transactions of Greater Significance*

<sup>2</sup> *See Note 1*

<sup>3</sup> *The maximum amount of expenses that the Company will incur in relation to the use of independent experts shall be parameterized to the value of the Transaction (within the maximum amount of expenses of 10% of the value of the Transaction).*

Related Parties will take place according to the procedure provided for the approval of Transactions of Lesser Significance as per paragraph 16 of this Procedure.

## 5.2 Approval of the transaction

Transactions of Lesser Significance are resolved, in compliance with the provisions of the *pro-tempore* system of delegation of powers in force, subject to the prior, reasoned and non-binding opinion of the Committee, which is required to transmit the opinion to the body responsible for approving the Transaction with Related Party in question. If the Transaction is within the competence of the Board of Directors, the Directors involved in the Transaction shall abstain from voting on the Transaction and, if requested by the majority of the Board of Directors, from participating in the related discussion.

The Board of Directors or the Delegated Body shall decide on the basis of the Transaction Report prepared by the Finance Department and the non-binding opinion of the Committee. The resolution shall give an account of the reasons for the Company's interest in carrying out the Transaction as well as of the convenience and substantial correctness of the Transaction and of the relevant conditions. In cases where the deliberating body considers that it does not agree with the Committee's non-binding opinion, this resolution must specify the reasons for this disagreement. Full and timely information on the execution of the Transaction is provided, in accordance with current company procedures, to the Manager responsible for preparing the company's financial reports and the Finance Department<sup>4</sup>. The Board of Directors and the Board of Statutory Auditors (the "BSA") are informed, at least quarterly, on the execution of Transactions of Lesser Significance<sup>5</sup>.

## 6. Transactions of Greater Significance

### 6.1 Review of the transaction

With reference to Transactions of Greater Significance, the procedural rules set out below apply, as well as, where expressly specified, the provisions laid down for Transactions of Lesser Significance in the paragraph above.

The decision on the execution of a Transaction of Greater Significance is adopted by the Board of Directors of the Company, since this power cannot be delegated to one or more directors or to any committee within the Board of Directors. The Directors involved in the Transaction shall abstain from voting on the Transaction and, if requested by the majority of the Board of Directors, from participating in the related discussion.

The Committee or one or more of its members, specifically delegated by the Committee for this purpose, are involved in a timely manner in the negotiation phase and in the preliminary phase, through the receipt of a complete and up-to-date flow of information, summarised in a specific report prepared by the Finance Department (the "Transaction Report"), with the right to request information from and make observations to the delegated bodies and the persons in charge of conducting the negotiations or the preliminary activities.

<sup>4</sup> See Note 1

<sup>5</sup> See Note 1

The Transaction Report submitted to the Committee must contain the significant information required for publication of the disclosure document.

The Committee may request the assistance, at the Company's expense, of one or more independent experts of its choice, with proven professionalism and competence in the matters of interest. The Committee checks in advance the independence of the experts, taking into account the reports indicated in point 2.4 of Annex 4 of the Regulation.

## 6.2 Approval of the transaction

Transactions of Greater Significance are approved subject to the binding opinion of the Committee, which is required to transmit its opinion to the Board of Directors. This opinion shall be annexed to the minutes of the Committee meeting.

The Board of Directors of the Company decides whether or not to carry out the Transaction of Greater Significance on the basis of the Transaction Report prepared by the

Finance Department and of the binding opinion of the Committee. The resolution shall give an account of the reasons for the Company's interest in carrying out the transaction, as well as the convenience and substantial correctness of the related terms and conditions.

## 6-bis Flows of information to verify the correct application of exemption cases

The Independent Directors who express opinions on Transactions with Related Parties: i) receive, at least once a year, information on the application of the cases of exemption identified pursuant to art. 13 of this Procedure with reference to Transactions of Greater Significance, ii) verify the correct application of the conditions of exemption to Transactions of Greater Significance defined as Ordinary that are concluded at market or standard conditions, communicated to them pursuant to art. 13, third paragraph, letter c) of this Procedure.

The Finance Department shall provide the Independent Directors who express opinions on Transactions with Related Parties with the information referred to in the preceding paragraph of article 6-bis of this Procedure, in accordance with procedures and timeframes that are suitable for compliance with the provisions of said article.

## 7. Transactions with related parties through Subsidiaries

If one of the cases of exclusion governed by this Procedure does not apply, Subsidiaries shall submit for prior review and/or approval by the Company any Transactions with Related Parties they intend to carry out. To this end, the Company identifies the Finance Department as the contact person for the Italian and foreign subsidiaries, to be entrusted with the task of receiving information relating to the aforementioned transactions.

This department submits the transactions of which it has been informed to the competent Delegated Bodies and communicates the outcome of the review to the proposing companies.

## 8. Urgent transactions

Where expressly permitted by the Company's Articles of Association and without prejudice to the provisions of art. 5 of the RPT Regulations and the power of the Board of Directors to pass resolutions pursuant to art. 8, paragraph 1, letter a), where applicable, the preceding paragraphs do not apply, in cases of justified urgency, to transactions not reserved for the competence of the Shareholders' Meeting and not subject to its authorisation, provided that:

- a. if the transaction to be carried out falls within the competence of the Chairman of the Board of Directors, the Deputy Chairman and/or the Managing Director, or in any case concerns them, the Chairman of the Board of Directors is informed of the reasons for the urgency in a timely manner and, in any case, before the transaction is carried out;
- b. the transactions are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution in the first ordinary available Shareholders' Meeting;
- c. the Board of Directors prepares a report containing an adequate justification of the reasons for the urgency. The Board of Statutory Auditors shall report to the Shareholders' Meeting on its assessment of the existence of the reasons for urgency;
- d. the report and the valuations are made available to the public at least twenty-one (21) days prior to the date set for the Shareholders' Meeting at the Company's registered office and in the manner indicated in Part III Title II, Chapter I, of the Issuers' Regulations. These documents may be contained in any disclosure document prepared pursuant to the RPT Regulation;
- e. by the end of the day following that of the Shareholders' Meeting, the Company shall make available to the public, in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations, the information on the results of the vote, with particular regard to the number of votes cast by unrelated Shareholders.

## 9. Framework resolutions

The Board of Directors may adopt framework resolutions for a series of homogeneous Transactions to be carried out with certain categories of Related Parties. In such a case, the framework resolutions:

- i. shall not be effective for more than one year;
- ii. refer to Sufficiently Determined Transactions;
- iii. report the expected maximum amount of the Transactions to be carried out in the reference period and the reasons for the expected conditions.

The Board of Directors shall be fully informed, at least quarterly, on the implementation of framework resolutions.

With reference to the adoption of framework resolutions, the procedural requirements provided for Transactions of Lesser Significance and Transactions of Greater Significance remain unchanged, which, on the other hand, do not apply with reference to individual transactions concluded in implementation of framework resolutions.

Transactions concluded in implementation of a framework resolution covered by a disclosure document shall not be counted for accumulation purposes.

## 10. Transactions within the competence of the Shareholders' Meeting

### 10.1 Transactions of Lesser Significance

When a Transaction of Lesser Significance falls within the competence of the Shareholders' Meeting, or must be authorised by it, the provisions for Transactions of Lesser Significance set out in paragraph 5 shall apply during the preliminary phase and during the phase of approval of the proposed resolution to be submitted to the Shareholders' Meeting.

### 10.2 Transactions of Greater Significance

When a Transaction of Greater Significance falls within the competence of the Shareholders' Meeting or must be authorised by it, the provisions for Transactions of Greater Significance set out in paragraph 6 apply during the preliminary phase and during the phase of approval of the proposed resolution to be submitted to the Shareholders' Meeting.

In the case of a Transaction of Greater Significance falling within the competence of the Shareholders' Meeting or which must be authorised by it pursuant to the Articles of Association, if the Committee has issued a negative opinion on the proposed resolution to be submitted to the Shareholders' Meeting, without prejudice to compliance with the *quorums* required by law or by the Articles of Association for the resolution to be passed at the Shareholders' Meeting in question and the provisions of the law on conflicts of interest, the Transaction of Greater Significance may not be carried out if the majority of the unrelated voting shareholders vote against the Transaction, provided that the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

#### 10.2.1 Urgent transactions

Where expressly permitted by the Articles of Association and without prejudice to the provisions of art. 5 of the RPT Regulation, where applicable, in cases of urgency related to situations of corporate crisis, Transactions with Related Parties may be concluded in derogation of this Procedure, provided that the following provisions apply to the Shareholders' Meeting called to resolve the issue:

- a. the body convening the Shareholders' Meeting prepares a report containing adequate reasons for the urgency. The Board of Statutory Auditors shall report to the Shareholders' Meeting on its assessment of the existence of the reasons for urgency;
- b. the report and the valuations are made available to the public at least twenty-one (21) days prior to the date set for the Shareholders' Meeting at the Company's registered office and in the manner indicated in Part III, Title II, Chapter I, of the Issuers' Regulations.

## 11. Committee

The RPT Regulations provide for the establishment of a Committee that is involved from time to time in the evaluation of the transaction. This Committee shall consist of:

- non-executive and unrelated directors, the majority of whom are independent, for Transactions of Lesser Significance;

- independent and unrelated directors, for Transactions of Greater Significance.
- Without prejudice to the disclosure requirements under article 5 of the RPT Regulation and the reservation of competence to the Board of Directors under article 8, paragraph 1, letter a) of the RPT Regulation, the Company intends to make use of the waiver granted by article 10 of the RPT Regulation, as long as the relevant conditions are met, as it is a smaller company and, therefore, the approval of Transactions of Greater Significance with Related Parties will take place according to the procedure provided for the approval of Transactions of Lesser Significance as per paragraph 22 of this Procedure. The Company assigns this role to the Control, Risk and Sustainability Committee of Carel Industries S.p.A., vested with advisory and proposing functions in the field of internal controls and risk management, made up of 3 (three) non-executive directors, of which at least 2 (two) are independent.

## 12. Equivalent measures

In the event that one or more members of the Committee are Related Parties with respect to a specific Transaction on which the Committee is called upon to express an opinion, and in any case in all cases in which it is not possible to set up a Committee according to the rules of composition set out in the Definitions of this Procedure, or in the event of a decision-making deadlock, the following equivalent measures must be adopted, in this order:

- a. if one of the members of the Committee is related, the decision of the Committee is taken by a majority vote of the remaining unrelated members of the Committee, provided that the majority of these are Independent Directors; or,
- b. the opinion of the Committee is issued by two Independent Directors or, as long as within the Board of Directors only one director can be qualified as an Unrelated Independent Director, by the only Unrelated Independent Director, provided that the majority of the Independent Directors, or the only Independent Director, is not, with respect to the specific Transaction, a Related Party; or
- c. the opinion is issued by the Board of Statutory Auditors, provided that the majority of its members are not Related Parties with respect to the specific Transaction; or,
- d. the opinion is issued by an independent expert chosen from among persons of recognised professionalism and competence in the matters of interest, whose independence and absence of conflicts of interest are assessed.

The members of the Committee are required to declare in a timely manner the existence of any relationship of correlation in relation to the specific Transaction with a Related Party, in order to allow the application of the equivalent measures of this paragraph.

In the event of recourse to one of the equivalent measures, the provisions laid down concerning the procedure to be followed by the Committee shall apply *mutatis mutandis*.

## 13. Cases of exclusion

In accordance with the provisions of art. 13 of the RPT Regulation, the provisions of the same and, therefore, of the Procedure do not apply:

- a. to the resolutions of the Shareholders' Meetings pursuant to art. 2389, first paragraph, of the Italian Civil Code, concerning the remuneration due to the members of the

Board of Directors and the Executive Committee (if appointed), and the resolutions of the Shareholders' Meetings pursuant to art. 2402 of the Italian Civil Code concerning the remuneration due to the members of the Board of Statutory Auditors;

b. to any resolutions regarding the remuneration of Directors holding particular offices within the overall amount previously determined by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code.

Furthermore, the provisions of this Procedure shall not apply to transactions resolved by the Company and addressed to all shareholders on equal terms, including:

- a. rights issues, including those servicing convertible debenture loans, and free capital increases as provided for in article 2442 of the Italian Civil Code;
- b. demergers in the strict sense, whether total or partial, with proportional share allocation criteria;
- c. reductions in share capital by means of reimbursement to shareholders pursuant to article 2445 of the Italian Civil Code and purchases of treasury shares pursuant to article 132 of the Consolidated Law on Finance.

Without prejudice to the disclosure requirements of a financial and accounting nature provided for by applicable laws and regulations, the procedures and disclosure requirements set out in this Procedure shall not apply in the following cases:

- a. compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to article 114-*bis* of the Consolidated Law on Finance and the related implementing transactions;
- b. resolutions, other than those indicated above, regarding the remuneration of members of the Board of Directors and of directors holding particular offices, as well as of Key Managers, provided that:
  - i. the Company has adopted a remuneration policy approved by the Shareholders' Meeting;
  - ii. a committee consisting exclusively of non-executive directors, the majority of whom were independent, was involved in defining the remuneration policy (e.g. the Remuneration Committee of the Company);
  - iii. the remuneration awarded is identified in accordance with this policy and quantified on the basis of criteria that do not involve discretionary assessments;
- c. Ordinary Transactions concluded at conditions equivalent to those of the market or standard conditions according to the provisions of the following paragraph "Ordinary Transactions", without prejudice in these cases to the disclosure obligations provided for by letter c) of article 13, paragraph 3, of the RPT Regulation;
- d. Transactions entered into between the Company and its Subsidiaries or between Subsidiaries, even if subject to common control, as well as with Associated Companies, provided that no Related Party of the Company has a significant interest in the Subsidiary or Associated Company involved in the Transaction. For the purposes of the Procedure, a significant interest exists when there is a situation that may affect the transparency and substantial correctness of the decision-making process. The mere sharing of one or more Key Management Personnel between the Company and its Subsidiaries or Associates does not, in and of itself, give rise to a significant interest;
- e. Transactions to be carried out on the basis of instructions for stability purposes issued by supervisory authorities;
- f. Transactions of Limited Value.



### 13.1 Ordinary transactions

For the purposes of the application of the Procedure, Ordinary Transactions are considered to be those transactions that fall within the scope of the ordinary exercise of the operating activities and related financial activities of each company concerned, which have been concluded at market or equivalent conditions, insofar as they are included in the types indicated below:

- a. the design, development, prototype-creation, production of electronic, electrical, and mechanical devices in general;
- b. marketing of such items, and the sale of products, including those which the Company did not produce, provided they are like and/or complementary, and/or fall within the scope of company's core business;
- c. technical support or maintenance of such assets, or of assets similar or complementary those forming the principal object of the same;
- d. development, production, and marketing of technologies and software;
- e. the creation, trade and representation of services of any kind, including the promotion, organization and implementation of conventions and the like;
- f. wholesale and retail trade and rental of electronic machines in general;
- g. transactions involving the purchase or sale of goods or services for the exercise and development of the company's business other than equity investments (controlling interests, significant influence or *joint ventures*) and real estate;
- h. contracts for the provision of services (including, but not limited to, contracts for the provision of IT services);
- i. contracts of a financial nature connected with the ordinary exercise of operating activities and any other transaction falling within the ordinary transactions of the Company or of its Subsidiaries and/or connected with the relative financial activities (including, by way of example but not limited to, *cash pooling* transactions).

### 13.2 Transactions of limited value

Transactions of Limited Value are considered transactions whose total counter-value does not exceed the amount of (i) Euro 100,000, per year, if the Related Party is a natural person; Euro 200,000, per year, if the Related Party is a legal person or a natural person; (iii) Euro 200,000, per year, with reference to the assignment of remuneration and economic benefits, in any form, to a member of an administrative or control body or to a key manager (the "Threshold of Insignificance").

Until the value thresholds indicated are reached, Transactions of Limited Value concluded with the same Related Party qualify as excluded transactions for the purposes of this article. The exemption for transactions of limited value prevails over any other cause of exemption that may be concurrent with the transaction (e.g. ordinary transaction at market or standard conditions, transaction with subsidiaries). For the purposes of determining the counter-value of the transaction, reference is made to the criteria laid down by Consob for identifying Transactions of Greater Significance as set out in Annex 2 - Identification of Transactions of Greater Significance with Related Parties.

If, during the same financial year, transactions are concluded with the same Related Party, or with parties related to both the latter and the Company, that are homogeneous or carried out in execution of a unitary design which, although individually of a value lower than the amount referred to above, exceed, when considered cumulatively,

the threshold of insignificance, the transaction that determines that the threshold of insignificance has been exceeded is subject to a resolution, in accordance with the provisions of this Procedure.

### 13.3 Ordinary conditions

The above transactions are considered to be part of the ordinary course of business, and therefore are excluded from the application of this Procedure, when the following conditions are met, in addition to those provided for in the following paragraph "Standard conditions":

- a. the size, structure, purpose and frequency of the transaction do not present any aspects of anomaly and are consistent with those that usually characterize similar transactions carried out by the company concerned;
- b. the contractual terms and conditions do not deviate from the customs and negotiating practices of the company concerned;
- c. for purchases of goods and services there is always at least one offer from an unrelated party;
- d. the consideration is monetary;
- e. the transaction is not abnormal with regard to the characteristics of the counterparty;
- f. the transaction is not abnormal in relation to the time at which it is approved or executed.

#### 13.3.1 Standard conditions

Market equivalent or standard conditions are those conditions similar to those usually applied to unrelated parties for transactions of a corresponding nature, size and risk, or based on regulated tariffs or imposed prices, or those applied to parties with which the company is obliged by law to contract at a specific price. Market equivalent or standard conditions must be documented and objectively evidenced.

## 14. Transactions with or between Subsidiaries and with Associated Companies

The Procedure does not apply to Transactions with or between Subsidiaries, even jointly, or to Transactions with Associates if there are no interests that can be qualified as significant in the Subsidiaries or Associates that are counterparties to the transaction, this being understood, by way of example but not limited to, as the significant influence exercised by the related party that is the counterparty to the transaction. In any case, any interests deriving from economic incentives held by directors or Key Managers are taken into account.

## DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

### 15. Internal disclosure on Transactions with Related Parties

For each of the above cases, the Board of Directors and the Board of Statutory Auditors receive, at least quarterly, a complete report prepared by the Managing Director or another body with delegated powers and with the support of the Finance Department, on the execution of Transactions with Related Parties carried out or approved during the reference quarter (both if the execution of the Transaction is subject to the approval of the Board of Directors of the Company or of the Shareholders' Meeting and if the execution of the Transaction is approved by a different body or person with the necessary powers), with specific information on:

- type of Transaction; and
- each Transaction with a Related Party concluded in the presence of a negative opinion expressed by the Committee and the relevant reasons.

### 16. Disclosure on transactions of Lesser Significance

Without prejudice to the provisions of article 17 of Regulation (EU) No. 596/2014, in the case of Transactions of Lesser Significance approved despite the negative opinion of the Committee, within fifteen (15) days of the end of each quarter, a specific information document shall be made available to the public containing an indication of the counterparty, the object and the consideration of any Transactions of Lesser Significance approved during the quarter in question as well as the reasons for not agreeing with the opinion of the Committee, which must be attached to the information document.

The information document is published in the manner indicated in Title II, Chapter I, of the Issuers' Regulations.

### 17. Disclosure on transactions of Greater Significance

On the occasion of Transactions of Greater Significance, to be carried out also by Italian or foreign Subsidiaries, the Company's Finance Department ensures the preparation of an information document pursuant to article 5 of the RPT Regulation, drawn up in accordance with Annex 4 of the same Regulation.

For the purposes of preparing the above information document, transactions with similar characteristics or that are carried out in execution of a unitary plan, also entered into by Subsidiaries during the same financial year with the same Related Party or with parties related both to the latter and to the Company, which, although not qualifying individually as Transactions of Greater Significance, exceed, when considered cumulatively, the thresholds of significance set out in Annex 2 - Identification of Transactions of Greater Significance with Related Parties, are also to be considered Transactions of Greater Significance. In the calculation of the accumulation, Transactions with Related Parties that fall within the cases of exclusion are not considered. If the use of the indices set out in Annex 2 gives rise to a result that is manifestly unjustified in view of specific circumstances, the Company's

Finance Department may ask Consob to indicate alternative methods to be used in calculating the said indices.

In order to allow the identification of the aforementioned cases, the department entrusted with the responsibility of setting up and keeping updated the List of Transactions with Related Parties (i.e. Finance Department), promptly notifies the Chairman of the Board of Directors, the Deputy Chairman and/or the Managing Director when the significance thresholds are about to be exceeded. For these purposes, the departments identified as the contact persons for the Italian and foreign subsidiaries, entrusted with the task of receiving information on the transactions of Italian or foreign subsidiaries, on the basis of the information received, promptly report the intention of the Subsidiaries to carry out Transactions with Related Parties to the Finance Department, which is responsible for setting up the List of Transactions with Related Parties and keeping it updated.

## 18. Transactions not subject to disclosure transparency

Transactions falling within the cases of exclusion are not subject to the transparency of information regime.

For Ordinary Transactions qualifying as Transactions of Greater Significance, the Company ensures that:

- g. the notifications required by the RPT Regulation are made to Consob;
- h. these transactions are indicated in the interim management report and in the annual management report.

## 19. Periodic disclosure

Pursuant to article 154-ter of the Consolidated Law on Finance, the Board of Directors of the Company provides information in the interim management report and in the annual management report:

- a. on individual Transactions of Greater Significance concluded during the reference period;
- b. on any other individual Transactions with Related Parties concluded during the reference period which have had a significant impact on the Company's financial position or results;
- c. on any changes or developments in the Transactions with Related Parties described in the last annual report that had a significant effect on the Company's financial position or results during the reporting period.

## 20. Public disclosure obligations

If a Transaction with a Related Party, also concluded through Subsidiaries, is disclosed through the dissemination of a press release pursuant to article 17 of Regulation (EU) No. 596/2014, the latter shall contain, in addition to the other information to be published pursuant to the aforementioned regulation, at least the following information:

- a. the description of the Transaction;
- b. an indication that the counterparty of the Transaction is a Related Party and a description of the nature of the relationship;
- c. the denomination or the name of the counterparty to the Transaction;
- d. whether or not the Transaction exceeds the significance thresholds and an indication of whether or not an information document will be published subsequently;
- e. the Procedure that has been or will be followed for the approval of the Transaction and, in particular, whether the Company has availed itself of a case of exclusion provided for by this Procedure;
- f. the possible approval of the Transaction despite the Committee's contrary opinion.

## IMPLEMENTING PROVISIONS AND ENTRY INTO FORCE

### 21. Implementing provisions

At least once a year, the Finance Department shall verify that the provisions contained in the Procedure comply with the laws and regulations in force and with the provisions of other regulatory sources applicable to the Company and shall inform the Committee accordingly.

The Committee, possibly with the support of the Finance Department, shall submit to the Board of Directors, at least every three years, a proposal for the revision or confirmation of this Procedure, which shall take into account, inter alia, any changes in the ownership structure of the Company as well as the effectiveness of the Procedure in practice.

The Board of Directors of the Company invests the Finance Department with the widest powers and attributes to fully and substantially implement this Procedure.

The Procedure and the related amendments are published without delay by the Finance Department on the Company's website, without prejudice to the obligation to publish them, also by reference to the website itself, in the annual report on operations, pursuant to article 2391-*bis* of the Italian Civil Code.

### 22. Transitional arrangements

Without prejudice to the disclosure requirements under article 5 of the RPT Regulation and the reservation of competence to the Board of Directors under article 8, paragraph 1, letter a) of the RPT Regulation, the Company intends to make use of the waiver granted by article 10 of the RPT Regulation, as long as the relevant conditions are met, as it is a smaller company and, therefore, the approval of Transactions of Greater Significance with Related Parties will take place according to the procedure provided for the approval of Transactions of Lesser Significance as per paragraph 16 of this Procedure.

### 23. Approval of the Procedure and amendments thereto

This Procedure is statutorily adopted by the Board of Directors of the Company on 29 March 2018 and subsequently updated, upon the proposal of the Committee, on 8 June 2021, it being understood that the amendments last made on 8 June 2021 will become effective as of 1 July 2021.

Amendments and additions to be made to the Procedure are approved by the Board of Directors on the proposal of the Committee. In the event that it is no longer in office or that at least three independent directors are not in office, the equivalent safeguards referred to in paragraph 12 shall apply.

The Procedure is also adopted by the Finance Department and by the Company's subsidiaries, unless adjustments are required by the specific business or other characteristics of each company.

## ANNEX 1 - Definitions of related parties and transactions with related parties and related definitions in accordance with international accounting standards

### Definitions of Related Parties and Transactions with Related Parties according to international accounting standards

For the purposes of art. 3 of this Procedure, the following is an extract of the definitions of related parties and transactions with related parties pursuant to IAS 24 as well as a reminder of the additional functional definitions provided by international accounting standards, as in force at the date of this Procedure:

#### **Related parties**

A related party is a person or entity that is related to the reporting entity:

1. A person or a close family member of that person is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is one of the key management personnel of the reporting entity or one of its parent companies.
2. An entity is related to a reporting entity if any of the following conditions applies:
  - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow group member is related to the others);
  - ii. an entity is an associate or joint venture of the other entity (or an associate or joint venture that is part of a group of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of the reporting entity or an entity related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (1);
  - vii. a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity) [IAS 24, paragraph 9];
  - viii. the entity, or any member of a group to which it belongs, provides key management personnel to the reporting entity or a parent of the reporting entity [IAS 24, paragraph 9].

In the definition of related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture. Therefore, for example, a subsidiary of an associate and the investor that has significant influence over the associate are related to each other [IAS 24, paragraph 12].

### Transactions with related parties

A Transaction with a Related Party is a transfer of resources, services or obligations between an entity and a related party, regardless of whether a consideration is agreed [IAS 24, paragraph 9]<sup>1</sup>.

### Definitions functional to those of Related Parties and Transactions with Related Parties according to international accounting standards

The terms 'control', 'joint control', and 'significant influence' are defined in IFRS 10, IFRS 11 (Arrangements for Joint Control) and IAS 28 (Investments in Associates and Joint Ventures) and are used with the meanings specified in those IFRSs [IAS 24, paragraph 9].

#### Key Management Personnel

Key management personnel are those individuals who have the power and responsibility, directly or indirectly, for planning, directing and controlling the activities of the company, including directors (whether executive or otherwise) of the company [IAS 24, paragraph 9].

#### Close family

Close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with society.

These include:

- a. the children and spouse or partner of that person;
- b. the children of that person's spouse or partner;
- c. the dependants of that person or that person's spouse or partner [IAS 24, paragraph 9].

### Principles for the interpretation of definitions

In reviewing each related party relationship, attention shall be paid to the substance of the relationship and not simply its legal form [IAS 24, paragraph 10].

The above definitions are interpreted with reference to all the international accounting standards adopted in accordance with the procedure laid down in article 6 of Regulation (EC) No 1606/2002.

---

<sup>1</sup> Such transactions include:  
mergers, demergers by incorporation or demergers in the strict non-proportional sense, if carried out with related parties;  
decisions relating to the allocation of remuneration and economic benefits, in any form, to members of the management and control bodies and to key managers.



## ANNEX 2 - Identification of transactions of greater significance with related parties

Internal procedures identify quantitative criteria for identifying “Transactions of Greater Significance” so as to include at least the categories of transactions indicated below.

1. Transactions in which at least one of the following relevance indices, applicable depending on the specific transaction, is higher than the 5% threshold:

a. Value relevance index: this is the ratio between the counter-value of the transaction and the shareholders' equity taken from the company's most recently published balance sheet (consolidated, if prepared) or, for listed companies, if greater, the capitalization of the company recorded at the close of the last trading day included in the reference period of the most recently published periodic accounting document (annual or half-yearly financial report or interim management report).

If the economic conditions of the transaction are determined, the counter-value of the transaction is:

- for cash components, the amount paid to/by the contractual counterparty;
- for components consisting of financial instruments, the fair value determined, at the date of the transaction, in accordance with the international accounting standards adopted by Regulation (EC) No. 1606/2002;
- for financing transactions or the provision of guarantees, the maximum amount payable.

If the economic conditions of the transaction depend wholly or partly on quantities not yet known, the counter-value of the transaction shall be the maximum amount receivable or payable under the agreement.

b. Asset materiality ratio: this is the ratio of the entity subject to the transaction's total assets to the company's total assets. The data to be used shall be taken from the company's most recent published balance sheet (consolidated, if any); where possible, similar data shall be used in determining the total assets of the entity being transacted.

For transactions involving the acquisition and sale of investments in companies that affect the scope of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital involved. For transactions involving the acquisition and disposal of investments in companies that do not affect the scope of consolidation, the value of the numerator is:

- in the case of acquisitions, the value of the transaction plus any liabilities of the acquired company assumed by the acquirer;
- in the case of disposals, the consideration for the asset disposed of.

For transactions involving the acquisition and disposal of other assets (other than the acquisition of an equity interest), the value of the numerator is:

- in the case of acquisitions, the consideration or the book value that will be attributed to the asset, whichever is the higher;
- in the case of sales, the book value of the asset.

c. Liability materiality ratio: is the ratio of the total liabilities of the acquired entity

to the total assets of the company. The data to be used must be taken from the company's most recently published balance sheet (consolidated, if prepared); where possible, similar data must be used to determine the total liabilities of the company or business unit acquired.

2. Transactions with the listed parent company or with related parties that are themselves related to the companies, if at least one of the relevance indices set out in paragraph 1.1 of Consob Regulation 17221/2010 is higher than the threshold of 2.5%.
3. Companies shall assess whether to identify materiality thresholds lower than those indicated in paragraphs 1.1 and 1.2 of Consob Regulation No. 17221/2010 for transactions that may affect the management autonomy of the issuer (e.g. sale of intangible assets such as trademarks or patents).
4. In the event of an accumulation of several transactions pursuant to article 5, paragraph 2, of Consob Regulation No. 17221/2010, the companies shall first determine the materiality of each transaction on the basis of the index or indices, provided for in paragraph 1.1 of the aforementioned Regulation, applicable thereto. The results for each index are then added together to check whether the thresholds laid down in paragraphs 1.1, 1.2 and 1.3 of that Regulation are exceeded.

If one or more transactions accumulated pursuant to article 5, paragraph 2, of Consob Regulation No. 17221/2010 are identified as "of Greater Significance" according to the indices provided in paragraph 1 and this result appears manifestly unjustified, in view of specific circumstances, Consob may indicate, at the request of the company, alternative methods to be followed in calculating the above indices. To this end, the company shall notify Consob of the essential characteristics of the transaction and the specific circumstances on which the request is based before negotiations are concluded.





## Headquarters ITALY

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