

Press release

## CAREL presents “Driven by the Future”, its first multi-year Sustainability Plan

55 objectives (22 of which are social, 22 environmental  
and 11 involving governance) divided into 68 sustainability targets

7 UN-Sustainable Development Goals (SDGs)

2.6 million euro budget

13 Company departments involved

*Brugine, 20 December 2021* – CAREL Industries S.p.A. today discloses the main guidelines of its **Sustainability Plan to 2024**, approved by the company’s Board of Directors. The plan fully reflects Carel’s idea of the future and the contribution that the company intends to make to global sustainable development, through a sequence of concrete actions that can be summarised by the concept ***Driven by the Future – Sustainability in action***, in line with the Group’s historical commitment to sustainability.

A commitment that at CAREL dates back to when the Group was founded in 1973. The Group is among the world **leaders in the development of control solutions for the air conditioning (HVAC) and refrigeration sectors**. These solutions are then used inside final units such as refrigerated cabinets found in supermarkets, air handling units in commercial buildings or high efficiency heat pumps also for domestic heating. Over time, this commitment has seen evolutions in terms of objectives, technologies, needs and awareness, however it has always remained focused on environmental sustainability, pursued in two different yet converging directions: on one hand, maximising energy efficiency through increasingly smart and interconnected products, and on the other, by making a significant contribution to the transition to natural, less polluting refrigerants. This is particularly important if we take into consideration that over a fifth of the energy globally consumed each year is related to the Group’s reference applications and that traditional refrigerant gases (HFCs), if dispersed into the atmosphere, can produce a greenhouse effect thousands of times more harmful compared to CO<sub>2</sub>.

Following the Group’s listing on the stock exchange in June 2018, the issue of sustainability began to be examined in even more detail, with new stimuli and new stakeholders, obviously including minority shareholders and the financial markets in general. This process has led to the definition of a **“materiality map”**, laying the foundations for the identification of what for the Group are the most relevant **ESG** (Environment, Social, Governance) aspects. This map was revised and extended in 2020, through a significant stakeholder engagement process involving more than **870 stakeholders**, including employees, customers, suppliers, investors, trade associations and local communities.

Consequently, the Group established a **multi-level governance structure comprising the ESG team, the Control, Risk and Sustainability Committee, and a member of the Board of Directors** who has been given specific powers: the *ESG team* is an inter-functional committee with an operational role, headed by the CFO; the Control, Risks and Sustainability Committee is a body whose main purpose is to advise the Board of Directors on sustainability issues; Carlotta Rossi Luciani, as a board member been assigned responsibility for the *ESG*, with the task of placing sustainability and governance issues at the highest level of company management.

The first multi-year Sustainability Plan is thus the result of the interaction between these bodies and the desire to further develop the Group's medium-long term vision.

The plan defines **six areas of commitment (Sustainable Strategy and Governance, Environmental Policies, Innovation and Technology, People, Communication and Sustainable Development of Local Communities)** and comprises **55 sustainability objectives** (22 of which are social, 22 environmental and 11 involving governance). These in turn are divided into **68 specific targets**, spread over a multi-year time period, to be achieved through the involvement of **13 company departments** and with a **budget of more than 2.6 million euros**, allowing the Group to continue the path of sustainable development that has always defined its actions. Each area of commitment is directly linked to the sustainability issues that are significant for CAREL (known as "material issues"), the result of the materiality analysis described above. The ambitious objectives defined will therefore be measurable and achievable through the effective involvement of the executives and the ESG team.

**Carlotta Rossi Luciani, CAREL executive director with responsibility for the ESG commented:**

*"Having the Group's growth strategy encompass the important issues of inclusion and sustainability is a fundamental factor in pursuing the 'sustainable success' referred to in the Italian Corporate Governance code, published by the Corporate Governance Committee at the beginning of last year and the principles of that CAREL has adhered to. 'Driven by the Future' is a significant step in this direction, with areas, commitments and objectives that will be our beacon when defining and developing our strategic guidelines over the coming years. The efforts made by the entire Group in drawing up the plan in 2021 not only reflects the extent to which sustainability issues increasingly belong to all the women and men who work at the Company, but also underlines our intention to take on board the requests of all stakeholders and to act as a key player in creating well-being in the communities we operate in. The challenges of today and tomorrow are extremely important and difficult, and not only in the sectors we work in, but for the protection of the entire planet. We believe that we have now laid strong foundations that will help us continue to make our contribution to successfully facing these challenges."*

CAREL has in fact chosen to give priority to its commitment to **reduce energy consumption and greenhouse gas emissions**, as well as to **encourage the responsible use of energy resources**, thus helping to fight climate change both as part of its own production processes and through the identification and development of increasingly sustainable products and services, with special focus on the circular economy.

The Sustainability Plan will also have a social dimension, promoting the involvement, **well-being and personal and professional growth** of employees, and contributing to the social, cultural and economic development of the communities where the Group operates.

As concerns corporate governance, CAREL intends to continue on the path of improving **management of ESG risks and the disclosure of non-financial information**.

In order to ensure constant alignment with the evolution of the Group's business strategy, the Sustainability Plan has been developed in such a way as to allow new objectives to be added **periodically and constant monitoring of the progressive achievement of the objectives defined in the plan**. The Group's consolidated non-financial report will provide for ample disclosure and reporting of the plan.

By establishing the six areas of commitment, the company has also reinforced its desire to actively contribute to the achievement of some of the **Sustainable Development Goals (SDGs) defined by the United Nations 2030 Agenda**, and specifically: (5) Gender equality, (7) Affordable and clean energy, (8) Decent work and economic growth, (9) Industry, innovation and infrastructure, (12) Responsible consumption and production, (13) Climate action (16) Peace, justice and strong institutions.

## “Driven by the future”: Carel’s main objectives

### Environmental policies

- ⇒ **Procure energy from green sources, increasing electricity from renewable sources to 60%** already in 2021;
- ⇒ **Reduce indirect energy consumption through relamping**, which will bring **savings of at least 3%** in electricity consumption starting from 2021 (based on 2020 data), and the **installation of photovoltaic systems** by 2023, which will bring **savings of 12%** (based on 2020 data);
- ⇒ **Extend the analysis on indirect emissions (Scope 3)** through **disclosure of 100% of production plant emissions** deriving from the transport of manufactured goods;
- ⇒ **Implement the ISO 50001 Energy Management System.**

### Innovation and technology

- ⇒ **Source mouldable plastic compounds from sustainable supply chains** through annual monitoring of developments in the field of plastic raw materials;
- ⇒ Disclosure of the **SVHC (Substances of Very High Concern)** identification process, with inclusion of the phase-out policy by 2022.

## People

- ⇒ **Foster opportunities for diversity and inclusion in the Group**, progressively increasing the number of female employees, including in managerial positions: approximately **25% of new hires** at headquarters in Italy will in fact be women, **starting in 2021**. This percentage will be increased by approximately **5% per year** for the entire period of application of the plan;
- ⇒ Maintain an **adequate level of employee training**, providing on average **at least 12 hours of training** per employee per year;
- ⇒ **Join the UN – Global Compact** and raise awareness across the Group on respect for human rights, through the development of a **training course on the corporate Code of Ethics and human rights**.

## Communication

- ⇒ **Integrate sustainability issues in the dialogue with stakeholders** through the drafting and adoption of a **Stakeholder engagement policy**.
- ⇒ Define and implement a **communication plan** to ensure broad dissemination of the Group's commitments and objectives regarding ESG field, as described in the Sustainability Plan.

## Sustainable development of local communities

- ⇒ **Contribute to promoting culture in local communities by supporting local artistic development events and initiatives**, such as the “ViviLaSaccisica” project, which aims to make art accessible through special guided tours for people with mental or physical disabilities;
- ⇒ **Contribute to promoting knowledge and respect for the environment and the local territory** through various initiatives, including support for the “**Il Bosco Vivo**” project, which provides for the active involvement of local businesses in regeneration of the territory, with shared planning and creation of public woodlands as places for socialisation and well-being.

## Sustainable strategy and governance

- ⇒ Draft a responsible investment policy that takes into consideration **ESG issues** in the evaluation processes **and that is inspired by** the United Nations Principles for Responsible Investment (PRI);
- ⇒ Contribute to the dissemination of a culture of sustainability in the supply chain, through:
  - ⇒ **The inclusion of around 20 suppliers each year** in self-assessment activities;
  - ⇒ **Conducting, starting from 2023, periodic sustainability audits** at 30 suppliers every year, to monitor the extent of their self-assessment on ESG issues.
- ⇒ Further bring the policy on conflict minerals closer to the OECD recommendations, defining the process for **verifying and assessing the risk of so-called conflict minerals**, with reference to raw materials identified as potentially containing these minerals, and appointing a **Management Committee for the management of critical issues**.

A summary of the multi-year Sustainability Plan, as well as the latest developments regarding CAREL's strategies on the subject, are available on the website <https://esg.carel.com/>

For further information

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## CAREL

The Carel Group is a leader in the design, production and marketing at a global level of technologically advanced components and solutions for high energy efficiency in the control of air-conditioning (“HVAC”) and refrigeration equipment and systems. Carel is focused on certain vertical market niches with highly specific needs, which it responds to with dedicated solutions targeted directly at such needs, as opposed to mass markets.

The Group designs, manufactures and markets hardware, software and algorithmic solutions aimed at both increasing the performance of the respective units and systems, and boosting energy saving. Its brand is globally recognised in the HVAC and refrigeration markets (HVAC/R) where it operates, occupying – according to management – a distinctive position in the reference niches in these markets.

The Group’s main market is HVAC, accounting for 66% of the Group’s sales in the year until 31 December 2020, while the refrigeration market accounted for 33% of revenues.

The Group commits significant resources to research and development, an area that is assigned a strategic role in order to maintain its leading position in its reference niches of the HVAC/R market, with special attention to energy efficiency, reducing environmental impact, the latest trends on the use of natural refrigerants, automation and remote connectivity (Internet of Things), as well as the development of data-driven solutions and services.

The Group operates 27 subsidiaries and 9 production plants in different countries. As of 31 December 2020, around 80% of the Group’s revenues were generated outside of Italy, and around 30% outside of the EMEA area (Europe, Middle East, Africa). Original Equipment Manufacturers or OEMs, suppliers of complete units for HVAC/R applications, represent the company’s main customer category, and one that the Group focuses on by building long-term relationships.