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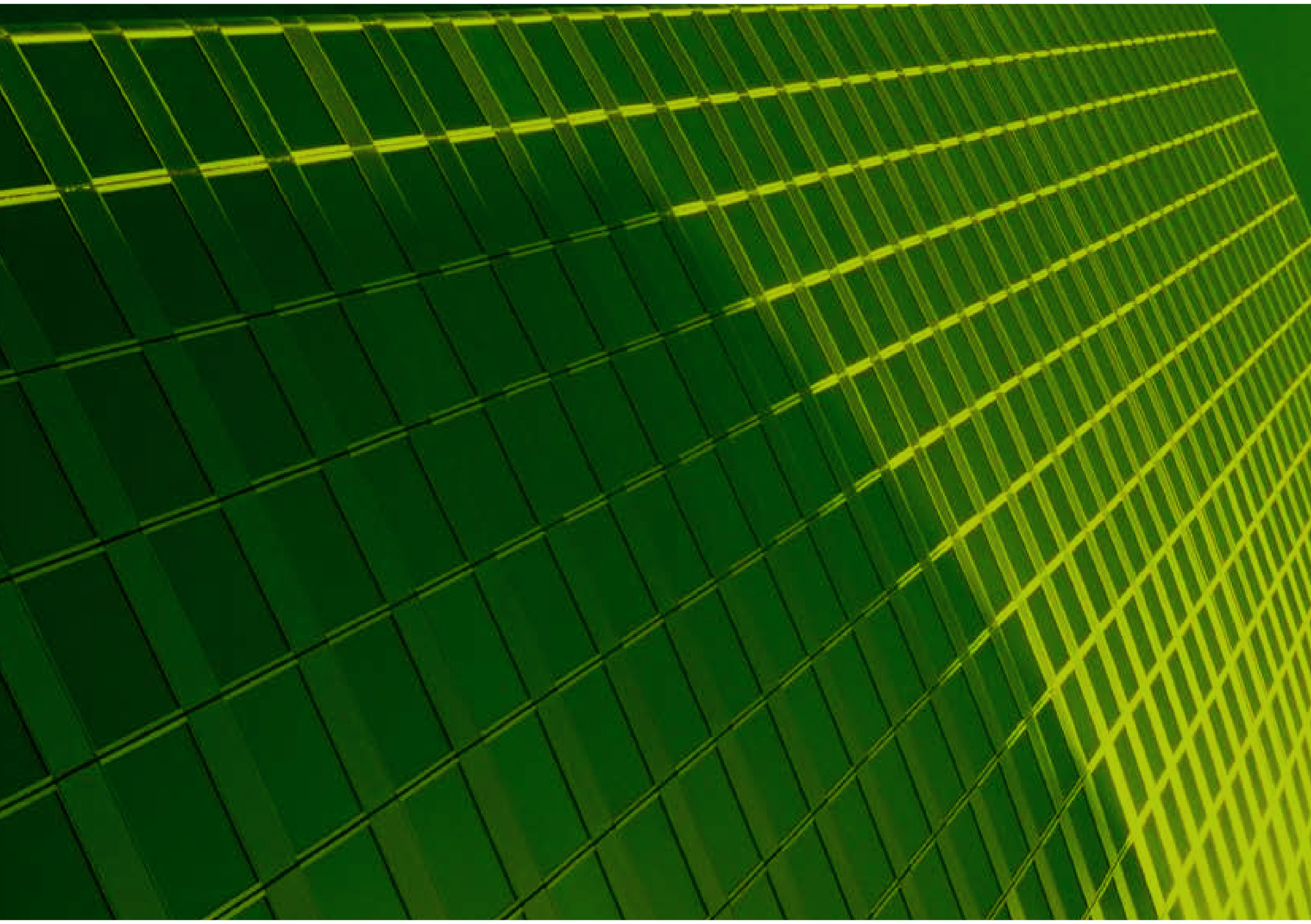
CAREL

REMUNERATION REPORT

2023



Remuneration report

CONTENTS

Dear shareholders,

As chairperson of the remuneration committee and on its behalf, I am very pleased to present Carel's report on its remuneration policy and the remuneration paid (the "report"). Carel's policy is compliant with the company's governance model, ruling legislation, and the recommendations of Borsa Italiana's Code of Corporate Governance endorsed by the company.

Like in previous years, in drafting the report, we have taken into consideration the observations raised at the time of the shareholders' vote of 22 April 2022, we continued our dialogue with our stakeholders, taking on board useful insights from various parties with the aim of adopting market best practices, we contributed to the transparency of Carel's remuneration systems and we ensured compliance with the relevant legislative requirements such to ensure stakeholders have the tools necessary to accurately assess the company and to exercise their rights in an informed manner.

Carel Group continued to grow and develop in 2022 and is one of the world leaders in control solutions for air-conditioning, refrigeration and heating, and systems for humidification and evaporative cooling systems. Its mission is to contribute to a new product model that brings energy savings and reduces the environmental impact.

Although 2022 presented new and significant challenges linked to the energy crisis and the war in the heart of Europe, which had serious macroeconomic and geopolitical repercussions and also had a significant impact on the company's business and the communities in which it operates, Carel continued to prove agile and resilient, focussing closely on social issues, attracting talent and the right expertise, pursuing a policy of growth and sustainable innovation over the medium to long term, and focussing on operating efficiency.

Carel unites its commitment to business and to sustainability in a business model aimed at sustainable success benefiting shareholders and all stakeholders. This commitment will be further ramped up in 2023, a particularly important year in which the company celebrates 50 years of continuous growth and innovation.

In this complex and challenging context, Carel's remuneration policy plays an increasingly central role in the pursuit of its medium and long-term goals, ensuring that business and sustainability targets are aligned and attracting, motivating and cultivating resources with outstanding professional expertise for the group's successful management and enhancement.

The policy draws a direct link between remuneration and the financial, social and environmental value generated (pay for performance). This fosters a medium to long-term outlook and beneficiaries actively share in the results achieved, maintaining the focus on the company's strategic business and sustainable development goals.

The preliminary activities of the remuneration committee included an in-depth analysis of market practices and benchmarking carried out in 2021 in order to assess the adequacy of the current remuneration structure for key management personnel and the members of the *boards. Specifically, the benchmark analysis confirms that the total remuneration of the CEO and the key management personnel for 2022 is in line with Carel's current positioning with respect to its peers in terms of market capitalisation, turnover and workforce.*

The report continues to have two main sections and an executive summary providing key information for a better understanding of the proposed and implemented policies.

***Section I** describes the company's remuneration policy for 2023, including disclosure on the structure and amount of the directors' fees.*

***Section II** discloses the remuneration paid in 2022, in line with the remuneration policy approved by the shareholders last year which was followed without derogations.*

Section I: guidelines of the 2023 remuneration policy

Section I of the report describes the policy for 2023, both in terms of its structure, which will continue to comprise a short-term and long-term plan, and in relation to remuneration and incentive levels. We have maintained a well-defined and balanced structure of annual objectives, which are interrelated and designed to ensure the company's profitability and operating efficiency in its traditional business sectors while also reflecting the importance placed by the company on protecting the environment and focusing on social aspects.

The structure is very similar to the previous year's policy, which garnered a very positive endorsement of over 99% of votes in favour.

Specifically, the guiding principles of the remuneration policy remain:

- ***Equity, diversity and inclusion:** cultivate expertise and merit as well as also diversity as an opportunity to create value; focus on the pay-ratio and pursuit of a better gender balance as drivers of a fairer and more balanced policy;*
- ***Sustainability:** emphasis on long-term financial enhancement, alongside a strong focus on constant improvement in sustainability (ESG) standards;*
- ***Competitiveness:** focus on balance and consistency with market practices for comparable positions and roles with similar levels of responsibility and complexity using periodic benchmark analysis of a panel of comparables in terms of their size and sector; correlation between remuneration and performance (pay for performance) through the proper weighting of the fixed and variable remuneration components in order to reconcile the interests of shareholders and management, while also attracting the most highly skilled professional figures;*
- ***Transparency:** ongoing improvement of the information and transparency of the remuneration policy and related report; measurement and disclosure of the incentives linked to variable remuneration after a careful analysis of the results actually achieved and clear malus and clawback clauses and absence of derogation policy.*

*However, the remuneration policy presented to the shareholders for 2023 also includes some **new developments**. These bolster Carel's commitment to a **business model that pursues real, measurable sustainable success**, focussing not only on the environment (E) and governance (G) but particularly on social (S) issues, with targeted and measurable **human capital management (HCM)** initiatives to adapt the policy to the new challenges of the world of work:*

- ***New performance development system:*** *an innovative assessment system for individual performance, based not only on business performance but also on the compliance with Carel's Culture Code introduced in 2021;*
- ***Talent pool management:*** *a structured assessment, mapping and management (for development and enhancement) system for employees who contribute or who could contribute significantly to the company's success under the "make the difference" principle;*
- ***New remuneration models:*** *implementation of remuneration models embracing the new expectations of the world of work in terms of wellbeing, welfare, digitalisation, equity and inclusion, and which reflect Carel's organisational culture as embodied in its values and principles;*
- ***Expansion of the scope of MBO and LTI plan beneficiaries:*** *to increasingly share the company value generated both in the short and long term;*
- ***Accelerazione sui temi della diversity:*** *in line with Carel's strategic objective of adopting policies supporting diversity and inclusion, beginning with a focus on gender equity;*
- ***Stakeholder engagement:*** *more effective dialogue and communication with all major stakeholders thanks to structured, continuous methodologies, with a particular focus on engagement with the proxy advisors, ESR rating providers and institutional investors for continuous improvement.*

Section II: Results achieved and remuneration paid

Section II provides details of the remuneration paid in 2022 to each director and statutory auditor, the general manager and, collectively, the key management personnel in line with the approved remuneration policy.

During 2022, company management worked hard to consistently continue the sustainable development and growth plan presented to the market in 2021 despite the complex macroeconomic situation. The 2022 results again confirm the excellent targets achieved with respect to the financial and operating goals the company has set itself, with a +29.6% reported growth rate (+24.5% on a like-for-like basis) for the group and a reported profitability margin (EBITDA/revenue) up by 20.5% (21.1% adjusted) on the previous year.

Specifically, with respect to the remuneration policy, in 2022, it achieved the following key results:

- *assignment of the second part of the new 2022 – 2024 long-term incentive plan, with a significant increase in the number of beneficiaries and the lock-up period (24 months) and a close link between the incentive amount and the key business sustainability objectives;*
- *further alignment of the remuneration of the chief executive officer, the general manager and key management personnel with the peers benchmark, both in terms of total value and the pay mix;*
- *identification of a set of new indicators for the short-term incentives (MBO), adapting the parameters to both the economic and financial performance and ESG targets set out in the company's long-term sustainability plan.*

Lastly, I would like to emphasise how Carel has always given great importance to dialogue and ongoing engagement with the main recipients and beneficiaries of its remuneration policy. It intends to continuously adopt market best practices and implement insights provided by its *shareholders and proxy advisors in particular.*

I would like to thank you all for your constructive approach to dialogue with the company, aimed at understanding and meeting everyone's requirements. The high percentage of favourable votes that both sections of our remuneration report have always obtained confirms our efforts to propose amendments to the board of directors that are best suited to ensuring that the company's remuneration model is aligned with national and international best practices and to implementing recommendations from stakeholders.

I therefore hope that our report presented for your review once again shows our ongoing commitment and, also on behalf of the other committee members, I would like to thank you in advance for your acceptance and support of the remuneration policy proposed for 2023.

Particular thanks must also go to the other members of the remuneration committee and the board of statutory auditors for their valuable contribution to our activities during the year as well as all the staff of the HR & organisation department with whom we have always worked in a constructive and friendly manner to find balanced and shared solutions.

Cinzia Donalisio

Chairperson of the remuneration committee

INTRODUCTION

The board of directors of Carel Industries S.p.A. ("**Carel**" or the "**company**") approved this **report** on the remuneration policy for 2023 (Section I) and the remuneration paid to the directors, statutory auditors, chief executive officer, general manager and key management personnel in 2022 (Section II) (the "report") on 2 March 2023. It was prepared in accordance with article 123-ter of Legislative decree no. 58/1998 (the "**Consolidated Finance Act**" or "**CFA**"), as amended by Legislative decree no. 49/2019 which implemented Directive (EU) no. 2017/828 (the "Shareholder Rights Directive II") of the European Parliament and of the Council, and in accordance with article 84-quater of the Issuers' Regulation and the Code of Corporate Governance of Borsa Italiana S.p.A. ("**Borsa Italiana**").

This report renews and underscores Carel's focus on continuing to forge even closer ties between the remuneration policies adopted (for both fixed and variable components) and growth and business development strategies in 2023, as part of the unceasing pursuit of optimal operating performance and maximum sustainability, both environmental and social.

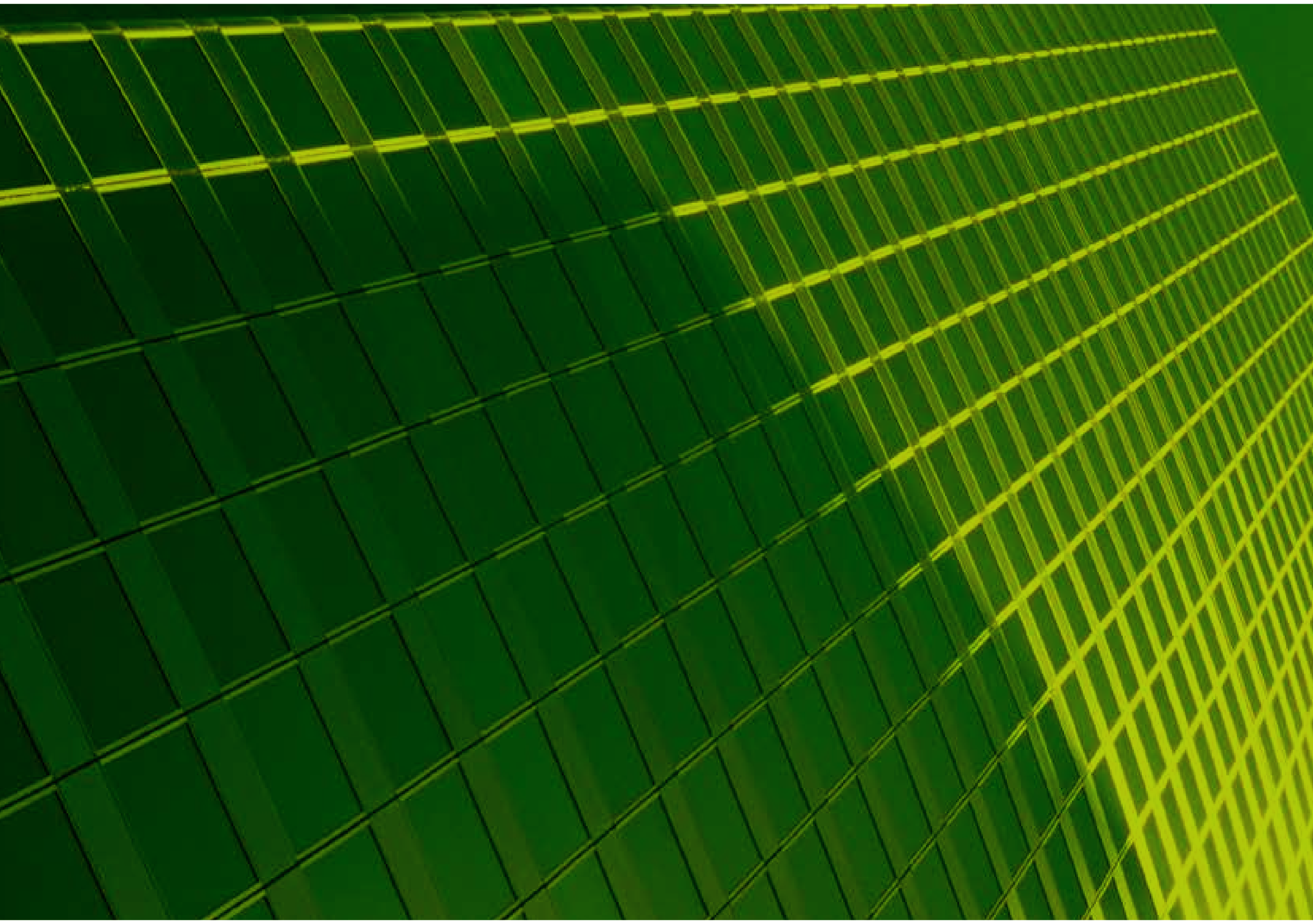
The excellent results of operations achieved in 2022 were due to both a jump in sales volumes (in spite of the persisting significant issues in the supply chains of electronic components), as well as improved operating performance due to cost cutting and the optimisation of production and supply chain operating flows.

Building on the previous year, the strategic development drivers implemented in 2022 may be summarised as follows:

- **consolidating the business culture** the "Carel Culture Code" – and its key role in human capital enhancement and management in particular, thanks to its granular dissemination throughout the group and development initiatives designed to cultivate merit and pathways for individual growth;
- **ensuring continuity of the long-term sustainability plan** "Driven by the Future" – approved in late 2021. This is confirmed by the company's commitment to sustainable development throughout its business, with a view to generating shared value for the company, its stakeholders and the areas in which it operates;
- **increasing customer satisfaction** delivering sustainable levels of service quality consistent with market best practice, at a time of great uncertainty in supply chains;
- **supporting the business model and company profitability** by heavily diversifying its electronic component suppliers ("chip pivoting");
- **bolstering growth, through strategic development and diversification** of IOT and advanced monitoring solutions services (both field services and digital);
- **ramping up the company's digital transformation to improve operating performance** with the roll out of advanced PLM (product lifecycle management) systems to automate product development activities;
- **maintaining an unwavering focus on strategic M&A opportunities** to support the creation of value and to create **new sustainable growth opportunities**

Despite the persistence of uncertainties in relation to the previously cited supply market problems and generally higher costs throughout the supply chain, the application of these drivers, together with the ability to create an organic and sustainable view of the business in the medium and long-term, resulted in outstanding operational and management performances in 2022.

The 2023 remuneration policy will again continue along the path approved, with a broad consensus, by the shareholders on 22 April 2022 with the same key elements and remuneration basis of previous years.



Executive summary

WE WANT TO CONTINUE TO BE AN AGILE COMPANY IN 2023, READY TO RISE TO THE NEW CHALLENGES THAT THE COMPETITION BRINGS BUT WITH A FOCUS ON ESG, THE COMMUNITIES IN WHICH WE OPERATE AND, NOT LEAST, OUR PEOPLE, WITH HUMAN CAPITAL MANAGEMENT INITIATIVES TO ATTRACT AND RETAIN TOP TALENTS.

OUR GOAL:
INTEGRATE BUSINESS AND SUSTAINABILITY

We know: ours is a challenging, ambitious goal to which we bring all our energy and enthusiasm.

We don't want to just do business in the sense of merely providing innovative solutions and efficient systems to our customer. We want to do it **SUSTAINABLY**, putting our planet and the people that live on it first.

Our idea of the future is underpinned by a clear, shared vision which can be traced back to respect for the environment, a focus on people and sharing the results of our development with all stakeholders.

Fifty years on from when we were established, we feel the need to have a sustainable business model more strongly than ever.

This is why - with the support of senior management - we are unceasingly committed to creating value in keeping with our company culture and values, guided by a business model that transparently and actively pursues long-term success based on a strong correlation between business performance and sustainability goals.

WHY WE PROMOTE THE MANIFESTO OF OUR VALUES AND PRINCIPLES, THE "CAREL CULTURE CODE"?

The extraordinary growth of recent years, together with the challenges and changes we have faced and will face in the near future, have led us to promote new professional practices and approaches that are even more closely aligned with our values and principles.

Pursuing our business goals - based on growth and sustainable development at all levels - hinges on the positive engagement of our people, who deploy individual and collective approaches that evolve over time while staying true to the company's underlying values and identity.

Our Culture is based around five main pillars, each of which clearly and transparently sets out precisely what we expect of the people who work with us today and who will join in coming years.

Experiment!

- Making proposals at all levels and areas, in alignment with strategy
- Innovating with agility, through short cycles, interacting with customers
- Considering failure as a learning opportunity

Make the difference!

- Setting goals and evaluation criteria that are ambitious, clear and shared
- Recognising those who achieve demanding goals and embody our Culture Code
- Taking ownership and risks

Be open!

- Working with a global CAREL horizon, beyond our local "borders"
- Looking outside of CAREL for experiences and knowledge, challenging our status quo
- Valuing different people and new approaches

Care!

- Caring about how our work impacts other people and areas
- Asking for and listening to others' opinions
- Being transparent with each other, and standing up for our ideas

Think customer first!

- Setting the perspective on customer first, and only then on ourselves
- Knowing that all our efforts are for the customer, not for CAREL
- Serving customers in the best possible way

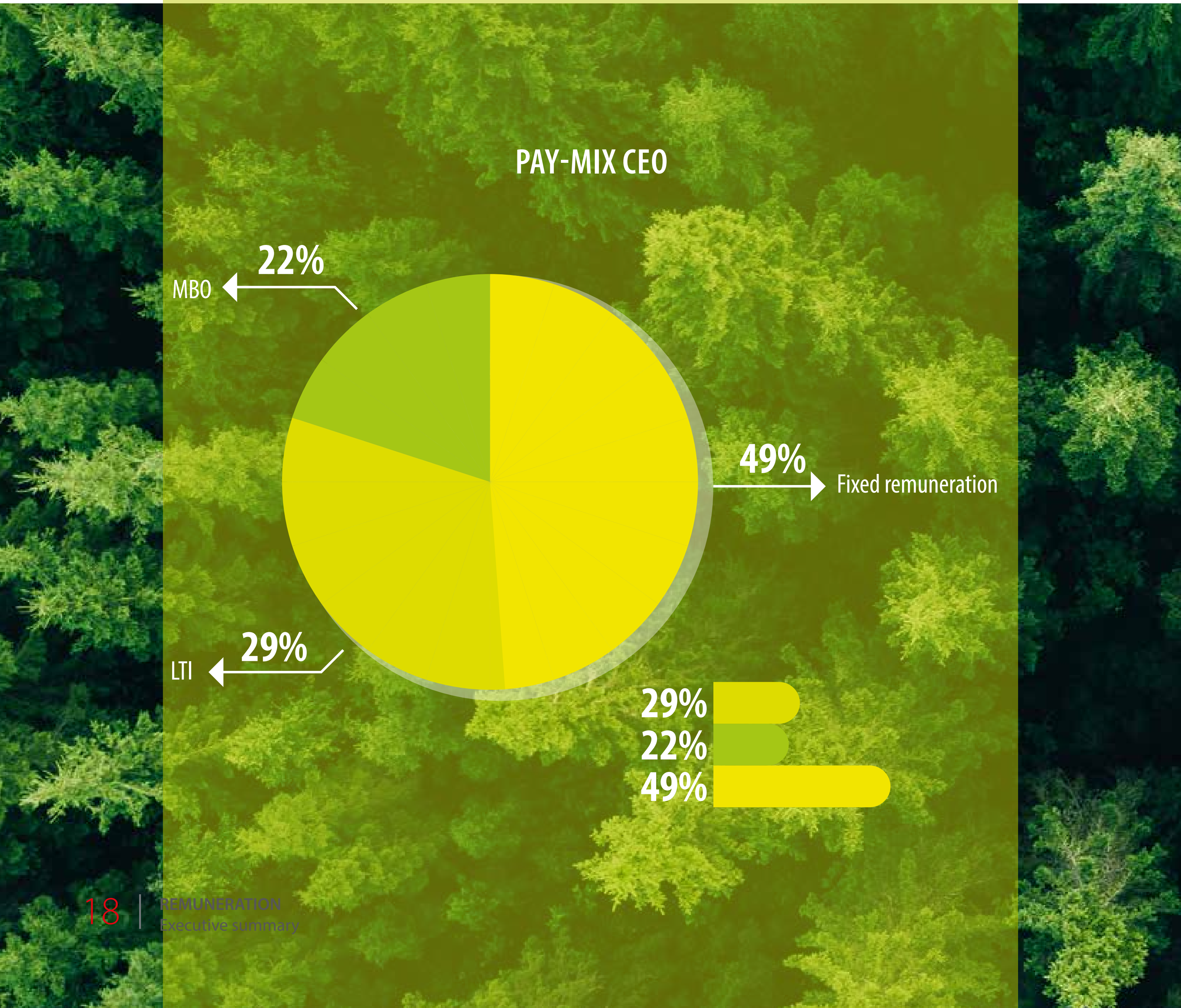
HIGHLIGHTS

- At least 20% of the annual variable incentive (MBO) of key management personnel is tied to the ESG targets
- 20% of the long-term three-year incentives is tied to the sustainability targets.
- Over 50% of the CEO's total remuneration consists of both short and medium to long-term monetary incentives (3-5 years) tied to the sustainability of the company's actual financial performanc.

OUR SUSTAINABILITY MODEL: "DRIVEN BY THE FUTURE"

To ensure the ESG targets are achieved, Carel has a two-tier governance structure comprised of the board of directors and the sustainability executive team.

HIGHLIGHTS



With the formal approval of the "Driven by the Future" sustainability plan in 2021, the company identified six key action areas:

- **sustainable strategy and governance;**
- **environmental policies;**
- **innovation and technology;**
- **people;**
- **communication;**
- **sustainable development of local communities.**

The plan also set out 55 three-year (2022 - 2024) ESG sustainability objectives (22 environmental, 22 social and 11 governance objectives). As well as a significant financial commitment, achieving these objectives required the involvement and active collaboration of 13 different company departments. A total of 28 objectives were set for 2022, including eight in the social sphere.

SUSTAINABILITY: OUR COMMITMENT, EVERY DAY

Continuing the work of previous years, Carel confirms its commitment to the pursuit of full integration between business goals and ESG (environment, social and governance) targets in its long-term sustainability plan.

The main ESG targets are to:

- deliver training such to ensure employee skills grow and develop in line with company needs;
- increase the ability to offer all employees professional development opportunities, also with a view to employee retention;
- prepare a remote work policy to improve employees' work/life balance.
- design hybrid workplaces that offer areas for both individual work and teamwork, either in-person and/or remotely, in order to effectively supplement the work carried out remotely);
- consolidate the welfare policies of previous years (scholarships, education grants, assistance with childcare, etc.) to provide additional assistance to employees and their families.

2022 - 2024

55 GOALS

- 22 environmental
- 22 social
- 11 of Governance

13

DIFFERENT DIRECTIONS COMPANIES INVOLVED

year 2022

Our commitment to sustainability | ESG

28 GOALS

(8 Social)

ACT FOR PEOPLE

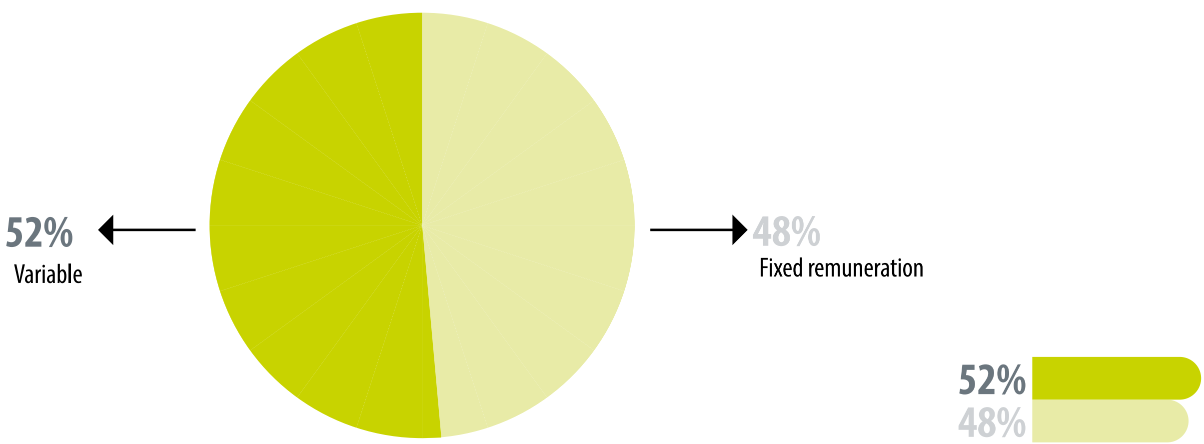
Our remuneration policy will be even more geared to integrating our business and sustainability objectives in 2023, focussing not only on the environment and governance but particularly on social issues, with initiatives designed to further improve human capital management (HCM) so as to adapt the policy to the new challenges of the world of work.

THE PERFORMANCE-REMUNERATION LINK

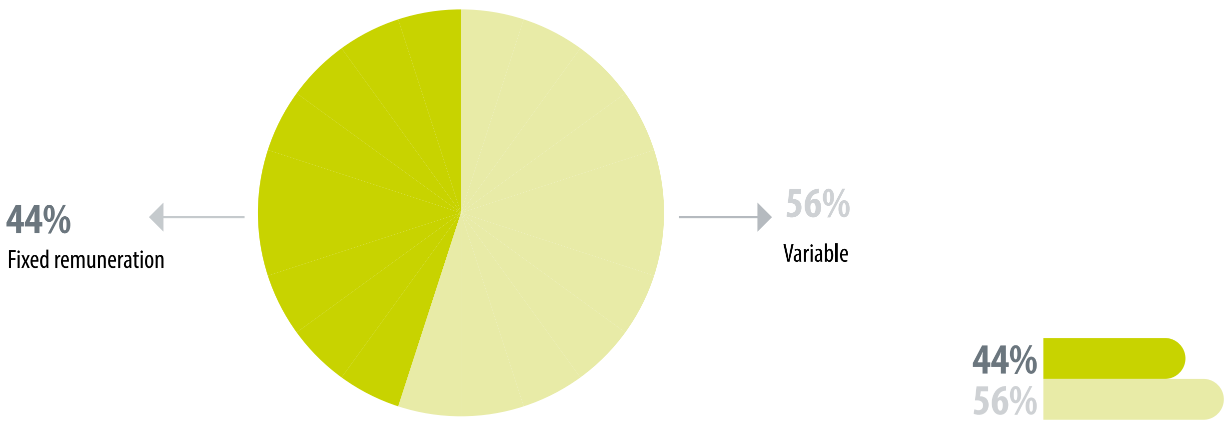
The remuneration of the CEO and key management personnel is closely tied to the company's actual short-term (MBOs) and medium to long-term performances (LTIs).

The proportion of variable remuneration ranges from 52% for the CEO to 44% for key management personnel.

PAY MIX - CEO



PAY MIX - KMP



MBO 2023 |CEO EX-ANTE DISCLOSURE OF THE TARGETS

		ON/OFF ACCESS GATE		
TARGET	WEIGHT	MIN	TARGET	MAX
Group EBITDA	45%	0	103.500	155.250
Group Consolidated Turnover	20%	0	46.000	69.000
Individual integrated "ESG&Business" targets (2)	35%	0	80.500	120.750
			230.000	345.000

The CEO's incentive is capped if the maximum threshold is achieved for all targets simultaneously. Other results above the minimum thresholds are calculated using the linear interpolation method.

If the CEO does not achieve the access gate (EBIT >0), the incentive system is not triggered and no incentives are paid.

ASSIGNMENT OF THE THIRD PART 2023 -2025 LTIS FOR THE CEO, EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The third and last part of the LTI plan related to the 2023 - 2025 vesting period will be assigned in 2023. The LTI plan is a pillar of the remuneration policy not only because its goal is to foster engagement and retention among senior management of the group but, particularly, because it inextricably links variable remuneration with the achievement of the company's long-term business and sustainability objectives.

Like for the first and second part, the system has two plans:

CASH-SETTLED PERFORMANCE PLAN	EQUITY-SETTLED PERFORMANCE PLAN
Award of a monetary incentive if performance objectives are met over three years (2023 - 2025).	Free award of shares if performance objectives are met over three years (2023 - 2025).

Both plans have the same vesting characteristics and terms and either may be offered to the executive directors and the CEO, as well as to the company's key management personnel

THE 2021-2025 LTI PLANS

The equity-settled and cash-settled performance plans comprise three rolling three-year vesting periods as follows:

- First vesting period: 2021 – 2023: assigned in 2021.
- Second vesting period: 2022 – 2024: assigned in 2022
- **Third vesting period: 2023 – 2025: to be assigned in 2023**

Each three-year vesting period is extended by a 24-month lock-up period even when the objectives are only partly met, as follows:

In the CASH-SETTLED plan	In the EQUITY-SETTLED plan
For the CEO and executive directors: 40% of the awarded amount **For the other beneficiaries:** 20% of the awarded amount.	**For the CEO and executive directors:** 40% of the awarded amount. **For the key management personnel:** 20% of the awarded shares. **For the other beneficiaries:** 10% of the awarded shares

5 YEARS

3 YEARS VESTING 2023-2025

2 YEARS LOCK-UP 2026-2027

PERFORMANCE CONDITIONS

	80% threshold	100% target threshold	120%
50% Cumulat. adj. EBITDA in the 3 years			
30% Adj. cash conversion in the 3 years			
20% ESG Target			

THE 2023 - 2025 LTI PLANS FOR THE CEO AND KEY MANAGEMENT PERSONNEL

5 YEARS

3 YEARS
VESTING
2023-2025

+

2 YEARS
LOCK-UP
2026-2027

PERFORMANCE CONDITIONS

2022 – 2024 LTI plan

50% Cumulative adj. EBITDA in the 3 years	80% threshold	100% target threshold	120%
30% Adj. cash conversion in the 3 years			
20% ESG Target			

CEO

60% of the award accrued for the performance achieved in the 2023 - 2025 three-year vesting period is disbursed in cash in 2026.

40% of the award accrued for the performance achieved in the 2023 - 2025 three-year vesting period is disbursed in cash in 2028, i.e., after a 24-month lock-up period.

KEY MANAGEMENT PERSONNEL

80% of the award accrued for the performance achieved in the 2023 - 2025 three-year vesting period is assigned in shares in 2026.

20% of the award accrued for the performance achieved in the 2023 - 2025 three-year period is assigned in shares in 2028, i.e., after a 24-month lock-up period.

STAKEHOLDER ENGAGEMENT AND TRANSPARENCY

Carel's objective has always been to ensure the greatest transparency and the highest commitment to aligning its shareholders' interests with those of its stakeholders.

Again in the 2023 remuneration policy, we have worked to act on the opinion expressed by the shareholders and proxy advisors who made suggestions during the vote for the approval of the 2022 remuneration policies. Specifically, we noted that the increase in the CEO's remuneration of recent years is the result of an objective rationale based on two factors.

First, the CEO's remuneration was brought into line with that of peers identified by a highly regarded external party (Mercer) using a structured approach and rigorous analysis. Second, the remuneration was adjusted in light of the group's exceptional performance since 2018 (the year it was listed), as shown by a series of extraordinary results such as the 100% increase in the group's consolidated turnover, the growth in the group's workforce entailing a more than 50% increase in the headcount, and the successful completion of no less than eight M&A transactions.

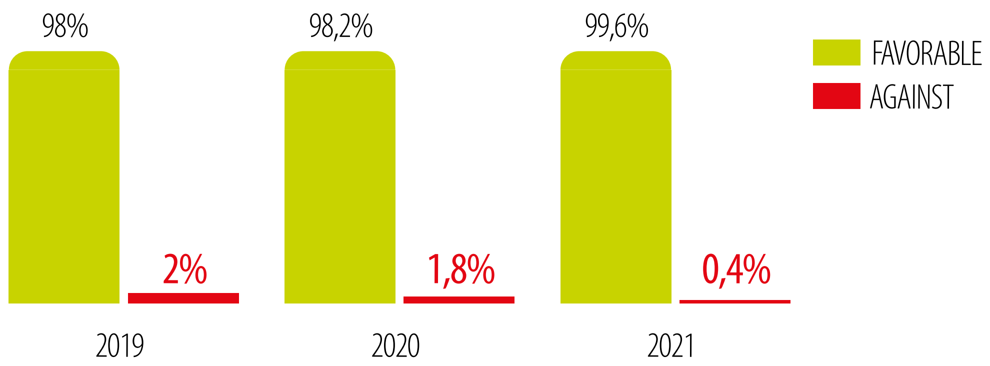
The resulting significant increase in operational complexity and greater responsibility in terms of shareholder and investor expectations ultimately resulted in an adjustment of remuneration to reflect these changes.

We also noted that the focus on the CEO's remuneration did not affect the company's commitment to and focus on the overall management of its human capital, which remains a cornerstone of company strategy.

Indeed, various initiatives were rolled out in 2022. As well as the adjustment of the remuneration of white- and blue-collar personnel, they also included welfare programmes to help employees and their families with school, medical and insurance expenses and, more generally, through a greater focus on work/life balance thanks to the availability of highly flexible work arrangements.

REMUNERATION POLICY AND SHAREHOLDERS' VOTES

Traditionally, the remuneration policies have received very positive endorsement with votes cast in favour of their approval exceeding 99% in 2022.



CEO PAY RATIO

In order to clearly and transparently present senior management's remuneration policies, this table shows the ratio of total remuneration received by the CEO in 2020, 2021 and 2022 and the average remuneration received by the group's Italian employees in the same period.

	2022	2021	2020
AD	460,000 €	450,000 €	340,327 €
Italian employees	37,188 €	36,952 €	36,730 €
Pay Ratio	**12:1**	**12:1**	**9:1**

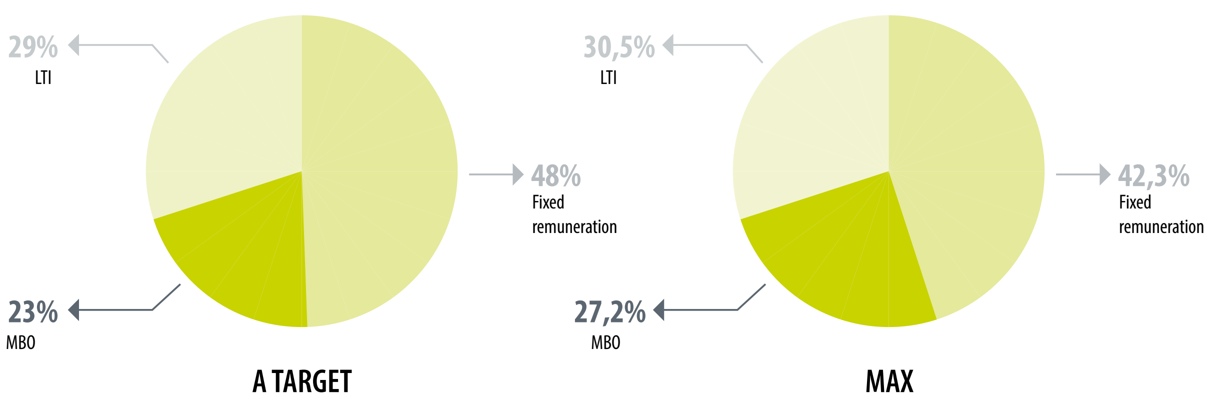
Note
calculated only on fixed remuneration (LFL)

PAY FOR PERFORMANCE

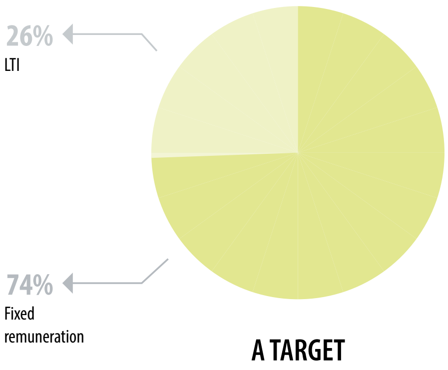
The remuneration package of the CEO, executive directors with special duties and key management personnel comprises:

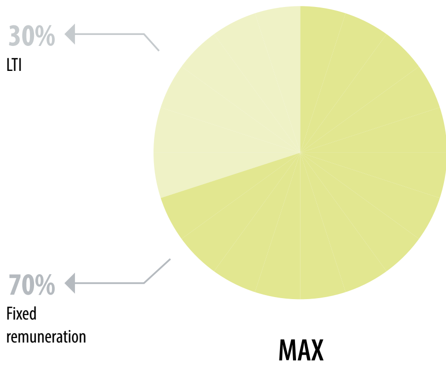
- a large part tied to achievement of results defined in advance;
- a short-term variable component paid in cash;
- a medium to long-term variable component consisting of shares or cash for the key management personnel or cash for the CEO and executive directors. In both cases, part of the award due is subject to lock-up and claw-back clauses.

TARGET AND MAXIMUM PERFORMANCE - CEO

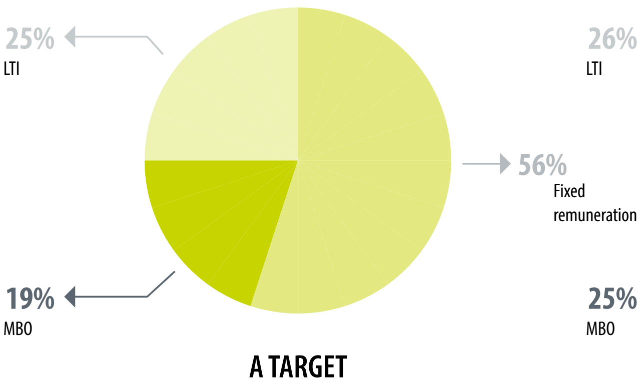


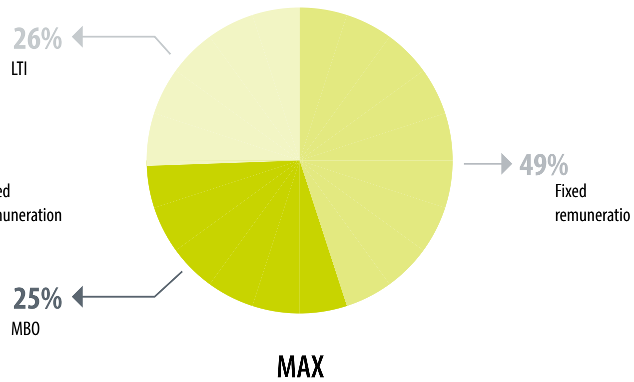
TARGET AND MAXIMUM PERFORMANCE – Executive directors





TARGET AND MAXIMUM PERFORMANCE – KEY MANAGEMENT PERSONNEL (average combined figure)





CAREL'S 2023 REMUNERATION POLICY TAKEAWAYS

FIXED REMUNERATION

Defined considering the role's difficulties, effective responsibilities and experience needed.

Monitoring the external reference remuneration market.

Considering individual performance achievements.

* Sum of executive fee and salary for employment contract.

SCOPE

Able to attract, motivate and retain the best resources.

CHAIRPERSON	250.000 €
DEPUTY CHAIRPERSON	180.000 €
EXECUTIVE DIRECTOR	100.000 €
CEO	490.000 €
GENERAL MANAGER	307.000 €
KEY MANAGEMENT PERSONNEL*	197.250 € *

*(average combined figure)

SHORT-TERM VARIABLE BONUS (MBO)

Tied to financial, operating and sustainability performance targets defined in advance:

- Group EBITDA - 45%
- Group turnover - 20%
- Integrated and individual ESG&Business target - 35%

Bonus CAP: for everyone at 150% of the nominal amount

SCOPE

Tie remuneration to performance in a clear and direct manner, linking behaviour and actions to the company's short-term strategic objectives.

CEO	230.000 €
GENERAL MANAGER	110.000 €
KEY MANAGEMENT PERSONNEL *	66.250 € *

*(average combined figure)

LONG-TERM VARIABLE AWARD (LTI)

Carel's LTI system has two separate plans:

- Equity-settled performance plan
- Cash-settled performance plan

The two plans are very similar and differ solely with respect to payment of the award if all the objectives are met.

Award cap: 120% of the number of shares or cash assigned when the award is definedo.

Vesting: three rolling three-year cycles (2021-2023, 2022-2024, 2023-2025).

SCOPE

Ensure behaviour aimed at ensuring sustainable performance in the medium to long-term.

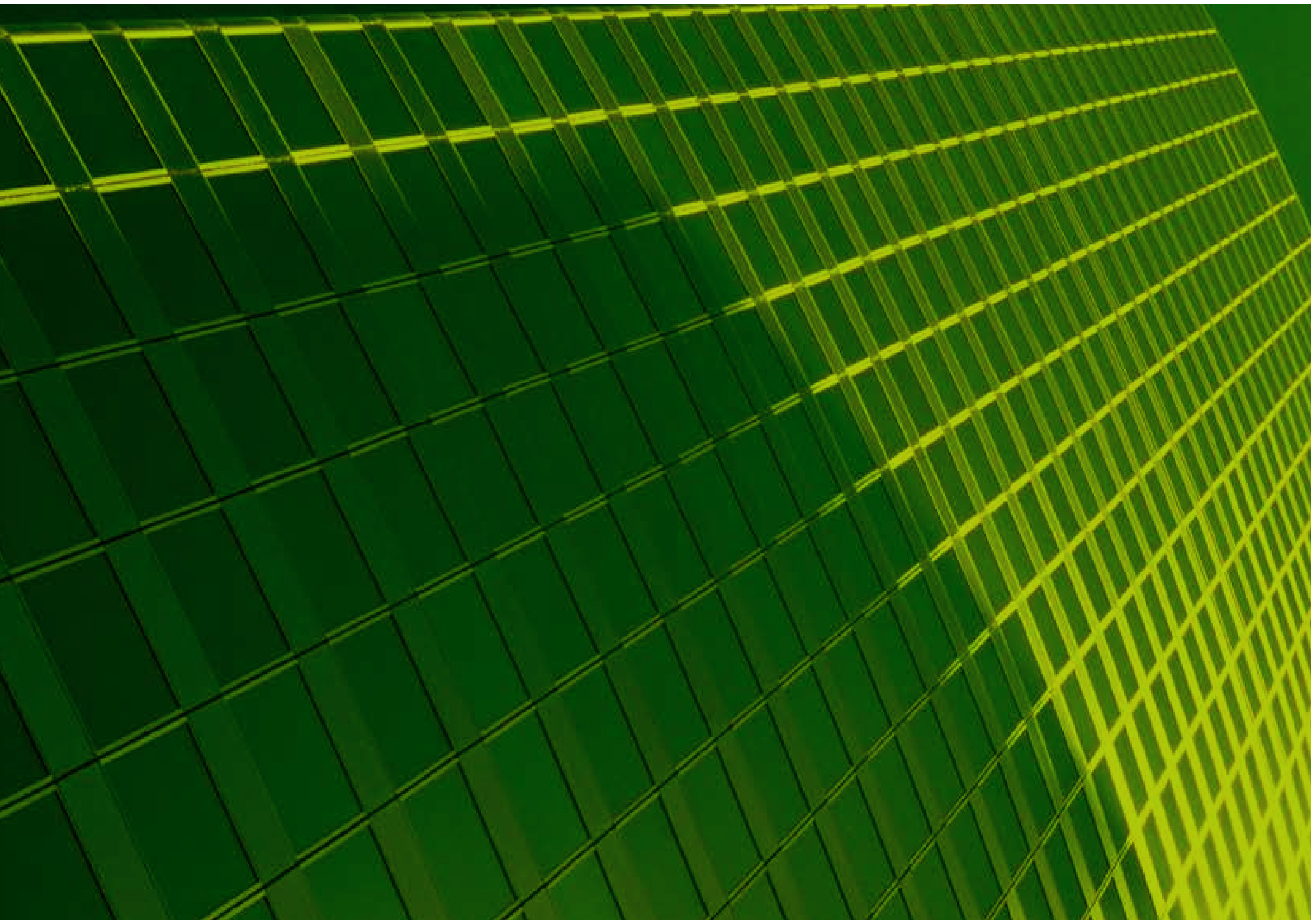
PERFORMANCE CONDITIONS

- Cumulative adjusted EBITDA in the three years – 50%
- Adj. cash conversion/region-country turnover – 30%
- ESG target – 20%

Lock-up: two years for part of the shares or cash awarded at the end of the three-year vesting period.

OTHER ELEMENTS

BENEFIT	**SCOPE**
As part of our total rewards-style remuneration model, we offer additional social security, healthcare and mobility benefits	They supplement the remuneration package to be more attractive on the market and assist retention.
NON-COMPETE AGREEMENTS	**SCOPE**
Individual agreements that vary depending on the term and range of the ban against payment of a monetary fee calculated as a percentage of gross annual remuneration.	They protect the company's interests against unfair competition
RETENTION/DISCRETIONARY BONUS	**SCOPE**
The CEO, executive directors and key management personnel do not receive discretionary remuneration, which can only be offered to the rest of the company's workforce.	They reward employees who achieve particularly brilliant results as part of achieving the company's business objectives with discretionary one-off bonuses.
SEVERANCE PAYMENT	**SCOPE**
Ex-ante individual agreements regulating payments in case of termination of employment relationships or departure of a director do not exist.	The company always complies with the recommendations in the Code of Conduct and the laws and national employment agreements, where applicable.



SECTION I

2023 Remuneration policy

THE POLICY'S PRINCIPLES AND BENEFICIARIES

The key objective of the Carel group's (the "group") 2023 remuneration policy (the "remuneration policy") is to pursue a responsible approach underpinned by expertise, performance and sustainability. Accordingly, the remuneration policy gives the greatest weight to performance targets tied to its impact on environmental, governance and social aspects, as well as strong financial performance.

The remuneration policy is oriented to the company's continued sustainable success and, like in the past, reflects the need to attract, recruit, retain and motivate people with the expertise and professionalism required by their position.

The group's remuneration policy also has a two-pronged aim of encouraging its existing managerial personnel to work towards operating performance goals that reflect the company's culture and values in a sustainable manner and with a medium to long-term outlook and, in a highly competitive market, it is also designed to attract and retain top talents who can contribute significantly to the achievement of its business objectives.

As a result of the close and robust link between the variable remuneration component and operational performance, the remuneration policy is based on the following principles:

- **Equity, diversity and inclusion**
  management's remuneration levels are increasingly designed to reward merit and expertise as well as to embrace diversity in the broadest and most varied sense, as a way to set the company apart and to create value. Consequently, in line with the aim of adopting an increasingly fair and sustainable policy, the company continues to focus heavily on the pay ratio (i.e., maintaining a fair and balanced ratio between the remuneration of personnel at different levels of the organisation) and the gender balance (greater representation of women in senior roles).
- **Sustainability**
  The (financial and non-financial) performance targets (which Carel's award systems are tied to) are always set in line with the company's strategic objectives and pursuit of sustainability. These award systems (both cash-settled and equity-settled) vest over time and reflect the company's risk profile and intention to increase value over time for the group's investors and all its stakeholders.
- **Competitiveness**
  As stated, the remuneration policy is designed to attract, recruit, retain and motivate key resources, given that the role of people is fundamental to achieving the company's strategic objectives in both the short and medium/long-term. Accordingly, the company pays close attention to the pay mix, i.e., the distribution of managers' total remuneration (both fixed and variable). The aim is to align remuneration not only with best market practices, but also to take into account the resources' experience and know-how, comparing them with positions of similar levels of responsibility and complexity, as well as their performance over time.
- **Transparency**
  The company has a clear and transparent governance system able to provide information about managers' remuneration in the most open and transparent manner possible.

Beneficiaries
As is customary, the remuneration policy covers the group's executive, non-executive and independent directors, statutory auditors and key management personnel.

RESULTS OF THE SHAREHOLDERS' VOTES, IMPROVEMENT ACTIONS TAKEN AND NEW CONCEPTS INTRODUCED INTO THE 2023 REMUNERATION POLICY

On 22 April 2022, in line with the ruling regulations, the shareholders approved the 2022 remuneration policy described in Section I of the remuneration report published in 2022 with a favourable vote of 99.62%, which is a slight improvement on that of previous votes.

This vast majority thus showed the shareholders' approval of the 2022 remuneration policy.

As the 2023 remuneration policy will be presented to the shareholders for their approval in the meeting to be held on 21 April 2023, in line with the procedure adopted in previous years, the company revised the remuneration policy. Without prejudice to the information provided in the following paragraphs of Section I of this report, the purpose of the revision was to: introduce a recovery provision (the claw-back clause) for the short-term variable incentives (STI - MBO), like that already in place for the long-term incentives (LTI); focus attention on aligning the remuneration of the CEO and key management personnel to the company's actual performance, and pursue constant improvement in the balance of the pay mix consistent with long-term sustainability, envisaging ESG targets for both short and long-term incentives (STIs and LTIs, respectively) that carry an increasing weight in the overall nominal amount of the individual bonuses, in line with the long-term sustainability plan approved by the company in late 2021.

For the purposes of transparency, we note that the increase in the CEO's remuneration over the last few years is the result of an objective rationale based on two guiding principles. First, to bring the CEO's remuneration into line with that of peers identified by a highly regarded external party (Mercer) using a structured approach and rigorous analysis. Second, the group's exceptional performance since 2018 (the year it was listed) - as shown by a series of extraordinary results such as the 100% increase in the group's consolidated turnover, the growth in the group's workforce entailing a more than 50% increase in the headcount, and the successful completion of no less than eight M&A transactions - generated a significant increase in operational complexity and greater responsibility in terms of shareholder and investor expectations, and this accelerated the process of adjusting remuneration to reflect these changes.

Moreover, in line with 2021 and 2022, the executive directors belonging to families linked to the owners of the parent were again assigned cash-settled LTI plans only in 2023. The assignment of these plans, considering the relevant regulation and the economic value thereof, does not modify the amount of the shareholdings held and, in particular, prevents actions and decisions to cause a short-term increase in the market value of the shares at the expense of the creation of long-term value for the company.

As described in Section I, the 2023 remuneration policy:

i. incorporates and consolidates, like in the previous year, the main new requirements introduced by Consob about remuneration transparency with its amendments to the Issuers' Regulation. Its resolution no. 21623 of 10 December 2020 was designed to align the secondary regulations with the provisions of the Shareholder Rights Directive II and to revisit the disclosure tables to comply with changes in market practices for remuneration transparency;

ii. reflects the instructions of Borsa Italiana's Code of Corporate Governance, as well as the recommendations formulated by the chairperson of the corporate governance committee contained in the communication of 25 January 2023.

SALARIES AND EMPLOYMENT CONDITIONS OF EMPLOYEES AND REMUNERATION POLICY

The adjustment of the CEO's remuneration did not affect the company's commitment to and focus on its human capital, which remains a cornerstone of company strategy.

Indeed, various initiatives were rolled out in 2022. As well as the adjustment of the remuneration of white- and blue-collar personnel, they also included corporate welfare programmes to help employees and their families with school, medical and insurance expenses and, more generally, through a greater focus on improving work/life balance thanks to the availability of highly flexible work arrangements.

The particular labour market conditions, with high turnover levels on the one hand, and increasing difficulties in sourcing qualified personnel (particularly knowledge workers) on the other, in recent years has required an approach which is flexible while also offering a total rewards-style remuneration model that can offer competitive remuneration in line with market benchmarks.

The remuneration policies are designed to make the most strategic roles more attractive and boost retention, but also to ensure internal equity through the fair and sustainable remuneration of a considerable proportion of our personnel.

Again in 2023, like in previous years, salaries will be benchmarked externally and internally against the overall salary structure within the company, carefully gauging any differences for each role and the actions to be taken to close any gaps.

These analyses will then be modelled using further assessments estimating the contribution of each role to the achievement of the business objectives, measuring their skills and know-how and evaluating the potential difficulty in recruiting the same skills on the market should they leave the group.

A map of the workforce will be generated by the analysis, deploying a talent pool management process to cluster the various roles on the basis of these variables (performance, expertise and potential). Salary review, training and development initiatives in line with market best practice will comprise the final output.

For the CEO, key management personnel and senior management in general, the 2023 remuneration policy envisages an overall remuneration structure based on their positions and duties (for the fixed component), while their contribution to the achievement of the short and long-term business targets assigned to them is considered for the variable part.

GOVERNANCE

The company's remuneration policy is based on a clear and transparent governance process which complies with legislation and the recommendations of Borsa Italiana's Code of Corporate Governance, involving the following parties:

- the remuneration committee;
- the board of directors;
- the board of statutory auditors;
- shareholders;
- the HR department;
- independent experts.

These parties contribute to the definition, approval and implementation of the remuneration policy and to any revisions thereof.

The remuneration policy is thus drafted following the structured process described below. Briefly, with the assistance of the HR department, the board of directors, the remuneration committee and the board of statutory auditors oversee the application of the approved policy and are responsible for its correct implementation.

The remuneration committee prepares a number of proposals for the board of directors about the form and content of the remuneration policy in line with its advisory and guidance duties and using the analyses provided by the HR department and leading sector consulting companies. Together with the board of directors, the committee oversees the policy's correct roll-out, involving the competent internal units if necessary, also in order to review it.

The board of statutory auditors checks that the proposals are in line with the company's general remuneration practices and expresses an opinion on them, especially with respect to remuneration paid to the directors with special duties (as per article 2389 of the Italian Civil Code).

After reviewing and approving the remuneration policy, the board of directors presents it to the shareholders who, starting from 2020 with the enactment of Legislative decree no. 49/2019 (which implements the Shareholder Rights Directive II), express an opinion on the policy with their binding vote on Section I (remuneration policy) and advisory vote on Section II (the remuneration paid in the previous year).

In addition to the process explained above, the remuneration policy is generally drafted using both analysis and benchmarking of market remuneration practices and by assessing the effects of the remuneration policies approved in previous years.

REMUNERATION COMMITTEE

The remuneration committee plays a pivotal role in assisting the board of directors to draft, oversee and possibly revise the remuneration policy and to design short and medium to long-term equity-settled and cash-settled incentive plans, in line with the company's business and sustainability objectives.

As provided for by Borsa Italiana's recommendations in the Code of Corporate Governance, the committee advises and guides the board of directors, particularly for the remuneration of the executive directors, the directors with special duties and the key management personnel.

The remuneration committee's duties include:

- assisting the board of directors in drafting the remuneration policy for directors and key management personnel;
- formulating proposals and expressing non-binding opinions on the remuneration of the chairperson of the board of directors, the deputy chairperson, the managing director and executive directors, as well as setting performing objectives linked to the variable component of the remuneration;
- regularly assessing the adequacy, overall compliance, economic sustainability and actual application of the adopted remuneration policy, with the assistance of the control and/or corporate functions;
- checking that performance goals underpinning the short and long-term incentive systems are met for the executive directors, directors with special duties and key management personnel;
- assessing the possibility of making proposals to the board of directors about equity-settled incentive plans and stock option or similar plans to both engage and retain management over the long-term, and suggesting the objectives tied to the granting of these benefits and the assessment criteria for their achievement.

Since its inception, the committee has had its own regulation, establishing how often the committee shall meet in order to carry out its duties and whenever deemed necessary by its chairperson or when at least one committee member or the chairperson of the board of statutory auditors presents a reasoned request. The committee meets at least once a year before the board of directors meets to resolve on the remuneration of the chief executive officer, the general manager and key management personnel, or to discuss LTI plans or the granting of shares.

The members of the board of statutory auditors are always invited to the committee meetings, without the obligation to attend.

As provided for by recommendation 26 of the Code of Corporate Governance, none of the directors (or, more generally, no potential beneficiaries) attend committee meetings when proposals are made about their remuneration or the granting of any benefits.

COMPOSIZIONE

At the date of this report, the remuneration committee that provided the board of directors with the draft 2023 policy for approval, comprised the following non-executive independent directors:

- **Cinzia Donalisio**, chairperson;
- **Marina Manna**, member;
- **Maria Grazia Filippini**, member.

Each committee member has extensive and consolidated experience on the company bodies of listed companies, as well as specific expertise in economic and financial matters and, in particular, remuneration and incentive policies, as carefully assessed by the board of directors at the time of their appointment.

ACTIVITIES

In 2022, the remuneration committee met six times: in line with the arrangements introduced during the Covid-19 pandemic, participants were free to choose whether to attend in person or via video conference.

The committee members participated at all the scheduled meetings while none of the executive directors were invited to participate at meetings where their remuneration was being discussed.

The members of the board of statutory auditors, which have a standing invitation, always attended, with the sole exception of the meeting held on 21 February 2022.

As per usual, the group's HR manager attended all the committee meetings as secretary, sending out notices of the meetings and writing up the minutes afterwards.

The main issues discussed by the committee, assisted and supported by the group's HR manager, covered in particular:

Activities of the remuneration committee	Date
Salary review for the general manager, the internal auditor and key management personnel; analysis and assessment of the framework and structure of the 2022 MBO objectives for the CEO, the general manager, the internal auditor and key management personnel; final MBO report for 2021 for the CEO and the internal auditor.	24 January 2022
Setting the 2021 MBO targets for the CEO (particularly the ESG targets included in the bonus framework) and the internal auditor; reporting on the second period of the LTI related to the 2019 - 2021 vesting period; presentation of the annual report on the activities carried out by the remuneration committee in 2021; initial analysis of the draft 2022 remuneration policy and chairperson's letter.	21 February 2022
Approval of the annual report on the activities carried out by the remuneration committee in 2021; approval of the 2022 remuneration policy described in Sections I and II of the remuneration report; final approval of the 2022 MBO of the CEO and internal auditor.	2 March 2022
Analysis and discussion of the shareholders' vote on the 2022 remuneration policy and, specifically, the results of the voting on Sections I and II.	11 May 2022
Proposals regarding the 2022 – 2024 LTI plan beneficiaries and type of plan selected; report on the remuneration positioning of the CEO and key management personnel (highlighting any issues) and analysis of the remuneration received by the CEOs/MDs of the companies acquired in 2022.	9 November 2022
Proposed 2023 salary review for the chief executive officer and general manager; analysis and proposals for the adjustment of the remuneration of key management personnel on the basis of set criteria.	14 December 2022

BOARD OF DIRECTORS

The current board of directors, comprised of seven members, was appointed on 20 April 2021 by the shareholders in their ordinary meeting, using the list-voting mechanism. The term of office is three years, i.e., until the date of the shareholders' meeting called to approve the financial statements at 31 December 2023.

At the date of this report, the board of directors comprised:

- Executive chairperson: **Luigi Rossi Luciani**;
- Executive deputy chairperson: **Luigi Nalini**;
- Chief executive officer: **Francesco Nalini**;
- Executive director: **Carlotta Rossi Luciani**;
- Non-executive independent director: **Cinzia Donalisio**;
- Non-executive independent director: **Marina Manna**;
- Non-executive independent director: **Maria Grazia Filippini**.

As the company's main administrative body, the board of directors is entrusted with the responsibility for drafting and approving the remuneration policy once a year based on the recommendations made by the remuneration committee through a clear and transparent procedure.

Once a year, the board of directors approves the remuneration report and presents it to the shareholders in accordance with and to the extent of the limitations of article 123-ter of the CFA, ensuring its implementation.

The board of directors also approves remuneration in the form of medium to long-term equity-settled incentive plans as recommended by the remuneration committee and submits it for approval by the shareholders, ensuring it is properly implemented.

Lastly, it checks that the remuneration accrued and paid is consistent with the principles and criteria set out in the policy, based on the results achieved and other relevant factors.

BOARD OF STATUTORY AUDITORS

Like the board of directors, the board of statutory auditors was appointed by the shareholders in their ordinary meeting of 20 April 2021, using the list-voting mechanism. The board of statutory auditors will also remain in office until the date of the shareholders' meeting called to approve the financial statements at 31 December 2023.

At the date of this report, the board of statutory auditors comprised:

- Chairperson: **Paolo Prandi**;
- Standing statutory auditor: **Claudia Civolani**;
- Standing statutory auditor: **Saverio Bozzolan**;
- Alternate statutory auditor: **Alessandra Pederzoli**;
- Alternate statutory auditor: **Fabio Gallio**.

The board of statutory auditors plays an important role in drafting the remuneration policy. It is always invited to express comments and opinions on the directors' remuneration, particularly that of the directors with special duties, in accordance with article 2389 of the Italian Civil Code.

As part of its duties, the board of statutory auditors also expresses an opinion on whether the salaries and fees paid are in line with the company's remuneration practices and fair.

SHAREHOLDERS

As regards remuneration, the shareholders meet to approve the directors' overall remuneration (pursuant to articles 2364.1.3 and 2389.3 of the Italian Civil Code) during their ordinary meeting and also to vote on additional remuneration based on financial instruments for the directors, general managers, employees, consultants or other key management personnel in accordance with article 114-bis of the CFA.

As described in Section I and in accordance with article 123-ter.3-bis/3-ter of the CFA, introduced by Legislative decree no. 49/2019, the remuneration policy requires the **binding vote** of the shareholders in their ordinary meeting called to approve the financial statements as per article 2364.2 of the Italian Civil Code.

As required by article 123-ter.6 of the CFA, introduced by Legislative decree no. 49/2019, Section II requires the **advisory vote** rather than the binding vote of the shareholders that are required to vote for or against the section at their ordinary meetings.

The shareholders also vote on the remuneration policy at least every three years or whenever the policy is amended.

The Italian legislator indicated in the report accompanying Legislative decree no. 49/2019 that amendments to the remuneration policy of a merely formal or presentation nature need not be submitted for the shareholders' vote as this is only required for amendments to the policy's content. Moreover, in order to need a new vote, Consob clarified that the amendment to the policy's content must relate to aspects already presented in the previously approved policy or introduce new aspects with the result that the previously approved policy is no longer representative of the amended policy, which is why the shareholders are required to re-approve it.

Lastly, should the shareholders not approve the remuneration policy presented for their vote, the company shall continue to pay remuneration in line with the most recent policy approved by the shareholders or, if this is not possible, it may continue to pay remuneration in accordance with its existing practices. In this case, the company is required to present a revised remuneration policy for approval to the shareholders at the next shareholders' meeting called in accordance with article 2364.2 of the Italian Civil Code at the latest.

INDEPENDENT EXPERTS

As part of its consulting and advisory duties, the remuneration committee examines market remuneration analyses prepared by independent experts, if deemed necessary. The experts provide information and research, in mainly aggregate and statistical form, on remuneration trends, practices and levels on a benchmark basis using peer groups of companies comparable to Carel in terms of size, business models and sector.

The ultimate aim is not only to monitor the adequacy and consistency of senior management's remuneration in relation to the average offered by the market for comparable roles/positions but also to gauge any differences and the actions to be taken to close any gaps.

REMUNERATION AND FEES PAID

Article 22 of the by-laws provides that:

i. all the directors shall receive a fixed annual fee for their services, defined by the shareholders as a total amount and divided up by the board among its members, including in relation to their involvement in board committees;

ii. in addition to an annual fee for their position, the board of directors may allocate additional fees to the directors with special duties as provided for by article 2389.3 of the Italian Civil Code and after consulting the board of statutory auditors, within the maximum amount defined in advance by the shareholders;

iii. the directors shall also receive reimbursement for any expenses incurred to carry out their duties, in line with the methods and criteria set by the board of directors.

Consistent with the those of previous years, the company's 2023 remuneration policy comprises the following elements:

- fees for the position of director (for the parent or associates);
- fixed remuneration;
- short-term variable remuneration (MBO);
- long-term variable remuneration (LTI);
- non-monetary benefits.

The remuneration packages of the executive and independent directors, the chief executive officer, the general manager and key management personnel are therefore comprised of a combination of these elements, depending on the role held, the responsibilities allocated and the performance of each beneficiary.

The various elements making up the remuneration packages of the above-mentioned beneficiaries are summarised below:

	REMUNERATION PACKAGE ITEMS				
	Fee	GAR	MBO	LTI	BenefitS
Luigi Rossi Luciani, *executive chairparson*	●			●	●
Luigi Nalini, *executive deputy chairparson*	●			●	●
Francesco Nalini, *chief executive oficer*	●	●	●	●	●
Carlotta Rossi Luciani, *executive director*	●			●	●
Cinzia Donalisio, *indipendent director*	●				
Maria Grazia Filippini, *indipendent director*	●				
Marina Manna, *indipendent director*	●				
General manager	●	●	●	●	●
Key management personnel	●	●	●	●	●

As noted in the introduction, the group's remuneration policy as a whole is designed to achieve the following objectives:

- **align the interests of shareholders and senior management** by closely correlating the remuneration policy, the business objectives and the actual results achieved;
- **attract, retain and motivate the resources deemed most important** through highly-competitive short and long-term remuneration models that stimulate and incentivise the performance of beneficiaries;

- **pursue the company's long-term interests and sustainability goals** considering both the total remuneration paid and employment conditions offered to all company employees

The remuneration policy is proposed for 2023 and is therefore valid for one year.

The shareholders' meeting called for 20 April 2021 renewed the board of directors and approved, pursuant to article 22 of the by-laws, the total annual gross fixed fee of its members of €850,000, inclusive of the fees for the special duties of the directors on board committees.

The fixed and variable fees of the individual directors and those with special duties are revised annually by the board of directors, after consulting the remuneration committee and the board of statutory auditors, in accordance with the principles and criteria set out in the company's remuneration policy.

COMMITMENT TO SUSTAINABILITY - ESG

Continuing the work of previous years, Carel confirms its commitment to the pursuit of full integration between business goals and ESG (environment, social and governance) targets in its long-term sustainability plan. Again in 2023, the remuneration policy for Carel's senior management and key management personnel ties a significant part of their remuneration to the achievement of performance targets linked to sustainability through variable short-term (MBO) and long-term (LTI) incentive systems.

To ensure the ESG targets are achieved, Carel has a two-tier governance structure comprised of the **board of directors** and the **sustainability executive team**.

Specifically, the board of directors has:

- allocated specific sustainability duties to the executive director Carlotta Rossi Luciani, who takes responsibility for supervising the overall management of sustainability in the company, providing strategic guidance for the plan in line with the group's business strategies;
- incorporated sustainability into the assessments made by the risk management committee for the proper monitoring of the impacts of the risks generated and incurred.

The sustainability executive team is comprised of managers that hold positions particularly relevant to sustainability. Its aim is to define the objectives and timeframes for the group's commitments in line with its comprehensive sustainability plan, "**Driven by the Future**".

- The managers of the individual departments involved are responsible for achieving the goals of the plan. They allocate resources, tools and know-how to the actions necessary to achieve such goals.
- Meanwhile, the sustainability executive team ensures compliance with the commitments undertaken, monitors the progress of the projects and the achievement of the goals, constantly updating the executive director for sustainability and the CEO.

With the formal approval of the **"Driven by the Future"** sustainability plan in 2021, the company identified six key action areas:

- sustainable strategy and governance;
- environmental policies;
- innovation and technology;
- people;
- communication;
- sustainable development of local communities.

The plan also set out 55 three-year (2022 - 2024) ESG sustainability objectives (22 environmental, 22 social and 11 governance objectives). As well as a significant financial commitment, achieving these objectives required the involvement and active collaboration of 13 different company departments. A total of 28 objectives were set for 2022, including eight in the social sphere.

The "social" objectives include:

- delivering training such to ensure employee skills grow and develop in line with company needs;
- broadening the e-learning training catalogue, improving and enabling the HCM system to manage the knowledge center;
- increasing the ability to offer all employees professional development opportunities, also with a view to employee retention;
- preparing a remote work policy to improve employees' work/life balance;
- greater collaboration with technical institutions and universities, delivering HVAC/R lectures and seminars in order to improve the group's employer branding;
- designing hybrid workplaces that offer areas for both individual work and team work, either in-person and/or remotely, in order to effectively supplement the work carried out remotely;
- offering PCs/tablets no longer used by the company to the school-age children of employees to foster digitalisation of local communities and increase awareness of the importance of reusing goods that are still working, lengthening their useful life and reducing the amount of waste generated;
- consolidating the welfare policies of previous years (scholarships, education grants, assistance with childcare, etc.) to provide additional assistance to employees and their families.

Like in previous years, the link between both short and long-term incentive plans and the objectives of the sustainability plan is designed as follows:

- in the case of the MBO plans (short-term incentives), at least 20% of the nominal amount of the total bonus is tied to achievement of specific internal sustainability indicators, as assessed by the remuneration committee with the support of the HR department;
- Similarly, the 2021 – 2025 LTI plans (long-term incentives) provide that 20% of the nominal amount of the awards (both for equity-settled and cash-settled plans) is tied to a sustainability target, which is the mathematical average of two indicators used to measure the company's environmental, social and governance (ESG) commitments.

The remuneration policy complies with both the recommendations of Borsa Italiana's Code of Corporate Governance and market best practices in terms of the competitiveness of the group's remuneration policies for senior management and key management personnel and for how they are tied to sustainability and corporate governance objectives.

REMUNERATION OF THE NON-EXECUTIVE INDEPENDENT DIRECTORS

In their meeting of 20 April 2021, the shareholders also set the total fixed component of the directors' remuneration as gross annual €850,000 for the 2021 - 2023 period, leaving unchanged the amount approved by the shareholders which had appointed the previous board of directors on 29 March 2018. The different amounts of the €820,000 allocated to the various directors was determined on a pro rata temporis basis according to their role and responsibilities within board committees.

The fees of the non-executive independent directors are therefore as follows:

- **Cinzia Donalisio** – €75,000 gross per year, broken down as follows:
  - €50,000 as non-executive director.
  - €15,000 as chairperson of the remuneration committee.
  - €10,000 as member of the control, risks and sustainability committee.
- **Marina Manna** – €75,000 gross per year, broken down as follows:
  - €50,000 as non-executive director.
  - €15,000 as chairperson of the control, risks and sustainability committee.
  - €10,000 as member of the remuneration committee.
- **Maria Grazia Filippini** – €70,000 gross per year, broken down as follows:
  - €50,000 as non-executive director.
  - €10,000 as member of the control, risks and sustainability committee.
  - €10,000 as member of the remuneration committee.

The remuneration policy adopted for non-executive and independent directors was subject to a benchmarking analysis in 2021 by a leading consulting company, Mercer Italia, a market leader on human capital issues and actuarial and pension services.

Mercer's analysis confirmed that the fees paid to the executive directors are commensurate with the expertise, professionalism and commitment required to carry out their duties as directors and board committee members.

Moreover, like in previous years, the annual gross remuneration of the non-executive and independent directors for 2023 is not linked to the achievement of results by the company and/or the group but solely to their commitment to carrying out their different roles.

Lastly, it is hereby noted that, like for the executive directors, at the date of this report, additional agreements have not been entered into other than that for the end of office entitlements for the payment of special fees or compensation in the case of dismissal or revocation without just cause or termination of the employment relationship for any reason whatsoever.

REMUNERATION OF THE BOARD OF STATUTORY AUDITORS

The shareholders elected the board of statutory auditors in office at the date of this report in their ordinary meeting of 20 April 2021 for a three-year period until approval of the financial statements at 31 December 2023.

In same meeting, pursuant to article 2402 of the Italian Civil Code, the shareholders set the remuneration for the board of statutory auditors at a gross amount of €90,000 per year for the full term of office, including €40,000 for the chairperson and €25,000 for each standing statutory auditor, maintaining the amounts paid to the members of the previous board of statutory auditors.

The remuneration for the members of the board of statutory auditors for 2023 is as follows:

- **Paolo Prandi**, Chairperson: €40,000, gross.
- **Claudia Civolani**, standing statutory auditor: €25,000, gross.
- **Saverio Bozzolan**, standing statutory auditor: €25,000, gross.

The remuneration established for each member of the board of statutory members solely comprises a fixed component and is not linked either directly or indirectly to the company's or group's results.

The remuneration policy adopted for the members of the board of statutory auditors was also subject to a benchmark analysis against market best practices by Mercer Italia in 2021. This analysis confirmed that the remuneration paid to the members of the board of directors is commensurate with the commitment required and responsibilities allocated and is in line with that of its peers.

A new analysis will be carried out in 2023 which will include benchmarking the effort, activities and responsibility of the company bodies.

REMUNERATION OF THE EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL - REMUNERATION COMPONENTS

Like in previous years, a significant part of the remuneration package of the group's executive directors and the key management personnel for 2023 is tied to the achievement of business and sustainability targets (both short and long-term) defined in advance and partially paid over time.

Specifically, the long-term incentive (LTI) plans' variable component may either be paid in cash or in company shares. Depending on the beneficiary, different percentages thereof are subject to both lock-up and clawback clauses.

Also in 2023, when deciding the pay mix and targets for the variable remuneration component, the company referred to the benchmark analysis carried out by Mercer Italia in 2021. It provided an important benchmark to compare the company's practices with those of a group of peers in the labour market which, given their business sector, size, group organisation and international footprint, were and continue to be significant people competitors in the world of work.

The companies used in the benchmark were:

Ariston Thermo	Danieli &C. Officine Meccaniche
Bosch Rexroth	Danfoss
Dè Longhi	Electrolux
Askoll Group	FAAC
Elica	Siemens

Modine Pontevico	Eldor Corporation
UMBRAGROUP	Salvagnini
Samsung Electronics Italy	Safilo
Renesas Electronics Europe	

FIXED REMUNERATION

Like in previous years, Carel defines the fixed remuneration of the executive directors and those with special duties and key management personnel considering:

- the complexity and actual responsibility required for their role and duties;
- the external reference remuneration market to ensure the competitiveness of remuneration and/or benefits actually assigned;
- individual performances, including in terms of the targets set for each role.

The fixed component accounts for between **48%** and **58%** of the total remuneration packages of the senior managers.

Even if the variable component (short and long-term) is not paid due to non-achievement of the related performance targets, i.e., not even a small amount of the (short or long-term) variable component is paid, the fixed component is set so as to eliminate or, at the very least, limit opportunistic or excessively risk-orientated behaviour and to prevent an exclusive focus on short or very short-term results.

The remuneration committee's policy is to propose salary reviews for the senior positions (especially the CEO and the general manager), generally once a year, with the assistance of the HR department. These proposals are then presented to the board of directors for their examination and approval. The review may include an adjustment to the fixed component, the short-term variable component or both. The remuneration committee considers various factors organically and weighting them differently, such as:

- how competitive the remuneration is compared to the reference market;
- the manager's individual performance;
- internal equity, both at the same level and compared to other organisational levels;
- how important the manager is within the organisation;
- the overall sustainability of the proposed update.

VARIABLE COMPONENT

The variable component of the remuneration packages offered by Carel to its executive directors with special duties and key management personnel comprises two key elements:

- an annual bonus system (**MBO** - management by objectives);
- long-term incentives (**LTI**) which may comprise both **equity-settled** (company shares) or **cash-settled performance plans**.

The remuneration policy as a whole consistently pursues the right balance between the fixed and variable component, in line with the company's strategies and risk management policies.

The policy therefore also considers the nature of Carel's business and its business sector. It is designed so that the variable component always makes up a large part of the overall remuneration of each beneficiary.

Annual incentive system – MBO

Scope and characteristics

Carel's short-term variable incentive system (MBO) is designed to align the beneficiaries' efforts with the one-year strategic targets, with payment of a bonus in proportion to the actual results. The format is based on the achievement of measurable economic and financial performance targets that are defined at individual company and group level, as well as individual performance in relation to ESG sustainability goals, the achievement of which depends on performance and the responsibility level of the beneficiaries.

This incentive system is based on a general model adopted for the first time in 2007 which, following a series of adjustments and additions over the years, has the current format approved by the board of directors on 14 May 2019 as proposed by the remuneration committee and after consulting the board of statutory auditors.

The remuneration committee reviews the parameters and targets each year and proposes them to the board of directors for their final approval as regards the roles of CEO and key management personnel.

The targets are generally related to quantitative indicators, representing the company's strategic and industrial priorities. They are measured using objective and pre-defined parameters. The targets are notified using a linear, transparent process whereby they are first shared and discussed individually with all beneficiaries and then definitively allocated when the process is formally completed.

In its standard formulation, the short-term incentive system has four targets for each senior position, as follows:

- **two group financial performance** targets, equal to 65% of the total:
  - consolidated EBITDA (45%).
  - group revenue (20%).
- **Two integrated ESG&Business individual performance targets** equal to 35% of the total. These may be either business-related or related to ESG targets in the sustainability plan approved by the company, and are generally assigned in relation to a beneficiary's role, responsibilities and/or specific strategic projects/activities.

  The individual performance targets assigned to the CEO and key management personnel for 2023 are:
  - **Chief executive officer**:
    - Increase in the year-on-year percentage of taxonomy-aligned investments (capex) – (15% weight) [?verificare percentuale: l'anno scorso era 20%]
  - Development of a new R&D hub for the development of specific expertise in sustainable technologies (particularly power electronic solutions) – (20% weight)
  - **General manager**:
    - expansion of business volumes in North America – (15% weight)
    - Development of a new R&D hub for the development of specific expertise in sustainable technologies (particularly power electronic solutions) – (20% weight)
  - **Chief Financial Officer:**
    - Optimisation/decrease of net working capital (NWC) – (15% weight)
    - Meeting the targets of the strategic sustainability plan and its update for the 2023-2025 period (20% weight)
  - **Chief HR&Org. Officer:**
    - Decrease in personnel turnover and increase in retention and attraction (particularly as regards gender balance) through relevant HCM initiatives (20% weight)

- Develop appropriate training plans for Carel employees, to bolster know-how and ESG expertise and to promote the Carel Culture Code – (15% weight)

- **Chief Quality & ERM Officer:**
  - Reduction in the defectiveness (PPM) (HP[?] scope) – (15% weight)
  - Commence the development and roll-out of an ERM system integrated with ESG risks – (20% weight)
- **Chief Operation Officer:**
  - Increase service levels for customer deliveries – (15% weight)
  - Optimisation/decrease of net working capital (particularly materials held in the production plants) – (20% weight)

Performance conditions

The incentive system described previously is designed to focus management's attention on achieving value drivers for the group. Like in previous years, it provides for the maintenance of a series of clauses to protect the company's ability to pay by establishing gates.

The conditions are as follows:

- an ON/OFF access gate tied to the group's EBIT. If the EBIT is negative, pay out of the MBO does not take place regardless of the results achieved for the individual targets;
- a minimum threshold (0) for achievement of each target, which if not reached, implies that the percentage of the bonus assigned to that target is zero;
- a "target" threshold (100%) which if reached implies that 100% of the bonus is paid for that target;
- a maximum threshold (150%) which if reached implies payment of a bonus of 150% for that target.

	Minimum threshold (0%)	Target threshold (100%)	Maximum threshold (150%)
Chief executive officer	0	230,000€	345,000€
General manager	0	110,000€	165,000€
Key management personnel (average)	0	66,250€	99,400€

Note: These are possible pay-outs calculated using the total nominal amounts granted to each beneficiary.

Moreover, like for the LTI incentives, a malus and claw-back clause has also been introduced for the MBO incentives as from 2023, whereby the bonus can be partially or totally recovered within 12 months of its disbursement in the following circumstances:

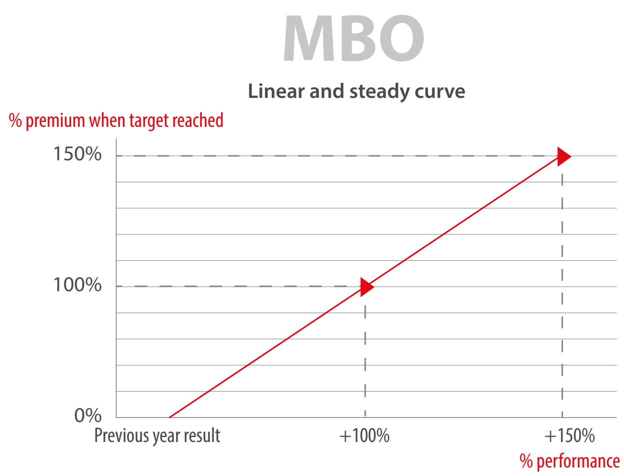
- objective circumstances that lead to the restatement of the company's financial results such to have a significant impact on the achievement of the targets;
- conduct that goes against company practice, legal and contractual regulations and the company's code of ethics;
- wilful or grossly negligent conduct committed to the detriment of the company.

In the STI incentive systems, the targets (especially the financial ones) are defined to ensure ongoing sustainable growth over time. They are established strictly in line with that approved by the board of directors at the time the budget is approved.

The performance curves and related pay-out are measured on a linear basis starting from the minimum threshold (0%) and arriving at the target threshold (target met = 100%) or, in the case of particularly outstanding or notable performances, a maximum threshold of 150% (cap).

Bonuses are paid on the basis of the months effectively worked with the company and the practice is that minimum period of six months of service is required to receive part of the bonus for the year. Moreover, the bonus is only paid if the beneficiary is still an employee at the time the bonuses are paid out.

The pay-outs are calculated considering the results achieved in the reference year (X) and paid in February of the following year (X+1), usually after the board of directors has approved the draft consolidated financial statements and on the condition that the ON/OFF access gate has been reached.



Working: the minimum performance gateway is the previous year result Linear correlation used to calculate the payout.

Performance range: 0% - 150%

% Payout: 0% - 150% of the target

LONG-TERM INCENTIVE SYSTEM – LTI

Scope and characteristics

The shareholders approved the new 2021 – 2025 LTI plan (for the equity-settled plan) in its meeting of 20 April 2021, which has three-year rolling vesting periods.

Therefore, as from 2021, this system has two types of plan:

- **equity-settled performance plan**, where the pay-out is in the form of shares if the business and sustainability (ESG) targets set by the company are met;
- **cash-settled performance plans**, with a cash pay-out if the targets are met.

The beneficiaries of this system are the executive directors, the chief executive officer, the general manager, key management personnel and another group of managers held to be extremely important for achievement of the business targets. These targets are defined in line with the business plan and, for the ESG issues, with the long-term sustainability plan (integrated with the business plan) approved by the company on 30 September 2021.

The LTI incentive systems, both equity settled and cash settled, respectively entail the free award of ordinary Carel shares or a cash payment. They comprise 3 (three) rolling vesting periods, each of three years, after which the shares are assigned or the cash award disbursed after checking that the specific performance targets have been met.

The 2021 – 2025 equity-settled performance plan (the "plan") is presented in the illustrative report of the board of directors prepared for the shareholders' meeting of 20 April 2021 and in the information memorandum as per article 84-bis of the Issuers' Regulation, available on the company's website (www.carel.com) in the Investors Relations/Shareholders' Meetings section and in the storage system eMarket STORAGE (www.emarketstorage.com.

As discussed, the plan has three vesting periods during which the performance targets assigned to the beneficiaries will be checked. The periods are as follows:

- First vesting period: January 2021 – December 2023 (the 2021 – 2023 vesting period), assigned on 4 November 2021;
- Second vesting period: January 2022 – December 2024 (the 2022 – 2024 vesting period), assigned on 10 November 2022;
- Third vesting period: January 2023 – December 2025 (the 2023 – 2025 vesting period), being assigned in 2023.

As can be seen above, the board of directors assigned the second vesting period (for the 2022 – 2024 three-year period) on 10 November 2022, at the suggestion of the CEO. Like in the first vesting period, for all beneficiaries, including the CEO and the executive directors, only the cash-settled performance plan was used. The aim of using solely the cash-settled plan is to:

- align the type of incentive plan assigned to the Italian beneficiaries with those of beneficiaries resident abroad, who are only offered cash-settled monetary plans;
- simplify and streamline the tax treatment and administration for beneficiaries compared to that required for equity-settled plans;
- eliminate the risk that excessive share-price fluctuations could negatively impact the value of the awards, irrespective of whether the business objectives underpinning the incentive system are met.

Moreover, as recommended by numerous analysts and proxy advisors, the overall amount of the LTI assigned to the executive directors belonging to families linked to the owners of the parent is immaterial vis-a-vis their shares held and could in no way affect their ownership position.

As in the past, the company pursues the following objectives with the assignment of LTI plans:

- stimulate senior management's adoption of "virtuous" practices designed to ensure a sustainable performance over the medium and long term;
- establish a robust correlation between the variable remuneration component of senior management and the group's strategic objectives, defined in terms of economic and financial and sustainability (ESG) targets;
- strengthen the retention rate of key resources for the group and concurrently increase its ability to attract highly qualified resources for its more critical positions;
- better align the remuneration package offered to the LTI plan beneficiaries with market practices and, in particular, with the company's peers (identified by type and size of business).

The targets assigned for each year of each three-year rolling vesting period, including for the third vesting period (2023 – 2025) and like that already assigned for the previous two vesting period, are:

- *Equity-settled performance plans*:
  - cumulative group EBITDA [1] – 50%.
  - Adjusted cash conversion [2] – 30%.
  - ESG target – 20%.
- *Cash-settled performance plan*:
  - Adjusted cumulative group EBITDA [1] – 50%.
  - Adjusted cash conversion2 or the regional/country turnover – 30%.
  - ESG target – 20%.

It should be noted that, like for the first two vesting periods assigned in 2021 and 2022, achievement of the ESG target is measured considering two indicators, calculating the mathematical average of the results achieved by each one which have the same weight (50%).

The indicators for the second vesting period (2023 – 2025) will therefore again be the following:

- % of female white collars hired with permanent employment contracts;
- % of reduction of the production sites' CO2 emissions (tCO_2/y).

Lastly, we note that the company has decided not to fully disclose the LTI plan objectives to the market, as they are closely linked to the contents and goals of its three-year business plan. Ensuring the confidentiality of these goals is therefore necessary as the company operates in a highly competitive market where strategy and innovation play a key role in maintaining its ability to compete effectively and sustainably over the long term.

Performance conditions

The award of the bonus for both equity-settled and cash-settled plans is tied to the degree of achievement of each individual target (as a percentage.

In addition, pursuant to the approved regulation, the following are established for each target:

- a minimum threshold (80%);
- a target threshold (100%);
- a maximum threshold (120% or above.

1 Adjusted EBITDA: calculated as the sum of the profit before tax, the gain or loss on equity-accounted investments, exchange differences, net financial income (expense), amortisation, depreciation and impairment losses and costs of non-recurring transactions. The financial effects of non-recurring transactions (M&A) will be included in the actual adjusted EBITDA of the years after that in which the transaction took place, even when not included in the plan EBITDA. The actual adjusted EBITDA will also include any "non-plan" transactions as long as the board of directors has formally approved them. In this case, the plan EBITDA ratio that did not include this "non-plan" transaction will be recalculated to be consistent with the actual figure

2 CASH CONVERSION: the calculation of the actual cash conversion in the year in which M&A transactions take place excludes the investments and net working capital related to the transaction. The cash conversion calculation will only include any "non-plan" transactions if they have been approved by the board of directors. In this case, the plan cash conversion ratio that did not include this "non-plan" transaction will be recalculated to be consistent with the actual figure

These thresholds are used to measure on a linear basis the effective achievement of each target and consequent pay-out:

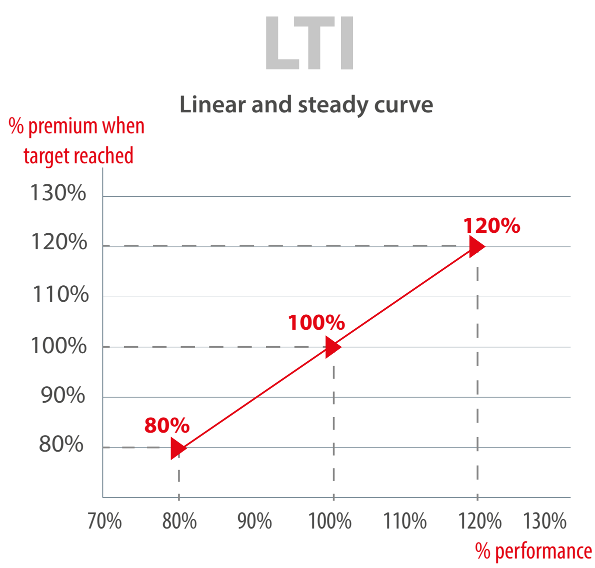
	Minimum threshold (80%)	Target threshold (100%)	Maximum threshold (120%)
Chief executive officer	235,000€	294,000€	353,000€
General manager	111,000€	138,000€	166,000€
Key management personnel (average)	71,000€	89,000€	107,000€

Note: These are possible pay-outs calculated using the total nominal amounts assigned to each beneficiary for the third vesting period (2023-2025.

The actual award for each beneficiary (either shares or cash) should they reach their individual performance targets will be calculated as follows:

Achievement of individual indicator (as a % of the individual performance targets for each vesting period)	Award for each performance target as a % of the nominal amount of the shares/cash (for each vesting period)
< 80%	0%
= 80%	80%
> 80% and ≤ 120%	80%-120% pro rata
> 120% (over performance)	120%

The next table shows the percentage of shares/cash to be assigned to each beneficiary should they achieve their individual performance targets (within the limitations set out above, each percentage point increase in the achievement rate is matched by a percentage point increase in the actual number of shares or cash assigned).



Working: between minimum and target, assuming that each 1% marginal increase in the performance is equal to a 1% increase in the payout.

Performance range: 8% - 120%

% Payout: 80% - 120% (±10%) of the target

The pay-outs are awarded during the 60 calendar days after approval of the consolidated financial statements for the last year of the vesting period when the plan regulation's conditions are met.

Lock-up

The variable component of the LTI plan is disbursed at the relevant vesting date:

- after checking that the relevant minimum threshold has been met;
- considering the 24-month lock-up period as a variable percentage depending on the plan beneficiary.

The lock-up percentage is calculated as follows:

- the lock-up clause is applied to 40% of the assigned shares or cash in the case of the chief executive officer and the executive directors;
- it is applied to 20% of the assigned shares or cash in the case of the key management personnel;
- the lock-up clause for the other beneficiaries is applied to 10% of the shares for the equity-settled plans or 20% of the cash award for the cash-settled plans.

The lock-up period has been set at 24 months in line with best practices and article 5, Recommendation no. 28 of the Code of Corporate Governance, which states that equity-settled remuneration plans for executive directors and senior management should encourage alignment with the shareholders' interests over the long term. Accordingly, even taking into consideration the three-year vesting period, it also establishes that most of the plan should have a vesting period of at least five years overall for the vesting of the rights and holding of the assigned shares.

During the lock-up period, the beneficiaries may therefore not sell their shares or transfer the cash award received, except to cover tax liabilities and/or social security contributions if applicable.

Clawback and malus clauses

Carel's LTI plan has three-year malus and clawback clauses for the partial or complete recovery of the award (cash or shares), which are activated in certain objectively proven circumstances. Specifically:

- conditions leading to the restatement of the company's financial results that would have a significant impact on the achievement of the targets and the amount of the bonuses awarded;
- conduct that is objectively contradictory to the company's practices (especially its Code of Ethics, the organisational model as per Legislative decree no. 231/01 and the anti-corruption model), the employment contract or the law or in the case of wilful or grossly negligent conduct committed to the detriment of the company.

In the above cases, the company may withhold the shares still to be assigned or an amount equal to their value or the cash award still to be disbursed from any amount due to the beneficiary.

By way of example and not limited to, the amount may be withheld from remuneration, fees/salary, bonuses or end of office entitlement. The beneficiary shall be obliged to specifically authorise this withholding to cover the amounts not due.

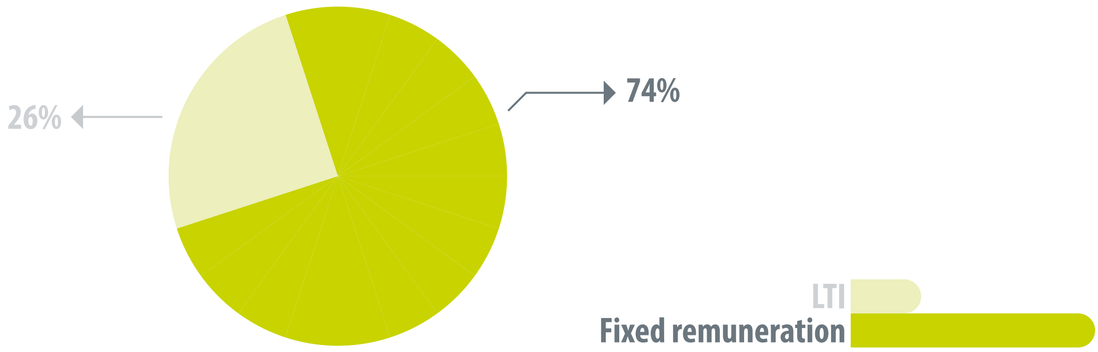
Lastly, the company may include other contractual clauses that allow it to recover all or part of the variable components of the remuneration paid (or to withhold amounts that have been deferred) that had been based on figures subsequently found to be incorrect or other circumstances identified by the company.

2023 REMUNERATION POLICY

The 2023 remuneration policy for the executive directors and directors with special duties is as follows:

- ***Luigi Rossi Luciani*** – chairperson:
  - Fixed fee for his duties assigned by the board of directors: €250,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €87,500.
  - Non-monetary benefits.

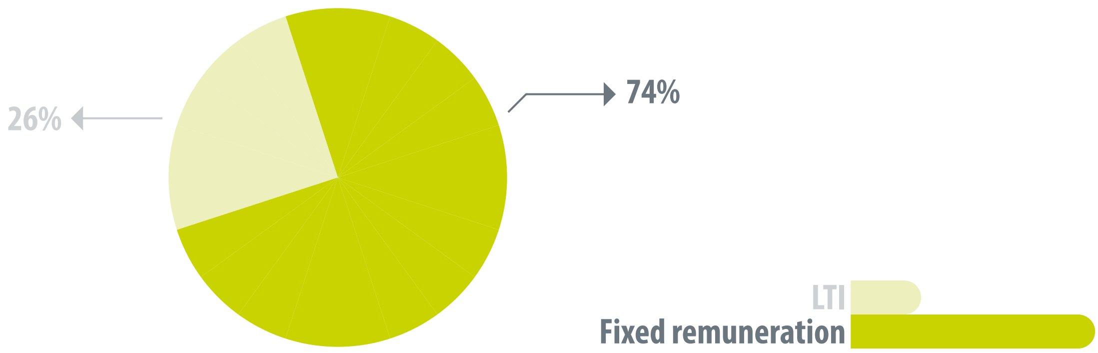
Pay Mix Chairperson



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2023 award

- **Luigi Nalini** – executive deputy chairperson:
  - Fixed fee for his duties assigned by the board of directors: €180,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €63,000.
  - Non-monetary benefits.

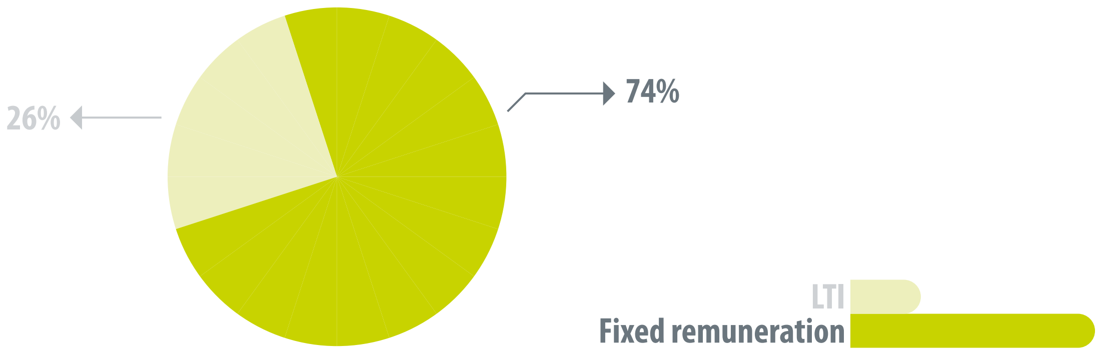
Pay Mix Deputy Chairperson



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2023 award

- **Carlotta Rossi Luciani** – executive director with special powers:
  - Fixed fee for her duties assigned by the board of directors: €100,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €35,000.
  - Non-monetary benefits.

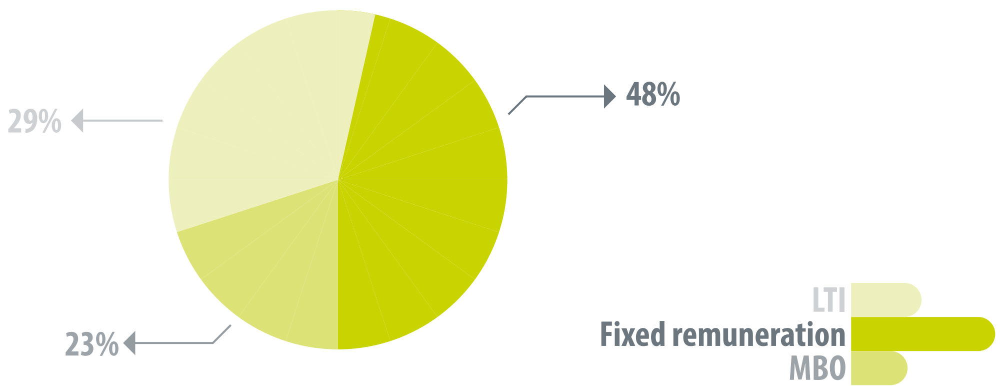
Pay Mix Executive Director



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2023 award

- **Francesco Nalini** – chief executive officer:
  - Fixed fee for his duties assigned by the board of directors: €70,000.
  - Fixed remuneration for his employee position as the CEO: €420,000.
  - Variable short-term component (MBO) with a nominal amount of €230,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €294,000.
  - Non-monetary benefits.

Pay Mix chief executive officer



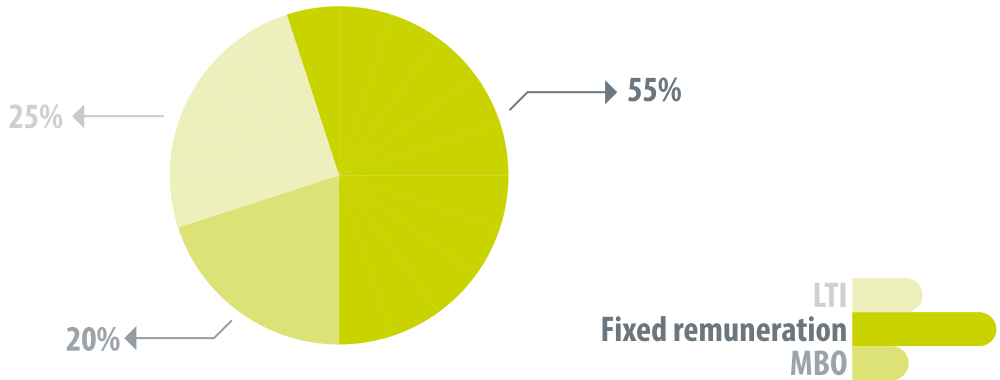
Note: the 2023 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2023 award

GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The remuneration policy for key management personnel (excluding the executive directors) is as follows:

- **Giandomenico Lombello** – General manager:
  - Fixed remuneration for his employee position as general manager: €275,000.
  - Fixed fee to remunerate other positions held with group companies: €32,000.
  - Variable short-term component (MBO) with a nominal amount of €110,000.
  - Variable medium to long-term component (LTI) ain the form of the cash-settled performance plan with a nominal amount of €138,000.

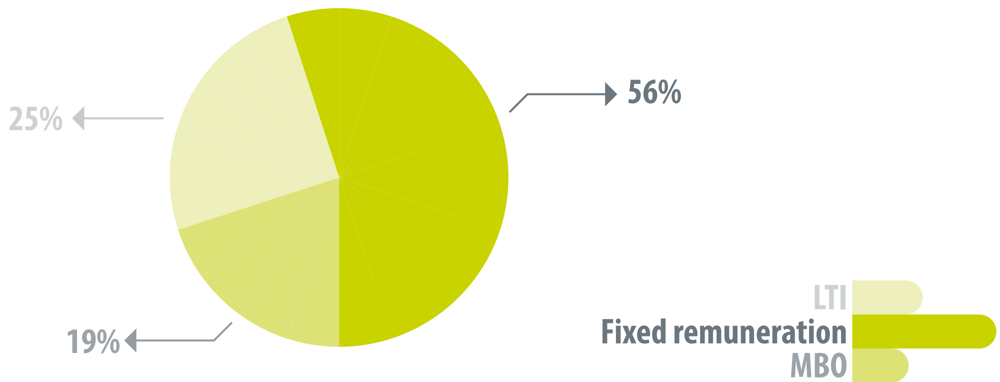
Pay Mix General manager



Note: the 2023 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2023 award.

- Other members of **key management personnel** (four senior managers as identified in point 2 of this report) - combined figures:
  - Fixed remuneration as manager of Carel Group: €729,000.
  - Fixed fee for positions held as directors or other positions held in other group companies (excluding the parent): €60,000.
  - Variable short-term component (MBO) with a nominal amount of €265,000.
  - Variable medium to long-term component (LTI) in the form of the cash-settled or equity-settled performance plans with a nominal amount of €355,000.

Pay Mix KMP



Note: the 2023 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2023 award .

Like in previous years, the 2023 remuneration policy for both the executive directors and key management personnel is drafted using benchmarking and, particularly, by monitoring of the effects, in terms of adequacy and reciprocal satisfaction, that the remuneration policies approved in previous years have had for all beneficiaries.

BENEFITS

The total rewards-style remuneration model supplements the remuneration of executive directors and senior management with a series of additional non-monetary benefits.

Specifically:

- supplementary social security benefits;
- extra professional accident or term life insurance policy;
- additional healthcare benefits, which also apply to the beneficiary's immediate family;
- company car under the mixed use full cost method;
- accommodation service (if necessary).

The company also has a D&O liability insurance policy to insure beneficiaries against claims for compensation for damage related to their professional activities.

As stated previously, these benefits are supplementary to any already provided for in the national employment contract and supplementary internal agreements applicable to managers.

They have also been adapted to the foreign countries in which the beneficiary managers live to be consistent with the local market conditions and practices of each country.

Other than that set out above, the company does not provide any non-mandatory social security or pension benefits.

OTHER ELEMENTS

NON-COMPETE AGREEMENTS

Carel may enter into non-compete agreements with its executive directors, key management personnel and other resources who hold particularly significant positions in the organisation.

In accordance with the regulations applicable in each country, these agreements include payment of a fixed fee or calculated as a percentage of the annual gross remuneration which is disbursed considering the agreement's term and geographical coverage.

The agreement normally refers to the sector in which the group operates and the geographical area and timeframe may vary depending on the roles and responsibilities of each beneficiary.

Any fee is only paid pro-rata to the months the beneficiary spent in the company's employ or upon termination of the employment relationship but only if the company activates the agreement.

RETENTION/DISCRETIONARY BONUS

The executive directors, the chief executive officer and the key management personnel do not receive any discretionary remuneration.

The other employees may receive one-off monetary bonuses which, in addition to the MBO, reward particularly outstanding or important results that contribute to achievement of the company's business objectives.

As well as these one-off bonuses, the company may grant retention bonuses to resources whose contribution to the group's growth and development is particularly important and who are at a significant risk of leaving considering the labour market conditions.

TREATMENT IN THE CASE OF DEPARTURE FROM OFFICE OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP

In accordance with the remuneration policy described in this Section I, the company may decide to enter into agreements that regulate the economic treatment to be provided in the case of departure from office or termination of the employment relationship in line with the recommendations of the Code of Corporate Governance and the local laws and employment contracts, where applicable. However, this treatment will not exceed 24 months of gross remuneration.

This entitlement is not paid if termination of the relationship is due to the objective non-achievement of results or if the company does not achieve its business goals. Should the requirements for payment of fees for any reason and in any form arising from these contracts be met, the beneficiary may waive their right thereto.

Given the above, at the date of this report, the company does not have ex-ante agreements for its executive directors and key management personnel that regulate their economic treatment should they leave office or terminate their employment relationship other than the end of office entitlement approved by the board of directors on 6 May 2021.

As provided for in the remuneration policy described in this Section I, the company may enter into agreements which provide for the continuation or award of non-monetary benefits to parties and/or employees who have left the company and consultancy agreements for the period after their departure in line with that set out in the Code of Corporate Governance as long as this complies with the local laws and employment agreements, where applicable. Should the requirements for payment of fees for any reason and in any form arising from these contracts be met, the beneficiary may waive their right thereto.

However, at the date of this report, the company does not have agreements for the continuation or award of non-monetary benefits to parties and/or employees who have left the company, nor does it have consultancy agreements with these persons for the period after termination of the employment relationship.

Finally, with respect to the effects of termination of the employment relationship on the LTI plans approved by the shareholders, their regulations define the various effects of such termination depending on the underlying reasons and when it takes place.

DEROGATION

Pursuant to article 123-ter.3-bis of the CFA and article 84-quater.2-bis.c) of the Issuers' Regulation, Carel may temporarily derogate from the remuneration policy described in this Section I should exceptional circumstances arise which make this derogation necessary to allow the company to pursue its long-term interests and sustainability or to ensure it can continue as a going concern.

Temporary derogation from the following elements of the remuneration policy is allowed in exceptional circumstances:

- the fixed and variable (short and long-term) components of remuneration and specifically:
  - the weight assigned to each component as part of the remuneration;
  - the financial and non-financial performance targets, which the variable components are tied to (in terms of their achievement);
  - the criteria used to assess achievement of the performance targets and the assignment of shares, rights, other financial instruments or other variable remuneration components, and to measure the variable component to be paid depending on the level of achievement of the objectives;
  - the vesting conditions of the variable components (both MBO and LTI);
  - the possible allocation of equity-settled remuneration components, rights, other financial instruments or other variable remuneration components;
  - the introduction of deferred payments systems and clauses for the holding of financial instruments in the portfolio after their acquisition;
  - ex-post adjustment mechanisms for the variable component (malus or clawback);
- any bonuses (including onboarding bonuses), non-monetary benefits, incentive plans (cash-settled or equity-based), insurance, social security or pension benefits or non-recurring fees;
- termination benefits should the recipient leave office or in the event of termination of the employment relationship;
- the remuneration of the independent directors, directors who are members of committees and those with special duties (chairperson, deputy chairperson, etc.).

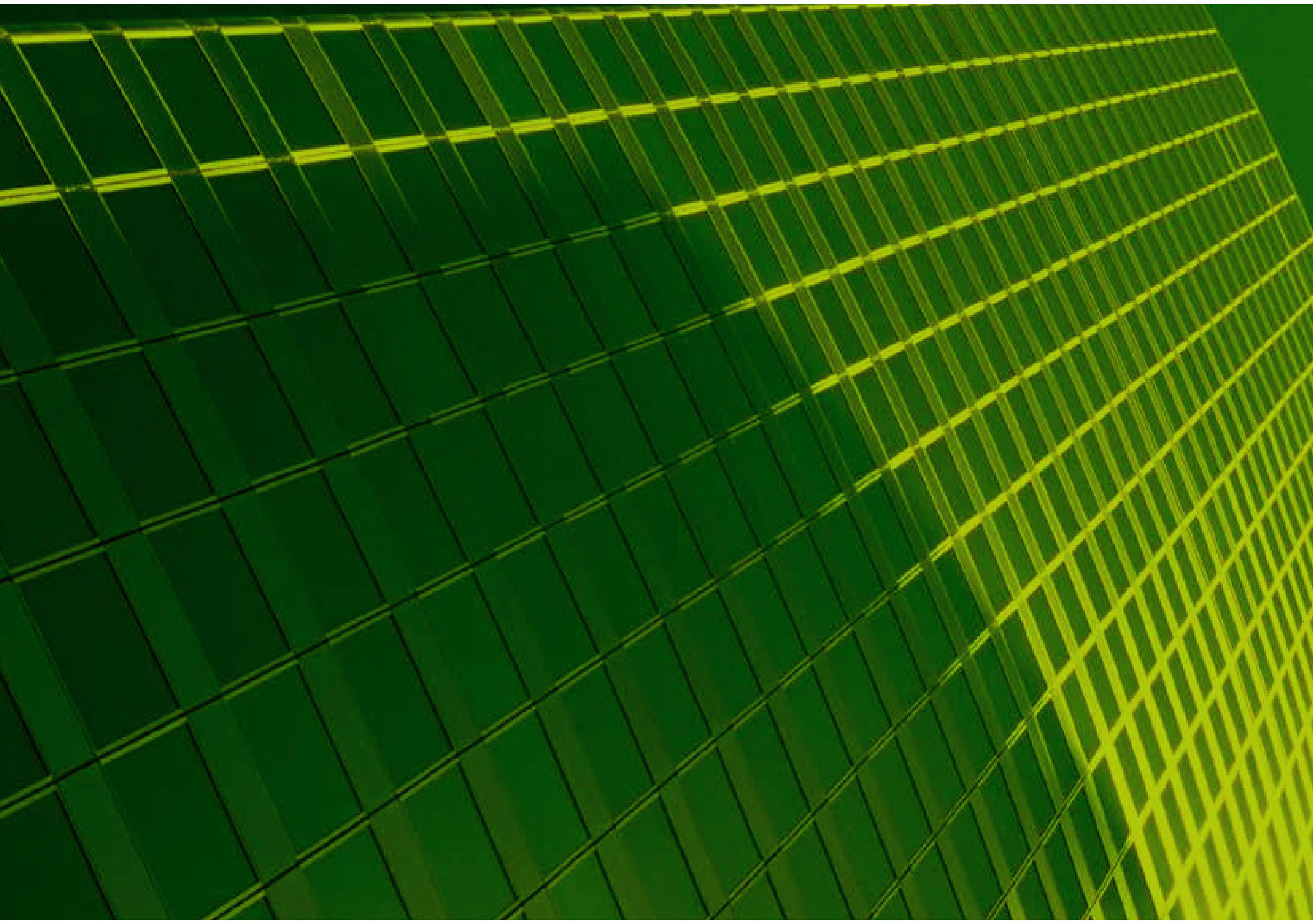
The exceptional circumstances described above, which can be identified in the remuneration policy, could include for example:

- the need to attract resources on the market who would make a significant contribution to the company's growth and business development;
- the need to retain particularly strategic resources by offering competitive remuneration;
- substantial modifications to the company's business organisation that can be either objective (non-recurring transactions, mergers, sales, including of business units, changes to the group's perimeter, etc.) or subjective (changes in senior management or to the ownership structure);
- the acknowledgement of individual and/or collective results regarded and assessed as particularly important and positive for the company;
- significant changes in the socio-economic context requiring a review of the competition on the labour market, both in terms of the expertise and qualifications required and the total rewards-style remuneration package offered to high performers;
- the occurrence of non-recurring and unforeseeable events at national or international level (such as conflicts, pandemics, changes to supply chains, etc.) that affect the group or its sectors/markets and its

results and that could drastically change the context of its reference market in individual countries and/or regions or the entire global market.

With respect to the procedures under which the derogation can be applied, any derogation of the remuneration policy shall be approved by the board of directors after consulting the remuneration committee and the human resources department as well as possible independent experts, without prejudice to Consob regulation no. 17221 of 12 March 2010 on related party transactions and the company's related party procedure, when applicable.

The board of directors decides the length of the derogation period and the specific policy elements to be derogated from in line with that set out above.



SECTION II

Remuneration paid in 2022

to the directors, statutory auditors, general managers and key management personnel

This section provides a clear and comprehensive picture of the remuneration paid in 2022, both to the individual directors, statutory auditors and the general manager and collectively to the key management personnel, highlighting the compliance thereof with the policies described in Section I of the remuneration report published in 2022 and sets out how such remuneration contributes to the company's long-term results.

The remuneration policies of 2022 supported the achievement of growth, innovation and technological innovation objectives in line with the company's strategies for the medium to long term. The policies fostered the achievement of strong results, despite the climate of significant uncertainty and events which heavily impacted the European and global market, such as the conflict in Ukraine, the inflationary trend and ongoing supply chain disruptions for electronic components.

Both the short-term (MBO) and long-term (LTI) incentive systems guided key corporate strategies, particularly business growth linked to M&A transactions and the achievement of the objectives identified in the company's long-term sustainability plan.

In step with its remuneration policies, the company continued to disseminate and implement its new vision and the Carel Culture Code unveiled at group level in late 2021. These identify the guiding values for the group's culture with a view to developing a strong, shared corporate identity fostering cohesion among employees in line with the achievement of the strategic objectives.

As required by article 123-ter.6 of the CFA, introduced by Legislative decree no. 49/2019, this section requires the advisory vote rather than the binding vote of the shareholders that are required to vote for or against the section at their ordinary meetings.

The audit company checked that the directors had prepared Section II of the report in line with the provisions of article 123-ter.8-bis of the CFA. It did not issue any attestation, nor did it perform any engagement designed to check the content of this Section II.

More information about the equity-settled incentive plans is available in the information memoranda as per article 114-bis of the CFA and article 84-bis of the Issuers' Regulation published by the company on its website (www.carel.com) and through the other methods stipulated by the applicable legislation and regulations.

FIRST PART - REMUNERATION ITEMS

BOARD OF DIRECTORS

The 2022 remuneration policy for the board of directors was implemented, as described in Section I of the remuneration report published in 2022, through the payment of the following items:

- a fee for the directorship;
- a fee for the position as a director with specific duties;
- gross annual remuneration (GAR);
- a fee for participation in committee meetings;
- an annual variable component paid when set targets are met (MBO);
- a variable medium to long-term component (LTI);
- benefits provided for by the national employment contract and internal practices.

No disclosure is provided about the targets reached for the variable remuneration component in order to protect information which is sensitive for commercial purposes and/or forecasts that have not been published.

CHAIRPERSON, DEPUTY CHAIRPERSON AND EXECUTIVE DIRECTORS

Chairperson

Luigi Rossi Luciani, chairperson of the board of directors, received:

- **Fixed remuneration:** €250,000 gross as his fee for 2022.

On 6 May 2021, the board of directors resolved to confirm the CEO's annual gross remuneration of €250,000.

- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2020 – 2022 vesting period, the company awarded the chairperson 5,169 shares for his rights that had vested in line with his achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 40% of these shares are locked up for two years .

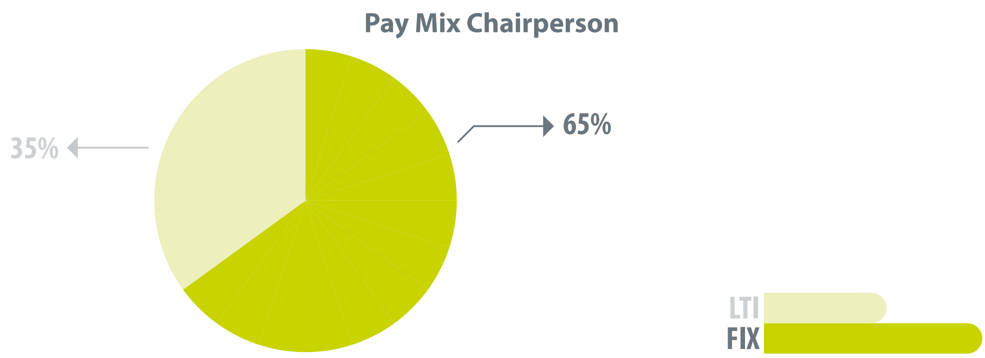
PERFORMANCE CONDITIONS

	80% threshold	100% target threshold	120% threshold	Results
60% cumulative adj. EBITDA in the three years				Over 120%
40% – adj. cash conversion in the three years				116%

The graph shows achievement of the targets, confirming the excellent performance of the three-year period and the positive share price trends to the date of preparation of this report.

- **Non-monetary benefits:** company car under the mixed use full cost method.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023



Deputy chairperson

Luigi Nalini, executive deputy chairperson of the board of directors, received:

- **Fixed remuneration:** €180,000 gross as his fee for 2022.

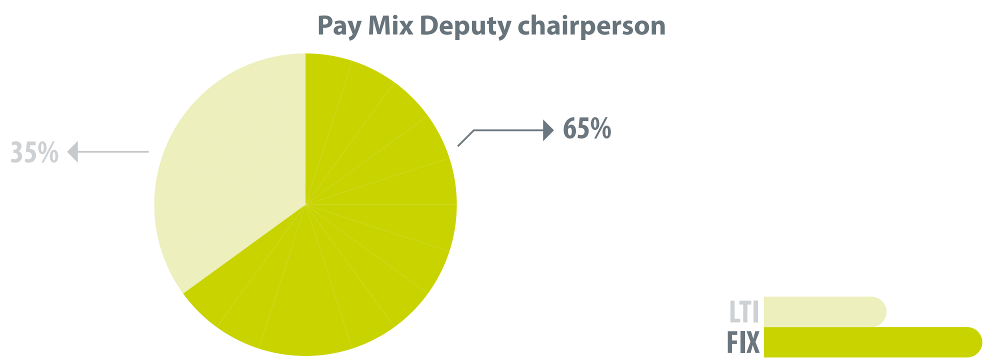
On 6 May 2021, the board of directors resolved to confirm the remuneration for this role.

- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2020 – 2022 vesting period, the company awarded the deputy chairperson 3,722 shares for his rights that had vested in line with his achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 40% of these shares are locked up for two years.

As described above, the vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** company car under the mixed use full cost method.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023)



Executive director

Carlotta Rossi Luciani, executive director of the board of directors, received:

- **Fixed remuneration:** €100,000 gross as her fee for 2022

On 6 May 2021, the board of directors resolved to adjust the executive director's annual gross remuneration to €100,000 to reflect the new powers allocated.

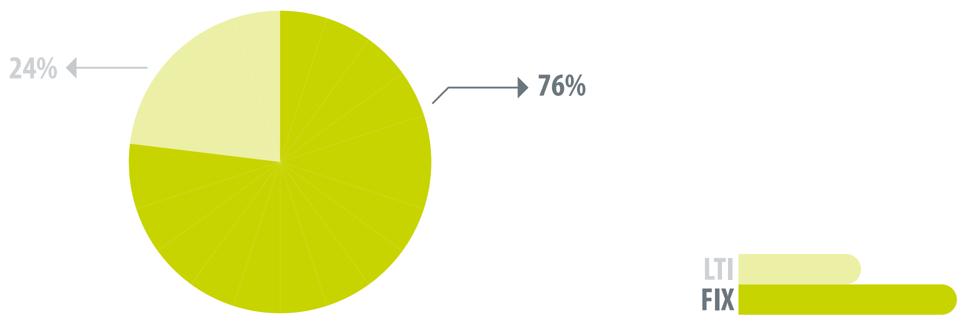
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2020 – 2022 vesting period, the company awarded the executive director 1,241 shares for her rights that had vested in line with her achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 40% of these shares are locked up for two years.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** company car under the mixed use full cost method.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023)

Pay Mix Executive director



Chief executive officer

Francesco Nalini, chief executive officer, received:

- **Compensi fissi:** €70,000 gross as his fee for 2022 and €390,000 gross as a salary for his employment contract as CEO, in line with the remuneration set out in the remuneration policy for 2022 and as proposed by the remuneration committee to the board of directors, which approved it in its meeting of 16 December 2021 with the favourable opinion of the board of statutory auditors.

- **Short Term Incentive:** The MBO for 2022 will be paid in 2023.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 2 March 2023, led to the board's approval of a pay-out of a €294,000 gross as shown below.

As described at the start of this section, the pay-out for the short-term incentive plans (MBO) (see following graph) was made to reward management's actions. Thanks to the adoption of guidelines and concrete steps to protect the group's business and to continue to assist its customers around the world, operating performance was generally very positive in a year still impacted by highly complex economic context and a high level of uncertainty.

Access gate (EBIT>0) Reached - Performance achieved: €87,311

PERFORMANCE CONDITIONS	0% threshold	100% target threshold	150% threshold	Target	Results	Payout
45% consolidated adjusted EBITDA				82,501,317	114,743,312	150%
20% - Core business consolidated turnover				476,718,012	540,786,009	150%
15% - Finalisation, with the signing of binding agreements, of M&A transactions to bolster the group's growth externally: growth target of +8.3% on 2021 consolidated turnover (actual)				8.3%	15.5%	150%
20% - Increase in the investment percentage of taxonomy-aligned investments (capex) (**)				Plan/activity satisfactory and in line with expectations	100% valuation	100%

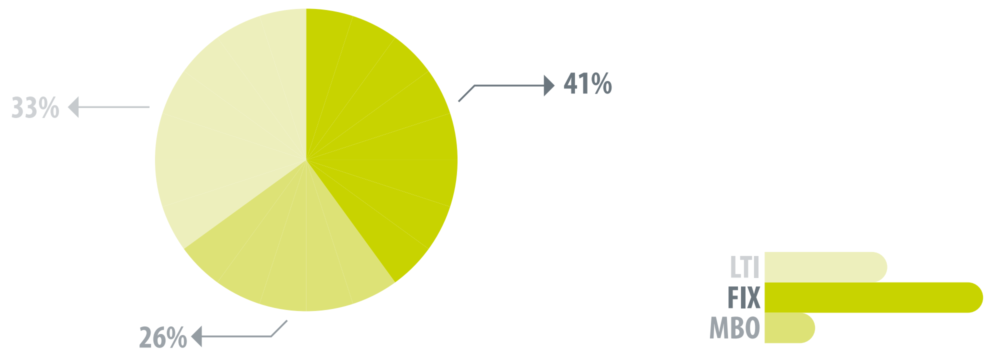
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2020 – 2022 vesting period, the company awarded the chief executive officer 14,473 shares for his rights that had vested in line with his achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 40% of these shares are locked up for two years

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** injury policy, healthcare, car, scholarship for eligible children of employees.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023)

Pay Mix Chief executive officer



Independent directors

The independent directors received their fees in line with that established by the remuneration policy for 2022:

- **Cinzia Donalisio:** €75,000, including a gross annual fee of €50,000 for her position as director, €15,000 for her position as chairperson of the remuneration committee and €10,000 gross for her position as member of the control, risks and sustainability committee;
- **Marina Manna:** €75,000, including a gross annual fee of €50,000 for her position as director, €15,000 for her position as chairperson of the control, risks and sustainability committee and €10,000 gross for her position as member of the remuneration committee;
- **Maria Grazia Filippini:** €70,000, including a gross annual fee of €50,000 for her position as director, €10,000 for her position as member of the control, risks and sustainability committee and €10,000 gross for her position as member of the remuneration committee.

BOARD OF STATUTORY AUDITORS

In 2022, the members of the board of statutory auditors, elected by the shareholders on 20 April 2021, received the following fees for that year:

- **Paolo Prandi (Chairperson):** € 40.000.
- **Saverio Bozzolan:** € 25.000;
- **Claudia Civolani:** € 25.000;

GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The 2022 remuneration policy for the general manager and key management personnel comprised the items stated below.

No disclosure is provided about the targets reached for the variable remuneration component in order to protect information which is sensitive for commercial purposes and/or forecasts that have not been published.

General manager

Giandomenico Lombello, general manager, received:

- **Fixed remuneration:** a fee to remunerate his various duties carried out within the group and a fixed remuneration as senior manager for a total of €280,465 in line with that set out in the 2022 remuneration policy.
- **Short Term Incentive:** The MBO for 2022 will be paid in 2023.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 2 March 2023, led to the board's approval of a pay-out of a €140,000 gross as shown below.

Access gate (EBIT>0) Reached - Performance achieved: €87,311

PERFORMANCE CONDITIONS

	0% threshold	100% target threshold	150% threshold	Results
45% consolidated adjusted EBITDA				150%
20% - Core business consolidated turnover				150%
15% individual performance target				150%
20% ESG target				100%

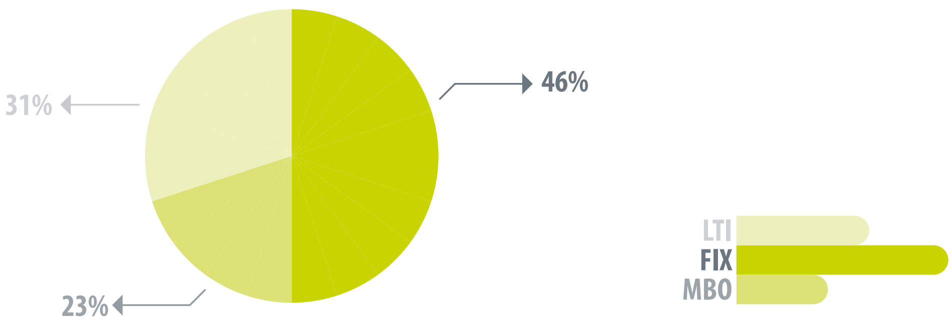
- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2020 – 2022 vesting period, the company awarded the general manager 7,224 shares for his rights that had vested in line with his achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 20% of these shares are locked up for one year.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** injury policy, healthcare, car.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023

Pay Mix General manager



Key management personnel

- **Fixed remuneration:** a fee to remunerate the different positions held by some key managers in other group companies and a fixed remuneration for a total of €725,000 gross.
- **Short Term Incentive:** The MBO for 2022 will be paid in 2023.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 2 March 2023, led to the board's approval of a total pay-out of €332,370 gross, based on the average performances described below.

Access gate (EBIT>0) Reached - Performance achieved: €87,311

PERFORMANCE CONDITIONS

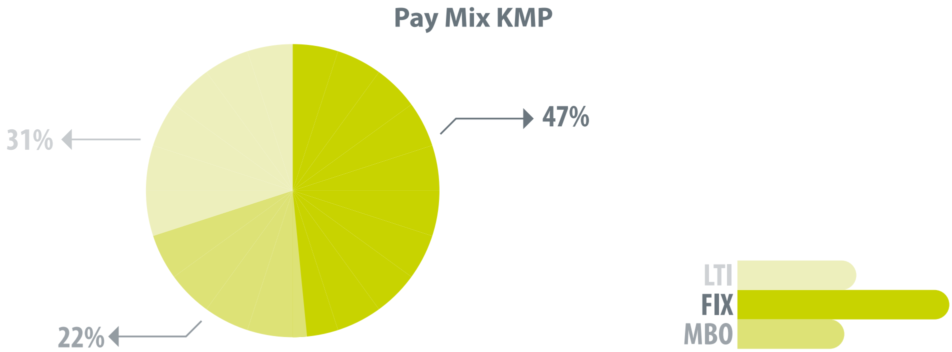
	0% threshold	100% target threshold	150% threshold	Results
45% consolidated adjusted EBITDA				150%
20% - Core business consolidated turnover				150%
15% individual performance target				119,5%
20% ESG target				105%

- **Long Term Incentive:** after the board of directors checked that the performance targets had been met on 2 March 2023 and approved the consolidated financial statements for the last year of the 2019 – 2021 vesting period, the company awarded the key management personnel 18,610 shares for their rights that had vested in line with their achievement of the targets for the 2020 – 2022 vesting period of the LTI plan. 20% of these shares are locked up for one year.

As described above, the second vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

- **Non-monetary benefits:** injury policy, healthcare, car, scholarship for eligible children of employees.

The pay mix for 2022 is as follows (estimated value of the shares using the average price in the period from 18 January 2023 to 17 February 2023.



END OF OFFICE ENTITLEMENT AND/OR OTHER BENEFITS FOR THE DISCONTINUATION OF THE POSITION OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP DURING THE YEAR

Without prejudice to that described below, no end of office entitlement and/or other benefits were paid in 2022 for the discontinuation of positions or termination of employment relationships.

At the date of this report, the company does not have agreements for the payment of end of office entitlement for the discontinuation of a position or early termination of an employment relationship.

PAY RATIO

The following tables provide information for 2020, 2021 and 2022 and changes between the years of:

a. the total remuneration paid to the company's directors, statutory auditors and general manager;
b. the company's results;
c. the average annual gross remuneration of the Carel Group's full-time Italian employees and employees other than those set out in point a) above.

For transparency purposes, the ratio of the remuneration of the company's chairperson, deputy chairperson, executive director and chief executive officer (including the fixed remuneration received in 2022, the MBO and LTI) to the average remuneration of the employees of the Italian Carel Group companies, with the exclusion of the companies acquired in 2022 and whose remuneration policies are currently being aligned with those of the group [1], is provided below.

The calculation scope of the average remuneration of the employees includes the short-term and long-term fixed and variable remuneration of the employees of the Italian group companies, as specified above, as this is deemed to be comparable for remuneration purposes.

	2020 fixed remuneration	2020 total remuneration	2020 total/ 2019 total	2021 fixed remunerat.	2021 total remuneration	2021 total/ 2020 total	2020 fixed remunerat.	2022 total remuneration	2022 total/ 2021 total
Group turnover from core business		331.610.000	1.3%		415.620.109	25.3%		540.786.009	30.1%
Group adjusted EBITDA		65.366.000	2.3%		88.222.012	35.0%		114.735.312	30.1%
CHAIRPERSON Luigi Rossi Luciani	229.166	394.596	58%	250.000	337.500	-14%	250.000	384.403	14%
DEPUTY CHAIRPERSON Luigi Nalini	165.000	284.107	58%	180.000	243.000	-14%	180.000	276.785	14%
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	85.385	125.087	33%	93.333	135.000	8%	100.000	132.262	-2%
CHIEF EXECUTIVE OFFICER Francesco Nalini	340.327	846.960	143%	450.000	985.000	16%	460.000	1.130.303,62	15%
GENERAL MANAGER Giandomenico Lombello	259.700	527.105	97%	280.456	537.600	2%	282.000	609.813	13%
Statutory auditor Paolo Prandi (Chairperson)		N/A	N/A	40.000	40.000	N/A	40.000	40.000	0%
Statutory auditor Claudia Civolani	25.000	25.000	0%	25.000	25.000	0%	25.000	25.000	0%
Statutory auditor Saverio Bozzolan	40.000	40.000	60%	30.000	30.000	-25%	30.000	30.000	0%
Italian employees	36.729,62	42.618	6%	36.952,83	43.525	2%	37.187,65	43.960	1%

PAY RATIO / ITALIAN EMPLOYEES	2020	2020	2021	2022	2022	2022
CHAIRPERSON Luigi Rossi Luciani	6	9	7	8	7	9
DEPUTY CHAIRPERSON Luigi Nalini	4	7	5	6	5	6
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	2	3	3	3	3	3
CHIEF EXECUTIVE OFFICER Francesco Nalini	9	20	12	23	12	26
GENERAL MANAGER Giandomenico Lombello	7	12	8	12	8	14
Statutory auditor Paolo Prandi (Chairperson)	N/A	N/A	1	0.9	0.9	0.9
Statutory auditor Claudia Civolani	0.7	0.6	1	0.6	0.6	0.6
Statutory auditor Saverio Bozzolan	1.1	0.9	1	0.7	0.7	0.7

LTI : estimated share value based on the average price in the period from 18 January 2023 to 17 February 2023

1 The average fixed remuneration of the employees of the Italian group companies for 2021 differs from that published in the 2022 remuneration report in April 2022, as it has been recalculated to include Enginia S.r.l. so that the figure is comparable with the 2022 calculation scope

SHAREHOLDERS' VOTE ON SECTION II OF THE REMUNERATION POLICY FOR THE PREVIOUS YEAR

On 20 April 2022, as required by the ruling legislation, the shareholders cast their favourable vote on Section II of the remuneration report for the remuneration and fees paid in 2022 (91.86% of the participants).

This large majority in favour of Section II illustrates the shareholders' satisfaction with the same section for the previous year.

Nonetheless, the company decided to revisit the policy in order to provide stakeholders with greater and more transparent disclosures in line with its related principles and ensure more engagement with its stakeholders that are at the heart of the company.

DEROGATIONS FROM THE REMUNERATION POLICY AND POSSIBLE APPLICATION OF EX-POST ADJUSTMENT MECHANISMS TO THE VARIABLE COMPONENT (MALUS AND CLAWBACK)

No exceptional circumstances arose in 2022 that would have made derogation from the remuneration policy for that year as approved by the shareholders on 20 April 2021 necessary.

No ex-post adjustment mechanisms were applied to the variable component of the remuneration (malus or clawback) during the year).

SECOND PART - TABLES

The following tables show: (i) in Table 1, the remuneration of the individual directors, statutory auditors and the general manager and collectively of the key management personnel paid for any reason and in any form by the company and its subsidiaries and associates for 2022; (ii) in Table 3A, the equity-settled incentive plans (other than stock option plans) for the directors, general managers and other key management personnel; and (iii) in Table 3B, the cash-settled incentive plans for the directors, general managers and other key management personnel.

Table 1: Remuneration paid to the directors, statutory auditors, general managers and other key management personnel

Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Luigi Rossi Luciani	Presidente esecutivo	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				250,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				250,000	
Luigi Nalini	Deputy chairperson (with acting role)	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				180,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				180,000	
Francesco Nalini	Chief executive officer	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				460,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				460,000	
Carlotta Rossi Luciani	Executive director	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				100,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				100,000	
Cinzia Donalisio	Independent director	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				50,000	25,000
(II) Remuneration from subsidiaries and associates					
(III) Total				50,000	25,000
Marina Manna	Independent director	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				50,000	25,000
(II) Remuneration from subsidiaries and associates					
(III) Total				50,000	25,000
Maria Grazia Filippini	Independent director	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				50,000	20,000
(II) Remuneration from subsidiaries and associates					
(III) Total				50,000	20,000

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
		3,621		253,621		
		3,621		253,621		
		10,710		190,710		
		10,710		190,710		
294,000		5,112		759,112		
294,000		5,112		759,112		
		2,611		102,611		
		2,611		102,611		
				75,000		
				75,000		
				75,000		
				75,000		
				70,000		
				70,000		

Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Paolo Prandi	Chairperson of the board of statutory auditors	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				40,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				40,000	
Saverio Bozzolan	Chairperson of the board of statutory auditors	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				30,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				30,000	
Claudia Civolani	Standing statutory auditor	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements				25,000	
(II) Remuneration from subsidiaries and associates					
(III) Total				25,000	
Giovanni Fonte	Alternate statutory auditor	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates				5,000	
(III) Total				5,000	
Fabio Gallio	Alternate statutory auditor	01.01.2022 31.12.2022			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates				8,000	
(III) Total				8,000	
Alessandra Pederzoli	Alternate statutory auditor	21.04.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements					
(II) Remuneration from subsidiaries and associates					
(III) Total					
Giandomenico Lombello	General manager	01.01.2021 31.12.2021			
(I) Remuneration from the company preparing the financial statements				250,000	
(II) Remuneration from subsidiaries and associates				32,000	
(III) Total				282,000	

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
				40,000		
				40,000		
				30,000		
				30,000		
				25,000		
				25,000		
				5,000		
				5,000		
				8,000		
				8,000		
140,000		5,117		395,117		
				32,000		
140,000		5,117		427,117		

Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings
Key management personnel	Key management personnel	01.01.2021 31.12.2021			
Key management personnel				665,000	
(II) Compensi da controllate e collegate				60,000	
(III) Totale				725,000	

Table 3A: Equity-settled incentive plans (other than stock option plans) for the directors, general managers and other key management personnel

			Financial instruments assigned in previous years not vested during the year		
A	B	1	2	3	4
Name	**Position**	**Plan**	**Number and type of financial instrument**	**Vesting period**	**Number and type of financial instrument**
Luigi Rossi Luciani	Executive chairperson				
(I) Remuneration from the company preparing the financial statements		07/09/2018			8.446
		11/11/2019			5,536
		06/11/2020			4,366
(II) Remuneration from subsidiaries and associates					
(III) Total					18,348
Luigi Nalini	Deputy chairperson (with acting role)				
(I) Remuneration from the company preparing the financial statements		07/09/2018			6,081
		11/11/2019			3,986
		06/11/2020			3,144
(II) Remuneration from subsidiaries and associates					
(III) Total					10,067
Francesco Nalini	Chief executive officer				
(I) Remuneration from the company preparing the financial statements		07/09/2018			15,068
		11/11/2019			13,285
		06/11/2020			12,224
(II) Remuneration from subsidiaries and associates					
(III) Total					40,577

Non-equity-settled variable remuneration						
Awards and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity-settled remuneration	End of office or termination of employment entitlement
332,370		12,851		1,010,221		
				60,000		
332,370		12,851		1,070,221		

Financial instruments granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
5	6	7	8	9	10	11	12
Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
81,276	three-year	01/10/2018	8,.88		9,364.92	174,544.40	
75,192	three-year	01/12/2019	13.55		6,643.00	149,002.49	
75,997	three-year	19/11/2020	17.18				36,479
232,465					16,007.92	323,546.89	36,479
58,517	three-year	01/10/2018	8.88		6,743	125,669.49	
54,139	three-year	01/12/2019	13.55		4,783	107,282.69	
54,726	three-year	19/11/2020	17.18				26,269
112,656							26,269
15,068	three-year	01/10/2018	8.88		16,708.00	311,405.37	
13,285	three-year	01/12/2019	13.55		15,942.00	357,579.06	
12.224	three-year	19/11/2020	17.18				102,134
538,218							102,134

			Financial instruments assigned in previous years not vested during the year		
A	B	1	2	3	4
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument
Carlotta Rossi Luciani	Executive director				
(I) Remuneration from the company preparing the financial statements		07/09/2018			2,027
		11/11/2019			2,790
		06/11/2020			1,048
(II) Remuneration from subsidiaries and associates					
(III) Total					5,865
Giandomenico Lombello	General manager				
(I) Remuneration from the company preparing the financial statements		07/09/2018			7,975
		11/11/2019			6,851
		06/11/2020			6,101
(II) Remuneration from subsidiaries and associates					
(III) Total					20,927
Key management personnel	Key management personnel (4)				
(I) Remuneration from the company preparing the financial statements		07/09/2018			24,017
		11/11/2019			18,663
		06/11/2020			15,718
(II) Remuneration from subsidiaries and associates					
(III) Total					58,398

Financial instruments granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
5	6	7	8	9	10	11	12
Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
19,506	three-year	01/10/2018	8.88		2,248	41,898.45	
37,895	three-year	01/12/2019	13.55		3,348.00	75,095.64	
18,242	three-year	19/11/2020	17.18				8,756
75,643							8,756
76,743	three-year	01/10/2018	8.88		8,843	164.816,72	
93,052	three-year	01/12/2019	13.55		8,221.00		
106,198	three-year	19/11/2020	17.18				50,975
275,993							50,975
231,116	three-year	01/10/2018	8.88		18,033.52	336,110.61	
253,486	three-year	01/12/2019	13.55		15,767.00	353,653.81	
273,597	three-year	19/11/2020	17.18				131,327
758,199					33,801	689,764	131,327

Table 3B: Cash-settled incentive plans for the directors, general managers and other key management personnel

A	B	1	2A
Name	Position	Plan	
			To be paid/paid
Luigi Rossi Luciani	Chairperson		
(I) Remuneration from the company preparing the financial statements			
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			
Luigi Nalini	Deputy chairperson		
(I) Remuneration from the company preparing the financial statements			
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			
Francesco Nalini	Amministratore Delegato		
(I) Remuneration from the company preparing the financial statements		MBO 2022	294,000
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			
Carlotta Rossi Luciani	Executive director		
(I) Remuneration from the company preparing the financial statements			
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			
Giandomenico Lombello	General manager		
(I) Remuneration from the company preparing the financial statements		MBO 2022	140,000
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			140,000
Key management personnel	Key management personnel (4)		
(I) Remuneration from the company preparing the financial statements		MBO 2022	332,370
		LTI 04/11/2021	
(II) Remuneration from subsidiaries and associates			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	
(III) Total			332,370

2B	2C	3A	3B	3C	4
Award for the year		Previous year award			Other bonuses
Deferred	Deferral period	No longer available	To be paid/paid (1)	Still deferred	
87,000	2024				
87,500	2025				
174,500					
63,000	2024				
63,000	2025				
126,000					
270,000	2024				
276,000					
546,000					
35,000	2024				
35,000	2025				
70,000					
126,900	2024				
126.900	2025				
253,800					
310,500	2024				
326,250	2025				
636,750					

Table 7: Equity investments held by the directors, statutory auditors, general managers and other key management personnel

The individuals shown have title to the equity investments, acquired free of charge under the LTI plan.

Name	Position	Investee	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at year end
Luigi Nalini	Deputy chairperson	Carel Industries S.p.A.	6,743	4783*	0	11,526
Luigi Rossi Luciani	Chairperson	Carel Industries S.p.A.	9,365	6643*	0	16,008
Francesco Nalini	Chief executive officer	Carel Industries S.p.A.	6,707	15942*	9,500	13,149
Carlotta Rossi Luciani	Directorship	Carel Industries S.p.A.	2,248	3348*	3,357	2,239
Giandomenico Lombello	General manager	Carel Industries S.p.A.	5,293	8221*	3,514	10,000
Key management personnel		CAREL Industries S.p.A.	4,034	15767*	9,719	10,082

* acquired free of charge under the LTI plan

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