

CAREL

Control, Risk and Sustainability Committee Regulations

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1. Purpose

These Regulations govern the functions, role, composition and duties of the operating procedures of the Control Risk and Sustainability Committee ("Committee") set up within the Board of Directors (BoD) of Carel Industries S.p.A. ("Company") and in compliance with the provisions of the Corporate Governance Code approved by the Committee for the Corporate Governance of Listed Companies (the "Corporate Governance Code") and the convening of its meetings.

The Committee provides advice, carries out preliminary analyses and makes proposals and it does not limit the decision-making power or responsibility of the BoD.

2. Functions

The Committee has the following tasks:

- supporting, with appropriate preliminary analysis activities, the assessments and decisions of the BoD relating to the Internal Control and Risk Management System ("IC-RMS"), to the approval of periodic financial reports such as, by way of example but not limited to, the half-yearly financial report and the annual financial statements and the approval of the non-financial disclosure pursuant to Italian Legislative Decree 254/2016;
- advisory powers regarding transactions with related parties and related entities, in accordance with the procedures and deadlines established by the procedure approved by the Company in relation to transactions with related parties (see "Company's Procedure for the Management of Related Party Transactions"), pursuant to the Regulation adopted by Consob with resolution no. 17221 of March 12, 2010 as amended;
- advisory and instruction powers vis à vis the Board of Statutory Auditors ("BoSA"), concerning the statutory audit of accounts, in compliance with the provisions of Legislative Decree 27 January 2010, no. 39.

Within this framework, the Committee, with reference to the IC-RMS:

- supports the Board of Directors in defining the guidelines of IC-RMS in accordance with the Company's strategies and assesses, at least once a year, the adequacy of the IC-RMS with regard to the Company's characteristics and risk profile, taking into account sustainability risks that could become significant for the Company over the long term, as well as its effectiveness, paying special attention to all those activities that are instrumental and necessary for the Board of Directors to correctly and effectively assess risk management policies;
- carries out the assessment and propositional activities that are necessary for the BoD to define and approve risk objectives and the tolerance threshold;
- assesses the suitability - verifying at least the due process of formation - of periodic financial and non-financial information, so that it is functional to correctly mirror the business model, the strategies of the company, the impact of its activities and the performance levels achieved;
- reviews the content of periodic non-financial disclosures relevant to the IC-RMS;
- supports the Board of Directors in establishing the extent by which the main risks

affecting the Company are compatible with the management of the Company, consistent with the strategic objectives identified; it promptly informs the BoD of any significant issues found in the Company's IC-RMS and corporate governance system;

- issues its opinion to the BoD on the appointment and revocation of the Head of the Internal Audit Function ("IA Function"), according to Company's policies, ensuring that the remuneration of the IA is provided with adequate resources to carry out his skills; if the BoD decides to assign the IA Function, to a person external to the Company as a whole or business segment, it supports the BoD by checking that this external IA Function has adequate professional and organizational requirements;
- monitors the autonomy, adequacy, effectiveness and efficiency of the IA Function and of the other functions which have been assigned specific regulatory compliance responsibilities;
- supports the Board of Directors in assessing that appropriate measures are implemented to guarantee judgement effectiveness and impartiality of the other Company functions involved in the controls, verifying that they have adequate professional abilities and resources;
- verifies that the corporate control functions correctly comply with the indications and guidelines defined by the BoD;
- expresses assessments and formulates opinions to the Board of Directors on compliance with the principles the internal control system and the Company organisation must conform to and on the requirements to be met by the Company control functions; it brings to the attention of the BoD any weaknesses and the consequent corrective actions to be undertaken, taking also into account any critical issues found by the Director in charge of the IC-RMS, including through its proposals for action;
- issues its opinion to the BoD regarding the appointment and removal of Supervisory Board members;
- issues opinions on specific aspects relating to the identification of main corporate risks and supports the assessments and decisions of the BoD relating to the management of risks arising from prejudicial matters, which the BoD has become aware of;
- jointly with the Manager in charge of preparing the corporate accounting documents, after consulting with the independent auditors and the Board of Statutory Auditors, assesses the correct use of the accounting principles and their consistency for the purpose of preparing the consolidated financial statements;
- it may ask the IA Function to carry out audits on specific operating areas, concurrently notifying the Chairman of the Board of Statutory Auditors;
- in providing assistance the BoD, it examines the periodic reports and those of special relevance, concerning the assessment of the IC-RMS and those of special relevance prepared by the IA Function and by the other functions that have been assigned specific regulatory compliance duties;
- supports the BoD in periodically assessing the need to update the corporate governance rules in force and compliance with any corporate behavior principles adopted by the Company, if any;
- reports to the BoD, at least every six months, on the activities carried out and on the adequacy of the IC-RMS during Board meetings called to approve the draft financial statements and the half-yearly financial report;

- assists the BoD in approving, at least once a year, the work plan prepared by the IA Manager and by the other functions that have been assigned specific regulatory compliance responsibilities;
- assists the BoD in preparing the Corporate Governance Report and the ownership structure with regard to the issues within its scope of competence, such as, for example, the main characteristics of the IC-RMS, the coordination methods between the parties involved therein, for which it indicate the models and national and international best practices of reference, the Committee's assessment of its overall adequacy, and the choices made regarding the composition of the Supervisory Board;
- after consulting with the Board of Statutory Auditors, supports the Board of Directors in assessing the results presented by the independent auditor in a letter of advice (if any) to the company management and in the report (if any), addressed to the Board of Statutory Auditors on the key issues found during the statutory audit;
- expresses its non-binding opinion to the BoD on any unplanned audits and/or significant changes occurred during the year in the Audit Plan prepared by the IA Function, to verify whether any change is needed in the Audit Plan priorities;
- in coordination with the appointed director, assists the BoD with investigation, propositional and consulting functions in evaluations and decisions relating to sustainability issues;
- while assisting the BoD, supervises sustainability issues related to the company's operations and the dynamics of its interaction with all stakeholders;
- in coordination with the director appointed, defines and proposes to the BoD guidelines on sustainability and monitors compliance with the principles of conduct adopted in this area by the Company and its subsidiaries;
- in concert with the appointed director, expresses assessments and drafts opinions to the BoD on sustainability policies aimed at ensuring the creation of value over time, for all shareholders and all other stakeholders in the medium to long term, in accordance with sustainable development principles;
- issues assessments and drafts opinions to the BoD on the guidelines, objectives and consequent sustainability processes and on the sustainability report submitted annually to the BoD;
- assists the BoD in the assessment and approval of non-financial disclosures pursuant to Italian Legislative Decree no. 254/2016;
- in assisting the BoD, ensures that regulatory developments and laws related to sustainability are accurately implemented, interpreted and assessed in terms of their potential impact on the business, assigning specific tasks and responsibilities for their implementation to the relevant corporate functions;
- in coordination with the appointed director, monitors and reports to the BoD on international sustainability initiatives and the Company's participation in such initiatives, in order to consolidate the Company's reputation on the international arena.

Furthermore, if requested by the Board of Statutory Auditors, the Committee assists the Board of Statutory Auditors, with instruction and advisory functions and powers, in the performance of the functions ascribed to the board on the subject matter of statutory audit of accounts, by Italian Legislative Decree 27 January 2010, No. 39, as subsequently amended. In particular, the Committee, if requested by the Board of

Statutory Auditors:

- assesses the proposals that the auditing firm has submitted to obtain the appointment, within the framework of the Company's procedure for the appointment of the independent auditors in charge of auditing the Company's separate accounts, the consolidated financial statements and the half-yearly reports, with specific reference to the content of the assignments and their financial terms, and reports to the Board of Statutory Auditors the results of the assessment carried out;
- evaluates the audit work plan as well as the results presented in the independent auditor's report and letter of suggestions (if any) and reports to the Board of Statutory Auditors the results of the assessment carried out;
- monitors the effectiveness of the statutory audit of the accounts and reports on the activity carried out to the Board of Statutory Auditors.

In carrying out the tasks assigned to it, the Committee may examine and discuss with the *management* and with the IA Manager the most significant findings, the reasons provided, and any difficulties faced during its activity.

Without prejudice to the powers of the individual members of the Committee acting as directors of the Company, in carrying out its duties, the Committee shall have the right to access the necessary information and contact the relevant corporate functions to ensure the performance of its duties, rely on financial resources as well as to rely on external consultants, according to the terms established and within the *budget* approved by the BoD.

The heads of the Company's control functions may submit topics or issues to the Committee for which they consider that a preliminary analysis will be helpful for the subsequent approval by / information to the Board of Directors.

3. Information flows to the Control, Risk and Sustainability Committee

The Chief Executive Officer shall promptly report to the Committee about problems and critical issues that emerged in the course of their work or of which it, nonetheless, has become aware of, so that the Committee can take the appropriate measures.

The Committee, along with the BoD and the Chief Executive Officer, is the recipient of all the audit reports drafted by the IA Function, against the assurance actions and/or consultations.

The Committee is the recipient of the half-yearly report that the IA Function prepares on the activities carried out, on the modalities of implementation of risk management, compliance with the plans set forth for their containment, and on the adequacy and suitability of the IC-RMS.

The Committee shall exchange, in a timely manner, information relevant to the fulfilment of its tasks with the other bodies and functions of the Company that perform tasks relevant to the IC-RMS in particular, the Board of Statutory Auditors and the Committee promptly exchange information that is relevant to the performance of their respective tasks.

The Committee also identifies all further information flows to be addressed on the subject of IC-RMS.

4. Committee's functions pursuant to the "Procedure for the Management of Related Party Transactions"

Pursuant to the Regulation adopted by Consob by resolution no. 17221 of 12 March 2010, as amended, the Committee, in its capacity as Committee for Transactions with Related Parties, issues a preliminary reasoned opinion on the Company's interest in performing Related Party Transactions, as well as on the financial viability and substantial correctness of their terms and conditions (see "Company's Procedure for the Management of Related Party Transactions").

5. Coordination with other Company functions

The Company has established procedures to ensure coordination between the parties specified in the previous paragraphs such as to maximise the effectiveness of the IC-RMS and reduce duplication of activities.

Specifically, the Committee liaises with the following corporate bodies and functions:

- the Board of Directors of the Company, which receives the support of the Committee in various areas, such as, for example: definition of strategic guidelines, determination of risk compatibility level, appointment and monitoring of IA Function activities, evaluation of the results presented by the statutory auditor, etc.;
- the Board of Statutory Auditors, with which the Committee promptly shares all information of mutual interest in order to achieve effective coordination for the execution of their respective tasks;
- the Director in charge of the IC-RMS, who reports to the Committee any critical issues of the IC-RMS;
- the Manager in charge of preparing the corporate accounting documents, with whom it assesses the correct use of the accounting principles and their consistency for the purpose of preparing the consolidated financial statements;
- the IA manager, with whom it interacts, for example, to assess his/her independence, effectiveness and efficiency, to examine its periodic reports and to request audits on specific operating areas, etc.;
- the other Company functions that have been assigned specific control and risk management responsibilities, also with regards to sustainability issues, which are required to provide the information and opinions necessary for the performance of the Committee's activities.
- external resources, which the Committee can use to carry out its tasks.

6. Composition, term and requirements

The Committee comprises three members of the Board of Directors, all of whom are non-executive members and at least two of which are independent members, in accordance with independence requirements of the Corporate Governance Code.

The Committee is appointed at the same time of appointment of the Board of Directors and expires upon termination, for any reason whatsoever, of the Board of Directors.

The Committee, as a whole, has suitable expertise in the field of activities in which the Company operates, functional to the assessment of related risks. At least one member of the Committee has suitable knowledge and experience in accounting and financial matters, or risk management, as ascertained by the Board of Directors at the time of the appointment. In the event of temporary absence or permanent impediment of one or more members, the Board of Directors shall replace said member/s with directors who have the same characteristics as the members to be replaced.

The members of the Committee are required to maintain the utmost confidentiality with regard to any news or facts of which they have become aware in the course of their duties.

7. Convening, conducting and minuting the meetings

The Committee meets at the request of its Chairman or his/her deputy, in the place established by him/her through special notice, specifying the agenda for the meeting, which is sent to all its members.

Any documents relating to the items on the agenda is made available to the members, with procedures that ensure the confidentiality of the information therein contained.

The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him/her participate in the Committee's activities; the other statutory auditors may also participate. To this end, the notice of call is also sent to the Chairman of the Board of Statutory Auditors.

The Chairman (as defined below) may summon to individual meetings of the Committee the Chairman of the Board of Directors, the Chief Executive Officer, the other directors and, notifying the Chief Executive Officer, the representatives of the corporate functions competent on the subject-matter, as well as other persons whose presence is deemed useful.

The notice of meeting is also sent to all parties who are invited to take part in the meeting.

The call must be made at least three days before the date set for the meeting. In urgent cases, the deadline may be reduced to one day, provided that the call is made by email, fax or other appropriate means that ensures reliable and immediate communication.

The Committee must be convened if requested by the Chairman of the Board of Statutory Auditors.

The Committee meets periodically as often as necessary for the performance of its

activities, as a rule, at least every three months, and in any case at such times as it is necessary to pass resolutions on matters for which the Committee must report to the Board of Directors.

The Committee's meetings are quorate if the majority of its members in office are present.

The Committee's resolutions are passed by absolute majority of votes. In the event of a tie, the vote of the Committee's Chairman shall prevail. Voting by proxy is not allowed.

The Committee appoints a Secretary, upon proposal of the Chairman, who need not be a member of the Committee and who is tasked with the drafting of the minutes of meetings, to be signed by the Chairman and the Secretary.

The meetings may be held by teleconference, as well as by videoconference, provided that all participants can be identified by each of them and are able to follow the proceedings and participate in real time in the discussion of the topics addressed, taking also into account the confidentiality requirements related to the discussion of the items in the agenda; if these conditions are met, the meeting is considered held in the place where the Chairman and the Secretary are located.

8. Chairman of the Committee

The Chairman is appointed by the Board of Directors from among the independent directors of the Committee.

In case of temporary absence or permanent impediment, the Chairman is replaced in all its powers by the oldest member of the Independent Committee.

The Chairman shall preside over the meetings of the Committee, prepare its work, direct, coordinate and moderate the discussion, represent the Committee at Board meetings, and in its interaction with the other corporate bodies, as he/she may also sign, on behalf of the Committee, reports and opinions to be submitted to the BoD. The Chairman shall ensure the effectiveness of the debate and shall see to it that the resolutions reached by the Committee are the result of appropriate debate and contribution of the professional input of all its members. The Chairman informs the BoD of the activities carried out by the Committee, at the first relevant Board meeting (i.e. at the first Board meeting discussing matter falling within the scope of the Committee's remit, except in cases of urgency).

The Chairman is tasked with carrying out periodic meetings with the Chairman of the Supervisory Board with regard to obligations to be fulfilled in relation to the administrative liability of entities pursuant to Legislative Decree no. 231/2001 and/or with the Chairman of the Board of Statutory Auditors to discuss matters of common interest. Furthermore, the Chairman consults the IA manager and organizes ad hoc meetings to further analyze some of the issues and methods in the activities of the IA function.

The Chairman carries out ad hoc meetings, including by proxy of the Committee, with:

- the Manager in charge for the drafting of corporate accounting documents to deal with financial reporting risk issues;
- the Company management on IC-RMS matters within their scope of responsibility;

- the functions, corporate bodies, committees or corporate roles assigned to risk management, including those identified in relation to sustainability.

The Chairman promptly informs the Committee about the outcome of the meetings held with the persons indicated above.

The Chairman is assisted by a Secretary

9. Expenses and remuneration

The Committee's members are entitled to reimbursement of the expenses incurred in the performance of their assignment, as well as to an annual remuneration, which is established by the Board of Directors.

10. Final provisions

Insofar as not expressly provided for, the following shall be deemed as having been referred to herein as applicable, the provisions of law and of the Articles of Association concerning the Board of Directors of the Company, as well as, as it specifically pertains to the operation and functions of the Committee, the Corporate Governance Code in its version at that time, the Procedure for the Management of Transactions with Related Parties and Italian Legislative Decree of 27 January 2010, no. 39' statutory audit matters.

11. Approval of the Regulation and amendments

These Regulations are approved by the Board of Directors of the Company on 29 March 2018 and subsequently amended on 08 June 2021.

The Committee shall periodically evaluate the adequacy of these Regulations and submit any changes or additions to the BoD.

The amendments and additions to this Regulation are approved by the Board of Directors, upon proposal of the Committee.







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