



CAREL INDUSTRIES S.p.A.

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

**ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS  
CONCERNING AUTHORISATION FOR THE REPURCHASE AND SALE OF TREASURY  
SHARES SUBJECT TO REVOCATION OF THE PREVIOUS AUTHORISATION RESOLVED  
UPON BY THE SHAREHOLDERS IN THEIR MEETING OF 20 APRIL 2020**

*Drawn up in accordance with article 125-ter of Legislative decree no. 58 of 24 February 1998 (the **Consolidated Finance Act, "CFA"**) and article 73 of the regulation adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 11971/99 (the **"Issuers' Regulation"**), as subsequently amended and integrated, for the ordinary shareholders' meeting of Carel Industries S.p.A. ("**Carel**" or the "**company**") scheduled on single call for 20 April 2021*

**Item no. 6 on the agenda – Proposal to authorise the repurchase and sale of treasury shares subject to revocation of the previous authorisation resolved upon by the shareholders in their meeting of 20 April 2020; related and ensuing resolutions.**

Dear shareholders,

You have been called to an ordinary shareholders' meeting to resolve upon the issue of authorising the board of directors both to repurchase and, subsequently, to sell treasury shares, wherever allowed by the ruling legislation, including that of the EU, and by the regulations issued by Borsa Italiana S.p.A., for the purposes, at the terms, and according to the methods set out below, subject to revocation of the authorisation resolved upon you in your meeting of 20 April 2020.

We set out below the methods and terms of the proposed transaction in accordance with the provisions of article 73 and annex 3A, form no. 4 of the Issuers' Regulation.

## **1. REASONS FOR REQUESTING THE AUTHORISATION**

On 20 April 2020, you authorised the board of directors to repurchase, in one or more instalments, bearing in mind the treasury shares from time to time in the company's portfolio and the shares held by subsidiaries, up to a maximum of 5,000,000 ordinary treasury shares without nominal amount over a period of 18 months from the resolution date. Therefore, this authorisation to repurchase treasury shares expires on 20 October 2021.

The board of directors deems that the reasons for requesting you to authorise it to repurchase and sell treasury shares are still valid.

Given the possibility to renew the authorisation for another period, the board of directors deems it appropriate to propose that you issue a new authorisation, for a similar 18-month period, effective from the date of the relevant resolution, subject to revocation of the previous authorising resolution, for the part not yet carried out.

The request for authorisation to repurchase and sell the treasury shares is based on the possibility to give the company's board of directors the right to repurchase and sell treasury shares, in compliance with the ruling legislation, including that of the European Union, and with the acceptable market practices from time to time in force, for the following purposes:

- to comply with obligations arising from share-based incentive plans or other share plans for the employees, directors and statutory auditors of the company, its subsidiaries or associates;
- to repurchase treasury shares held by employees of the company or its subsidiaries and assigned or subscribed in accordance with articles 2349 and 2441.8 of the Italian Civil Code or as part of remuneration plans approved in accordance with article 114-*bis* of the CFA;
- to carry out transactions to support market liquidity to thereby facilitate regular trading and avoid price fluctuations that are not in line with market trends; and
- to undertake sale, exchange, trade-in, contribution transactions or other acts of disposal of treasury shares to acquire equity stakes and/or real estate and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the development goals of the company and of the Carel Group.

## 2. MAXIMUM NUMBER, CLASS AND NOMINAL AMOUNT OF THE SHARES COVERED BY THE AUTHORISATION

At the date of this report, the company's share capital amounts to €10,000,000, fully subscribed and paid up and consisting of 100,000,000 ordinary shares without a nominal amount.

Given the above, the board of directors requests authorisation to repurchase treasury shares, in one or more instalments, up to a maximum number which, bearing in mind the treasury shares from time to time in the portfolio of the company and its subsidiaries, shall not exceed 5,000,000 (five million) shares, equal to 5% of the company's share capital.

The repurchase of treasury shares shall take place within the limits of the distributable profits and available reserves shown in the most recent financial statements duly approved at the time of performing each transaction.

The authorisation also includes the right to subsequently sell (in whole or in part, and also in more than one transaction) the shares held in portfolio, also before having reached the maximum number of shares that may be repurchased and, if need be, to repurchase the shares so that the treasury shares held by the company or, where applicable, its subsidiaries, do not exceed the limit set by the authorisation.

### **3. ADDITIONAL INFORMATION TO ASSESS COMPLIANCE WITH ARTICLE 2357.3 OF THE ITALIAN CIVIL CODE**

The company currently holds 168,209 treasury shares equal to 1.682% of the share capital.

The repurchase authorisation complies with the limit stipulated by article 2357.3 of the Italian Civil Code, as it covers a number of shares that will not exceed one fifth of the share capital.

When the transaction is performed, the amount of the available reserves and the distributable profits shall be checked, as shall the information necessary to assess compliance with the maximum repurchase limit the authorisation relates to.

### **4. PERIOD OF TIME FOR WHICH THE AUTHORISATION IS REQUESTED**

The authorisation to repurchase treasury shares is requested for the maximum period of time established by article 2357.2 of the Italian Civil Code, i.e., eighteen months from the date of the shareholders' authorising resolution. Within such timespan, the board of directors may proceed with the repurchases to the extent and according to the timeframes freely determined in compliance with the relevant legislation, including that of the European Union, and with the acceptable market practices in force from time to time, when applicable.

Given the lack of regulatory restrictions, as well as the need to ensure the company has maximum operating flexibility, the authorisation to sell the treasury shares is requested without any time limits.

### **5. MINIMUM AND MAXIMUM PRICE**

The board of directors proposes that the repurchase price be set from time to time, having regard to the selected method for performing the transaction and in compliance with the legislative and regulatory provisions, as well as with the acceptable market practices in force from time to time. In any event, the repurchases shall be made:

- (i) at a price that does not deviate, by excess or defect, by more than 20% from the reference price recorded by the share at the stock exchange session of the day preceding each individual transaction, and in any event

- (ii) at a price that does not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase offer made at the trading venue where the repurchase is made.

The authorisation to sell the shares repurchased in accordance with article 2357 of the Italian Civil Code, or held in the company's portfolio after repurchases made pursuant to previous authorisations, is requested within the limits of that permitted by the legislative and regulatory provisions, the acceptable market practices in force from time to time, where applicable, and the regulations issued by Borsa Italiana S.p.A., without any time constraint:

- (i) at a price set from time to time by the board of directors in relation to convenience criteria, subject to the fact that such price shall have to maximise the economic effects on the company if the share is meant to serve (i) transactions in support of market liquidity to thereby facilitate regular trading and avoid price fluctuations that are not in line with market trends; or (ii) sale, exchange, trade-in, contribution transactions or other acts of disposal of treasury shares to acquire equity stakes and/or real estate and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the development goals of the company and of the Carel Group;
- (ii) at a price not exceeding 20% and not less than 20% of the official stock market prices recorded at the stock exchange session preceding the sale transaction as determined by the board of directors after taking into account the nature of the transaction and the applicable best practice; or
- (iii) within the scope of share-based incentive plans, according to the terms and methods set out in the regulations governing the plans themselves.

## **6. PROCEDURES FOR CARRYING OUT THE REPURCHASES AND SALES OF TREASURY SHARES**

The repurchase transactions will be carried out in compliance with article 2357 and following articles of the Italian Civil Code, article 132 of the CFA, article 144-*bis* of the Issuers' Regulation, and any other applicable rule, including the rules mentioned in Regulation (EU) no. 596/2014 and Commission Delegated Regulation (EU) no. 2016/1052, as well as with the acceptable market practices in force from time to time (wherever applicable) and the regulations issued by Borsa Italiana S.p.A..

It should be noted that, in accordance with article 132.3 of the CFA, the aforementioned operating procedures as per article 132 of the CFA and article 144-*bis* of the Issuers' Regulation do not apply to the repurchases of treasury shares held by employees of the company or its subsidiaries and assigned or subscribed in accordance with articles 2349 and 2441.8 of the Italian Civil Code, or as part of remuneration plans approved in accordance with article 114-*bis* of the CFA.

The maximum number of treasury shares that can be repurchased each day shall not exceed 25% of the average daily volume of Carel shares traded on the market.

The sale and/or utilisation transactions shall be carried out in the manner best suited to promote the company's interests, and in any event, in compliance with the legislative and regulatory provisions, as well as with the acceptable market practices in force from time to time (wherever applicable) and the regulations issued by Borsa Italiana S.p.A..

The repurchase and sale transactions relating to treasury shares shall be disclosed to the market at the terms and according to the methods laid down by the regulations in force.

## **7. INFORMATION ON THE INSTRUMENTALITY OF THE REPURCHASE TO THE REDUCTION OF SHARE CAPITAL**

The repurchase of treasury shares for which authorisation is requested is not instrumental to the reduction of the share capital.

## **8. EFFECTIVE EXEMPTION FROM THE OBLIGATION TO MAKE A TAKEOVER BID AS A RESULT OF THE APPROVAL OF THE RESOLUTION AUTHORISING THE REPURCHASE OF TREASURY SHARES AS PER THE PROCEDURES LAID DOWN BY ARTICLE 44-*bis* OF THE ISSUERS' REGULATION**

Generally speaking, the treasury shares held by the company, including indirectly, are excluded from the share capital used to calculate the significant equity investment for the purposes of article 106.1/1-*bis*/1-*ter*, as applicable, and article 106.3.b) of the CFA with respect to the regulations governing a takeover bid.

Moreover, in accordance with article 44-*bis*.2 of the Issuers' Regulation, the aforementioned provision does not apply in the event that exceeding the thresholds set out in article 106.1/1-*bis*/1-*ter*, as applicable, and article 106.3.b) of the CFA stems from repurchases of treasury shares made, including indirectly, by the company to implement a resolution that, subject to the provisions of articles 2368

and 2369 of the Italian Civil Code, has been approved also with the favourable vote of the majority of the shareholders attending the shareholders' meeting, other than the shareholders who hold, including jointly, the majority stake, including a relative majority, provided that it exceeds 10% ("whitewash").

Accordingly, you are informed that, pursuant to article 44-*bis* of the Issuers' Regulation, should you – once called upon to express your opinion on the authorisation for the repurchase and sale of treasury shares – approve the relevant proposal by the majorities stipulated by the aforementioned article 44-*bis*.2 of the Issuers' Regulation, the treasury shares repurchased by the company in execution of such authorising resolution will not be excluded from the share capital (and will thus be calculated as part of it) whenever, by virtue of repurchases of treasury shares, the relevant thresholds for the purposes of article 106 of the CFA are exceeded by a shareholder.

The provisions of article 44-*bis*.4 of the Issuers' Regulation are not affected, i.e., treasury shares repurchased pursuant to transactions entered into so as to comply with the obligations arising from remuneration plans approved by shareholders under article 114-*bis* of the CFA are not excluded from the share capital used to calculate the significant equity investment as per article 106 of the CFA.

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We accordingly invite you, should you agree with the proposal submitted to you as per the above, to adopt the following resolution:

*"At their ordinary meeting, the shareholders, upon the proposal of the board of directors, after reviewing the illustrative report of the board of directors, and*

***having acknowledged***

*that should the under-mentioned resolution be approved with the favourable vote of the majority of the company's shareholders attending the meeting, other than the shareholders who hold, including jointly, the majority stake, including a relative majority, provided that it exceeds 10% (i.e., Luigi Rossi Luciani S.a.p.a. and Luigi Nalini S.a.p.a.), exemption under the combined provisions of article 106.1/1-bis/1-ter, to the extent applicable, and article 106.3.b) of the CFA and article 44-bis.2 of the Issuers' Regulation, shall apply to such shareholders.*

***resolve***

1. *in accordance with article 2357 of the Italian Civil Code, to revoke, for the part not yet carried out, the authorisation to repurchase and sell the treasury shares granted*

*by the shareholders in their ordinary meeting of 20 April 2020 effective from the date of approval of this resolution;*

2. *to authorise the board of directors, in compliance with and as provided by the legal and regulatory provisions from time to time applicable and the regulations issued by Borsa Italiana S.p.A., as well as by the relevant EU provisions:*

*(a) to repurchase, in one or more instalments, bearing in mind the treasury shares from time to time in the company's portfolio and the shares held by subsidiaries, up to a maximum of 5,000,000 (five million) ordinary treasury shares without nominal amount, to fulfil the purposes mentioned in the illustrative report of the board of directors, over a period of 18 months from the date of this resolution. It is nevertheless understood that the repurchase of treasury shares will take place within the limits of the distributable profits and available reserves shown in the most recent financial statements duly approved at the time of performing each transaction.*

*The repurchase transactions shall be carried out in compliance with article 2357 and following articles of the Italian Civil Code, article 132 of the CFA (considering the specific exemption set out in the relevant paragraph 3 of the same article), article 144-bis of the Issuers' Regulation, and any other applicable rule, including the rules mentioned in Regulation (EU) no. 596/2014 and Commission Delegated Regulation (EU) no. 2016/1052, as well as with the acceptable market practices in force from time to time (wherever applicable) and the regulations issued by Borsa Italiana S.p.A., and shall be carried out (i) at a price that does not deviate, by excess or defect, by more than 20% from the reference price recorded by the share at the stock exchange session of the day preceding each individual transaction, and in any event (ii) at a price that does not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase offer made at the trading venue where the repurchase is made;*

*(b) to sell the treasury shares held in the company's portfolio after prior repurchases made pursuant to previous authorisations and the treasury shares that will be repurchased in accordance with this authorisation, within the limits of that permitted by the legislative and regulatory provisions, the acceptable market practices in force from time to time, where applicable, and the regulations issued by Borsa Italiana S.p.A., without any time constraint;*



- (i) *at a price set from time to time by the board of directors in relation to convenience criteria, subject to the fact that such price shall have to maximise the economic effects on the company if the share is meant to serve (i) transactions in support of market liquidity to thereby facilitate regular trading and avoid price fluctuations that are not in line with market trends; or (ii) sale, exchange, trade-in, contribution transactions or other acts of disposal of treasury shares to acquire equity stakes and/or real estate and/or enter into agreements (including commercial ones) with strategic partners and/or implement industrial projects or extraordinary finance transactions that fall within the development goals of the company and of the Carel Group;*
  - (ii) *at a price not exceeding 20% and not less than 20% of the official stock market prices recorded at the stock exchange session preceding the sale transaction as determined by the board of directors after taking into account the nature of the transaction and the applicable best practice; or*
  - (iii) *within the scope of share-based incentive plans, according to the terms and methods set out in the regulations governing the plans themselves;*
- (c) *to confer on the board of directors – and on its behalf, on the chairperson, the executive deputy chairperson and the chief executive officer, severally and with the right of sub-delegating to other parties – any and all powers necessary to implement the treasury share repurchase and sale transactions resolved upon.”*

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Brugine, 4 March 2021

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Chairperson of the Board of directors  
Luigi Rossi Luciani