



CAREL INDUSTRIES S.p.A.

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

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

*Drawn up in accordance with article 125-ter of Legislative decree no. 58 of 24 February 1998 (the **Consolidated Finance Act, "CFA"**) and article 72 of the regulation adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 11971/99 (the **"Issuers' Regulation"**), as subsequently amended and integrated, for the extraordinary shareholders' meeting of Carel Industries S.p.A. ("**Carel**" or the "**company**") scheduled on single call for 18 April 2024*

Illustrative report of the board of directors of Carel Industries S.p.A., drawn up under article 125-*ter* of Legislative decree no. 58 of 24 February 1998, as amended and integrated (“CFA”), and article 72 of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as subsequently amended and integrated (the “Issuers’ Regulation”)

Dear shareholders,

This report describes the proposals the board of directors of Carel Industries S.p.A. (“**Carel**” or the “**Company**”) intends submitting for your approval as regards the first and only point on the agenda of the extraordinary shareholders’ meeting that will be held on single call on 18 April 2024, at 10.00 am at the Company’s registered office in Brugine (PD), Via dell’Industria, 11.

Item no. 1 on the agenda:

- 1. Proposal to amend articles 9, 10, 19 and 24 of the by-laws; related and ensuing resolutions.**

1. REASONS FOR THE PROPOSED AMENDMENTS

The proposed amendments to Carel’s By-laws, as explained below in more details, take into account – and, partly, provide advance notice of – the contents of the draft law containing “Interventions in support of the competitiveness of capitals and delegation to the Government for the organic reform of the provisions regarding capital markets set forth by the consolidated act pursuant to Italian Legislative Decree 24 February 1998, n. 58, and of the provisions regarding joint-stock companies contained in the Italian Civil Code also applicable to issuers” (hereinafter, the “**Capitals Bills**”), definitively approved on February 27, 2024 by the Senate of the Italian Republic and awaiting publication in the Italian Official Journal.

In particular, through the introduction of art. 135-*undecies*.1 of the Consolidated Finance Act (“**CFA**”), the possibility is introduced to make applicable, on a permanent basis, the provisions which provide for the faculty, for listed companies and for companies admitted to trading on a multilateral trading system, to establish that the participation in the Shareholders’ meeting and the exercise of voting rights for those entitled thereto takes place exclusively by the conferral of a proxy (or a sub-proxy) to the Appointed Representative, provided that the by-laws expressly provide for it.

The proposed amendments, as explained below in more details, therefore mainly concern the participation and representation at shareholders' meetings.

Further proposed amendments also concern the call and functioning of the board of directors and of the board of statutory auditors meetings.

The proposed amendments are explained below in more details.

I. THE SHAREHOLDERS' MEETING

a. ARTICLE 9 – SHAREHOLDERS' MEETING CALL

The proposed amendment to the art. 9 of the By-laws is justified by the proposal to introduce – in the subsequent art. 10 – the possibility, under certain circumstances, to hold the shareholders' meeting by remote connection only: it is, therefore, merely a textual alignment.

b. ARTICLE 10 – PARTICIPATION

The first proposed amendment to the art. 10 of the By-laws is justified by the provision – in the following newly introduced paragraph – of the faculty to provide for the participation in the Shareholder's meeting and for the exercise of the voting rights exclusively through the Appointed Representative: express reference has therefore been made, as regards methods and terms, to the relevant legislation in force from time to time.

The proposal of the following new paragraph is aimed at introducing for the Company the right to establish within the call notice of the shareholder' meeting – if permitted by law and/or regulatory provisions in force from time to time – that the participation in the Shareholder's meeting and the exercise of voting rights for those entitled thereto takes place exclusively by the conferral of a proxy (or sub-proxy) to the Appointed Representative.

The provision is accompanied by the further specification, in the following paragraph, that, if the Company opts for the "mandatory" participation through the Appointed Representative – and where provided for and/or permitted by the law and/or the regulatory provisions in force from time to time – the participation in the Shareholders' meeting by the persons entitled thereto (directors, auditors, representatives of the auditing firm, Notary, Appointed Representative and other subjects who are allowed to participate in the Shareholders' meeting pursuant to the law and the by-laws, other than those who has the voting rights) may also or solely take place by means of appropriate telecommunications means, without the need

for the Chairman, Secretary and/or the Notary to be in the same place.

As anticipated in the premises, the proposal to introduce these provisions into the By-laws takes into account first of all the contents of the Capitals Bill, which, in the wake of what was permitted by the legislation initially issued to address the COVID-19 health emergency – in particular, by art. 106 of the decree law No. 18 of March 17, 2020 (converted with amendments by Law No. 27 of April 24, 2020) – and then reiterated in the following years, provides for the possibility for issuers to provide for participation in the shareholders' meeting and voting exclusively through the Appointed Representative.

The provisions relating to attendance solely from a remote position, introduced by the aforementioned emergency legislation, were subsequently endorsed by the most important notarial practice (see, in this regard, Maxima No. 187 "*Attendance of Shareholders' Meetings by Conference Call*" of March 11, 2020 and Maxima No. 200 "*Clauses in the Bylaws Legitimising the Convening of Shareholders' Meetings Exclusively by Conference Call*" of November 23, 2021, both of the Milan Board of Notaries).

As for the clarification, proposed in the following paragraph, of the non-necessity of the co-presence of the Chairman and Secretary for meetings held by means of telecommunications, it should be underlined that the joint presence of these parties in the same place was originally considered essential because of its functionality in the simultaneous formation of the Board minutes, signed by both the Chairman and Secretary. However, this requirement is no longer appropriate in cases where the participants attend the meeting via telecommunications means, since in such cases the minutes of the meeting may be drawn up at a later time, with the signature of the Chairman and the Secretary. This greater flexibility for Shareholders' meetings, introduced by the aforementioned emergency legislation, was subsequently endorsed by the most important notarial practice (see the above-mentioned Maxima No. 187 and Maxima No. 200 of the Milan Board of Notaries) and therefore it is appropriate to incorporate it into the by-laws.

II. BOARD OF DIRECTORS

a. ARTICLE 19 – CALL AND MEETINGS

The proposed amendment to the art. 19 of the by-laws is made appropriate by the proposal to introduce – in the following paragraphs – the possibility of holding board meetings by remote connection only: it is, therefore, merely a textual alignment.

The following proposed amendment is appropriate in order to update the means of communication through which it is possible to send notices of meetings of the Board of Directors, by eliminating the specific reference to the letter, telegram and fax, as they have now become totally unused tools.

Finally, the possibility of holding meetings solely by means of telecommunications is introduced, also eliminating the provision which identified, in the case of meetings by remote connection only, the place of the meeting where the President and Secretary were together. This last proposal is justified for the same reasons already indicated in the proposed amendments to the art. 10 of the By-laws regarding the meeting, which expressly excluded the need for the co-presence of the two parties (see Paragraph 1, I, b) above). This possibility, introduced by the emergency legislation for shareholders' meetings, has in fact been extended to the meetings of the Board of Directors and other corporate bodies of joint stock companies and cooperatives with the endorsement of notarial practice (see the aforementioned Maxima No. 187 and Maxima No. 200 of the Milan Board of Notaries).

III. BOARD OF STATUTORY AUDITORS

a. ARTICLE 24 – CALL, MEETINGS AND RESOLUTIONS

The proposed amendments to the art. 24 of the By-laws are aimed at introducing the possibility of holding meetings of the Board of Statutory Auditors solely by means of telecommunications.

This proposal is justified by the reasons already explained in the comment on the new art. 10 and the new art. 19 of the By-laws.

2. BY-LAWS AMENDMENTS

Below is the current text of articles 9, 10, 19 and 24 of the Carel's By-laws compared with the text in the version that will come into force as a result of any resolution to amend the By-laws.

Current text	Proposed text
THE SHAREHOLDERS' MEETINGS	THE SHAREHOLDERS' MEETINGS
ARTICLE 9 – SHAREHOLDERS' MEETING CALL	ARTICLE 9 – SHAREHOLDERS' MEETING CALL
<p>The Shareholders' Meeting shall meet in Italy, including outside the municipality where the registered office is located. The Shareholders' Meeting is convened, in accordance with the law, by means of a notice published on the Company's website and according to the other procedures provided for by current statutory and regulatory provisions.</p>	<p>The Shareholders' Meeting, without prejudice to the provisions of Article 10, shall meet in Italy, including outside the municipality where the registered office is located. The Shareholders' Meeting is convened, in accordance with the law, by means of a notice published on the Company's website and according to the other procedures provided for by current statutory and regulatory provisions.</p>
[...omissis...]	[...omissis...]
ARTICLE 10 – PARTICIPATION	ARTICLE 10 – PARTICIPATION
[...omissis...]	[...omissis...]
<p>For each meeting, the Company may designate a person – specified in the notice of call – to whom the shareholders may grant a proxy with voting instructions on all or some of the proposals on the agenda, by the deadlines and according the procedures envisaged by law.</p>	<p>For each meeting, the Company may designate a person – specified in the notice of call – with the role of appointed representative, even exclusively, to whom the shareholders may grant, in the manner and within the terms established by law and by regulatory provisions in force from time to time, a proxy with voting instructions on all or some of the proposals on the agenda, by the deadlines and according the procedures envisaged by law.</p>
	<p>Where provided for and/or permitted by the law and regulatory provisions in force from time to time, the Company</p>

	<p>may provide that the participation in the Shareholders' meeting and exercise of voting rights by the persons entitled thereto may also take place exclusively through the granting of a proxy (or sub-proxy) to the appointed representative. To this end, the Company may provide in the call notice that the participation in the Shareholders' meeting and the exercise of voting rights can take place exclusively through the appointed representative.</p>
<p>The Shareholders' Meeting may be held with attendees being in multiple adjacent or remote locations that are linked by a video/audio conferencing system, provided that the plenary method and the principles of good faith and equal treatment of all Shareholders are applied, and in particular provided that: (a) the Chairperson of the Shareholders' Meeting is able to ascertain the identity of the attendees and their right to attend the Meeting, guide the course of the meeting, verify and communicate the result of any votes; (b) the person taking the minutes has an adequate perception of the events of the meeting being recorded; (c) that those in attendance are able, all at the same time, to take part in the discussion and the voting on the matters on the Agenda; (d) this procedure is provided for in the notice convening the Shareholders' meeting which should also state the places where shareholders must attend. The meeting shall be held at the place where</p>	<p>The Shareholders' Meeting may be held with attendees being in multiple adjacent or remote locations that are linked by a video/audio conferencing system. If the Company makes use of the option referred to in the previous paragraph, and where provided for and/or permitted by the legislation in force from time to time, the Company may provide that participation in the Shareholders' meeting by the persons entitled thereto (directors, auditors, representatives of the auditing firm, Notary, Designated Representative and other parties entitled to participate in the Shareholders' meeting pursuant to the law and the By-laws, other than those who have the voting rights) can also or solely take place via telecommunications means that guarantee their identification, without the need for the President, the Secretary and/or the Notary to be in the same place, provided that the plenary method and the principles of good faith and equal treatment of all Shareholders are</p>

<p>both the Chairperson and the person taking the minutes are present.</p>	<p>applied, and in particular provided that: (a) the Chairperson of the Shareholders' Meeting is able to ascertain the identity of the attendees and their right to attend the Meeting, guide the course of the meeting, verify and communicate the result of any votes; (b) the person taking the minutes has an adequate perception of the events of the meeting being recorded; (c) that those in attendance are able, all at the same time, to take part in the discussion and the voting on the matters on the Agenda; (d) this procedure is provided for in the notice convening the Shareholders' meeting which should also state the places where shareholders must attend. The meeting shall be held at the place where both the Chairperson and the person taking the minutes are present.</p>
<p>BOARD OF DIRECTORS</p>	<p>BOARD OF DIRECTORS</p>
<p>ARTICLE 19 - CALL AND MEETINGS</p>	<p>ARTICLE 19 - CALL AND MEETINGS</p>
<p>The Board of Directors meets both at the Company's registered office and elsewhere, provided the location is in European Union countries, Switzerland or in the United Kingdom.</p>	<p>The Board of Directors, unless the meeting is to be held solely by conference call, meets both at the Company's registered office and elsewhere, provided the location is in European Union countries, Switzerland or in the United Kingdom.</p>
<p>[...<i>omissis</i>...]</p>	<p>[...<i>omissis</i>...]</p>
<p>The call of the Board of Directors is carried out by means of a notice to be sent - by letter, telegram, fax or e-mail with acknowledgement of receipt - to the domicile of each Director and</p>	<p>The call of the Board of Directors is carried out by means of a notice to be sent - by letter, telegram, fax or e-mail or other means with proof of receipt - to the domicile of each Director and</p>

<p>statutory auditor at least three days before the date set for the meeting. In urgent cases, the call of the Board of Directors may be made the day before the date set for the meeting. The meetings of the board and its resolutions shall be valid, even without a formal convocation, when all directors and auditors in office have taken part.</p>	<p>statutory auditor at least three days before the date set for the meeting. In urgent cases, the call of the Board of Directors may be made the day before the date set for the meeting. The meetings of the board and its resolutions shall be valid, even without a formal convocation, when all directors and auditors in office have taken part.</p>
<p>[...omissis...]</p>	<p>[...omissis...]</p>
<p>Board meetings may also be held through audio conferencing or video conferencing, provided that:</p> <ul style="list-style-type: none"> i. the Chairperson and the secretary of the meeting must be present in the same place, and shall draft and sign the minutes of the meeting, with the meeting being deemed to have taken place at that location; ii. the Chairperson of the meeting is allowed to ascertain the identity of attendees, adjust the course of the meeting, establish and declare the results of the vote; iii. the person taking the minutes may adequately perceive the events of the meeting being recorded and iv. participants who take part in the discussion are allowed to vote simultaneously on the agenda, as well as to see, receive or transmit documents. 	<p>Board meetings may also be held also or solely by conference call through audio conferencing or video conferencing, without the need for the Chairperson and/or the secretary to be in the same place, provided that:</p> <ul style="list-style-type: none"> i. the Chairperson and the secretary of the meeting must be present in the same place, and shall draft and sign the minutes of the meeting, with the meeting being deemed to have taken place at that location; ii.i. the Chairperson of the meeting is allowed to ascertain the identity of attendees, adjust the course of the meeting, establish and declare the results of the vote; iii.ii. the person taking the minutes may adequately perceive the events of the meeting being recorded and; iv.iii. participants who take part in the discussion are allowed to vote simultaneously on the agenda, as well as to see, receive or transmit documents.
<p>BOARD OF STATUTORY AUDITORS</p>	<p>BOARD OF STATUTORY AUDITORS</p>

ARTICLE 24 – CALL, MEETINGS AND RESOLUTIONS	ARTICLE 24 – CALL, MEETINGS AND RESOLUTIONS
[...omissis...]	[...omissis...]
Meetings of the Board of Statutory Auditors may be held with attendees being in multiple adjacent or remote locations linked by a video/audio conferencing system, under the same conditions established for the Board of Directors.	Meetings of the Board of Statutory Auditors may be held also or solely by conference call with attendees being in multiple adjacent or remote locations linked by a video/audio conferencing system , under the same conditions established for the Board of Directors.

3. WITHDRAWAL RIGHT

The Board of Directors is of the opinion that none of the proposed amendments to the By-laws illustrated and justified herein grant to the Company's shareholders the right of withdrawal, as none of the conditions set out in the legal provisions are met.

4. PROPOSED RESOLUTION

Dear shareholders,

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

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

resolve

- to amend the text of articles 9, 10, 19 and 24 of the by-laws and to approve their new texts as presented in the illustrative report of the board of directors, attached to this resolution as an integral and substantial part thereof;*
- to give the board of directors and, therefore, the chairperson and chief executive officer and/or the executive directors, including by means of special proxies, any and all powers, none excluded, necessary or suitable to allow them to perform the resolutions set out above and exercise their powers, and to carry out the formal procedures necessary so that all the resolutions passed today obtain legal and regulatory approval, including any and all powers to make all (not substantial) changes, additions or cancellations to the shareholders' resolutions, the text of*

these minutes and the attached by-laws that may be necessary if so requested by any competent authority or during their inclusion in the company register on behalf of the company.”

Brugine, 6 March 2024

Chairperson of the Board of directors

Luigi Rossi Luciani