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

CAREL

REMUNERATION REPORT

2025

CONTENTS

LETTER TO THE SHAREHOLDERS

Dear shareholders,

As chairperson of the remuneration committee, I am particularly pleased to present to you, on behalf of the board, the annual report on the remuneration policy and fees paid by the Carel Group, covering the first year of the board's 2024-2026 term. The policy is compliant with the company's governance model, ruling legislation, and the recommendations of Borsa Italiana's Code of Corporate Governance which the company has adopted. This document provides a thorough, clear and transparent overview of how the policy was applied in 2024 and sets out the details of the 2025 policy.

Despite uncertainty and turbulence setting the backdrop, in 2024, Carel successfully continued on its path of business development and sustainable industrial transformation, in line with its adopted strategy focused on economic, environmental and social sustainability, energy diversification (the climate transition plan), geographical and technological diversification, and the implementation of a resilient, efficient and sustainable supply chain. These commitments were reiterated by the company in its recently approved 2024-2028 sustainability plan.

To best manage the significant growth recorded in recent years, the diversification of the business and the implementation of the new and challenging business plan, the board of directors approved an **ambitious organisational restructuring** in 2024 with **the objective of unlocking the company's full potential**. The aim is to evolve towards an increasingly integrated, collaborative and synergic operating model to strengthen the focus on customers and international markets and the company's ability to provide integrated product and service solutions while staying on top of the innovation curve.
This new organisational model envisages a redistribution of competencies among senior corporate governance functions, eliminating the position of general manager and introducing new senior figures along with reinforced, streamlined structures reporting directly to the CEO. In this manner, the CEO hones in on developing the company's activities, as well as maintaining a strong focus on developing and elaborating long-term strategies in an increasingly interconnected international environment.
The new leadership team has a growing international profile and stronger innovative digital skills in order to meet the many challenges and opportunities presented by new technologies such as artificial intelligence. Challenges that Carel is tackling with targeted diligence, investing in research, training and developing specific skills. The aim is to responsibly integrate and apply these technologies within the company's products and services with an ongoing focus on safety to improve quality, reliability and efficiency.

Carel is currently well positioned on the market and well-structured internally to be able to achieve the ambitious targets set for 2025 and following years. It is ever ready and able to evolve and transform itself to support future challenges thanks to its ability to combine values and long-term vision with a unique capacity for implementation.
Carel has always been committed to accelerating the **development of a sustainable and merit-based culture** and promoting **a work environment that values diversity, equal opportunities and inclusion.** These commitments were reiterated by the company in its recently approved **2024-2028 sustainability plan.**

For this, I would like to express my sincere thanks to the management team and all the people at Carel, the true instigators of this transformation, for their execution skills, commitment and unfailing enthusiasm.

The 2025 remuneration policy

The remuneration policy is a key strategic element that offers support in tackling the company's important challenges.
The new committee - of which I was honoured to stay on as chairperson - fulfilled its role, by making proposals and providing advice, in applying the remuneration policy drawn up at the end of the previous board's term. The committee also worked on defining a policy for 2025 that is fit to support the group's transformation.
Based on the proven ability of the current remuneration policy to guide implementation of the business plan, the **remuneration framework** is applied once more for the current year. This is designed to be **fit for purpose and fit for the future** and to continue to support the company's ambitious transformation journey, providing new impetus to exceed targets and continuing to fully align the interests of management and shareholders to create long-term value for Carel. The cornerstone of the policy is awarding results, incentivising performance and guiding towards enhancing excellence.
In short, the 2025 remuneration policy, which will be submitted to the shareholders for approval, is essentially in line with its predecessor in terms of principles while also containing the updates needed to support and enhance the new organisational model and to more closely align the overall remuneration framework with the long-term goals of shareholders and investors and the interests of stakeholders, taking into account market practices and regulatory updates.
The remuneration policy is evolving in order to:

- ensure the retention and attraction of critical skills and excellence for the development of a business distinguished by its specialised nature;
- adjust the remuneration of strategic positions, starting with the CEO, to market levels.

This alignment is necessary to ensure fair and incentivising remuneration that can continue to motivate and engage critical resources and talents.
With regard to variable remuneration, the company continues to consolidate variable incentive systems to further align them with the best market practices, linking them to a clear, articulated and measurable target structure, in line with the objectives of the business plan and providing a clear link between remuneration and performance (pay for performance).
In this regard, the medium- and long-term incentive plans are more or less unchanged from 2024. However, there is greater disclosure of the volume of the respective plans, potential overlaps in the metrics used have been eliminated and the number of beneficiaries has been expanded/revised. In line with market feedback, these plans also introduce a restriction on the discretionary implementation of the long-term incentive plan.
Remuneration continues to be tied to the sustainable business strategy, with clear evidence of the link between ESG KPIs and corporate strategy, in order to steer management's behaviour and corporate performance towards the primary objectives of worker health and safety, attention to environmental issues, diversity & inclusion, anti-corruption, business integrity and people management.

Dialogue with shareholders

The committee will continue to ensure clear, accurate, timely and complete communication with proxy advisors and institutional investors in this new term, always welcoming dialogue and in compliance with the principle of equal information and regulations regarding managing and communicating documents and information concerning the company.
This dialogue is an invaluable opportunity to clarify decisions made and receive helpful inspiration on possible policy developments, in a process of continuous improvement while respecting the previously defined structure, purpose and general principles, in line with the corporate culture and in response to the broad consensus that shareholders and institutional investors have expressed to date on this overall framework.

2024 results

The remuneration policies applied in 2024 reflect Carel's results, both financial and operating, as well as the implementation of the energy transition and decarbonisation strategy in **full convergence and integration of sustainability goals with competitive and business goals**. Specifically, the CEO's remuneration is strongly tied to the company's results and the value created for shareholders. This shows that Carel's remuneration policy helps achieve strategic targets and align with the interests of shareholders and stakeholders, through an incentive system characterised, both in the short and long term, by balanced financial and non-financial metrics that also give significant weight to social, environmental and energy transition objectives.

Conclusion

I would like to thank my fellow committee members, Marina Manna and Mario Cesari, for their constant availability and contribution through their great wealth of professionalism and experience.

Dear shareholders, please find attached the 2025 remuneration report for your review. I trust in your continuing support for Carel's remuneration policy in line with the group's vision of **valuing people as its main competitive advantage**, with a view to attracting, motivating and retaining resources and achieving long-term sustainable results for all our stakeholders.

Confident that the framework of the remuneration policy and the changes introduced will be in line with your expectations, I would like to thank you in advance for your acceptance and support of the remuneration policy proposed for 2025.

I would also like to take this opportunity to warmly thank all members of the board of directors, the board of statutory auditors and the company departments that have actively contributed to defining the policy, ensuring its consistency with national and international best practices in line with the Carel Group strategy. Special thanks must also go to all the staff of the HR & organisation department with whom we have always worked in a constructive and open manner to find balanced and shared solutions.

Cinzia Donalisio
Chairperson of the remuneration committee
Carel Industries S.p.A.

INTRODUCTION

The board of directors of Carel Industries S.p.A. ("**Carel**" or the "**company**") approved this report on the remuneration policy for 2025 (Section I) and the remuneration paid to the directors, statutory auditors, chief executive officer, general manager and key management personnel in 2024 (Section II) (the "**report**") on 13 March 2025. 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 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 business development strategies in 2025, as part of the unceasing pursuit of optimal operating performance and maximum sustainability, both environmental and social.

The results of operations achieved in 2024 in a decidedly unfavourable economic environment were substantially determined - despite the fall in sales volumes - by the huge focus on management performance related, on the one hand, to cost containment and, on the other, to the constant improvement of operating flows related, in particular, to production and the logistics chain.

Partially building on the previous year, the strategic development goals pursued in 2024, are summarised below:

- **the operating model was revised** in order to make it simpler and more agile and integrated to support a collaborative and synergetic approach between the different departments, also with a view to fostering the creation of long-term value for the company;
- **the commitments set out in the three-year sustainability plan were strengthened**, further confirmation that the sustainable development of the business at a global level is a driver of Carel's success;
- **the managerial skills of the organisational structure were consolidated** through continuously training human capital and planning initiatives aimed at enhancing merit, performance and adherence to the company's principles and values;
- **the commitment to meet customer needs was ramped up** by ensuring the highest level of service, quality and technical support, even at a time characterised by uncertainty and economic downturn;
- **the strategic development of the services business was promoted further**, including both field and digital services, increasingly integrating them right from the offset into the services offered by the company;
- **the company's digitisation was pushed further** through the full implementation of the new Product Lifecycle Management system, which is gradually automating activities related to new product development, design and production.
- **potential M&A opportunities continued to be closely monitored** in order to support growth through external lines while also integrating different business models that can generate synergies and strengthen the company's competitive position.

The coordinated pursuit of all these strategies has allowed for an outstanding economic-financial performance, even in 2024, despite the continuing macroeconomic situation marred by instability and uncertainty, especially in certain markets.

Despite certain key changes in the company's organisational structure, the 2025 remuneration policy will therefore continue along the path approved, with a broad consensus, by the shareholders on 18 April 2024 with the same key elements and traditional structure of previous years.

EXECUTIVE SUMMARY


GOVERNANCE
SOCIAL
ENVIRONMENTAL

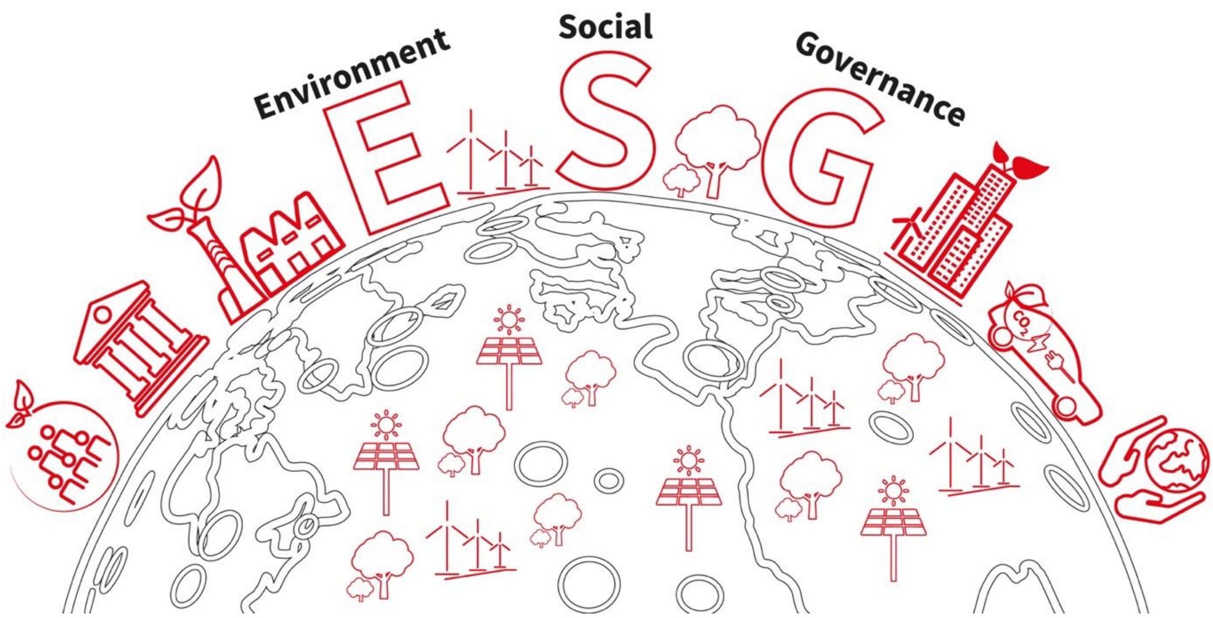
DOING BUSINESS RESPONSIBLY: OUR DISTINGUISHING VALUE

Carel has always based its success on research, innovation and technology, placing customer needs at the heart of its activities. For over fifty years, the company has acted as technology partner by offering state-of-the-art solutions designed to ensure high performance, maximise energy efficiency and reduce environmental impact.

Carel's goal is to combine economic development and sustainability. We are aware of the challenges involved and are therefore passionately and tenaciously investing in this direction. Our commitment is not limited to business growth; we aim to grow responsibly with unwavering focus on people and the environment.

We are certain that protecting the environment, valuing people and sharing the results of our growth are fundamental pillars of our business approach. This is why, with the full support of management, we constantly strive to create value while remaining true to our identity and principles. Our business model is geared towards long-term success, promoting a clear and strong tie between company performance and sustainability goals.

In 2025, we want to give a further boost to our development by implementing a new operating model that will start from the Italian headquarters and then gradually extend to the entire group. In doing so, we will, as always, prioritise the well-being of our employees, aiming to attract new talent and skills in order to tackle an increasingly challenging and competitive market. Our strategy of sustainable growth and innovation will continue to guide us even in this uncertain macroeconomic landscape, helping us to seize and make the most of all the business opportunities that the market has to offer.



A NEW OPERATING MODEL: PROJECT IMPULSE WILL ESCALATE DEVELOPMENT AND GROWTH

Project **Impulse** was launched in 2024 to define and implement a new organisational model for the group, aimed at boosting the operating structure's efficiency and ability to face future challenges. The main focus is to exploit the technical skills and business potential at the company's disposal, also by redefining internal processes and how the company's governance committees are run.

This new structure features a simpler, leaner and more flexible operating structure, a stronger focus on the international side of the business and an integrated approach to offering products and services across all market channels. Furthermore, the model is designed to shore up company leadership in the area of technological innovation.

The gradual implementation of the model throughout the group, which is expected to be completed by the end of 2025, aims to strengthen the operating structure through a clearer definition of roles and responsibilities.

The goal is to promote merit and performance and, above all, to create a more agile structure. In this regard, the number of managers reporting directly to the CEO was reduced and some operating functions within individual departments were merged. These changes will help distribute responsibilities in a more effective and balanced way, preventing loss of operating efficiency and excessive centralisation of decision-making.

We are therefore confident that the new structure will make a significant contribution to value creation, thanks to a more cohesive operating model based on cooperation and a strategy of bilateral development among the different company departments.

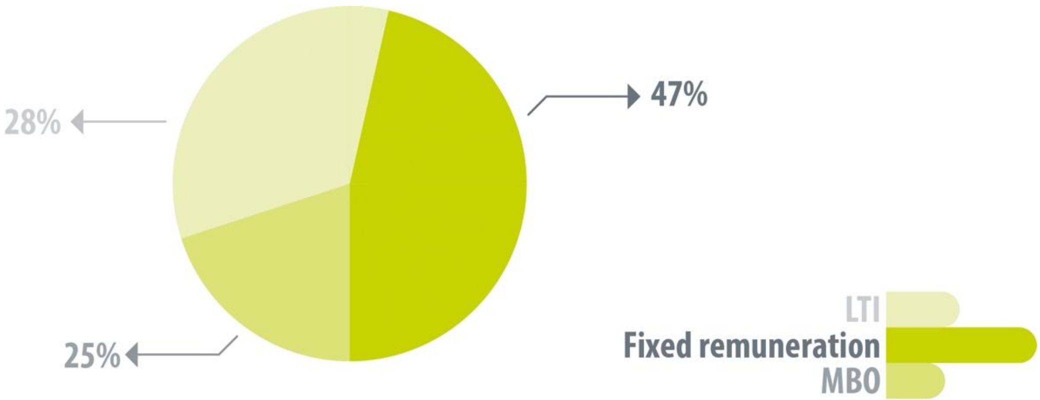
The group's governance is based on a set of shared principles and a unified framework designed to ensure transparency and consistency in management policies. Specifically, the guidelines and criteria adopted for the remuneration policy are applied uniformly across all group companies, ensuring strategic alignment and promoting a corporate culture based on fairness, meritocracy and sustainability.

HIGHLIGHTS

- At least **30%** of the annual variable incentive (MBO) of key management personnel is tied to the ESG targets.
- **30%** of the long-term three-year incentives (LTI) is tied to the sustainability targets.

- **53%** of the CEO's total remuneration consists of both short- and medium- to long-term variable monetary incentives (3-5 years) tied to the sustainability of the company's actual financial performance.

Pay mix - CEO



OUR COMMITMENT TO SUSTAINABILITY

The new 2025-2028 sustainability plan was approved in late 2024, continuing on from the previous Driven by the Future plan. The new plan is structured around classic **ESG** drivers, setting out a total of 36 targets and 72 initiatives/projects to be implemented.

Through this plan, the company also reiterates its commitment to integrating sustainability with business development, linking it directly to its remuneration policy for senior management and key personnel. Indeed, the remuneration policy will include **ESG** targets in both short-term (MBO) and medium- to long-term (LTI) incentive plans.

The sustainability plan is broken down into three key areas:

- **Environmental**: reducing environmental impact, mitigating climate change and using recycled materials to reduce the company's carbon footprint.
- **Social**: promoting gender equality, improving health and safety conditions in the workplace and supporting social, sporting and cultural initiatives.

- **Governance**: obtaining ISO 27001 security certification, updating anti-corruption policies and introducing sustainability rating for assessing suppliers' ESG score.

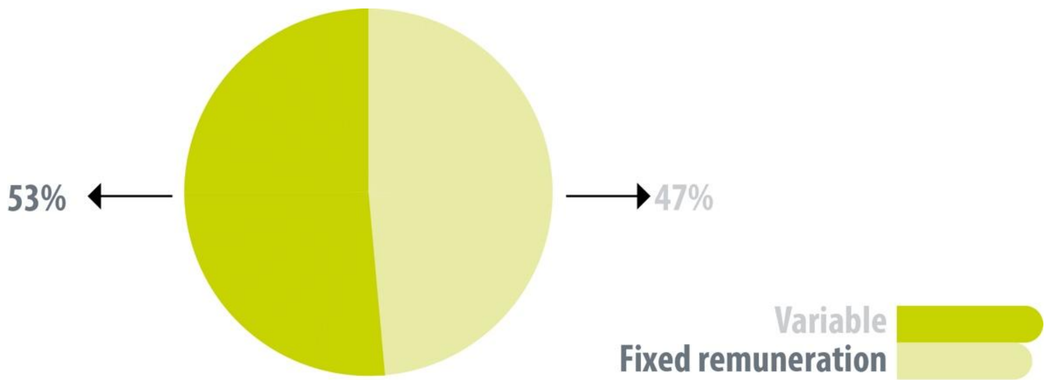
As a result, the 2025 remuneration policy will be geared towards combining business targets with sustainability goals, in all of the latter's different forms. The aim is to help merge our corporate CULTURE with the principles of transparency, ethics and accountability, which form the cornerstone of our governance model.

THE PERFORMANCE-REMUNERATION LINK

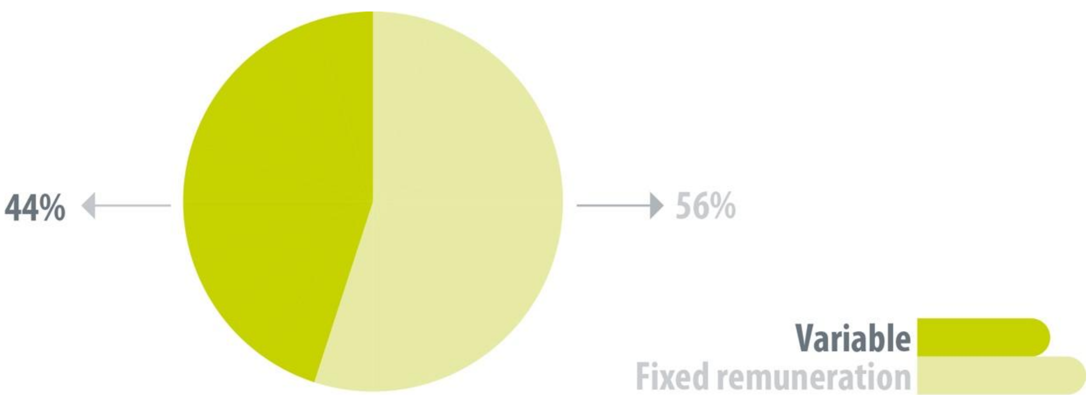
The remuneration of the CEO and key management personnel is closely tied to the company's actual short-term (MBOs) and medium to long-term performances (LTIs).

The proportion of variable remuneration ranges from 53% for the CEO to 44% for key management personnel.

Pay mix - CEO



Pay Mix Key Management Personnel



MBO 2025 | CEO - EX-ANTE DISCLOSURE OF TARGETS

TARGET	WEIGHT	MIN	TARGET	MAX
		ON/OFF condition		
Group cash flow	30%	0	90,000	135,000
Group consolidated turnover	15%	0	45,000	67,500
Individual integrated "ESG & Business" targets (3)	55%	0	165,000	247,500
			300,000	**450,000**

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 SECOND PART - 2025-2027 LTIS FOR THE CEO, EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The second part of the new cycle of incentives related to the 2025-2027 vesting period will be assigned in 2025. 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 (2025-2027).	Free award of shares if performance objectives are met over three years (2025-2027).

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

THE 2024-2028 LTI PLANS

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

- first vesting period: 2024-2026: assigned in 2024.
- **second vesting period: 2025-2027: to be assigned in 2025.**
- third vesting period: 2026-2028: to be assigned in 2026.

Each three-year vesting period is extended by a 24-month lock-up period even when the objectives are only partly met, 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 applies differentially depending on the type of plan being awarded:
  - 10% of the shares for the equity-settled plans;
  - 20% of the cash award for the cash-settled plans.

THE 2025-2027 LTI PLANS FOR THE CEO AND KEY MANAGEMENT PERSONNEL

Performance conditions

Second part of the 2025-2027 LTIs

50% - cumul. adj. EBITDA in the 3 years	80% min. level	100% ON TARGET	120% max. level
20% - adj. cash conversion in the 3 years			
30% - ESG target			

CEO

60% of the award accrued for the performance achieved in the three-year vesting period 2025-2027 is disbursed in 2028.	**40%** of the award accrued for the performance achieved in the three-year vesting period 2025-2027 is disbursed in 2030, i.e., after a 24-month lock-up period.

Key management personnel

80% of the award accrued for the performance achieved in the three-year vesting period 2025-2027 is disbursed in 2028.	**20%** of the award accrued for the performance achieved in the three-year vesting period 2025-2027 is disbursed in 2030, 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.

The 2025 remuneration policy, in line with previous years, has thus maintained and strengthened the main additions made during the previous year, namely:

- significantly limiting exceptional circumstances for which it is possible to waive the approved remuneration policy or to circumscribe in a selective manner the situations for which the components of the remuneration policy can be modified with the aim of best pursuing the long-term and sustainability objectives of the company;
- not including the long-term variable component in the economic treatments provided in the event of departure from office or termination of the employment relationship, nor allocate any end of office entitlements;
- in order to preserve the confidentiality of the strategic objectives included in its business plan, the company confirmed its full willingness to disclose, ex-post, (see section II of this report) all the amounts and results it effectively reached in relation to both short and medium/long-term incentive plans.

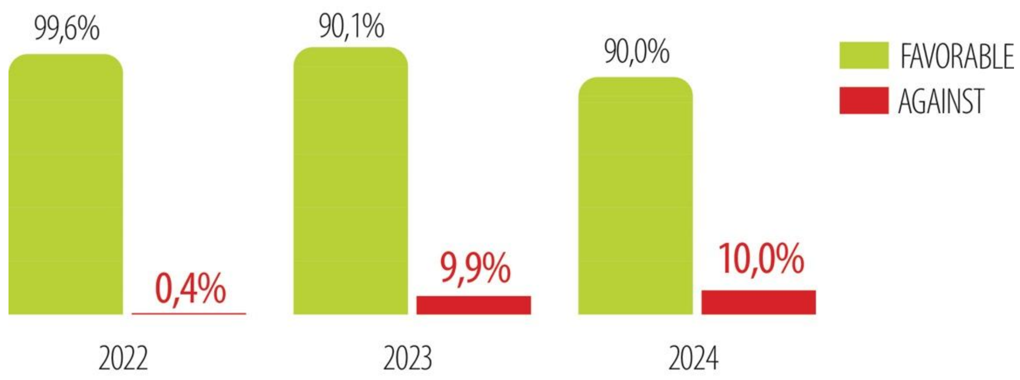
The following suggestions made by the proxy advisors during the shareholders' vote on the 2024 remuneration policy were fully implemented:

- providing full disclosure of the total economic value of the long-term incentive plan approved by the company;
- significantly limiting the use of a discretionary approach in implementing the LTI plan;
- using different targets in the short-term (MBO) and medium- to long-term (LTI) incentive schemes in order to measure management performance along different indicators.

In addition, the policy of assigning long-term incentive plans exclusively in the form of cash ("LTI cash") to executive members of the board of directors belonging to families traceable to controlling shareholders is applied in 2025 as in previous years.

REMUNERATION POLICY AND SHAREHOLDERS' VOTES

Traditionally, the remuneration policies have received very positive endorsement with votes cast in favour of their approval always reaching 90% at least.



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 2022, 2023 and 2024 and the average remuneration received by the group's Italian employees in the same period:

	2024	2023	2022
CEO	€510,000	€490,000	€460,000
Italian employees	€40,231	€38,397	€37,188
Pay ratio	13:1	13:1	12:1

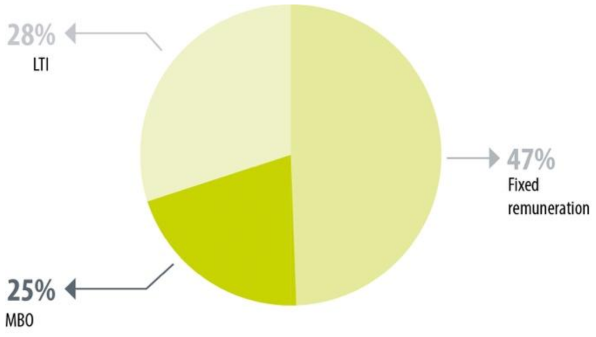
Note
Calculated only on fixed remuneration

PAY FOR PERFORMANCE

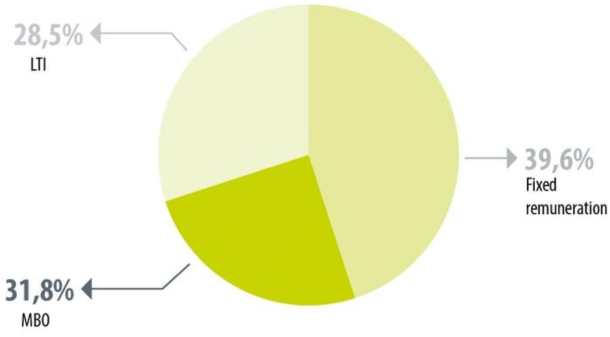
The remuneration package of the CEO, executive directors with special duties and key management personnel comprises:

- 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



A TARGET



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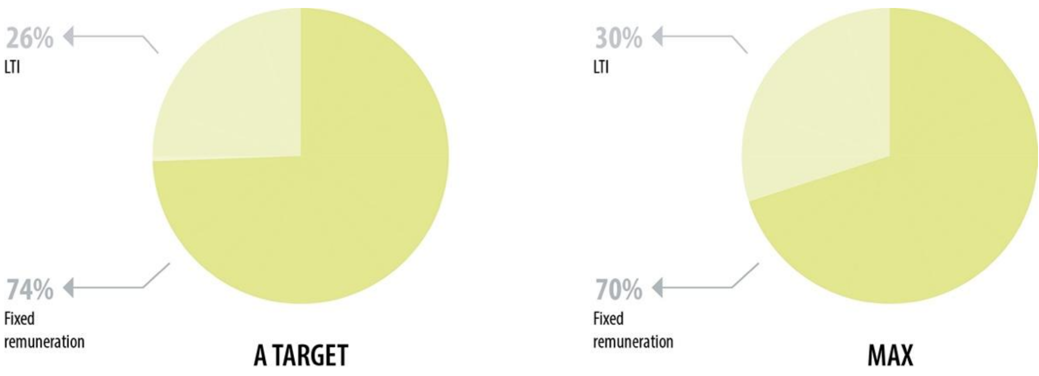
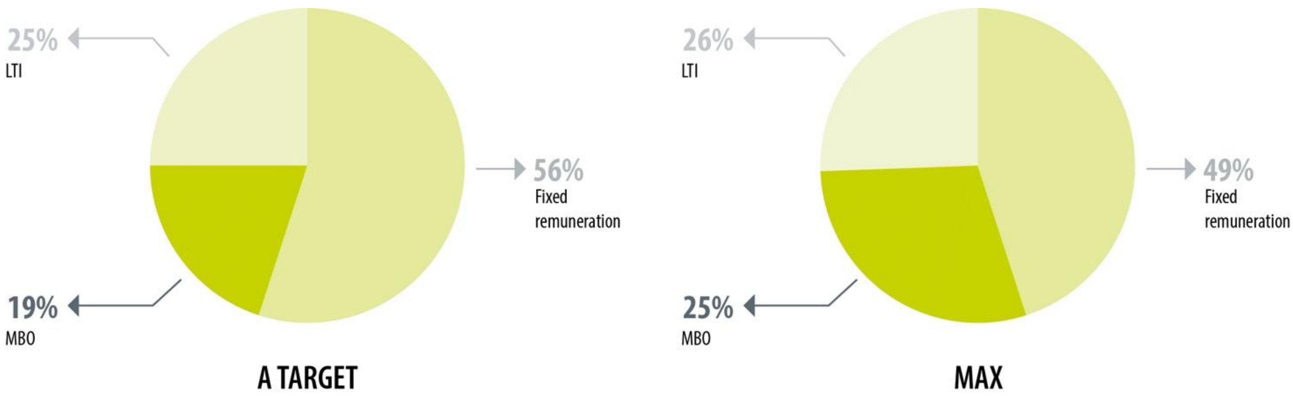
TARGET AND MAXIMUM PERFORMANCE – Executive directors



TARGET AND MAXIMUM PERFORMANCE – Key management personnel (average combined figure)



CAREL'S 2025 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.

* Note: the sum of employee salary and director's fees.

SCOPE

Able to attract, motivate and retain the best resources

CHAIRPERSON	€270,000
DEPUTY CHAIRPERSON	€200,000
EXECUTIVE DIRECTOR	€120,000
CEO	€560,000
Key management personnel*	*€233,000

*(average combined figure)

SHORT-TERM VARIABLE BONUS (MBO)

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

- Group EBITDA - 30%
- Group turnover - 15%
- Integrated ESG & Business target - 55%

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

SCOPE

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

CEO	€300,000
Key management personnel*	*€81,000

*(average combined figure)

LONG-TERM VARIABLE BONUS (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.

Bonus CAP: 120% of the number of shares or monetary incentive awarded when the bonus is defined

Vesting: three rolling three-year cycles (2024-2026, 2025-2027, 2026-2028). The second cycle covering the 2025-2027 period will be awarded in 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 – 20%
- ESG target – 30%

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

OTHER ELEMENTS

BENEFITS	**SCOPE**
As part of our Total Rewards 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 recognise, using discretionary extraordinary bonuses, employees who distinguish themselves through outstanding achievements in reaching company goals.
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
2025 REMUNERATION POLICY

THE POLICY'S PRINCIPLES AND BENEFICIARIES

The key objective of the Carel group's (the "group") 2025 remuneration policy (the "**remuneration policy**") is to pursue a responsible approach underpinned by **expertise, performance and sustainability**. Accordingly, the remuneration policy gives greater 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 to support the company's strategic development.

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 or those who can contribute significantly to the achievement of its business objectives.

The principles upon which Carel bases its remuneration policy, linking variable incentive mechanisms to actual operational performance achieved, are as follows:

- **Equality, 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 gender equity (i.e., achieving substantial alignment of remuneration, with equal roles held and performance achieved, regardless of different gender affiliations).
- **Sustainability**: new performance goals (both economic/financial and ESG targets) are set based on award systems which are increasingly aligned to the group's strategic and sustainability drivers. These award systems (both cash-settled and equity-settled) vest over time and reflect the company's risk profile and intention to increase equity value over time for the group's investors and all its stakeholders.
- **Competitiveness**: the remuneration policy pays great attention to the pay mix i.e., the distribution of the overall remuneration of management in its different fixed and variable components, with the substantial objective of aligning 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 adopted a policy of engagement with investors and proxy advisors and a clear and transparent governance system in order to provide information about the remuneration of boards and management in the most open and transparent manner possible and constructive dialogue with the market with a view to ongoing improvement.

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 2025 REMUNERATION POLICY

On 18 April 2024, in line with the ruling regulations, the shareholders approved the 2024 remuneration policy described in Section I of the remuneration report with a favourable vote of **90.03%**.

The 2025 remuneration policy, subject to the approval of the shareholders' meeting on 23 April 2025, in line with previous years, has maintained and strengthened the main additions made during the previous year, namely:

- significantly limiting exceptional circumstances for which it is possible to waive the approved remuneration policy or to circumscribe in a selective manner the situations for which the components of the remuneration policy can be modified with the aim of best pursuing the long-term and sustainability objectives of the company;
- not including the long-term variable component in the economic treatments provided in the event of departure from office or termination of the employment relationship, nor allocate any end of office entitlements;
- in order to preserve the confidentiality of the strategic objectives included in its business plan, the company confirmed its full willingness to disclose, ex-post, (see section II of this report) all the amounts and results it effectively reached in relation to both short and medium/long-term incentive plans.

The following suggestions made by the proxy advisors during the shareholders' vote on the 2024 remuneration policy were fully implemented:

- providing full disclosure of the total economic value of the long-term incentive plan approved by the company;
- significantly limiting the use of a discretionary approach in implementing the LTI plan;
- using different targets in the short-term (MBO) and medium- to long-term (LTI) incentive schemes in order to measure performance along indicators that do not overlap, even though they are also calculated over different time periods (to date EBITDA as a percentage of turnover has been used for MBOs and cumulative total EBITDA in the three years for LTIs).

In addition, the policy of assigning long-term incentive plans exclusively in the form of cash ("LTI cash") to executive members of the board of directors belonging to families traceable to controlling shareholders is applied in 2025 as in previous years.

In any case, the economic value of these plans does not modify the amount of the shareholdings held by individual executive members and, above all, prevents the potential adoption of opportunistic behaviour that prefers the 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 2025 remuneration policy:

(i) incorporates 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 and recommendations of Borsa Italiana's Code of Corporate Governance.

SALARIES AND EMPLOYMENT CONDITIONS OF EMPLOYEES AND REMUNERATION POLICY

In 2024, the company's efforts were largely focused on three macro-fields of activity:

- designing and implementing a new organisational model by launching Project Impulse;
- defining the new sustainability plan for the 2025-2028 four-year period;
- consolidating a series of Human Capital Management (HCM) activities in a through line with the initiatives launched by the company over the past three years.

Linked to defining and implementing the group's new organisational model, Project Impulse was launched with the goal of adapting the operating structure to the business challenges facing the company in the coming years, while fully exploiting its technical skills and business potential.

The features of the new model can be summed up as adopting a simpler, leaner and more flexible operating structure, strongly focusing on the international side of the business, adopting an integrated approach to offering products and services to customers across all of the company's market channels and, finally, maintaining a strong leadership position in terms of technological innovation.

Adopting this new model, which will be gradually implemented in 2025, will make the operating structure more robust through a better definition of roles and responsibilities. The goal is to promote merit and performance and, above all, to create a more agile structure. To this end, the general manager, who retired, was not replaced and the number of managers reporting directly to the CEO was reduced. This will prevent the risk of allocating excessive decision-making power to one managerial figure, as was the case in the past.

The second strand of activity focused on defining the new sustainability plan for 2025 to 2028. The new plan is structured around classic **ESG** drivers, setting out a total of 36 targets and 72 initiatives/projects to be implemented.

The **"E"** (environment) **scope** comprises a series of initiatives aimed at reducing direct Scope 1, 2 and 3 emissions under the SBTi (Science Based Targets initiative) methodology, boosting the energy efficiency of production facilities and increasing the use of recycled materials or materials with a reduced environmental impact, in order to reduce the carbon footprint of purchased products.

The **"S"** (social) **scope** is structured around initiatives that are aimed, in continuation with previous years, at guaranteeing equal opportunities for all employees, also with a view to ensuring fairer, more respectful and inclusive working environments. There was also a huge focus on working conditions, by adopting group-wide gender equality policies and granting adequate pay, and on health and safety, through employee development and training and well-being initiatives.

The **"G"** (governance) **scope** is promoted through initiatives aimed at implementing management systems for data protection and security and business continuity resilience and developing specific policies to manage risks related to counterfeiting, fraud, anti-trust regulations and boycott prevention.

The final strand of activity is a series of **Human Capital Management (HCM)** initiatives aimed at ensuring, in a still particularly competitive labour market, the constant well-being of employees, not only from a purely economic point of view, but also through company welfare tools and by improving work-life balance through flexible benefits platforms and a structural application of working from home.

In 2025, the company will also proceed with a job evaluation of the positions/roles belonging to the different levels of the company compared to the reference market. This will then be integrated with pay benchmarking in order to measure any deviations and any actions to be taken to close these gaps.

Given the still particularly difficult situation on the labour market due to high levels of competition tied to unprecedented labour and skill shortage, the main objective is to increase the workplace's attractiveness and retention, especially for the most positions and roles that are most difficult to source on the market but also, to balance the salaries within the overall company structure fairly and sustainably.

Applying Talent Pool Management and Performance Management models will then allow for further evaluation and refinement of the company's workforce in order to measure the contribution that different employees are and will be able to make to the achievement of the company's business objectives.

In line with the indications provided in previous years, for the CEO, key management personnel and senior management in general, the 2025 remuneration policy envisages an overall remuneration structure based on their positions and duties for the fixed component, while the contribution made by each individual profile to the achievement of the company's targets, both short- and medium-to-long-term, linked both to business performance and to the achievement of the sustainability objectives that the company has set within its 2025 2028 plan, 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.

The group's governance model is based on shared principles and a unified framework that ensures consistency and transparency in management policies. Specifically, the guidelines and criteria adopted for the remuneration policy are applied across all group companies, ensuring strategic alignment and promoting a corporate culture based on fairness, meritocracy and sustainability.

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, also in view of implementing any amendment that becomes necessary should the selected circumstances contained in the derogation policy arise.

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.

COMPOSITION

At the date of this report, the remuneration committee that provided the board of directors with the draft 2025 policy for approval, comprised the following non-executive independent directors:

- **Cinzia Donalisio**, chairperson;
- **Marina Manna**, member;
- **Mario Cesari**, 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 2024, 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 18 December 2024 at which one absence was recorded.

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
Final 2023 MBO payout analysis related to the chief executive officer and internal auditor; the analysis and target setting related to the 2024 MBO of the chief executive officer and internal auditor; the review of the first draft of the 2024 remuneration policy (Section I) and of the chairperson's letter, review the annual report on the remuneration committee activities for 2023, final report on the 2021-2023 LTI cycle.	19 February 2024
Approval of the annual report on the remuneration committee activities for 2023; approval of the final 2023 MBO payout for the chief executive officer; final approval of the 2024 remuneration policy (Section I) and report on remuneration paid in 2023 (Section II) and chairperson's letter; approval for setting the 2024 MBO targets for the chief executive officer and internal auditor.	5 March 2024
Disclosure of the shareholders' vote on remuneration; update on the remuneration guidelines for the next three years; approval of new committee regulations; ratification of the 2024 MBO of the CEO.	8 May 2024
Presentation and analysis of the HR dashboard for the first half of 2024; presentation of an update on the Gender Equality Certification project.	31 July 2024
Update the Carel Group's attraction and retention policies; implementation of the 2024-2026 LTI plan (list of beneficiaries and type of plan adopted); update of Project Impulse.	23 October 2024
Setting the CEO's salary for 2025.	18 December 2024

BOARD OF DIRECTORS

At the date of this report, the current board of directors, appointed on 18 April 2024 by the shareholders in their ordinary meeting, using the list-voting mechanism, is comprised of 9 members.

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 2026.

The current board of directors comprises:

- Executive chairperson: **Luigi Rossi Luciani;**
- Deputy executive 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: **Mario Cesari**;
- Non-executive independent director: **Laura Rovizzi;**
- Non-executive independent director: **Gianluigi Vittorio Castelli.**

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 current board of statutory auditors was appointed by the shareholders in their ordinary meeting of 18 April 2024, 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 2026.

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

- Chairperson: **Paolo Prandi;**
- Standing statutory auditor: **Gianna Adami**;
- Standing statutory auditor: **Saverio Bozzolan;**
- Alternate statutory auditor: **Elena Angela Maria Valenti**;
- 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 fair and in line with the company's remuneration practices.

SHAREHOLDERS' MEETING

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 remuneration policy is submitted annually to the shareholders' meeting for a vote, or as often as the duration of the policy requires, or if particular changes occur that require approval or disapproval of the policy.

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 substantial amendments to the policy's content.

Moreover, in order to need a new vote from the remuneration committee, 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 recognise fees and remuneration in line with the most recent policy approved by the shareholders or, if this is not possible, it may continue to pay remuneration as close as possible in accordance with its existing practices. In this case, the company is required to present a revised remuneration report 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 and actuarial analyses prepared by independent experts, within the limits of its budget. The latter, having a solid and consolidated expertise in this field, can 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 of these analyses and studies is not only to monitor the adequacy of board members' and senior management's remuneration in relation to the average offered by the market for comparable roles/positions but also to accurately highlight possible differences and what actions need 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 2025 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);
- benefits.

The remuneration packages of the executive and independent directors, the chief executive officer 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 chairperson	•			•	•
Luigi Nalini, executive deputy chairperson	•			•	•
Francesco Nalini, chief executive officer	•	•	•	•	•
Carlotta Rossi Luciani, executive director	•			•	•
Cinzia Donalisio, independent director	•				
Mario Cesari, independent director	•				
Marina Manna, independent director	•				
Laura Rovizzi	•				
Gianluigi Vittorio Castelli	•				
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 rewarding 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 2025 and is therefore valid for one year.

The shareholders' meeting called for 18 April 2024 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 €1,200,000, 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.

The incoming board of directors will adhere to the guidelines of the 2025 remuneration policy and will decide the fees of the directors with special duties and the non-executive directors who participate in board committees in accordance with the applicable legislative and by-laws requirements and the resolution passed by the shareholders on 23 April 2025.

COMMITMENT TO SUSTAINABILITY – ESG

In continuity with the **Driven by the Future** plan rolled out in previous years, the new 2025-2028 sustainability plan was approved at the end of 2024. It sets out the new ESG (environment, social, governance) targets, the initiatives to be implemented and a detailed budget of the funds needed to achieve them.

With this plan, the company also confirms how the sustainability policy for the coming years absolutely must be integrated into business development and this will also be directly correlated to the remuneration policy for the company's senior management and key management personnel. Indeed, the remuneration model will be built around integrating the traditional financial and business objectives with sustainability targets approved in the plan, in particular through consistent short-term (MBO) and medium-long term (LTI) incentive systems.

The company's commitment to sustainable growth will be reflected in the following areas of action:

- Environment: by promoting climate change mitigation activities, reducing the environmental impact of its operations and products and increasing the use of recycled materials to curb the carbon footprint of purchased products;
- Social: through initiatives aimed at guaranteeing equal treatment and opportunities for all employees, improving health and safety conditions in the workplace, increasing focus on the protection of human rights and supporting social, sporting and cultural activities in the local area.
- Governance: by implementing an ISO 27001 certified security management system, updating anti-corruption policies and implementing a due diligence process on sustainability issues throughout the supply chain (assessing suppliers' ESG score and introducing a sustainability rating into the supplier management process).

In 2024, as part of the **Climate Transition Plan**, the company submitted and approved its ambitious decarbonisation plan which, over the next ten years, should lead to a major reduction in group emissions (direct and indirect) expressed in tCO2eq according to SBTIs. This transition plan assimilated into the company's business plan aims to strengthen and accelerate Carel's strategic positioning over the long term while also developing its business model and an improved, more integrated risk management.

With the approval of the new 2025-2028 sustainability plan, Carel has further consolidated its two-tiered governance structure which consists of the **board of directors** on the one hand and a **sustainability executive team** on the other.

The board of directors conferred particular proxies in the field of sustainability to the executive director Carlotta Rossi Luciani, who was also assigned the responsibility of overseeing and coordinating operational activities related to the achievement of the plan's various targets by checking their alignment with the group's business strategies.

The sustainability executive team, rather, is made up of managerial figures who hold positions particularly relevant to sustainability in the company and aims to identify priority objectives and their timelines for implementation within the overall commitments made by the group.

However, the responsibility for achieving the objectives included in the plan does not lie directly with the sustainability executive team but instead remains with the managers of the individual departments involved who must allocate resources, time and know-how to the actions necessary to achieve such goals.

Meanwhile, the sustainability executive team duly checks the progress of the projects and the achievement of the goals, promptly informing the executive director for sustainability and the CEO in the event of any significant deviations regarding the timing of target achievement.

In 2025, like in previous years, both short-term and long-term incentive plans will be closely tied to the achievement of measurable goals defined in the sustainability plan. The tie is designed as follows:

- in the case of the MBO plans, at least 20% of the nominal amount of the award is tied to achievement of specific internal sustainability indicators, as assessed by the remuneration committee with the support of the HR department;

- the 2025-2029 LTI plans provide that 30% of the nominal amount of the awards 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 integration of sustainability goals with business goals within both short-term and long-term variable incentive systems is therefore the defining element of Carel's remuneration policy, aligning it not only with the recommendations of Borsa Italiana's Code of Corporate Governance but also, and above all, with market best practices.

REMUNERATION OF THE NON-EXECUTIVE INDEPENDENT DIRECTORS

In their meeting of 18 April 2024 held to reappoint the board of directors, increasing its number from seven to nine, the shareholders set the total fixed component of the directors' remuneration as gross annual €1,200,000 for the 2024-2026 three-year period, adjusting the amount approved by the shareholders which had appointed the previous board of directors on 20 April 2021.

The different amounts of the €1,035,000 allocated to the various directors were determined according to the individual's role and responsibilities within board committees.

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

- **Cinzia Donalisio** – €80,000 gross per year, broken down as follows:
  - €55,000 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** – €80,000 gross per year, broken down as follows:
  - €55,000 as non-executive director;
  - €15,000 as chairperson of the control, risks and sustainability committee;
  - €10,000 as member of the remuneration committee.
- **Marina Manna** – €75,000 gross per year, broken down as follows:
  - €55,000 as non-executive director;
  - €10,000 as member of the control, risks and sustainability committee;
  - €10,000 as member of the remuneration committee.
- **Laura Rovizzi** – €55,000 gross per year as non-executive director.
- **Gianluigi Vittorio Castelli** – €55,000 gross per year as non-executive director.

The remuneration policy adopted for non-executive and independent directors was subject to a benchmarking analysis in 2023 by a leading consulting company, Mercer Italia, a market leader on human capital issues and actuarial and pension services.

The analysis confirmed that the fees paid to the executive directors are essentially 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 2025 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, additional agreements have not been entered into 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

As with the board of directors, the shareholders reappointed the board of statutory auditors in their ordinary meeting of 18 April 2024 for a three-year period until approval of the financial statements at 31 December 2026.

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 2023. This analysis showed that the remuneration paid to the members of the board is essentially commensurate with the commitment required and responsibilities assigned and is in line with that of their market peers.

In the 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 €135,000 per year for the full term of office, allocating this amount to three auditors according to their roles within the control body.

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

- **Paolo Prandi**, chairperson: €55,000 gross per year.
- **Gianna Adami**, standing statutory auditor: €40,000 gross per year.
- **Saverio Bozzolan**, standing statutory auditor: €40,000 gross per year.

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

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 2025 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 2025, 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 2023. 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 labour market.

The companies used in the benchmark were:

Ariston Holding	EPTA
Askoll Group	FAAC
Bosch Rexroth	Modine Pontevico
Danfoss	Renesas Electronics Europe
Danieli &C. Officine Meccaniche	Salvagnini
Electrolux	Samsung Electronics Italia
Eldor Corp.	Safilo
Elica	Schneider Electric
Eaton	Siemens
Umbragroup	

FIXED REMUNERATION

Carel has defined the 2025 fixed remuneration of the executive directors and those with special duties and key management personnel considering:

- the new operating model becoming fully up and running following Project Impulse, which revised - substantially in some cases - the actual responsibilities allocated to certain roles and the relative scope and complexity of the tasks assigned;
- 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 **47%** 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), 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:

- the market competition;
- the manager's individual performance;
- internal equity compared to other organisational levels;
- the weight of subject's role 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, always 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. As in previous years, it is designed so that the variable component 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 linked to indicators that are quantitative, representing the company's strategic and sustainability/ESG 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.

Starting from this year, in order to implement the recommendation received from the proxy advisors at the shareholders' meeting held to approve the 2024 remuneration policy, the company decided to change the consolidated EBITDA target as an economic-financial performance indicator, replacing it with the cash flow target, also measured for the entire group. Indeed, this amendment accommodates the request to adopt two separate indicators that do not overlap for the short-term (MBO) and medium- to long-term (LTI) incentive systems.

The short-term incentive plan has four targets for each senior position, as follows:

- **Two group financial performance targets**, equal to 45% of the total:
  - Group cash flow (30%);
  - Group revenue (15%).
- **Three integrated ESG & Business individual performance targets**, equal to 55% of the total. As previously stated, 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 2025 are:

- **Chief executive officer:**
  - Developing the North America business (% growth on 2024) - **20% weight**
  - Decarbonisation plan - Scope 1, 2 and 3 emissions - **20% weight**
  - Project Impulse: deploying the new operating model - **15% weight**
- **Chief financial officer:**
  - Developing the North America business (% growth on 2024) - **20% weight**
  - Decarbonisation plan - Scope 1, 2 and 3 emissions - **20% weight**
  - Project Impulse: deploying the new financial control/reporting model - **15% weight**
- **Chief HR and organisation officer**:
  - Reducing WC turnover through relevant HCM initiatives - **20% weight**
  - Maintaining ISO 125:2022 certification, improving on the 2024 score - **20% weight**
  - Project Impulse: deploying the new operating model - **15% weight**
- **Chief solutions marketing officer**:
  - Developing project channel - **20% weight**
  - Project Impulse: deploying the new operating model - **15% weight**
  - Decarbonisation plan - Scope 1, 2 and 3 emissions - **20% weight**
- **Chief technology officer**:
  - Carel Group customer quality with improved target compared to 2024 - **20% weight**

  - R&D development time, product cost/process, quality/digital tools - **15% weight**
  - Carel governance system (project Nativa - ESG) - **20% weight**
- **Chief operations officer:**
  - Group service level (average on plant turnover) - **20% weight**
  - Reducing inventory levels at production plants - **15% weight**
  - Carbon footprint - Scope 3 ESG - **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 minimum 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	€300,000	€450,000
Key management personnel (average)	0	€81,200	€121,800

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

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

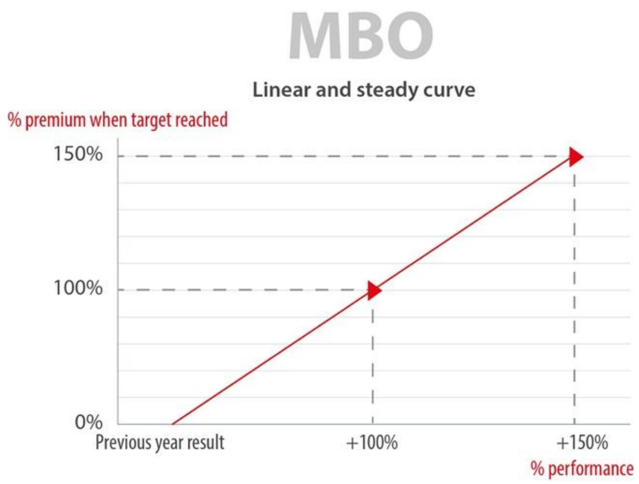
- objective circumstances that lead to the restatement of the company's financial results such to have a significant impact on the achievement of the targets;
- conduct that goes against company practice, legal and contractual regulations and the company's code of ethics;
- wilful or grossly negligent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



Calculation method: *The minimum performance gateway is the prior year result. A linear correlation is used to calculate the payout.*

Performance range: *0% - 150%*

% payout*: 0% - 150% of the target*

LONG-TERM INCENTIVE SYSTEM – LTI

Scope and characteristics

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 plan**, with a cash pay-out if the targets are met.

The beneficiaries of this system are the executive directors, the chief executive officer, 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 topics, with the new 2025-2028 sustainability plan (integrated with the business plan) approved by the board of directors on 19 December 2024.

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, approved by the shareholders at their meeting on 20 April 2021 (the “2021-2025 Plan”), and the 2021-2025 cash-settled performance plan, as detailed in the 2023 remuneration report, to which reference is made (see Section I), continue to apply in relation to the “2023-2025” vesting period.

The nature of the 2021-2025 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.

In addition, the shares vested after the first vesting cycle of the new variable long-term incentive plan were awarded on 7 November 2024 after the shareholders' approval in their meeting held on 18 April 2024.

Like the previous one, this incentive plan (**2024-2028 LTI plan**) has three-year vesting periods and objectives to be achieved on a rolling basis.

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 2024 – December 2028** (the 2024-2026 vesting period + 2027-2028 lock-up period).
  Awarded as a cash-settled performance plan to all beneficiaries on 7 November 2024;
- **second vesting period: January 2025 – December 2029** (the 2025-2027 vesting period + 2028-2029 lock-up period).
  To be assigned in 2025;
- **third vesting period: January 2026 – December 2030** (the 2026-2028 vesting period + 2029-2030 lock-up period).
  To be assigned in 2026.

As in the past, the company pursues the following objectives with its cash-settled performance incentive plans:

- allocate the same type of incentive plans to both Italian beneficiaries and beneficiaries residing abroad, for whom the only plans offered are monetary 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;
- simplify and streamline the tax treatment and administration for beneficiaries compared to that required for equity-settled plans.

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;
- guarantee a better alignment of 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).

With reference to the **2024-2028 LTI plan**, the targets assigned for each year of each three-year rolling vesting period, including for the second vesting period (2025-2027), are:

- equity-settled performance plan:

- cumulative group EBITDA [1] - 50%;
- adjusted cash conversion [2] - 20%
- ESG target – overall weight of 30% divided into two sub-targets with the same weight:
  - % reduction in pay differences between men and women for CID employees;
  - % reduction of Carel Group's direct and indirect emissions (Scope 1+2) expressed in tCO_2eq in accordance with the decarbonisation plan as per SBTI methodology.

• cash-settled performance plan:

- adjusted cumulative group EBITDA [1] - 50%
- adjusted cash conversion [2] or the regional/country turnover - 20%
- ESG target – overall weight of 30% divided into two sub-targets with the same weight:
  - % reduction in pay differences between men and women for CID employees;
  - % reduction of Carel Group's direct and indirect emissions (Scope 1+2) expressed in tCO_2eq in accordance with the decarbonisation plan as per SBTI methodology.

This target may be supplemented with other indicators for the three-year vesting period starting in 2026 depending on whether certain specific targets set out in the new sustainability plan approved by the board of directors at the end of 2024 are met.

The value of the LTI incentive plan awarded to all beneficiaries for the 2024-2026 vesting period amounts to a total of €2,070,000 and it is estimated that the value will remain more or less the same for the second cycle with the 2025-2027 vesting period.

Lastly, we note that the company has decided not to fully disclose the LTI plan objectives to the market - except for a nominal description - as they are particularly closely linked to the contents and goals of its three-year business plan. Ensuring the confidentiality of these goals is 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).

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

With reference to the 2025-2027 vesting period of the 2025-2029 LTI Plan, the minimum, target and maximum values actually achievable are as follows:

	Minimum threshold (80%)	Target threshold (100%)	Maximum threshold (120%)
Chief executive officer	€269,000	€336,000	€403,000

[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 cash conversion 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.

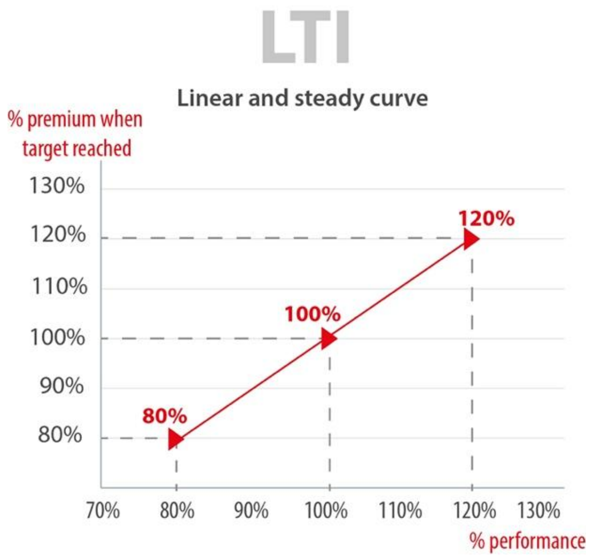
	Minimum threshold (80%)	Target threshold (100%)	Maximum threshold (120%)
Key management personnel (average)	€82,000	€103,000	€124,000

Note: *These are possible pay-outs calculated using the total nominal amounts assigned to each beneficiary for the 2025-2027 vesting period.*

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% in linear progression
> 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).



Calculation method: 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 applies differentially depending on the type of plan being awarded:
  – 10% of the shares for the equity-settled plans;
  – 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 key management personnel 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 long-term incentive plan has three-year malus and clawback clauses for the partial or complete recovery of the award (cash or shares), within three years of it being activated.

Such recovery may take place upon the occurrence of certain objectively demonstrated 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.

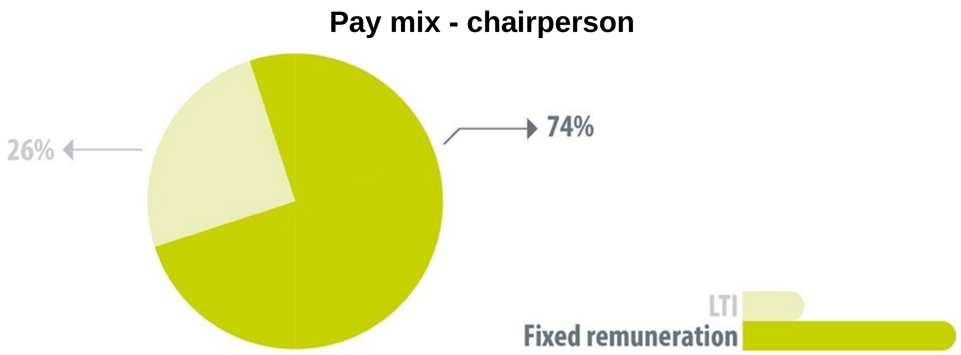
By way of example and not limited to, the amount may be withheld from remuneration, fees/salary, bonuses or end of office entitlement. The beneficiary, given prior his full acceptance of the regulations of the plans of which he is beneficiary, shall be obliged to specifically authorise this withholding 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.

2025 REMUNERATION POLICY

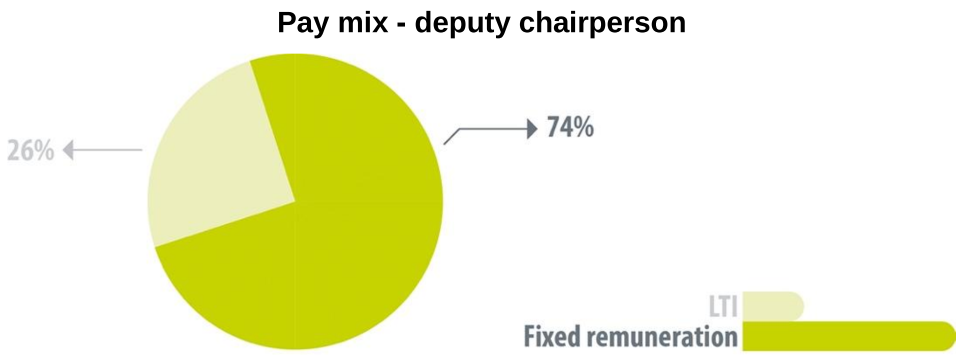
The 2025 remuneration policy for the executive directors and directors with special duties is as follows:

- **Luigi Rossi Luciani** – chairperson:
  - Fixed fee for duties assigned by the board of directors: €270,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €94,500.
  - Non-monetary benefits.
  -



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2025 award

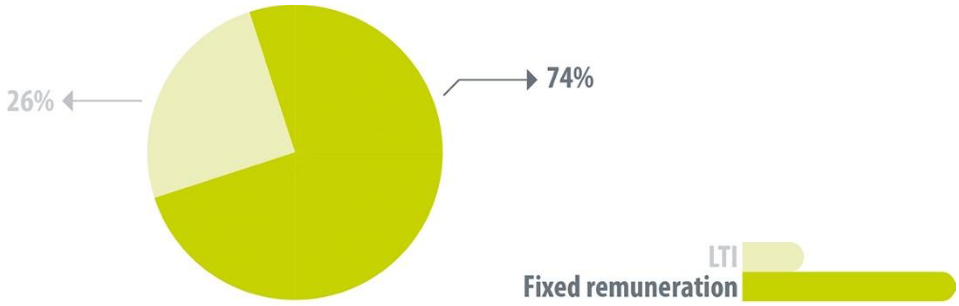
- **Luigi Nalini** – deputy chairperson:
  - Fixed fee for duties assigned by the board of directors: €200,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €70,000.
  - Non-monetary benefits.



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2025 award

- **Carlotta Rossi Luciani** – executive director with special powers:
  - Fixed fee for duties assigned by the board of directors: €120,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €42,000.
  - Non-monetary benefits.

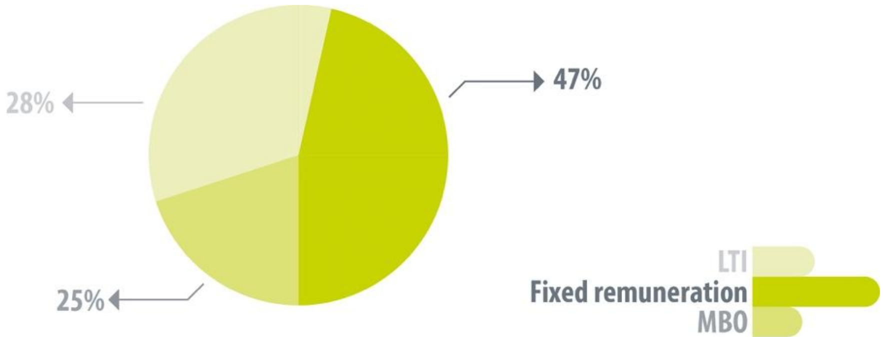
Pay mix - executive director



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2024 award

- **Francesco Nalini** – chief executive officer:
  - Fixed fee for duties assigned by the board of directors: €100,000.
  - Fixed remuneration for his employee position as the CEO: €460,000.
  - Variable short-term component (MBO) with a nominal amount of €300,000.
  - Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €336,000.
  - Non-monetary benefits.

Pay mix - CEO



Note: the 2025 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 2025 award

KEY MANAGEMENT PERSONNEL

As anticipated, the Carel Group's remuneration policy stipulates that the remuneration packages of key management personnel are composed, in a combined manner, of the following elements:

- fixed remuneration;
- short-term variable remuneration (MBO);
- long-term variable remuneration (LTI);
- non-monetary benefits.

It is understood that the specific determination, by the company, of the individual remuneration packages reserved, as appropriate, for key management personnel remains in any case subject to the due differentiations applied on the basis of the role held, the responsibilities assigned and the performance actually achieved by each individual beneficiary, as well as the negotiated outcomes of the negotiations held with the latter, always in compliance with the criteria determined by the remuneration policy adopted by the company.

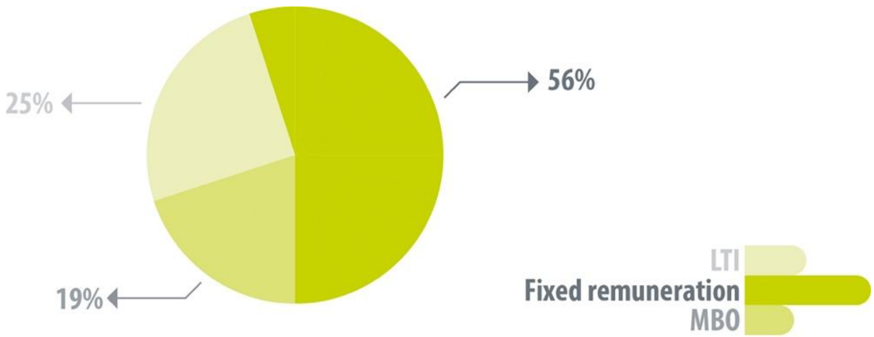
Moreover, following the adoption of the new organisational model (ref. Project Impulse), the executive structure was revised in order to align it consistently with the new and growing responsibilities assigned to the various company departments. Indeed, the new structure, which has eliminated the figure of general manager, has been built around a balanced reallocation of powers and related responsibilities to the managerial figures who head the main company departments under the new operating model.

The economic treatment for key management personnel is as follows (combined figures):

- Fixed remuneration as manager of Carel Group: €1,053,000.
- Fixed fee for positions held as directors or other positions held in other group companies (excluding the parent): €110,000.
- Variable short-term component (MBO) with a nominal amount of €406,000.
- Variable medium to long-term component (LTI) in the form of the cash-settled or equity-settled performance plans with a nominal amount of €517,000.

As in previous years, the 2025 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.

Pay mix – key management personnel



Note: the 2025 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 2025 award.

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 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.**

For other employees, in addition to MBOs, the company may grant extraordinary monetary bonuses, awarded on a discretionary basis, to reward exceptional achievements or performances particularly relevant to reaching business targets.

In addition to these one-off non-recurring incentives, the company may also award **retention bonuses** to key resources whose contribution is fundamental to the group's growth and development and who may be at risk of leaving, due to particularly competitive 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 agreements, where applicable. However, this treatment will not exceed 24 months of gross remuneration.

However, this entitlement is not paid in the event of the following two conditions:

- if termination of the relationship is due to the objectively inadequate achievement of results;
- 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.

For the directors appointed by the shareholders at their meeting held on 18 April 2024 to appoint the new board of directors, and as per the resolution of the relevant bodies, the post-term of office benefits for directors was not included in the remuneration to be paid in the event of the termination of their employment at the company, as this was deemed inconsistent with market best practices.

Furthermore, at the date of this report, the company does not have ex-ante agreements that regulate the economic treatment of employees should they depart from office or terminate their employment relationship.

As provided for in the remuneration policy described in this Section I, the company may also 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.

In this regard, when the general manager retired on 31 December 2024, it was agreed that he would continue to work on a part-time basis under a 12-month consultancy contract, i.e., until the end of 2025. The main objective of this collaboration is to help management through a coordinated and effective transition to the new organisational model adopted by the company.

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. In general, the early termination of employment relationship results in the grantee’s forfeiture from any emoluments resulting from the achievement (even partial) of the goals covered by the incentive plan itself.

DEROGATION

While stressing that the company has never derogated from the remuneration policies approved by the shareholders since its listing on the stock market, 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 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;
- 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 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 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 operational implementation procedures, any derogation of the remuneration policy shall be approved by the board of directors after consulting the remuneration committee and the HR 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 2024 TO THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND KEY MANAGEMENT PERSONNEL

This section provides a clear and comprehensive picture of the remuneration paid in 2023, 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 2024 and sets out how such remuneration contributes to the company's long-term results.

The remuneration policies of 2024 supported the achievement of growth, innovation and technological innovation objectives in line with the company's strategies for the medium to long term.

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

The coordinated pursuit of all these strategies has allowed for an outstanding economic-financial performance, even in 2024, despite the decidedly unfavourable socio-economic situation.

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 independent auditors 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 2024 remuneration policy for the board of directors was implemented, as described in Section I of the remuneration report published in 2024, 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 [3]);
- benefits provided for by the national employment contract and internal practices.
- post-term of office benefits[4].

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**: €263,333 gross as his fee for 2024[5]. On 18 April 2024, the board of directors resolved to increase the chairperson's annual gross remuneration to €270,000.
- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2022-2024 vesting period, the company, in line with the achievement of the targets for the 2022-2024 vesting period of the LTI plan, will pay €101,675.
  40% of these shares are locked up for two years.

[3] We confirm that, in relation to the 2021-2025 share plan, there has been no allocation of the right to receive shares in relation to the three vesting periods (2021-2023; 2022-2024; 2023-2025), therefore, to date, no beneficiary has been identified to whom shares are to be allocated under this plan.

[4] With the appointment of the new board of directors, it was decided to pay the post-term of office benefits to those entitled to it.

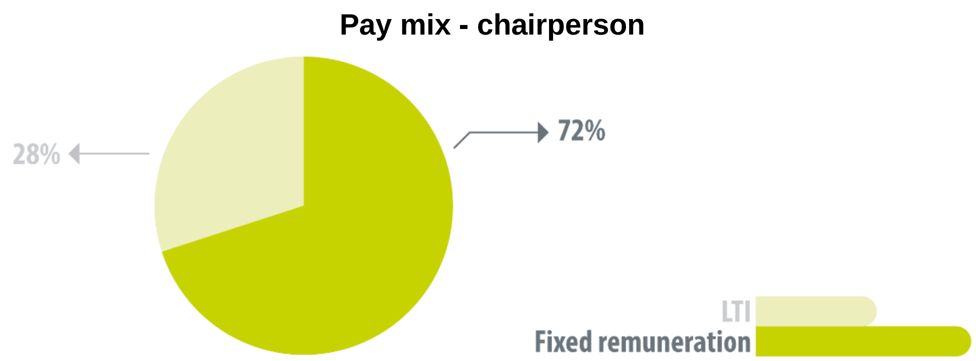
[5] The remuneration of all board members will be broken down as follows: four-twelfths as per the 2021-2023 appointment and eight-twelfths as per the 2024 appointment.

PERFORMANCE CONDITIONS						
	80% threshold	100% threshold (on target)	120% threshold	Target*	Results*	Payout
50% cumulative adj. EBITDA in the three years				303,707	360,626	118.7%
30% - adj. cash conversion in the three years				45.44%	68.30%	150%
10% - ESG target - % of female white collars hired with permanent employment contracts				30.0%	26.6%	88%
10% - ESG target - % of reduction of the production sites' CO_2 emissions (tCO_2/y)				6.0%	27.76%	462.6%

The graph shows the final achievement of the targets, confirming the excellent performance in three out of the four indicators which translates into positive share price trends to the date of preparation of this report. Although the desired target was not fully reached, in terms of the percentage of women hired, there is a steady upwards trend.

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

The resulting pay mix (if the same position is held) for 2024 is as follows:



Deputy chairperson

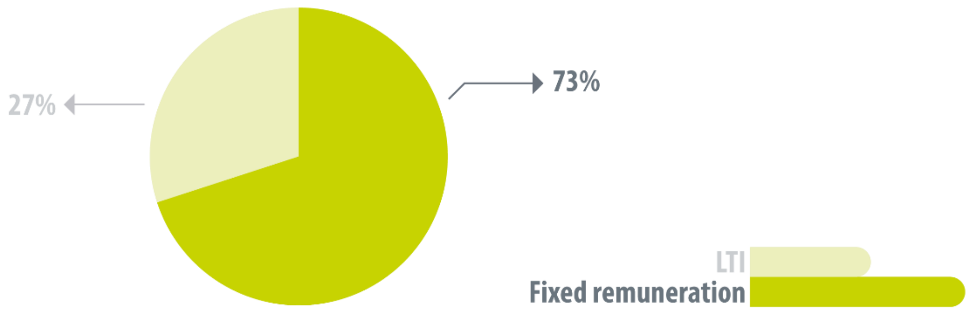
Luigi Nalini, executive deputy chairperson of the board of directors, received:

- **Fixed remuneration**: €193,333[6] gross as his fee for 2024. On 18 April 2024, the board of directors resolved to increase his annual gross remuneration to €200,000.
- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2022-2024 vesting period, the company, in line with the achievement of the targets for the 2022-2024 vesting period of the LTI plan, will pay €73,206. 40% of these shares are locked up for two years.
- **Non-monetary benefits**: company car under the mixed-use full-cost method.

[6] Calculated as per note 3.

The resulting pay mix for 2024 (if the same position is held) is as follows:

Pay mix - deputy chairperson



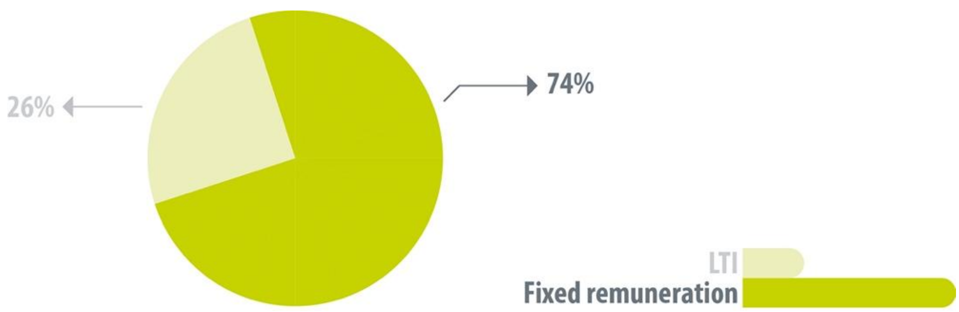
Executive director

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

- **Fixed remuneration**: €113,333[7] gross as her fee for 2024. On 18 April 2024, the board of directors resolved to increase the executive director's annual gross remuneration to €120,000 to reflect the new powers allocated.
- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2022-2024 vesting period, the company, in line with the achievement of the targets for the 2022-2024 vesting period of the LTI plan, will pay €40,670. 40% of these shares are locked up for two years.
- **Non-monetary benefits**: company car under the mixed-use full-cost method.

The resulting pay mix for 2024 (if the same position is held) is as follows:

Pay mix - executive director



Chief executive officer

Francesco Nalini, chief executive officer, received:

- **Fixed remuneration**: €90,000 gross as his fee for 2024 and €420,011 gross as a salary for his employment contract as CEO, in line with the remuneration set out in the remuneration policy for 2024 and as proposed by the remuneration committee to the board of directors, which approved it in its meeting of 18 April 2024 with the favourable opinion of the board of statutory auditors.

- **Short-term incentive**: The MBO for 2024 will be paid in 2025.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 13 March 2025, led to the board's approval of a pay-out of a €150,171 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 positive in a year still impacted by highly complex economic context and a high level of uncertainty.

Access gate (EBIT>0) Reached - Performance achieved: €66,526

PERFORMANCE CONDITIONS						
	0% threshold	100% (on target)	150% threshold	Target	Results*	Payout
35% - consolidated adjusted EBITDA				19.0%	18.1%	40.0%
15% - group turnover				677,808	578,536	0%
20% - 2024 KIONA turnover - Producing the business plan "Digital Services" 2024 - NOK				352,556	293,647	31.5%
30% - Decarbonisation plan - Reducing direct and indirect emissions of Carel operating plants expressed in tCO2eq at 31 December 2024 vs 31 December 2023				16.0%	30.1%	150%

*value in €'000

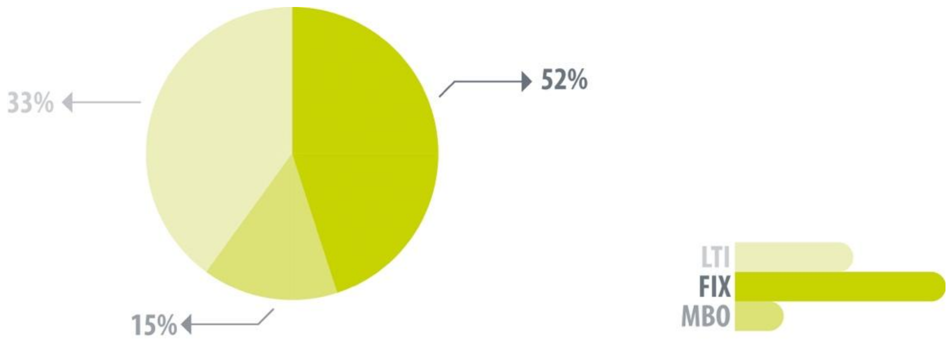
- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2021-2024 vesting period, the company, in line with the achievement of the targets for the 2021-2024 vesting period of the LTI plan, will pay €320,712. 40% of these shares are locked up for two years.

As described above, the first 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 resulting pay mix for 2024 (if the same position is held) is as follows:

Pay-mix - CEO



Independent directors

The independent directors received their fees in line with that established by the remuneration policy for 2024:

- **Cinzia Donalisio**: an overall annual fee of €78,333[8] for her position as director. On 18 April 2024, the board of directors resolved to increase the annual gross remuneration of the members of the board of directors to €55,000, of the chairperson of the remuneration committee to €15,000 and of the members of the control, risks and sustainability committee to €10,000.
- **Marina Manna**: an overall annual fee of €78,333[9] for her position as director. On 18 April 2024, the board of directors resolved to increase the annual gross remuneration of the members of the board of directors to €55,000, of the chairperson of the remuneration committee to €15,000 and of the members of the remuneration committee to €10,000.
- **Mario Cesari**: an overall annual fee of €50,000, corresponding to the pro-rata amount of the annual remuneration due for the months in office (appointed by the shareholders on 18 April 2024): including a gross annual fee of €55,000 for his position as director, €10,000 for his position as member of the control, risks and sustainability committee and €10,000 gross for his position as member of the remuneration committee.
- **Laura Rovizzi**: an overall annual fee of €36,666, corresponding to the pro-rata amount of the annual remuneration due for the months in office (appointed by the shareholders on 18 April 2024): including a gross annual fee of €55,000 for her position as director.
- **Gianluigi Castelli**: an overall annual fee of €36,666, corresponding to the pro-rata amount of the annual remuneration due for the months in office (appointed by the shareholders on 18 April 2024): including a gross annual fee of €55,000 for his position as director.

Moreover, Maria Grazie Filippini, in office from 1 January 2024 to 18 April 2024, received a fee of €21,000, corresponding to the pro-rata amount of the annual fee of €70,000 due as a member of the board of directors and of committees.

[8] Broken down as follows: four-twelfths as per the 2021-2024 appointment and eight-twelfths as per the 2024 appointment.

[9] Broken down as follows: four-twelfths as per the 2021-2024 appointment and eight-twelfths as per the 2024 appointment.

BOARD OF STATUTORY AUDITORS

On 18 April 2024, the board of directors resolved to increase the annual remuneration of the members of the board of statutory auditors to €135,000, as follows:

- **Paolo Prandi (Chairperson)**: the amount received for 2024 was €50,573[10]. The remuneration for the new appointment will be €55,000.
- **Saverio Bozzolan**: the amount received for 2024 was €35,573. The remuneration for the new appointment will be €40,000.
- **Gianna Adami**: the amount received for 2024 was €28,196, corresponding to the pro-rata amount of the annual fee for the months in office. The remuneration for the new appointment will be €40,000.

Moreover, Claudia Civolani, in office from 1 January 2024 to 18 April 2024, received a fee of €7,377, corresponding to the pro-rata amount of the annual fee.

GENERAL MANAGER AND KEY MANAGEMENT PERSONNEL

The 2024 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 fixed remuneration as senior manager for a total of €278,334 in line with that set out in the 2024 remuneration policy.
- **Short-term incentive**: The MBO for 2024 will be paid in 2025.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 13 March 2025, led to the board's approval of a pay-out of a €71,820 gross as shown below.

Access gate (EBIT>0) Reached - Performance achieved: €66,526

PERFORMANCE CONDITIONS				
	0% threshold	100% threshold (on target)	150% threshold	Result
35% - consolidated adjusted EBITDA				40%
15% - group turnover				0%
20% - individual performance target				31.5%
30% - ESG target				150%

[10] Broken down as follows: four-twelfths as per the 2021-2024 appointment and eight-twelfths as per the 2024 appointment.

- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2021-2024 vesting period, the company, in line with the achievement of the targets for the 2022-2024 vesting period of the LTI plan, will pay €147,458. 20% of these shares are locked up for two years.

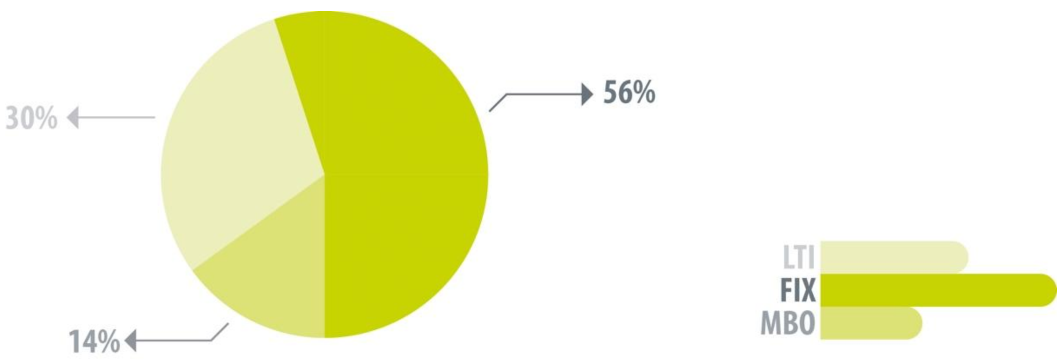
As described above, the first vesting period ended with a very positive pay-out, reflecting the group's excellent performance in the three years.

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

Moreover, Giandomenico Lombello received €119,459 as post entitlement benefits following his retirement.

The resulting pay mix for 2024 (if the same position is held) is as follows:

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 €819,097 gross.
- **Short-term incentive**: The MBO for 2024 will be paid in 2025.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 13 March 2025, led to the board's approval of a total pay-out of €217,041 gross, based on the average performances described below.

Access gate (EBIT>0) Reached - Performance achieved: €66,526

PERFORMANCE CONDITIONS	0% threshold	100% threshold (on target)	150% threshold	Result
35% cumulative adjusted EBITDA				40%
15% - group turnover				0%
20% - individual performance target				110%
30% - ESG target				144%

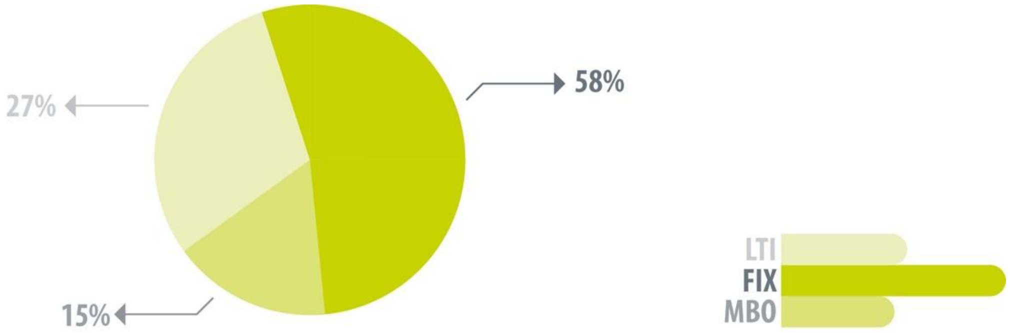
- **Long-term incentive**: after the board of directors checked that the performance targets had been met on 13 March 2025 and approved the consolidated financial statements for the last year of the 2021-2024 vesting period, the company, in line with the achievement of the targets for the 2021-2024 vesting period of the LTI plan, will pay €379,103. 20% of these shares are locked up for two years.

As described above, the first 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 resulting pay mix for 2024 (if the same position is held) is as follows:

Pay mix – key management personnel



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 2024 for the discontinuation of positions or termination of employment relationships.

In 2024, the board of directors decided to pay the post-term of office benefits to all board members, as follows:

- Luigi Rossi Luciani: €433,900 as executive chairperson;
- Luigi Nalini: €294,958 as deputy executive chairperson;
- Carlotta Rossi Luciani: €83,160 as executive director;
- Francesco Nalini: €73,750 as chief executive officer;
- Cinzia Donalisio: €67,812 as non-executive independent director;
- Marina Manna: €67,500 as non-executive independent director;
- Maria Grazia Filippini: €31,150 as non-executive independent director.

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 2022, 2023 and 2024 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 2024, the MBO and LTI) to the average remuneration of the employees of the Italian Carel Group companies 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.

	2022 fixed remuneration	2022 total remuneration	2022 total/ 2021 total	2023 fixed remuneration	2023 total remuneration	2023 total/ 2022 total	2024 total fixed	2025 total remuneration	2025 total/ 2024 total
Group turnover from core business		540,786,009	30.1%		650,243,002	20.2%		578,536,012	-11.0%
Group adjusted EBITDA		540,786,009	30.1%		138,246,067	20.5%		104,715,018	-24.3%
CHAIRPERSON Luigi Rossi Luciani	250,000	384,403	14%	250,000	351,763	-8.5%	263,333	365,008	3.8%
DEPUTY CHAIRPERSON Luigi Nalini	180,000	276,785	14%	180,000	253,269	-8.5%	193,333	266,539	5.2%
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	100,000	132,262	-2%	100,000	140,705	6.4%	113,333	154,003	9.5%
CHIEF EXECUTIVE OFFICER Francesco Nalini	460,000	1,130,304	15%	490,011	1,085,665	-3.9%	510,011	980,894	-9.7%
GENERAL MANAGER Giandomenico Lombello	282,000	609,813	13%	311,289	609,248	-0.1%	278,334	497,613	-18.3%
Standing statutory auditor Paolo Prandi (Chairperson)	40,000	40,000	0%	40,000	40,000	0%	50,574	50,574	26.4%
Standing statutory auditor Saverio Bozzolan	25,000	25,000	-17%	25,000	25,000	0%	35,574	35,574	42.3%
Standing statutory auditor Claudia Civolani	25,000	25,000	0%	25,000	25,000	0%	7,377	7,377	-70.5%
Standing statutory auditor Gianna Adami	-	-	-	-	-	-	28,197	28,197	NA
Italian employees	37,188	43,960	2%	37,953	43,386	-1.3%	40,231	44,633	2.9%

PAY RATIO/ITALIAN EMPLOYEES	2022	2022	2023	2023	2024	2024
CHAIRPERSON Luigi Rossi Luciani	7	9	7	8	7	8
DEPUTY CHAIRPERSON Luigi Nalini	5	6	5	6	5	6
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	3	3	3	3	3	3
CHIEF EXECUTIVE OFFICER Francesco Nalini	12	26	13	25	13	22
GENERAL MANAGER Giandomenico Lombello	8	14	8	14	7	11
Standing statutory auditor Paolo Prandi (Chairperson)	0.9	0.9	1.1	0.9	1.3	1.1
Standing statutory auditor Saverio Bozzolan	0.6	0.6	0.7	0.6	0.9	0.8
Standing statutory auditor Claudia Civolani[11]	0.6	0.6	0.7	0.6	0.2	0.2

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

On 18 April 2024, 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 2024 (99.13% 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 2024 that would have made derogation from the remuneration policy for that year as approved by the shareholders on 18 April 2024 necessary.

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

[11] As an outgoing statutory auditor, the pay ratio for 2024 cannot be compared with previous years;

SECOND PART - TABLES

The following tables show: (i) in Table 1, the remuneration of the individual directors, statutory auditors and 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 2024; (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

						Non-equity-settled variable remuneration						
Name	**Position**	**Period of office**	**End of term of office**	**Fixed remuneration**	**Fee for participation in committee meetings**	**Bonuses 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**
Luigi Rossi Luciani	Executive chairperson	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				263,333				3,759		267,093		433,900
(II) Remuneration from subsidiaries and associates												
(III) Total				263,333				3,759		267,093		433,900
Luigi Nalini	Deputy chairperson (with acting role)	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				193,333				3,270		196,603		294,958
(II) Remuneration from subsidiaries and associates												
(III) Total				193,333				3,270		196,603		294,958
Francesco Nalini	Chief executive officer	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				510,011		150,171		7,171		667,353		83,160
(II) Remuneration from subsidiaries and associates												
(III) Total				510,011		150,171		7,171		667,353		83,160
Carlotta Rossi Luciani	Executive director	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				113,333				2,514		115,847		73,750

						Non-equity-settled variable remuneration						
Name	**Position**	**Period of office**	**End of term of office**	**Fixed remuneration**	**Fee for participation in committee meetings**	**Bonuses 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**
(II) Remuneration from subsidiaries and associates												
(III) Total				113,333				2,514		115,847		73,750
Cinzia Donalisio	Independent director	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				53,333	25,000					78,333		67,813
(II) Remuneration from subsidiaries and associates												
(III) Total				53,333	25,000					78,333		67,813
Marina Manna	Independent director	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				53,333	25,000					78,333		67,500
(II) Remuneration from subsidiaries and associates												
(III) Total				53,333	25,000					78,333		67,500
Maria Grazia Filippini	Independent director	01/01/2024 18/04/2024										
(I) Remuneration from the company preparing the financial statements				16,000	5,000					21,000		31,150
(II) Remuneration from subsidiaries and associates												
(III) Total				16,000	5,000					21,000		31,150
Mario Cesari	Independent director	18/04/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				30,000	20,000					50,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				30,000	20,000					50,000		
Gianluigi Vittorio Castelli	Independent director	18/04/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				36,667						36,667		
(II) Remuneration from subsidiaries and associates												
(III) Total				36,667						36,667		
Laura Rovizzi	Independent director	18/04/2024 31/12/2024										

						Non-equity-settled variable remuneration						
Name	**Position**	**Period of office**	**End of term of office**	**Fixed remuneration**	**Fee for participation in committee meetings**	**Bonuses 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**
(I) Remuneration from the company preparing the financial statements				36,667						36,667		
(II) Remuneration from subsidiaries and associates												
(III) Total				36,667						36,667		
Paolo Prandi	Chairperson of the board of statutory auditors	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				50,574						50,574		
(II) Remuneration from subsidiaries and associates												
(III) Total				50,574						50,574		
Saverio Bozzolan	Chairperson of the board of statutory auditors	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				35,574						35,574		
(II) Remuneration from subsidiaries and associates												
(III) Total				35,574						35,574		
Claudia Civolani	Standing statutory auditor	01/01/2024 18/04/2024										
(I) Remuneration from the company preparing the financial statements				7,377						7,377		
(II) Remuneration from subsidiaries and associates												
(III) Total				7,377						7,377		
Gianna Adami	Standing statutory auditor	18/04/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				28,197						28,197		
(II) Remuneration from subsidiaries and associates												
(III) Total				28,197						28,197		
Giovanni Fonte	Alternate statutory auditor	01/01/2024 31/12/2024										
(I) Remuneration from the												

						Non-equity-settled variable remuneration						
Name	**Position**	**Period of office**	**End of term of office**	**Fixed remuneration**	**Fee for participation in committee meetings**	**Bonuses 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**
company preparing the financial statements												
(II) Remuneration from subsidiaries and associates												
(III) Total												
Fabio Gallio	Alternate statutory auditor	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements												
(II) Remuneration from subsidiaries and associates												
(III) Total												
Enrico Pioselli	Alternate statutory auditor	24/09/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements												
(II) Remuneration from subsidiaries and associates												
(III) Total												
Camilla Menini	Alternate statutory auditor	24/09/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements												
(II) Remuneration from subsidiaries and associates												
(III) Total												
Giandomenico Lombello	General manager	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				275,002		71,821		5,012		351,853		119,459
(II) Remuneration from subsidiaries and associates												
(III) Total				275,002		71,821		5,012		351,853		119,459
Key management personnel	Key management personnel	01/01/2024 31/12/2024										
(I) Remuneration from the company preparing the financial statements				744,079		217,041		20,009		981,129		

						Non-equity-settled variable remuneration						
Name	Position	Period of office	End of term of office	Fixed remuneration	Fee for participation in committee meetings	Bonuses 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
(II) Remuneration from subsidiaries and associates				75,018						75,018		
(III) Total				819,097		217,041		20,009		1,056,147		

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

			Financial instruments granted in previous years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and to be assigned		Financial instruments for the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument	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
Luigi Rossi Luciani	Executive chairperson												
(I) Remuneration from the company preparing the financial statements		07/09/2018			8,446	81,276	three-year	01/10/2018	8.88		9,364.92	174,544	
		11/11/2019			5,536	75,192	three-year	01/12/2019	13.55		6,643.00	149,002	
		06/11/2020			4,366	75,997	three-year	19/11/2020	17.18				36,479
(II) Remuneration from subsidiaries and associates													
(III) Total					18,348	232,465					16,007.92	323,547	36,479
Luigi Nalini	Deputy chairperson (with acting role)												
(I) Remuneration from the company preparing the financial statements		07/09/2018			6,081	58,517	three-year	01/10/2018	8.88		6,743	125,669	
		11/11/2019			3,986	54,139	three-year	01/12/2019	13.55		4,783	107,283	
		06/11/2020			3,144	54,726	three-year	19/11/2020	17.18				26,269
(II) Remuneration from subsidiaries and associates													
(III) Total					10,067	112,656							26,269
Francesco Nalini	Chief executive officer												
(I) Remuneration from the company preparing the financial statements		07/09/2018			15,068	144,999	three-year	01/10/2018	8.88		16,708	311,405	
		11/11/2019			13,285	180,441	three-year	01/12/2019	13.55		15,942	357,579	
		06/11/2020			12,224	212,778	three-year	19/11/2020	17.18				102,134
(II) Remuneration from subsidiaries and associates													

			Financial instruments granted in previous years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and to be assigned		Financial instruments for the year
A	B	1	2	3	4	5	6	7	8	9	10	11	12
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument	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
(III) Total					40,577	538,218							102,134
Carlotta Rossi Luciani	Executive director												
(I) Remuneration from the company preparing the financial statements		07/09/2018			2,027	19,506	three-year	01/10/2018	8.88		2,248	41,898	
		11/11/2019			2,790	37,895	three-year	01/12/2019	13.55		3,348	75,095	
		06/11/2020			1,048	18,242	three-year	19/11/2020	17.18				8,756
(II) Remuneration from subsidiaries and associates													
(III) Total					5,865	75,643							8,756
Giandomenico Lombello	General manager												
(I) Remuneration from the company preparing the financial statements		07/09/2018			7,975	76,743	three-year	01/10/2018	8.88		8,843	164,817	
		11/11/2019			6,851	93,052	three-year	01/12/2019	13.55		8,221		
		06/11/2020			6,101	106,198	three-year	19/11/2020	17.18				50,975
(II) Remuneration from subsidiaries and associates													
(III) Total					20,927	275,993							50,975
Key management personnel	Key management personnel (4)												
(I) Remuneration from the company preparing the financial statements		07/09/2018			24,017	231,116	three-year	01/10/2018	8.88		18,034	336,111	
		11/11/2019			18,663	253,486	three-year	01/12/2019	13.55		15,767	353,654	
		06/11/2020			15,718	273,597	three-year	19/11/2020	17.18				131,327
(II) Remuneration from subsidiaries and associates													
(III) Total					58,398	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	2B	2C	3A	3B	3C	4
Name	**Position**	**Plan**	**Award for the year**			**Previous year award**			**Other bonuses**
			To be paid/paid	**Deferred**	**Deferral period**	**No longer available**	**To be paid/paid (1)**	**Still deferred**	
Luigi Rossi Luciani	Chairperson								
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021			2026		61,058	40,705	
(II) Remuneration from subsidiaries and associates									
(III) Total							61,058	40,705	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	61,005	40,670	2027				
(II) Remuneration from subsidiaries and associates									
(III) Total			61,005	40,670					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		87,500	2025				
(II) Remuneration from subsidiaries and associates									
(III) Total			-	87,500					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		94,500	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total				94,500					
(III) Total			**61,005**	**222,670**			**61,058**	**40,705**	
Luigi Nalini	Deputy chairperson								
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021			2026		43,961	29,308	
(II) Remuneration from subsidiaries and associates									
(III) Total							43,961	29,308	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	43,924	29,282	2027				
(II) Remuneration from subsidiaries and associates									
(III) Total			43,924	29,282					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		63,000	2025				
(II) Remuneration from subsidiaries and associates									
(III) Total				63,000					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		70.00	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total				70,000					
(III) Total			**43,924**	**162,282**			**43,961**	**29,308**	
Francesco Nalini	Chief executive officer								
(I) Remuneration from the company preparing the financial statements		MBO 2024	150,171						
		LTI 04/11/2021			2026		188,406	125,604	
(II) Remuneration from subsidiaries and associates									
(III) Total			150,171	0			188,406	125,604	

A	B	1	2A	2B	2C	3A	3B	3C	4
Name	**Position**	**Plan**	**Award for the year**			**Previous year award**			**Other bonuses**
			To be paid/paid	**Deferred**	**Deferral period**	**No longer available**	**To be paid/paid (1)**	**Still deferred**	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	192,427	128,285	2027				
(II) Remuneration from subsidiaries and associates									
(III) Total			192,427	128,285					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		294,000	2025				
(II) Remuneration from subsidiaries and associates									
(III) Total			-	294,000					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		312,000	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total				312,000					
(III) Total			**342,598**	**734,285**			**188,406**	**125,604**	
Carlotta Rossi Luciani	Executive director								
(I) Remuneration from the company preparing the financial statements									
			-						
		LTI 04/11/2021			2026		24,423	16,282	
(II) Remuneration from subsidiaries and associates									
(III) Total							24,423	16,282	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	24,402	16,268	2027				
(II) Remuneration from subsidiaries and associates			-						
(III) Total			24,402	16,268					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		35,000	2025				
(II) Remuneration from subsidiaries and associates			-						
(III) Total				35,000					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		42,000	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total				42,000					
(III) Total			**24,402**	**93,268**			**24,423**	**16,282**	
Giandomenico Lombello	General manager								
(I) Remuneration from the company preparing the financial statements		MBO 2024	71,821						
		LTI 04/11/2021			2026		118,068	29,517	
(II) Remuneration from subsidiaries and associates									
(III) Total							118,068	29,517	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	117,966	29,492	2027				
(II) Remuneration from subsidiaries and associates									
(III) Total			117,966	29,492					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		139,050	2025				
(II) Remuneration from subsidiaries and associates			-						

A	B	1	2A	2B	2C	3A	3B	3C	4
Name	Position	Plan		Award for the year			Previous year award		Other bonuses
			To be paid/paid	Deferred	Deferral period	No longer available	To be paid/paid (1)	Still deferred	
(III) Total			-	139,050					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		0	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total									
(III) Total			**189,787**	**168,542**			**118,068**	**29,517**	
Key management personnel	Key management personnel (4)								
(I) Remuneration from the company preparing the financial statements		MBO 2024	217,041						
		LTI 04/11/2021			2026		289,727	72,432	
(II) Remuneration from subsidiaries and associates									
(III) Total			217,041	0			289,727	72,432	
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	303,282	75,821	2027				
(II) Remuneration from subsidiaries and associates									
(III) Total			303,282	75,821					
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023		355,050	2025				
(II) Remuneration from subsidiaries and associates									
(III) Total			-	355,050					
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		366,300	2026				
(II) Remuneration from subsidiaries and associates									
(III) Total				366,300					
(III) Total			**520,323**	**797,171**			**289,727**	**72,432**	

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.	17,154	0	0	17,154
Luigi Rossi Luciani	Chairperson	Carel Industries S.p.A.	8,804	0	6,736	2,068
Francesco Nalini	Chief executive officer	Carel Industries S.p.A.	27,358	0	21,000	6,358
Carlotta Rossi Luciani	Director	Carel Industries S.p.A.	3,915	0	3,400	515
Giandomenico Lombello	General manager	Carel Industries S.p.A.	10,125	0	0	10,125
Key management personnel		Carel Industries S.p.A.	15,025	600	5,953	9,672

*acquired free of charge under the LTI plan

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